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December 16, 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)
Haldimand County Hydro Inc. EB-2011-0170
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: Haldimand County Hydro Inc.
Mr. Lloyd Payne

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 Haldimand County 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)

December 15, 2011

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Haldimand County Hydro Inc. (“HCHI”, “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, HCHI included recovery of 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 this aspect of the application.

2 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 2.1 HCHI is applying to the Board in this application for the recovery of \$249,145 including carrying charges through one year volumetric rate riders effective May 1, 2012 to recover lost revenue from CDM activities.
- 2.2 As part of its 2010 Cost of Service Application (EB-2009-0265), the Board approved HCHI’s LRAM claim of \$383,777 including carrying charges arising from CDM activities related to its third tranche/distribution rates funded CDM programs delivered in the years 2005, 2006 and 2007 as well as LRAM amounts related to OPA funded CDM programs delivered in the years 2006 and 2007, over the period 2006 to 2009. An SSM claim of \$7,559.53 including carrying charges was also approved.
- 2.3 In its COS application (EB-2009-0265), no forecast or other adjustment for the affects of CDM were made to the load quantities used to calculate rates in HCHI’s LRAM claim for the 2006 to 2009 rate years. As a result, the entire load reduction, net of free ridership, achieved by CDM programs was subject to LRAM treatment.
- 2.4 The LRAM claim in this application covers the impacts of 2008, 2009 and 2010 OPA CDM programs from January 1, 2008 to April 30, 2012 and lost revenue from January 1 to April 30, 2010 for the programs previously claimed in HCHI’s 2010 COS rate application (EB-2009-0265).

- 2.5 The 2006-2009 Final OPA CDM results for HCHI and 2010 Final CDM Results Summary for HCHI were used as sources of inputs for the OPA funded CDM programs.¹
- 2.6 The Table below shows the proposed LRAM claim by customer class including carrying costs:

Rate Class	Lost Revenue	Carrying Charges	LRAM Total
Residential	\$166,405	\$6,198	\$172,603
GS< 50 kW	\$34,503	\$1,077	\$35,580
GS 50-999 kW	\$39,923	\$1,039	\$40,962
Total	\$240,831	\$8,314	\$249,145

- 2.7 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

- 2.8 VECC accepts for LRAM purposes, the OPA verification of the energy savings for HCHI's 2008 to 2010 OPA CDM programs using the 2006-2009 Final OPA CDM results and 2010 Final OPA CDM Results Summary.
- 2.9 VECC notes on Page 28 of Appendix A (Inputs used for TRC and energy savings calculations) of IndEco's LRAM Report that for the 2009 Final Every Kilowatt Counts Power Savings Event, 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 44.35 kWh (2011 OPA input assumption) should be used to calculate the net annual energy savings in 2009, however the impact on lost revenue is immaterial.
- 2.10 VECC has reviewed HCHI's responses to VECC interrogatories and confirms 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.

3rd Tranche Programs

- 2.11 For the 3rd Tranche LRAM claim, HCHI has used the latest available information on input assumptions, i.e., the 2011 Prescriptive Measures and Assumptions

¹ Appendix J, IndEco Report, Lost Revenue Adjustment Mechanism LRAM Claim

Release March 7, 2011.

- 2.12 VECC has reviewed the responses to interrogatories and confirms that the correct input assumptions were applied to the residential 3rd tranche LRAM claims.

Load Forecast for 2010

- 2.13 As part of HCHI's 2010 Cost of Service (COS) Application (EB-2009-0265), the load forecast was updated for rates effective May 1, 2010. The load forecast was based on historical monthly kWhs purchased between January 1, 2001 and December 31, 2008.² No further adjustments were made for CDM activities since HCHI also incorporated the IESO 18-month Outlook into its load forecasting model which accounts for energy savings as a result of CDM activities.³ However, in its Reply Submissions, HCHI adopted an alternative load forecasting approach that specifically included a CDM flag and, therefore, assumptions regarding the impact of CDM⁴.
- 2.14 In its Decision in EB-2009-0265, the Board noted that a number of load forecasts were suggested by the parties, with the Applicant's models likely overstating the effects of CDM and the others understating them. The Board found that a reasonable approach was to use the average of the Applicant's and Board Staff's models which is approximately 347 GWh. The Board adopted 347 GWh as the test year forecast as compared to the 343.1 GWh put forward in HCHI's final submissions.⁵
- 2.15 In response to Board Staff Interrogatory # 3 (a), HCHI claimed that HCHI's 2010 load forecast, which was forecast for May 1, 2010 onwards, considered the impact of CDM programs from 2005, 2006, 2007, 2008, 2009 and 2010. HCHI indicates that the 2010 load forecast was reduced by a total of 6,411,912 kWh on account of these CDM programs as follows:

2010 Load Forecast Reduction for CDM Programs		
Contributions	2010 Rate Year (May 1 2010 to April 30, 2011) kWh	2011 Rate Year (May 1, 2011 to April 30, 2012) kWh
2005, 2006 & 2007 Programs	3,080,024	2,310,146
2008, 2009, 2010 Programs (estimated)	3,331,888	4,101,766
Total Impact of CDM Programs on the Load Forecast	6,411,912	6,411,912

