Peterborough Distribution Inc.

PETERBOROUGH DISTRIBUTION INC.

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February 23, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario
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Dear Ms. Walli

Peterborough Distribution Inc.
2012 IRM3 Distribution Rate Application
Response to Board Staff and VECC
Final Submissions
Board File No. EB-2011-0194

Please find accompanying this letter two hard copies of Peterborough Distribution Inc.'s response to the Ontario Energy Board Staff and the Vulnerable Energy Consumers Coalition (VECC) Final Submissions.

Electronic version of this response will be forwarded to the Board in PDF format.

Yours truly,

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Board Staff and VECC
Final Submissions
2012 IRM3 Electricity Distribution Rates
Peterborough Distribution Incorporated ("PDI")
EB-2011-0194

Board Staff:

1. Disposition of Group 1 Deferral and Variance Account Balances

Background

Peterborough's 2010 actual year-end balance for Group 1 accounts with interest projected to April 30, 2012 is a credit of $1,746,748. This includes a credit balance of $642,908 in the global adjustment sub-account of account 1588. The total Group 1 Deferral and Variance account (DVA) amount results in a total claim of $0.00218 per kWh, which exceeds the preset disposition threshold. Peterborough proposed to dispose of Group 1 account balances at this time by means of a variable rate rider to be in effect for one year. DVA amounts were assigned to each class on the basis of billed kWh.

Submission

Board staff has reviewed Peterborough's Group 1 Deferral and Variance account balances and notes that the balances as of December 31, 2010 reconcile with the balances reported as part of the Reporting and Record-keeping Requirements. As the preset disposition threshold of $0.001 per kWh was exceeded, Board staff takes no issue with Peterborough's proposal to refund the amounts to customers through a variable rate rider to be in effect for one year. Additionally, Board staff takes no issue with Peterborough's method of allocating the Group 1 DVA amounts to each class based on billed kWh.

PDI RESPONSE

Peterborough Distribution Inc. concurs with Board Staff's submission.

2. Disposition of Account 1521 – SPC Variance

Background

Peterborough originally requested the disposition of a credit balance of $104,986 in account 1521 with carrying charges calculated to April 30, 2012. In response to Board staff interrogatory #1, Peterborough confirmed that the balance requested for

disposition included unaudited 2011 recoveries and carrying charges calculated to April 30, 2012.
Peterborough proposed to refund the balance through the deferral and variance account rate rider calculated for the disposition of Group 1 Deferral and Variance Accounts, discussed above. Amounts were allocated to each class based on billed kWh to be refunded over a period of one year.

Submission

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. The balances in account 1521 in the application provided by Peterborough are not audited. Board staff notes that the Board has approved the disposition of unaudited balances in account 1521 in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings.

Board staff has no concerns with the $104,986 credit balance in account 1521. Board staff notes that this balance includes the correct calculation of forecasted carrying charges extending to April 30, 2012. Board staff takes no issue with Peterborough's proposal to refund the balance to customers over a year through the Deferral and Variance Account rate rider nor with Peterborough's method of allocating the balance to each class.

PDI RESPONSE

Peterborough Distribution Inc. concurs with Board Staff's submission.

3. Shared Savings Mechanism (SSM) and Lost Revenue Adjustment Mechanism (LRAM)

Board Staff and VECC have submitted detailed final submissions regarding PDI's SSM and LRAM application. PDI will not be reproducing their submissions in its response, but will summarize and address the concerns raised.

a) Shared Savings Mechanism

Board staff noted that Peterborough applied for SSM in relation to its 2005-2007 CDM Programs. Board staff submitted that Peterborough's application for SSM recovery is consistent with the Board's Guidelines and supports the approval of the SSM amount of $56,463 over a one year period.

VECC supported Peterborough's SSM claim of $56,463, item 2.35 of Final Submission.

PDI RESPONSE

Peterborough Distribution Inc. concurs with Board Staff and VECC.

b) Lost Revenue Adjustment Mechanism

Background

PDI made a claim for lost revenues that amounted to $686,841 including carrying charges of $31,420. This claim covers lost revenue between January 1, 2005 and April 30, 2012 for 2005-2010 CDM programs. The LRAM claim was prepared in accordance with the requirements set out in the Guidelines for Electricity Distributor CDM (EB-2008-0037) issued on March 28, 2008.

The claim was reviewed by a third-party (IndEco Strategic Consulting Inc.). PDI responded to interrogatories from Board staff and VECC. As a result of these interrogatories, no changes to the claim were required, and PDI submits the claim should be accepted as submitted.

Two issues were raised within the Board Staff and VECC Final Submissions with regard to the PDI LRAM claim:

1) The validity of data inputs used by PDI (VECC only)
2) The inclusion of lost revenue from energy savings that persist into and beyond a test year (VECC and Board staff)

1) Validity of data inputs used by PDI

The Board staff submission does not have issue with the validity of input data used by PDI.

The VECC submission noted that PDI's LRAM claim was based on the final 2010 OPA program summary results and not the final 2010 OPA program full report results. Both reports are listed as final by the OPA. The final summary report was used for PDI's LRAM claim since it was the best available source of information at the time of the third party review. There is no material difference between the two reports.

