Hearst Power Distribution Company Limited
925 Alexandra Street
Hearst, ON
P0L 1N0

February 16, 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 EB-2011-0171

Dear Ms. Walli:

Hearst Power Distribution Company Limited ("Hearst Power") hereby files it reply submission to Board staff and VECC's submissions with respect to Hearst Powers application for 2012 3rd Generation IRM rates effective May 1, 2012.

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

Yours Truly,

Steven Blier
General Manager

Reply Submission

Introduction

Hearst Power Distribution Company Limited ("Hearst") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 14, 2011, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Hearst charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism.

On February 6, 2012 Board staff made submissions on the following matters:

- Tax-Savings Workform;
- Review and Disposition of Deferral and Variance Accounts as per the Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report");
- Lost Revenue Adjustment Mechanism Claim; and
- Payments in Lieu of Taxes – PILS 1562.

On February 6, 2012 VECC made submissions on the following matters:

- Lost Revenue Adjustment Mechanism ("LRAM") Claim.

Hearst concurs with Board staff and VECC's submissions, where applicable, on the following matters:

- Tax-Savings Workform;

- Review and Disposition of Deferral and Variance Accounts as per the Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report"); and
- Payments in Lieu of Taxes – PILS 1562.

Hearst wishes to address the following submission.

Lost Revenue Adjustment Mechanism Claim

Board staff's and VECC's submission on Hearst's LRAM claim focused on two issues: whether the 2010 approved cost of service load forecast had already included load reductions to account for subsequent CDM initiatives and lost revenues related to prior to 2010. Hearst concurs with Board staff's and VECC's submission with respect to lost revenues prior to 2010. However Hearst wishes to address the issue with respect to load reductions included in its 2010 load forecast.

In its submission, Board staff stated:

> *"In cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate. Renfrew may want to highlight in its reply whether the issue of an LRAM application was addressed in their cost of service application."*

In developing the 2010 load forecast in its cost of service application, Hearst used a Normalized Average Consumption (NAC) approach. The Board acknowledged: "The Board agrees with VECC's submission that Hearst Power should explore improved methods of load forecasting for its next cost-of-service application. Hearst Power should

be mindful of the need to weigh the cost and associated rate impacts of achieving a more robust forecast against the benefits gained."1. Hearst would also note that while it has an approved 2010 load forecast, that forecast was not implemented until May 1, 2011.

As noted above NAC was applied to Hearst's. While some LDCs in their applications specifically lower their load forecast in the test year and in subsequent years to include expected future reductions due to their adoption of CDM initiatives, Hearst did not have the sophistication to take this approach. One could conclude that Hearst's forecast was developed in expectation of making LRAM claims in future years to compensate it for any subsequent CDM initiatives it undertook. Therefore, Hearst submits that its LRAM application is indeed appropriate.

Hearst's LRAM current claim is built on the same premise of persistency as accepted by the Board in earlier decisions. These decisions include Burlington Hydro's LRAM claims (Decision on EB-2010-0067 dated March 17, 2011; Decision on EB-2009-0259 dated March 1, 2010) as well as decisions on other LDCs' LRAM claims (Decision on Middlesex Power Distribution's LRAM claim EB-2010-0098 dated March 17, 2011; Decision on Norfolk Power Distribution's LRAM claim EB-2011-0046 dated May 6, 2011; Decision on Hydro One Brampton's LRAM claim EB-2010-0132 dated April 4, 2011).

Hearst by default did not include CDM programs in its 2010 load forecast and should be fully entitled to claim an LRAM related to these programs. Hearst submits that disallowing an LRAM claim for un-forecasted CDM would act as a major disincentive to participation in future CDM initiatives at Hearst and other LDCs.

[1] OEB Decision EB-2009-0266 February 15, 2011

In Board staff's submission Board staff requested that Hearst provide an updated LRAM amount that only includes lost revenues from 2006, 2007, 2008, and 2009 CDM programs, including the persisting lost revenues noted above, in the years 2006, 2007, 2008, and 2009, and the subsequent rate riders. In compliance with this request Hearst has attached the requested calculation.

Hearst maintains that in submitting its LRAM claim that the applied for claim is appropriate and is fully consistent with previous Board decisions, Hearst requests that the Board approve the LRAM claim for $33,992 as developed and fully supported in the evidence.

~ All of which is respectively submitted ~

File Number:EB-2011-0171

Exhibit: 5
Tab: 1
Schedule: 1

Date Filed:February 16, 2012

Attachment 1 of 1

LRAM 2006 to 2009

Customer Class	LRAM
Residential	$17,109.87
General Service Less Than 50 kW	$571.75
General Service 50 to 4,999 kW	$4,021.55
Total	**$21,703.17**

Customer Class	2010 RRR	Units	LRAM	Proposed Rate Rider
Residential	30,305,144	kWh	$17,109.87	$0.0006
General Service Less Than 50 kW	12,427,065	kWh	$571.75	$0.0000
General Service 50 to 4,999 kW	141,997	kW	$4,021.55	$0.0283
Total			**$21,703.17**	

