PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Janigan
Counsel for VECC
(613) 562-4002 ext. 26

October 12, 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)
Kenora Hydro Electric Corporation Ltd. EB-2011-0177
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 Janigan
Counsel for VECC
Encl.

cc: Kenora Hydro Electric Corporation Ltd.
Ms. Janice Robertson, C.A.

EB-2011-0177

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 Kenora Hydro Electric Corporation Ltd. for an order or orders approving or fixing just and reasonable distribution rates to be effective October 1, 2012.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

October 12, 2012

Public Interest Advocacy Centre

ONE Nicholas Street
Suite 1204
Ottawa, Ontario
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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 Kenora Hydro Electric Corporation Ltd. ("Kenora 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 January 1, 2013. 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, Kenora Hydro included the recovery of the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e. an LRAM recovery) and revenue-to-cost ratio adjustments. The following section sets out VECC's final submissions regarding these aspects of the application.

2 Revenue to Cost Ratio Adjustments

2.1 In Kenora Hydro's last cost of service application for 2011 rates (EB-2010-0135), changes to the revenue to cost ratios in 2012 were approved as follows[1]:

Customer Class	R/C 2011 COS Application EB-2010-0135 (%)	Proposed 2012 (%)
Residential	101.16	106.16
GS<50 kW	80.00	80.00
GS>50 kW	125.00	125.00
Street Lighting	76.63	76.63
USL	138.00	129.00

2.2 In this application, the revenue-to-cost ratio adjustments include moving the Unmetered Scattered Load to 129% in 2012 from 138% in 2011, resulting in a rebalancing of the GS>50 kW class to recover the revenue shortfall.

2.3 VECC has reviewed the revenue to cost ratio adjustments proposed by Kenora Hydro and submits that:

- the revenue to cost ratio adjustments are in accordance with the Board's EB-2010-0135 Decision and;

[1] Application, Page 6

- the Revenue to Cost Ratio Workform has been completed appropriately.

3 Lost Revenue Adjustment Mechanism (LRAM) Recovery

3.1 In this application, Kenora Hydro is seeking approval of an LRAM claim of \$80,961.95 including carrying charges for lost revenues for the years 2006 to 2010 from OPA CDM programs implemented between 2006 and 2010. Kenora Hydro is proposing a one year rate rider to recover its LRAM claim.

3.2 Kenora Hydro confirmed the LRAM amounts applied for in this application are new amounts that have not been included in any prior rate applications.[2]

3.3 Kenora indicates it did not make a claim for the historical LRAM amounts in its 2011 cost of service (COS) rate application in an effort to mitigate the rate increases experienced by customers as a result of this application.[3]

3.4 At the timing of the original filing of this application on October 14, 2011, the OPA had not provided the cumulative historical results and the 2010 results and the historical kWh savings from 2006-2009 were assumed and applied in the 2010 year.

3.5 In response to [4]Kenora Hydro provided a copy of the OPA's final 2006-2010 CDM results and updated its LRAM request to \$79,022.34 including carrying charges of \$2,938.44, based on the OPA's updated results

<u>2006 to 2010 CDM Programs – Recovery of Lost Revenue in 2006, 2007, 2008, 2009 & 2010</u>

3.6 Section 3.4.2, Deadline for filing LRAM and SSM applications, of Chapter 3 of the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011 states:

"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.

3.7 The recent Board Filing Requirements For Electricity Transmission and Distribution Applications revised on June 28, 2012 states on Page 38:

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[2] VECC IR#1(b)
[3] VECC IR#1(c)
[4] VECC IR#1(g) & Board Staff IR#6(c)

"The Board expects LRAM claims for pre-2011 CDM activities to have been completed with the 2012 rate applications, outside of persisting historical CDM impacts realized after 2010 for those distributors whose load forecast has not been updated as part of a cost of service application. SSM is not applicable for savings persisting from the legacy period."

3.8 Historically, LRAM amounts were determined as set out in the Board's Guidelines for Electricity Distributor Conservation and Demand Management, dated March 28, 2008 (EB-2008-0037). The 2008 CDM Guidelines directed distributors to calculate the energy savings by customer class and value those energy savings using the Distributor's Board-approved variable distribution charge applicable to the customer rate class. The 2008 CDM Guidelines also noted that 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. Board Decisions in 2012 reflect this aspect of the Guideline unless there was explicit language within a distributor's cost of service decision that CDM impacts were not included in the load forecast.

3.9 In response to VECC IR#1(d), Kenora Hydro indicated that prior to 2011, the Board has not approved a load forecast for Kenora Hydro.

3.10 In considering the above guidelines, VECC submits Kenora Hydro's request for the Board to approve 2006 to 2010 lost revenues is appropriate as these savings are appropriately included as part of Kenora Hydro's 2012 rate application filing; the savings occurred prior to the load forecast established in Kenora Hydro's 2011COS application; the revenues have not been claimed in previous applications; and the calculation is appropriately based on Kenora Hydro's 2006-2010 OPA CDM Final results. On this basis, VECC supports the recovery of Kenora Hydro's proposed LRAM claim.

4 <u>Recovery of Reasonably Incurred Costs</u>

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 12th day of October 2012.