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September 18, 2009

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli

**Re: EB-2009-0158 and EB-2009-0192,
NOTICE OF APPLICATION AND WRITTEN HEARING
RELATING TO THE RECOVERY OF LRAM/ SSM AMOUNTS
NOTICE OF APPLICATION AND WRITTEN HEARING RELATED TO THE
APPROVAL OF A SMART METER FUNDING ADDER**

**Written Submissions of the Vulnerable Energy Consumers Coalition
(VECC)**

As Counsel to the Vulnerable Energy Consumer's Coalition (VECC), and, as directed in the Board's Notice of Application dated July 22, 2009, I hereby provide a copy of my clients written submissions in the above matter

:

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC

Cc: Horizon Utilities Corporation
cameron.mckenzie@horizonutilities.com

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S. O. 1998, c.15 Schedule B of the *Energy Competition*
Act, 1998 S.O. 1998, c. 15;

AND IN THE MATTER OF an Application by Horizon Utilities
Corporation to the Ontario Energy Board for an Order or Orders
approving the recovery of amounts related to Conservation and Demand
Management activities.

AND IN THE MATTER OF an Application by Horizon Utilities
Corporation to the Ontario Energy Board for an Order or Orders
approving the recovery of amounts related to Smart Meters

HORIZON UTILITIES CORPORATION

Application for Recovery of Amounts to related Conservation and Demand Management

and

Application for Smart Meter Rate Adder

Submissions of the Vulnerable Energy Consumers' Coalition (VECC)

1. VECC has reviewed the Evidence and Responses to Interrogatories and has the following submissions on the above Applications.

2007/2008 LRAM/SSM Recovery for 2005, 2006, 2007 CDM Activities

LRAM

2. Horizon Utilities' requested LRAM relief is composed of the 2007 and 2008 calendar year savings resulting from:

1. Third Tranche CDM programs implemented in 2005 and 2006;
2. Third Tranche CDM programs implemented in 2007;
3. Ontario Power Authority ("OPA") CDM programs implemented in 2007.

3. The total LRAM amounts sought are:

1. Third Tranche 2005/2006 programs \$909,395 (2007 \$465,846 and 2008 \$443,549).
2. Third Tranche 2007 initiatives \$51,448 (2007 \$6,786 and 2008 \$44,631) Tranche initiatives.
3. OPA 2007 Programs \$146,940.

4. Combined carrying charges (on Third Tranche programs only) \$89,292.
4. The total requested LRAM recovery related to all CDM activities for the 2007 and 2008 calendar years is therefore \$1,197,045.

SSM

5. All of the CDM programs for which SSM amounts are sought were undertaken in connection with Horizon Utilities' Third Tranche CDM spending obligations in the 2007 calendar year. No SSM amount is sought in relation to the activities of other parties. The total SSM amount sought for recovery is \$14,582.

LRAM Claims- Revised OPA Input Assumptions

6. Horizon has complied with the Board's direction in its Guidelines for Electricity Distributors CDM and in this regard retained Seeline to prepare such a review to conduct an independent review of the LRAM claims for Third Tranche 2007 and OPA programs. The Scope of this review is set out at page 14 of the Managers' Summary:

The SSM and LRAM claim for third tranche programs carried over into 2007 was prepared by the SeeLine Group Ltd., which found that Horizon Utilities' approach and calculation are accurate and consistent with the Board CDM Guidelines. Furthermore, Horizon Utilities has complied with the OPA Measures and Assumptions List in accordance with the OEB's endorsement of the OPA List. Horizon Utilities 2005 and 2006 programs were approved by the OEB in Horizon Utilities 2008 EDR Application, EB-2007-0697.

The results for Horizon Utilities third tranche programs carried over into 2007 have been prepared in accordance with the OPA List.

Seeline's review of Horizon Utilities 2008 LRAM and SSM Application is provided in Appendix 1.