The VECC submission did not support the data inputs used to calculate the LRAM claim for 2006 and 2007 EKC programs. VECC noted that since the 2006 and 2007 EKC programs were listed as Third Tranche programs, these LRAM claims should be based on the generic 2011 OPA Prescriptive Measures and Assumptions (M&A) List. The 2011 M&A list is not the best available source of data inputs for the 2006 and 2007 EKC programs. The best available inputs for these programs are the final OPA-verified program-specific evaluations of these programs. PDI relied solely on these final OPA-verified program results for the 2006 and 2007 EKC program LRAM claims.

PDI notes that VECC has indicated in its final submission that it accepts the use of 2006-2009 Final OPA CDM results for the purposes of LRAM claims. [1] The use of final OPA CDM results for the calculation of LRAM claims associated with 2006 and 2007 EKC programs has been approved by the Board in numerous LRAM decisions, and is specifically referenced in Burlington Hydro's 2011 LRAM claim decision (EB-2010-0067). [2]

PDI submits the data inputs used in calculating its LRAM claims are the best available at the time of the third party review and are in accordance with LRAM claim requirements and previous Board decisions.

2) <u>The inclusion of lost revenue from energy savings that persist into and beyond a test year (VECC and Board staff)</u>

Board Staff and VECC are of the opinion that LRAM claims pertaining to a test year and beyond would be unnecessary once a distributor rebases and accordingly updates its load forecast.

Board staff and VECC quote the following from the CDM Guidelines:

> *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.*

PDI understands that lost revenues associated with historic programs are to be incorporated into the load forecast and not to be claimed again. However, it is punitive that energy savings for programs that were not available at the time of the load forecast and could therefore not be considered into the load forecast when establishing new rates be denied as an LRAM claim.

The objective of LRAM is to keep the LDC revenue neutral and to ensure that there is not a <u>disincentive</u> to the LDC in delivering energy savings to customers through CDM programs. PDI agrees that when conservation measures are incorporated into the load forecast, there will not be lost revenues associated with those measures. However, savings from 2005-2009 programs were not included into PDI's 2009 Cost of Service (COS) load forecast. Results from 2005-2008 programs were purposefully not included and accepted by the Board, as well 2009 final results were not available at that time. It is unreasonable to suggest that lost revenues from these programs should not be

[1] VECC Final submission paragraph 2.7.

[2] See page 9 of Board decision on EB-2010-0067 dated March 17, 2011.

recoverable when final results from these programs were not available for inclusion into a load forecast.

PDI is aware of the Hydro One Brampton (EB-2011-0174), Horizon (EB-2011-0172), and Whitby Hydro (EB-2011-0206) decisions mentioned by Board staff and VECC in their submissions, in which the Board denied LRAM claims for unforecasted savings. Notwithstanding those decisions, in PDI's case, PDI submits that denying its claim for these savings would prevent PDI from remaining revenue neutral with respect to CDM, and would prevent the LRAM mechanism from having its intended effect. PDI is not making a claim for savings that were already encapsulated in its load forecast, but rather for energy savings resulting from CDM programs that were not captured in the 2009 approved load forecast.

2005, 2006, 2007 and 2008 programs

Both VECC and Board staff support PDI's LRAM claims for 2005-2008 programs for the period between January 1, 2005 and December 31, 2008 as this period pre-dates PDI's 2009 COS. PDI respectfully notes that it was also under IRM between January 1 2009 and April 30, 2009. Table 1, Table 2, and Table 3 found at the end of this submission provide a breakdown of the LRAM claim for 2005-2008 programs over the period that pre-dates PDI's 2009 COS.

2009 programs

Both VECC and Board staff do not support LRAM claims for 2009 programs since 2009 was a test year. They quote decisions from Hydro One Brampton and Whitby Hydro as evidence of the Board's support of this interpretation of LRAM rules.

As requested by Board staff, Table 1, Table 2, and Table 3 below provide an LRAM claim excluding lost revenue from 2009 programs for the test year and beyond. However, PDI notes that since the test year does not begin until May 1, 2009, LRAM claims associated with 2009 programs between January 1 and April 30, 2009 should be included.

2010 programs

Both VECC and Board staff support LRAM claims for 2010 programs in 2010. Table 1, Table 2, and Table 3 below the submission include the 2010 program LRAM claim for this period.

Neither VECC nor Board staff support LRAM claims for 2010 programs in 2011 and the first four months of 2012.

Board staff submits that it is "premature" to consider these lost revenues but does not provide any rationale for this conclusion.

VECC does provide rationale for not supporting LRAM claims in 2011 and a portion of 2012 but PDI believes their reasoning is flawed. VECC believes that PDI is estimating lost revenues for this period based on generic OPA Measures and Assumptions list inputs. Since OPA Measures and Assumptions lists are updated from time-to-time, VECC argues that 2011 and 2012 LRAM claims are premature. However, PDI's claim does not rely on OPA Measures and Assumptions list inputs for 2010 program LRAM claims in 2011 and 2012. LRAM claims in 2011 and 2012 are based on persisting savings reported in final OPA-verified program specific evaluations for 2010 OPA programs. OPA has identified the program specific evaluations as final. Additionally, since the claim does not depend on the Measures and Assumptions lists, there is no reason why PDI would revisit the claim should future M&A lists contain values different from those available today.

