

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by Lakeland Power Distribution Ltd. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.

ARGUMENT

On Behalf of

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

March 7, 2007

**Michael Buonaguro
Public Interest Advocacy Centre
34 King Street East
Suite 1102
Toronto, Ontario
M5C 2X8**

Tel: (416) 767-1666 (office)
Email: mbuonaguro@piac.ca

Vulnerable Energy Consumers' Coalition (VECC)

Argument

1 Introduction

- 1.1 The Vulnerable Energy Consumers Coalition (VECC) consists of the following organizations:
 - (a) The Federation of Metro Tenants Association
 - (b) The Ontario Coalition of Senior Citizens' Organizations (OCSCO)
- 1.2 The Federation of the Metro Tenants Association is a non-profit corporation composed of over ninety-two affiliated tenants associations, individual tenants, housing organizations, and members of non-profit housing co-ops. In addition to encouraging the organization of tenants and the promotion of decent and affordable housing, the Federation provides general information, advice, and assistance to tenants.
- 1.3 The Ontario Coalition of Senior Citizens' Organizations (OCSCO) is a coalition of over 120 senior groups as well as individual members across Ontario. OCSCO represents the concerns of over 500,000 senior citizens through its group and individual members. OCSCO's mission is to improve the quality of life for Ontario's seniors.
- 1.4 VECC's interest in this proceeding is to ensure that consumer interests and in particular the interests of the low-income and vulnerable users of electricity are fully represented in the determination of just and reasonable 2007 distribution rates for Lakeland Power Distribution Ltd. ("Lakeland").

- 1.5 VECC's intervention in Lakeland's 2007 Rate Application (Application) was predicated by the utility's proposal for recovery through Rate Riders beginning May 1, 2007 of Z-factor costs associated with certain extraordinary events that occurred in August 2006.

2 Determination of Z-factor Costs

- 2.1 Z-factor costs in the amount of \$217,870 are being claimed in connection with a severe storm that was experienced in August 2006.
- 2.2 Lakeland requests that these expenses be included in Account 1572 - Extraordinary Event Costs.
- 2.3 In their 2007 Electricity Distribution Rate (EDR) Application (Application) Lakeland provides detail of the cost incurred to respond to the storm damage on August 4, 2006. This list itemizes the Total Storm Costs comprising the \$217,870 Z-factor requested for approval.
- 2.4 Among other things, this itemization includes a cost of \$7,133.63 for Lakeland Power Labour – Regular Hours and a cost of \$1,665.40 for Trucks – On Regular Time.
- 2.5 VECC submits that the determination of Z-factor costs should not include costs for Labour – Regular Hours and for Trucks – On Regular Time as they are not incremental and caused by the storm. VECC also notes that there is no reference in Lakeland's Application to insurance coverage or proceeds. VECC submits that Board Staff should be directed to follow up with Lakeland and determine if any there were any insurance proceeds associated with the storm before the Z-factor amount is finalized.
- 2.6 In their 2007 EDR Applications, Canadian Niagara Power Inc. – Fort Erie and Canadian Niagara Power Inc. – Port Colborne both request approval for recovery

through Rate Riders beginning May 1, 2007 of Z-factor costs associated with a certain extraordinary event (i.e. snow storm) that occurred in October 2006. In their derivation of Z-factor costs these two utilities appropriately do not include costs associated with:

1. Non-incremental internal labour,
2. Insurance proceeds, and
3. Transmission work.

3 Allocation of Z-factor Costs

- 3.1 Lakeland's Application proposes to allocate the \$217,870 to customer classes on the basis of customer counts as recorded in the 2006 EDR Model and determines an associated monthly fixed charge Rate Rider.
- 3.2 The applicant offers no rationale or explanation of the logic based on accepted cost allocation and rate making economic principles to support this allocation methodology and Rate Rider derivation.
- 3.3 VECC submits that it is incumbent on the utility to demonstrate the appropriateness of the proposed methodology to allocate Z-factor costs to utility customer classes as directed in Appendix C (page VII) of the Board's December 20, 2006 Report.
- 3.4 The 2006 EDR Handbook recognized the fixed and variable aspects of utility distribution expenses and the 2006 EDR Model prorates changes in distribution revenue requirement based on customer and volumetric revenue. If this type of cost had been proposed as part of Lakeland's 2006 EDR Application using the 2006 EDR Model it would have allocated to customer classes based on an allocation methodology that included both customer and variable determinants.
- 3.5 VECC submits that the allocation to customer classes of Lakeland's Z-factor cost

should use the same method as the 2006 EDR Model and that this cost be allocated to customer classes based on an allocation methodology that includes both customer and variable determinants.

- 3.6 VECC also notes that the Board's recently issued "Cost Allocation Informational Filing Guidelines for Electricity Distributors" also recognizes that distribution poles and wires should be allocated to customer classes based on both customer count and usage (Chapter 7).

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 award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

Respectfully Submitted on the 7th Day of March, 2007

Michael Buonaguro
Counsel for VECC