ONTARIO ENERGY BOARD

IN THE MATTER OF

THE
2006 ELECTRICITY DISTRIBUTION RATE HANDBOOK

Reply Submission of the

VULNERABLE ENERGY CONSUMERS' COALITION

February 28, 2005

RP-2004-0188 2006 EDR Rate Handbook - Reply of the Vulnerable Energy Consumers' Coalition

CHAPTER	TOPIC AREA/ISSUE	UTILITY POSITION(S)	VECC REPLY
1. INTRODUCTION	2006 EDR Model	**Hydro One** suggests that the Handbook should outline what would generally be the requirements for a forward test year as well as a historical test year (page 3).	**VECC agrees.**
2. DESCRIPTION OF APPLICATION	Electronic Version		
3. TEST YEAR AND ADJUSTMENTS	3.0 Test Year and Adjustments	**Toronto (and LDC-related submissions)** have objected to disclosure of material events expected to occur in 2006 (paged 3) but then gone on to argue for allowance/adjustments for major capital expenditures post-2004. **Hydro Ottawa** also argues (p. 5) that there should be no required disclosure of material 2006 events – but then goes on to argue that adjustments should be allowed to rate base and depreciation for material capital expenditures in 2005 and 2006 (page 6). Parties involved in the development of the Handbook recognized that use of a historical test year would not meet the needs of all LDCs and some would be need to file of a forward tests year basis. **PowerStream** argues (p. 2) that LDCs should not be required to disclose material events that are expected to occur in 2006. PowerStream states that if the OEB decides	**VECC submits that in doing so LDCs are being inconsistent in their rationalization. Effectively, they want to have their cake (no disclosure) and eat it too (but adjustments).** **VECC believes the current Handbook has gone a considerable way to allow for adjustments to 2004 actuals and that to allow for the inclusion of additional future costs - as advocated by Ottawa Hydro – would seriously compromise the integrity of the historical test year approach. For example, if more "future" post 2004 costs are added at what point does it become appropriate to consider adjusting the 2004 billing determinants used in rate derivation for post-2004 load growth? The Board should not compromise good regulatory practice simply for administrative ease.** **See VECC reply above**

		that LDCs should be required to do so, then it should also allow LDCs to adjust their RR for material items such as labour contracts which are fixed.	
	3.1 Historical vs. Future Test Year	**Hydro One** has proposed a process whereby embedded LDCs would use currently approved LV rates and forecast 2006 consumption to determine LV charges to be included in their rate applications (page 4). **Sudbury** submits that the use of the Historical test year does not recognize that labour costs are going up annually at 3%, 3% and 2.5% (para 4). EGD states that while historic rate making is an acceptable interim solution … it should not be accepted as a regular process for future rates. It recommends that the Board move to a forward test year for electricity rates as soon as possible	**The main concern VECC has with this proposal is the suggested use of forecasted 2006 consumption. The usage data that will be used in deriving rates will be based on 2004 customer counts and average usage per customer. LV charges should be determined using the same consumption values – marked up for losses as required. To do otherwise would result in inconsistencies between the basis on which the costs are determined and the billing determinants subsequently used to set the rates.** **Correct – if concerned, an LDC has option to use a forward test year and file a full COS application** **VECC agrees.**
	3.2 Test Year Adjustments – Non-Routine Tier 1	London is of the view that new labour contracts should be included as a Tier 1 adjustment when they are known and finalized prior to submission. (page 1)	**VECC disagrees. Wage levels are only part of the "equation" in determining overall labour costs. The other significant component is the number of employees or FTEs. VECC submits that it would be**

