



***PUBLIC INTEREST ADVOCACY CENTRE
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ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

December 01, 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)
Chatham-Kent Hydro Inc. EB-2011-0163
Final Submissions of VECC**

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Chatham-Kent Hydro Inc.
Ms. Andrya Eagen, Senior Regulatory Specialist

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Chatham-Kent Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates to be effective May 1, 2012.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

November 29, 2011

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

Tel: 416-767-1666
Email: mbuonaguro@piac.ca

Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Chatham-Kent Inc. (“CKH”, “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, 2012. The Application was filed in accordance with the OEB’s guidelines for 3rd Generation Incentive Regulation which provides for a mechanistic and formulaic adjustment to distribution rates between cost of service applications.
- 1.2 As part of its application, CKH included adjustments to revenue to cost ratios 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 sections set out VECC’s final submissions regarding these two aspects of the application.

2 Revenue to Cost Ratios

- 2.1 In EB-2009-0261, the Board directed CKH to migrate revenue-to-cost ratios in equal increments in its 2011 and 2012 rate years in order to adjust outliers, such that all rate classes are within the Board ranges by 2012. To ensure revenue requirement neutrality was maintained, the methodology was expanded upon in the EB-2010-0074 Settlement Agreement.
- 2.2 VECC has reviewed the revenue to cost ratio adjustments proposed by CKH and submits that:
 - the revenue to cost ratio adjustments are in accordance with the EB-2010-0074 Settlement Agreement; and
 - the Revenue to Cost Ratio Workform has been completed appropriately.

3 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 3.1 CKH applied to the Board in this application for the recovery of \$234,951 of lost distribution revenue (including carrying charges) through a one-year rate rider effective May 1, 2012, as a result of the successful implementation of OPA CDM programs in 2009 and 2010.
- 3.2 CKH has one previous approved LRAM claim (EB-2009-0261) to the end of 2009 in the amount of \$427,184 for 3rd tranche and OPA programs delivered in the

years 2006, 2007 and 2008.¹

3.3 The LRAM claim in this application covers the impacts of 2009 and 2010 OPA programs from January 1, 2009 to April 30, 2012.

3.4 CKH's original LRAM claim in this application was based on 2006-2009 Final OPA CDM Results for 2009 CDM. For 2010 CDM programs, preliminary 2010 savings estimates was used. CKH received the final OPA verified results summary of 2010 OPA programs on September 16, 2011.² CKH re-filed its LRAM claim on October 14, 2011 to reflect the final 2010 summary results provided by the OPA.

3.5 The Table below shows the updated LRAM claim by customer class including carrying costs:

Rate Class	Original LRAM Claim ³	Updated LRAM Claim ⁴
Residential	\$32,365	\$30,529
GS< 50 kW	\$139,111	\$105,208
GS 50-999 kW	\$39,786	\$32,607
GS 1,000-4,999 kW	\$23,689	\$19,104
Total	\$234,951	\$187,448

3.6 On November 15, 2011, CKH received the Final OPA-verified detailed report of the 2010 OPA programs, which showed some minor differences from the September 16, 2011 summary report. CKH estimates that these changes would increase the LRAM claim by an amount less than \$1,000.⁵

3.7 VECC agrees with CKH that this difference is immaterial and the updated LRAM claim should not be further revised.

3.8 In the Board's Decision in the Horizon Application (EB-2009-0192), the Board indicated that distributors are to use the most current input assumptions which have been adopted by the Board when preparing their LRAM recovery as these assumptions represent the best estimate of the impacts of the programs.

OPA Funded Programs

3.9 VECC accepts for LRAM purposes, the OPA verification of the energy savings for CKH's 2009 and 2010 OPA-funded CDM programs using the OPA's Final

¹ VECC Interrogatory Response # 1 (a)

² VECC Interrogatory Response # 2 (f)

³Section 7, LRAM/SSM Report and Calculation, Page 102

⁴ Section 7, LRAM/SSM Report and Calculation, Page 102

⁵ VECC Interrogatory Response # 2 (f)

2006-2009 CDM Program Results and the OPA's Final 2010 CDM Program Results.