² EB-2009-0245, Exhibit 3, Tab 2, Schedule 2, Page 3

³ EB-2009-0245, Exhibit 3, Tab 2, Schedule 2, Page 14

⁴ EB-2009-0265, HCHI Reply Submission, pages 10-11

⁵ EB-2009-0245 Decision and Order, Page 10

- 2.16 HCHI indicates that the 2010 load forecast did not account for CDM on a program specific basis. However, HCHI provided a table in response to Board Staff Interrogatory # 3 (d) that shows the breakdown of the 6,411,912 kWh energy savings on a program-specific basis that HCHI indicates would have been available at the time the 2010 load forecast was generated.
- 2.17 In the current application, HCHI has subtracted the contributions from 2008, 2009 and 2010 programs (estimated at the time the load forecast was generated) from the actual OPA verified 2008, 2009 and 2010 programs' energy savings to calculate the LRAM recovery over the period 2010 to 2012, to ensure the LRAM is not being claimed on energy savings from 2008, 2009 and 2010 programs that were already considered when generating the 2010 load forecast.⁶ The LRAM being claimed for the 2010 and 2011 does not include contributions from 2005, 2006 and 2007 programs.

Remaining Energy Savings for 2008, 2009 and 2010 Programs		
	2010 Rate Year (May 1/10 to April 30/11) kWh	2011 Rate Year (May 1/11 to April 30/12) kWh
Total OPA-verified Energy Savings from 2008, 2009, 2010 Programs	5,494,461	5,468,822
Portion included in 2010 Load Forecast	3,331,888	4,101,766
Energy Savings Remaining for 2008, 2009 and 2010 Programs in LRAM Claim	2,162,573	1,367,056

- 2.18 As a result of HCHI's proposed LRAM calculation, HCHI has reduced its LRAM claim in this application from \$409,354 to \$240,831 plus carrying charges.
- 2.19 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."⁷
- 2.20 HCHI has not provided any details as to how it derived either the overall CDM impact of 6,411,912 GWh or the impacts specifically attributed to the 2008-2010

⁶ Response to Board Staff Interrogatory # 3 (a)

⁷ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

CDM programs in 2010 and 2011. In VECC's view, the values are highly suspect and understate the CDM actually included in the 2010 load forecast.

- 2.21 First, VECC notes that the load forecast model utilized by HCHI in its 2010 COS Application used 8 years of historical data for the period 2001 to 2008. As result, VECC submits that the impact of the 2008 programs is already included in the forecast.
- 2.22 Second, VECC further submits that HCHI's load forecast model (as revised for its Reply Submissions⁸) specifically included a trend variable that assumed exponential increases in CDM savings for the years after 2008. Indeed, in its Reply Submissions HCHI argued that the impact of the 2008-2010 CDM programs would be in the order of 11.3 GWh⁹.
- 2.23 The Board subsequently approved a 2010 load forecast of 347 GWh. However, even if one was to attribute all of this increase to lower CDM savings the resulting CDM assumption of 7.4 GWh for 2008-2010 programs far exceeds the OPA verified savings of 5.5 GWh used by HCHI in its LRAM calculations.
- 2.24 Indeed, when using these values the LRAM impacts for 2010 would be negative and, in theory, HCHI should refund to customers the revenue impact of these unachieved CDM savings. VECC submits that while there may be insufficient evidence to support a specific refund to customers, at a minimum, the LRAM claim regarding the impact of 2008-2010 programs on 2010 and 2011 revenues should be set at zero.
- 2.25 In summary, VECC submits that lost revenue in 2010 and beyond from 2008 to 2010 CDM programs have already been accounted for (and likely overestimated) in the 2010 load forecast. Thus, the LRAM claim should only include lost revenue up to December 31, 2009.

Claim Period

- 2.26 HCHI proposes that the LRAM claim for 2008 to 2010 CDM Programs cover the period January 1, 2008 to April 30, 2012.
- 2.27 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."¹⁰

⁸ Page 11

⁹ On page 11 of its Reply HCHI argued that CDM savings would grow from 3.4 GWh as of 2007 to 14.7 GWh by 2010 for a net increase of 11.3 GWh.

¹⁰ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2008-0037, Page 18

- 2.28 VECC submits that HCHI is calculating estimated lost revenues for 2011 and the first four months of 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 or in accordance with the Guidelines.
- 2.29 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."*
- 2.30 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.
- 2.31 In the absence of OPA input assumptions and verified final results for 2011 and 2012, VECC submits that the LRAM claim in this application should only cover the period January 1, 2008 to April 30, 2010.
- 2.32 In the event the Board approves HCHI's LRAM claim to April 30, 2012, VECC submits that HCHI 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 (still to be published) OPA Measures and Assumptions List and OPA verified results for this period.

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 15th day of December 2011.