#	Initiative Name	Program Name	Program Year	Results Status	2006	2007	2008	2009	Total
1	Secondary Refrigerator Retirement Pilot	Consumer	2006	Final	3,703	3,703	3,703	3,703	14,812
2	Cool & Hot Savings Rebate	Consumer	2006	Final	9,141	9,141	9,141	9,141	36,565
3	Every Kilowatt Counts	Consumer	2006	Final	237,194	237,194	237,194	237,194	948,775
7	Cool & Hot Savings Rebate	Consumer	2007	Final	-	15,038	15,038	15,038	45,115
8	Every Kilowatt Counts	Consumer	2007	Final	-	90,146	89,043	89,043	268,232
10	Summer Savings	Consumer	2007	Final	-	89,717	15,122	5,724	110,563
13	Social Housing Pilot	Consumer Low-Income	2007	Final	-	8,193	8,193	8,193	24,579
20	Great Refrigerator Roundup	Consumer	2008	Final	-	-	7,080	7,080	14,161
21	Cool Savings Rebate	Consumer	2008	Final	-	-	15,392	15,392	30,784
22	Every Kilowatt Counts Power Savings Event	Consumer	2008	Final	-	-	78,133	77,793	155,927
35	Great Refrigerator Roundup	Consumer	2009	Final	-	-	-	909	909
36	Cool Savings Rebate	Consumer	2009	Final	-	-	-	19,463	19,463
37	Every Kilowatt Counts Power Savings Event	Consumer	2009	Final	-	-	-	33,843	33,843
53	Great Refrigerator Roundup	Consumer	2010	Final	-	-	-	-	-
54	Cool Savings Rebate	Consumer	2010	Final	-	-	-	-	-
55	Every Kilowatt Counts Power Savings Event	Consumer	2010	Final	-	-	-	-	-
61	Multi-Family Energy Efficiency Rebates	Consumer, Consumer Low-Income	2010	Final	-	-	-	-	-
					250,038	453,132	478,040	522,517	1,703,727

Residential Distribution Volumetric Rate	$/kWh	0.0095	0.0101	0.0101	0.0102
LRAM		$ 2,375.36	$ 4,576.63	$ 4,828.20	$ 5,329.68	$ 17,109.87

#	Initiative Name	Program Name	Program Year	Results Status	2006	2007	2008	2009	Total
27	High Performance New Construction	Business	2008	Final	-	-	201	201	402
41	High Performance New Construction	Business	2009	Final	-	-	-	5,678	5,678
44	Demand Response 1	Business, Industrial	2009	Final	-	-	-	4,940	4,940
45	Demand Response 2	Business, Industrial	2009	Final	-	-	-	47,027	47,027
46	Demand Response 3	Business, Industrial	2009	Final	-	-	-	898	898
59	High Performance New Construction	Business	2010	Final	-	-	-	-	-
62	Demand Response 2	Business, Industrial	2010	Final	-	-	-	-	-
63	Demand Response 3	Business, Industrial	2010	Final	-	-	-	-	-
					-	-	201	58,744	58,945
	GSLT50 Distribution Volumetric Rate	$/kWh			0.0094	0.0096	0.0096	0.0097	
	LRAM				$ -	$ -	$ 1.93	$ 569.82	$ 571.75

#	Initiative Name	Program Name	Program Year	Results Status	2006	2007	2008	2009	Total
4	Demand Response 1	Business, Industrial	2006	Final	297	-	-	-	297
5	Loblaw & York Region Demand Response	Business, Industrial	2006	Final	15	-	-	-	15
17	Demand Response 1	Business, Industrial	2007	Final	-	316	-	-	316
18	Loblaw & York Region Demand Response	Business, Industrial	2007	Final	-	26	-	-	26
27	High Performance New Construction	Business	2008	Final	-	-	0	0	0
29	Demand Response 1	Business, Industrial	2008	Final	-	-	308	-	308
30	Demand Response 3	Business, Industrial	2008	Final	-	-	60	-	60
31	Loblaw & York Region Demand Response	Business, Industrial	2008	Final	-	-	20	-	20
41	High Performance New Construction	Business	2009	Final	-	-	-	2	2
44	Demand Response 1	Business, Industrial	2009	Final	-	-	-	112	112
45	Demand Response 2	Business, Industrial	2009	Final	-	-	-	76	76
46	Demand Response 3	Business, Industrial	2009	Final	-	-	-	109	109
47	Loblaw & York Region Demand Response	Business, Industrial	2009	Final	-	-	-	19	19
59	High Performance New Construction	Business	2010	Final	-	-	-	-	-
62	Demand Response 2	Business, Industrial	2010	Final	-	-	-	-	-
63	Demand Response 3	Business, Industrial	2010	Final	-	-	-	-	-
64	Loblaw & York Region Demand Response	Business, Industrial	2010	Final	-	-	-	-	-
					311	342	388	319	1,361
	GSGT50 Distribution Volumetric Rate	$/kWh			2.8938	2.9601	2.969	2.9926	
	LRAM				$ 901.24	$ 1,011.87	$ 1,152.85	$ 955.59	$ 4,021.55