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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-2010-0065
Bluewater Power Distribution Corporation – 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: Ms. Janice McMichael
Bluewater Power Distribution Corporation

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 Bluewater Power Distribution Corporation 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

1 The Application

1.1 Bluewater Power Distribution Corporation (“Bluewater”) 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 Bluewater included:

- a) an increase in its 2011 Smart Meter Funding Adder from the \$1.00 per customer per month to (revised) \$2.00 per customer per month,
- b) an adjustment to the customer class revenue to cost ratios,
- c) the disposal of variance account balances attributable to a wholesale market participant not contributing to the account balances, and
- d) a request to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e., an LRAM recovery).

1.3 The following sections set out VECC’s final submissions regarding these aspects of the Application.

2 2011 Smart Meter Funding Adder (SMFA)

2.1 The Manager’s Summary¹ indicates that

“The (SM) model indicates a proposed smart meter rate adder of \$2.95 for a 12 month period in order to recover the proxy revenue requirement for the AMI system. Sheet 8 from the Smart Meter rate calculation model, detailed below indicates the revenue requirement analysis.

¹ Page 16

Bluewater Power feels that \$2.00 per month would be an appropriate rate adder rather than \$2.95 in order to provide for smooth pricing in respect of distribution rates.

- 2.2 VECC notes that in VECC IRR#1 Bluewater quotes the recent OEB decision regarding PowerStream:

“ the recent OEB Decision for Powerstream (EB-2010-0209) for final approval of smart meter related costs, on page 12 quotes: “...*The Board finds that a cost allocation approach based on class specific revenue requirement calculations offset by class specific smart meter funding to be inconsistent with previous Board decisions, and that there has been no clear requirement to track costs by class. The Board notes that historical funding collected from customer classes other than Residential and GS<50 kW is not material. The Board finds that a class specific calculation of the residual amounts for disposition of smart meter costs for each rate class is unwarranted, as there is insufficient benefit given the additional complexity.*”

- 2.3 VECC submits that Bluewater has selectively cited the Board’s EB-2010-0209 Decision. The Board also accepted Powerstream’s cost allocation (page 14ff). At page 17, it stated that “the Board finds that PowerStream’s original cost allocation methodology is reasonable and based on the principle of cost causality”.

- 2.4 In VECC IRR#2a) Bluewater provides the capital cost estimates to date for each class. This shows that commercial meters are about three times more expensive and the total capital costs incurred to date are in the proportions of 76% Residential: 24% GS<50kW

Table 2(a) – Capital Costs for Residential and GS<50 Smart Meters

	Residential	GS<50	Total
Meter	\$ 2,338,671	\$ 1,086,340	\$ 3,425,011
Installation	\$ 597,767	\$ 127,533	\$ 725,300
Subtotal	\$ 2,936,438	\$ 1,213,873	\$ 4,150,310
# meters	31,430	3,512	34,942
Meter & Installation Cost	\$ 93.43	\$ 345.64	\$ 118.78
Other Capital Costs			\$ 1,588,486
Pro-rate based on % meters	89.9%	10.1%	100.0%
	\$ 1,428,828	\$ 159,658	\$ 1,588,486
Per meter Cost	\$ 45.46	\$ 45.46	\$ 45.46
Total Capital Cost/Meter	\$ 138.89	\$ 391.10	\$ 164.24
Total Capital Costs	\$ 4,365,266	\$ 1,373,531	\$ 5,738,796
	76.1%	23.9%	100.0%

2.5 Bluewater also provided a comparison of the SM revenue collected to date from SMFAs. This shows that 89.5 % has been collected from the Residential Class and 10.5 % from the GS< 50 kW class (with a small amount from other classes).

Table 2(b) – SM Rate Adder Estimated Revenue per rate class

	Estimated Funding Adder Collected	Carrying charges	Total	% Allocation
Residential	\$ 621,020.12	\$ 21,991.16	\$ 643,011.28	89.5%
GS<50	\$ 72,900.38	\$ 2,671.60	\$ 75,571.98	10.5%
Total	\$ 693,920.50	\$ 24,662.76	\$ 718,583.26	100.0%
Other Rate Classes	\$ 7,950.70	\$ 271.87	\$ 8,222.57	
Total SM Funding Adder	\$ 701,871.20	\$ 24,934.63	\$ 726,805.83	
Reconciliation				
Per Sheet 7 of SM Model	\$ 827,856.00	\$ 34,619.00	\$ 862,475.00	
Less: months post December 2010	\$ (141,288.00)	\$ (10,540.54)	\$ (151,828.54)	
Total	\$ 686,568.00	\$ 24,078.46	\$ 710,646.46	
Variance from Sheet 7	\$ 15,303.20	\$ 856.18	\$ 16,159.38	

2.6 VECC will not comment further on Bluewater's historical Smart Meter costs and rate adder revenue since Bluewater is not currently applying for a Smart Meter disposition rate rider.

