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January 13, 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)  
Orangeville Hydro Limited EB-2011-0190  
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: Orangeville Hydro Limited  
Ms. Jan Howard

**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 Orangeville Hydro 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 13, 2012**

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

## **Final Argument**

### **1 The Application**

- 1.1 Orangeville Hydro Limited (“Orangeville 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 May 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, Orangeville 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 In Orangeville Hydro’s last Cost of Service (COS) application in 2010 (EB-2009-0272), the Board prescribed a phase-in period to adjust revenue to cost ratios in the Sentinel and Street Lighting rate classes. In 2012, Orangeville proposes to further adjust the ratios to bring them closer to the bottom of the Board approved target ranges.
- 2.2 In response to interrogatories from VECC and Board Staff<sup>1</sup>, Orangeville Hydro agreed to make adjustments to the 2012 IRM revenue to cost ratio adjustment workform.
- 2.3 With these revisions, VECC submits that the revenue to cost ratio adjustments are in accordance with the EB-2009-0272 Decision and the 2012 workform has been completed appropriately.

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

- 3.1 Orangeville Hydro is applying to the Board in this application for the recovery of \$38,630 plus \$1,063 in carrying charges of lost distribution revenue through a one-year rate rider, as a result of the successful implementation of CDM programs. This amount accounts for errors in a prior LRAM calculation in 2011.

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<sup>1</sup> Response to VECC Interrogatory # 1 & Board Staff Interrogatory # 2

- 3.2 As part of its 2011 IRM3 Application (EB-2010-0105), the Board approved Orangeville Hydro's LRAM claim for CDM activities that impacted revenues in 2006 to 2009, for both Third Tranche and OPA CDM Programs.
- 3.3 In this application, Orangeville Hydro is requesting recovery of lost revenues in 2010 and 2011 from OPA programs delivered between 2006 and 2010 and Third Tranche Programs delivered in 2006 and 2007.
- 3.4 Orangeville Hydro used the 2006-2009 Final OPA CDM Program Results and 2010 Final OPA CDM Results to calculate its LRAM claim. In response to Board Staff Interrogatory # 9, Orangeville Hydro provided an updated LRAM claim based on a final report received from the OPA on November 23, 2011, resulting in an increase in the LRAM claim of \$105.52.
- 3.5 The Table below shows the original and updated LRAM claim by customer class excluding carrying costs:

Rate Class	Original Lost Revenue <sup>2</sup>	Revised Total LRAM Claim <sup>3</sup>
Residential	\$33,030	\$33,130
GS< 50 kW	\$22,500	\$22,545
GS > 50 kW	-\$16,940	-\$16,940
<b>Total</b>	<b>\$38,630</b>	<b>\$38,736</b>

### Load Forecast

- 3.6 Orangeville Hydro's last load forecast was approved by the Board in its 2010 COS Application (EB-2009-0272) <sup>4</sup> for the purpose of setting rates effective May 1, 2010.
- 3.7 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>5</sup>

<sup>2</sup>Page 11, Table 5, Calculations of LRAM Rate Riders by Customer Class

<sup>3</sup>Response to Board Staff Interrogatory # 9

<sup>4</sup>Response to Board Staff Interrogatory # 10 (a)

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

- 3.8 In response to VECC interrogatory # 3 (d), Orangeville Hydro indicated that in its 2010 COS Application (EB-2009-0272), forecasted residential consumption was reduced by 330,658 kWh per year, and this is why Orangeville Hydro reduced their LRAM claim for 2010 and 2011 by this amount as it has already been accounted for.
- 3.9 In the recent Hydro Ottawa Decision (EB-2011-0054), 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.<sup>6</sup>
- 3.10 In addition, VECC notes that in other recent Decisions, the Board disallowed LRAM claims in the rebasing year and beyond for CDM programs implemented prior to (and including the rebasing year).
- 3.11 In the Whitby Hydro Decision (EB-2011-0206), the Board disallowed the LRAM claim for the rebasing year as the Board is of the view 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.<sup>7</sup> 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.<sup>8</sup>
- 3.12 On this basis, and in accordance with the Board's guidelines, VECC submits that Orangeville Hydro's LRAM claim should be disallowed as the energy savings from CDM programs deployed between 2006 and 2010 are not accruable in the rebasing year (2010) and beyond as the savings would be assumed to be incorporated in the 2010 load forecast.

#### 2011 LRAM Error

- 3.13 Orangeville Hydro noted that upon reviewing the claim that was incorporated into its 2011 rates it found an error in the class that the lost revenue was collected from and an error in the formula that calculated the recovery.
- 3.14 Orangeville Hydro proposes to refund the amount recovered incorrectly from the GS > 50 kW class (\$21,261.81) and also proposes to recover the corrected amount from the GS < 50 kW class of \$2,693.99. This adjustment also accounts for an error in the formula calculating the total amount claimed for the GS > 50 kW that included only 2008 and 2009 values and not 2007 revenues.<sup>9</sup>

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<sup>6</sup> EB-2011-0054 Hydro Ottawa Decision, Page 24

<sup>7</sup> EB-2011-0206 Whitby Hydro Decision, Page 14

<sup>8</sup> EB-2011-0174 Hydro Brampton Decision, Page 13

<sup>9</sup> Response to Board Staff Interrogatory # 7

- 3.15 Orangeville Hydro's proposal presents a unique situation that VECC has not encountered before. On the one hand, the proposal rectifies an error, but on the other hand, Orangeville Hydro's 2011 LRAM claim and results were approved by the Board in a previous decision and in essence Orangeville is asking the Board to review and vary its prior Decision. Furthermore, in VECC's view, one of the purposes of the Board's requirement for an independent review of LRAM claims is to ensure the accuracy of the claims and avoid situations such as this.
- 3.16 VECC takes no position on this aspect of the application. However, VECC submits that the Board should recognize the precedent that may be established if the Board accepts Orangeville Hydro's adjustment, in that other utilities may come forward with corrections to allocation and quantities claimed in past approved LRAM claims. As a result, if Orangeville's request is approved, VECC submits that the Board will need to establish clear parameters as to the types of retroactive "corrections" it is willing to entertain.

#### **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 13<sup>th</sup> day of January 2012.