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January 10, 2011

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)
Final Submissions: EB-2010-0119 Wellington North Power Inc. – 2011
Electricity Distribution Rate Application**

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition in the above noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.
cc: **Wellington North Power Inc.**
Judith Rosebrugh, President/CEO
E-Mail: jrosebrugh@wellingtonnorthpower.com

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 Wellington North Power Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for electricity distribution to be effective May 1, 2011.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

January 10, 2011

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Vulnerable Energy Consumers Coalition (VECC) Final Argument

1 The Application

- 1.1 Wellington North Power Inc. “WNP”, “the Applicant,” or “the Utility”) filed an application (“the Application”) with the Ontario Energy Board (“the Board” or “the OEB”) under section 78 of the Ontario Energy Board Act, 1998 for electricity distribution rates effective May 1, 2011. The Application was filed in accordance with the OEB’s guidelines for 3rd Generation Incentive Regulation, which provide for a formulaic adjustment to distribution rates and related charges.
- 1.2 As part of its Application, Wellington North Power Inc. included a request to change its Smart Meter Rate adder to \$3.79/metered customer/month
- 1.3 WNP also applied to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e., an LRAM recovery). WNP is also seeking a Shared Savings Mechanism recovery.
- 1.4 The following section sets out VECC’s final submissions regarding these aspects of the Application.

2 Smart Meter Rate Adder

- 2.1 As noted above WNP is requesting of an aggregate (non-class-specific) SM rate adder .Wellington North Power Inc. has revised the Smart Meter funding adder to \$3.79

In response to VECC IR#1 WNP indicates:

“Wellington North Power Inc. does not have the customer class details as requested, however, it has followed the guidance included with Guideline – G-2008-0002 Smart Meter Funding and Cost Recovery dated October 22, 2008 and has recorded accounts 1555 and 1556 accordingly with no segregation by rate class.

Additionally, the PowerStream Inc. Decision and Order EB-2010-0209 dated November 19, 2010 Board Findings indicate “the Board is concerned about distributors’ ability to track all individual costs on a class specific basis at this point in the Smart Meter initiative, given that the instructions that have been issued by the Board in the recent past have not included this requirement.”

- 2.2 With respect, WNP has focused on only one aspect of the Board’s EB-2010-0209 Decision. One important finding was that the Board agreed with PowerStream’s proxy allocation of costs to the two main SM rate classes based using Capital Cost as the driver for return interest and amortization with OM and PILs based on the number of meters.

- 2.3 Accordingly VECC disagrees with WNP's position that Capital costs should **not** be tracked or estimated by type of meter (residential vs commercial). VECC submits that the Board's Decision implies that Capital costs can be used as a proxy cost driver to determine the appropriate cost recovery rate rider when this is applied for.
- 2.4 If VECC is wrong about this interpretation we request the Board to clarify its Decision.
- 2.5 Given the above, VECC will make no further submissions on the proposed WNP SM rate adder.

3 Lost Revenue Adjustment Mechanism (LRAM) and Shared Savings Mechanism (SSM) Recovery

LRAM –Third tranche CDM

- 3.1 VECC is concerned about the position of WNP 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.
- 3.2 WNP's (revised) interpretation of the Guidelines (VECC IRR#3) is that the direction to apply the Best Available Input Assumptions at the time of the independent third party review only applies to the savings for measures installed in 2005-2008 that produce kwh and kw savings *persisting beyond January 2009* or new measures implemented after January 2009.
- 3.3 WNP has therefore revised its kwh savings and to use the OEB input assumptions for the savings for 3rd tranche CDM for the period 2005-2008 and the OPA values for the period for the same measures persisting beyond 2008.
- 3.4 VECC disagrees strongly with WNP's interpretation of the Board's Direction and notes that several other utilities have adopted this position.
- 3.5 For LRAM the Guidelines and Policy Letter of January 27, 2009 Specify that

LRAM

The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment [emphasis added] referred to in section 7.5. 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....

