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January 18, 2010

**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)**  
**Notice of Intervention: EB-2009-0259**  
**Burlington Hydro Inc – 2010 Electricity Distribution Rate Application**

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**ONTARIO ENERGY BOARD**

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

**AND IN THE MATTER OF an Application by Burlington Hydro Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.**

**FINAL SUBMISSIONS**

**On Behalf of The**

**VULNERABLE ENERGY CONSUMERS COALITION (VECC)**

**January 18, 2010**

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**Vulnerable Energy Consumers' Coalition (VECC)**  
**Final Argument**

**1 The Application**

- 1.1 Burlington Hydro Inc. ("Burlington" or "the Applicant" or "the Utility") filed an application ("the Application") with the Ontario Energy Board ("the Board" or "the OEB") on August 28, 2009 under section 78 of the Ontario Energy Board Act, 1998 for electricity distribution rates effective May 1, 2010. The Application requested a distribution revenue requirement of \$31,317,814 for the 2010 test year and claimed a revenue deficiency of \$3,255,392<sup>1</sup> based on existing rates. The associated percentage increase in distribution revenues was 12.3%<sup>2</sup>.
- 1.2 On December 21, 2009 Burlington filed an update<sup>3</sup> to its original Application which reflected a number of changes since the original filing. Based on this update, the deficiency was revised to \$4,172,323 and the associated required increase in distribution revenues was 15.8%.
- 1.3 In its Application Burlington has also requested: (i) Approval for revised Retail Service Transmission Rates; (ii) Approval to collect Lost Revenue Adjustment Mechanism and Shared Savings Mechanism amounts; (iii) Continuation of its existing \$1.00/customer/month Smart Meter rate adder and (iv) Approval to dispose of the balances in a number of its Deferral and Variance accounts<sup>4</sup>.
- 1.4 The following sections contain VECC's final submissions regarding Burlington's Application.

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<sup>1</sup> Exhibit 6/Tab 1/Schedule 1, page 1

<sup>2</sup> Based on the claimed deficiency and distribution revenues at current rates (excluding miscellaneous revenues) of \$26,479,520 - Exhibit 6/Tab 1/Schedule 1, page 1

<sup>3</sup> OEB Staff Supplemental Interrogatory #8

<sup>4</sup> Exhibit 1/Tab 1/Schedule 5

## **2 Rate Base and Capital Spending**

### *Capital Spending*

- 2.1 Burlington's capital additions have averaged roughly \$7,144,000 per annum over the period 2004-2008, ranging annually from \$4,880,740 to \$9,777,253. In the initial application, additions for 2009 and 2010 were projected to be \$8,446,500 and \$8,836,100 respectively<sup>5</sup>. In its Application, Burlington has outlined its Asset Management Strategy<sup>6</sup>, provided a recent System Performance Report<sup>7</sup> that identified spending priorities and filed an Annual Inspection Report on the status of the distribution system's elements<sup>8</sup>. It also provided details regarding each of its planned capital projects for 2009 and 2010<sup>9</sup>. In VECC's view, Burlington's approach to capital planning is appropriately documented and supported.
- 2.2 VECC's only comments with regard to Burlington's proposed capital spending projects for 2009 and 2010 are with respect to project deferrals that were identified during the interrogatory process. In response to Energy Probe #7, Burlington has identified a number of capital projects budgeted for 2009 that were deferred. In the same response, Burlington suggests that while these projects were deferred other projects have taken their place such that the total spending remains the same. However, in response to SEC's interrogatories, Burlington has provided<sup>10</sup> the 2010 Business Plan submitted to its Board of Directors in October 2009 wherein the CFO makes reference to capital spending for 2009 being \$900,000 below budget. In the same response, Burlington also indicates<sup>11</sup> that this reduction leads to capital spending for 2009 of \$7,603,000 as opposed to \$8,447,000 (the number used in the original Application<sup>12</sup>). This would suggest that the additional projects in 2009 did not totally offset the deferrals and the net

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<sup>5</sup> Exhibit 2/Tab 5/Schedule 1 and VECC #7

<sup>6</sup> Exhibit 2/Tab 6/Schedule 1

<sup>7</sup> Exhibit 2/Tab 6/Schedule 2

<sup>8</sup> Exhibit 2/Tab 6/Schedule 3

<sup>9</sup> Exhibit 2/Tab 5/Schedules 7 & 8

<sup>10</sup> SEC #3, CFO Discussion, page 2

<sup>11</sup> SEC #28 d)

<sup>12</sup> Exhibit 2/Tab 5/Schedule 1, page 6

impact was a \$844,000 reduction for 2009.

- 2.3 The response to VECC #40 acknowledges the delay in Hydro One Networks completing the IT replacement at the Cumberland TS (from 2009 to 2010) and Burlington has adjusted its updated Revenue Requirement Workform<sup>13</sup> accordingly for the \$350,000 reduction in 2009 capital spending. However, the forecast spending for 2009 has not been adjusted to reflect the balance of the deferred spending. VECC submits that the capital additions projected for 2009 should be reduced by the full \$844,000 setout in interrogatory responses.
- 2.4 Burlington has indicated that these projects would be deferred until 2010. However, VECC notes that the proposed capital budget for 2010 already includes \$550,000 for Cable Rebuilds in North Brant Hills<sup>14</sup> - which was one of the projects deferred from 2009<sup>15</sup>. As result, it is not immediately evident that the 2010 capital spending should be correspondingly increased by \$844,000. Unless, Burlington can explain the discrepancy (based on the information filed to-date), VECC submits that the 2010 capital spending should be increased by no more than \$344,000<sup>16</sup>.
- 2.5 VECC notes that the 2010 capital spending includes City of Burlington re-location projects totaling \$740,000. In most cases, electricity distributors share the costs of such projects with government. However, VECC notes that in Burlington's case the Shareholder agreement requires that the distributor pay 100% of the costs<sup>17</sup>. In VECC's view such arrangements are inappropriate and result in ratepayers subsidizing the City. VECC submits that, for purposes of setting rates, the Board should deemed capital contributions on such projects equivalent to 50% of the cost and reduce the rate base accordingly.

2.6 Also affecting the net cost to Burlington of its 2010 capital spending projects is the

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<sup>13</sup> Board Staff Round #2 - #8

<sup>14</sup> Exhibit 2/Tab 5/Schedule 8, page 3

<sup>15</sup> Energy Probe #7 and SEC #28. The latter reports 2009 spending deferral of \$500,000 for North Brant Hills

<sup>16</sup> \$844,000 less the \$500,000 attributed to the project for 2009.

<sup>17</sup> VECC #8 and SEC #33

Province's plans to harmonize its retail sales tax (8%) with the federal goods and services tax effective July 1, 2010 to create a harmonized sales tax (HST). Burlington has not made any adjustments for this change and estimates that the provincial sales tax to be paid on 2010 capital spending included in rate base is \$344,929<sup>18</sup>. VECC notes that Burlington is amenable<sup>19</sup> to creating a variance account to capture the impact of the HST introduction. VECC submits that the estimated impact<sup>20</sup> of the introduction of the HST in 2010 be removed from the 2010 capital additions, the 2010 rate base should be reduced accordingly and a variance account should be established to track the difference between this amount and the retail tax savings in 2010. In the alternative, if the Board deems that a variance account is not warranted then the 2010 rate base should still be reduced by the forecasted impact of the introduction of the HST.

