

Schedule 9-1-1

LRAM Application

RECOVERY OF LRAM AND SSM

1. INTRODUCTION

EWU seeks:

1. Approval and recovery of historical lost revenue through the Lost Revenue Adjustment Mechanism ("LRAM"), in the amount of \$298,733.99, and
2. The Shared Savings Mechanism ("SSM") incentive in the amount of \$378,687.61, related to achieved Conservation and Demand Management ("CDM") results.

The LRAM and SSM amounts are related to Board-approved CDM activities undertaken by EWU in 2005 through to the end of 2007. All of the CDM programs for which LRAM and SSM amounts are sought were undertaken in connection with EWU's 'third tranche' CDM spending obligations.

EWU's application includes amendments to figures previously submitted to the Board in EWU's CDM Annual Reports. The changes made relate to use of the 30% free rider rate for custom projects, as defined in Section 7.2.3 of the Board's Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037, "Board Guidelines"). It was determined that the 30% free rider rate had not been consistently applied in calculations of Total Resource Cost ("TRC") figures. This deviation from TRC guidelines found in the CDM Annual Reports has been corrected in this application and all calculations follow Board Guidelines.

1 EWU is in the process of engaging an expert to perform that review and prepare that report in
2 respect of the recovery of LRAM and SSM. EWU will update its evidence in this proceeding
3 following receipt of that report. EWU expects this update to occur in October, 2008.

4
5 **2. AUTHORIZATION FOR LRAM/SSM RECOVERY**

6 The Board's RP-2004-0188 Electricity Distribution Rate Handbook Report provides the
7 authorization to seek recovery of LRAM and SSM. This Report refers to the Board's December
8 2004 Decision RP-2004-0203, concluding that a retrospective LRAM was appropriate for CDM
9 results and that a distributor shareholder incentive was an appropriate way to encourage
10 distributors to pursue CDM programs.

11
12 **3. DETERMINATION OF LRAM AMOUNT**

13 EWU's LRAM claim in this Application is \$298,733.99.

14
15 By definition, LRAM is a retrospective adjustment, which is designed to recover revenues lost
16 from distributor supported CDM activities.

17
18 For 2005, 2006 and 2007, no forecast or other adjustment for the effects of CDM programs were
19 made to the load quantities used to calculate rates. Therefore, the entire actual load reduction
20 achieved by the eligible CDM programs is subject to the LRAM calculation. In calculating
21 LRAM, where possible, load impacts were calculated based on approved savings per measure as
22 set out in the Board's TRC guidelines. Custom projects calculate load impacts based on

1 engineering information specific to equipment installations and other relevant operating
2 parameters.

3
4 Attachment A summarizes the CDM Load Impacts by Class and Program. Results are expressed
5 in kWh and kW in order to accommodate the billing basis for the different rate classes.

6
7 Foregone revenue amounts corresponding to the load reductions by class are calculated for each
8 year using the applicable distribution volumetric rate. This rate does not include any Regulatory
9 Asset Recovery rate riders.

10
11 Attachment B summarizes the Foregone Revenue by Class and Program.

12
13 **4. DETERMINATION OF SSM AMOUNT**

14 EWU's SSM claim in this Application is \$378,687.61.

15
16 EWU's calculations of the SSM amounts, per program and in total, follow the methodology set
17 out in the TRC guidelines. The determination of SSM amounts is separate and distinct from the
18 calculation of LRAM amounts, in that SSM amounts are a function of the net present value
19 ("NPV") of program benefits, rather than distribution rates. Program net benefits in turn are
20 determined by the present value of the stream of benefits over a program's life, comprised
21 mainly of avoided electricity costs, offset by the present value of program costs. Both benefits

1 and costs are assessed from a societal perspective, so that incentive payments, which are
2 transfers between parties rather than resource costs, cancel out and are excluded.

3
4 Load reductions are valued financially using avoided cost figures provided by the Board in the
5 TRC guidelines. The avoided cost figures are distinguished between winter, summer and
6 shoulder periods during the year, and further into on-peak, mid-peak and off-peak categories.
7 The avoided unit costs are applied to the corresponding load reduction figures to arrive at
8 nominal annual avoided costs per measure per year, over the number of years of the program's
9 life. The stream of annual benefits is then discounted to arrive at the NPV of the program's
10 benefits. EWU used its after tax cost of capital of 6.90538% in 2005 and 6.12% in 2006 and
11 2007 as the discount rate. EWU and program partners have incurred direct costs to implement
12 CDM programs. Records of these costs are maintained and have been entered into the TRC
13 model. EWU has relied on information reported by program partners in regard to costs incurred
14 by them.

