



West Coast Huron Energy Inc.
57 West Street
Goderich, ON
N7A 2K5

February 10, 2012

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Reply Submission 2012 IRM Rate Application EB-2011-0203

Dear Ms. Walli:

Please find enclosed the reply submission with respect to the Application submitted by West Coast Huron Energy Inc. ("West Coast Huron") for new rates under Third Generation Incentive Regulation Mechanism, effective May 1, 2012.

This document is being filed pursuant to the Board's e-Filing Services.

Yours Truly,

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Reply Submission

West Coast Huron Energy Inc. (“West Coast Huron”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 14, 2011, under section 78 of the *Ontario Energy Board Act, 1998* (the “Act”), seeking approval for changes to the distribution rates that West Coast Huron charges for electricity distribution, to be effective May 1, 2012.

On January 30, 2012 Board staff made submissions on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Shared Tax Savings;
- Account 1521 – Special Purpose Charge (“SPC”);
- Disposition of Group 1 Deferral and Variance Accounts as per the Electricity Distributors’ Deferral and Variance Account Review Report (the “EDDVAR Report”) and Disposition of Account 1562 ;
- Incremental Capital Module (“ICM”);and
- Lost Revenue Adjustment Mechanism (“LRAM”) Claim.

On January 30, 2012 VECC made submissions on the following matters:

- Incremental Capital Module (“ICM”);and
- Lost Revenue Adjustment Mechanism (“LRAM”) Claim.

West Coast Huron concurs with Board staff and VECC submissions on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Shared Tax Savings;
- Account 1521 – Special Purpose Charge (“SPC”); and

- Disposition of Group 1 Deferral and Variance Accounts as per the Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report") and Disposition of Account 1562.

West Coast Huron wishes to address the following submission.

LRAM

The purpose of the LRAM is to provide compensation for distributors that provide CDM programs which are not reflected in the demand/load forecast as these programs reduce the demand/load relative to the forecast but are not reflected in the calculation of the billing determinants. If the CDM program was included in the forecast such impacts are carried through the billing determinants and the distributor receives compensation through the distribution rate and an LRAM is not required. Following these principles, distributors such as WCHE are incented to participate in CDM initiatives that arise during IRM with the knowledge that it will be compensated through the LRAM while providing the ratepayer with the comfort that the distributor will not double recover. WCHE disagrees with Board Staff that rate certainty is the overarching and superior policy objective. LRAM is a targeted program intended to ensure neither the distributor nor the ratepayer are disadvantaged.

2006, 2007, 2008 and 2010.

For these years WCHE understands there is partial support for WCHE's application for recovery through the LRAM from Board Staff. WCHE does agree with Board Staff submissions date January 30, 2012, wherein Board Staff confirmed support for the WCHE application:

Board staff supports the approval of the 2006, 2007, 2008, and 2010 lost revenues, including the persisting lost revenues from 2006 programs in 2007 and 2008, and the persisting lost revenues from 2007 programs in 2008, as these lost revenues took place during IRM years and West Coast Huron did not previously seek the recovery of these amounts. Board staff notes that this is consistent with what the Board noted in its decisions on applications from Horizon (EB-2011-0172), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206). (Board Staff, page 9)

1 Board Staff then went on to indicate that:

2
3 "it is premature to consider any lost revenue from 2010 programs persisting from
4 January 1, 2011 to April 30, 2012." (Board Staff, page 10).

5
6 WCHE agrees that it is premature to consider the 2010 programs.

7
8 **2009**

9 Board Staff, at page 9, recognized that where LRAM was not included that recovery
10 was appropriate.

11 "In cases in which it was clear in the application or settlement agreement that an
12 adjustment for CDM was not being incorporated into the load forecast specifically
13 because of an expectation that an LRAM application would address the issue,
14 and if this approach was accepted by the Board, then Board staff would agree
15 that an LRAM application is appropriate."

16 This is to confirm that WCHE did not include any LRAM provisions for their 2009 CDM
17 programs in the cost of service rate application. The inclusion of 2009 CDM programs
18 in the cost of service rate application would have been speculative at best given the
19 infancy of the programs and the timing of the cost of service application. At that time
20 WCHE would have expected that LRAM would be the proper method of recovery for
21 such programs. WCHE would submit that its confirmation the cost of service application
22 did not include 2009 CDM programs is sufficient "*clarity*" to warrant recovery consistent
23 with the above statement from Board Staff.

24 **Response to VECC**

25 WCHE notes that VECC, at paragraphs 3.18 & 3.19, are in agreement with WCHE and
26 support WCHE's recovery. We are in agreement that the results should not be
27 speculative in nature and this would have been the case if we had filed the 2009
28 numbers in 2008.

29 For the reasons outlined above, WCHE disagrees with VECC's assertion at 3.15 that
30 "CDM programs deployed between 2006 and 2009 are not accruable from 2009 through
31 April 30, 2012 as these savings should have been incorporated in the 2009 load
32 forecast at the time of rebasing". Had these CDM programs been included in the
33 forecast, WCHE would not be entitled to the LRAM in that regard. However, WCHE has
34 made it clear the forecast did not include such programs and therefore WCHE should
35 be permitted to recover amounts through the LRAM.

LRAM Summary

WCHE feels that it is entitled to recover through the LRAM adjustment, amounts for 2006,2007,2008,2009 & 2010. WCHE agrees with both the Board and VECC that claims for the 2011 and 2012 are premature will withdraw these from the application. Given these submissions, WCHE seeks, through the LRAM, to recover \$78,729.52 which is \$39,136.91 less than the amount updated amount filed in response to the interrogatories. The rate increase as is small and will not result in any undue impact on ratepayers as can be seen in the following schedule.

Customer Class	2010 RRR	Units	LRAM	Proposed Rate Rider
Residential	28,431,108	kWh	\$40,146.15	0.0014
General Service Less Than 50 kW	14,687,390	kWh	\$33,310.25	0.0023
General Service 50 to 499 kW	69,392	kW	\$5,273.12	0.0760
Total To Dec 31, 2010			<u>\$78,729.52</u>	

Incremental Capital

WCHE had originally included a request for the inclusion of \$2.8million in incremental capital associated with spending to serve Sifto. During the proceeding WCHE entered into an agreement whereby Sifto agreed to pay 100% of the capital and WCHE is therefore withdrawing the request for incremental capital. Board Staff, and VECC, section 2.8, support WCHE's request to withdraw the \$2.8million incremental capital from the application.

~ All of which is respectfully submitted ~