### *Working Capital*

2.7 VECC notes that Burlington used<sup>21</sup> the Board's April 2009 forecast for the RPP price to determine the cost of power component of working capital. However, over 50% of the energy delivered<sup>22</sup> by Burlington is not subject to RPP prices and wholesale price paid by Burlington reflects the value of HOEP and the Provincial Benefit not the RPP price. In response to an Energy Probe request Burlington has updated its cost of power calculations to reflect the Board's October 2009 RPP Report and to also "priced" non-RPP sales at the forecast cost for HOEP plus the Global Adjustment. VECC submits that, subject to any adjustments to the load forecast for 2010, this is the value that should be used to determine the 2010 working capital requirements.

## **3 Load Forecast and Revenue Offsets**

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<sup>18</sup> Energy Probe #1 f). VECC notes that this value will increase with Burlington's update that defers capital spending from 2009 to 2010.

<sup>19</sup> Energy Probe #1 h)

<sup>20</sup> ½ of \$344,929

<sup>21</sup> VECC #6 a)

<sup>22</sup> Energy Probe \$#5 c)

## *Load Forecast*

3.1 Burlington's load forecast methodology consists<sup>23</sup> of three steps:

- First, a weather normalized forecast of monthly system purchases is developed based on a multifactor regression analysis that includes weather, number of customers, economic output and seasonal calendar variables as independent explanatory variables. The regression equation was developed using monthly data for the period 1996-2008<sup>24</sup>.
- Second, the forecast is adjusted for losses to produce a weather-normalized billed energy forecast. Average weather conditions over the period 1996-2008 are used to determine the weather normalized forecast.
- Third, based on customer count forecasts and trends in non-weather normalized per customer use forecasts of total (non-weather normalized) use are developed for each customer class. These forecasts are then adjusted (based on the relative weather sensitivity of each class) so that the sum of individual customer class forecasts equals the total billed kWh forecast developed in Steps #1 and #2.

3.2 In terms of the methodology used in Step #1 to develop the total system, VECC's primary concern is that the coefficient for number of customers is negative suggesting that purchased load will decrease if the number of customers increases<sup>25</sup>. Burlington speculates that the result is due to CDM savings after 2005. However, this does not resolve the fact that the model yields counter-intuitive results. VECC agrees with Board Staff's submissions<sup>26</sup> that the objective in choosing between various model formulations is not simply to achieve the highest R-Squared or Adjusted R-Squared value but that the resulting equation must also make sense intuitively and the explanatory variables be significant.

3.3 In Step #3 of Burlington's approach, VECC has concerns regarding the process for

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<sup>23</sup> Exhibit 3/Tab 2/Schedule 1, page 7

<sup>24</sup> Exhibit 3/Tab 2/ Schedule 1, page 7

<sup>25</sup> VECC #14 b) and Energy Probe #11 a)

<sup>26</sup> Board Staff Submissions, page 6

determining and adjusting what Burlington deems to be a “non-weather normalized” forecast so that it reconciles with the forecasted weather normalized use<sup>27</sup>. Burlington’s forecast of non-weather normalized use in each customer class is calculated based on i) the projected customer count as discussed above and ii) a projected average use per customer which, in turn, is calculated by escalating the actual 2008 per customer use by the average growth rate in the class’ per customer use over the 2003-2008 period<sup>28</sup>.

3.4 The problem with the second part of this approach is that by using the geometric mean the growth rate calculated only really reflects weather conditions in 2002 and 2007<sup>29</sup>. It therefore, is specifically affected by the weather conditions those two years and does not reflect average weather conditions.

3.5 Finally, with respect to Step #3, VECC has concerns regarding the adjustment process Burlington uses to reconcile its non-weather normal forecast by class with its projection of total weather-normalized loads. Burlington’s assumption that the Residential and GS<50 classes are 100% weather sensitive while GS 50-499 is only 51% weather sensitive is based on an interpretation of Hydro One Networks weather normalization work to provide data for Burlington’s cost allocation filing<sup>30</sup>. However, in VECC’s view, Burlington has not adequately substantiated that Residential and GS<50 customers’ loads are 100% weather sensitive<sup>31</sup>. Indeed, VECC submits that it is intuitively obvious that they are not<sup>32</sup>.

3.6 In order to check the reasonableness of Burlington’s projections for the weather sensitive customer classes the following table compares Burlington’s projected 2010 per customer use with both historical averages; the 2004 weather normal use calculated by Hydro One Networks for the Utility’s Cost Allocation filing and the 2008 weather normalized average use determined using the same

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<sup>27</sup> Exhibit 3/Tab 2/Schedule 1, pages 13-18

<sup>28</sup> Exhibit 3/Tab 2/Schedule 1, page 16

<sup>29</sup> VECC #16 e)

<sup>30</sup> Exhibit 3/Tab 2/Schedule 1, page 17

<sup>31</sup> VECC #16 g) and h)

<sup>32</sup> Both the Residential and GS<50 classes have lighting loads which are not weather sensitive.



methodology. The table suggests that Burlington's load forecast (2010-WN) is low when the resulting usage per customer is compared against any of the benchmarks.

**Comparison of Average Monthly Use (kWh)**

	<u>Average 2003-2008</u>	<u>Average 2006-2008</u>	<u>HON NAC</u>	<u>2008 WN</u>	<u>2010 WN</u>
Residential	9,874	9,676	9,812	9,895	9,281
GS<50	36,861	36,611	36,998	37,505	35,652
GS > 50	939,417	925,746	958,872	941,051	903,866

Sources Historical Use - Exhibit 3/Tab 2/Schedule 1, page 15  
HON NAC - VECC #16 j)  
2008 WN - VECC #16 k)  
2009 WN - Exhibit 3/Tab 2/Schedule 1, page 16

3.7 In response to Board's Staff second round interrogatories Burlington provided forecast of total sales based on: i) Using the HON NAC's and ii) A regression-based model similar to Burlington's that excluded customer count. The HON NACs produced a 2010 billed energy forecast of 1,762.5 GWh<sup>33</sup>; while the revised regression model produced a billed energy forecast of 1,703.3 GWh<sup>34</sup>. In comparison, Burlington's billed energy forecast for 2010 is 1,615.3 GWh.

3.8 VECC notes that Board Staff is recommending that the NAC approach be used with a result of 1,762.4 GWh of billed energy for 2010<sup>35</sup>. In VECC's view this value is likely too high as it does not account for the recent economic turn down nor any CDM trends since 2004. VECC expressed concerns during the 2008 EDR process regarding the use of the NAC-based approach. These concerns are now heightened with the passage of time. In VECC's view the 1,703.3 GWh of billed energy that arises from the revised regression model is a more appropriate

<sup>33</sup> Board Staff Round #2 - #5.

<sup>34</sup> Board Staff Round #2 - #4. Note- Results must be divided by 1.0407 to yield billed energy

<sup>35</sup> Board Staff Submissions, page 8

forecast to use for 2010. It is based on a regression model that includes major economic and weather variables where all the coefficients (on an intuitive basis) have the correct signs. Also the Adjusted R-Squared value is only marginally lower (94.1% vs. 94.7%) than that for Burlington's original equation<sup>36</sup>.