7. An inspection of the Seeline Report reveals that:
- Seeline did not conduct a new review/audit of 2005 and 2006 Third Tranche programs for which savings and LRAM are claimed for 2007 and 2008. Horizon is relying on the previous review and Board approval of the savings and merely applying the old results to the new claim.
 - The revised OPA Input assumptions for Mass Market Measures (Appendix Table 1) were applied to 2007 Third Tranche programs carried forward into 2007 and 2008 and OPA 2007 Programs *but not to the 2005 and 2006 Third tranche programs carried forward into 2007.*

8. The issue is one of interpretation as to when the OPA's Input Assumptions were the "Best Available" (section 7.3 of the Guidelines) and should be used to recalculate the savings from Third Tranche 2005 and 2006 programs for the calculation of the 2007 and 2008 LRAM amounts for the Residential and GS<50 kw classes. VECC submits that there are two positions being advanced in this proceeding as to when the OPA's most up to date Input Assumptions should be considered the "Best Available" and therefore should be used to calculate LRAM amounts:
 1. At the time that the 2005 and 2006 carry forward of Kwh savings were calculated for this Application, or
 2. At the time that the OPA Measures and Input Assumptions were formally adopted by the OEB in January 2009.
9. The OPA originally revised its assumptions for Mass Market Measures for its 2007 Every Kilowatt Counts (EKC) Spring and Fall campaigns; these assumptions were used by all participating utilities, including Horizon.
10. The revisions are material, particularly in respect of kwh savings from screw-in Fluorescent Lights (CFLs 13/14kw bulbs).
11. The EKC Calculator issued in 2007 is shown below as provided in VECC IRR#1 e)

1. Program Cost						
Category	\$					
Total Program Cost	\$19,162,190					
Spring Customer Incentive	\$5,203,636					
Fall Customer Incentive	\$3,529,039					
2. Spring Campaign Input assumption						
Product	Annual kWh Saving / Unit	Peak Demand Reductions KW / Unit	Total Coupons	Units / Coupon	Estimated Useful Life	Free Ridership
SPRING CAMPAIGN						
Energy Star CFL 15W	44.3	0.0017	493775	3.86	6	30%
Energy Star Ceiling Fan	102.4	0.004	19166	1	10	30%
Outdoor Motion Sensor	161.1	0	23474	1	10	30%
Dimmer Switch	23.7	0.001	19390	1	10	30%
Outdoor Solar Lights	9.8	0	598079	1	5	30%
Furnace / AC Filter	105.42	0.05	25742	1	1	30%
Electric Furnace	850.1	0		5%		
Natural Gas Furnace	60.6	0.089		57%		
Central AC	70	0		45%		
FALL CAMPAIGN						
Energy Star CFL 15W	44.3	0.0017	816903	3.86	6	30%
Seasonal LEDs (SLEDs)	13.7	0	614431	1	5	30%
T-8 Fixtures	37.2	0.0015	18140	1	16	30%
Energy Star Lighting Fixtures	124.9	0.004	8405	1	20	30%
Baseboard Programmable Thermostats	29.6	0	18580	1	15	30%
Lighting and Appliance Control Devices	86.6	0.002	97853	1	13	30%
Power Bar with Integrated Timer	72.4	0.0077	8486	1	10	30%

12. The critical revised assumptions to highlight are with respect to the Energy Star CFL 15w, which are now assumed to provide an annual kwh saving of 44.3 kwh (rather than 104 kwh) and a free-rider rate of 30% (rather than 10%).
13. The OPA issued the revised CFL savings assumption in early 2007 and therefore this was known to both Horizon and Seeline when the third tranche LRAM claim for 2005 and 2006 carry forward savings in this Application was prepared.
14. VECC notes Horizons' disagreement with this interpretation and also its argument for consistency between components of the LRAM claim.

Horizon Utilities claim for recovery of 2005 and 2006 LRAM/SSM was approved by the OEB in Horizon Utilities Decision date October 3, 2008. The carry forward of these savings into 2007 and 2008 as fully effective savings is simply an extension of previously approved partially effective savings. The data supporting the calculations, as approved in Horizon Utilities 2008 EDR Decision has not changed and was approved on the basis of the OEB input assumptions in effect at that time. In addition and in accordance with the Guidelines Section 7.3, as stated in a) above, the best available input assumptions available at the time of Horizon Utilities' review of its 2005 and 2006 LRAM claim was the OEB Measures and Assumptions. (VECC IRR# 1 b))

Furthermore, Horizon Utilities submits that carry forward savings estimates should be consistent for both the OPA and LDCs. In its customized report of OPA-funded conservation program results for 2006 to 2008¹, the OPA has used OEB measure assumptions for several of the measures included in the 2006 EKC spring and fall campaigns reported results. Horizon Utilities has filed its 2005 and 2006 carry forward savings consistent with those reported by the OPA. (VECC IRR 1 b))

