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February 06, 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)  
Hearst Power Distribution Company Limited EB-2011-0171  
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: Hearst Power Distribution Company Limited  
Mr. Steven Blier

**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 Hearst Power Distribution Company Limited 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)**

**February 6, 2012**

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# Vulnerable Energy Consumers Coalition (VECC)

## Final Argument

### 1 The Application

- 1.1 Hearst Power Distribution Company Limited (“Hearst Power”, “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 3<sup>rd</sup> 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, Hearst Power included revenue-to-cost ratio adjustments and the 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 Lost Revenue Adjustment Mechanism (LRAM Recovery) & Shared Savings Mechanism (SSM)

- 2.1 Hearst Power is applying to the Board in this application for the recovery of \$33,962.36 through one year rate riders effective May 1, 2012 to recover lost revenue from CDM activities. Hearst Power has chosen not to include carrying charges.<sup>1</sup>
- 2.2 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.
- 2.3 There has been no previous LRAM application by Hearst Power.<sup>2</sup>
- 2.4 At the time of this application, Hearst Power used the 2006-2009 Final OPA CDM Results (January 24, 2011) and 2010 Final CDM Results Summary (September 16, 2011).<sup>3</sup> Hearst Power received the 2010 Final OPA CDM Detailed Results on November 15, 2011 and updated the LRAM claim to \$33,992.14, an increase of \$29.78.<sup>4</sup>
- 2.5 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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<sup>1</sup> Response to VECC Interrogatory # 1 (c)

<sup>2</sup> Exhibit 1, Tab 1, Schedule 2, Page 1

<sup>3</sup> Exhibit 1, Tab 1, Schedule 6, Page 1

<sup>4</sup> Response to Board Staff Interrogatory # 16 (a)

have been adopted by the Board when preparing their LRAM recovery as these assumptions represent the best estimate of the impacts of the programs.

#### Input Assumptions - OPA Funded Programs

- 2.6 VECC notes that in response to VECC interrogatory # 2, a summary of the input assumptions used in the LRAM calculation was not provided. VECC sought this information in order to verify the input assumptions including the effective useful life of each CDM measure, to ensure that energy savings from expired measures were not included in the LRAM.
- 2.7 Hearst Power indicates that the LRAM already takes into account the removal of energy savings for measures that have expired.<sup>5</sup> Specifically, Hearst Power confirms that savings for the OPA's 2006 Every Kilowatt Counts (EKC) program have been removed from the LRAM claim as it is apparent that the energy savings from the EKC 2006 Mass Market program drop off precipitously after 2009.<sup>6</sup>

#### Load Forecast

- 2.8 Hearst Power's last load forecast was approved by the Board February 15, 2011 in its 2010 Cost of Service (COS) Application (EB-2009-0266) for rates effective May 1, 2010. Hearst Power indicates that there were no direct CDM savings from OPA programs included in Hearst Power's load forecast.<sup>7</sup>
- 2.9 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."<sup>8</sup>
- 2.10 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.<sup>9</sup>

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<sup>5</sup> Response to VECC Interrogatory # 1 (d)

<sup>6</sup> Response to VECC Interrogatory # 2 (c)

<sup>7</sup> Response to VECC Interrogatory # 1 (c)

<sup>8</sup> Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

<sup>9</sup> EB-2011-0054 Hydro Ottawa Decision, Page 24

- 2.11 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.
- 2.12 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.<sup>10</sup>
- 2.13 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.<sup>11</sup>

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

- 2.14 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from the OPA's CDM programs deployed between 2006 and 2010 are not accruable in 2010 through April 30, 2012 as these savings should have been incorporated in the 2010 load forecast at the time of rebasing.

#### 2006 to 2009 CDM Programs – Recovery of Lost Revenue in 2006, 2007, 2008 & 2009

- 2.15 VECC supports the approval of the lost revenues requested by Hearst Power related to the impact of CDM programs implemented in 2006 to 2009 for the years 2006, 2007, 2008 and 2009 as Hearst Power did not collect this revenue while under IRM in the years prior to rebasing.
- 2.16 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 2009 resulting from the impact of CDM programs implemented in 2006 to 2009, 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.

All of which is respectfully submitted this 6<sup>th</sup> day of February 2012.

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<sup>10</sup> EB-2011-0206 Whitby Hydro Decision, Page 14

<sup>11</sup> EB-2011-0174 Hydro Brampton Decision, Page 13