3.9 The 1,703.3 GWh forecast for billed energy is equivalent to 1,772.6 GWh of purchased energy<sup>37</sup> – roughly equivalent to the 2008 weather normalized use of 1,772.9 GWh<sup>38</sup>. With the roughly 1%-2%/annum customer growth that is projected to occur between 2008 and 2010, this means the average use values for 2010 will be nominally less than the 2008 weather normalized values reported above. Overall, VECC submits that these results will be more reasonable than the forecast proposed by Burlington.

3.10 VECC also submits that, for purposes of establishing use by customer class, the adjustments to weather normalize the individual class values should assume that the Residential and GS<50 classes are 50% weather sensitive. In VECC's view this is a far more realistic assumption than the 100% value used by Burlington.

#### *Miscellaneous Revenues*

3.11 VECC has no submissions regarding Burlington's miscellaneous revenue forecast. VECC notes that Burlington has revised its original forecast to include SSS Admin Fees of \$175,417<sup>39</sup>.

## **4 Operating Costs**

#### *OM&A Costs*

4.1 In the original Application, Burlington's OM&A costs are projected to increase by \$2,710,885 (or 22.4%) to \$14,800,994 over the period 2006-2010. However, following the interrogatory process, this number was reduced by \$4,000 to exclude

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<sup>36</sup> Board Staff Round #2 - #4

<sup>37</sup> Board Staff Round #2 - #4

<sup>38</sup> VECC #15 a)

<sup>39</sup> VECC #45 and Board Staff Round #2 - #8

bank fees associated with the smart metering<sup>40</sup>. The key contributors<sup>41</sup> to this increase are summarized by Burlington in the original Application and include:

- Employee Costs – which increase by \$1,662,029.
- Bad Debts and Accounts Receivable Insurance - which increase by \$431,759<sup>42</sup>.
- Contract Labour - \$116,683
- Administration Expenses from Non-Regulated - \$117,614

4.2 VECC's two concerns with respect to Employee costs are: i) Burlington's inclusion of the full cost of its Incentive Payment Plan in the revenue requirement<sup>43</sup> and ii) the assumed wage escalation for 2009 and 2010. In terms of the incentive plan, VECC calculates this cost to be in the order of \$210,000<sup>44</sup> for 2010. VECC notes that the incentive payments are not made unless the financial targets with respect to ROE, EBIT and Free Cash Flow are achieved and that, even then, 50% of the payment is based on achieving these financial targets as opposed to safety, reliability and efficiency targets<sup>45</sup>. Based on these facts, VECC submits that only 50% of the allowance for incentive payments should be included in rates and the revenue requirement should be reduced by \$105,000.

4.3 In the case of wage escalation, VECC notes that the Application assumed a 3.5% increase in 2009 for unionized employees, while the final negotiated agreement was for 3% increase in 2009<sup>46</sup>. The Application also assumed a 3.9% increase in 2009 for non-unionized staff. As result, VECC submits that – at minimum – the unionized employee costs for 2010 need to be trued up (i.e., reduced) to reflect the term of the actual negotiated contract. VECC also submits that it would be appropriate to extend the true up to the non-unionized staff. VECC estimates the

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<sup>40</sup> Energy Probe #46

<sup>41</sup> Exhibit 4/Tab 2/Schedule 4, page 1

<sup>42</sup> See Board Staff #11 for revised Bad Debt cost history

<sup>43</sup> SEC #31

<sup>44</sup> Based on average payments by employee group and projected number of employees per Exhibit 4/Tab 4/Schedule 2, page 1.

<sup>45</sup> SEC #17

<sup>46</sup> Energy Probe #17

associated reduction to be in the order of \$38,800<sup>47</sup>. VECC notes that 73.5% of total compensation is charged to OM&A<sup>48</sup> and, therefore submits that 2010 revenue requirement should be reduced by \$28,500 to reflect lower employee costs.

4.4 In the case of Bad Debts and Accounts Receivable Insurance, incremental costs totalling \$108,300 for Accounts Receivable Insurance are included in the 2010 revenue requirement<sup>49</sup>. Burlington indicates that bad debt insurance was purchased to mitigate against the risk of loss from a large customer and does not cover residential or small commercial consumers<sup>50</sup>. It also suggests that credit quality will continue to decrease during 2009 and 2010 as a result of the recession<sup>51</sup> and 2008 should not be treated as a “one time” event.

4.5 VECC notes that as of the response date to the second round interrogatories, the bad debt expense recorded in Account #5335 for 2009 was \$322,043<sup>52</sup> versus a budgeted amount of \$400,000<sup>53</sup>. VECC also notes that the current forecast is for the economy to improve in 2010<sup>54</sup>. Based on these facts VECC submits that the Bad Debt expense attributed to Account #5335 for 2010 should not be \$400,000. Rather, given the improving economy and the protection provided by the accounts receivable insurance, VECC submits that the expense for 2010 should be less than that for 2008 or 2009. In VECC’s view an allowance of \$320,000 would be appropriate and conservative since this is the “almost year-end” value for 2009. Acceptance of this value would reduce the 2010 revenue requirement by \$80,000.

4.6 In the case of the bad debt for billed jobs included in Account #5665, the 2010 forecast is \$30,000 as compared to a current 2009 balance for accounts in arrears (more than 90 days) of \$51,700. In VECC’s view, with the improving economy for

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<sup>47</sup> Based on Total Salaries and Wages of \$7,762,392 and a reduction of 0.5%.

<sup>48</sup> Exhibit 4/Tab 4/Schedule 2, page 1

<sup>49</sup> Exhibit 2/Tab 2/Schedule 4, page 1

<sup>50</sup> VECC 19 h)

<sup>51</sup> Board Staff #11 iii)

<sup>52</sup> Energy Probe 53 c)

<sup>53</sup> Board Staff #11 i)

<sup>54</sup> VECC #14 c)

2010 the \$30,000 remains a reasonable forecast for that year.

- 4.7 The proposed revenue requirement includes remuneration costs for Boards of Directors for both Holdco (i.e., BHEI) of \$127,500<sup>55</sup> and the LDC (i.e., BHI) of roughly \$16,167<sup>56</sup>. IN VECC's view this is inappropriate and results on a duplication of Directors costs. VECC submits that the portion of the remuneration for the BHEI Board that is allocated to BHI (\$127,500) should be removed from the revenue requirement.
- 4.8 The current Application includes \$39,000 for the Board's anticipated LEAP program<sup>57</sup>. The Application also includes \$25,000 for continuation of Burlington's existing Winter Warmth program<sup>58</sup>. The LEAP report released by the Board in October 2009 (EB-2008-0150) anticipated that the LEAP program would replace the existing Winter Warmth programs with a more comprehensive annual program. While clarification on the anticipated government programs is still outstanding, VECC considers inclusion of both amounts in the revenue requirement as double counting. VECC submits that, in order to acknowledge this, the proposed OM&A expenses should be reduced by at least \$25,000.
- 4.9 VECC has reviewed and concurs with Board Staff's submission<sup>59</sup> that the costs for tree trimming should be normalized over four year and that the 2010 OM&A costs should be reduced accordingly by \$16,573.
- 4.10 In response to Board Staff #13 Burlington identified \$34,300 of "one-time" costs that were included in the 2010 OM&A forecast. In a subsequent response Burlington clarified that these costs were incurred once every three years<sup>60</sup>. This suggests that the cost to be incurred over the current test year plus the next 3 IRM-based years is \$64,600 – or \$17,150 per year. VECC submits that the allowance for these costs should be reduced to \$17,150 (which represents a

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<sup>55</sup> Energy Probe #2

<sup>56</sup> Energy Probe #38

<sup>57</sup> Board Staff #14

<sup>58</sup> VECC #20 a)

<sup>59</sup> Board Staff Submissions, pages 12-13

<sup>60</sup> Energy Probe #54

reduction of \$17,150).

