

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.
1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Innisfil Hydro Distribution Systems Limited for an order approving just and reasonable rates, and other charges for electricity distribution to be effective January 1, 2015.

Argument-in-Chief

Innisfil Hydro Distribution Systems Limited
November 13, 2014

1. In accordance with Procedural Order No. 3 in the above matter, Innisfil Hydro Distribution Systems Limited (“IHDSL”) submits the following Argument-in-Chief.

2. IHDSL requested the establishment of a Deferral Variance Account to record any lost revenues for the Street Light rate class resulting from a LED Conversion prescriptive program initiated by the Town of Innisfil until IHDSL’s next rebasing. It is estimated that revenues for the years 2015 and 2016 will be reduced by 70%.

A. Background Information

3. The Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003 issued April 26, 2012, pg. 12 *“the Board found it necessary to introduce a new set of LRAM principles to keep distributors whole for the 2011-2014 CDM term. For programs delivered within the 2011 to the 2014 term, the Board approved an LRAM variance account.”*

4. In accordance with the guidelines, IHDSL included a CDM component in the load forecast in our last rebasing application EB-2012-0139. The CDM component was broken down by rate class. The following table reflects the CDM adjusted kWh and kW by rate class for IHDSL¹;

| | Billed Load Forecast Prior to CDM Adjustment kWh | Billed Load Forecast After CDM Adjustment kWh | CDM Adjustment kWh |
|---------------------------------|---|--|-------------------------------|
| Residential | 149,060,361 | 147,773,703 | 1,286,658 |
| GS<50 kW | 31,973,156 | 31,697,170 | 275,986 |
| GS>50 kW to 4,999 kW | 51,773,902 | 51,329,341 | 444,561 |
| Sentinel Lights | 105,833 | 104,942 | 891 |
| Street Lighting | 1,529,715 | 1,516,831 | 12,884 |
| Unmetered Scattered Load | 592,220 | 473,131 | 119,089 |
| Total Billed kWh | 235,035,187 | 232,895,118 | 2,140,069 |

| | Billed Load Forecast Prior to CDM Adjustment kW | Billed Load Forecast After CDM Adjustment kW | CDM Adjustment kW |
|------------------------|--|---|------------------------------|
| GS<50 kW | 148,945 | 146,480 | 2,465 |
| Sentinel Lights | 294 | 289 | 5 |
| Street Lighting | 4,471 | 4,400 | 71 |
| Total kW | 153,710 | 151,169 | 2,541 |

¹ *Innisfil_2013_COS_Settlement_Proposal_Corrected_20130416.pdf, pg. 18-20, EB-2012-0139*

5. The CDM component for all rate classes in the load forecast reflect the CDM manual adjustment from gross to net consumption and also reflect the application of the half year rule for 2011 and 2013 program results. The following tables reflect the Savings Due to CDM included in the Approved Load Forecast for the applicable years and the LRAM/VA amounts representing the lost revenue;

| Forecast Year | Residential | General Service < 50 kW | General Service > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|---------------|-------------|-------------------------|-------------------------|--------------------------|-------------------|-----------------|
| | kWh | kWh | kW | kW | kWh | kW |
| 2011 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2012 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2013 | 1286658.00 | 275986.00 | 2465.00 | 119089.00 | 5.00 | 71.00 |
| 2014 | 1286658.00 | 275986.00 | 2465.00 | 119089.00 | 5.00 | 71.00 |

2011 and 2012 reflected in load forecast for EB-2008-0233

| Forecast Year | Residential | General Service < 50 kW | General Service > 50 to 4999 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting | Total |
|---------------|--------------|-------------------------|---------------------------------|--------------------------|-------------------|-----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2011 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2012 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2013 | \$ 23,331.40 | \$ 2,263.09 | \$ 7,337.24 | \$ 2,921.65 | \$ 220.62 | \$ 2,673.38 | \$ 38,747.37 |
| 2014 | \$ 23,159.84 | \$ 2,235.49 | \$ 7,441.84 | \$ 2,048.33 | \$ 247.36 | \$ 2,723.30 | \$ 37,856.16 |

