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

November 19, 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)
Bluewater Power Distribution EB-2012-0112
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: Bluewater Power Distribution Corporation

EB-2012-0122

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 Bluewater Power Distribution Corporation for an order or orders approving or fixing just and reasonable distribution rates to be effective May 1, 2014.

FINAL SUBMISSIONS

On Behalf of The

Vulnerable Energy Consumers Coalition (VECC)

November 18, 2013

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 Bluewater Power Distribution Corporation ("Bluewater Power", "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,* as amended, for electricity distribution rates effective May 1, 2014. The Application was filed based on a 4th Generation Incentive Rate-setting ("4GIR") application.

1.2 As part of its application, Bluewater Power is seeking recovery of lost revenues related to conservation and demand management programs implemented by Bluewater Power and verified through a third party review. The following section sets out VECC's final submissions regarding this aspect of the application.

2 Lost Revenue Adjustment Mechanism (LRAM) Variance Account

2.1 In its 2013 Cost of Service application (EB-2012-0107) Bluewater Power received approval to recover a claim under LRAM in the amount of $298,450 to recover the persistence of 2006-2010 programs in 2011 and 2012, and to recover a claim for LRAMVA in the amount of $86,343 to recover the 2011 lost revenue related to 2011 CDM programs.

2.2 In this application, Bluewater Power proposes recovery of lost revenue in the amount of $150,464 (including carrying costs) pertaining to 2012 persistence of OPA CDM program activities from 2011, and 2012 OPA CDM program activities.

2.3 The Board determined that Bluewater Power's 2009 load forecast (approved as part of EB-2008-0221) does not reflect in any way specific electricity conservation programs. Bluewater Power's 2013 load forecast (approved as part of EB-2012-0107) is the first load forecast which includes a component related to CDM. The CDM savings included in this application occurred prior to 2013 and must be considered relative to the 2009 load forecast that underpins 2012 rates and does not reflect CDM. On this basis, VECC submits the lost revenues in the application are eligible for recovery subject to the following comments.

2.4 In response to interrogatories, Bluewater Power confirmed that for kW billing customers the LRAM should be calculated based on the CDM program impacts on billing demand.[1] However, the Elenchus Report calculates the billing demand reductions based on the Net Peak Demand Savings (Gross Peak Demand

[1] VECC IR#2(b)

Savings adjusted for free ridership & realization) as verified by the OPA. Bluewater Power states that relying on this calculation is appropriate to use as billing demand because it is the best information available from a third party who has verified that the data is a true representation of the savings at an initiative level. Bluewater Power notes that Peak Demand Savings will equal the billing demand savings in two circumstances (i) where the demand reduction is a constant reduction such as with lighting, VFD, HVAC, or (ii) where the peak demand is coincident with the billing demand.[2]

2.5 Bluewater Power confirmed the timing of the customer's monthly billing demand may not be coincident with the Utility's or the System's peak demand but further clarified that its application does not assume this timing. Bluewater Power stated that lost revenue is a result of a reduction in the customer's demand and the application is filed on the best information available in order to determine the magnitude of the lost revenues.

2.6 VECC notes that for the GS>50 kW customer class, the net kW reported for the Demand Response 3 program (on a monthly basis) is 1,798 KW, which accounts for 74% of the class total of 2,415 kW.[3] Bluewater Power used a multiplier of 5 to represent the 5 summer months (May to September) to conservatively estimate the revenue annual impact (8,990 kW) based on the probability of activations occurring during the summer months only.[4]

2.7 Bluewater Power provided the formula used by the OPA to calculate the value of 1,798 net kW relied upon in the application as follows:

Peak Demand: Gross Savings = Net Savings = contract MW at contributor level * Provincial contracted to ex ante ratio.[5]

2.8 The contracted MW at the contributor level is (2066.7 kW) and the Provincial contracted to ex ante ratio in 2012 for Industrials = 87%. Thus, (2066.7 kW) * provincial contracted to ex ante ratio (87%) = 1,798 kW.

2.9 The 1,798 kW represents an adjustment (13% reduction as determined by the OPA for the industrial class) to the amount under contract and available for demand response with each activation.

2.10 The OPA has not provided information on the actual activations in 2012 and Bluewater Power does not have this information.[6]

[2] VECC IR#2(b)
[3] Input Table Two, 2011 Persistence in 2012 and 2012 Programs
[4] VECC IR#2(b)
[5] VECC IR#2(d)
[6] VECC IR#2(f)

2.11 Overall, VECC submits that there are three fundamental problems with Bluewater's calculation and inclusion of Demand Response 3 programs in its LRAM application. First, there is no evidence that the program was actually activated for even one month, let alone the five assumed by Bluewater Power. As a result, there is no evidence that the program had any effect on Bluewater Power's actual 2012 load.

2.12 Second, if it was activated, it is not known from the evidence in this proceeding whether any Demand Response 3 activations in 2012 would have occurred at the same time as the customer's billing demand (kW) for the month was established, as the customer's monthly peak may not correspond to the system's peak.

2.13 Finally, even if they were coincident, if a demand response event was called, and the customer's monthly peak was shaved, it is likely that the customer's second highest peak in the month is only slightly less than their highest peak. Thus, the impact on distribution revenues is likely to be minimal with virtually zero impact on billing demand. VECC notes that this analysis is provided in Entegrus Powerlines' 2014 4GIRM application (EB-2013-0120) regarding its LRAM request and determination that no distribution revenues are estimated to be lost from large general service customers' participation in demand response programs.

2.14 On this basis, VECC submits that in Bluewater Power's application, no lost revenues from GS>50 kW customers' participation in Demand Response 3 programs should be included for recovery.

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 18th day of November 2013.