



**PUBLIC INTEREST ADVOCACY CENTRE  
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February 16, 2012

**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-2011-0181  
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 Buonaguro  
Counsel for VECC  
Encl.

cc: London Hydro Inc.  
Mr. Mike Chase

**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, 2012.

**FINAL SUBMISSIONS**

**On Behalf of The**

**Vulnerable Energy Consumers Coalition (VECC)**

**February 16, 2012**

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# 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* for electricity distribution rates effective May 1, 2012. The Application was filed in accordance with the OEB’s guidelines for 3<sup>rd</sup> Generation Incentive Regulation which provides for a mechanistic and formulaic adjustment to distribution rates between cost of service applications.
- 1.2 As part of its application, London Hydro included the recovery of the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e. an LRAM recovery). The following section sets out VECC’s final submissions regarding this aspect of the application.

### 2 Lost Revenue Adjustment Mechanism (LRAM Recovery) & Shared Savings Mechanism (SSM)

- 2.1 London Hydro applied to the Board in this application for the recovery of lost revenue of \$291,445 (\$285,373 plus \$6,071 in carrying charges) through one year rate riders effective May 1, 2012, as a result of the implementation of CDM programs.
- 2.2 London Hydro indicates that this is its first application for a rate rider to recover lost revenues. London Hydro confirms that amounts being applied for are new amounts. London Hydro has not received any of the lost revenues requested in this application in the past.<sup>1</sup>
- 2.3 London Hydro is not requesting revenues with respect to CDM programs prior to 2009. London Hydro is requesting a 2012 LRAM rate rider to recover lost distribution revenues associated with 2009 and 2010 CDM programs funded by the OPA.<sup>2</sup>
- 2.4 London Hydro used the 2006-2009 Final OPA CDM Program Results (Appendix F) to verify 2009 energy savings. The 2010 OPA program estimates are based on 2009 OPA CDM results. London Hydro indicated it will update the LRAM application for final OPA 2010 results once the final report has been released.<sup>3</sup>

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<sup>1</sup> Response to Board Staff Interrogatory # 12 (d) & VECC Interrogatory # 1 (a)

<sup>2</sup> Manager’s Summary, LRAM Rate Rider, Page 15

<sup>3</sup> Manager’s Summary, LRAM Rate Rider, Page 16

- 2.5 The final OPA 2010 CDM Program Results: Summary was provided to London Hydro on January 23, 2012. London Hydro updated its LRAM recovery to \$355,473 (\$347,775 plus \$7,698 in carrying charges), an increase of \$64,028, based on replacing proxy amounts made in the original application filing for 2010 final CDM results and replacing with data as contained in the actual OPA 2010 CDM Final Results.<sup>4</sup> VECC asks that London Hydro identify the CDM programs that contributed to the \$64,028 variance in its reply submission.
- 2.6 In the Board's Decision in the Horizon Application (EB-2009-0192), the Board indicated that distributors are to use the most current input assumptions which have been adopted by the Board when preparing their LRAM recovery as these assumptions represent the best estimate of the impacts of the programs.

### Input Assumptions

#### OPA Funded Programs

- 2.7 VECC notes that at line 613 of the OPA's 2009 Final CDM results, for the 2009 Final Every Kilowatt Counts Power Savings Event, 101 kWh is used as the input assumption to calculate 2009 net annual energy savings for Installed CFLs (Spring Campaign, Participant Spillover). VECC submits that this input assumption value is outdated and 46.3 kWh should be used to calculate the 2009 net annual energy savings, however the impact on lost revenue in 2009 is immaterial.<sup>5</sup>
- 2.8 London Hydro indicates that in regards to 2010 OPA Program Results, the report delivered to London Hydro does not provide details (on input assumptions at the measure level). London Hydro is requesting the OPA to provide all details for each OPA Program.<sup>6</sup> VECC asks that London Hydro indicate the impact of this additional information on its LRAM claim in its reply submissions.

### Load Forecast

- 2.9 London Hydro's last Board approved load forecast was part of its 2009 Cost of Service (COS) Rate Application (EB-2008-0235) for rates effective May 1, 2009. In EB-2008-0235, London Hydro provided an estimate of the CDM energy savings that occurred for programs undertaken in 2005, 2006 and 2007. London Hydro indicates the load forecast for 2009 incorporated the impacts of these CDM programs for 2005, 2006 and 2007 and the 2009 Board Approved load

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<sup>4</sup> Response to Board Staff Interrogatory # 12 (a)

<sup>5</sup> Response to VECC Interrogatory # 4 (b)

<sup>6</sup> Response to VECC Interrogatory # 4 (b)

forecast did not include any adjustments for CDM programs initiated after 2007.<sup>7</sup>

- 2.10 The Board's Guideline states "The LRAM is determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class. The calculation does not include any Regulatory Asset Recovery rate riders, as these funds are subject to their own independent true-up process. Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time."<sup>8</sup>
- 2.11 In the recent Hydro Ottawa Decision (EB-2011-0054), the Board disallowed a true-up of the effects of CDM. The Board noted firstly, that the Board's CDM Guidelines do not consider symmetry with respect to LRAM; and secondly, that there have been expectations related to LRAM including no-true up of the effects of CDM activities embedded in a rebasing year.<sup>9</sup>
- 2.12 VECC notes that in other recent Decisions, the Board disallowed LRAM claims in the rebasing year and beyond for CDM programs implemented prior to (and including) the rebasing year.
- 2.13 In the Whitby Hydro Decision (EB-2011-0206), the Board disallowed the LRAM claim for the rebasing year as the Board is of the view that it is not appropriate to vary from the stated policy which states that lost revenues are only accruable until new rates are set by the Board, as the CDM savings would be assumed to be incorporated in the load forecast at that time.<sup>10</sup>
- 2.14 In the Hydro One Brampton Decision (EB-2011-0174), the Board found the request for LRAM in 2011 (its rebasing year) inconsistent with the Guidelines and agreed these savings should have been incorporated into the 2011 load forecast at the time of rebasing.<sup>11</sup>

#### 2009 CDM Programs – Recovery of Lost Revenue in 2009 & 2010

- 2.15 In accordance with the Board's guidelines and recent Decisions, VECC submits that energy savings from London Hydro's CDM programs deployed in 2009 are not accruable in the years 2009 and 2010 as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

#### 2010 CDM Programs – Recovery of Lost Revenue in 2010

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<sup>7</sup> Response to Board Staff Interrogatory # 12 (e)

<sup>8</sup> Guidelines for Electricity Distributor Conservation and Demand Management (EB-3008-0037), Page 18

<sup>9</sup> EB-2011-0054 Hydro Ottawa Decision, Page 24

<sup>10</sup> EB-2011-0206 Whitby Hydro Decision, Page 14

<sup>11</sup> EB-2011-0174 Hydro Brampton Decision, Page 13

- 2.16 VECC supports the approval of lost revenues in 2010 from 2010 CDM program results in 2010, as these savings occurred post rebasing (during an IRM year) and have not been claimed.
- 2.17 In summary, VECC submits that the LRAM claim and associated rate riders should be adjusted to include lost revenue in the year 2010 from the impact of CDM programs implemented in 2010, for the reasons noted above.

**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 16<sup>th</sup> day of February 2012.