



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

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

January 09, 2012

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)
North Bay Hydro Distribution Limited EB-2011-0187
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: North Bay Hydro Distribution Limited
Ms. Melissa Wanner

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 North Bay Hydro Distribution Limited 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)

January 9, 2012

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 North Bay Hydro Distribution Limited (“NBHDL”, “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, NBHDL included adjustments to three 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 NBHDL, in its last cost of service application in 2010 (EB-2010-0270), to increase the revenue to cost ratios for Street Lighting, Sentinel Lighting and the General Service >3,000 to 4,999 kW class in order to reach the bottom of the Board’s approved target range. In 2010, NBHDL moved the revenue to cost ratios 50% of the difference between their respective current levels and the bottom of the corresponding range. A further increase of 25% of the difference took place in 2011 and in this 2012 IRM application the final 25% increase is implemented. In this final phase, NBDHL reduced the GS<50 kW and GS>50 kW classes equally when assigning the additional revenue from the above classes.¹
- 2.2 VECC has reviewed the revenue to cost ratio adjustments proposed by NBHDL and submits that:
 - the revenue to cost ratio adjustments are in accordance with the EB-2010-0270 Decision; and
 - the Revenue to Cost Ratio Workform has been completed appropriately.

¹Manager’s Summary, Page 11

3 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 3.1 NBHDL applied to the Board in this application for the recovery of \$187,545 of lost distribution revenue (including carrying charges) through a two year rate rider, as a result of the successful implementation of CDM programs.
- 3.2 As part of its 2010 Cost of Service Application (EB-2009-0270), the Board approved NBHDL's agreement during the settlement process for a reduced LRAM claim of \$177,237 for Third Tranche programs over the period 2005 to 2008.
- 3.3 The LRAM claim in this application covers the impacts of 2008 to 2010 CDM programs as well as persisting energy savings over the period January 1, 2008 to April 30, 2012.
- 3.4 In responding to VECC question # 2 (b), NBHDL discovered that it had not adjusted the LRAM claim by the projected CDM kWh savings from the approved 2010 load forecast. As such, NBHDL revised its LRAM accordingly to account for energy savings that were previously incorporated in NBHDL's 2010 load forecast.
- 3.5 The Table below shows the updated LRAM claim by customer class including carrying costs:

Rate Class	Original LRAM Claim²	Updated LRAM Claim³	Change
Residential	\$93,272	\$77,235	\$16,037
GS< 50 kW	\$60,402	\$0	\$60,402
GS 50 to 2,999 kW	\$33,872	\$19,974	\$13,898
Total	\$187,545	\$97,210	\$90,337

OPA Funded Programs

- 3.6 NBHDL's LRAM claim in this application includes 2006-2009 Final OPA CDM Program Results dated December 1, 2010 and 2010 Final CDM Results Summary received September 19, 2011.
- 3.7 VECC accepts for LRAM purposes, the OPA verification of the energy savings for NBHDL's 2008, 2009 and 2010 OPA-funded CDM programs based on the above results.
- 3.8 VECC notes that on page 24 of IndEco's LRAM Report⁴, for the 2009 Final Every Kilowatt Counts Power Savings Event, 101 kWh is used as the input assumption

²Manager's Summary, Page 3, Table 1

³ Response to VECC Interrogatory #2 (b)

to calculate 2009 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 2009 net annual energy savings, however the impact on lost revenue is immaterial.

- 3.9 VECC submits NBHDL has appropriately demonstrated through interrogatory responses that the current LRAM claim accounts for any measures that have expired before the full span of the LRAM claim.

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."⁵
- 3.11 As part of NBHDL's 2010 Cost of Service (COS) Application determination, the load forecast for 2010 was adopted for purposes of setting rates effective May 1, 2010.⁶
- 3.12 In response to interrogatories on how CDM savings have been accounted for in NBHDL's approved load forecast, NBHDL indicated that it included 7,228,702 kWh in savings in its 2010 load forecast. NBHDL adjusted its 2010 load forecast for CDM programs launched in 2009 and 2010. It did not adjust the load forecast for other earlier CDM programs completed under the Third Tranche initiative or from initiatives delivered directly by the OPA.⁷ The adjustment to the 2010 load forecast is as follows⁸:

CDM Impact	2010 kWh Impact
2009 CDM programs	4,727,510
2010 CDM programs	2,501,192
Total Load Forecast Adjustment	7,228,702

- 3.13 At the time NBHDL's 2010 load forecast was prepared, final results for 2009 and 2010 CDM programs were not available. As such, only estimates of the impacts of 2009 and 2010 CDM programs were considered in the 2010 load forecast.

