Michael Janigan
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November 30, 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)**
**Lakefront Utilities Inc. EB-2012-0144**
**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: Lakefront Utilities Inc.
Jennifer Theoret

**EB-2012-0144**

**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 Lakefront Utilities Inc. for an order or orders approving or fixing just and reasonable distribution rates to be effective May 1, 2013.

# FINAL SUBMISSIONS

**On Behalf of The**

**Vulnerable Energy Consumers Coalition (VECC)**

**November 29, 2012**


**Public Interest Advocacy Centre**

ONE Nicholas Street
Suite 1204
Ottawa, Ontario
K1N 7B7

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

**Vulnerable Energy Consumers Coalition (VECC)**

**Final Argument**

## 1 The Application

1.1 Lakefront Utilities Inc. ("LUI", "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, 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, LUI included a request to recover 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 this aspect of the application.

## 2 Lost Revenue Adjustment Mechanism (LRAM) Recovery

2.1 The lost revenue adjustment mechanism ("LRAM") is a retrospective adjustment, which is designed to account for differences between the forecast revenue loss embedded in rates and the actual revenue loss.[1]

2.2 In this application, LUI applies for recovery of an LRAM amount of $9,786 as part of a one year deferral and variance rate rider. LUI did not calculate carrying charges as part of its LRAM for the year 2011 or 2012.[2]

2.3 LUI's LRAM claim recovers lost revenue in 2011 and residual 2010 balances that are carried into 2011.[3]

2.4 LUI received its 2011 Final CDM Report from the OPA on August 31, 2012 and its 2011 LRAM amounts are based these actual results. LUI confirmed the most recent input assumptions were used in its LRAM calculation.[4]

2.5 LUI's last load forecast was approved as part of its 2012 Cost of Service proceeding in EB-2011-0250. LUI's 2012 load forecast is adjusted for CDM.

2.6 The Board's Filing Requirements state:

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[1] Board's Filing Requirements For Electricity Transmission and Distribution Applications, June 28, 2012, Page 36
[2] VECC IR# 2 (g)
[3] VECC IR#1(b)
[4] VECC IR#2 (d), Board Staff IR#10

*"At a minimum, distributors must apply for the disposition of the balance in the LRAMVA as part of their COS applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their IRM rate applications, if the balance is deemed significant by the applicant.*

2.7 In response to VECC IR#1(e) and Board Staff IR#9(a) regarding why LUI deems the balance in the LRAMVA as significant for disposition, LUI responded that LUI has provided the LRAM balances in the IRM application as per the model requirement and also due to the unknown material threshold for the disposition of the LRAM. This is significant to a distributor observing that in the Ontario Energy Board Guidelines for Electricity Distributor Conservation and Demand Management EB – 2012-0003 section 13.2 it also states ' Distributors will generally be expected to include a CDM component in their load forecast in Cost of Service Proceedings to ensure that its customers are realizing the true effects of conservation at the earliest possible date to mitigate that variance between forecasted revenue losses and actual revenue losses.' Therefore to realize the true balancing effects of the LRAM assumptions, LUI feels the amount of $9,786 is significant.

2.8 In its submission, Board Staff notes that LUI has calculated LRAM on a gross energy savings basis and submits that LRAM is typically recovered and approved by the Board on a net basis. On a net basis, Board staff calculated the balance in LUI's LRAMVA to be $7,583.[5] VECC agrees with Board Staff that the LRAM calculation should be done on the basis of net energy savings.

2.9 In principle, VECC does not agree LUI's LRAMVA balance is significant and accordingly should not be disposed of in this IRM application. However, since LUI's load forecast approved in 2012 includes impacts arising from the persistence of historical conservation and demand management programs as well as the forecast impacts arising from new programs deployed in the bridge and test years and this CDM component of the forecast is the basis for the LRAMVA moving forward, VECC submits it makes sense from a timing perspective to dispose of the 2011 balance now so that future disposition of the LRAM VA will follow a consistent approach based on the 2012 load forecast.

## 3 Revenue to Cost Ratio Adjustments

3.1 In LUI's 2012 Cost of Service settlement proposal, it was agreed that LUI will adjust the revenue-to-cost ratio for its only customer in the General Service 3,000-4,999 kW customer class in years following 2012 by equal increments over a 4 year period from 57.5% to the 80.0% to the Board's minimum policy target range. Adjustments will be made to the classes most above the revenue-to-cost ratio of 100% first, until lowered to the next highest ratio. In the years 2011 to

[5] Board Staff Submission, Page 5

2012 LUI's GS 3000-4999 kW customer was increased from 28.63% to the 57.50% revenue-to-cost ratio. LUI intends to move the revenue-to-cost ratio by an average of 7.5% increment yearly beginning in 2014 to mitigate rate shock to that specific customer class (GS 3000-4999 kW). Offsetting the movement will be the class of GS < 50-2999 kW due to a 15% revenue-to-cost distance above the maximum policy range.[6]

3.2 Board staff made the following remarks in its submission dated November 29, 2012:[7]

"Board staff notes that the Settlement Proposal, which was agreed to by LUI as well as all other parties and approved by the Board, is quite clear that the revenue-to-cost ratio for this rate class is to be adjusted in equal increments over a four year period. This would require LUI to make an adjustment in 2013, which is the first year in LUI's IRM term. Board staff submits that LUI should be required to abide by the terms of its 2012 Settlement Proposal and adjust the revenue-to-cost ratio for the GS 3,000-4,999 kW rate class in equal increments, as calculated in the response to Board staff interrogatory #8. While Board staff appreciates LUI's attempts to minimize the rate impact to its single affected customer, Board staff notes that without an adjustment of 5.75% in 2013, LUI will be required to make an adjustment of 7.5% in 2014, 2015 and 2016. Board staff suggests that failure to adjust the revenue-to-cost ratio for that class in 2013 adjustment will result in greater rate impact for the remaining transition years."

3.3 In response to interrogatories, LUI states it intends to keep revenue to cost ratios as originally submitted.[8]

3.4 VECC supports the submissions of Board Staff on this issue and agrees that LUI should be required to make an adjustment in 2013, which is the first year in LUI's IRM term.

## 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 30th day of November 2012.

[6] Application, Page 10
[7] Board Staff Submission, Page 6
[8] Board Staff IR#8(b)