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February 16, 2013

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-2012-0141
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.
Janice Robertson

EB-2012-1041

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 May 1, 2013.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

February 10, 2013

Public Interest Advocacy Centre

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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 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, 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:

Customer Class	R/C Ratios 2011 COS Application EB-2010-0135 (%)	R/C Ratios 2012 IRM Application EB-2011-0177 (%)	Proposed R/C Ratios 2013 IRM Application EB-2012-0141 (%)
Residential	101.16	106.16	101
GS<50 kW	80.00	80.00	80
GS>50 kW	125.00	125.00	125
Street Lighting	76.63	76.63	77
USL	138.00	129.00	120

2.2 As part of Kenora Hydro's 2012 application (EB-2011-0177), the revenue-to-cost ratio adjustments included 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. In the current application, a final adjustment includes moving the Unmetered Scattered Load to 120% with the revenue balancing again occurring in the GS>50 kW class.[1]

[1] Application, Page 6

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;

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

3 Lost Revenue Adjustment Mechanism (LRAM) Recovery

3.1 In the current application, Kenora Hydro is seeking approval to dispose of its LRAM Variance Account 1568 balance with a credit of $2,780 (including $40 in carrying charges) to customers for lost revenues in 2011 resulting from CDM programs implemented in 2011. Kenora Hydro proposes a one year rate rider to refund this amount.

3.2 The Board's Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003) dated April 26, 2012 indicates the amount recorded in the LRAM Variance Account is the difference between the results of the actual verified impacts of CDM activities undertaken by the distributor and the level of CDM programs activities included in the distributor's load forecast (i.e. the level embedded into rates).[2]

3.3 In August 2012, the OPA provided Kenora Hydro with final 2011 results from its CDM programs of 78,631 kWh.[3] In response to Board Staff interrogatory #4, Kenora Hydro confirmed the CDM target incorporated into the forecast was 522,000 kWh as per page 12 of the OEB's Decision and Order in Kenora Hydro's 2011 COS application (EB-2010-0135). VECC submits that based on this information, Kenora Hydro has appropriately calculated the $(2,780) balance in the account in accordance with the Board's Guidelines.

3.4 The Board's Guidelines also states[4]:

"**13.4 Disposition of the LRAMVA**

At a minimum, distributors must apply for disposition of the balance in the LRAMVA the time of their Cost of Service rate applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their Incentive Regulation Mechanism rate applications, if the balance is deemed significant by the applicant. The LRAMVA shall not be included in the pre-set disposition threshold calculation in determining materiality for disposition for Group 1 accounts as per the July 31, 2009 Report of the Board: *Electricity*

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[2] Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, Appendix B
[3] Application, Appendix E
[4] Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, Page 13

Distributors' Deferral and Variance Account Initiative (EB-2008-0046)."

3.5 In response to VECC interrogatory #1(a), Kenora Hydro agreed that the proposed LRAM repayment of $(2,780) is not significant, and would remove the balance if the OEB directs Kenora to do so. Kenora Hydro also stated the balance was included for disposal in an attempt to preserve the link between customers impacted by the 2011 COS and the repayment of the variance balance. VECC agrees the balance is not significant but accepts Kenora Hydro's explanation and takes no issue with Kenora Hydro's proposal to dispose of the LRAM Variance Account balance at this time.

3.6 In response to VECC interrogatory #1(b), Kenora Hydro indicates that the LRAM balance of $(2,780) was included in the threshold calculation for disposition. Kenora Hydro confirmed removing the LRAM Variance Account balance does not impact the resulting threshold and will still require disposition of the remaining Group 1 Accounts. VECC submits that in accordance with the Board's Guidelines noted above, the LRAM Variance Account should not be included in the threshold calculation.

4 Recovery of Reasonably Incurred Costs

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 15th day of February 2012.