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November 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)  
Whitby Hydro Electric Corporation EB-2011-0206  
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: Whitby Hydro Electric Corporation  
Ms. Ramona Abi-Rashed

**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 Whitby Hydro Electric Corporation for an order or orders approving or fixing just and reasonable distribution rates to be effective January 1, 2012.

**FINAL SUBMISSIONS**

**On Behalf of The**

**Vulnerable Energy Consumers Coalition (VECC)**

**November 25, 2011**

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# **Vulnerable Energy Consumers Coalition (VECC)**

## **Final Argument**

### **1 The Application**

- 1.1 Whitby Hydro Electric Corporation (“Whitby Hydro”, “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 January 1, 2012. The Application was filed in accordance with the OEB’s guidelines for 3<sup>rd</sup> 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, Whitby Hydro included adjustments to two of the customer class 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 Ratio Adjustments**

- 2.1 The Board directed Whitby Hydro, in its last cost of service application in 2010, to phase in revenue to cost ratios that were outside the Board’s identified ranges. Specifically, Whitby Hydro is to move the Streetlighting and Sentinel Lighting customer classes 50% towards the lower end of the target range in 2011, and move the remaining 50% over a two year period (2012 and 2013). The residual balancing is to occur in the Residential class (within the target range but furthest above 100% cost recovery).<sup>1</sup>
- 2.2 VECC has reviewed the revenue to cost ratio adjustments proposed by Whitby Hydro and submits that:
  - the revenue to cost ratio adjustments are in accordance with the EB-2009-0274 Decision; and
  - the Revenue to Cost Ratio Workform has been completed appropriately.

### **3 Lost Revenue Adjustment Mechanism (LRAM Recovery)**

- 3.1 Whitby Hydro is applying to the Board in this application for the recovery of \$472,604 of lost distribution revenue (including carrying charges) through a rate rider, as a result of the successful implementation of 2009 and 2010 CDM

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<sup>1</sup> EB-2011-0206, Manager’s Summary, Page 10

programs.

- 3.2 As part of its 2010 Cost of Service Application (EB-2009-0274), the Board approved Whitby's LRAM claim of \$405,135 for the period 2006 to 2009, for Third Tranche programs (completed in 2007), OPA Programs up to 2008 and Whitby Hydro funded Programs in 2008.
- 3.3 The LRAM claim in this application covers the impacts of 2009 and 2010 OPA and Whitby funded CDM programs as well as persistent impacts of third tranche CDM programs and 2008 OPA and Whitby funded CDM Programs, for 2010 and 2011.
- 3.4 Whitby Hydro's original LRAM claim in this application included 2009 OPA program results as a proxy for 2010 OPA program results. On November 15, 2011 the OPA's Final 2006 to 2010 CDM program results were released to Whitby Hydro. The LRAM claim was updated in response to interrogatories from Board Staff and VECC.
- 3.5 The Table below shows the updated LRAM claim by customer class including carrying costs:

Rate Class	Original Lost Revenue	Original Carrying Cost	Original LRAM Claim <sup>2</sup>	Updated Lost Revenue	Updated Carrying Cost	Updated LRAM Claim <sup>3</sup>
Residential	\$240,890	\$3,406	\$244,296	\$267,544	\$3,795	\$271,338
GS< 50 kW	\$185,802	\$2,772	\$188,574	\$133,029	\$2,057	\$135,085
GS > 50 kW	\$76,701	\$1,192	\$77,893	\$65,146	\$1,034	\$66,180
<b>Total</b>	<b>\$503,392</b>	<b>\$7370</b>	<b>\$510,763</b>	<b>\$465,718</b>	<b>\$6,886</b>	<b>\$472,604</b>

- 3.6 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

- 3.7 VECC accepts for LRAM purposes, the OPA verification of the energy savings for Whitby's 2009 and 2010 OPA-funded CDM programs using the OPA's Final 2006 to 2010 CDM program results.
- 3.8 VECC notes that at line 613 of the OPA's 2006 to 2010 Final CDM results<sup>4</sup>, for the 2009 Final Every Kilowatt Counts Power Savings Event, 101 kWh is used as

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<sup>2</sup>Appendix K, Calculation of Proposed LRAM

<sup>3</sup> Board Staff Interrogatory Response #10 (a)

the input assumption to calculate net 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 net annual energy savings, however the impact on lost revenue is immaterial.

- 3.9 VECC submits Whitby Hydro 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 have been removed from the LRAM claim beginning in 2010.
- 3.10 VECC notes that an additional 2010 OPA Residential CDM Program, Multi-Family Energy Efficiency Rebates, has been added to the updated LRAM claim compared to the list of OPA CDM Programs originally filed. This Program adds \$15,018.23 in lost revenue in 2010 and an additional \$15,456.72 in 2011 for a total of \$30,474.94 in lost revenue.<sup>5</sup> The interrogatory response does not address the addition of this program. As such, VECC is not able to verify this addition.

