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February 10, 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)
Lakeland Power Distribution Ltd. EB-2011-0180
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: Lakeland Power Distribution Ltd.
Ms. Margaret Maw

EB-2011-0180

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 Lakeland Power Distribution Ltd. 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 10, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 Lakeland Power Distribution Ltd. ("Lakeland 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 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, Lakeland Power included a request to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e. an LRAM recovery). The following section sets out VECC's final submission regarding this aspect of the application.

2 Lost Revenue Adjustment Mechanism (LRAM)

2.1 Lakeland Power applied to the Board in this application for the recovery of lost revenue of $109,850 ($103,755 plus $6,094 in carrying charges) through one year rate riders effective May 1, 2012 in relation to CDM program activities.

2.2 Lakeland Power has not submitted a previous LRAM claim.[1] Lakeland confirms that it has not received any of the lost revenues requested in this application in the past.[2]

2.3 In this application, Lakeland Power seeks LRAM recovery associated with 2006 to 2010 savings from OPA programs that it participated in from 2006 to 2010.

2.4 Lakeland Power used energy savings provided by the OPA up to 2009 and an estimate was used for 2010 to calculate the LRAM amounts. Lakeland Power indicated that the program savings would be updated once the OPA provides final results.[3]

2.5 Lakeland Power received the OPA 2010 Final CDM Detailed Results and updated the LRAM claim in response to interrogatories to $108,225 ($102,169

[1] Response to VECC Interrogatory # 1 (a)
[2] Response to Board Staff Interrogatory # 6 (f)
[3] Manager's Summary, Page 11

plus $6,055 in carrying charges), a decrease of $1,625.[4]

Input Assumptions - OPA Programs

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

2.7 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for Lakeland Power's OPA-funded CDM programs used to calculate the LRAM amounts.

2.8 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, 101.42 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 46.3 kWh should be used to calculate the 2009 net annual energy savings, however the impact on lost revenue in 2009 is immaterial.[5]

2.9 VECC submits Lakeland Power has appropriately demonstrated through interrogatory responses that expired savings have been removed from the LRAM claim and specifically, that savings for the OPA's 2006 Every Kilowatt Counts Program regarding 13-15 W Energy Star CFL's have expired and been removed from the LRAM claim beginning in 2010.

Load Forecast

2.10 Lakeland Power's last load forecast was approved by the Board in its 2009 Cost of Service (COS) Application (EB-2008-0234) for rates effective May 1, 2009. Lakeland Power confirms that it did not make an adjustment to its 2009 load forecast for CDM impacts.[6]

2.11 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

[4] Response to Board Staff # 6 (b)
[5] Response to VECC Interrogatory # 3 (b)
[6] Response to VECC Interrogatory # 1 (b)

incorporated in the load forecast at that time."[7]

2.12 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]

2.13 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.

2.14 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]

2.15 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.[10]

<u>2006 to 2009 CDM Programs – Recovery of Lost Revenue in 2009 and 2010</u>

2.16 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from the impact of OPA CDM programs implemented from 2006 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.

<u>2006 to 2008 CDM Programs – Recovery of Lost Revenue in 2006, 2007 and 2008</u>

2.17 VECC supports the approval of lost revenues in the years 2006, 2007 and 2008 related to the impact of CDM programs implemented in 2006 to 2008, as these amounts have not been claimed.

<u>2010 CDM Programs – Recovery of Lost Revenue in 2010</u>

2.18 VECC supports the approval of lost revenues in 2010 requested by Lakeland Power related to CDM programs implemented in 2010 as these savings occurred post rebasing (during IRM) and have not been claimed.

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

2.19 In summary, VECC submits that the LRAM claim and associated rate riders approved by the Board should be adjusted to include only lost revenue from 2006 to 2008 CDM programs in the years 2006, 2007 and 2008 and 2010 CDM programs in the year 2010, for the reasons noted above.

3 Recovery of Reasonably Incurred Costs

3.1 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 10th day of February 2012.