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February 8, 2012

Ms. Kirsten Walli *10/2/12*
Board Secretary
Ontario Energy Board
P.O. Box 2319
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Toronto, ON
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ONTARIO ENERGY BD

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)
Innisfil Hydro Distribution Systems Limited EB-2011-0176
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: Innisfil Hydro Distribution Systems Limited
Ms. Brenda L. Pinke

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 Innisfil Hydro Distribution Systems 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 8, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Innisfil Hydro Distribution Systems Limited ("Innisfil Hydro", "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, Innisfil Hydro 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 Innisfil Hydro applied to the Board in this application for the recovery of lost revenue of \$180,250.03 through one year rate riders effective May 1, 2012 in relation to CDM program activities. Innisfil Hydro indicated that is not applying for carrying charges on the LRAM amounts requested in this application.¹
- 2.2 In Innisfil's 2010 IRM application (EB-2009-0232) the Board approved its LRAM claim of \$129,239 for recovery over a one year period related to lost revenue from Third Tranche and OPA CDM activities.²
- 2.3 In response to interrogatories, Innisfil Hydro indicates that it seeks lost revenues from OPA Programs in this application as follows:
 - 2009-2010 Program Results
 - 2009-2010 Program results persistent into 2011
 - 2006-2008 persistent results into 2007, 2008 and part of 2009 (May 2009-December 2009 only)
 - 2006-2008 persistent results into 2010 & 2011.³

¹ Response to Board Staff Interrogatory # 10 (h)

² Response to Board Staff Interrogatory # 10 (d)

³ Response to VECC # 1 (a) & Board Staff Interrogatory # 10 (g)

- 2.4 Innisfil Hydro indicates that is confident that it has not received any lost revenue submitted in this application related to programs or persistent results. The previous LRAM claim did not include any OPA CDM programs implemented in 2009 as results for these programs would not be available until later in 2010.⁴
- 2.5 VECC notes that the LRAM calculation shows 2009, 2010 and 2011 as the years the lost revenue took place in this application.⁵ VECC suggests that 2006-2008 persistent results into 2007 and 2008 referred to under 2.3 above, are not part of this LRAM claim. VECC asks that Innisfil Hydro confirm this in its reply submission. Otherwise there would be overlap in revenue claimed between the LRAM in this application and the LRAM claimed in EB-2009-0232.
- 2.6 Innisfil Hydro originally used the OPA 2010 Final CDM Results Summary dated September 16, 2011 to calculate the LRAM amounts. Innisfil Hydro indicated in its application that input assumptions and free ridership rates for the 2010 programs were not provided in the September 16, 2011 report, and that Innisfil Hydro would update these input assumptions once the 2010 Final OPA CDM Results Detailed Report is released.⁶
- 2.7 Innisfil Hydro received the OPA 2010 Final CDM Detailed Results on November 15, 2011 and updated the LRAM claim in response to interrogatories to \$180,466.91, an increase of \$216.88.⁷

Input Assumptions - OPA Programs

- 2.8 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.
- 2.9 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for Innisfil Hydro's OPA-funded CDM programs used to calculate the LRAM amounts.
- 2.10 VECC submits Innisfil Hydro has appropriately demonstrated through responses to VECC interrogatories 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 expired in 2010 and have been removed from the LRAM claim beginning in 2010.

⁴ Response to Board Staff Interrogatory # 10 (d) & (e)

⁵ Response to Board staff Interrogatory # 10 (g)

⁶ Tab 3, LRAM Supporting Documentation, Burman Report, Results, Page 3

⁷ Response to VECC Interrogatory # 3 (b)

Load Forecast

- 2.11 Innisfil Hydro's last load forecast was approved by the Board in its 2009 Cost of Service (COS) Application (EB-2008-0233) for rates effective May 1, 2009. Innisfil Hydro indicates that the 2009 load forecast did not take into account the impacts of conservation programs and or persistence savings resulting from conservation programs.⁸
- 2.12 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
- 2.13 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.¹⁰
- 2.14 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.
- 2.15 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
- 2.16 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

⁸ Response to Board Staff Interrogatory # 10 (f)

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

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

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

- 2.17 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, 2010, 2011 as savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2010 CDM Programs – Recovery of Lost Revenue in 2010

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

2010 CDM Programs – Recovery of Lost Revenue in 2011

- 2.19 VECC does not support the approval of lost revenue in 2011 for CDM Programs implemented in 2010.
- 2.20 The Board's Guidelines indicate that "LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in a prior year."¹³
- 2.21 VECC submits that Innisfil Hydro is calculating estimated lost revenues for 2011 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.
- 2.22 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."*
- 2.23 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 forego 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

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

programs.

- 2.24 In the absence of OPA input assumptions and verified final results for 2011, VECC submits that an LRAM claim in 2011 is premature and not appropriate. Thus, the LRAM claim for 2010 CDM programs should cover the period January 1, 2010 to December 31, 2010.
- 2.25 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 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 8th day of February 2012.