Westario IRRs – Follow-Up to Responses to Staff IRs

**Question**

1. These first set of questions relate to adjustments to previous year’s results:
2. In Input Table Two, the 2013 adjustments were incorrectly applied to the 2014 year as opposed to the 2013 year (where the savings actually took place). Please discuss the rationale for not applying the 2013 adjustments in the consumer and business programs in the 2013 year.
3. There appears to be missing savings claimed from the adjustments to Energy Manager (GS>50 kW) program and the Time of Use savings program. Please clarify how these savings have been accounted for.
4. Please provide an updated LRAMVA calculation that addresses both (a) and (b) above. Staff recognizes that Westario may not have the full 2014 adjustments at this time.

**Response**

1. The initial 2013 claim had been prepared on the basis of information that would have been available if the claim were made at the first opportunity when applying for 2015 rates. However, the use of best current information would be more appropriate. Please see the revised application.
2. The Energy Manager savings in the Industrial program (which is attributed to GS > 50 kW) is reported as saving 10,468 kWh, but 0 kW Demand. Since GS > 50 kW customers are billed for distribution based on their demand, the IESO report is substantiating zero lost revenue for this measure.

Similarly, the Time of Use savings are applied to Homes, which is assumed to be Residential. Since Residential is billed based on energy, and there is no net reduction of energy, there is no lost revenue for this measure.

1. Please see the revised application

**Question**

1. The distribution rates used for determining the lost revenues should be weighted by the period that the rate was effective. It does not appear that this has been done correctly. Please update the LRAMVA calculation applying the proper weighting for each distribution rate to the associated lost revenues. The lost volumes may be overstated slightly if you do not account for the prior year’s distribution rate for the first four months of the year.

**Response**

Please see the revised application where this is corrected.

**Question**

1. On page 4 of Appendix E, Elenchus notes that energy (kWh) savings are assumed to be annual values. However, with respect to peak demand savings (kW), Elenchus notes that it has multiplied the peak demand savings by the monthly multiplier related to the program (either 5 months for DR and 12 months for all other programs).

On page 12 of Westario’s Final 2011-2014 Final CDM Results Report that Westario received from the IESO, it states the following:



1. Please discuss why Elenchus has adjusted the peak demand savings results as it appears that the IESO methodology for evaluating and finalizing savings results in a savings figure that represents the savings that took place over the entire year (or are “annualized”).
2. Please provide any supporting documentation Westario has received from the OPA/IESO that would support adjusting the final results provided by the OPA/IESO.
3. Please provide a revised LRAMVA calculation that relies on the final peak demand savings values provided by the IESO in the 2011-2014 Final CDM Results Report, without any adjustments.

**Response**

1. Elenchus understands this to mean that the savings are measured as if all CDM measures were implemented at the beginning of the calendar year. However, the Peak Demand savings are measured as the average savings expected during the peak period. I.e. a measure that delivers constant savings of 40kW would deliver an average of 40kW through the peak period, and would be reported as 40kW on the IESO report. That measure saving a constant 40kW would reduce every monthly billing demand by 40kW, resulting in a billing demand savings of 480kW.

Elenchus assumes that programs other than demand response programs achieve constant savings for the purposes of estimating the lost revenue. For Demand Response measures, which are specifically designed to reduce peak demand, Elenchus assumes that on average, the measure would reduce billing demand 5 out of the 12 months of the year.

Elenchus notes that the same methodology has been used repeatedly across the industry in LDC LRAMVA applications, including in Westario’s last LRAMVA application, EB-2013-0180. In that Decision, dated March 13, 2014, at the bottom of Page 5, the Board stated:

*Board staff submitted that it has no concerns with WPI’s requested recovery of its LRAMVA. VECC submitted that it supports the recovery of WPI’s LRAMVA. The Board approves the recovery of $47,280 as the LRAMVA. The calculation of this amount is consistent with the Board’s policies.*

Note however that in implementing the methodology in the current application, an error was made where a DR program was inadvertently multiplied by 12. This error has been corrected in the revised application, attached.