- 3.10 VECC notes that on Page 7 of the updated Appendix A Table 7 of the IndEco LRAM Report, provided in response to VECC Interrogatory # 2 (g), for the 2009 Every Kilowatt Counts Power Savings Event, 101 kWh is used as the input assumption to calculate gross annual energy savings for Installed CFLs (Spring Campaign, Participant Spillover). VECC submits that this input assumption value is outdated and 46.32 kWh should be used to calculate the gross annual energy savings, however the impact on lost revenue is immaterial.
- 3.11 VECC submits CKH has appropriately demonstrated through interrogatory responses that savings for the OPA's 2006 Every Kilowatt Counts Program regarding 13-15 W Energy Star CFL's are not included in the LRAM claim. LRAM is being claimed for programs delivered in 2009 and 2010 only.⁶
- 3.12 CKH has confirmed that no adjustments to the claim are needed as the LRAM claim already accounts for any measures that expired before the full span of the LRAM claim.⁷

Recovery Period

- 3.13 CKH proposes that the LRAM claim for 2009 and 2010 OPA CDM Programs cover the period January 1, 2009 to April 30, 2012.
- 3.14 The Board's Guidelines indicate that "LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in a prior year."⁸
- 3.15 In response to interrogatories from Board Staff, CKH indicates that a distinction must be made between lost revenue in 2011 due to programs delivered in 2011, and lost revenue due to programs delivered in earlier years. A program will lead to energy savings, and thus lost revenues, that will persist over the lifetime of the program's measures. For example, if a 2009 program consists of a measure with a lifetime of two years, the program will lead to lost revenue until the end of 2011. This would be unrelated to lost revenue due to a program delivered in 2011.⁹
- 3.16 VECC agrees with the distinction made by CKH, however, VECC submits that CKH is calculating estimated lost revenues for 2009 and 2010 CDM Programs in 2011 and 2012 based on the OPA's Measures and Assumptions list and OPA verified results available at the timing of this application, which is not appropriate

⁶ VECC Interrogatory Response # 2 (d)

⁷ VECC Interrogatory Response # 2 (e)

⁸ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2008-0037, Page 18

⁹ Board Staff Interrogatory Response # 4 (a)

or in accordance with the Guidelines.

- 3.17 CKH indicates that it is filing an LRAM application now for its 2009 and 2010 delivered programs up to April 30, 2012 in order to ensure that it does not forego the opportunity to recover LRAM from these programs delivery periods.¹⁰
- 3.18 CKH references Page 34 of the Board's Chapter 2 Filing Guidelines for Transmission and Distribution Applications dated June 22, 2011:
- "Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity."*
- 3.19 VECC submits that the Board's updated Chapter 2 Guidelines do not specify the LRAM recovery period. VECC interprets the Board's guideline to mean that if a distributor does not file for the recovery of LRAM/SSM for 2005 to 2010 CDM programs, to the end of the program implementation period, i.e. to the end of 2010, it would forego the opportunity to do so. VECC does not believe the Chapter 2 update is intended to override the requirement that the most current OPA Measures and Assumptions lists, as updated by the OPA from time to time, represent the best estimate of losses associated with a distributor's CDM programs.
- 3.20 In the absence of OPA input assumptions and verified final results for 2011 and 2012, VECC submits that the LRAM claim should be adjusted to cover the period January 1, 2009 to December 31, 2010 for 2009 and 2010 OPA programs.
- 3.21 In response to Board Staff Interrogatory # 4 (a), CKH indicates that if the proposed 2011 and 2012 lost revenues were removed, the amount of the LRAM claim would be \$100,933 including carrying charges. VECC submits the Board should approve an LRAM claim of \$100,993.
- 3.22 If the Board approves CKH's LRAM claim to April 30, 2012, VECC submits that CKH should file an updated LRAM application to recover or refund any variance between the requested amounts and verified amounts for January 1, 2011 to April 30, 2012 based on the most recent OPA Measures and Assumptions List.

3 Recovery of Reasonably Incurred Costs

- 3.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of

¹⁰ Board Staff Interrogatory Response # 4 (a)

100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 29th day of November 2011.