2011 and 2012 Smart Meter Implementation Plan and Funding Adder

2.7 In response to VECC's request to calculate a 2011/2012 SMFA on a class – specific basis using Capital Cost to allocate the Revenue requirement ² Bluewater, *while not agreeing to the principle*, provided the following:

Table 2(c) – Capital Costs for 2011/2012

	Residential	GS<50	Total
Meter	\$ -	\$ -	\$ -
Installation	\$ -	\$ 65,000	\$ 65,000
Subtotal	\$ -	\$ 65,000	\$ 65,000
# meters	31,430	3,512	34,942
Meter & Installation Cost	\$ -	\$ 18.51	\$ 1.86

Other Capital Costs			\$ 435,450
Pro-rate based on % meters	89.9%	10.1%	100.0%
	\$ 391,683	\$ 43,767	\$ 435,450
Per meter Cost	\$ 12.46	\$ 12.46	\$ 12.46
Total Capital Cost/Meter	\$ 12.46	\$ 30.97	\$ 14.32
Total Capital Costs	\$ 391,683	\$ 108,767	\$ 500,450

² SMFA Calculation Model Sheet 8

Table 2(d) – Proposed Smart Meter Rate Adder by Rate Class

Description	Amount Per Sheet 8	Residential	GS<50
% Calculated from Table 2(a) based on capital costs		76.1%	23.9%
Revenue Requirement – 2006	\$ 6,410.24	\$ 4,876.00	\$ 1,534.23
Revenue Requirement – 2007	\$ 24,705.09	\$ 18,792.14	\$ 5,912.95
Revenue Requirement – 2008	\$ 27,546.62	\$ 20,952.82	\$ 6,592.80
Revenue Requirement – 2009	\$ 35,221.52	\$ 26,791.56	\$ 8,429.96
Revenue Requirement – 2010	\$ 701,001.57	\$ 533,222.98	\$ 167,778.59
Revenue Requirement – 2011	\$ 1,308,008.67	\$ 994,948.24	\$ 313,060.43
Total Revenue Requirement	\$ 2,102,892.71	\$ 1,599,583.74	\$ 503,308.97
% Collected per rate Class from Table 2(b)		89.5%	10.5%
Smart Meter Rate Adder Collected	\$ (827,856.46)	\$ (740,931.52)	\$ (86,924.93)
Carrying Cost / Interest	\$ (34,618.64)	\$ (30,983.68)	\$ (3,634.96)
Proposed Smart Meter Recovery	\$ 1,240,417.62	\$ 827,668.53	\$ 412,749.09
2011 Expected Metered Customers	35000	31488	3512
Proposed Smart Meter Rate Adder	\$ 2.95	\$ 2.19	\$ 9.79

- 2.8 This Table shows that using the above approach (which is consistent with PowerStream's allocation of the SM revenue requirement) produces a vastly different result than a single aggregate SMFA.
- 2.9 VECC submits that using a single SMFA results in a major ongoing cross- subsidy of the Commercial GS<50 Class by the Residential class.
- 2.10 As far as the proposed SMFA for 2011 and 2011 is concerned, VECC submits:
- The original SMFA of \$2.00 per customer per month (rather than \$2.95 per customer per month) under-collects the 2011 revenue requirement and is being continued into 2012.
 - The class –specific SMFA shown in VECC IRR Table 2d will recover the revenue requirement in 2011 and is significantly fairer to residential ratepayers than an aggregate SMFA of \$2.95 as originally proposed by Bluewater (Sheet 8 of SM Model) and should be approved.

3 Revenue To cost Ratios

3.1 In response to the interrogatories³ Bluewater made a minor correction to its Revenue Cost Ratio Workform. VECC has reviewed the revenue to cost ratio adjustments proposed by Bluewater and submits that:

- The adjustments are in accordance with the Board's EB-2008-0221 Decision, and
- The Revenue-Cost Ratio Adjustment Work Form (as now corrected) has been completed appropriately.

4 Embedded Market Participant Rate Rider

4.1 Bluewater proposes⁴ to exclude its one Wholesale Market Participant customer when disposing of balances in Accounts #1580 and 1588. VECC has reviewed Bluewater's proposal and the related interrogatory responses⁵. VECC acknowledges that these accounts may include variances attributable to this customer due to the difference between the Board-approved and actual loss values. However, VECC agrees with Bluewater that this difference is likely to be small as compared to the any cost variance which should not be attributed to the Wholesale Market Participant. As a result, VECC supports Bluewater's proposed approach.

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

5.1 Bluewater is proposing recovery of lost revenue in the amount of \$241,149.13 pertaining to OPA Conservation and Demand management programs implemented mainly in 2008 and 2009. An earlier LRAM/SSM claim was approved by the Board as part of Bluewater 's 2009 COS application for the majority of programs implemented up to and including 2007.

³ VECC #4

⁴ Manager's Summary, pages 2-4

⁵ OEB Staff #2

- 5.2 The Managers Summary (page 17) shows the details of the as filed claim by rate class, and the calculation of the rate riders as follows:

Table 13 – LRAM Rate Rider Calculation

Rate Class	VolMetric	Metered kWh	LRAM Claim	LRAM Rate Rider \$/kWh - 2 year
Residential	kWh	256,212,050	\$ 216,708.05	\$ 0.0004
General Service Less Than 50 kW	kWh	112,787,581	\$ 24,441.08	\$ 0.0001
Total		368,999,631	\$ 241,149.13	

LRAM-OPA CDM Programs

- 5.3 Bluewater states in VECC IRRR 3a):

On December 1, 2010 we received the 2009 Final Results from the OPA. We have analyzed the variance between final and the preliminary results for 2009, and the result of updating the analysis with final figure would be an increase to the LRAM claim of \$1,507. The associated rate rider using the revised value would not change as the difference is beyond the 4th decimal places of the rate rider. Therefore, Bluewater Power is not proposing to change the proposed LRAM claim,

- 5.4 VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs, including the update (not claimed) as a result of the final 2009 OPA results.

6 Recovery of Reasonably Incurred Costs

- 6.1 VECC submits that its participation in this proceeding has been focused and responsible and has provided ratepayer input to the review of the LRAM Claim. 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