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January 25, 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-2010-0078
Enersource Hydro Mississauga Inc. – 2011 IRM 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: Enersource Hydro Mississauga Inc.
Gia M. DeJulio; Director, Regulatory Affairs
gdejulio@enersource.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 Enersource Hydro Mississauga 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 25, 2011

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Vulnerable Energy Consumers Coalition (VECC)
Final Argument

The Application

Enersource Hydro Mississauga Inc. (“Enersource”, “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.

As part of its Application Enersource included a change to the Smart Meter Funding Adder (SMFA) and a request to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e., an LRAM recovery).

The following section sets out VECC’s final submissions regarding these two aspects of the Application.

Smart Meter Funding Rate Adder

Enersource is proposing a 2011 SMFA of \$2.12 per metered-customer per month, which is a \$0.05 decrease from the 2010 SMFA of \$2.17 per metered-customer per month. The information related to the calculation of the 2011 SMFA is in Attachment C and the Smart Meter Rate Calculation Model (Appendix J).

Sheet 8 of the Model shows that Enersource is forecasting a SM revenue requirement of \$6,373,149.58 for 2011. The net amount of \$4,911,601.73 is to be recovered through the ongoing aggregate (All Classes) funding adder of \$2.12 per customer, per month.

VECC submits that Enersource’s proposed allocation of the SMFA is not consistent with the cost allocation approach of using Capital cost as a proxy cost driver as proposed by Powerstream and accepted by the Board in EB-2010-0209.

The response VECC IRR1 (Tab 8 Exhibit 2.1) indicates that Enersource has an estimate of the majority of capital costs on a class basis:

Enersource tracks the revenue from the Smart Meter Funding Adders by rate class. Certain capital costs are tracked by rate class; however, a portion of capital costs that relate to all customer classes are not tracked by rate class. Operating costs are tracked at the business unit level by expense type, not by rate class.

The response to VECC IRR#2 (Tab 8 Exhibit 2.2) declines to provide an estimate of class specific capital costs or to provide an allocation of the Revenue Requirement based on Capital cost (with all other costs on a per meter basis).

VECC notes that Bluewater (EB 2010-0065) has provided such a calculation in response to VECC IRRs (while not agreeing with the principle).

VECC submits that the Enersource Smart Meter rate adder should be calculated on a class basis using Capital cost as the cost driver to allocate the 2011 \$6,373,149.58 million revenue requirement.

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

LRAM Claim

The LRAM Amount requested for recovery is related to distribution volumes (net of free rider volumes) lost during the period January 1 to December 31, 2009 resulting from the following:

- CDM Programs funded by the OPA and implemented in 2007, 2008 and 2009;
- CDM Programs funded under Third Tranche and implemented in 2005, 2006 and 2007; and
- CDM Programs funded through incremental funding approved in rates and implemented in 2006 and 2007

The summary breakdown of the claim is shown in Attachment G Page 1:

<u>OPA-Funded Programs</u>						
Residential	\$ -	\$ -	\$ 104,833	\$ 23,214	\$ 17,444	\$ 145,491
GS <50 kW	\$ -	\$ -	\$ 39	\$ 1,395	\$ 127,570	\$ 129,003
GS 50-499 kW	\$ -	\$ -	\$ 2,469	\$ 13,572	\$ 21,430	\$ 37,471
GS 500-4,999 kW	\$ -	\$ -	\$ 1,743	\$ 11,476	\$ 12,882	\$ 26,101
Large Users >5,000 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total for OPA-Funded Programs	\$ -	\$ -	\$ 109,085	\$ 49,657	\$ 179,326	\$ 338,067
<u>Third Tranche-Funded Programs</u>						
Residential	\$ 32,268	\$ 176,935	\$ 3,423	\$ -	\$ -	\$ 212,625
GS <50 kW	\$ 630	\$ 3,548	\$ 186	\$ -	\$ -	\$ 4,364
GS 50-499 kW	\$ -	\$ 6,344	\$ 4,846	\$ 2,043	\$ -	\$ 13,233
GS 500-4,999 kW	\$ -	\$ 700	\$ 15,611	\$ -	\$ -	\$ 16,310
Large Users >5,000 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total for Third Tranche-Funded Programs	\$ 32,899	\$ 187,526	\$ 24,065	\$ 2,043	\$ -	\$ 246,533
<u>Incremental Funding-Funded Programs</u>						
Residential	\$ -	\$ 28,179	\$ 64,796	\$ 8,370	\$ -	\$ 101,345
GS <50 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GS 50-499 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GS 500-4,999 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Large Users >5,000 kW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total for Incremental Funding-Funded Programs		\$ 28,179	\$ 64,796	\$ 8,370	\$ -	\$ 101,345
Grand Total	\$ 32,899	\$ 215,705	\$ 197,946	\$ 60,069	\$ 179,326	\$ 685,945