15
16 In accordance with the Board's RP-2004-0203 Decision, an SSM rate of 5% has been applied to
17 the net TRC benefits or costs for each program in each class.

18
19 Attachment C summarizes the calculation of SSM amounts by class and program.

1 **5. ALLOCATION AND MANNER OF RECOVERY**

2 EWU proposes that both LRAM and SSM amounts calculated for each class be combined and
3 allocated to each class for recovery through class-specific 2009 rate riders. The class-specific
4 rate riders will be applied on a kW or per kWh basis as appropriate. EWU proposes a recovery
5 period of two years.

6
7 Attachment D summarizes the LRAM/SSM Rate Riders that are being sought.

8
9 **6. SUMMARY**

10 EWU seeks authorization for the recovery of the LRAM and SSM amounts by way of volumetric
11 rate riders. Total LRAM and SSM amounts for 2005, 2006 and 2007 are \$298,733.99 and
12 \$378,687.61, respectively. It is being proposed that the rate riders be combined and applied for
13 each applicable class.

Attachment A

Attachment A

CDM Load Impacts by Class and Program

Class	2005 kWh	2006 kW	2007 kWh	Total kWh	2005 kW	2006 kW	2007 kW	Total kW
LDC System Programs - not eligible	-	-	-	-	-	-	-	-
System Loss Reduction/Power Factor Correction	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-
Energy Conservation Media Campaign	51,465	10	-	24,726	6	76,191	16	5
Home Improvements - Little River Acres	-	-	15,786	2	30,561	3	46,347	5
CFL Event	-	-	5,148,560	588	-	5,148,560	588	588
Keep Cool/Torchiere Exchange and Porchlight	-	-	-	8,630,767	952	8,630,767	952	952
GS<50kW	-	-	-	-	-	-	-	-
Various Custom Projects	-	-	-	527,417	9	527,417	9	9
GS 50 - 4,999kW	-	-	-	-	-	-	-	-
Energy Efficiency Project	-	-	-	4,692,970	536	4,692,970	536	536
Various Custom Projects	477,201	54	2,695,199	307	4,503,011	505	7,675,411	867
Large Use - Regular	-	-	-	-	-	-	-	-
Various Custom Projects	-	-	-	3,250,599	371	3,250,599	371	371
Large Use - 3TS	-	-	-	-	-	-	-	-
Lighting Project	-	-	-	-	-	-	-	-
TOTALS	1,492,232	220	8,288,785	946	22,089,291	2,432	31,870,308	3,598
	963,566	156	-	-	-	963,566	156	-

Attachment B

Attachment B

Foregone Revenue by Class and Program

Class Program	2005			2006			2007			Total Revenue	Total Revenue By Class
	Load Unit (kWh or kW)	Rate per Unit	Revenue	Load Unit (kWh or kW)	Rate per Unit	Revenue	Load Unit (kWh or kW)	Rate per Unit	Revenue		
Residential											
Energy Conservation Media Campaign	51,465	0.0164	844.03	-	0.0195	-	24,726	0.0211	521.72	1,365.74	
Home Improvements - Little River Acres	-	0.0164	-	15,786	0.0195	307.83	30,561	0.0211	644.84	952.66	
CFL Event	-	0.0164	-	5,148,560	0.0195	100,396.92	-	0.0211	-	100,396.92	
Keep Cool/Torchiere Exchange and Porchlight	-	0.0164	-	-	0.0195	-	8,630,767	0.0211	182,109.18	182,109.18	284,824.51
GS<50kW											
Various Custom Projects	-	0.012	-	-	0.0143	-	527,417	0.0155	8,174.97	8,174.97	8,174.97
GS 50 - 4,999kW											
Energy Efficiency Project	-	2.5743	-	-	3.0625	-	536	3.3116	1,775.02	1,775.02	
Various Custom Projects	54	2.5743	139.76	307	3.0625	941.63	505	3.3116	1,673.46	2,754.85	4,529.87
Large Use - Regular											
Various Custom Projects	-	1.5583	-	-	1.7193	-	371	1.8591	689.87	689.87	689.87
Large Use - 3TS											
Lighting Project	156	3.2998	514.77	-	2.0367	-	-	2.2023	-	514.77	514.77
TOTAL										<u>514.77</u>	<u>514.77</u>
										<u>298,733.99</u>	<u>298,733.99</u>

