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February 07, 2014

**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)**
**Essex Powerlines Corporation EB-2013-0128**
**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: Essex Powerlines Corporation

**EB-2013-0128**

**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 Essex Powerlines 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)**

**February 07, 2014**


**Public Interest Advocacy Centre**

ONE Nicholas Street
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**Vulnerable Energy Consumers Coalition (VECC)**

**Final Argument**

## 1 The Application

1.1 Essex Powerlines Corporation ("Essex", "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 under the Board's Incentive Regulation Mechanism.

1.2 As part of its application, Essex is seeking proposed recovery of revenue losses due to conservation programs. The following section sets out VECC's final submissions regarding this aspect of the application.

## 2 Lost Revenue related to CDM

2.1 For CDM programs delivered within the 2011-2014 period, the Board established an LRAMVA (Account 1568) to capture the variance between the Board Approved CDM forecast and actual results.[1]

2.2 In this application, Essex proposes disposition of its LRAMVA (Account 1568) in the amount of $109,212 ($106,019 principal + $3,194 carrying charges) related to lost revenues in 2011 from CDM programs delivered in 2011, persistence of 2011 programs in 2012 and lost revenues in 2012 from 2012 CDM programs. Adjustments for previous years (2011) verified results in 2012 are also included. Essex's CDM activities consist of OPA CDM programs. Essex deems the amount proposed for disposition to be significant as per the Board`s CDM Guideline.

2.3 VECC submits that Essex has appropriately calculated its LRAMVA 1568 deferral and variance account amounts for the year 2011 and 2012 using the OPA Annual CDM Report 2012 - Final Verified Results Report.

2.4 As part of Essex's 2010 Cost of Service application (EB-2011-0166) an updated 2010 load forecast was approved. The approved load forecast includes the impacts from pre-2011 CDM programs.[2] As such VECC submits the full LRAMVA amount is for 2011 and 2012 eligible to be considered for recovery.

2.5 For the GS>50 kW customer class, Essex has a Demand Response 3 Program as part of its Industrial Program with activations in 2011 and 2012.

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[1] Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003) issued April 26, 2012

[2] VECC IR 1

2.6 In response to interrogatories, Essex confirms that for kW billing customers the LRAM should be calculated based on the CDM programs impacts on billing demand.[3] However, the Elenchus Report 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. Essex 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. Essex 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.[4]

2.7 Essex further clarified that 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. Essex 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.[5]

2.8 For 2011 VECC notes that for the GS>50 kW class, the net kW reported for the Demand Response 3 program (on a monthly basis) is 1,749 KW, which accounts for approximately 94% of the class total of 1,852 kW.[6] Essex used a multiplier of 5 to represent the 5 summer months (May to September) to conservatively estimate the revenue annual impact (8,745 kW) based on the probability of activations occurring during the summer months only.[7]

2.9 For 2012 VECC notes that for the GS>50 kW class, the net kW reported for the Demand Response 3 program in 2012 (on a monthly basis) is 1,811 KW, which accounts for approximately 95% of the class total of 1,915 kW.[8]

2.1 Essex provided the formula used by the OPA to calculate the value of 1,749 net kW (2011) relied upon in the application as follows:

Peak Demand: Gross Savings = Net Savings = contracted MW at contributor level * Provincial contracted to ex ante ratio.[9]

2.2 The contracted MW at the contributor level is (2010.3 kW) and the Provincial contracted to ex ante ratio in 2012 for Industrials = 87%. Thus, (2010.3 kW) *

[3] VECC IR 3(a)
[4] VECC IR#3(b)
[5] VECC IR 3(c)
[6] Input Table Three, 2011 Programs in 2011
[7] VECC IR 3(g)
[8] Input Table Four, 2011 Persistence in 2012 and 2012 Programs
[9] VECC IR#3(d)

provincial contracted to ex ante ratio (87%) = 1,749 kW.

2.3 The 1,749 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. A similar calculation is relevant for peak demand savings in 2012.

2.4 Essex indicates the OPA has not provided information on the actual activations in 2011 and 2012 compared to what was contracted and the savings that actually occurred in 2011 and 2012. Essex does not have this information.[10]

2.5 Overall, VECC submits that there are three fundamental problems with Essex'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 Essex. As a result, there is no evidence that the program had any effect on Essex's actual 2011 and 2012 load.

2.6 Second, if it was activated, it is not known from the evidence in this proceeding whether any Demand Response 3 activations in 2011 and 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.

2.7 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.

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

## 3 <u>Recovery of Reasonably Incurred Costs</u>

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 7th day of February 2014.

[10] VECC IR#3(f)