Input Assumptions

For OPA-funded programs, Enersource adopted the OPA's "2006 – 2009 OPA Conservation Program Results – Enersource Hydro Mississauga". These results are presented in Attachment H.

Enersource used the OPA's latest Measures and Assumptions and the OEB-approved Inputs and Assumptions for Calculating Total Resource Cost¹.

OPA-funded Programs

VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs (as opposed to Enersource -funded programs –see below).

Third Tranche Programs

The Seeline Independent Review states in respect of input Assumptions for third

¹ Tab 3 Page 6 lines 1-8

tranche and rate funded CDM programs:²

In keeping with these Guidelines, SeeLine relied on the OPA Measures and Assumptions List Release 1 January 2010 to form the basis of the recommended savings estimates for EHM's LRAM claim. This list was created to provide best available information, making use of existing lists of inputs and assumptions, reports, technical literature and publications most suitable and specific to Ontario.

VECC does not support the LRAM claim as filed for Enersource-funded third tranche CDM.

While Enersource (and Seeline) have applied the Best Available input assumptions i.e OPA 2010 Prescriptive Measures and Assumptions List values, for 2005 third tranche and 2007 rate funded programs, it has not done so for one third tranche-funded program involving Mass Market measures, including CFL hand-outs

2006 Every Kilowatt Counts (Spring and Fall)

Tab 8 Exhibit 2.5 Page 2 part a) (Filed: December 23 2010) confirms that this program was third- tranche funded NOT OPA-funded in 2006:

The EKC retail program was Third Tranche-funded in 2005 and 2006 and thus was listed as such. In 2007, it was funded by the OPA and thus was listed as an OPA program.

Enersource (SeeLine) indicates in Attachment I, Appendix B that the LRAM claim for this program is based on the OPA 2009 results (and therefore should be accepted).

VECC disagrees; this is a third tranche-funded program and the LRAM should be based on Best Available input assumptions at the time of the Third Party Independent review.

If an SSM was being claimed, the use of inputs at the time of the program delivery would be acceptable.

² Attachment I Page 4

In sum, the OPA 2009 Report uses assumptions in place at the time the program was delivered i.e. input assumptions in place in 2006. However, for all third tranche programs the Boards Guidelines and Horizon Decision stipulate that Best Available Input Assumptions at the time of the third party review should be used. This is the case for all other measures and programs in the Enersource third tranche and post third tranche LRAM claim.

Impact of Inappropriate use Input Assumptions

VECC IRR #2b (Tab 8 Exhibit 2.5 Page 2 part b) Filed: December 23, 2010) shows the problem with the input assumptions for the 2006 Every Kilowatt Counts Spring and Fall Campaigns:

Activity Results (#)	Unit Savings Assumptions					Net Savings	
	Gross Summer Peak Demand Savings (kW)	Gross Annual Energy Savings (kWh)	Aggregate Net-to-Gross Adjustment (%)	Effective Useful Life (EUL)	Net Summer Peak Demand Savings (MW)	Net Annual Energy Savings (MWh)	
A	B	C	D	E	F=AxBxD%/1000	G=AxCxD%/1000	
2006							
1 Energy Star® Compact Fluorescent Light Bulb - Spring Campaign	53,223	0.0000	104.4	90	4.0	0.0000	5,001
2 Electric Timers - Spring Campaign	1,492	0.0000	183.0	90	20	0.0000	246
3 Programmable Thermostats - Spring Campaign	649	0.0500	216.0	90	15.0	0.0292	126
4 Energy Star® Ceiling Fans - Spring Campaign	494	0.0140	141.0	90	20	0.0062	63
5 Energy Star® Compact Fluorescent Light Bulb - Autumn Campaign	78,914	0.0000	104.4	90	4.0	0.0000	7,415
6 Seasonal Light Emitting Diode Light String - Autumn Campaign	18,994	0.0000	30.8	90	30	0.0000	526
7 Programmable Thermostats - Autumn Campaign	1,252	0.1177	522.1	90	18.0	0.1327	588
8 Dimmers - Autumn Campaign	990	0.0000	139.0	90	10	0.0000	124
9 Indoor Motion Sensors - Autumn Campaign	355	0.0000	209.0	90	20.0	0.0000	67
10 Programmable Baseboard Thermostats - Autumn Campaign	75	0.0000	1,466.3	90	18	0.0000	98
2006 Annual Totals						0.1681	14,233
2007							
1 15 W CFL	94,329	0.0013	43.0	78	8	0.0956	3,164
2 20+ W CFL	15,356	0.0019	62.1	78	8	0.0228	744
3 Energy Star® Light Fixture	366	0.0066	122.9	55	16	0.0011	25
4 T8 Fluorescent Tube	718	0.0012	37.2	77	18	0.0007	21
5 Seasonal LED Light String	24,991	0	13.7	49	5	0.0000	188
6 Project Porchlight CFL	19,890	0.0013	43.0	76	8	0.0196	649
7 Solar Light	12,110	0	4.8	13	5	0.0000	8
8 Energy Star® Ceiling Fan	761	0.0028	89.8	55	10	0.0012	38
9 Furnace Filter	3,066	0.0112	37.7	55	1	0.0189	64
10 Power Bar with Timer	335	0.0063	72.4	77	10	0.0016	19
11 Lighting Control Device	3,880	0.0185	72.2	55	10	0.0395	154
12 Outdoor Motion Sensor	1,211	0	159.8	55	10	0.0000	106
13 Dimmer Switch	770	0.0007	23.7	55	10	0.0003	10
14 Programmable Thermostat	740	0	75.1	55	15	0.0000	31
2007 Annual Totals						0.2013	5,198

If, as Enersource confirms, the EKC 2006 is an Enersource-funded third tranche program, then the Board's Decision in the Horizon case regarding best available input assumptions should apply and therefore OPA 2010 Prescriptive Measures Assumptions

Lists should also be used for this component of the claim.

Specifically the Assumptions for CFLs should be 30% free ridership and annual savings of ~43 kwh rather than as shown in the 2006 part of the Table (10% freeridership and 104.4 kwh annual savings) . The same is true for all other Enersource-funded Mass Market Measures (Seasonal Light Emitting Diodes (SLEDs) ~13.5 kwh vs 30.8 kwh etc.) under the 2006 EKC campaigns.

VECC notes that OPA changed its EKC input assumptions in 2007 (See table above) to be very close to those in the current OPA 2010 Prescriptive M&A list.

To illustrate the materiality of the impact of inappropriate input assumptions, a comparison can be made in the Table at Tab 8 Exhibit 2.5 Page 2 part b (see above) between the 2006 EKC input assumptions (lines 1-10) and the 2007 EKC input assumptions (lines 1-14) and savings (As noted earlier, the OPA changed its EKC assumptions in 2007) .

The comparison shows that for CFLs alone the kwh savings contribution to the 2006 Third tranche funded LRAM should be reduced from about 5001 Mwh to about $5001/104.4*43.0*70/90 = 1602$ Mwh. Similar reductions should be made to other measures by applying the current OPA 2010 Prescriptive M&A List.

VECC does not have the amount that the 2009 cumulative savings from the Enersource- funded 2006 EKC campaign (**14,253,243 kwh**)³ and Residential LRAM claim for non-OPA third tranche programs **\$212,625**⁴ should be reduced.

However VECC submits that in fairness to ratepayers Enersource should be required to make the appropriate amendments and refile its LRAM claim and rate riders for its residential Third Tranche programs.

³ Attachment I Appendix B Line 14

⁴ Attachment G

Summary

Enersource has classified the 2006 EKC Campaigns as third tranche-funded and therefore the LRAM calculations for this component should use the Best Available input assumptions at the time of the Seeline third party review consistent with the Board's Horizon Decision. These are the OPA 2010 Prescriptive Measures and Assumptions Lists values, NOT the OPA 2009 results as claimed, since these apply to OPA-funded Programs only.

The LRAM claim should be refiled to conform to the Board's direction for Third tranche – funded programs.

Recovery of Reasonably Incurred Costs

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 25th day of January 2011