- 4.11 Burlington has forecast one-time cost of \$381,546 for the current cost of service review<sup>61</sup>. VECC notes that this value is considerably higher than the regulatory costs approved for any of the 2008 cost of service applicants going through a similar review process (i.e. two rounds IRs with no ADR or oral proceeding). Indeed as demonstrated by Energy Probe's argument<sup>62</sup> it exceeds any of the 2009 applications' costs by more than \$100,000 and exceeds the average by more than \$250,000.. As result, VECC submits that the Board should reduce the total costs allowed by at least \$200,000 and reduce the allowed amount in the 2010 OM&A by at least \$50,000.
- 4.12 Finally, similar to the submissions made regarding 2010 capital spending, VECC submit that the 2010 OM&A costs should be reduced to account for the planned introduction of the harmonized sales tax July 1, 2010. Burlington estimates that the provincial sales tax included in the its original OM&A forecast for 2010 was \$72,728. Subject to any reductions the Board may make in allowed OM&A for 2010, this would result in a reduction in OM&A of approximately \$36,000.
- 4.13 Summarized below are the minimum OM&A reductions that VECC has submitted should be made for 2010:

Incentive Payment Plan:	\$105,000
2009 Salary & Wage Escalation:	\$ 28,500
Bad Debt:	\$ 80,000
Board of Directors:	\$127,500
LEAP:	\$ 25,000
Tree Trimming:	\$ 16,573
One-Time Costs	\$ 17,150
Regulatory Costs	\$ 50,000
PST:	\$ 36,000

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<sup>61</sup> Board Staff #12

<sup>62</sup> Page 25

TOTAL REDUCTION: \$485,223

### *Depreciation*

4.14 VECC has no submissions regarding Burlington's proposed depreciation expenses other than to note that the expenses will need to be adjusted to reflect any changes in capital additions for 2009 or 2010 from those provided in the updated revenue requirement<sup>63</sup>.

## **5 Payments in Lieu of Taxes**

5.1 Burlington has used the tax rates from the 2009 Provincial Budget in the determination of its 2010 PILS<sup>64</sup>. However, it has not reflected the elimination of the "surtax claw back" of the small business deduction as proposed in the Budget. VECC submits that the tax calculation should be revised to also reflect this change.

## **6 Cost of Capital/Capital Structure**

6.1 Burlington's proposed capital structure is consistent with the Board's December 2006 Report and should be accepted by the Board. VECC notes that Burlington has also acknowledged that both the cost of short-term debt and the cost equity will be updated in accordance with the Board's Guidelines<sup>65</sup>.

6.2 Burlington's current long term debt consists of a promissory note with the City of Burlington for \$47,878,608. Burlington claims that since the note is held by an affiliate and callable it will be subject to the Board's deemed debt rate for 2010 and that this rate should be used as the cost of long-term debt for 2010.

6.3 VECC has two concerns with Burlington's proposed cost of long-term debt. The first is with respect to Burlington's proposal that the Board's 2010 deemed cost of long-term debt should be applied to the Note in determining its cost of capital.

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<sup>63</sup> Board Staff Round #2 - #8

<sup>64</sup> Energy Probe #29

<sup>65</sup> Exhibit 5/Tab 2/Schedule 1, pages 1-2

VECC notes that the Board's December 2009 Report on the Cost of Capital for Ontario's Regulated Utilities states<sup>66</sup>:

"For debt that is callable on demand (within the test year period), the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. Debt that is callable, but not within the period to the end of the test year, will have its debt cost considered as if it is not callable; that is the debt cost will be treated in accordance with other guidelines pertaining to actual, affiliated or variable-rate debt."

Since the rate on the Promissory Note<sup>67</sup> is 7.25%, VECC submits that this is the rate that should be applicable for 2010 unless the Board's deemed rate is less. In that case, the rate applicable to the Promissory Note would then be the deemed rate for 2010.

- 6.4 VECC second concern is that Burlington proposes to borrow \$11 million dollars in 2010<sup>68</sup>. Furthermore, Burlington has indicated that the borrowing will be through Infrastructure Ontario and have a term of 15 years<sup>69</sup>. While Burlington states that this borrowing is to fund its smart meter activities the Board's December 2009 Cost of Capital report states<sup>70</sup> that for electricity distributors "the Board will rely on the embedded or actual cost for existing long-term debt instruments". As a result, VECC submits that Burlington's cost of long-term debt for 2010 should be calculated as a weighted average of the rate applicable (e.g. 7.25%) to its Promissory Note with the City and the rate quoted<sup>71</sup> by Infrastructure Ontario (4.55%).

## **7 Cost Allocation**

### *Results of Burlington's Cost Allocation Study*

- 7.1 Burlington has prepared a 2010 cost allocation study using 2010 costs and scaling the various loads used in its 2007 study to match the change in load forecast for

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<sup>66</sup> EB-2009-0084, page 54

<sup>67</sup> Exhibit 5/Tab 2/Schedule 2

<sup>68</sup> Energy Probe #51

<sup>69</sup> SEC #3, CFO Discussion, page 3

<sup>70</sup> Page 53

<sup>71</sup> SEC #28 e). The 15-year "amortizer" rate of 4.55% is used based on the CFO Discussion that indicates the principal is repayable.



each customer class between then and 2010<sup>72</sup>. The key point to note from the results is that the revenue to cost ratios for all of Burlington's customer classes are within the Board's Guidelines, except for Street Lighting (at 15.39% vs. 70% minimum).

*Use of the Cost Allocation Study Results in Setting 2010 Rates*

- 7.2 For 2010, Burlington is proposing to move the revenue to cost ratio for Street Lighting 50% of the way to the minimum level specified by the Board's guidelines<sup>73</sup>. Burlington is also proposing to increase the revenue to cost ratio for GS>50 from 80.3% to 85%. The excess revenue is distributed to the Residential and GS<50 classes since they are the ones whose revenue to cost ratios are the highest (109.19% and 110.72% respectively).
- 7.3 VECC agrees with Burlington's proposal regarding the adjustment to the Street Lighting revenue to cost ratio and notes that it is consistent with the Board approvals for a number of 2009 rate applications. However, VECC does not agree with Burlington's proposal regarding the GS>50 class. The revenue to cost ratio for this class from the 2010 Cost Allocation study is within the range prescribed by the Board's guidelines and there is no basis for increasing it further.
- 7.4 Burlington argues that the ratio has declined from that calculated using the 2006 rates and costs and proposes to move it half way back to the results obtained in the original filing. VECC submits that the Board's guidelines did not establish the 2007 results as the "target" rather it set a range around 100%. Indeed, one of the reasons regulators use "ranges" for revenue to cost ratios is that (as well as the models not being perfect) the results can change from year to year as costs and loads change.
- 7.5 VECC notes that adoption of the 80.3% revenue to cost ratio for GS>50 will reduce the excess revenues and the resulting reduction in the Residential revenue to cost ratio. However, VECC believes that a principled approach should be taken

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<sup>72</sup> Exhibit 7/Tab 1

<sup>73</sup> Exhibit 7/Tab 3, page 1

in the application of the Board's guidelines.

