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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)
Orillia Power Distribution Corporation EB-2011-0191
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: Orillia Power Distribution Corporation
Mr. Patrick Hurley

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 Orillia Power Distribution Corporation 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 Orillia Power Distribution Corporation (“Orillia 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, Orillia 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) and a request for changes to the billing determinants for retail transmission network charges for customers billed on a demand basis. The following section sets out VECC’s final submissions regarding these aspects of the application.

2 Lost Revenue Adjustment Mechanism (LRAM)

- 2.1 Orillia Power applied to the Board in this application for the recovery of lost revenue of \$52,650 (\$50,697 plus \$1,953 interest to April 30, 2012) through one year rate riders effective May 1, 2012 in relation to CDM program activities.
- 2.2 Orillia Power has one previous LRAM claim of \$114,517, as part of its 2011 IRM3 application, for the years 2006 to 2009.¹
- 2.3 In this application, Orillia Power seeks the recovery of lost revenue in 2010 resulting from the impact of 2006 to 2010 CDM programs.
- 2.4 Orillia Power confirmed it has not received any of the lost revenues requested in this application in the past.²
- 2.5 Orillia Power calculated its LRAM amount using the 2006-2009 Final OPA CDM Results and the 2010 Final CDM Results Summary dated September 16, 2011, that estimated the 2010 CDM results. Orillia Power received the 2010 Final OPA CDM Detailed Results on November 15, 2011 and updated the LRAM claim to

¹ Response to VECC Interrogatory # 1 (a)

² Response to Board Staff Interrogatory # 9 (d)

\$52,735 (\$50,799 plus \$1,856 interest), an increase of \$85.³

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 Orillia Power's OPA-funded CDM programs, including the update for 2010 OPA Final CDM Results.
- 2.8 VECC accepts Orillia Power's explanation that the reduction in energy savings in 2010 related to the 2006 Every Kilowatt Counts (EKC) program suggests that measures with an effective useful life of four years (i.e. 13-15 W CFLs) have been removed from the 2010 results and the resulting 2010 LRAM claim.⁴

Load Forecast

- 2.9 Orillia Power's last load forecast was approved by the Board in its 2010 Cost of Service (COS) Application (EB-2009-0273) for rates effective May 1, 2010. Orillia Power indicates that the impact of CDM savings was not reflected in the approved load forecast used to support the approved rates in its 2010 COS application.⁵
- 2.10 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."⁶
- 2.11 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

³ Response to Board Staff # 9

⁴ Response to VECC Interrogatory # 2 (c)

⁵ Manager's Summary, Lost Revenue Adjustment Mechanism (LRAM), Page 19

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

of CDM activities embedded in a rebasing year.⁷

- 2.12 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.
- 2.13 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.⁸
- 2.14 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.⁹

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

- 2.15 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from the impact of Orillia Power's OPA CDM programs implemented from 2006 to 2010 are not accruable in 2010, as savings should have been incorporated in the 2010 load forecast at the time of rebasing.
- 2.16 VECC submits that the Board should not approve Orillia Power's LRAM claim and associated rate riders, for the reasons noted above.

3 Retail Transmission Service Rates (RTSR) – Billing Determinants

- 3.1 Orillia Power proposes that any customer that is charged retail transmission network charges on a demand basis and the customer can be measured between 7 AM and 7 PM (local time), should be charged retail transmission network charges on the customer's demand measured between 7 AM & 7 PM.
- 3.2 Orillia Power also proposes that this approach be expanded to all customers, regardless of meter type (i.e. not just interval metered customers) that are charged a demand rate for retail transmission network charges where demand can be measured between 7 AM and 7 PM.^{10[1]}
- 3.3 Orillia Power indicates that to reflect the proposed rates in the 2012 RTSR Adjustment Work Form, it has added additional lines for the GS 40 to 4,999 kW Classification and the Street Lighting Classification under MONTHLY RATES

