



***PUBLIC INTEREST ADVOCACY CENTRE
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December 05, 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)
Milton Hydro Distribution Inc. EB-2011-0183
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: Milton Hydro Distribution Inc.
Mr. Cameron McKenzie

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 Milton Hydro Distribution 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)

December 5, 2011

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Milton Hydro Distribution Inc. ("Milton 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 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, Milton 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 proposed rates reflect an adjustment for the revenue to cost ratios to the Sentinel Lighting and Street Lighting customer classes to bring them to the lower end of the Board's target range.
- 2.2 In response to Board Staff interrogatory # 4, Milton Hydro requested OEB staff to make changes to the 2012 IRM Revenue to Cost Ratio Adjustment Workform to reflect the correct Current Year 2011 revenue to cost ratios as per the Decision and Order on Milton Hydro's 2011 Cost of Service Application EB-2010-0137.
- 2.3 With this correction, VECC submits that:
 - the revenue to cost ratio adjustments are in accordance with the EB-2010-0137 Decision; and
 - the Revenue to Cost Ratio Workform has been completed appropriately.

3 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 3.1 Milton Hydro is applying to the Board in this application for the recovery of \$315,727 of lost distribution revenue (including carrying charges) through a rate rider, as a result of its 2005 and 2006 third tranche CDM programs and 2007 to 2010 OPA CDM activities for the years 2005 to 2010.

- 3.2 Milton Hydro has not yet applied for an LRAM recovery associated with any of its CDM activities.
- 3.3 The Table below shows the LRAM claim by customer class including carrying costs:

Rate Class	Lost Revenue	Carrying Cost	LRAM Claim ¹
Residential	\$129,250	\$3,581	\$132,830
GS< 50 kW	\$79,366	\$2,199	\$81,664
GS 50-999 kW	\$32,125	\$890	\$33,016
Gs 1,000 – 4,999 kW	\$22,323	\$618	\$22,941
Large Users	\$44,154	\$1,223	\$45,377
Total	\$307,216	\$8,511	\$315,727

- 3.4 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

- 3.5 VECC accepts for LRAM purposes, the OPA verification of the energy savings for Milton Hydro's 2007 to 2010 OPA-funded CDM programs using the OPA's Final 2006 to 2009 Results and the 2010 CDM Program Results Summary.
- 3.6 VECC submits Milton Hydro has appropriately demonstrated through interrogatory responses that savings for the OPA's 2006 Every Kilowatt Counts (EKC) Program regarding 13-15 W Energy Star CFL's have been calculated using the most current input assumptions and therefore need not be removed from the LRAM claim beginning in 2010.
- 3.7 In response to VECC Interrogatory # 5 (b), Milton Hydro provided the input assumptions for the EKC's program for the years 2006 to 2009. VECC notes that in 2009 at line 613, 101 kWh is used as 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.

3rd Tranche Programs

- 3.8 For the 3rd Tranche LRAM claim, Milton Hydro engaged SeeLine Group Ltd. to conduct an independent review of its LRAM claim. VECC confirms Milton Hydro has used the latest available information on input assumptions, i.e., the

¹Lost Revenue Adjustment Mechanism, Page 27, Table 17

- 3.9 VECC has reviewed the SeeLine Report and confirms that the correct input assumptions were applied to the residential 3rd tranche LRAM claims.

Load Forecast

- 3.10 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."²
- 3.11 Milton Hydro's 2006 rate application did not factor in the impacts of CDM and Milton Hydro did not file a revised load forecast until its 2011 Cost of Service Application.³ As part of Milton Hydro's 2011 Cost of Service Application determination, the load forecast for 2011 was adjusted to reflect in part a reduction to the kWh consumption for the metered customers by one tenth (1/10th) of Milton Hydro's OEB/OPA directed CDM target of 33.5 million kWhs.⁴
- 3.12 In this current application, Milton Hydro is proposing recovery of the LRAM amounts related to its entire load reduction. VECC submits that this approach is appropriate.

Rate Rider

- 3.13 Milton Hydro is requesting recovery of its \$315,727 LRAM claim by way of rate riders for each effective May 1, 2012 for a one year period ending April 30, 2013.
- 3.14 VECC submits that Milton Hydro's LRAM claim and rate riders should be approved by the Board.

² Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

³ Appendix O, Lost Revenue Adjustment Mechanism, Page 1

⁴ EB-2010-1037 Decision, Proposed Settlement Agreement, Page 13

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 5th day of December 2011.