



**PUBLIC INTEREST ADVOCACY CENTRE
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January 23, 2012

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)
Parry Sound Power Corporation EB-2011-0193
Final Submissions of VECC**

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Parry Sound Power Corporation
Mr. Miles Thompson

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by Parry Sound Power Corporation for an order or orders approving or fixing just and reasonable distribution rates to be effective January 1, 2012.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

January 23, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Parry Sound Power Corporation (“Parry Sound Power”, “the Applicant”, or “the Utility”) filed an application (“the Application”) with the Ontario Energy Board (“the Board” or “the OEB”), under section 78 of the *Ontario Energy Board Act, 1998* for electricity distribution rates effective January 1, 2012. The Application was filed in accordance with the OEB’s guidelines for 3rd Generation Incentive Regulation which provides for a mechanistic and formulaic adjustment to distribution rates between cost of service applications.
- 1.2 The Board made provision in the Interim Rate Order and Procedural Order No. 1 to re-open the public record and allow Parry Sound Power’s LRAM evidence to be heard as part of the Application. The following section sets out VECC’s final submissions regarding this aspect of the application.

2 Lost Revenue Adjustment Mechanism (LRAM)

- 2.1 Parry Sound Power is applying to the Board in this application for the recovery of lost revenue of \$50,034.24 through one year rate riders effective January 1, 2012 in relation to Third Tranche and OPA CDM program activities. In this application, Parry Sound Power is not applying for carrying charges on LRAM amounts.¹
- 2.2 In its 2011 Cost of Service application (EB-2010-0140), the Board approved Parry Sound Power’s LRAM request (updated for 2009 program results) for 2005-2009 program results as well as persistent results to the end of 2009.² The Board also approved Parry Sound Power’s SSM recovery of \$2,399.42.³
- 2.3 In this application, Parry Sound Power seeks lost revenues in 2010 from 2010 CDM program results, persistent 2010 program results in 2011 and persistent 2005 to 2009 CDM program results in 2010 and 2011.
- 2.4 Parry Sound Power confirmed that the LRAM amounts in this application are new amounts not included in past LRAM claims.⁴

¹ Response to VECC Interrogatory # 1 (d)

² Response to Board Staff Interrogatory # 1 (c)

³ Burman Energy Report, LRAM Support (December 6, 2011), Page 2, Response to VECC Interrogatory # 1 (a)

⁴ Response to VECC Interrogatory # 1 (b)

- 2.5 The most recently published OPA Final 2010 CDM Detailed Results released November 15, 2011 were used to calculate LRAM amounts.⁵
- 2.6 In the Board's Decision in the Horizon Application (EB-2009-0192), the Board indicated that distributors are to use the most current input assumptions which have been adopted by the Board when preparing their LRAM recovery as these assumptions represent the best estimate of the impacts of the programs.
- 2.7 VECC accepts for LRAM purposes, the OPA verification of the energy savings for Parry Sound Power's OPA-funded CDM programs.
- 2.8 Based on Parry Sound Power's interrogatory responses, VECC accepts that CDM measures that expired prior to 2010 are not included in the proposed 2010 LRAM claim and measures that expired in 2010 are not included in the proposed 2011 savings.

Load Forecast

- 2.9 As part of Parry Sound Power's 2011 Cost of Service (COS) Application (EB-2010-0140), the load forecast was updated for rates effective January 1, 2011. Parry Sound Power indicates that it included the OPA mandate CDM amounts in the 2011 load forecast.⁶
- 2.10 The Board's Guideline states "The LRAM is determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class. The calculation does not include any Regulatory Asset Recovery rate riders, as these funds are subject to their own independent true-up process. Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time."⁷
- 2.11 In the recent Hydro Ottawa Decision (EB-2011-0054), the Board disallowed a true-up of the effects of CDM. The Board noted firstly, that the Board's CDM Guidelines do not consider symmetry with respect to LRAM; and secondly, that there have been expectations related to LRAM including no-true up of the effects of CDM activities embedded in a rebasing year.⁸
- 2.12 VECC notes that in other recent Decisions, the Board disallowed LRAM claims in the rebasing year and beyond for CDM programs implemented prior to (and

⁵ Burman Energy Report, LRAM Support (December 6, 2011), Page 2

⁶ Response to Board Staff Interrogatory # 1 (e)

⁷ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

⁸ EB-2011-0054 Hydro Ottawa Decision, Page 24

including) the rebasing year.

- 2.13 In the Whitby Hydro Decision (EB-2011-0206), the Board disallowed the LRAM claim for the rebasing year as the Board is of the view that it is not appropriate to vary from the stated policy which states that lost revenues are only accruable until new rates are set by the Board, as the CDM savings would be assumed to be incorporated in the load forecast at that time.⁹ In the Hydro One Brampton Decision (EB-2011-0174), the Board found the request for LRAM in 2011 (its rebasing year) inconsistent with the Guidelines and agreed these savings should have been incorporated into the 2011 load forecast at the time of rebasing.¹⁰

2005 to 2010 CDM Programs – Recovery of Lost Revenue in 2011

- 2.14 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from the impact of Third Tranche CDM programs implemented from 2005 to 2008 and OPA CDM programs implemented from 2006 to 2010¹¹ are not accruable in 2011 as savings should have been incorporated in the 2011 load forecast at the time of rebasing.

2005 to 2010 CDM Programs – Recovery of Lost Revenue in 2010

- 2.15 VECC supports the approval of the lost revenues requested by Parry Sound Power in 2010 from the impact of Third Tranche CDM programs implemented from 2005 to 2008 and OPA CDM programs implemented from 2006 to 2010 as Parry Sound Power did not collect this revenue while under IRM.
- 2.16 In response to VECC Interrogatory # 4 (d), Parry Sound Power provided the total LRAM amount of \$23, 410.75 for lost revenue in 2010, regarding the impact of Third Tranche and OPA CDM programs. VECC submits that this LRAM recovery and associated rate riders should be approved.

4 Recovery of Reasonably Incurred Costs

- 4.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 23rd day of January 2012.

⁹ EB-2011-0206 Whitby Hydro Decision, Page 14

¹⁰ EB-2011-0174 Hydro Brampton Decision, Page 13

¹¹ Response to Board Staff Interrogatory #1 (f)