Attachment C

Attachment C

SSM Amounts by Class and Program

Class Program	Total Costs \$ NPV	Total Benefits \$ NPV	Net Benefits \$ NPV	Benefit/Cost Ratio	SSM Amount \$
2005					
Residential					
Energy Conservation Media Campaign	51,552	6,915 -	44,636	0.134 -	2,232
Home Improvements - Little River Acres	3,664	- -	3,664	- -	183
Large Use - 3TS					
Lighting Project	170,906	181,304	10,398	1.061	520
GS 50 - 4,999kW					
Various Custom Projects	27,688	102,086	74,399	3.687	3,720
	253,809	290,306	36,497	1.144	1,825
2006					
System Loss Reduction/Power Factor Correction					
Residential					
Energy Conservation Media Campaign	27,850	- -	27,850	- -	1,393
Home Improvements - Little River Acres	4,500	16,306	11,806	3.624	590
CFL Event	251,762	1,284,336	1,032,574	5.101	51,629
GS 50 - 4,999kW					
Various Custom Projects	705,358	1,377,357	671,999	1.953	33,600
	989,471	2,677,999	1,688,528	2.706	84,426
<i>not eligible for SSM</i>					
2007					
Residential					
Energy Conservation Media Campaign	1,429	7,388	5,959	5.171	298
Home Improvements - Little River Acres	4,500	33,186	28,686	7.375	1,434
Keep Cool/Torchiere Exchange and Porchlight	376,889	2,365,743	1,988,854	6.277	99,443
GS<50kW					
Various Custom Projects	55,421	60,162	4,741	1.086	237
GS 50 - 4,999kW					
Energy Efficiency Project	569,069	2,828,170	2,259,100	4.970	112,955
Various Custom Projects	276,812	1,838,199	1,561,387	6.641	78,069
Large Use - Regular					
Various Custom Projects	3,309,417	1,958,940 -	1,350,478	0.592 -	67,524
	4,593,538	9,091,787	4,498,250	1.979	224,912
TOTALS					
System Loss Reduction/Power Factor Correction					
Residential					
Energy Conservation Media Campaign	80,830	14,304 -	66,527	0.177 -	3,326
Home Improvements - Little River Acres	12,664	49,492	36,828	3.908	1,841
CFL Event	251,762	1,284,336	1,032,574	5.101	51,629
Keep Cool/Torchiere Exchange and Porchlight	376,889	2,365,743	1,988,854	6.277	99,443
GS<50kW					
Various Custom Projects	55,421	60,162	4,741	1.086	237
GS 50 - 4,999kW					
Energy Efficiency Project	569,069	2,828,170	2,259,100	4.970	112,955
Various Custom Projects	1,009,858	3,317,642	2,307,784	3.285	115,389
Large Use - Regular					
Various Custom Projects	3,309,417	1,958,940 -	1,350,478	0.592 -	67,524
Large Use - 3TS					
Lighting Project	170,906	181,304	10,398	1.061	520
	5,836,818	12,060,092	6,223,275	2.066	311,164

Attachment D

Attachment D

LRAM and SSM Totals and Rate Riders by Class - 2 Year Recovery

Rate Class	LRAM	SSM	Billing Units	kW or kWh	Rate Riders		
	\$	\$			LRAM \$/Unit	SSM \$/Unit	Total \$/Unit
Residential	284,824.51	149,586.42	642,120,095	kWh	0.0002	0.0001	0.0003
GS<50kW	8,174.97	237.07	242,703,228	kWh	0.0000	0.0000	0.0000
GS 50 - 4,999kW	4,529.87	228,344.22	2,601,990	kW	0.0009	0.0439	0.0447
Large Use - Regular	689.87	n/a	539,634	kW	0.0006	n/a	0.0006
Large Use - 3TS	514.77	519.90	637,577	kW	0.0004	0.0004	0.0008
TOTAL	298,733.99	378,687.61					