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January 27, 2012 January 26, 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)
Greater Sudbury Hydro Inc. EB-2011-0169
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: Greater Sudbury Hydro Inc.
Ms. Catherine Huneault

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 Greater Sudbury Hydro 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 26, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Greater Sudbury Hydro Inc. (“Greater Sudbury 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, Greater Sudbury Hydro included a request to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e. an LRAM recovery) and funding for a renewable generation project through a Smart Grid rate adder. The following sections set out VECC’s final submissions regarding these two aspects of the application.

2 Lost Revenue Adjustment Mechanism (LRAM Recovery)

- 2.1 Greater Sudbury Hydro is applying to the Board in this application for the recovery of \$328,086 including \$13,197 in carrying charges of lost distribution revenue through a one-year rate rider effective May 1, 2012, as a result of the successful implementation of CDM programs.
- 2.2 As part of its 2009 Cost of Service (COS) Application (EB-2008-0230), Greater Sudbury Hydro was awarded a combined LRAM/SSM claim of \$188,597 (\$29,165 and \$159,432 respectively) for 2005 to 2007 Third Tranche CDM programs.
- 2.3 In response to interrogatories, Greater Sudbury Hydro made changes to its LRAM claim. Greater Sudbury Hydro removed the amounts for 2005 to 2007 Third Tranche LRAM savings as these were already included in a past LRAM claim (i.e. 2009 Cost of Service application). Greater Sudbury Hydro added energy savings from 2007 OPA CDM programs for the year 2007 as this was erroneously omitted from this LRAM application.¹
- 2.4 Greater Sudbury Hydro received the Final 2010 OPA CDM Detailed Results on November 15, 2011. In consideration of the revised scope of CDM programs to be included in this LRAM application and updated OPA CDM results, Greater Sudbury Hydro adjusted the LRAM claim including carrying charges from

¹ Response to VECC interrogatory # 1 (a)

\$328,086 to \$329,030 to account for these revisions.

Load Forecast

- 2.5 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."²
- 2.6 Greater Sudbury Hydro's load forecast was approved by the Board in its 2009 COS Application (EB-2008-0230)³ for the purpose of setting rates effective May 1, 2009. In response to VECC interrogatory 1 (b), Greater Sudbury Hydro submits that the CDM savings accounted for its approved load forecast are those savings achieved from its 2005 to 2007 Third Tranche CDM programs.
- 2.7 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."⁴
- 2.8 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.⁵
- 2.9 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.
- 2.10 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

² Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

³ Response to Board Staff Interrogatory # 10 (c)

⁴ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

⁵ EB-2011-0054 Hydro Ottawa Decision, Page 24

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.⁶ 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.⁷

2007 to 2009 CDM Programs – Lost Revenue in 2009 and 2010

- 2.11 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from Greater Sudbury Hydro's CDM programs implemented from 2007 to 2009 are not accruable in 2009 and 2010 as savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2010 CDM Programs – Lost Revenue in 2010

- 2.12 VECC supports the approval of the lost revenue in 2010 requested by Greater Sudbury Hydro from CDM programs implemented in 2010 as these eligible energy savings (post rebasing) have not been recovered.

2007 to 2008 CDM Programs – Lost Revenue in 2007 and 2008

- 2.13 VECC supports the approval of the lost revenue in 2007 and 2008 requested by Greater Sudbury Hydro from the impact of CDM programs implemented in 2007 and 2008 as Greater Sudbury Hydro has not yet recovered these eligible energy savings.
- 2.14 In summary, VECC submits that the LRAM claim and associated rate riders approved by the Board should be adjusted to exclude the proposed lost revenues from 2007 to 2009 CDM programs in 2009 and 2010, for the reasons noted above.