- 7.6 Finally, Burlington has used the 2010 allocated service revenue requirement to determine what portion of the 2010 revenue requirement would represent 100% cost responsibility for each customer class<sup>74</sup>. Burlington has applied its proposed revenue to cost ratios to these values and then removed the miscellaneous revenues allocated by class to determine the base revenue requirement to be recovered by distribution rates. VECC agrees with this approach.

## **8 Rate Design**

- 8.1 Burlington has set the 2010 fixed monthly charge for each class at the upper limit of the range established by the Board's guidelines for all classes except Street Lighting. In the case of the Residential class this produces a fixed charge that is higher than what would result from simply maintaining the existing fixed/variable split<sup>75</sup>. Burlington contends that moving the monthly service charges to the ceiling set by the Board would be consistent with the Board's current position<sup>76</sup>. Board Staff also suggests that Burlington's proposal is consistent with previous decisions<sup>77</sup>.
- 8.2 VECC notes that in the 2009 Rate Decisions issued by the Board have, in situations where the current rates are within the range established by the Board, approved increases in the fixed portion of the Distributor's rates<sup>78</sup>; decreases<sup>79</sup> in the fixed portion of the rate structure and maintained the existing fixed-variable split<sup>80</sup>. The general approach of the Board appears<sup>81</sup> to be that the choice is within the discretion of the Distributor. As noted in the discussions to date during the OEB's Rate Design review – there are arguments to be made in favour of an

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<sup>74</sup> Exhibit 8/Tab 1, page 1

<sup>75</sup> Exhibit 8/Tab 2, pages 1-2

<sup>76</sup> Board Staff #23

<sup>77</sup> Board Staff Submissions, page 22

<sup>78</sup> Centre Wellington, EB-2008-0225

<sup>79</sup> Innisfil, EB-2008-0233

<sup>80</sup> Niagara-on-the-Lake, EB-2008-0237

<sup>81</sup> EB-2008-0233, page 29

increase in the fixed portion of the rate design<sup>82</sup> and arguments to made in favour of an increase<sup>83</sup> in the variable portion of the rate design. VECC submits that it is inappropriate to allow a distributor to pick and choose among these arguments to support its particular position.

- 8.3 In VECC's view a more standardized approach is required. VECC submits that, subject to bill impact considerations, when the service charge resulting from the use of the existing fixed/variable split is within the range established by the Board's Report for a customer class, the distributor should be required to maintain its existing fixed-variable split. Application of the ceiling (or floor) set out in the Board's Report should only come into play when the results based on using the existing fixed/variable split fall outside the Board's guidelines.
- 8.4 Using this approach, the 2010 service charge for Residential would reflect the existing fixed/variable split. Based on the revenue requirement and cost allocation in the original Application this would yield a value of \$12.71 as opposed to the \$13.89 proposed by Burlington<sup>84</sup>.

## **9 Losses**

- 9.1 Burlington's proposed total loss factor of 1.0405 is based on a 5-year historical average<sup>85</sup>. However, given recent system changes<sup>86</sup> (in particular the purchase of the Palermo feeder in 2007) VECC submits that the three year average value of 1.0338 would be more appropriate<sup>87</sup>.

## **10 Retail Transmission Rates**

- 10.1 Burlington is proposing to adjust its Retail Transmission Service rates by the UTR

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<sup>82</sup> One such argument is "revenue stability" as put forward by THI

<sup>83</sup> One such argument is an improved conservation signal as put forward by Lakeland Power (EB-2008-0234)

<sup>84</sup> Exhibit 8/Tab 2, page 2

<sup>85</sup> Exhibit 8/Tab 5, page 1

<sup>86</sup> VECC #29

<sup>87</sup> Energy Probe #36

adjustment factors set out in the Board's G-2008-0001 (July 2009) Guideline<sup>88</sup>.

Burlington has reviewed the variances in Accounts #1584 and #1586 over the past two years and concluded there are no ongoing trends. VECC has no submissions regarding Burlington's proposal.

## **11 Deferral and Variance Accounts**

11.1 VECC notes that Burlington's proposals for clearing its variance and deferral accounts are consistent with the Board's EB-2008-0046 Report and has no further submissions on this aspect of the Application.

## **12 LRAM/SSM Claim**

### *Introduction*

12.1 VECC is very concerned about the implied position of BHI with regard to the use of Best Available Input assumptions as required by the Board's TRC Guidelines Section 7.3 and the Board's Letter of January 29, 2009 regarding its adoption of the OPA Measures and Assumptions List as the Best Available Input assumptions.

12.2 As demonstrated below, the inconsistent use of input assumptions particularly for Mass Market CDM Measures has lead to inflated Kilowatt hour savings and LRAM claims for Third tranche and "post third tranche" rate funded CDM programs.

12.3 VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs, with a few observations about the changes that the OPA made to certain mass market measure input assumptions under the Every Kilowatt Counts campaigns between 2006 and 2007.

12.4 Because of the non-retroactivity provision in the Guidelines for SSM claims for third tranche and rate-funded CDM, VECC accepts the SSM claim as filed. (There is no SSM available to LDCs for OPA-funded programs).

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<sup>88</sup> Exhibit 8/Tab 3, pages 1-2

### *Background Framework for CDM LRAM Claims*

- 12.5 An LRAM is a mechanism that compensates a utility for the lost distribution revenue that results from the reduction of energy and demand from the installation by customers, of energy efficient technologies or measures.
- 12.6 The methodology used in preparing an LRAM claim is to estimate, for each CDM measure, the number of participants/installations and the “Best Available” estimate of the unit kwh energy savings and demand kw reductions.
- 12.7 The estimate of kwh savings requires assumptions regarding the baseline measure that is replaced by the Energy Efficient measure e.g. incandescent 60w bulb with 13/15 W Compact Fluorescent Light) and the parameters of the EE measure, particularly lifetime and free-ridership.
- 12.8 The energy and demand reductions are then monetized by the unit distribution revenue \$/kwh or \$/kw for each rate year for which the CDM measure reduces the load and revenue. Ratepayers pay the LRAM amount(s) in the form of unit rate riders applied to each class based on the attribution of the savings and lost revenues attributable to the class.
- 12.9 Board-approved CDM programs/measures implemented by all LDCs, whether under third tranche, OPA or rate-funded LDC programs can be classified into three main archetypes:
- *Mass Market Measures* -Hand outs of energy saving light bulbs, Programmable Thermostats etc (Primarily targeted to Residential and small Commercial sectors/class CDM)
  - *Standard energy saving devices* T8 lighting fixtures etc (Primarily applied to multi- residential and Commercial sectors/classes)
  - *Custom energy saving measures* installed in variety of applications ranging from LED traffic lights to industrial establishments. (primarily applicable to Commercial , Industrial and other sectors/class CDM)
- (Note Utility- specific e.g. loss reduction programs are not eligible for LRAM or

SSM)

### *Mass Market Measures*<sup>89</sup>

- 12.10 Mass Market Measures are by definition, prescriptive identical measures and a uniform standard set of input assumptions apply based on sampling of the actual application of the measures. These assumptions include average unit cost, energy savings (including hours of operation) and lifetime.
- 12.11 The Board's TRC Guidelines, as clarified by the Board's January 29 2009 Letter, are unambiguous with regard input assumptions for this category of CDM Programs/Measures:
- 12.12 **For LRAM claims** for Mass Market CDM measures for **third tranche and rate-funded programs**, the OPA Measures and Assumptions List is (since January 29, 2009) the (sole) source of input assumptions for the preparation of the third party review/verification for this component of an LRAM claim.
- 12.13 **For SSM claims** for **third tranche and rate-funded** programs, the appropriate input assumptions are those at the time that the programs were implemented but, following the independent review, the OPA Measures and Assumptions List where applicable will apply for the forward period.
- 12.14 The Board's Decision in respect of Horizon Utilities LRAM claim (EB-2009-0158 Decision) confirms this interpretation of the application of the Board's TRC Guidelines and its Letter of January 29, 2009 regarding adoption of the OPA Measures and Assumptions list for LRAM claims.