⁴ Response to VECC Interrogatory #2 (b), Appendix B, Revised 3rd Party Review – LRAM, IndEco Strategic Consulting Inc.

⁵ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

⁶ EB-2009-0270 Settlement Agreement, Page 5

⁷ Response to Board Staff Interrogatory # 4 (f) and VECC Interrogatory # 2 (b)

⁸ Response to VECC Interrogatory # 2 (b)

Estimates were based on 50% impact in terms of estimated annual kWh savings in 2010 from 2010 programs and a 100% impact in terms of estimated annual kWh savings in 2010 from 2009 programs.⁹

- 3.14 In response to interrogatories, NBHDL decreased its LRAM claim by the 7,228,702 kWh incorporated in the load forecast to avoid double counting of savings between the load forecast and the LRAM claim. NBHDL applied the decrease annually to the LRAM claim between May 1, 2010 and April 30, 2012 as shown in the Table below.¹⁰

Period	Final Verified CDM Energy Savings (kWh)	Energy Savings Included in 2010 Load Forecast (kWh)	Remaining Energy Savings eligible for LRAM Claim (kWh)
May 1, 2010 to April 30, 2011	9,752,224	7,228,702	2,523,522
May 1, 2011 to April 30, 2012	9,752,224	7,228,702	2,523,522

- 3.15 As a result of the adjustment in eligible energy savings, NBHDL adjusted its LRAM claim to \$97,210, a decrease of \$90,336.
- 3.16 VECC notes that Table 1 in IndEco's updated LRAM Report shows different values for reductions to the energy savings eligible for an LRAM claim compared to the values provided above in 3.14 as per the response to VECC interrogatory # 2 (b).
- 3.17 NBHDL's load forecast incorporated 11 years (1998 to 2008) of historical data.¹¹ VECC submits that the load forecast methodology utilized by NBHDL in its 2010 COS Application for rates effective May 1, 2010 used a regression analysis of historical data that included actual use and therefore included 2008 CDM program impacts. Any conservation effects up to the end of 2008 would be captured in the historical consumption data.

2008 CDM Programs

- 3.18 Based on these considerations and the Board's Guidelines, VECC submits that lost revenues from NBHDL's 2008 CDM programs are eligible for recovery in 2008 and 2009 but are not accruable in 2010 and beyond as the energy savings are assumed to be incorporated in the 2010 load forecast.

⁹ EB-2009-0270, Response to Board Staff Interrogatory # 5 (a)

¹⁰ Response to VECC Interrogatory # 2 (b)

¹¹ EB-2009-0270 Load Forecast

2009 and 2010 CDM Programs

- 3.19 NBHDL is proposing a true-up of the effects of 2009 and 2010 CDM activities embedded in the 2010 load forecast based on its final verified CDM energy savings for these programs.
- 3.20 In the recent Hydro Ottawa Decision, the Board disallowed a true-up of the effects of CDM. The Board noted firstly, that the Board's CDM Guidelines do not consider symmetry with respect to LRAM; and secondly, that there have been expectations related to LRAM including no-true up of the effects of CDM activities embedded in a rebasing year.¹²
- 3.21 In recent Decisions, the Board disallowed LRAM claims for the rebasing year as the Board is of the view that that it is not appropriate to vary from the stated policy which states that lost revenues are only accruable until new rates are set by the Board, as the CDM savings would be assumed to be incorporated in the load forecast at that time.¹³ In the Hydro One Brampton Decision (EB-2011-0174), the Board found the request for LRAM in 2011 (its rebasing year) inconsistent with the Guidelines and agreed these savings should have been incorporated into the 2011 load forecast at the time of rebasing.¹⁴
- 3.22 On this basis, VECC submits that the LRAM claim in this application should not include any lost revenue in 2010 from 2010 OPA CDM programs, persisting lost revenues from 2008 and 2009 CDM programs in 2010 and persisting lost revenues from 2008 to 2010 CDM programs over the period January 1, 2011 to April 30, 2012, as the rebasing year forecast is final and these savings should have been incorporated in the 2010 load forecast. VECC submits that lost revenues from 2009 CDM programs in 2009 are eligible for recovery as these savings occurred prior to rebasing.
- 3.23 In summary, VECC submits that the LRAM claim should be revised to include only energy savings from 2008 and 2009 CDM programs in 2008 and 2009.

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 9th day of January 2012.

¹² EB-2011-0054 Hydro Ottawa Decision, Page 24

¹³ EB-2011-0206 Whitby Hydro Decision, Page 14

¹⁴ EB-2011-0174 Hydro Brampton Decision, Page 13