1. The IESO has documented their methodology for calculating a peak demand savings. The methodology is designed around an “ex ante” definition of peak whereby the savings in all hours which could potentially be on-peak are averaged, and used to compute the savings. The specifics of calculating the peak demand savings are provided in their report “Evaluation, Measurement and Verification (EM&V) Protocols V2.0” pp. 75-78. The full report is available online at: <http://www.powerauthority.on.ca/sites/default/files/conservation/Conservation-First-EMandV-Protocols-and-Requirements-2015-2020-Apr29-2015.pdf>

The result of this is that a measure which delivers constant savings of 1kW would be reported by the IESO as a savings of 1kW, but would represent lost revenue of 1kW in each of the 12 months of the year.

1. Please see the attached models, the updated proposed model is corrected for the error noted in part a). A second version, labelled 3c contains the corrections requested questions 1 and 2 as well as being adjusted as requested in this question. Based on the previously approved methodology noted in a) and description of the IESO measurements in b) above, Westario does not agree with the methodology used in the 3c run, but this run does reflect all changes requested in these IRs.

**Question**

1. OEB Staff is unable to confirm the manner in which Westario has applied the approved 2013 LRAMVA amount from Westario’s 2013 cost of service application (or 6,476,174 kWh and 1,293 kW) to the actual lost revenues in 2013 and 2014 in order to calculate the updated LRAMVA amount sought for recovery.
2. Please reconcile your updated LRAMVA calculations with both Settlement Table #5: CDM Adjusted Forecast of Westario’s 2013 cost of service application and the approved 2013 LRAMVA amount of 6,476,174 kWh and 1,293 kW. Particularly, please provide all detailed calculations in excel format that show how Westario has calculated its LRAMVA amount for both 2013 and 2014 to fully reflect the LRAMVA amount that was approved as part of the 2013 cost of service application.

**Response**

The settlement agreement details the need for a distinction between an LRAMVA target and CDM Adjustment to the load forecast, as well as the methodology in which both were derived.

The last paragraph of the settlement agreement provides the instruction:

*The Parties agree, for the purposes of settlement, the LRAMVA amount is to be allocated to the customer classes based on the percentages outlined in proportion of the class kWh to the total. The preceding settlement Table #5: CDM Adjusted Forecast, provides details of this allocation.*

Please see Input Table One, labelled “2013 LRAMVA Target” in the live excel model where the methodology from Table 5 is applied to the LRAMVA targets of 6,476,174 kWh, and 1,293 kW.

This need for a distinction between the LRAMVA Target and CDM Adjustment is also provided in Chapter 2 to the “Filing Requirements for Electricity Distribution Rate Applications”, Dated July 16, 2015, section 2.3.1.3:

*The CDM targets and the LRAMVA balances are based on the reported IESO results, which are annualized. It is recognized that new CDM programs in a year are not in effect for the full year, although persistence of prior years’ programs will be. Therefore, the actual impact on the load forecast for the first year of a program should not be the full annualized amount. For this reason, the amount that will be used for the LRAMVA will be related to, but not necessarily equal to, the CDM adjustment for the load forecast.*

The direction provided for Incentive Regulation filings provided in Chapter 3 to the “Filing Requirements for Electricity Distribution Rate Applications”, dated July 16, 2015, section 3.2.6 states:

The *distributor shall compare the OEB-approved CDM adjustment to the load forecast, to the actual CDM results. The variance calculated from this comparison shall be recorded in separate sub-accounts for the applicable customer rate classes.*

This direction discusses a case where the CDM Adjustment is the appropriate comparison to achieved CDM results. Since there is only one Load Forecast, only one CDM adjustment to the Load Forecast, and only one CDM Adjusted Load Forecast, it is clear that the same CDM Adjustment would be the basis for comparison in all years. Given the relationship between the 2013 LRAMVA target and 2013 CDM Adjustment, it is clear that the 2013 LRAMVA target would also be the basis for comparison in all years. Therefore the same 2013 LRAMVA Target is used for both 2013 and 2014 years.