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 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)
Oakville Hydro Electricity Distribution Inc. EB-2011-0189
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: Oakville Hydro Electricity Distribution Inc.
Ms. Lucy Ricci

EB-2011-0189

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 Oakville Hydro Electricity 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)

January 13, 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 Oakville Hydro Electricity Distribution Inc. ("Oakville 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 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, Oakville 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 Board directed Oakville Hydro in its last cost of service application in 2010, to move the revenue to cost ratios for the Sentinel Lighting and Street Lighting classes half way to the target level of 70% in 2010 and then the move the rest of the way in 2011 and 2012. In this application, Oakville Hydro proposes that the Sentinel Lighting and Street Lighting classes be moved to the target level of 70% and that the adjustment be distributed proportionately between the Residential, GS > 50 kW and GS > 1,000 kW rate classes.[1]

2.2 In response to interrogatories, Oakville Hydro updated the 2012 IRM revenue to cost ratio adjustment workform on December 19, 2011.

2.3 VECC has reviewed the revenue to cost ratio adjustments proposed by Oakville Hydro and submits that:

- the revenue to cost ratio adjustments are in accordance with the EB-2009-0271 Decision; and

- the Revenue to Cost Ratio Workform has been completed appropriately.

[1] Manager's Summary, Page 22

3 Lost Revenue Adjustment Mechanism (LRAM Recovery)

3.1 Oakville Hydro is applying to the Board in this application for the recovery of 233,341 including $4,031 in carrying charges of lost distribution revenue through a one-year rate rider, as a result of the successful implementation of 2009 and 2010 CDM programs.

3.2 As part of its 2010 Cost of Service (COS) Application (EB-2009-0271), the Board approved Oakville Hydro's LRAM claim for CDM activities that took place in 2006, 2007 and 2008.

3.3 The LRAM claim in this application covers the impacts of 2009 and 2010 OPA CDM programs in 2009 and 2010.

3.4 The Table below shows the LRAM claim by customer class including carrying costs:[2]

Rate Class	Lost Revenue	Carrying Cost	Total LRAM Claim
Residential	$72,427	$1,236	$73,663
GS< 50 kW	$139,019	$2,484	$141,503
GS > 50 kW	$16,024	$277	$16,301
GS > 1,000 kW	$1,839	$34	$1,873
Total	**$229,310**	**$$4,031**	**$233,340**

Load Forecast

3.5 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."[3]

3.6 Oakville Hydro's load forecast was approved by the Board in its 2010 COS Application (EB-2009-0271)[4] for the purpose of setting rates effective May 1, 2010. In response to Board Staff interrogatory # 10 (d), Oakville Hydro submits that it did not include CDM savings in its 2010 load forecast.

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

[2] Page 11, Table 5, Calculations of LRAM Rate Riders by Customer Class
[3] Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18
[4] Response to Board Staff Interrogatory # 10 (c)

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]

3.8 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.[6]

3.9 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.

3.10 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.[7] 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.[8]

<u>2009 and 2010 CDM Programs – Lost Revenue in 2010</u>

3.11 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from Oakville Hydro's CDM programs implemented in 2009 and 2010 are not accruable in 2010 and beyond as savings should have been incorporated in the 2010 load forecast at the time of rebasing.

<u>2009 CDM Programs – Lost Revenue in 2009</u>

3.12 VECC supports the approval of the lost revenue in 2009 requested by Oakville Hydro for CDM programs implemented in 2009 as Oakville Hydro did not collect this revenue while under IRM.

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[5] Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18
[6] EB-2011-0054 Hydro Ottawa Decision, Page 24
[7] EB-2011-0206 Whitby Hydro Decision, Page 14
[8] EB-2011-0174 Hydro Brampton Decision, Page 13

Input Assumptions

3.13 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

3.14 Oakville Hydro's LRAM claim in this application for 2009 is based on 2006-2009 Final OPA CDM Results released January 2011. VECC accepts for LRAM purposes, the OPA verification of the energy savings for Oakville Hydro's 2009 OPA-funded CDM programs.

3.15 VECC notes that at line 613 of the OPA's 2006 to 2009 CDM results, for the 2009 Final Every Kilowatt Counts Power Savings Event, 101 kWh is used as the input assumption 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.

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 13th day of January 2012.