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February 13, 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)
Thunder Bay Hydro Electricity Distribution Inc. EB-2011-0197
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,

A handwritten signature in blue ink, appearing to be 'M. Buonaguro', is written over a light blue horizontal line.

Michael Buonaguro
Counsel for VECC
Encl.

cc: Thunder Bay Hydro Electricity Distribution Inc.
Ms. Cindy Speziale

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 Thunder Bay Hydro Electricity Distribution inc. for an order or orders approving or fixing just and reasonable distribution rates to be effective May 1, 2012.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

February 13, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Thunder Bay Hydro Electricity Distribution Inc. (“Thunder Bay Hydro”, “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 May 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 As part of its application, Thunder Bay Hydro included the recovery of the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e. an LRAM recovery). The following section sets out VECC’s final submissions regarding this aspect of the application.

2 Lost Revenue Adjustment Mechanism (LRAM Recovery) & Shared Savings Mechanism (SSM)

- 2.1 Thunder Bay Hydro applied to the Board in this application for the recovery of lost revenue of \$242,551 through one year rate riders effective May 1, 2012, associated with 2005 to 2010 CDM programs (Third Tranche Funded and OPA Funded). Thunder Bay Hydro is not applying for carrying charges on the LRAM amounts requested in this application.¹
- 2.2 Thunder Bay Hydro has two previous LRAM claims. The first LRAM claim (\$377,108) relates to 2005 to 2007 CDM programs (EB-2008-0245). The second LRAM claim (\$255,903) relates to 2005 to 2008 CDM programs (EB-2010-0115).²
- 2.3 Thunder Bay Hydro indicates that scope of its LRAM claim in this application is as follows:
 - persistence of 2005-2007 CDM programs for the 2012 rate year;
 - persistence of 2008 CDM programs for the 2012 rate year;
 - persistence of 2009 programs for the 2012 rate year; and
 - 2010 programs for the 2012 rate year.³
- 2.4 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

¹ Response to Board Staff Interrogatory # (d)

² Response to Board Staff # 8 (c)

³ Response to VECC Interrogatory # 1(a)

have been adopted by the Board when preparing their LRAM recovery as these assumptions represent the best estimate of the impacts of the programs.

Input Assumptions

- 2.5 In response to Board Staff interrogatories # 7 (a) & (b), Thunder Bay Hydro indicates that it used the OPA's most recent Measures and Assumptions List for all programs, both 3rd Tranche and OPA, in its LRAM calculations; and it relied on the final 2010 program evaluation results from the OPA to calculate its LRAM amount from OPA programs.
- 2.6 Section 7.5 of the Board's CDM Guidelines states "Where a distributor is making a claim for LRAM in relation to programs funded by the OPA, or where a distributor is making a claim for LRAM and/or SSM in relation to programs funded through distribution rates, distributors should engage an independent third party."⁴
- 2.7 Thunder Bay Hydro did not include an independent third party review of its LRAM claim on the premise that it is not required, a point which Thunder Bay Hydro submits it successfully argued as a non-requirement in EB-2008-0245.⁵

OPA Funded Programs

- 2.8 The Board accepts finalized program evaluations delivered to distributors from the OPA in relation to OPA programs that the distributor has implemented as long as the distributor has included relevant documentation from the OPA in its application.⁶
- 2.9 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for Thunder Bay Hydro's OPA-funded CDM programs.
- 2.10 Thunder Bay Hydro's evidence includes 2006-2009 Final OPA CDM Results as well as 2010 Final OPA Results Summary which does not include details on input assumptions. If Thunder Bay Hydro has received the 2010 Final OPA Program Detailed Results, VECC asks that it comment on the impact on the LRAM claim in its reply submissions.

Third Tranche Programs

- 2.11 In the absence of a third party independent review of third tranche CDM programs, VECC asked in Interrogatory # 2 for Thunder Bay Hydro to provide information for each program by year at the measure level to allow verification of

⁴ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 28

⁵ EB-2011-0115, Response to VECC Interrogatory # 1 & 2

⁶ Chapter 3 Guidelines, June 22, 2011, Page 21

the input assumptions, energy saving calculations and LRAM amounts for its Third Tranche programs. Without this information, there is only aggregate kWh data on energy savings with no supporting detail by year and no information on unit savings, free ridership rate, effective useful life etc.

