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January 16, 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)
Veridian Connections Inc. EB-2011-0199
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: Veridian Connections Inc.
Mr. George Armstrong

EB-2011-0199

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 Veridian Connections 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 16, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 Veridian Connections Inc. ("Veridian", "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, Veridian included an adjustment to the revenue to cost ratios of specific rate classes in the Gravenhurst Tariff Zone, and recovery of 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 aspects of the application.

2 Revenue to Cost Ratio Adjustments

2.1 The Board's Decision (EB-2009-0140) in Veridian's 2010 Cost of Service (COS) rate application prescribed a phase-in period to adjust the revenue to cost ratios in both the Veridian – Main and Veridian – Gravenhurst service areas.

2.2 For the Veridian-Main service area, the Board approved revenue to cost ratio adjustments in 2010 and 2011 so that all classes are aligned within the Board Target Ranges. No 2012 adjustments are required for Veridian - Main.

2.3 For the Veridian-Gravenhurst service area, Veridian proposed in its 2010 COS application, to adjust the existing revenue to cost ratios to the boundaries of the Board target ranges over a four-year period, with only small changes in the 2010 Test Year to mitigate rate impacts.[1] A full settlement agreement was reached in the proceeding. All parties agreed to Veridian's proposed revenue to cost ratio adjustments for the 2010 test year. The agreement was silent to the proposed changes in 2011 and beyond.[2]

2.4 In its 2011 IRM application (EB-2011-0199), VECC acknowledged that the Settlement Agreement approved by the Board in EB-2009-0140 did not provide any direction as to the revenue to cost ratio adjustments during the IRM period. VECC submitted that the revenue to cost ratio adjustments proposed for 2011 are in accordance with this original plan and thus should be accepted. In its

[1] EB-2009-0140, Exhibit, Tab 2, Schedule 1, Page 19
[2] EB-2011-0199, Exhibit 2, Tab 1, Schedule 1, Page 7

Decision, the Board approved changes to the revenue to cost ratios in 2011 for Veridian – Gravenhurst.[3]

2.5 In this application, Veridian proposes to adjust the revenue to cost ratio for the Residential-Suburban Year Round and Sentinel Lighting Rate Classes to move each of these closer to the lower or upper boundaries of the Board Target Ranges. Offsetting revenue adjustments would be applied to the GS<50 kW and GS > 50 kW classes as the ratios for these classes is the highest among the classes, although still within the Board Target Ranges. Veridian proposes further adjustments in 2013 to bring ratios for all classes within the Board Target Range.[4]

2.6 VECC submits, as it did in Veridian – Gravenhurst's 2011 IRM application that the revenue to cost ratio adjustments proposed for 2012 are in accordance with the original plan prescribed in Veridian's 2010 COS application.

2.7 VECC has reviewed the revenue to cost ratio adjustments proposed by Veridian and submits that they are in accordance with the EB-2009-0140 Decision.

2.8 VECC notes that on Sheet 7 of the 2012 IRM Revenue to Cost Ratio Adjustment Workform, information on revenue offsets from the last COS application is missing. This was also an issue in Veridian's 2011 IRM application (EB-2010-0117). In the 2011 proceeding, Veridian explained in response to interrogatories that the revenue offset information was missing from sheet C1.2 because there was no separate determination or allocation to customer classes of Revenue Offsets by Service Area using the 2010 test year data. In response to VECC interrogatories, Veridian provided revised Workforms for each service area where the approved Revenue Offsets for 2010 were allocated between the two service areas based on the overall 2010 Revenue Requirement assigned to each and then allocated to customer classes using the class percentages from the 2006 Informational CA Filings.[5]

2.9 VECC submits that the 2012 workform for Veridian – Gravenhurst should be revised to include information on revenue offsets on Sheet 7, based on the above methodology.

3 <u>Lost Revenue Adjustment Mechanism (LRAM)</u>

3.1 Veridian is applying to the Board in this application for the recovery of lost revenue of $1,388,731 (including $52,442 in carrying charges) through one year rate riders effective May 1, 2012 related to the impact of CDM program activities.

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[3] EB-2010-0117, VECC Submission, Page 2
[4] Exhibit 2, Tab 1, Schedule 1, Pages 7-8
[5] EB-2010-0117, VECC Submissions Pages 1-2

3.2 Veridian was last granted recovery of LRAM amounts in its 2009 IRM application (EB-2008-0150) for lost revenue during the years 2005 to 2007, for 3rd Tranche CDM programs.

3.3 In this application, Veridian seeks the recovery of lost revenue in 2008 to 2010 from 2005 to 2007 3rd Tranche programs as well as lost revenue for the years 2007 to 2010 from 2007 to 2010 OPA CDM programs.

Load Forecast

3.4 As part of Veridian's 2010 Cost of Service (COS) Application (EB-2009-0140), the load forecast was updated for rates effective May 1, 2010. Veridian indicates that the approved May 1, 2010 distribution rates were based on a load forecast that excluded the impacts of CDM programs.[6]

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."[7]

3.6 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.[8]

3.7 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.

3.8 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.[9] In the Hydro One Brampton Decision (EB-2011-0174), the Board found the request for LRAM in 2011 (its

[6] Exhibit 2, Tab 1, Schedule 1, Page 23
[7] Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18
[8] EB-2011-0054 Hydro Ottawa Decision, Page 24
[9] EB-2011-0206 Whitby Hydro Decision, Page 14

rebasing year) inconsistent with the Guidelines and agreed these savings should have been incorporated into the 2011 load forecast at the time of rebasing.[10]

2005 to 2010 CDM Programs – Recovery of Lost Revenue in 2010

3.9 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from CDM programs implemented between 2005 and 2010 (and beyond) are not accruable in 2010 as savings should have been incorporated in the 2010 load forecast at the time of rebasing.

2005 to 2007 3rd Tranche CDM Programs – Recovery of Lost Revenue in 2008 & 2009

3.10 VECC supports the approval of the lost revenues requested by Veridian for 3rd Tranche CDM programs implemented in 2005 to 2007 with persisting savings in the years 2008 and 2009 as Veridian did not collect this revenue while under IRM in the years prior to rebasing.

2007 to 2009 OPA CDM Programs – Recovery of Lost Revenue in 2007, 2008 & 2009

3.11 VECC supports the approval of the lost revenues requested by Veridian for OPA CDM programs implemented in 2007 to 2009 for the years 2007 to 2009 as Veridian did not collect this revenue while under IRM in the years prior to rebasing.

3.12 In summary, VECC submits that the LRAM claim and rate riders approved by the Board should be adjusted to exclude the proposed lost revenue in 2010 from CDM programs implemented between 2005 and 2010.

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 16th day of January 2012.

[10] EB-2011-0174 Hydro Brampton Decision, Page 13