			inappropriate to adjust labour costs based on only half the information required. LDCs could (should) be considering productivity improvements that will reduce the number of required FTEs. See also VECCs reply to Hydro Ottawa regarding test year adjustments.
	3.2 Test Year Adjustments – Tier 2	**1) Brantford/Aurora/Scugog** The parties express concerns about having tier 2 allowances clawed back by arbitrary mitigation limits (para 17& 18). **Sudbury** submits it is unfair that they have to go through a detailed justification whereas others maybe overspending in 2004 (and taking less than MBRR) and will get it all (para 5). **EDA** also argues (p. 3) that there should be no required disclosure of material 2006 events – in 2005 and 2006 (page 6).	**VECC suggests that these parties are under the mistaken impression that the purpose of the Tier 2 adjustments is to allow LDCs to recover the MBRR that they didn't receive during the first PBR period due to starting with negative returns in 1999. (paragraphs 11, 13). This is incorrect – the purpose is to allow for additional O&A/capital spending if needed.** **Clearly the need for such over expenditure is a factor the OEB will have to take into account when weighing the reasonableness of the (higher) rate increase resulting from Tier 2 adjustments.** **This is why 3 years of data are needed to help look at spending trends, why impact analysis is needed and justification for moving to full MBRR if it creates significant impacts.**
4. RATE BASE	4.1 Definition of Rate Base		
	4.2 Amortization	**PowerStream** expresses concern that the EDRH does not clearly define how	**VECC is sympathetic to PowerStream's concern about the use of 2004 amortization**

		amortization expenses are to be included. It is particularly concerned that 2004 actual results will only include partial year's amortization for assets with a 2004 I/S date and suggest that a full year's amortization should be allowed in such cases for 2006 rates.	**amounts and would agree to the adjustment suggested provided:** • **there is a materiality limit applied as to when such an adjustment is to be made – e.g., if new 2004 assets are greater than 0.2% of rate base.** • **the customer counts used to set the billing determinants for rate making purposes are based on year end values.**
	4.3 Capital Investments		
	4.4 Interest on Deferral Accounts and CWIP	**Deferral Accounts** **Hydro One** recommends outright rejection of the VECC proposal and states that is contrary to the Board's Regulatory Assets Decision and its recent gas utility Decisions and not reflective of regulatory practices in other Canadian jurisdictions. **EDA** supports Alternative 1- the embedded cost of long term debt. EDA opposes the use of the short term interest rate prescription	**Deferral Accounts** **VECC disagrees. Hydro one had the opportunity to file reply evidence and did not do so. It has no basis to make the assertions in its reply and has no evidence to back up its claims about gas utility decisions and other jurisdictions. The Regulated Assets Hearing dealt with a set of unique circumstances regarding the risks and aging of the RA accounts and therefore the Decision of the Board should be viewed in the context of those circumstances and not as a precedent.** **At paragraph 3.0.17, of the RA Decision, the Board indicated that *interest should only be applied on deferral accounts lasting more than one-year*. The implication is that there should be no carrying costs attributed to deferral account of less than one year.** **VECC strongly disagrees with EDA et al and points out that the utilities are deliberately confusing two issues**

		proposed by Mr Matwichuk. It suggests that the Board make a determination on a case specific basis when accounts are approved, rather than in the Rate Handbook. **Hydro Ottawa** submits that a short-term debt rate should only be used for deferral accounts expected to be recovered within one year, otherwise Alternative 1 –embedded of cost should be used. **PowerStream** notes the Board decision regarding Reg Assets and C&DM deferral accounts which allow for either the embedded cost of debt or another long term rate. PS suggests that for all DA less than one year then a ST rate is acceptable for all other accounts the embedded LT debt rate should be used.	**- the term or aging of the account and -the appropriate rate to finance the account balance. These are separable issues and accounts of longer than one year can be financed at shorter term rates and lower cost than long term debt. This is a function of the yield curve for debt. VECC submits that under Alternative 1 Ratepayers will be paying too much and rates will not be just and reasonable. Mr. Matwichuk's proposals in Table 1 of his evidence are 1. A guideline 2. Based on sound logic 3. Are intended to reduce regulatory burden 4. Are fair to both utilities and their ratepayers. VECC notes that utilities are paying Prime LESS 2% interest on Customer Security Deposits. VECC urges the Board to adopt Alternative 2 for deferral accounts and accept Table 1 of Mr Matwichuk's evidence as an appropriate guideline for incorporation in Section 4.4 of the 2006 EDR Rate Handbook.**
		CWIP **Hydro One** Supports Alternative 1 but does not distinguish whether the allowance should be based on embedded debt or include the equity component also as in an AFUDC. **EDA** does not support either Alternative 1 or	**CWIP VECC supports the application of an AFDUC to CWIP, rather than either Alternatives 1 or 2.**

