



***PUBLIC INTEREST ADVOCACY CENTRE
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February 2, 2009

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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: EB-2008-0188
Hydro Ottawa Inc. – 2009 Electricity Distribution Rate Application
Submissions of the Vulnerable Energy Consumers Coalition (VECC)
Part I: LRAM/SSM Claim;**

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) on the Applicant's evidence in the above-noted proceeding regarding its 2006/2007 LRAM/SSM Claim

We have also be directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Hydro Ottawa Inc.

ONTARIO ENERGY BOARD
IN THE MATTER OF the *Ontario Energy Board*
Act, 1998, S.O. 1998, c. 15, Sched. B, as amended;
AND IN THE MATTER OF an Application by Hydro
Ottawa Limited for an Order or Orders approving
or fixing just and reasonable rates.

APPLICATION

1. Hydro Ottawa Limited ("Hydro Ottawa") is a distributor as defined in, and is licensed as such under, the *Ontario Energy Board Act, 1998* (the "Act"). Hydro Ottawa holds Electricity Distribution Licence ED-2002-0556.

2. Hydro Ottawa has applied to the Ontario Energy Board (the "Board"), pursuant to section 78 of the Act, for an Order or Orders approving or fixing just and reasonable rates for distribution service effective May 1, 2009. This Application is made in accordance with the Board's *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*, issued on July 14, 2008 and *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*, issued on September 17, 2008.

LRAM/SSM Claim for 2005 and 2006 CDM

Hydro Ottawa has filed a 2005/2006 and 2007 LRAM claim of \$1.071 million for both 3rd Tranche MARR and rate-funded and OPA-funded CDM programs executed in those years.

The LRAM audit/evaluation for 2007 OPA Programs has not been filed and will be included in a future application.

Hydro Ottawa has determined that although technically it is eligible for an SSM related to 3rd Tranche MARR funded CDM, the amount is de minimus so no claim has been filed.

In support of its 2005/2006/2007 LRAM claim Hydro Ottawa has filed an independent Review/Evaluation prepared by ERA.

VECC has 4 general concerns that relate to the framework/rules under which the Hydro Ottawa LRAM claim is filed and that in its view result in a material overstatement of the kw/kwh savings and the \$ LRAM claim. These concerns appear to be generically the same for most distributors that are filing LRAM claims for 2006 and/or 2007 based on OPA funded CDM programs, including Every Kilowatt Counts (EKC) and in particular the major savings claimed for CFL-related measures. Our concerns include:

- Use of OEB Input assumptions rather than OPA input/savings assumptions
- Variability among distributors related to calculation of (partial) Effectiveness
- Lack of adjustments for < 100% persistence
- Lack of OPA verification of results due to the (relatively new) OPA EVA program being focused on current and future CDM results

VECCs interpretation of the EB-2007-0037 Decision is that the use of the Board's TRC Guide and inputs and assumptions does not preclude the use of OPA assumptions for OPA-funded programs. The OPA provided its own Savings Calculator for the 2006 and 2007 EKC campaigns and required its use by participating LDCs for reporting results.

For the 2006 Campaigns the results were compiled into the OPA Mearie Report.

From 2006 to present the OPA has modified its Lifetime and gross savings estimates for a number of measures, including CFLs.

The major issue is that for 2007 CDM programs there are large differences in input/savings assumptions, particularly for CFLs.

To illustrate the problem the OEB and the 2007 and 2009 OPA measure and savings assumptions for a 15W CFL are shown below¹

MEASURE	OEB TRC GUIDE		OPA 2007 EKC Program Calculator		OPA 2009 Measures List	
	Life yrs	Gross kwh/yr*	Life yrs	Gross kwh/yr*	Life yrs	Gross kwh/yr*
CFL 15W	4	104	6	44.3	8	43

* Before adjustments for free ridership etc

Sources:

OEB Inputs and Assumptions for Calculating Total Resource Cost March 28, 2008

2007 OPA Every Kilowatt Counts Program Calculator

2009 OPA Measures and Assumptions List (Mass Market) November 2008 Page 93

The difference in gross kwh savings/yr (104-44.3/43) relates to a number of assumptions of which the number of hours in use is the most significant.

To exacerbate the problem, Hydro Ottawa used the SeeLine input assumption of 109 kwh/unit/yr for a 13w CFL.²

Accordingly, distributors such as Hydro Ottawa using OEB or other assumptions for 2007 3rd tranche and rate funded CDM are over-estimating savings and being compensated in the LRAM for inflated savings, whereas distributors participating in

¹ Hydro Ottawa Response to VECC IR #2 part b) Page 5 of 6

² Elenchus Report Page 19

OPA-funded 2007 EKC programs are using OPA assumptions and being compensated for a lower level of savings.