Table 1, Table 2, and Table 3 found below the submission include LRAM claims for 2010 programs that persist into 2011 and the first four months of 2012 since these are LRAM claims over an IRM period and are based on OPA-verified program specific results that the OPA has identified as final.

LRAM summary tables

Board staff had requested that PDI submit as part of its reply submission lost revenue amounts from 2005-2008 programs and 2010 programs including persisting lost revenues in 2005-2008 and 2010 and associated carrying charges. PDI respectfully notes that it was also under IRM for the first four months of 2009 so LRAM claims associated with this period are also added. Claims for 2010 programs in 2011 and the first four months of 2012 are included, as supported by evidence provided above for 2010 program LRAM claims.

Table 1, Table 2, and Table 3, commencing on the following page, provide the rate class breakdowns of the requested lost revenue. Lost revenues during IRM periods total $360,337, including carrying charges of $24,416. However, PDI still requests that the Board approve the original LRAM claim for $686,841 as supported by PDI evidence.

Table 1. Residential LRAM claims under IRM periods

Residential programs	Pre-2009 COS					Under 2009 COS			
	2005	**2006**	**2007**	**2008**	**Jan 1 to Apr 30 2009**	**May 1 to Dec 31 2009**	**2010**	**2011**	**Jan 1 2012 to Apr 30 2012**
2005 programs	$1,485	$2,651	$2,673	$2,757	$923				
2006 programs		$34,987	$37,678	$38,858	$13,005				
2007 programs			$31,002	$30,604	$9,994				
2008 programs				$18,904	$6,312				
2009 programs					$2,647				
2010 programs							$5,539	$5,539	$1,385
Subtotal	*$1,485*	*$37,638*	*$71,353*	*$91,123*	*$32,879*	*$0*	*$5,539*	*$5,539*	*$1,385*
Carrying charges	*$303*	*$5,823*	*$7,732*	*$5,642*	*$1,077*	*$0*	*$140*	*$78*	*$7*
Total	**$1,788**	**$43,460**	**$79,085**	**$96,765**	**$33,956**	**$0**	**$5,680**	**$5,617**	**$1,392**
Cumulative Total	**$1,788**	**$45,248**	**$124,333**	**$221,098**	**$255,054**	**$255,054**	**$260,734**	**$266,351**	**$267,743**

Table 2. GS < 50 kW LRAM claims under IRM periods

GS < 50 kW programs	Pre-2009 COS					Under 2009 COS			
	2005	**2006**	**2007**	**2008**	**Jan 1 to Apr 30 2009**	**May 1 to Dec 31 2009**	**2010**	**2011**	**Jan 1 2012 to Apr 30 2012**
2005 programs	$2,490	$4,544	$4,154	$3,136	$1,142				
2006 programs		$0	$1	$1	$0				
2007 programs			$0	$0	$0				
2008 programs				$1,691	$626				
2009 programs					$4,611				
2010 programs							$15,075	$15,075	$3,769
Subtotal	*$2,490*	*$4,544*	*$4,155*	*$4,827*	*$6,379*	*$0*	*$15,075*	*$15,075*	*$3,769*
Carrying charges	*$509*	*$705*	*$457*	*$300*	*$209*	*$0*	*$381*	*$212*	*$18*
Total	**$2,998**	**$5,249**	**$4,612**	**$5,127**	**$6,588**	**$0**	**$15,457**	**$15,288**	**$3,787**
Cumulative Total	**$2,998**	**$8,248**	**$12,859**	**$17,986**	**$24,574**	**$24,574**	**$40,031**	**$55,318**	**$59,105**

Table 3. GS > 50 kW LRAM claims under IRM periods

GS > 50 kW programs	**Pre-2009 COS**					**Under 2009 COS**			
	2005	**2006**	**2007**	**2008**	**Jan 1 to Apr 30 2009**	**May 1 to Dec 31 2009**	**2010**	**2011**	**Jan 1 2012 to Apr 30 2012**
2005 programs	$0	$0	$0	$0	$0				
2006 programs		$0	$0	$0	$0				
2007 programs			$0	$0	$0				
2008 programs				$3,189	$1,194				
2009 programs					$5,132				
2010 programs							$10,279	$10,297	$2,574
Subtotal	*$0*	*$0*	*$0*	*$3,189*	*$6,326*	*$0*	*$10,279*	*$10,297*	*$2,574*
Carrying charges	*$0*	*$0*	*$0*	*$197*	*$207*	*$0*	*$260*	*$145*	*$13*
Total	**$0**	**$0**	**$0**	**$3,387**	**$6,533**	**$0**	**$10,539**	**$10,442**	**$2,587**
Cumulative Total	**$0**	**$0**	**$0**	**$3,387**	**$9,920**	**$9,920**	**$20,459**	**$30,901**	**$33,488**