- 3.6 VECC suggests that one reason for the Board's direction was to create a level playing field and a consistent approach to making LRAM claims as accurate as possible so that:
- ratepayers do not pay for savings that were not realized and
 - incorporation of CDM into Load forecasts does not result in overstated loads.
- 3.7 VECC notes that since Fall 2006 OPA changed its input assumptions for CFLs and other mass market measures for all of its Every Kilowatt Counts campaigns. Specifically the savings for 15w CFLs was reduced from 104kwh to 43kwh-the value subsequently incorporated into the OPA Measures and Input Assumptions List. WNP has now increased the savings for CFLs to the original OPA 2005/2006 and OEB value.
- 3.8 VECC submits that for LRAM claims the use of best available assumptions should apply retroactively to prior years' calculations as part of the independent review. The Board Guidelines adopted the "go forward" approach for SSM, but not for LRAM.
- 3.9 By reversing its position and revising its LRAM claim, WNP has gone against the independent third party review by Burman Consulting that consulted with Board staff and conducted its review and prepared the LRAM claim consistent with VECC's interpretation of the Board's direction.
- "For all programs/projects, the most recently published OPA assumptions and measures list were used in LRAM calculations [emphasis added] in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009 and consistent with recent Decision and Order EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs. (Appendix A1 Page 16 Burman Report)"
- 3.10 The inconsistent use of input assumptions in the revised claim, particularly for Mass Market CDM Measures has led to revised inflated Kilowatt hour savings and LRAM claim for Third tranche CDM programs.
- 3.11 VECC urges the Board to reject WNP's revised LRAM claim and direct that for all Mass Market Measures (CFLs etc) the OPA Mass Market Measures and Assumptions List Annual Energy Savings (kwh) values be used, as was the case for the original residential LRAM claim verified by Burman.
- 3.12 VECC cannot verify that the original "as filed" LRAM claim is accurate. However Burman Consulting is an experienced and competent third party reviewer of LRAM/SSM claims and hence in lieu of requiring more time and effort by WNP the Board should accept the original claim with the adjustment for the persistence of CFLs in the Commercial CFL Program, a change of \$1390.85 relative to the

original filing.

Rate Class			
	LRAM \$	SSM \$	TOTAL \$
<u>Third Tranche</u>			
RESIDENTIAL	\$5,796.13	\$2,511.29	\$8,307.43
GENERAL SERVICE < 50 kW	\$2,265.26	\$304.40	\$2,569.66
<u>OPA Programs</u>			
RESIDENTIAL	\$22,808.24		\$22,808.24
GENERAL SERVICE < 50 kW	\$80,713.88		\$80,713.88
General Service > 50 kW to 4,999 kW (2005-2007)	\$4,846.07		\$4,846.07
General Service > 50 kW to 599 kW (2008-present)	\$51,610.48		\$51,610.48
	\$168,035.07	\$2,815.69	\$170,850.77

Burman Report Page 5

3.13 As noted above, the adjustment for the persistence of CFLs in the Commercial CFL Program is \$1390.85 from the original filing.

3.14 The proposed rate riders should be modified to correspond:

Rate Class	Amounts (Up to 2009)		Billing Units (2009)	Rate Riders		One Year Rate Rider Total	Two Year Rate Rider Total	Three Year Rate Rider Total
	LRAM	SSM		LRAM \$/unit (kWh or kW)	SSM \$/unit (kWh or kW)			
Residential	\$ 28,599.37	\$ 2,511.29	26,917,386 kWh	0.0011	0.0001	0.0012	0.0006	0.0004
GS < 50 kW	82,979.14	304.40	12,382,839 kWh	0.0067	0.0000	0.0067	0.0034	0.0022
GS > 50 - 999	56,466.56	0.00	64,960 kW	0.8691	0.0000	0.8691	0.4345	0.2897
Total	<u>168,035.06</u>	<u>2,815.69</u>						

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LRAM-OPA CDM Programs

3.15 VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs.

SSM

3.16 Because of the non-retroactivity provision in the Guidelines for SSM claims for third tranche and rate-funded CDM, VECC accepts that WNP has used the OEB input assumptions for the years for the SSM claim as filed.

Summary

- 3.17 VECC urges the Board to reject WNP'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 for LRAM claims.
- 3.18 The precedent value of the Boards determinations in this case cannot be underestimated. Several other utilities are following WNP's approach and the aggregate impact on ratepayers is significant.

4 Recovery of Reasonably Incurred Costs

- 4.1 VECC submits that its participation in this proceeding has been focused and responsible. VECC is not claiming any costs for its review of the Smart Meter rate adder.
- 4.2 Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 10th day of January 2011