3 Greater Sudbury Hydro Smart Grid Demonstration Project

- 3.1 Greater Sudbury Hydro is requesting a two year rate adder to fund a renewable energy project in partnership with S& C Electric Canada to provide technology to support micro grid generation, with Greater Sudbury Hydro hosting a Community Energy Storage (CES) demonstration project.
- 3.2 The total project budget is \$11,165,550. S&C Electric applied through the Ministry of Energy for \$4 million of funding for the project from a \$50 million Smart Grid Fund established by the Ministry in 2011 to advance the development of Smart Grid in Ontario. The balance of the demonstration project budget is allocated to S&C Electric (\$6,067,000) and Greater Sudbury Hydro

⁶ EB-2011-0206 Whitby Hydro Decision, Page 14

⁷ EB-2011-0174 Hydro Brampton Decision, Page 13

(\$1,098,550).⁸

- 3.3 Greater Sudbury Hydro is applying for recovery of all capital costs over a two year period (\$1,098,550) and all OM&A costs on an enduring basis (\$46,440 per annum), using a funding adder mechanism. Specifically, at this time, funding is being requested for the capital component and two years of maintenance only (\$92,880). As an addendum to this approval, Greater Sudbury Hydro is seeking the Board's support in this application for recovery of the annual maintenance costs with the next Cost of Service application as this ongoing cost component is part and parcel of the project.⁹
- 3.4 The project intends to demonstrate how the Smart Grid can improve the flexibility, reliability and efficiency of the distribution electrical system in a secure and safe manner.¹⁰ The technology will in part provide consumers with opportunities to provide services back to the electricity grid. Greater Sudbury Hydro indicates that the primary objective of the project is to demonstrate the operation of a Microgrid.¹¹ The direct benefit of this demonstration project to Greater Sudbury Hydro's ratepayers is increased reliability for those customers connected to a Community Energy Storage unit.¹²
- 3.5 The Ministry of Energy has confirmed that S&C's application has passed first review and is one of 15 projects that are subject to a final review however, the Ministry has given no timeline for a decision. Greater Sudbury Hydro indicates that it has no part in the application except to act as a host LDC.¹³
- 3.6 Greater Sudbury Hydro indicates that it cannot participate in this project unless the OEB approves a rate rider, funding adder or recovery through the provincial cost recovery mechanism as it cannot support the project's incremental costs, within its existing rates. Greater Sudbury Hydro will only proceed with this project after it has reviewed the 2012 IRM rate decision of the OEB.¹⁴ In addition, Greater Sudbury Hydro reserves the right to terminate participation within 30 days of the issuance of an Ontario Energy Board decision.¹⁵
- 3.7 In response to VECC Interrogatory # 6 regarding why Greater Sudbury Hydro believes it is appropriate to seek approval of this project outside of a cost of service application, Greater Sudbury Hydro responded that a Smart Grid Rate Adder allows it to act as a host utility for this project. Without approval of this

⁸ Appendix E, Page 20

⁹ Appendix E, Page 17

¹⁰ Appendix E, Page 3

¹¹ Response to VECC Interrogatory # 5 (a)

¹² Response to SEC Interrogatory # 3

¹³ Response to VECC Interrogatory # 5 (b)

¹⁴ Appendix E, Page 18

¹⁵ Appendix E, Page 3

funding Greater Sudbury Hydro will not participate.

- 3.8 Greater Sudbury Hydro believes it would be appropriate for all rate payers to fund this project from the global adjustment, however, Greater Sudbury Hydro did not see a mechanism within the existing IRM framework and therefore has applied for funding from its ratepayers.¹⁶
- 3.9 In response to SEC interrogatory # 5 regarding Greater Sudbury Hydro's proposal to collect the expenditures of this project through a rate rider instead of seeking approval for a deferral account, Greater Sudbury Hydro responded that it wants the project vetted and approved upfront with funding approved. Greater Sudbury Hydro will not accept the regulatory risk commensurate with funding a demonstration project that will be reviewed and approved at a later date.
- 3.10 VECC submits that given that the Ministry of Energy has given no timeline for a decision on the project, it is premature for Greater Sudbury Hydro to include funding for this project in its 2012 IRM application. If Greater Sudbury Hydro is not prepared to accept the regulatory risk for a project that will be approved at a later date, it is not appropriate to propose that ratepayers take on the same regulatory risk at this time.
- 3.11 Although VECC supports in principle the overall objectives and stated benefits of the project, in VECC's view the appropriate place to review the proposed project is during Greater Sudbury Hydro's next Cost of Service application in 2013.
- 3.12 VECC adds that Greater Sudbury Hydro's request for support in this application for recovery of the annual maintenance costs with the next Cost of Service application is an inappropriate request in this 2012 IRM application and should be addressed as part of the 2013 Cost of Service application.

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 26th day of January 2012.

¹⁶ Response to SEC Interrogatory # 2