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(416) 767-1666

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)**  
**St. Thomas Energy Inc. EB-2011-0196**  
**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: St. Thomas Energy Inc.  
Mr. Dana Witt

**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 St. Thomas Energy Inc. 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 St. Thomas Energy Inc. (“St. Thomas Energy”, “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, St. Thomas Energy included the recovery of 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 submissions regarding this aspect of the application.

### 2 Lost Revenue Adjustment Mechanism (LRAM Recovery) & Shared Savings Mechanism (SSM)

- 2.1 St. Thomas Energy is applying to the Board in this application for the recovery of \$120,419.52 (\$117,640.97 plus \$2,778.55 in carrying charges) through one year rate riders effective May 1, 2012 to recover lost revenue from CDM activities. These amounts reflect St. Thomas Energy’s revised LRAM claim dated December 13, 2011. St. Thomas Energy’s originally applied for an LRAM amount of \$125,625.76. The LRAM was updated to reflect 2010 Final OPA CDM Program Results.<sup>1</sup>
- 2.2 The LRAM claim in this application covers the revenue impacts from 2006 to 2010 OPA CDM programs, for the period January 1, 2010 through December 31, 2011.
- 2.3 St. Thomas indicated that it has not recovered any of the amounts associated with this LRAM claim in the past.<sup>2</sup>
- 2.4 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.

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<sup>1</sup> Response to Board Staff Interrogatory # 6 (a)

<sup>2</sup> Response to Board Staff Interrogatory # 6 (d)

## OPA Funded Programs

- 2.5 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for St. Thomas Energy's OPA-funded CDM programs using the 2006-2010 Final OPA CDM Results.<sup>3</sup>
- 2.6 VECC notes that at Line 613 for the 2009 Final Every Kilowatt Counts Power Savings Event, 101.42 kWh is used as the input assumption to calculate 2009 net annual energy savings for Installed CFLs (Spring Campaign, Participant Spillover). VECC submits that this input assumption value is outdated and 44.35 kWh should be used to calculate the net annual energy savings in 2009, however the impact on lost revenue is immaterial.<sup>4</sup>
- 2.7 VECC submits St. Thomas Energy has appropriately demonstrated through interrogatory responses that savings for the OPA's 2006 Every Kilowatt Counts Program regarding 13-15 W Energy Star CFL's have been removed from the LRAM claim beginning in 2010.

## Load Forecast

- 2.8 St. Thomas Energy's last load forecast was approved by the Board in its 2011 Cost of Service (COS) Application (EB-2010-0141) for rates effective May 1, 2011. The 2011 kWh consumption for the metered customer classes was reduced by 10% of St. Thomas Energy's OEB/OPA directed CDM target of 14.92 GWhs in order to reflect the impact of CDM activity.<sup>5</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>6</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

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<sup>3</sup> Response to VECC Interrogatory # 2 (Attachment D)

<sup>4</sup> Response to VECC Interrogatory # 2 (Attachment D)

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

<sup>6</sup> Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

of CDM activities embedded in a rebasing year.<sup>7</sup>

- 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>8</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>9</sup>

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

- 2.14 Lost revenue calculations for 2011 are persistent values for programs implemented in 2006-2010.<sup>10</sup>
- 2.15 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 2011 as these savings should have been incorporated into the 2011 load forecast at the time of rebasing.

#### 2006 to 2010 CDM Programs – Recovery of Lost Revenue in 2010

- 2.16 VECC supports the approval of the lost revenues requested by St. Thomas Energy in 2010 due to the impact of CDM programs implemented from 2006 to 2010, as St. Thomas Energy did not collect this revenue while under IRM.
- 2.17 In summary, VECC submits that the LRAM claim approved by the Board should be adjusted to include only lost revenue for the year 2010, for the reasons noted above. VECC notes that in response to VECC interrogatory # 3 (b), Attachment C, the LRAM amount for 2010 (excluding carrying charges) is \$60,274.76.

### **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.

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<sup>7</sup> EB-2011-0054 Hydro Ottawa Decision, Page 24

<sup>8</sup> EB-2011-0206 Whitby Hydro Decision, Page 14

<sup>9</sup> EB-2011-0174 Hydro Brampton Decision, Page 13

<sup>10</sup> Response to VECC Interrogatory #3 (a)

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