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February 22, 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)
Tillsonburg Hydro Inc. EB-2011-0198
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: Tillsonburg Hydro Inc.
Mr. John Gott

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 Tillsonburg Hydro 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 22, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Tillsonburg Hydro Inc. (“Tillsonburg 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, Tillsonburg Hydro 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 Tillsonburg Hydro applied to the Board in this application for the recovery of \$58,030 (\$56,279 plus \$1,751 in carrying charges), through one year rate riders effective May 1, 2012 to recover lost revenue from CDM activities.
- 2.2 Tillsonburg Hydro indicates the Board approved an LRAM recovery of \$42,692 in its 2009 Cost of Service (COS) application (EB-2008-0246)¹ related to Third Tranche energy savings for the years 2005 to 2007.
- 2.3 In this application, the LRAM covers lost revenues in the years 2008 to 2010 from OPA CDM programs implemented in 2008 to 2010, and lost revenues in 2008 from Third Tranche CDM programs implemented in 2005 and 2006.
- 2.4 Tillsonburg Hydro confirms that the LRAM amounts it is seeking to recover in this application are new amounts not included in past LRAM claims.²
- 2.5 Tillsonburg Hydro submits the OPA provided final program results (2006-2010 Final OPA CDM Results) on November 15, 2011, subsequent to the preparation of the original evidence, which were not materially different from the 2006-2009 Final OPA CDM Results-update and the 2010 Final CDM Results Summary that Tillsonburg relied upon to calculate the original LRAM claim (\$56,279 compared

¹ Response to Board Staff Interrogatory # 10 (c)

² Response to VECC Interrogatory # 1 (b)

to \$56,319 before carrying charges).³

- 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.

OPA Funded Programs

- 2.7 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for Tillsonburg Hydro's OPA-funded CDM programs.

Third Tranche Funded Programs

- 2.8 Tillsonburg Hydro's LRAM claim for 2005 Third Tranche CDM program savings is for the Retailer Program which involved the issuing of Compact Fluorescent Light (CFL) bulbs. Tillsonburg's LRAM claim for 2006 Third Tranche CDM program savings is for the Every Kilowatt Counts (EKC) and Seasonal Lights programs. Tillsonburg Hydro's LRAM claim does not include 2007 Third Tranche CDM savings.⁴
- 2.9 Tillsonburg Hydro confirms that the savings calculated for 2005 and 2006 Third Tranche CDM programs were adjusted for the March 2011 OPA Measures and Assumptions list.⁵

Load Forecast

- 2.10 Tillsonburg Hydro's load forecast was last approved by the Board in its 2009 COS Application (EB-2008-0246) for rates effective May 1, 2009. Tillsonburg Hydro indicates the CDM savings accounted for in its approved load forecast were based on projected 2009 OPA CDM program savings.⁶
- 2.11 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

³ Response to VECC Interrogatory # 2 (a)

⁴ Appendix M1.1, Pages 4 to 6

⁵ Manager's Summary, Page 11

⁶ Response to VECC # 1 (c)

incorporated in the load forecast at that time.”⁷

- 2.12 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.⁸
- 2.13 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.
- 2.14 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.⁹
- 2.15 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.¹⁰

2008 to 2009 CDM Programs – Recovery of Lost Revenue in 2009 and 2010

- 2.16 In accordance with the Board’s guidelines and recent Decisions, VECC submits that energy savings from CDM programs deployed between 2008 and 2009 are not accruable in 2009 and 2010 as these savings should have been incorporated into the 2009 load forecast at the time of rebasing.

2005, 2006 & 2008 CDM Programs – Recovery of Lost Revenue in 2008

- 2.17 VECC supports the approval of the lost revenues requested by Tillsonburg Hydro in 2008 from the impact of CDM programs implemented in 2005, 2006 and 2008, as these savings occurred prior to rebasing and have not been claimed.

2010 CDM Programs – Recovery of Lost Revenue in 2010

- 2.18 VECC supports the approval of the lost revenues requested by Tillsonburg Hydro in 2010 from 2010 OPA CDM program results in 2010, as these savings occurred post rebasing and have not been claimed.

⁷ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

⁸ EB-2011-0054 Hydro Ottawa Decision, Page 24

⁹ EB-2011-0206 Whitby Hydro Decision, Page 14

¹⁰ EB-2011-0174 Hydro Brampton Decision, Page 13

- 2.19 In summary, VECC submits that the LRAM claim and associated rate riders approved by the Board should be adjusted to include lost revenue for the year 2008 from the impact of CDM programs implemented in 2005, 2006 and 2008, and lost revenue in 2010 from 2010 OPA CDM program results in 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 22nd day of February 2012.