6. IHDSL submitted its CDM Plan/Strategy EB-2010-1101 on November 1, 2010 for the CDM term of 2011-2014 which precedes The Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003 issued April 26, 2012 in which “the Board found it necessary to introduce a new set of LRAM principles to keep distributors whole for the 2011-2014 CDM term”. IHDSL utilized the resource tools provided by the OPA to assist in creating the achievable potential in achieving our CDM target of 9.2 GWh for energy savings. It became very evident that with IHDSL’s demographic breakdown (93% residential) achieving the target with the OPA suite of programs available in 2010 would be a challenge.
7. The delay in program design and non-delivery of Residential programs which were included in the resource tools to the LDC’s placed further pressure on IHDSL to achieve the CDM target. IHDSL has been diligent in working with our customers and community to deliver conservation programs and with the release of the 2013 CDM results and forecasting CDM applications underway we anticipate achieving 86.6% of our energy target (which includes the LED project).

B. Request for Deferral Variance Account

8. In early 2014 IHDSL was informed of the Town of Innisfil intent to convert all existing street lights to LED technology. The following table identifies the Base and Energy Efficient Case for the LED project.

| BASE CASE | | | | | ENERGY EFFICIENT CASE | | | | | |
|-----------|------|----------|---------|------------|-----------------------|------|----------|--------|------------|------------|
| Qty | HRS | kW/light | kW | kWh | Qty | HRS | kW/light | kW | kWh | |
| 1509 | 4271 | 0.095 | 143.355 | 612,269.21 | 1509 | 4271 | 0.042 | 63.378 | 270,687.44 | |
| 976 | 4271 | 0.13 | 126.88 | 541,904.48 | 976 | 4271 | 0.042 | 40.992 | 175,076.83 | |
| 205 | 4271 | 0.19 | 38.95 | 166,355.45 | 205 | 4271 | 0.065 | 13.325 | 56,911.08 | |
| 37 | 4271 | 0.25 | 9.25 | 39,506.75 | 37 | 4271 | 0.082 | 3.034 | 12,958.21 | |
| 87 | 4271 | 0.31 | 26.97 | 115,188.87 | 87 | 4271 | 0.101 | 8.787 | 37,529.28 | |
| | | | | 345.405 | | | | | 129.516 | 553,162.84 |

Demand Savings (kW) 215.889
Energy Savings (kWh) 922,061.92

9. In determining the impacts for this project IHDSL utilized the 2013 OPA realization and NTG rates of 1.0 and .74 respectively.

| | kW | kWh |
|----------------------|---------|---------|
| Gross Savings | 215,889 | 922,062 |
| Net Savings | 159,758 | 682,326 |

10. The NTG estimated kW for the LED project exceeds the embedded CDM forecast for the Street Lighting rate class by 159,616 kW (159,758 kW minus the forecasted 142 kW).

11. Based on the aforementioned calculations IHDSL has exceeded the forecasted CDM impact for the street lighting rate class for the 2011-2014 timeframe. As a cumulative CDM impact (for all rate classes), IHDSL will not meet its target thus no return via a rate rider and thus

erosion of forecasted revenues² for the street lighting rate class for the remaining 2 years of our current rebasing timeframe.

12. The erosion of revenue for the street lighting rate class will continue beyond the CDM term of 2011-2014 as IHDSL's next rebasing is currently scheduled for 2017 rates and there has been no reduction in the operational services to support this rate class resulting from the LED project.

13. The industry is currently embarking on the Conservation First Framework term for 2015-2020 of which IHDSL is assuming there will be updates to the Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003. With this before the industry, IHDSL would request that consideration for a mechanism be considered for circumstances in which CDM forecasts do not align with rebasing forecasts (to assist with managing transition timeframes) and scenarios in which specific rate classes over exceed in CDM benefits.

14. The aforementioned reasons/arguments outline the reasoning for IHDSL's request for the Deferral Variance Account. By tracking actual revenues compared to the approved forecast or the street lighting rate class IHDSL will have a documented baseline to support our next rebasing application and any changes to the Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003.

~Respectively Submitted~

² *Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003, pg. 13*