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January 30, 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)
WCHE Hydro Ltd. EB-2011-0203
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: West Coast Huron Energy Inc.
Ms. Scott Stoll

EB-2011-0203

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 West Coast Huron Energy 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 30, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 West Coast Huron Energy Inc. ("WCHE", "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, WCHE included the recovery of the costs for a dedicated line extension and 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 Incremental Capital Module

2.1 WCHE requests approval of incremental capital funding to build a separate dedicated line to its large use customer, Sifto Salt, at a total estimated cost of $2.8 million. WCHE estimates that this amount is in excess of seven times the normal capital spends for WCHE.

2.2 In May 2011, Sifto presented their updated capacity requirements and informed WCHE of its plan to significantly increase demand. Sifto purchased two continuous miners with an expected in-service date of July 2012. Each miner will be drawing an additional 1.5 MW of continuous load. If this load was added to the current infrastructure it would cause the system to fail and the failure would impact WCHE and Hydro One.

2.3 WCHE is of the opinion that the capital spend is for the benefit of one customer and these costs should not be spread over the entire rate base. WCHE proposes to apply the entire cost of this line expansion to Sifto through a volumetric rate rider.[1] WCHE expects that any overspending will be reviewed at the time of rebasing in 2013.

2.4 At the time of the application, Sifto had not committed to contribute any monies to the development of this project. In response to Board Staff Interrogatory # 11 (d), WCHE indicated that it had recently entered into an agreement with Sifto whereby Sifto will contribute 100% of the cost of the proposed breaker and

[1] Exhibit 1, Tab 2, Schedule 2, Page 10

upgrade to the line to accommodate future load.

2.5 The agreement is broken into two parts: $1,000,000 for the new Breaker Position on the Goderich TS (reimburse WCHE for amount paid to Hydro One); and incremental costs ($1,800,000) for the line upgrade.[2]

2.6 WCHE has updated the in-service date for the incremental line upgrade to August 2012 and Hydro One has advised that the new Breaker Position will be completed by February 2013.[3]

2.7 WCHE is requesting that the $2.8 million capital component be withdrawn from the calculation of WCHE's May 1, 2012 rates now that Sifto has committed to pay 100% of the cost. WCHE would like a ruling from the Board that the treatment of the 100% capital contribution by Sifto is a just and reasonable expectation as the expansion is required solely to provide capacity for Sifto's future requirements.[4]

2.8 VECC agrees with WCHE's request to remove the $2.8 million capital component from 2012 rates and submits that this request should be approved by the Board.

3 <u>Lost Revenue Adjustment Mechanism (LRAM Recovery) & Shared Savings Mechanism (SSM)</u>

3.1 WCHE is applying to the Board in this application for the recovery of $117,811.78 through one year rate riders effective May 1, 2012 to recover lost revenue from CDM activities. WCHE has chosen not to include carrying charges.[5]

3.2 The LRAM claim in this application covers the revenue impacts from 2006 to 2010 OPA CDM programs, for the years January 1, 2006 through April 30, 2012.

3.3 There has been no previous LRAM application by WCHE.[6]

3.4 At the time of this application, WCHE used the 2006-2009 Final OPA CDM Results (January 24, 2011) and 2010 Final CDM Results Summary (September 16, 2011. WCHE received the 2010 Final OPA CDM Detailed Results on November 15, 2011 and updated the LRAM claim to $117,866.43, an increase of $54.65.[7]

3.5 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

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[2] Response to VECC Interrogatory # 7 (a)
[3] Response to Board Staff Interrogatory # 11 (a)
[4] Response to Board Staff Interrogatory # 11 (d)
[5] Response to VECC Interrogatory # 1 (d)
[6] Exhibit 1, Tab 1, Schedule 2, Page 1
[7] Response to Board Staff Interrogatory # 17 (b)

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

3.6 VECC accepts for LRAM purposes, the OPA verification of the energy savings for WCHE's OPA-funded CDM programs using the 2006-2010 Final OPA CDM results released by the OPA on November 15, 2011.

