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VIA MAIL and E-MAIL

February 28, 2013

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)
Norfolk Power Distribution Inc. EB-2012-0151
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.

VECC respectfully asks that the Board please accept its late filing. VECC had many submissions due on January 14, 2013 and the filing of this submission was inadvertently missed. VECC apologizes for any inconvenience this may have caused the Board and the Applicant. Your consideration of this request is greatly appreciated.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Encl.

cc: Norfolk Power Distribution Inc.
Mr. McEachran

EB-2012-0151

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 Norfolk Power Distribution 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)

January 14, 2013

Public Interest Advocacy Centre

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 Norfolk Power Distribution Inc. ("NPDI", "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, NPDI included the recovery of 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 In this application, NPDI seeks an LRAM claim of $95,375 (including $2,669 in carrying charges) and LRAM recovery rate riders to be effective for a one year period beginning May 1, 2013 to recover amounts related to 2011 lost revenue persisting from historical CDM activities (OPA and third tranche programs) implemented between January 1, 2005 and December 31, 2010.

2.2 NDPI also seeks recovery of a historical Lost Revenue Adjustment Variance Account (LRAMVA) amount of $15,691 (including $439 in carrying charges) related to lost revenue from 2011 CDM program activities between January 1, 2011 and December 31, 2011. This issue is discussed further beginning at paragraph 2.17.

2.3 NPDI indicates no previous LRAMVA (or LRAM) claims related to 2011 CDM activities have been submitted.[1]

2.4 NPDI's evidence states in 2011 there were no CDM program activities included in the load forecast underpinning its rates. The load forecast underpinning NPDI's 2011 rates was based on the load forecast approved in NPDI's 2008 cost of service application. NDPI confirms that since the approved 2008 load forecast was determined on a 2004 normalized average use per customer (NAC)

[1] Application, Page 9

basis there were no CDM program activities included in the 2008 load forecast.[2]

2.5 NPDI's load forecast was last approved as part of its 2012 Cost of Service application. The 2012 forecast was adjusted to reflect savings from CDM programs.

2.6 NPDI has previous LRAM claims (EB-2011-0049 and EB-2011-0272) for lost revenue before January 1, 2011 from 2005 to 2010 CDM programs.

<u>2005 to 2010 CDM Programs – Recovery of Persisting Lost Revenue in 2011</u>

2.7 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.

2.8 With the implementation of the CDM Code and OPA-Contracted Province-Wide CDM programs, and the inclusion by some distributors of a portion of their CDM target in their load forecast, the Board introduced a new set of LRAM principles that are built on the foundation of those developed in the 2008 CDM Guidelines. The new LRAM principles are intended to keep distributors whole for the 2011-2014 CDM term.[3]

2.9 The new Board Guideline states

"If making an application for LRAM in association with CDM programs delivered before 2011, distributors should note that, as mentioned above, it is the Board's expectation that these LRAM applications are only for persisting historical impacts realized after 2010. LRAM for these programs 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. Distributors should include the kW and kWh impacts of

[2] VECC IR#1

[3] Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, April 26, 2012, Page 11

each program and for each class, both gross and net of free riders. Distributors are also expected to file an independent third party review of the LRAM claim.[4]

2.10 As indicated above, in this application NPDI's LRAM claim includes lost revenue in 2011 from programs implemented from 2005 to 2010 which is consistent with the new Board Guideline.

2.11 On this basis, VECC submits NDPI's historical persisting revenue from pre-2011 CDM programs are eligible for recovery post 2010 (in 2011), the IRM year prior to NDPI's 2012 rebasing year (when NDPI's load forecast was updated to account for CDM), provided the following Board's guidelines are met.

2.12 The Board's June 28, 2012 Filing Requirements states in part on Page 38 that in support of its application for persisting lost revenues from pre-2011 CDM programs, Distributors must file the following:

"A statement indicating that the distributor has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAM amount;

"A statement indicating that the distributor has relied on the most recent and appropriate final evaluation report from the OPA in support of its LRAM calculation;"

"A third party report that provides a review and verification of the LRAM calculations, including:

- Confirmation of the use of correct input assumptions and LRAM calculation
- Verified participation amounts
- The net and gross kW and kWh impacts of each program and for each class, both gross and net of free riders, separated by year
- Verification of any carrying charges requested.

2.13 VECC submits NPDI has met the above Board's filing requirements. NPDI retained IndEco Strategic Consulting Inc. as the third party to review its CDM program results. IndEco confirmed that appropriate measure specifications were used to calculate prescriptive program energy savings (2011 OPA Measures and Assumptions lists)[5]. NPDI relied on the OPA 2011 final net savings results to prepare the LRAM and LRAMVA for 2011[6] IndEco reported that the amounts

[4] Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, April 26, 2012
[5] Appendix D, Page 5
[6] Board Staff IR#7(a)

requested in the application are valid.[7] In addition, NPDI confirmed that expired measures have already been removed from the claim.[8]

2.14 In considering the above, VECC submits NPDI's request for the Board to approve 2005 to 2010 lost revenues in 2011 is appropriate as these savings occurred post 2010 and prior to the load forecast established in NPDI's 2012 COS application; the revenues have not been claimed in previous applications; and the calculation is appropriately based on NPDI's 2011 OPA CDM Final results.

Lost Revenue Adjustment Variance Account (LRAMVA) Recovery

2.15 NPDI is seeking approval to dispose of its LRAMVA (Account 1568) balance of $15,691 (including $439 in carrying charges) for lost revenues in 2011 resulting from CDM programs implemented in 2011. NPDI proposes a one year rate rider to recover this amount.

2.16 The LRAMVA amounts are derived from first year savings from OPA programs launched in 2011.[9] The 2011 OPA Final Annual Report for NPDI was used as the source inputs for 2011 OPA funded CDM programs.[10]

2.17 The Board's Guidelines states[11]:

"**13.4 Disposition of the LRAMVA**

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

2.18 In response to VECC interrogatory 2(c), NPDI indicates since a separate claim is being made for lost revenue of 2005 to 2010 CDM programs in 2011, it believes it is also appropriate to clear the LRAMVA account for 2011 energy savings related to CDM programs launched in 2011on a timely basis.

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[7] Application, Page 10
[8] VECC IR#3
[9] Application, Page 13
[10] Appendix D, Page 7
[11] Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, Page 13

2.19 VECC notes the balance is not significant but accepts NPDI's explanation. Since estimated reductions in demand related to 2011 programs have been incorporated into the load forecast for May 1, 2012 onward, VECC agrees it is timely to dispose of the LRAM Variance Account balance at this time.

3 Recovery of Reasonably Incurred Costs

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 14th day of January 2013.