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December 09, 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)
London Hydro Inc. EB-2013-0150
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: London Hydro Inc.

EB-2013-0150

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 London Hydro Inc. 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)

December 9, 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 London Hydro Inc. ("London 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,* 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, London Hydro is seeking recovery of lost revenues related to conservation and demand management programs. The following section sets out VECC's final submissions regarding this aspect of the application.

2 Lost Revenue related to CDM

2.1 London Hydro's original application requests recovery of lost revenue in the amount of $59,667 (including carrying costs) associated with CDM programs implemented in 2012 (adjusted for previous year's results)[1] and funded by the OPA, through the LRAM process in accordance with the Board's 2008 guidelines (EB-2008-0037). The OPA's London Hydro's application did not request disposition of the LRAMVA (Account 1568) at this time.[2] The OPA's Annual CDM Report 2012 - Draft Verified Results was used to calculate the LRAM.

2.2 As a result of interrogatories, London Hydro amended its application to include a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) disposition in accordance with the Board's 2012 CDM Guidelines (EB-2012-0003), rather than an LRAM. VECC submits this amended representation of lost revenues is appropriate and reflects the updated CDM Guidelines for CDM initiatives for the period 2011-2014.

2.3 As part of London Hydro's 2013 Cost of Service Application (EB-2012- 0146) the Board approved lost revenues for 2010 OPA CDM Programs in the amount of $266,878 and 2011 OPA CDM Programs in the amount of $176,092 for a combined 2010 and 2011 LRAM rate rider in the amount of $442,970 (including carrying charges) over a one -year period.[3] The lost revenues include persistence in 2012.

[1] Application, Page 17, Table 5
[2] Application, Page 18
[3] Dec_Order_LondonHydro_EB-2012-0146 EB-2012-0380_20130411, Page 46

2.4 In the amended application, London Hydro determined an LRAMVA claim of $190,847.64 including carrying charges to April 14, 2014 which is approximately three times greater than the original LRAM. VECC notes the LRAMVA disposition appears to be based on 2011 lost distribution revenues due to 2011 CDM programs and recoveries for 2012 due to persistent 2011 CDM programs and new savings for 2012 CDM programs, revised to reflect adjustments to previous year's verified results and adjusted to reflect the LRAM claim of $176,092 approved in London Hydro's 2013 COS application described above.[4] In addition, the updated lost revenues are based on the OPA's Annual CDM Report 2012 Final Verified Results whereas the original LRAM was based on Draft Verified Results.

2.5 VECC submits London Hydro's proposed LRAMVA amount appears to be overstated to adjust for an error of under-recovery in the LRAM disposed of in its 2013 COS application.

2.6 VECC notes that based on past Decisions[5] the Board does not adjust for errors and does not allow retroactive adjustments to an account balance approved for disposition on a final basis. VECC submits if the Board were to allow this recovery it would result in retroactive rate making which is contrary to the legal principles upon which the Board performs its legislated mandate. On this basis, VECC submits the Board should not allow a retroactive adjustment to 2011 lost revenues.

2.7 VECC submits London Hydro's LRAMVA request in this application should be based solely on 2012 lost revenues due to 2012 CDM programs.

2.8 In response to interrogatories, London Hydro confirmed that for kW billing customers, the lost revenues should be calculated based on the CDM program impacts on billing demand.[6] London Hydro also confirmed that the timing of the customer's monthly billing demand may not be coincident with the utility's or the system's peak demand.[7]

2.9 London Hydro calculates the billing demand reductions based on the Net Peak Demand Savings (Gross Peak Demand Savings adjusted for free ridership & realization) as verified by the OPA.

2.10 VECC notes that for the Demand Response 3 initiative (Industrial Program), London Hydro has increased the net kW reported (on a monthly basis) using a multiplier of 5 to represent the 5 summer months (May to September) to

[4] Board Staff IR#, Appendix A
[5] EB-2009-0113, EB-2013-0022, EB-2012-0155
[6] VECC IR#2(b)
[7] VECC IR#2(d)

conservatively estimate the revenue annual impact based on the probability of activations occurring during the summer months only.

2.11 The OPA has not provided information on the actual activations in 2012 and London Hydro does not have this information.[8]

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

2.13 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.

2.14 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.

2.15 On this basis, VECC submits that in London Hydro's application, no lost revenues from participation in Demand Response 3 programs should be included for recovery.

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 9th day of December 2013.

[8] VECC IR#2(e) & (f)