3.7 VECC notes that at line 613 of the OPA's 2006-2010 Final CDM results, for the 2009 Final Every Kilowatt Counts Power Savings Event, 101 kWh is used as the input assumption to calculate 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 in 2009 is immaterial.

3.8 VECC submits WCHE has confirmed through interrogatory responses that savings for the OPA's 2006 Every Kilowatt Counts Program regarding 13-15 W Energy Star CFL's have been removed from the LRAM claim beginning in 2010.

Load Forecast

3.9 As part of WCHE's 2009 Cost of Service (COS) Application (EB-2008-0248), the load forecast was updated for rates effective May 1, 2009. WCHE indicated that there were no direct CDM savings from OPA programs included in WCHE's load forecast.[8]

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."[9]

3.11 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

[8] Response to Board Staff Interrogatory # 17 (c) & (d)

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

of CDM activities embedded in a rebasing year.[10]

3.12 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.

3.13 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.[11]

3.14 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.[12]

2006 to 2009 CDM Programs – Recovery of Lost Revenue in 2009, 2010, 2011, 2012

3.15 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from CDM programs deployed between 2006 and 2009 are not accruable from 2009 through April 30, 2012 as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2006 to 2008 CDM Programs – Recovery of Lost Revenue in 2006, 2007 & 2008

3.16 VECC supports the approval of the lost revenues requested by WCHE related to the impact of CDM programs implemented in 2006 to 2008 for the years 2006 to 2008 as WCHE did not collect this revenue while under IRM in the years prior to rebasing.

2010 CDM Programs – Recovery of Lost Revenue in 2010

3.17 VECC supports the approval of lost revenue in 2010 for CDM Programs implemented in 2010 as this amount has not been recovered.

2010 CDM Programs – Recovery of Lost Revenue in 2011 and 2012

3.18 VECC does not support the approval of lost revenue in 2011 through April 30, 2012 for persisting energy savings from CDM Programs implemented in 2010.

3.19 The Board's Guidelines indicate that "LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in

[10] EB-2011-0054 Hydro Ottawa Decision, Page 24
[11] EB-2011-0206 Whitby Hydro Decision, Page 14
[12] EB-2011-0174 Hydro Brampton Decision, Page 13

a prior year."[13]

3.20 VECC submits that WCHE is calculating estimated lost revenues for 2011and 2012 based on the OPA's Measures and Assumptions list and OPA verified results available at the timing of this application, which is not appropriate or in accordance with the Guidelines.

3.21 Page 34 of the Board's Chapter 2 Filing Guidelines for Transmission and Distribution Applications dated June 22, 2011:

"Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity."

3.22 VECC submits that the Board's updated Chapter 2 Guidelines do not specify the LRAM recovery period. VECC interprets the Board's guideline to mean that if a distributor does not file for the recovery of LRAM/SSM for 2005 to 2010 CDM programs, to the end of the program implementation period, i.e. to the end of 2010, it would forgo the opportunity to do so. VECC does not believe the Chapter 2 update is intended to override the requirement that the most current OPA Measures and Assumptions lists, as updated by the OPA from time to time, represent the best estimate of losses associated with a distributor's CDM programs.

3.23 In the absence of OPA input assumptions and verified final results for 2011 and 2012, VECC submits that the LRAM claim for 2010 CDM programs in 2011 and 2012 is premature and the LRAM claim for 2010 CDM programs should only cover the period January 1, 2010 to December 31, 2010.

3.24 In summary, VECC submits that the LRAM claim approved by the Board should be adjusted to include lost revenue for the years 2006, 2007, 2008 and 2010 resulting from the impact of CDM programs implemented in 2006, 2007, 2008 and 2010, for the reasons noted above.

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.

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[13] Guidelines for Electricity Distributor Conservation and Demand Management, EB-2008-0037, Page 18

All of which is respectfully submitted this 30th day of January 2012.