

Oshawa



PUC Networks Inc.

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October 31, 2012

Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc. (ED 2002-0560)
2013 IRM Rate Application (EB-2012-0157)

Please find enclosed Oshawa's Final Submission regarding the above Application. An electronic copy of this Submission has been sent to the intervenor in this case.

Yours truly,

A handwritten signature in black ink, appearing to read 'Phil Martin', with a large, sweeping flourish at the end.

Phil Martin
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Encl.

INTRODUCTION

On July 27, 2012, Oshawa PUC Networks Inc. (“Oshawa”) filed its 2013 3rd Generation Incentive Regulation Mechanism application (“Rate Application”) with the Ontario Energy Board (the “Board”) under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the rates Oshawa charges for electricity distribution. Upon receipt of the Board’s approval, these rates will be effective January 1, 2013.

The Ontario Energy Board Staff (“Board Staff”) and the Vulnerable Energy Consumers Coalition (“VECC”) filed submissions on October 10, 2012 and October 11, 2012 respectively. Both the VECC and Board Staff submissions contained questions and comments on the potential lost revenue adjustment mechanism (“LRAM”) rate rider. Additionally, Board Staff requested confirmation regarding a correction made in the updated IRM Rate Generator model.

Please accept the following as Oshawa’s response and its final submission for this Rate Application.

The following matters are considered:

- Updated IRM Rate Generator Model
- Rationale for not filing an LRAM claim for 2010 programs as part of 2012 cost of service application
- Adjustment related to change in input assumptions for Every Kilowatt Counts (EKC) program
- 3rd party review of LRAM claim
- 2006 to 2010 CDM Programs – Recovery of Persisting Lost Revenue in 2011

UPDATED IRM RATE GENERATOR MODEL

In the interrogatory phase Board Staff requested that Oshawa update the IRM Rate Generator Model from version 2.1 to version 2.3. As requested, Oshawa filed version 2.3 of the IRM Rate Generator Model on September 25, 2012.

Pursuant to updating the IRM Rate Generator Model to version 2.3, Board Staff made one correction to the updated model under *Tab 4/line 76/Residential rate class/Rate Rider for the Deferral/Variance Account Disposition (2011) – effective until April 30, 2012*. The reference to kW has been changed to kWh. As requested, Oshawa confirms that the change is correct.

RATIONALE FOR NOT FILING AN LRAM CLAIM FOR 2010 PROGRAMS AS PART OF 2012 COST OF SERVICE APPLICATION

Final program results for 2010 programs had not been released by the OPA at the time of Oshawa's filing of its 2012 COS rate application. Final OPA results were released in November 2011, at which time Oshawa was already in the settlement process of the cost of service application. Oshawa maintains it would not have been practical to adjust the rate application given the time pressures.

In support of Oshawa's rationale:

- Board Staff submitted the following:

"Board staff submits that the lost revenues claimed in this rate application for 2010 from 2006-2010 CDM programs are reasonable and have not been recovered in past applications by Oshawa. On that basis, Board staff does not object to this claim. However, the Board should consider whether Oshawa has provided an acceptable rationale for not filing this claim as part of its 2012 rate application, as required."

- VECC's submission included the following in section 2.14:

"VECC submits Oshawa's request for the Board to approve lost revenues in 2010 from 2010 OPA CDM program results is appropriate as these savings occurred prior to the updated load forecast in the 2012 rebasing year, the revenues have not been claimed in previous applications, the calculation is appropriately based on Oshawa's 2006-2010 OPA CDM Final results and Oshawa has provided a reasonable rationale as to why these savings were not claimed as part of its 2012 COS application."

ADJUSTMENT RELATED TO CHANGE IN INPUT ASSUMPTIONS FOR EVERY KILOWATT COUNTS (EKC) PROGRAM

In section 2.6 of their submission, VECC notes:

"Oshawa confirmed the input assumptions for Every Kilowatt Counts (EKC) have changed over the period 2006 to 2010 resulting in a change in lost revenue in this application of \$22,062.⁴ Oshawa claims this amount is not significant enough to impact the residential LRAM rate rider in this claim. VECC submits as a matter of principle the LRAM amount in the final rate order should be adjusted to reflect this change on lost revenue."