		2, but comments that Alternative 1 provides a better matching to CWIP assets. EDA supports Mr Matwichuk's recommendation that an AFUDC be applied to CWIP **Hydro Ottawa** supports the use of an AFUDC based on the WACC rather than cost of embedded Debt	
	4.5 Capitalization Policy		
	4.6 Treatment of Gains and Losses	**Enbridge Gas Distribution (EGD)** submits that there is no justification for sharing proceeds on the sale of utility assets.	**VECC disagrees. There are regulatory precedents both in Ontario and elsewhere (e.g. Alberta EUB Decision 2000-41, TransAlta Utilities Corporation Sale of Distribution Business) for the sharing of proceeds from the sale of assets.**
5. COST OF CAPITAL	5.0 Introduction		
	5.1 Maximum return on equity	**Hydro One** suggests that Alternative 2 is consistent with Dr. Cannon's formula in his 1998 discussion paper (p. 10). **EDA** suggests that Alternative #2 is consistent with Dr. Cannon's 1998 recommendations (page 12).	**VECC disagrees. Dr. Cannon was speaking about the PBR process that would run for a number of years – whereby annual updates were reasonable and would be incorporated as part of the annual rate setting process. Dr. Cannon never suggested (and no Canadian regulator has implemented) a process whereby a utility is permitted to track the difference between its allowed rate of return (at the time of the regulator's decision) and an updated number calculated at a later date.**
	5.2 Debt Rate		-
	5.3 Capital		

	Structure		
	5.4 Working Capital Allowance	**Toronto Hydro (TH)** submits that WC should include Cost of Power(COP) and IMO Prudential requirements BUT exclude customer deposits **HO** supports Alternative 2 –inclusion of COP as an account for WC purposes. HO prefers that there is no reduction in the WC allowance for customer Security deposits. However in the alternative It proposes that Alternative 1 be revised as follows" The sum of the working capital accounts is to be reduced by the dollar value of the customer security deposits. Distributors may update the dollar value of security deposits to the 2005 amount. **Veridian** Supports alternative 2 –inclusion of the historical COP adjusted for the 2006 commodity price forecast and no claw back for customer deposits. The stated rationale for exclusion of Customer Deposits is that these funds must be available for refund and distributors cannot rely on Security Deposits as a source of Working Capital **PowerStream's** position is similar to Veridian's and it also raises concerns about there being no adjustment for their exposure on electricity market settlement cost (page 8).	**VECC disagrees. Utilities cannot be selective in including additional accounts to include in WC calculation. The 15% allowance is an anachronism and lead lag studies are required as soon as possible. Customer Deposits are a material source of WC and the OEB requires the gas utilities to deduct them from the WC allowance.** **VECC disagrees with the need to adjust the 2006 Working Capital calculation for IESO prudential requirements.** **VECC supports Alternative 1 and could accept the Hydro Ottawa proposed amendment subject to materiality considerations.** **See VECC's reply to Toronto Hydro**
6. DISTRIBUTION EXPENSES	6.0 Introduction		
	6.1 Definition of Distribution Expenses		

i	6.2 Detail of Reporting	EDA recommends that for self-insured LDCs – actual 2004 claims expense be used (page 17). Hydro One also recommends use of actual 2004 claims expense for self-insured LDCs (p. 11). Veridian suggests (page 4) that average rate levels be used to identify those LDCs with outlier cost structures and then those LDCs should be required to file additional information to demonstrate that expenses have been prudently incurred. EGD states that it supports (page 2) the use of incentive payments as part of the total compensation package offered by a utility. **PowerStream** believes that incentive plans should be an allowable expense (page 10) **PowerStream** submits that all bad debt expense for 2004 should be allowed in the calculation of revenue requirement (page 9)	**VECC submits that if actual claims are to be used then a 3-year average would be more appropriate.** **VECC submits that this argument is fallacious. There is no suggestion that the costs are not to be allowed for 2004 – what is being decided is whether or not to allow them for 2006. Under either alternative there would be no change in the rules "after the fact".** **VECC could be supportive of such an approach, but we believe it needs more investigation. A percentage of net income is likely a better approach – however, at this stage in the EDR process it is difficult to establish what a reasonable appropriate % would be.** **VECC does not object to LDCs offering incentive programs and payments to employees. <u>The issue is who pays for the incentive- ratepayers or shareholders</u>.** **VECC's position is that incentive payments associated with targets that solely enhance shareholder returns and value should not be funded by ratepayers.** **VECC disagrees – the allowance for bad debt should be based on a "typical amount," e.g., a three year average.**