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<sup>89</sup> Mass Market Measures-a collection of prescriptive input assumptions for electricity conservation measures specific to the mass markets sector. *Version 1.02 is basically V1.01 2009 Mass Market Measures and Assumptions with a new Appendix - Appendix D containing the substantiation of the new measures.*  
*OPA Website*

### *Commercial & Institutional Standard Measures<sup>90</sup>*

12.15 CI Standard measures include a wide variety of energy efficient technologies, installed in MURBs and Commercial establishments, including lighting, controls etc.

12.16 Some of these technologies have input assumptions listed in the OPA C&I Measures and Assumptions list.

12.17 Others do not have listed input assumptions and the Board's Guidelines require that in such cases an independent expert validation of the energy savings and LRAM claim.

### *Custom CDM Projects*

12.18 As the name implies, are unique projects that usually involve some level of engineering design together with contractor procurement and installation. Some elements of the overall design may involve standard measures for example lighting or HVAC controls but these are integrated into the overall project.

12.19 Custom projects require a post installation audit and verification to determine the actual energy and demand reductions.

### *History of LRAM Claims to Date*

12.20 Most LRAM claims filed to date relate to residential and small commercial sector CDM. The programs have been funded either out of third tranche funds or directly from rates or since 2006, by the Ontario Power Authority. In all cases ,the majority of the kilowatt hour and peak demand savings and associated LRAM claims relate to installation of mass market measures or standard measures.

12.21 All utilities filing claims have used a common set of input assumptions for

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<sup>90</sup> Commercial & Institutional-a collection of prescriptive input assumptions for electricity conservation measures specific to the mass markets sector. *Version 1.02 is basically V1.01 2009 Mass Market Measures and Assumptions with a new Appendix - Appendix D containing the substantiation of the new measures.*  
[OPA Website](#)

Residential Mass Market measures. Up to January 29, 2009 these were listed in the Appendix to the Board's TRC Guidelines for Electric Utility CDM. Post January 29, 2009 the OPA Mass Market Measures and Assumptions List has been used.

12.22 For Multi Residential CDM programs, including Affordable/Social Housing, either mass market assumptions are applicable or in some cases Standard Measures were deployed such as Lighting.

12.23 For the GS<50 kw sector the majority of measures deployed were mass market measures or standard measures.

#### *Burlington Hydro LRAM/SSM Claims*

12.24 Burlington seeks to establish a new approach and standard to the use of input assumptions for Mass Market Measures. This is particularly true for the most common mass market measure -the hand out or provision of coupons for, 13w /15 w compact florescent lights at hardware stores and other events.

12.25 The OPA Measures List provides average values for key assumptions for CFLs installed in residential single family homes. These values are based on extensive research by the OPA EM&V group and in fact OPA changed these assumptions once in 2007 relative to 2006 and again (a minor adjustment) in 2008.

12.26 Burlington Hydro and its advisors have rejected the OPA Mass Market Measures List as Applicable and consider these to be default values<sup>91</sup> except for one CFL handout campaign. They claim that they know better the specific use pattern of the CFLs handed out in to Mass market participants in third tranche and post third tranche campaigns<sup>92</sup>. However they have filed no evidence to support the savings they claim or to refute the use of average savings based on the OPA Measures list.

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<sup>91</sup> IRR Question 4.S.52 Page 1 "In estimating energy savings from programs, BHI wishes to use the best-available information for the particular program or application of the measure. The 'best' information comes from programs that have been subjected to a 3<sup>rd</sup> party, independent evaluation.

<sup>92</sup> IRR Question 4.S.52 Page 2 "The OPA Measures and Assumptions list provides values to be used when information is not known about the usage characteristics, and it was these that were adopted for the CFL give-away.



12.27 Table 1<sup>93</sup> illustrates the range of assumptions used by BHI and its consultants for CFLs in the Residential and Small commercial sectors for the period 2005-2007:

Table 1 - 13W and 15W CFLs in Third Tranche and Post Third Tranche programs

Class	Funding Source	Year	Program	Energy Efficient Technology	Annual Operating Time	Measure Life	Equipment Cost (\$)	Energy Savings (kWh)	Free Ridership	Units	Total energy savings (kWh)
GS<50	Third Tranche	2006	Municipal building retrofit	15W CFL	8,760	1	4	526	0%	2	347
GS<50	Third Tranche	2007	Home Developers Program	13W CFL	4,368	1	5	205	10 / 30%	4,329	354,602
GS<50	Third Tranche	2007	Home Developers Program	13W CFL	728	1	6	63	10 / 30%	1	25
Residential	Third Tranche	2005	Public education and outreach	15W CFL	--	8	2	43	10 / 30%	3,159	380,344
Residential	Third Tranche	2007	Municipal building retrofit	15W CFL	4,000	2	4	180	10 / 30%	2,200	554,400
Residential	Third Tranche	2007	Public education and outreach	13W CFL	4,000	2	4	188	10 / 30%	800	210,560
Residential	Third Tranche	2007	Staff Development Program	15W CFL	4,000	2	4	180	10 / 30%	260	65,520
GS<50	Post Third Tranche	2006	General Service Lighting Program	13W CFL	4,000	2	8	188	10 / 30%	1,242	81,724
GS<50	Post Third Tranche	2006	General Service Lighting Program	15W CFL	4,000	2	10	240	10 / 30%	23	1,449
Residential	Post Third Tranche	2006	Residential Coupon Program - Spring and Fall EKC Program	Energy Star® Compact Fluorescent Light Bulb	--	4	3	104	10%	18,328	5,166,420
Residential	Post Third Tranche	2006	Residential Coupon Program - Spring and Fall EKC Program	Energy Star® Compact Fluorescent	--	4	3	104	10%	27,176	7,660,272
Residential	Post Third Tranche	2007	Residential Coupon Program - Spring EKC Program	15 W CFL	--	8	2	43	22%	32,784	2,199,129
Residential	Post Third Tranche	2007	Residential Coupon Program - Spring EKC Program	13W CFL	4,000	2	7	43	10 / 30%	8,000	481,600
Residential	Post Third Tranche	2008	Residential Coupon Program - Spring and Fall EKC Program	Energy Star® Qualified Compact Fluorescent Light Bulbs	--	8	Not used	53	48%	12,406	343,328

(Note: "Post third tranche" residential programs with the words "EKC Program" are OPA programs)

