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December 2, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: EB-2013-0112 Bluewater Power Distribution Corporation Reply Submission

Dear Ms. Walli

Please find attached Bluewater Power's submission in response to the submissions of Board Staff and of VECC.

An electronic copy has been submitted to the Board through the RESS system, and two hard copies will be delivered to the OEB office.

Sincerely,

A handwritten signature in blue ink that reads "L. Dugas".

Leslie Dugas
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**2014 RATE APPLICATION
EB-2013-0112**

Bluewater Power Distribution Corporation
Reply Submission
To

**ONTARIO ENERGY BOARD
Board Staff**

And

**Vulnerable Energy Consumers Coalition
("VECC")**

REPLY SUBMISSION

Bluewater Power Distribution Corporation (“Bluewater”) makes this submission in reply to the Board Staff Submission dated November 7, 2013, and in reply to Vulnerable Energy Consumers Coalition (“VECC”) submission dated November 19, 2013.

Background:

Board Staff made submission on the following matters:

- Disposition period for Deferral and Variance Account balances;
- Lost Revenue Adjustment Mechanism Claim;

VECC made submission on the following matters:

- Lost Revenue Adjustment Mechanism Claim

No other issues being noted, Bluewater relies upon the application as filed. We understand that the OEB will adjust the stretch factor, productivity factor and inflation factor prior to final approval in accordance with the Report of the Board entitled “Rate Setting Parameters and Benchmarking Under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” (EB-2010-0379).

Disposition Period for Deferral and Variance Account balances

Bluewater has requested disposition of its Group 1 balances as of December 31, 2012 over a two year period commencing May 1, 2014. Board Staff note that the default position for disposition of Group 1 accounts is a one year period, however Board Staff submit at page 2 that the *“two-year disposition period for its Group 1 Account balances requested by Bluewater Power is appropriate in this case because it strikes a balance between intergeneration inequity and rate volatility.”* VECC has made no comment on the applied for disposition period.

Bluewater therefore submits that the applied for two year disposition period is appropriate as the best means to balance intergenerational inequity and rate volatility.

LRAMVA

Bluewater has applied for 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 program activities.

Bluewater has relied on the results of the OPA Final 2012 Results Report to justify the claim for lost revenues. The OPA has been given the authority to evaluate and measure the impact of the CDM programs.

Board Staff and VECC have each supported that the lost revenues claimed by Bluewater are eligible for recovery. Board Staff have further indicated in their Submission that they have no concerns with the LRAMVA amount claimed by Bluewater.

VECC has indicated a concern with only one portion of the claim filed by Bluewater. That concern relates to an amount of \$32,020 ($1798 \text{ kW} * 5 \text{ months} * \$3.5617/\text{kW} = \$32,020$) claimed for results related to the Demand Response 3 (“DR3”) program as noted in sections 2.11, 2.12 and 2.13 of their submission which are repeated for convenience below:

“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.

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.

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.”

In order to respond to VECC’s concerns, it must be noted that Bluewater is not provided any information related to the actual activations of DR3 programs, nor is Bluewater provided with information about which customers are under contract. Bluewater has relied upon the best information available, which is that data provided by the OPA in the final annual reports. Although Bluewater retained Elenchus Research Associates to perform a third party review of its LRAMVA claim, we note that subsection 3.2.6.1 of the Filing Guidelines specifically states as follows:

“A separate third party review of the distributors OPA-Contracted Province-Wide CDM programs is not required.”

Bluewater’s entire claim relates to OPA-Contracted Province-Wide CDM programs. Bluewater relied upon the Filing Guidelines to the extent we did not request our consultant to engage in a review of the DR3 Program to the degree that would have been required in order to respond to the issues raised by VECC in their submission.

The deferential approach taken by subsection 3.2.6.1 of the Filing Guidelines reflects what we would describe as the recognition of LDCs as key partners in the delivery of C&DM programs. There is a strong “rough justice” argument to justify the claim by Bluewater for DR3 on two bases.

First, LDCs are impacted negatively by lost revenue related to overall conservation that is simply not captured in the OPA’s EM&V analysis. In the case of DR3 programs, there can be no dispute that a customer’s peak demand has the potential to be affected by DR3 activations; the question is the degree to which a utility’s revenue is affected. If the OEB accepts VECC’s submission and denies compensation for DR3 programs, then the OEB is creating a further example of uncompensated revenue losses for LDCs in Ontario.

Second, given the magnitude of the claim (\$32,020), Bluewater submits that the OEB ought to be guided by the quest for regulatory efficiency. That is particularly true when the claim was based on OPA-Contracted programs already reviewed and verified by the OPA. The assertions noted by VECC may have merit, but the only way to respond to the concerns of VECC would require significant in-depth analysis of customer specific DR3 results and specific customer billing information. Without having access to the data in regard to when activations occurred, Bluewater used the best information available to proxy the lost revenues.

Bluewater therefore submits that the LRAMVA claim applied for, including the amounts for DR3, is appropriate and ought to be approved by the OEB as the best means to balance regulatory efficiency and the pursuit of perfection.

All of which is respectfully submitted.