



***PUBLIC INTEREST ADVOCACY CENTRE
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December 20, 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)
Bluewater Power Distribution Corporation EB-2011-0153
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: Bluewater Power Distribution Corporation
Ms. Leslie Dugas

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 Bluewater Power Distribution Corporation 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 19, 2011

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Bluewater Power Distribution Corporation (“Bluewater”, “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, Bluewater 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 (R/C) Ratios

- 2.1 As part of the Settlement Agreement in its 2009 Cost of Service (COS) Application (EB-2008-0221), Bluewater agreed to move each of the lighting categories one-third of the way to 0.85 in 2010; one-half of the way to 0.85 in 2011; and to 0.85 in its 2012 rate application. In each year, the excess revenue will be allocated to the class with the highest R/C ratio and then proportionately between the two or more classes with the highest R/C ratios so that their R/C ratios remain equal with each other, and so on, from year to year.¹
- 2.2 VECC has reviewed the revenue to cost ratio adjustments proposed by Bluewater and submits that:
 - the revenue to cost ratio adjustments are in accordance with the EB-2008-0221 Settlement Agreement; and
 - the Revenue to Cost Ratio Workform has been completed appropriately.

3 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 3.1 Bluewater applied to the Board in this application for the recovery of \$303,393.37 of lost distribution revenue through a one-year rate rider effective May 1, 2012, as a result of the successful implementation of CDM programs.

¹ EB-2008-0221 Settlement Agreement, Pages 28 to 29

- 3.2 Bluewater has applied for two previous LRAM recoveries; one as part of its 2009 COS rebasing application EB-2008-0221 (2005 to 2007 OEB approved & 2006 to 2007 OPA programs for the years 2005 - 2007) and the second in the 2011 IRM application EB-2010-0065 (2006 to 2009 OPA programs).²
- 3.3 The LRAM claim in this application includes incremental amounts related to new OPA programs in 2010, as well as persistence in 2010 for OPA programs implemented in 2009 and prior, and persistence in 2011 related to OPA programs implemented in 2010 and prior.³
- 3.4 Bluewater's original LRAM claim in this application was based on 2006-2009 Final OPA CDM Program Results and 2010 Final OPA CDM Program Results Summary. Bluewater received the 2006-2010 OPA CDM Program Results from the OPA on November 16, 2011.⁴ Bluewater updated its LRAM claim on December 5, 2011 to reflect the Final OPA 2010 CDM Program Results in response to Board Staff and VECC interrogatories.⁵
- 3.5 The Table below shows the updated LRAM claim by customer class. Bluewater has not included carrying charges on the LRAM claim.⁶

Rate Class	Original LRAM Claim⁷	Updated LRAM Claim⁸
Residential	\$202,511.08	\$204,086.56
GS < 50 kW	\$86,249.25	\$89,850.64
GS > 50 kW	\$14,633.04	\$14,629.96
Total	\$303,393.37	\$308,567.16

- 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 Bluewater's 2006 to 2010 OPA-funded CDM programs using the OPA's Final 2006-2010 CDM Program Results.

²Tab 1, Page 11; Response to VECC interrogatory # 2 (a)

³ Response to Board Staff Interrogatory # 13 (c)

⁴ Response to Board Staff Interrogatory # 13 (d)

⁵ Response to VECC Interrogatory # 3 (a)

⁶ Response to VECC Interrogatory # 6 (c)

⁷ Burman Energy LRAM Report, Page 4

⁸Response to VECC Interrogatory # 3 (c)

- 3.8 VECC submits Bluewater 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.⁹
- 3.9 Bluewater has confirmed that no adjustments to the claim are needed as all calculations already take into account measures that have expired in 2010.¹⁰

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."¹¹
- 3.11 Bluewater's last Board approved load forecast was included in Bluewater's 2009 cost of service (COS) rate application (EB-2008-0221) for rates effective May 1, 2009. The load forecast was based on actual data from 2003 to 2007.
- 3.12 VECC submits that the load forecast methodology utilized by Bluewater in its 2009 COS Application and approved by the Board for rates effective May 1, 2009 included actual use and therefore included 2006 to 2007 CDM program impacts.
- 3.13 VECC further submits that Bluewater'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 2009 forecast. As a result, VECC submits that there is already a recognition of lost sales (and therefore revenues) in 2009 from additional 2008 and 2009 CDM programs accounted for in the 2009 load forecast. As there is no information available to indicate whether the savings implicitly included in the 2009 forecast are more or less than the actual impact of 2006 to 2009 CDM programs in 2009, VECC submits that based on these considerations and the Board's Guidelines, lost revenue for Bluewater's 2006 to 2009 programs that persist into 2010 and 2011 are not accruable in 2010 and 2011.
- 3.14 VECC submits that the LRAM claim should not include any lost revenue for 2006 to 2009 OPA programs that persist into 2010 and 2011.

⁹Response to VECC Interrogatory # 5 (c) (d)

¹⁰ Response to VECC Interrogatory # 5 (d)

¹¹ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

- 3.15 VECC notes that in Bluewater's last LRAM claim approved by the Board in its 2011 IRM application EB-2010-0065, 2006-2009 OPA program results and 2006-2008 program results that persist to 2009 were included in the lost revenue calculation. VECC believes in retrospect and upon further reflection and a review of the wording of the Board's CDM guidelines, that the working assumption is that there shouldn't be any LRAM claim or adjustment for a company for CDM activity that is already captured in the load forecast.

Claim Period

- 3.16 Bluewater proposes that the LRAM claim for 2006 to 2010 CDM Programs cover the years January 1, 2010 to December 31, 2011.
- 3.17 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."¹²
- 3.18 VECC submits that Bluewater is calculating estimated lost revenues for 2006 to 2010 CDM Programs in 2011 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.
- 3.19 VECC 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."*
- 3.20 VECC submits that the Board's updated Chapter 2 Guidelines do not specify the LRAM claim 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.
- 3.21 VECC submits that in the absence of OPA input assumptions and verified final results for 2011, the LRAM claim should be adjusted to cover only lost revenues

¹² Guidelines for Electricity Distributor Conservation and Demand Management, EB-2008-0037, Page 18

from new 2010 CDM programs in 2010.

- 3.22 Should the Board approve Bluewater's LRAM claim to December 31, 2011, VECC submits that Bluewater should file an updated LRAM application to recover or refund any variance between the requested amounts and verified amounts for 2011 based on the (still to be published) OPA Measures and Assumptions List and OPA verified results for this period.

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 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 19th day of December 2011.