12.28 In order to illustrate the diversity of assumptions used by BHI the following table has been prepared for the **Residential Mass market CFL installations** based on Table 1:

<sup>93</sup> IRR to VECC Question 4.S.52 Pages3-4

Year	Program	Base Technology	EE Technology	Operating hours	Unit Kwh Saved/yr	Free Riders	Units	Net Kwh Saving/yr
2005 3 <sup>rd</sup> tranche	Public education and outreach	Not specified	15W CFL	--	<b>43*</b>	10 / 30%	3,159	380,344
<b>TOTAL</b>								<b>380,344</b>
2007 3 <sup>rd</sup> tranche	Municipal building retrofit #	Not specified	15W CFL	4000	<b>180</b>	10 / 30%	2,200	554,400
2007 3 <sup>rd</sup> tranche	Public education and outreach	Not specified	13W CFL	4,000	<b>188</b>	10 / 30%	800	210,560
2007 3 <sup>rd</sup> tranche	Staff Development Program	Not specified	15W CFL	4000	<b>180</b>	10 / 30%	260	65,520
<b>TOTAL 2007</b>								<b>830,480</b>
2006 (OPA)	Residential Coupon Program - Spring and Fall EKC Program	60 w incandescent bulb	Energy Star® CFL	--	<b>104**</b>	10%	18,328	5,166,420
2006 (OPA)	Residential Coupon Program - Spring and Fall EKC Program	60 w incandescent bulb	Energy Star® CFL	--	<b>104**</b>	10%	27,176	7,660,272
2007 (OPA)	Residential Coupon Program - Spring and Fall EKC Program	60 w incandescent bulb	15W CFL	--	<b>43</b>	22%	32,784	2,199,129
2007 (OPA)	Residential Coupon Program - Spring and Fall EKC Program	60 w incandescent bulb	13W CFL	--	<b>43</b>	10 / 30%	8,000	481,600
2008 (OPA)	Residential Coupon Program - Spring and Fall EKC Program	60 w incandescent bulb	Energy Star® CFL	--	<b>53</b>	48%	12,406	343,328
<b>TOTAL OPA</b>								
<b>OPA Assumptions</b>								
2006 OPA assumptions	2006 Spring EKC calculator	60 w incandescent bulb		986	<b>104</b>			
2007 OPA Assumptions	Page 30-31 of M&A Oct_15.2008	60 w incandescent bulb		986	<b>44.3</b>			
2008 OPA assumptions	Page 93-94 of M&A_List 14Apr_2009.	60 w incandescent bulb		986	<b>43</b>			

*Notes to Table:*

*\* BHI changed this 2005 assumption in its IR response to conform to the OPA 2009 Mass market Measures and Assumptions list. It did not change the other 3<sup>rd</sup> tranche assumptions*

*\*\* OPA changed this savings assumption to 44.3 kwh/yr in 2007 and 43 kwh/yr in 2008*

*# Municipal Building Retrofit is classified as residential by BHI*

12.29 It can be seen that the main differences between the OPA Mass Market Measures and Assumptions List and BHI assumptions for CFLs is the assumption about operating hours.

12.30 The OPA Measures and Assumptions list does not specify standard free ridership rates. These must be determined on a program by program basis.

12.31 The OPA Measures List<sup>94</sup> calculates the Annual Energy Savings for a 13/15w CFL as follows:

Average hours of operation per day = 2.7 hours/day (986 hr/yr)

Annual electricity savings (AES) = \_Wattage x daily usage hours x days per year x Replacement Rate\*

Annual electricity savings (AES) = \_Wattage □daily hours of operation □days per year □Replacement Rate\*

→AES = (60 W – 15 W) □2.7 hrs/day □365 days/year □0.97\*→ AES = **43.0 kWh**

12.32 BHI has assumed 4000 operating hours per year, so the claimed gross Annual Energy Savings for most third tranche residential programs are ~4 times those verified by the OPA for its programs. There is no basis provided by BHI for this different assumption and therefore the Board should substitute the OPA values.

12.33 Accordingly VECC submits that the gross kwh for all third tranche CFL handouts should be reduced to ¼. With reference to Table 1 this means a reduction in the 2007 residential sector savings from 830,480 kwh to 207,620 kwh plus the 2005 reduction BHI has made in its IR responses related to the 2005 Public Education and Outreach program 380,344 kwh for a total of 587,965 kwh.

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<sup>94</sup> OPA Mass Market Measures and Assumptions List April 2009 Page 93

## *Commercial & Institutional Sector Lighting*

12.34 There are several Commercial (GS<50 kw) CFL Lighting retrofit programs listed in Table 1 of IRR response Q4 S52 Page 3-4. The major programs are the 2005 Home Developers Program and the 2006 General Service Lighting Program. The Home Developers program uses operating hours (4368) that are not in accordance with the OPA Measures List for the C&I sector:

Annual Operating Hours of Selected Buildings<sup>5</sup>

Building Type	Annual Operating Hours	Building Type	Annual Operating Hours
Grocery store	5,800	Schools	2,150
Hotels/Motels	5,500	Multi-unit residential bldg (MURB) <sup>6</sup>	3,150
Large/Small retail (incl. restaurant)	4,450	MURB Apartment <sup>7</sup>	2,100
Hospital/Nursing home	4,400	MURB Corridor/Lobby <sup>8</sup>	5,100
Large/Small office	4,000	MURB Parking Garage	8,760
University	3,900		

However the difference relative to the average of 4000 hours is not material.

12.35 The main C&I lighting programs using measures other than screw in CFLs are OPA programs.

## *Other Mass market measures*

12.36 Other than lighting, for several other mass market measures BHI used assumptions different to the OPA measures list. These measures include

- Programmable thermostats (PTs)
- Seasonal Light emitting Diodes (SLEDs)
- Timers

However the relative impact of these is small due the lesser number of participants.

## *Impact of changed Assumptions on BHI LRAM/SSM claim*

12.37 BHI has accepted that changes to its LRAM/SSM claim are required based on Board Staff and VECC IRs.

12.38 The breakdown of energy savings, LRAM and SSM amounts resulting from the changes resulting from the IR process can be found in Questions 30 and 32 of the Board Staff interrogatories. The split of the revised SSM and LRAM claims

reflecting the changes are given in Table 2:

**Table 2 - Final requested LRAM and SSM amounts in 2010\$**

<b>Rate class</b>	<b>LRAM</b>	<b>SSM</b>
Residential	\$567,125	\$166,045
GS < 50 kW	\$72,485	\$4,450
GS > 50 kW	\$65,735	\$50,823
Unmetered Scattered Load	\$0	-\$36
<b>TOTAL</b>	<b>\$705,345</b>	<b>\$221,283</b>

- 12.39 However for the reasons given above, these changes do not go far enough and the kilowatt hour savings and LRAM claim for the Mass Market Measures (residential and GS<50kw) is still inflated.
- 12.40 VECC suggests that the Board reject any LRAM claims, including BHIs, for other than OPA Programs that are not based on the 2009 OPA Mass Market Measures and Assumptions List.
- 12.41 To allow substitution of different assumptions is, as demonstrated above internally inconsistent and results in anomalous and inexplicable differences between measures installed under different programs at different times. The only exception is the free ridership rate, which is not standardized in the OPA Measures list. This, in VECC's view, is the only area where independent evaluators may determine a program-specific value. Even then, reference should be made to the OPA program FR assumptions for the same/similar programs and years.
- 12.42 More importantly, allowing each utility or its independent evaluators to substitute opinion-based input assumptions for the OPA Mass Market Measures and Assumptions List values will lead to highly undesirable outcomes, such as independent evaluators competing to maximize the savings and LRAM for utilities in order to get more business.
- 12.43 There is scope for independent evaluators to recommend different values to

those in the OPA C&I Measures and Assumptions List, but there should be no flexibility for Mass Market measures.

