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ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Michael Buonaguro
Counsel for VECC
(416) 767-1666

January 18, 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-2010-0095
Lakefront Utilities Inc. – 2011 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.

cc: Mr. Bruce Craig
Lakefront Utilities Inc.

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 Lakefront Utilities 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 18, 2011

Michael Buonaguro
Public Interest Advocacy Centre
34 King Street East
Suite 1102
Toronto, Ontario
M5C 2X8

Tel: 416-767-1666
E-mail: mbuonaguro@piac.ca

Vulnerable Energy Consumers Coalition (VECC)
Final Argument

1 The Application

- 1.1 Lakefront Utilities Inc. ("Lakefront", "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 Lakefront included an adjustment to the customer class revenue to cost ratios; a request to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e., an LRAM recovery); a request for a Shared Savings Mechanism recovery and a request to increase its Smart Meter Funding adder. The following sections set out VECC's final submissions regarding these aspects of the Application.

2 Revenue to Cost Ratio Adjustments

- 2.1 In response to interrogatories¹ from VECC and Board Staff Lakefront has reconciled the adjustments made for the revenue to cost ratio changes as between the various work sheets and explained the basis for the starting point. With these clarifications and corrections, VECC submits that:
- The adjustments are in accordance with the Board's EB-2007-0761 and EB-2009-0233 Decisions, and
 - The Revenue-Cost Ratio Adjustment Work Form has been completed appropriately.

¹ VECC #1 & #2 and Board Staff #6

3 Lost Revenue Adjustment Mechanism (LRAM) Recovery

LRAM –Third tranche CDM

- 3.1 VECC is concerned about the position of Lakefront 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 Lakefront's (revised) interpretation of the Guidelines² 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 Lakefront 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 Lakefront'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 Boards 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

² VECC #2

- 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 104 kWh to 43 kWh the value subsequently incorporated into the OPA measures list. Lakefront has now increased the savings for CFLs to the original OPA and OEB value.
- 3.8 VECC submits that for LRAM claims the use of best available assumptions should apply retroactively to prior years. 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, Lakefront 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 6 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 Lakefront’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 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 default of requiring more time and effort by

Lakefront, it should request Board staff to clarify/confirm free-ridership assumptions for the CFL giveaways. The OPA has provided estimates (10%-30% for its programs by EKC campaign for each year). These values should be used for similar non-OPA programs during the same year.

3.13 Accordingly, subject to the confirmation of free ridership assumptions that match of those of OPA. The **original** LRAM claim for 3rd tranche CDM should either be modified or accepted.

		As Filed			Updated			Variance
		kWh	kW	\$	kWh	kW	\$	\$
2006								
	Light Bulb Giveaway	23,328	0.54	\$ 291.60	56,376	0	\$ 704.70	\$ 413.10
2007								
	Light Bulb Giveaway	34,253	0.79	\$ 381.35	82,779	0	\$ 921.60	\$ 540.25
2008								
	Light Bulb Giveaway	346,848	8.03	\$ 4,682.45	838,217	0	\$ 11,315.93	\$ 6,633.48
2009								
	Light Bulb Giveaway	346,848	8.03	\$ 5,087.11	346,848	8.03	\$ 5,087.11	\$ -
Total LRAM				\$196,513.82			\$204,100.64	\$ 7,586.83

The proposed rate riders should be modified to correspond.

LRAM-OPA CDM Programs

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

SSM

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

Summary

3.16 VECC urges the Board to reject Lakefront'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.

3.17 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.

3.18 The precedent value of the Board's determinations in this case cannot be underestimated. Several other utilities are following Lakefront's approach and the aggregate impact on ratepayers is significant.

4 Smart Meter Funding Adder

4.1 As part of its application Lakefront is requesting approval to increase the Smart Meter Funding Adder (SMFA) to \$3.44 per customer per month based on the figures the Smart Meter Rate Calculation model is producing. Lakefront submits that Increasing the Smart Meter Funding Adder to \$3.44 will increase Lakefront's annual revenue based on metered accounts to approximately \$389,601 annually as per the table below:

Customer Class	Customers as of Dec 2009 (Year-End)	Fix charge Unit Revenues \$/Cust	Projected Smart Meter Funding Adder Revenue (\$)
Residential	8,243	3.44	340,271
General Service Less Than 50 kW	1,065	3.44	43,963
General Service 50 to 2,999 kW	130	3.44	5,366
TOTAL	9,438		389,601

4.2 VECC submits that Lakefront's proposed allocation of the revenue requirement to generate the SMFA is not consistent with the cost allocation approach of using capital cost as a proxy cost driver to allocate the Revenue Requirement as proposed by PowerStream and accepted by the Board in EB-2010-0209. If there are significant Smart Meter capital cost differences for the three classes then a single rider will under/over collect from each class.

4.3 Accordingly, VECC submits that the capital cost for meters procured for each class should be used to allocate the total revenue requirement and class-specific

SMFAs calculated.

5 Recovery of Reasonably Incurred Costs

- 5.1 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.

All of which is respectfully submitted this 18th day of January 2011.