15. The underlying fact is simple—by early 2007 OPA decided after comprehensive study of use patterns that a 14/15 w CFL saved 44.3 kwh a year, not 104 kwh as previously (2005/2006) assumed. It stipulated that this revised assumption be used for the 2007 Spring and Fall EKC Campaigns. Also given market saturation for CFLs it adopted a 30% free-ridership rate for CFLs.
16. The OEB did not formally adopt the revised OPA 14/15w CFL kwh saving of 44.3 kwh until its endorsement of the OPA measures list in January 2009. However, at the time that this LRAM claim was prepared the OPA 2007 EKC CFL savings of 44.3 kwh had been known to Horizon and Seeline since 2007. In VECC's view that information was the "Best Available Assumption" from 2007 forward. This view is supported, VECC submits, by the fact that *Seeline used the same revised value for the third tranche and OPA components of the 2007/2008 LRAM claim.*
17. It is not appropriate, VECC submits, for Horizon to rely on an audit of prior year LRAM claims for subsequent claims, nor to rely on the Board's approval of those claims, in support of the use of outdated assumptions for a contemporary LRAM claim.
18. Horizon states that:

"The carry forward of these savings into 2007 and 2008 as fully effective savings is simply an extension of previously approved partially effective saving" VECC IRR#1 b)
19. The nature of annual kwh savings and LRAM adjustments is such that these are subject to a variety of changes, including:
 - CDM Measures and Input assumptions
 - Life time Assumptions
 - Cost Assumptions
 - Persistence assumptions
20. VECC suggests that it is disingenuous and incorrect for Horizon to *de facto* claim that CFL bulbs installed in 2005 and 2006 for which kwh savings are claimed in 2007/2008 should save more than twice as much as those installed in 2007 (104 kwh/yr vs. 44.3 kwh).
21. VECC submits that adopting Horizon's position will result in a dramatic overstatement of the 2005/2006 carry forward kwh savings, since CFLs are a

significantly material source of Residential and GS<50kw CDM savings. In addition, it results in ratepayers being charged for 2007 and 2008 lost revenue that the utility did not actually lose, a result that is fundamentally unfair to customers.

22. Finally, in future years, Horizon's residential Load forecasts will incorporate inflated CDM savings as a result of the refusal to update the savings associated with measures such as CFLs where the savings have been materially updated.

Remedy requested

23. The remedy that VECC requests is that the Board adjust Horizon's LRAM claim by applying the full set of OPA Measures and assumptions as used by Seeline (Appendix 1 Table 1) to the 2005/2006 Third Tranche carry forward component of savings and the 2007/2008 LRAM Claim for the Residential and GS<50kw class.
24. VECC submits that this result is appropriate because the OPA EKC Program Calculator assumptions for CFLs was available in early 2007 and were unequivocally the "Best Available" when the 2005/2006 carry forward component of the current LRAM was prepared for this application.
25. Although updates to the other measure input assumptions (e.g. Low flow showerheads and PTs) were not available until later, these updates result in relatively minor adjustments, unlike CFLs. Accordingly, while in principle VECC submits that these assumption updates should be used as they are obviously available to calculate lost revenue as part of this application, the resulting adjustment to this application is likely *de minimus*.

Impacts of Applying OPA EKC or Measures List CFL assumptions to 2005/2006 carry forward kwh savings

26. VECC's dispute is with the unaudited 2005/2006 Third Tranche 2007 carry forward kwh savings component of the 2007 and 2008 LRAM.
27. VECC has no dispute with the Audited results of 2007 Third Tranche and OPA Initiatives.

Adjustment of 2005/2006 carry forward of kwh savings from Residential and GS<50kw using Seeline Table 1 OPA assumptions

28. VECC IRR# 6 shows the Residential and GS<50kw savings based on revisions to Horizons' Tables for 2005/2006 savings using the same OPA 2009 Measures and Input assumptions as used by Seeline for the 2007 Third Tranche and OPA programs (Table 1 of Seeline Report).