For clarification, the amount of \$22,062 represents the **total** lost revenue with regards to the EKC measures from 2006-2010, as opposed to the **change** in lost revenue in this

application, and incorporates all updated assumptions. Oshawa was making the point that the lost revenue of \$22,062, in its entirety, was not large enough to affect proposed rate riders.

3rd PARTY REVIEW OF LRAM CLAIM

VECC notes in section 2.23 of their submission the following:

“... in the absence... a verified 3rd party review, an LRAM claim in 2011 is premature and inappropriate and not in accordance with the Board’s Guidelines.”

In response, Oshawa maintains that it is reasonable and sufficient to rely on the analyses, evaluations and assessments performed by the OPA.

The non-OPA programs (3rd tranche) for which LRAM is being claimed are continuing from 2006 to 2007 and have previously been approved. Oshawa feels that the amount being claimed of \$13,895 in respect of these programs is reasonably supportable and does not warrant the expense of a 3rd party review.

In relation to Oshawa’s claim for LRAM, Board Staff submitted the following:

“Board staff notes that the CDM Guidelines state the following with respect to LRAM claims:

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.

Board staff notes that Oshawa’s rates were last rebased in 2012 and therefore, Oshawa had no opportunity to recover the lost revenues in 2011 from 2006-2010 CDM programs. Further, Oshawa previously rebased in 2008 and filed its application on October 3, 2007. Since the 2008 CDM Guidelines were not issued until March 28, 2008, they were not available to Oshawa when it was preparing its historic load forecast. Board staff therefore supports the recovery of the entire LRAM amount requested by Oshawa for 2011.

Board staff notes that in response to VECC interrogatory 5(c), Oshawa indicated that the lost revenues from its Christmas Light Retrofit program from 2006 have expired. Removal of the lost revenues from this program result in a reduction of \$146.11 to the overall LRAM claim, which does not affect Oshawa’s proposed rate riders. Board staff does not feel that an adjustment to the LRAM request is necessary and supports the recovery of the total requested LRAM amount of \$288,825.31, inclusive of carrying charges, subject to the Board consideration of whether the filing of the claim for 2010 is too late.”

2006 TO 2010 CDM PROGRAMS - RECOVERY OF PERSISTING LOST REVENUE IN 2011

In section 2.24 of VECC's submission they note that:

"Oshawa is calculating estimated lost revenues for 2011 based on the OPA's verified results available at the timing of this application (2006 to 2010), which do not reflect 2011 results. Accordingly, VECC does not support the approval of persisting revenues in 2011 for CDM Programs implemented in 2006 to 2010. VECC submits that the LRAM claim approved by the Board in this application should be adjusted to exclude the proposed lost revenue in 2011 for CDM programs implemented between 2006 and 2010, for the reasons noted above."

In response, Oshawa is of the opinion that OPA provides final program results which are intended as final, not just for the year issued, but are also applicable for future years.

In practice, the OPA results include assumptions related to the persistence of savings into the future. While these results may be changed retroactively, this is the exception rather than the rule. The attached table compares projected savings in 2010 and 2011 for programs completed in 2009 and earlier as per the annual OPA report of CDM results. In all but one case, the projected savings did not change from one year's report to the next.

The approach Oshawa is using in this LRAM claim is consistent with previous applications. For example, the 2012 cost of service application included claims for lost revenue in 2010 for 2006-2009 programs based on the '2006-2009 Final OPA CDM Results' report.

Based on this premise, Oshawa believes the LRAM claim is appropriate. Oshawa has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAM amount and has relied on the most recent and appropriate final evaluation report from the OPA in support of its LRAM calculation.

OPA Conservation & Demand Management Programs

Initiative Results at End-User Level

For: Oshawa PUC Networks Inc.