The materiality of VECCs concerns particularly about claimed CFL savings relates to the fact that like other distributors, Hydro Ottawa has estimated that out of its total claimed kw/kwh savings, a major amount (85%) is related to replacement of Incandescent light bulbs with CFLs³. Similarly, out of the LRAM claim of \$1.071 million, Hydro Ottawa estimates over \$800,000 is related to CFL installations and if the *current* OPA gross kwh estimates are used, this translates to a major over-estimation of both savings and the LRAM claim.

Similarly, for other measures errors in the measure input assumptions such as free-ridership, lifetime, inventory, operational profile, persistence and effectiveness can have a major impact (up or down) on actual savings and LRAM (and SSM) claims. VECC suggests that the Board's Guidelines are key to a proper determination of the issue of whether the OPA input assumptions should be used in the evaluation of LRAM/SSM claims for OPA-funded CDM programs in 2006, 2007 and beyond:

7.3 (page 26)

LRAM

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. [emphasis added]

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.

On January 27, 2009 the OEB issued its letter of Direction on use of OPA assumptions. That letter also confirms the above principle.

VECC submits that this means that at the time of a third party assessment, where available, OPA input assumptions should be used as the best available assumptions.

Certainly this applies to 2007 Mass Market measures such as CFLs regardless of whether these measures are rate-funded or OPA-funded.

Hydro Ottawa has filed an independent assessment of its 3rd tranche and rate funded CDM programs for 2007 but not OPA funded CDM. However, VECC submits that does not derogate from the application of this principle to Hydro Ottawa's 2007 LRAM/SSM claim. That means that OPA input assumptions should be used where available. Certainly this is the case for mass market measures such as CFLs.

Ratepayers expect to compensate LDCs for the loss of load and energy delivered, but this must be based on realistic proxy for the actual savings.

³ Hydro Ottawa Response to VECC IR #9 Page 4 of 4

To be fair to Hydro Ottawa, as it states in its IRRs, it has followed the Board's Guidelines and Direction from EB-2007-0037 and precedent Decisions.

Nonetheless, VECC submits that the Hydro Ottawa 2007 LRAM claim should be recalculated using, *where available*, OPA assumptions. Hydro Ottawa notes that the OPA 2007 EKC calculator does not have a life/unit savings assumption for 13w CFLs as opposed to 15w CFLs. However the 2009 measures list does have values. It would not be unreasonable that the savings for 2007 13 w CFLs be estimated at 44,3 kwh unit/yr to be consistent with the OPA 2007 EKC calculator for a 15w CFL.

When Hydro Ottawa files the 2007 LRAM/SSM claim for 2007 OPA-funded programs the input assumptions will be consistent.

VECC also has concerns about the delay in Hydro Ottawa bringing forward the 2005/2006/2007 LRAM claim and the increase in carrying charges that has resulted⁴. This concern is exacerbated by the fact that Hydro Ottawa has not filed its LRAM claim for 2007 OPA funded programs.

VECC suggests that carrying charges be limited to one fiscal year unless there are clear extenuating circumstances.

Summary

VECC notes that Hydro Ottawa has used not used OPA input assumptions for the majority of CDM measures implemented in 2005/2006. However, the differences between 2006 OPA EKC calculator assumptions and the OEB TRC Guide are not as significant as for 2007 programs. Accordingly that portion of the claim for 2005/2006 should be accepted.

For all 2007 3rd tranche and rate funded programs the 2007 LRAM should be calculated using ,where available, the OPA EKC program calculator assumptions, or the nearest approximation (e.g. 13w CFL vs 15w CFL)

Hydro Ottawa has not applied for a 2007 LRAM for OPA-funded CDM in this application.

Hydro Ottawa has applied adjustments for (partial) effectiveness in calculation its 2007 LRAM claim.

Accordingly VECC submits that the Board direct the Applicant to use OPA input assumptions *where available* in calculating the 2007 LRAM (and SSM) and to refile the claim.

⁴ Hydro Ottawa Response to VECC IR #7 Part a)

The Board should direct Hydro Ottawa to expedite its 2007 LRAM/SSM claim for OPA-funded programs to reduce unnecessary carrying costs.

Costs

VECC requests an award of 100% of its legitimately incurred costs in accordance with the provisions of the Board's Notice of Application and Hearing

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 2nd DAY OF FEBRUARY 2009