

Wasaga Distribution Inc.
VECC/OEB Reply Submission
2010 IRM 2
EB-2010-0143

February 04, 2011

Ontario Energy Board
2300 Yonge Street
26th Floor
P.O. Box 2319
Toronto, ON
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

and

Mr. Michael Buonaguro, Counsel
c/o Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto, ON
M5C 2X8

and

Dr. Robert Higgin
Econalysis Consulting Service
34 King Street East, Suite 1102
Toronto, ON
M5C 2X8

Dear Madam and Sirs:

Re: Wasaga Distribution Inc. – 2011 IRM2 Rate Application
Licence ED-2002-0544; Board File No. EB-2010-0143

Enclosed please find Wasaga Distribution's response to VECC and OEB Board Staff Final Submission of January 14, 2011. Should you have any questions please do not hesitate to contact the writer.

Yours very truly,

Original signed by

Joanne Tackaberry, CGA
Manager, Administrative & Financial Services
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Wasaga Distribution Incorporated
Reply Submission
VECC & OEB Board Staff

2011 IRM2 Electricity Distribution Rates
EB-2010-0143

Introduction

This is a reply submission of Wasaga Distribution Incorporated (Wasaga) in regard to its 2011 2nd Generation Incentive Regulation Mechanism for an order approving just and reasonable rates for the distribution of electricity effective May 01, 2011 (Application). Wasaga's submission is filed in reply to submissions filed by Ontario Energy Board Staff (Board Staff) and Vulnerable Energy Consumers Coalition (VECC) January 14, 2011.

The Applicant Wasaga Distribution Inc. (Wasaga) is a municipally owned distribution company licensed by the Ontario Energy Board (ED-2002-0544). The company is an electricity distributor serving the urban area of Wasaga Beach.

Wasaga filed the application September 27, 2010 under section 78 of the Ontario Energy Board Act, 1998. Wasaga submitted its responses to interrogatories from OEB and VECC on December 06, 2010.

Reply Submission – VECC & Board Staff

LRAM & SSM– Third Tranche CDM

Wasaga recognized and seeks to be in compliance with the OEB's direction letter, Conservation and Demand Management (CDM) Input Assumptions Board File No. EB-2008-0352, January 27, 2009. As such, Wasaga and Burman Energy sought assistance in the interpretation on the appropriate application of assumptions and measures for both LRAM and SSM calculations. In its October 8th decision and order regarding Horizon Utilities' recovery of amounts related to Conservation and Demand Management, the OEB indicated that:

"...the filing guidelines cannot reasonably be expected to address every possible scenario that may be faced by Ontario's regulated distributors. What is clear is the underlying principle of LRAM, which is that the distributors are to be kept whole for revenue that they have foregone as a direct consequence of implementing CDM programs. Accordingly, in the absence of clear direction from the filing guidelines to the contrary, utilities should always use the most current input assumptions which have

been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs.”

In response to this direction, Horizon Utilities recalculated LRAM using the most recent assumptions and measures as directed for 2005 and 2006 which persisted in 2007 and 2008 only. No revisions were made retroactively to results which occurred in 2005 and 2006. These revised calculations were performed to VECC group’s satisfaction (Comments on Draft Rate Order, dated October 21, 2009) and were subsequently approved as part of the OEB’s final rate order for Horizon Utility, October 23, 2009.

Wasaga assessed this precedent to limit the retroactive application for the most recent assumptions and measures to one year prior to the publication. Wasaga submits that this precedent illustrates acceptance of the retroactive application of newer assumptions and measures to the beginning of that year. This was considered a reasonable position given the absence of any published updates until 2009, and is also consistent with the example within the Guidelines and Policy Letter of January 27, 2009, quoted in VECC’s interrogatories:

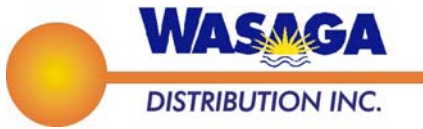
*“The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in Section 7.5.
For example, if any input assumptions **change in 2007**, those changes should apply for LRAM purposes **from the beginning of 2007 onwards** until changed again.”*

Wasaga further submits the application of the most recent OPA assumptions and measures be applied in LRAM calculations that were endorsed by the OEB in 2009. Applying the aforementioned interpretation, it was deemed appropriate to apply the more recent assumptions and measures retroactively for 2009 only.

Consistent with the Horizon Decision and Order, Wasaga submits that no further adjustment be made to the SSM calculations.

The statement by VECC that Wasaga “...has gone against the independent third party review by Burman Consulting...” is interpreted to imply that Burman Energy was not involved in the subsequent review and revisions resulting from VECC interrogatories. Wasaga denies that this is the case and submits that the revised calculations have been prepared by Burman Energy. Wasaga also notes VECC has not provided evidence to support their assumptions.

Wasaga accepts OEB staff endorsement of the process and results for determining LRAM/SSM amounts. However, the statement referencing the use of outdated assumptions is in conflict with Board and staff recognition of the adoption of OPA assumptions and measures January 27, 2009. Applying these new assumptions and



measures retroactively for all years would represent an inconsistency with the Horizon decision. This inconsistency was discovered only upon detailed review of the LRAM assumptions in response to VECC interrogatories.

In addition, Wasaga submits that since the OEB endorsement of the OPA assumptions and measures did not occur until 2009, 2005 assumptions and measures represents that best available and most reliable for the years 2005, 2006, 2007 and 2008. Wasaga submits that no official adoption of new assumptions and measures until 2009 supports this position. In lieu of annual approved updates to assumptions and measures, Wasaga respectfully submits the revised calculations in response to VECC interrogatories apply the correct assumptions and measures in recognition of this, represent correct application of the CDM Guidelines and directional letter and keep the utility whole. Wasaga therefore requests, the calculation of the LRAM of \$144,580.93 and the SSM of \$7,702.06 be approved by the Board.

Wasaga notes that VECC has identified the same concern relating to the LRAM and SSM component in several 2011 LDC rate applications. Wasaga understands intervenors recover their costs for their prudent review of those applications and preparation of interrogatories. Many LDC's received the same detailed interrogatories from VECC. Therefore, Wasaga submits any cost awards approved by the Board to reimburse VECC, should be based on one (1) interrogatory and submission only and not duplicated for subsequent inclusion in other LDC application interventions.

All of which is respectfully submitted,

Original signed by

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