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March 09, 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)
Westario Power Inc. EB-2011-0205
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: Westario Power Inc.
Mr. Alvin Allim

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 Westario Power 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)

March 9, 2012

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

- 1.1 Westario Power Inc. (“Westario 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, Westario Power included requests to recover 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)

- 2.1 Westario Power is applying to the Board in this application for the recovery of \$357,937.04 of lost distribution revenue through a one-year rate rider effective May 1, 2012, as a result of the successful implementation of CDM programs. Westario is not applying for carrying charges.¹
- 2.2 Westario Power has not filed an LRAM claim in the past.²
- 2.3 In this application, Westario Power seeks an LRAM for 2006 to 2010 OPA CDM Programs that impact revenues for the years January 1, 2006 to April 30, 2012.
- 2.4 In the original application, Westario Power used the 2010 Final OPA CDM Results Summary released September 16, 2011 to calculate the LRAM claim. Westario Power received the 2010 Final OPA CDM Results Detailed report on November 15, 2011 and updated the LRAM claim to \$368,916.56, an increase of \$10,979.52.

Input Assumptions

- 2.5 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

¹ Response to Board Staff Interrogatory # 7 (g)

² Response to VECC Interrogatory # 1 (a)

assumptions represent the best estimate of the impacts of the programs.

OPA Funded Programs

- 2.6 VECC accepts for LRAM purposes, the OPA's verification of the energy savings for Westario Power using the 2006-2010 Final OPA CDM Results.
- 2.7 VECC submits Westario Power has confirmed through interrogatory responses that savings for the OPA's 2006 Every Kilowatt Counts Program regarding 13-15 W Energy Star CFLs have been removed from the LRAM claim beginning in 2010.

Load Forecast

- 2.8 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."³
- 2.9 Westario Power's load forecast was last approved by the Board in its 2009 COS Application (EB-2008-0238) for the purpose of setting rates effective May 1, 2009. Westario Power confirms that there were no direct CDM savings from OPA programs included in the approved load forecast.⁴
- 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."⁵
- 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 Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

⁴ Response to VECC Interrogatory # 1 (b)

⁵ Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

of CDM activities embedded in a rebasing year.⁶

- 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.⁷ 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.⁸

2006 to 2009 CDM Programs – Lost Revenue in 2009, 2010, 2011 & January 1, 2012 to April 30, 2012

- 2.14 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from Westario Power's CDM programs implemented from 2006 to 2009 are not accruable in the years 2009, 2010, 2011 and January 1, 2012 to April 30, 2012 as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2006 to 2008 CDM Programs – Lost Revenue in 2006, 2007 and 2008

- 2.15 VECC supports the approval of the lost revenue requested by Westario Power for the years 2006, 2007 and 2008 for CDM programs implemented in 2006, 2007 and 2008, as these energy savings occurred prior to rebasing and have not been claimed.

2010 CDM Programs – Lost Revenue in 2010

- 2.16 VECC supports the approval of lost revenue in 2010 requested by Westario Power for CDM programs implemented in 2010 as the savings occurred post rebasing and have not been collected.

2010 CDM Programs – Lost Revenue in 2011 & January 1, 2012 to April 30, 2012

- 2.17 VECC does not support the approval of persisting revenue in 2011 and 2012 for CDM Programs implemented in 2010.

⁶ EB-2011-0054 Hydro Ottawa Decision, Page 24

⁷ EB-2011-0206 Whitby Hydro Decision, Page 14

⁸ EB-2011-0174 Hydro Brampton Decision, Page 13

- 2.18 The Board's Guidelines indicate that "LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in a prior year."⁹
- 2.19 VECC submits Westario Power is calculating estimated lost revenues for 2011 and 2012 based on the OPA's Measures and Assumptions list and OPA verified results available at the timing of this application, which is not appropriate or in accordance with the Guidelines.
- 2.20 Page 34 of the Board's Chapter 2 Filing Guidelines for Transmission and Distribution Applications dated June 22, 2011:
- "Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity."*
- 2.21 VECC submits the Board's updated Chapter 2 Guidelines do not specify the LRAM recovery period. VECC interprets the Board's guideline to mean that if a distributor does not file for the recovery of LRAM/SSM for 2005 to 2010 CDM programs, to the end of the program implementation period, i.e. to the end of 2010, it would forego the opportunity to do so. VECC does not believe the Chapter 2 update is intended to override the requirement that the most current OPA Measures and Assumptions lists, as updated by the OPA from time to time, represent the best estimate of losses associated with a distributor's CDM programs.
- 2.22 In the absence of OPA input assumptions and verified final results for 2011 and 2012, and in accordance with the Board's Guidelines that LRAM is a retrospective adjustment, VECC submits that an LRAM claim in 2011 and January 1, 2012 to April 30, 2012 is premature and not appropriate. Thus, the LRAM claim for 2010 CDM programs should only cover the period January 1, 2010 to December 31, 2010.
- 2.23 In summary, VECC submits the LRAM claim and associated rate riders approved by the Board should be adjusted to include the proposed lost revenue in 2006, 2007 and 2008 from the impact of CDM programs delivered from 2006 to 2008 and lost revenue in 2010 from the impact of CDM programs delivered in 2010.

3 Recovery of Reasonably Incurred Costs

⁹ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2008-0037, Page 18

- 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 9th day of March 2012.