



**PUBLIC INTEREST ADVOCACY CENTRE**  
**LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC**

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Michael Janigan  
Counsel for VECC

**VIA MAIL and E-MAIL**

December 16, 2014

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)**  
**Centre Wellington Hydro EB-2014-0062**  
**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 black ink, appearing to be 'Michael Janigan', written over a light blue horizontal line.

Michael Janigan  
Counsel for VECC  
Encl.

cc: Centre Wellington Hydro

**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 Centre Wellington Hydro for an order or orders approving just and reasonable electricity distribution rates to be effective May 1, 2015.

**FINAL SUBMISSIONS**

**On Behalf of The**

**Vulnerable Energy Consumers Coalition (VECC)**

**December 16, 2014**

**Public Interest Advocacy Centre**

ONE Nicholas Street  
Suite 1204  
Ottawa, Ontario  
K1N 7B7

**Michael Janigan**  
Counsel for VECC

# Vulnerable Energy Consumers Coalition (VECC)

## Final Argument

### 1 The Application

- 1.1 Centre Wellington Hydro (“CWH”), “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*, as amended, for electricity distribution rates effective May 1, 2015. The Application was filed based on a 4th Generation Incentive Rate-setting (“4GIR”) application.
- 1.2 As part of its application, CWH requests the addition of a deferral account to track the variance that will occur in the Street Lighting rate class when the technology is changed to LED. VECC submissions are focused on this issue.

### 2 New Deferral Account

- 2.1 In 2014, the Township of Centre Wellington informed CWH that it will be converting street lights to LED technology and it is expected to take place in the latter part of 2015.
- 2.2 CWH requests the establishment of a new Deferral Variance Account to track the forecasted revenue to actual revenue incurred for the Street Lighting Rate class until its next COS application for May 1, 2017 rates. CWH indicates the full impact will not be fully evident until CWH has a full fiscal year of data and has filed through the Board’s RRR e-filing in April 2016. However, CWH estimates the revenues will be reduced by 64% for the installed months in 2015, 2016 and until April 30, 2017.<sup>1</sup>
- 2.3 CWH included a CDM component in its 2013 load forecast by rate class in its cost of service application for 2013 rates (EB-2012-0113). The Street Lighting rate class CDM adjustment was 21 kW.
- 2.4 The estimated kW for the LED project (1,184.77) exceeds the embedded CDM forecast (21 kW) for the Street Lighting rate class by 1,163.77 kW per year.
- 2.5 At this time, there has been no commitment made by the Township to do the program under the OPA province-wide CDM program but the OPA’s CDM programs have been promoted to the Township. CWH proposes that any revenues recovered through the LRAMVA mechanism will be used to reduce the amount of lost revenue experienced by CWH and will be reflected in the

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<sup>1</sup> Board Staff IR#4

requested Deferral and Variance Account.

- 2.6 VECC notes the Board's Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003 issued April 26, 2012 includes an LRAM variance account mechanism to keep distributors whole for the 2011-2014 CDM term. The Board's current CDM Guidelines do not cover 2015 and beyond. The timeframe in the Guidelines indicates that the CDM Code applies to the 4-year period that started on January 1, 2011 and finishes on December 31, 2014 and the CDM Guidelines are applicable to this same timeframe.<sup>2</sup> Further, the Board expects that the CDM Guideline document may be updated from time to time as required.<sup>3</sup>
- 2.7 The Minister of Energy issued a new Conservation Directive to the Board on March 26, 2014 to promote CDM that directed the Board to establish CDM Requirement guidelines for the period 2015 to 2020. VECC submits it can reasonably be expected that the Board will provide its updated guidelines before the end of 2014. In establishing the guidelines the Directive states the Board shall have consider that lost revenues that result from Province-Wide Distributor CDM Programs or Local Distributor CDM Programs should not act as a disincentive to Distributors in meeting their CDM Requirement.
- 2.8 CWH proposal is that the deferral account will provide a documented baseline to support its next rebasing application and any changes to the Board's Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003. CWH acknowledges that a Conservation First Framework term for 2015-2020 is underway. In the meantime, CWH is looking for a mechanism for circumstances in which CDM forecasts do not align with rebasing forecasts and CDM benefits are over-exceeded.
- 2.9 VECC notes Innisfil Hydro Distribution Systems Limited (Innisfil Hydro) requested a new variance account in its 2015 IRM application (EB-2014-0086), to record any lost revenue from the Street Lighting rate class due to an LED conversion program initiated by the Town of Innisfil.
- 2.10 In the Board's Decision on Innisfil Hydro's application, the Board decided that in light of the impending guidance to be provided by the Board with respect to CDM for the 2015 to 2020 period, it would be inappropriate to establish a new variance account at this time.<sup>4</sup>
- 2.11 In considering the above, VECC submits that the Board should reject CWH's request for a new deferral account to track any lost revenues from the Street Lighting Rate Class resulting from a LED conversion project, regardless of

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<sup>2</sup> Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, Page 1

<sup>3</sup> Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, Page 1

<sup>4</sup> EB-2014-0086 Decision, Page 7

whether the Township of Centre Wellington undertakes the program under the OPA's province-wide CDM program or not.

- 2.12 If the Township opts to do the program under the OPA province-wide CDM program, VECC submits it is a reasonable expectation based on the Minister's Directive that the process for 2015 to 2020 will be similar to the current process and the LRAMVA will be maintained and the new Deferral Variance Account would not be required as it would duplicate the LRAMVA.
- 2.13 If the Township undertakes the LED program on its own without funding from the OPA, it seems to VECC that requesting relief under a Z-Factor claim is a more appropriate approach than requesting a new deferral/variance account, which is typically undertaken during a cost of service application. Chapter 3 of the Board's Filing Requirements indicate that Price Cap IR applicants have the ability to include in their application a request to recover costs associated with unforeseen events that are outside the control of a distributor's ability to manage, such as damage that is the result of a storm. Z-Factors are a common feature of IR plans. The cost to a distributor must be material and its causation clear. The materiality thresholds, described in the Board's Policy Manual, must be met on an individual event basis in order for the distributor to apply for recovery of the relevant costs.<sup>5</sup> Regardless of the approach (Z-Factor or new deferral account) a materiality threshold must be met on an individual basis. For CWH, the materiality is \$50,000 based on its 2013 Board-approved distribution revenue requirement (\$3,023,099)<sup>6</sup> which is less than \$10 million. CWH's forecasted potential annual revenue shortfall due to the Street Lighting LED conversion is \$10,528.83.<sup>7</sup> As CWH has not met the Board's materiality threshold, VECC does not support CWH's request for a new Deferral Variance Account under this scenario.

### **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 16<sup>th</sup> day of December 2014.

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<sup>5</sup> Filing Requirements For Electricity Distribution Rate Applications - 2014 Edition for 2015 Rate Applications - Chapter 3 Incentive Regulation July 25, 2014, Page 11

<sup>6</sup> EB-2012-0113 CWH\_DRO Rev Reconciliation\_20130614

<sup>7</sup> Board Staff IR#4