- 2.12 Section 7.5 of the Board's CDM Guidelines states "Given the ratemaking implications of program evaluations, intervenors, ratepayers and the Board need to be confident that evaluations are an accurate reflection of actual program results".⁷
- 2.13 VECC is concerned that some of the input assumptions for Third Tranche programs may not reflect the OPA's 2011 Measures and Assumptions List, but without detailed inputs, VECC cannot verify this.
- 2.14 It is not VECC's intent to review prior approved LRAM claims. Rather VECC seeks to understand and confirm that evaluations in this application are an accurate reflection of actual program results and persistent savings that have expired have been removed from the claim.
- 2.15 In response to VECC Interrogatory # 2 (d), Thunder Bay Hydro recognized persistence and adjusted its LRAM claim downward by \$9,691 to \$232,860 to remove CFLs and Light Emitting Diodes (LEDs) from both the 2006 Every Kilowatt Counts and its own 3rd tranche programs.
- 2.16 VECC submits that the lack of an independent third party review has likely resulted in a continuation of outdated input assumptions.
- 2.17 In response to VECC Interrogatory # 2 (c), Thunder Bay Hydro acknowledges that input assumptions for CFLs changed in 2007 and at the time of its 2009 Cost of Service (COS) application (EB-2008-0245), Thunder Bay Hydro used the most up-to-date measures and assumptions. Thunder Bay Hydro takes the position that no comparison calculations are required since both of those filings were approved by the Board.
- 2.18 VECC submits that the energy savings eligible for LRAM recovery are based on lifetime savings which are based on a certain number of hours used. Thunder Bay Hydro has two prior claims for CFLs (13-15 W) and Light Emitting Diodes Seasonal LEDs with energy savings that are likely based on different input assumptions including useful life.
- 2.19 VECC submits that it is not appropriate to change the input assumptions midstream without taking into account the lifetime savings already used up. In this case, it is not appropriate to adjust the useful life calculate energy savings

⁷ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 28

without recognizing the prior hours already consumed.

- 2.20 VECC submits that any LRAM claims related to Third Tranche installed 13-15 W CFLs should be prorated to recognize prior claims.

Load Forecast

- 2.21 Section 5.2 of 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."⁸
- 2.22 Thunder Bay Hydro's last approved load forecast was part of Thunder Bay Hydro's 2009 COS Application (EB-2008-0245), for rates effective May 1, 2009. In EB-2008-0245, Thunder Bay Hydro proposed a reduction to the forecast attributable to the effects of CDM. In its Decision, the Board did not accept the 9.7 GWh adjustment for CDM impacts because there was insufficient evidence to support the conclusion that the difference between forecasted and actual load was in fact attributable to CDM impacts.⁹
- 2.23 VECC submits that even though Thunder Bay Hydro's load forecast adjusted for CDM was not approved, the fundamental principle in Section 5.2 is in effect, i.e. lost revenues are only accruable until new rates are set by the Board.
- 2.24 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.¹⁰
- 2.25 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 including) the rebasing year.
- 2.26 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

⁸ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Section 5.2, Calculation of LRAM, Page 18

⁹ EB-2008-0245 Decision, Page 7

¹⁰ EB-2011-0054 Hydro Ottawa Decision, Page 24

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.¹¹

- 2.27 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.¹²

2005 to 2009 CDM Programs – Recovery of Lost Revenue in 2009, 2010 and Beyond

- 2.28 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from Thunder Bay Hydro's CDM programs deployed between 2005 and 2009 are not accruable in the year 2009, 2010 and beyond as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2010 CDM Programs – Recovery of Lost Revenue in 2010

- 2.29 VECC supports the approval of lost revenues in 2010 from 2010 CDM program results, as these savings occurred post rebasing (during an IRM year) and have not been claimed.
- 2.30 In summary, VECC submits that the LRAM claim and associated rate riders should be adjusted to include lost revenue in the year 2010 from the impact of CDM programs implemented in 2010, for the reasons noted above.

3 Recovery of Reasonably Incurred Costs

- 3.1 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 13th day of February 2012.

¹¹ EB-2011-0206 Whitby Hydro Decision, Page 14

¹² EB-2011-0174 Hydro Brampton Decision, Page 13