⁷ EB-2011-0054 Hydro Ottawa Decision, Page 24

⁸ EB-2011-0206 Whitby Hydro Decision, Page 14

⁹ EB-2011-0174 Hydro Brampton Decision, Page 13

^{10[1]} Manager's Summary, Retail Transmission rates – Billing Determinants, Page 16

AND CHARGES – Delivery Component in the Tariff of Rates and Charges.^{11[2]}

- 3.4 VECC notes that there are some inconsistencies in the application. First, Sentinel Lighting customers are billed on a demand basis yet Orillia Hydro does not reference Sentinel Lighting in the application and the proposed approach has not been applied to Sentinel Lighting. VECC asks that Orillia Power provide an explanation for this in its reply submissions.
- 3.5 Second, Orillia Power states in Board Staff Interrogatory #1 (b) that currently 25 GS>50 customers and its Street Lighting customer are already billed on a 7/7 basis. However, in the 2012 RTSR Adjustment Work Form the reported billing determinants for the GS>50 and Street Lighting classes are the same for both the Network and Connection charges (see Tabs 4, 11 and 12). If the Network Charges for some (or all) of the customers in these two classes are based on a 7/7 determinant then the billing determinants for the two RTSRs should be different (as noted in OEB Staff Interrogatory #1 (b)). Also, since the values are taken from Orillia Power's RRR filing VECC is concerned that Orillia Power may also be using the 7/7 values to recover its volumetric distribution charges. Again, VECC asks that Orillia Power clarify these matters in its reply submissions.
- 3.6 In addition to these inconsistencies in the Evidence, VECC has concerns with Orillia Power's proposal to adjust the definition of its billing parameters without also adjusting the proposed rates. The 2012 RTSR Adjustment Work Form works on the premise that the application of the current rates and billing determinants yields the appropriate \$ amount by customer class. If the billing determinants change, the rates should change to yield the same \$ amount by customer class. In the Work Form the billing determinants for the GS 50 to 4,999 kW and Street Lighting customer classes are 386,685 kW and 7,309 kW, respectively. In response to Board Staff Interrogatory # 1 (a) & (b), the proposed aggregate changes in the billing determinants for the GS 50 to 4,999 kW and Street Lighting customer classes are 624 kW and 2,898 kW, respectively. VECC submits that the Work Form¹² does not reflect this change and the proposed RTSR rates have not been adjusted to yield the appropriate RTSR network revenues by customer class. Specifically, the proposed Network RTSR rates for the GS 50 to 4,999 kW rate class should increase by 0.162%¹³ and the proposed rate for the street lighting class should increase by 65.7%.
- 3.7 Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications indicates on page 24 that:

"The IRM application process is intended to streamline the processing of a large

^{11[2]} Manager's Summary, Retail Transmission rates – Billing Determinants, Page 16

¹² Given that the values used are from Orillia Power's most recent RRR filing and assuming Street Lighting is NOT currently billed on a 7-7 basis.

¹³ Based on 386,685 / (386,685-624)

volume of rate adjustment applications, and is therefore mechanistic in nature. For this reason, the Board has determined that the IRM process is not the appropriate venue by which a distributor should seek relief on issues which are substantially unique to an individual distributor or more complicated and potentially contentious. The following are examples of specific exclusions from the IRM rate application process:

- Prudence Review of Smart Meter Cost;*
- Rate Harmonization, other than that pursuant to a prior Board decision;*
- Changes to revenue-to-cost ratios, other than pursuant to a prior Board decision;*
- Loss Factor Changes;*
- Loss Carry Forward Adjustments to PILs/taxes; and*
- Loss of Customer Load.*

Exclusions from the IRM process are to be addressed in the distributor's next cost of service application with the exception of distributors seeking a prudence review of smart meter costs which should be addressed in a separate (or stand alone) application.

- 3.8 Based on this direction and the foregoing, it may be more appropriate for the Board to defer any changes to Orillia Power's billing determinants to its next Cost of Service-based rate application.

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 10th day of February 2012.