### 3<sup>rd</sup> Tranche Programs

- 3.11 For the 3<sup>rd</sup> Tranche LRAM claim, Whitby Hydro has used the latest available information on input assumptions, i.e., the 2011 Prescriptive Measures and Assumptions Release Version 1, March 2011.
- 3.12 VECC has reviewed the responses to interrogatories and confirms that the correct input assumptions were applied to the residential 3<sup>rd</sup> tranche LRAM claims.

### Load Forecast

- 3.13 The Board's Guideline states "The LRAM is determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class. The calculation does not include any Regulatory Asset Recovery rate riders, as these funds are subject to their own independent true-up process. Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time."<sup>6</sup>
- 3.14 As part of Whitby Hydro's 2010 Cost of Service Application determination, the load forecast for 2010 was adopted for purposes of setting rates effective

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<sup>4</sup> Board Staff Interrogatory Response #10 (a), Appendix B-1, Attachment D – OPA Conservation and Demand Management Programs

<sup>5</sup> Board Staff Interrogatory Response #10 (a), Appendix B-1, Attachments A & B

<sup>6</sup> Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

January 1, 2011<sup>7</sup>. The load forecast incorporated 10 years (October 1999 to September 2009) of monthly historical wholesale data along with explanatory variables. In response to Board Staff Interrogatory #4 in EB-2009-0274, regarding the effects of conservation on customer load, Whitby Hydro indicated that any conservation effects up to September 2009 would be captured in the monthly energy consumption data. Whitby Hydro further indicated that this statement is intended to verify that there were no manual adjustments made to the load forecast for CDM impacts outside of the multiple regression analysis. As such, the load forecast only factors in CDM impacts that are inherently embedded in the historical data that was used in the regression analysis.

- 3.15 In this current application, Whitby Hydro reclarifies the previous load forecast process as follows: “a multiple regression equation was developed using degree days, economic activity (employment levels), number of days in a month, and a “dummy” variable for off-peak months, as well as a “dummy” variable to account for lower than expected consumption in some months of 2003. The data set (10 years of monthly wholesale consumption) used to help develop/test the multiple regression equation would have inherently had some latent effects of conservation within it. However, the impact of conservation programs implemented by Whitby Hydro would not have had an effect until the later years of the data set and since the analysis to develop the multiple regression equation determined that CDM was not considered to be a statistically significant variable, it can be concluded that there were no persisting impacts related to CDM included in the load forecast prepared for the 2010 CoS application.”<sup>8</sup>
- 3.16 VECC does not agree that there are no persisting impacts related to CDM included in the forecast.
- 3.17 VECC submits that the load forecast methodology utilized by Whitby Hydro in its 2010 CoS Application for rates effective January 1, 2011 used a regression analysis of ten years of historical data that included actual use and therefore included 2006 to 2009 CDM program impacts.
- 3.18 VECC further submits that Whitby Hydro’s regression model would capture not only historical savings but would carry forward into future years trends in the historical data regarding increased CDM savings over time that would be implicit in the 2010 forecast. As a result, VECC submits that there is already a recognition of lost sales (and therefore revenues) in 2011 from additional 2010 CDM programs accounted for in the 2011 load forecast. As there is no information available to indicate whether the savings implicitly included in the 2011 forecast are more or less than the actual impact of 2010 CDM programs in 2011, VECC submits that based on these considerations and the Board’s Guidelines, lost revenue for Whitby Hydro’s 2009 and 2010 programs are not

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<sup>7</sup> EB-2009-0274 Settlement Agreement, Page 5

<sup>8</sup> Board Staff Interrogatory Response # 9 (a)

accruable in 2011. Thus, the LRAM claim should not include any lost revenue in 2011.

- 3.19 In response to VECC Interrogatory # 3 (f), Whitby Hydro indicates that if 2011 lost revenues were removed, the amount of the LRAM claim would be \$265,377 plus carrying charges. VECC submits the Board should approve this LRAM claim.

#### Rate Rider

- 3.20 In an effort to keep the number of rate riders reduced, Whitby Hydro proposes that the LRAM rate rider associated with this CDM claim be combined with the existing 2010 LRAM rate rider<sup>9</sup> and be collected over a one year period to December 31, 2012 (a timeframe which is consistent with the sunset date already associated with the 2010 LRAM rate rider).
- 3.21 VECC has no objection to Whitby Hydro's proposal to combine the LRAM rate riders provided the same load data is used to calculate each rate rider. In response to VECC Interrogatory # 2 (c), Whitby Hydro inadvertently used actual volumes instead of approved load data to calculate the LRAM in this application, and a correction to reflect the use of approved load data was incorporated in the LRAM update.
- 3.22 With this correction, VECC accepts the combined LRAM rate rider calculation.

#### **4 Recovery of Reasonably Incurred Costs**

- 4.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 25<sup>th</sup> day of November 2011.

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<sup>9</sup> EB-2009-0274 2010 Cost of Service Application