As filed- Managers Summary Table 8:

Table 8
2007 Foregone Revenue from 2005 & 2006 OEB Approved Third Tranche Initiatives
by Program and Class

Rate Class/Program	2005 Programs				2006 Programs				Total Revenue
	Load Impacts		2007 Rate (\$ per kWh or kW)	Revenue			2007 Rate (\$ per kWh or kW)	Revenue	
	kWh	kW			kWh	kW			
Residential and Small Commercial (<50kW)									
Mass Market	1,089,634	-	\$ 0.0138	\$ 14,936	22,713,366		\$ 0.0138	\$ 312,217	\$ 327,153
Energy Audit	491,512	-	\$ 0.0138	\$ 6,766	785,834		\$ 0.0138	\$ 10,845	\$ 17,611
Social Housing	4,508,353	-	\$ 0.0138	\$ 62,165	2,195,710		\$ 0.0138	\$ 30,301	\$ 92,466
Load Control	-	-	\$ 0.0138	\$ -	126,138		\$ 0.0138	\$ 1,741	\$ 1,741
Sub-Total	6,079,499	-		\$ 84,868	26,815,007			\$ 336,163	\$ 484,790

Table 8 revised per VECC IRR#6 e)

Rate Class/Program	2005 Programs				2006 Programs				Total Revenue
	Load Impacts		2007 Rate (\$ per kWh or kW)	Revenue			2007 Rate (\$ per kWh or kW)	Revenue	
	kWh	kW			kWh	kW			
Residential and Small Commercial (<50kW)									
Mass Market	1,181,566	-	\$ 0.0138	\$ 16,306	12,110,059		\$ 0.0138	\$ 167,119	\$ 183,425
Energy Audit	491,512	-	\$ 0.0138	\$ 6,766	785,834		\$ 0.0138	\$ 10,845	\$ 17,611
Social Housing	4,500,353	-	\$ 0.0138	\$ 61,955	2,195,710		\$ 0.0138	\$ 30,301	\$ 92,256
Load Control		-	\$ 0.0138	\$ -	126,138		\$ 0.0138	\$ 1,741	\$ 1,741
Sub-Total	6,173,451	-		\$ 85,027	15,217,741			\$ 210,005	\$ 295,032

29. The differences estimated by VECC for the combined Residential and GS< 50 classes, should the Board accept VECC's submission that the LRAM amounts should be recalculated, are as follows:

2007 LRAM \$464,790-\$295,032=\$169,758 (based on \$0.0138/kwh)

2008 LRAM \$441,972-\$280,225=\$161,747 (based on \$0.0131/kwh)

Adjustment of LRAM Carrying Charges

30. The related carrying charge adjustment, in the event the Board accepts VECC's 2005/2006 carry forward kwh savings and revised base LRAM amounts, has been provided in VECC IRR#6 part f) in the form of a revised Table 14. The amount is \$63,475 compared to the as filed amount of \$89,292 i.e. a difference of \$25,817.
31. The related carrying charge adjustment, in the event the Board accepts VECC's revised base LRAM amounts, has been provided in VECC IRR#6 part f) in the form of a revised Table 14. The amount is \$63,475 compared to the as filed amount of \$89,292 i.e. a difference of \$25,817.

SSM

32. VECC is not disputing Horizon's SSM claim; that amount relates to 2007 Third Tranche programs only.

Adjustment of proposed rate rider for Residential and GS<50kw Classes

33. Horizon Utilities proposes that the LRAM and SSM amounts be recovered through rate riders effective for the 2009 rate year commencing September 1, 2009 and expiring April 30, 2010. Horizon Utilities seeks recovery of its total LRAM and SSM in the amount of \$1,197,045 by customer class through a variable rate rider.
34. Horizon Utilities proposes that the LRAM and SSM rate riders be combined into, and recovered through a single distribution rate rider as provided in Table 15 below and that the total LRAM and SSM rate rider be implemented effective September 1, 2009 for a period of seven months ending April 30, 2010.
35. Given the delay in implementation beyond September 1, 2009, the rate rider will either have to be extended into 2010 or adjusted to collect the Board approved LRAM/SSM amount over the balance of the 2009 Rate year. VECC prefers the latter approach.
36. Table 1 of the Managers Summary shows the calculation of the rate riders:

	Amounts					OEB Approved Billing Units 2008 EDR	OEB Approved Billing Units over 7 months		Rate Riders		
	Total 2007 LRAM	Total 2008 LRAM	Carrying Charges on 2007 and 2008 LRAM to June 2009	LRAM Total	SSM Total 2007 only				LRAM - 7 months	SSM - 7 months	Total over 7 months
	\$	\$		\$	\$				\$/unit (kWh/kW)	\$/unit (kWh/kW)	\$/unit (kWh/kW)
Residential and Small Commercial <50kW	\$ 607,895	\$ 443,269	\$ 84,731	\$ 1,135,894	\$ 11,047	2,331,909,033	1,360,280,269	kWh	0.0008	0.0000	0.0008
Commercial, Industrial and Institutional	\$ 10,878	\$ 15,669	\$ 2,140	\$ 28,687	\$ (74,441)	5,535,480	3,229,030	kW	0.0089	-	0.0089
Unmetered Scattered Load	\$ 799	\$ 29,243	\$ 2,422	\$ 32,464	\$ 77,976	18,237,718	10,638,669	kWh	0.0031	0.0073	0.0104
Total	\$ 619,572	\$ 488,181	\$ 89,292	\$ 1,197,045	\$ 14,582						

37. If the Board finds that VECC is correct regarding the calculation of the Third Tranche 2006/2006 carry forward component of the 2007/2008 LRAM, then the rate rider should be adjusted to collect a revised total of \$783,134 from the Residential and GS<50kw classes: VECC has estimated the changes required in Table A but these should be checked by Board Staff and Horizon.

VECC Table A

Residential & GS<50 kw	Total 2007 LRAM	Total 2008 LRAM	Carrying charges to June 30 2009	LRAM Total	SSM 2007 only	OEB Approved Annual Billing Units	LRAM Rate Rider \$/kwh/mo* (12 mos)	LRAM Rate Rider \$/kwh/mo* (4 mos)
As Filed	\$607,895	\$443,269	\$84,731	\$1,135,894	\$11,047	2,331,909,033	\$0.00041	\$0.00162
Adjusted	\$438,137	\$281,522	\$63,475	\$783,134	\$11,047	2,331,909,033	\$0.00028	\$0.00112

*Rate riders calculated as \$/kwh/month for 12 month period and 4 month period

Summary

- 1. Horizon has not re-evaluated the kwh savings from the 2005/2006 third tranche carry forward CDM activities for the 2007/2008 LRAM claim for the Residential and GS<50kw classes.**

VECC submits that it should have done so, since certain key input assumptions (notably savings from CFLs) were changed in 2007 by OPA (now adopted by the OEB).

- 2. Horizon did conduct an independent audit of the other two components of the 2007/2008 LRAM claim -2007 Third Tranche Programs and 2007 OPA Programs. Seeline used revised OPA assumptions in this review and VECC agrees with these components of the LRAM claim.**
- 3. The third tranche 2005/2006 component of the LRAM claim should be adjusted by applying the revised input assumptions used by Seeline (Appendix 1 Table 1) for 2007 third tranche and OPA programs**
- 4. Based on Horizon's responses to VECC IRRs, VECC's estimates of the adjusted 2007 and 2008 LRAM amounts and corresponding Rate Riders for the Residential and GS<50kw classes are shown in VECC Table A above.**

Smart Meter Application

38. Horizon Utilities currently applies an approved Smart Meter funding adder of \$0.82 per metered customer per month.
39. Horizon is applying for a revised funding adder that it claims is consistent with the Board's Decisions resulting from the Combined Proceeding related to Smart Meters (EB-2007-0063).
40. Horizon requests approval of its Application for a Smart Meter Adder in the amount of \$1.56 per metered customer per month for implementation effective September 1, 2009
41. VECC has reviewed the responses to VECC IRs and has only one minor concern and a comment.
42. The concern relates to VECC IRR#3 c) which shows that the Residential Class SM Rate rider should be \$1.52/metered customer/month, not \$1.56, due to the inclusion of costs for the GS<50kw in the higher figure. VECC suggests that the \$1.52 is the correct amount, but since the difference is small, will not ask for an adjustment to the rider, particularly since the actual amounts cleared out of the SM related accounts are ultimately trued up.
43. VECC's comment is that it is important that in presenting SM evidence in the future, Horizon's residential class SM costs should be segregated and presented for review separately from the GS classes.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 18th DAY OF SEPTEMBER 2009