Net Summer Peak Demand Savings (MW)

#	Initiative Name	Program Year	Results Status	2006-2009 Final OPA CDM Results Oshawa PUC Networks Inc.		2006-2010 Final OPA CDM Results Oshawa PUC Networks Inc.	
				2010	2011	2010	2011
1	Secondary Refrigerator Retirement Pilot	2006	Final	0.0146	0.0146	0.0146	0.0146
2	Cool & Hot Savings Rebate	2006	Final	0.1478	0.1478	0.1478	0.1478
3	Every Kilowatt Counts	2006	Final	0.0488	0.0488	0.0488	0.0488
4	Demand Response 1	2006	Final	0.0000	0.0000	0.0000	0.0000
5	Loblaws & York Region Demand Response	2006	Final	0.0000	0.0000	0.0000	0.0000
6	Great Refrigerator Roundup	2007	Final	0.0176	0.0169	0.0176	0.0169
7	Cool & Hot Savings Rebate	2007	Final	0.1754	0.1754	0.1754	0.1754
8	Every Kilowatt Counts	2007	Final	0.0553	0.0553	0.0553	0.0553
9	peaksaver®	2007	Final	0.0000	0.0000	0.0000	0.0000
10	Summer Savings	2007	Final	0.0000	0.0000	0.0000	0.0000
11	Aboriginal	2007	Final	0.0000	0.0000	0.0000	0.0000
12	Affordable Housing Pilot	2007	Final	0.0000	0.0000	0.0000	0.0000
13	Social Housing Pilot	2007	Final	0.0169	0.0169	0.0169	0.0169
14	Energy Efficiency Assistance for Houses Pilot	2007	Final	0.0000	0.0000	0.0000	0.0000
15	Electricity Retrofit Incentive	2007	Final	0.0000	0.0000	0.0000	0.0000
16	Toronto Comprehensive	2007	Final	0.0000	0.0000	0.0000	0.0000
17	Demand Response 1	2007	Final	0.0000	0.0000	0.0000	0.0000
18	Loblaws & York Region Demand Response	2007	Final	0.0000	0.0000	0.0000	0.0000
19	Renewable Energy Standard Offer	2007	Final	0.0000	0.0000	0.0000	0.0000
20	Great Refrigerator Roundup	2008	Final	0.0346	0.0346	0.0346	0.0346
21	Cool Savings Rebate	2008	Final	0.1798	0.1798	0.1798	0.1798
22	Every Kilowatt Counts Power Savings Event	2008	Final	0.0751	0.0751	0.0751	0.0751
23	peaksaver®	2008	Final	0.1238	0.1238	0.1238	0.1238
24	Summer Sweepstakes	2008	Final	0.1517	0.1517	0.1517	0.1517
25	Electricity Retrofit Incentive	2008	Final	0.1223	0.1223	0.1223	0.1223
26	Toronto Comprehensive	2008	Final	0.0000	0.0000	0.0000	0.0000
27	High Performance New Construction	2008	Final	0.0028	0.0028	0.0028	0.0028
28	Power Savings Blitz	2008	Final	0.0032	0.0032	0.0032	0.0032
29	Demand Response 1	2008	Final	0.0000	0.0000	0.0000	0.0000
30	Demand Response 3	2008	Final	0.0000	0.0000	0.0000	0.0000
31	Loblaws & York Region Demand Response	2008	Final	0.0000	0.0000	0.0000	0.0000
32	Renewable Energy Standard Offer	2008	Final	0.0000	0.0000	0.0000	0.0000
33	Other Customer Based Generation	2008	Final	2.3000	2.3000	2.3000	2.3000
34	LDC Custom - Hydro One Networks Inc. - Double Return	2008	Final	0.0000	0.0000	0.0000	0.0000
35	Great Refrigerator Roundup	2009	Final	0.0401	0.0401	0.0401	0.0401
36	Cool Savings Rebate	2009	Final	0.2355	0.2355	0.2355	0.2355
37	Every Kilowatt Counts Power Savings Event	2009	Final	0.0619	0.0619	0.0619	0.0619
38	peaksaver®	2009	Final	0.0701	0.0701	0.0876	0.0876
39	Electricity Retrofit Incentive	2009	Final	0.2011	0.2011	0.2011	0.2011
40	Toronto Comprehensive	2009	Final	0.0000	0.0000	0.0000	0.0000
41	High Performance New Construction	2009	Final	0.0316	0.0316	0.0316	0.0316
42	Power Savings Blitz	2009	Final	0.7243	0.7243	0.7243	0.7243