*BHI LRAM Claim for Third Tranche and Rate-funded CDM programs*

12.44 Like other LRAM claims before the Board, the BHI claim can be divided according to funding sources:

- Third tranche MARR,
- Rate-funded and
- OPA- funded

12.45 BHI has confused this classification by applying the term “post third tranche” to both rate-funded programs and some OPA Programs for example the 2006-2008 Every Kilowatt Counts Coupon programs.

*Third Tranche MARR-funded Programs*

12.46 Dealing first with third tranche-funded programs VECC urges the Board to reject BHI’s revised LRAM claim and direct that for all Mass Market Measures the OPA Mass Market Measures and Assumptions List Annual Energy Savings (kwh) values be used.

12.47 With regard to free-ridership the OPA has provided estimates for its programs by campaign and for each year. These values should be used for similar non-OPA programs for the same/similar mass market measures during the same year.

12.48 Based on the responses to VECC Supplementary IRs Question 4.S.51 Table 2 Pages 4 -17 and Question 4.S.51 Table 8 (reproduced below) the 3<sup>rd</sup> tranche Residential and GS<50 kw program savings and LRAM should be further reduced.

**Table 8 - Comparison of energy savings and LRAM claim for Third Tranche Residential and GS < 50 kW programs**

Program	Year	Residential kWh energy savings (as filed)	Residential kWh energy savings (OPA assumptions)	GS < 50kW kWh energy savings (as filed)	GS < 50kW kWh energy savings (OPA assumptions)	Final Third Tranche LRAM claim (as filed)	Final Third Tranche LRAM claim (OPA assumptions)
Home developers program	2007			631,023	716,802	\$15,783	\$17,929
Municipal building retrofit	2006			423,107	174,665	\$13,647	\$5,634
	2007	554,400	436,590			\$10,435	\$8,218
Municipal new construction	2006			585,308	293,133	\$10,789	\$5,403
Public education and outreach	2005	949,873	949,873			\$14,081	\$14,081
	2007	210,560	165,816			\$3,963	\$3,121
Staff development program	2007	65,520	51,597			\$1,233	\$971
<b>TOTAL</b>		<b>1,780,353</b>	<b>1,603,876</b>	<b>1,639,438</b>	<b>1,184,601</b>	<b>\$69,932</b>	<b>\$55,357</b>

12.49 Unfortunately BHI has not provided the LRAM split between the Residential and GS<50kw classes in Table 8.

12.50 However this can be determined by mapping the above adjusted kwh savings to Table 5 of Board Staff IRR 32.

12.51 The result is as follows:

Program	LRAM as Filed		LRAM per OPA Assumptions	
	Residential	GS<50kw	Residential	GS<50kw
Home Developers		\$15,783		\$17,929
Municipal Building Retrofit 2006		\$13,647		\$5,634
Municipal Building Retrofit 2007*	\$10,435		\$8,218	
Municipal new Construction		\$10,789		\$5,403
Public Education and Outreach 2005	\$14,801 (revised)		\$14,801 (revised)	
Public Education and Outreach 2007	\$3,963		\$3,121	
Staff Development	\$1,233		\$971	
TOTALS	\$30,432	\$40,219	\$27,111	\$28,966

\*There is no obvious reason that this program should be assigned to the Residential Class as opposed to the GS<50kw class.

12.52 BHI should be required to make the following changes and reflect these in the final rate order:

1. Confirm the third tranche savings shown in Table 8 of IRR Question 4.S.51 Table 8;



2. Ensure the LRAM has been adjusted for carrying charges;
3. Confirm the split between the Residential and GS<50kw classes;
4. Revise the Residential rate rider to reflect the new LRAM amount; and
5. Revise the GS<50kw rate rider to reflect the new LRAM amount (See below for further adjustment to GS<50kw).

*Other Rate funded Programs*

12.53 It appears from the evidence<sup>95</sup> that the only other rate-funded programs are the 2006 and 2007 Multi-Unit Residential lighting program and General Service Lighting: Program

12.54 The savings for these programs are predominantly assigned to the GS<50kw class and are shown in Board Staff IR response 30 at page 2:

Program	Net kwh as filed	LRAM as filed <sup>96</sup> including carrying costs	LRAM using OPA Assumptions <sup>97</sup>
Multi Unit Residential Lighting retrofit 2006	482,953	\$24,842	\$18,816
General Service lighting 2006	841,808	\$37,174	\$32,917
General Service lighting 2007	213,819	\$9,517	\$9,517
TOTALS	1,538,580	\$71,533	\$61,252

12.55 While VECC is primarily concerned with LRAM related to residential and Social Housing which includes multi- unit residential buildings, nonetheless for consistency VECC urges the Board to also require that the OPA C&I Measures

<sup>95</sup>Interrogatory Response Question 4.34 Page 2

<sup>96</sup> Interrogatory Response Question 4.32 Page 28

<sup>97</sup>Interrogatory response Question 4.35 Page 5

and Assumptions list is applied to these programs and that the LRAM for the GS<50 class be reduced to \$61,252 and the carrying charges adjusted to give the correct LRAM amount. BHI should be required to:

1. Confirm the savings for the 2006-2007 MURB and General Service lighting programs for the GS<50 kw;
2. Adjust the carrying charges to get the correct amount in 2010; and
3. Recalculate the GS, 50kw rate rider to reflect the revised LRAM amount.

### *OPA Funded Programs*

12.56 The main OPA programs affecting BHI's LRAM claim are the 2006 -2008 Every Kilowatt Counts (EKC) coupon programs. According to BHIs evidence as filed<sup>98</sup> these contribute a cumulative total of 20,459,148 kwh in savings and \$397,359 to the total LRAM claim. In particular, the CFLs in the 2006 program contributed over 14,000,000 kwh based on the OEB TRC Guidelines input assumptions for CFLs.

12.57 The OPA revised its input assumptions, notably the savings for CFLs, in 2007 and again in 2008. Accordingly although the OPA results were based on the "Best Available" input assumptions at the time of the program implementation, the OPA has not revised the 2006 results to reflect updated assumptions. Accordingly unlike the Boards Guidelines which require the use of the Best Available Input Assumptions at the time of the independent third party evaluation, the OPA has maintained its 2006 results and not adjusted these for the revised assumptions in the 2008 and 2009 OPA Mass market Measures and Assumptions List.

12.58 This problem produces significantly inflated OPA results and LRAM claims for 2006 EKC programs. However, the Board is relying on the OPA as the CDM authority for all OPA-funded LDC programs and therefore VECC suggests that the Board should accept this situation and take this into account when considering other aspects of LDC LRAM claims.

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<sup>98</sup> Interrogatory Response Question 4.32 Page 11

**13 Recovery of Reasonably Incurred Costs**

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

Respectfully Submitted on the 18<sup>th</sup> Day of January 2010