		Charitable Donations **EDA** argues charitable donations may benefit the community Hydro One also supports full recovery of charitable donations – using same argument as EDA. **PowerStream** submits that charitable donations should be allowed up to a % or revenue or net income (page 9) **Ottawa Hydro** argues (pages 10-11) for the inclusion of charitable donations on the basis that they were included for 2004 and would not have been incurred if the rules were different.	**Charitable Donations** **VECC notes/agrees with EDA's support for programs that assist customers in paying their bills (page 18) and also notes that the value is directly attributable to the LDCs operations.** **VECC does not agree in respect of other types of charitable donations that may, as the EDA argues, benefit the community - are not a direct benefit to LDC customers.** **VECC comments that suggested criteria would lead to the need to demonstrate the donations were of benefit to the community.**
7. TAXES	7.1 Rules and Principles		
8. REVENUE REQUIREMENT	8.0 Introduction & 8.1 Service RR	**NEPPA** submits that other miscellaneous revenues should not be considered for rate making purposes due to their potential volatility (page 10)	**VECC disagrees. Volatility is not reason to exclude from rate making; otherwise one should equally exclude bad debt expenses and other expenses that fluctuate significantly on an annual basis. If year over year volatility is a concern then a 3-year historical average could be used for ratemaking purposes.**
	8.2 Service Revenue and Base Revenue		
	8.3 C&DM, Smart Meters and amort. of Regulatory		

	Assets		
9. COST ALLOCATION	9.0 Introduction and 9.1 Customer Classes		
	9.2 Allocation of RR to Classes		
	9.3 CDM/SM/RA Allocation		-
10. RATES AND CHARGES	10.0 Introduction		
	10.1 Fixed/Variable Split	**Woodstock** argues for the use of a 100% fixed charge on the grounds that LDCs would not be affected by lost revenue due to C&DM and it would reduce regulatory burden. It argues that if the OEB is unwilling to generally allow LDCs to change their rate structure in this manner – then a small number of LDCs should be allowed to do so on a "test basis" (page 12) NEPPA supports the elimination of the variable component of the distribution rate (page 12)	**VECC's position is that LDCs should not be allowed, for 2006, to adopt 100% fixed charge approach – even on a test basis. On Issues Day the OEB confirmed that there would be no changes to the fixed/variable split for 2006. Furthermore, changes in rate design – particularly ones as fundamental as Woodstock is proposing – should await the result of the cost allocation review before they considered – even on a test basis. Finally, the regulatory and administrative benefits that Woodstock ascribes to a 100% fixed charge in terms of eliminating the need to do various calculations in support of an LRAM would only be achieved if the OEB decided not to implement any form of SSM. Otherwise similar calculation s are needed, in any event, to support the SSM. See also VECC's reply to Woodstock under C&DM** **See above Reply to Woodstock**

	10.2 Unmetered and Scatter Load		
	10.3 TOU Rates and 10.4 Tx Ownership Allowance		
	10.5 Loss Factor Update		
	10.6 Distributed Generation	**The Distributed Generation (DG)Task Force** asks the OEB to attach considerable weight the fact that the Sub-Group dealing with the issue reached a consensus and that the alternative they support was developed by the working group responsible for the issue(para. 10 & 16). However, due to resource constraints (as discussed by Toronto Hydro and Powerstream) not all parties to the EDR development process were able to participate on all sub-groups.	**It is VECC's understanding that this is why "alternatives" not previously discussed in Working Groups were permitted to be introduced at the Executive Working Group level. Similarly, the fact that not all interested parties were able to participate in the EDR process, lead Board Staff to direct (in its closing statement to the oral proceeding) that parties were invited to comment on any aspect of the Handbook in their submissions – not just those issues specifically identified as alternatives. VECC submits that the choice of an alternative(s) should be based on its merits and not simply on the fact that it was the one developed by the working group.** **The DG group argues that it is inappropriate for the customers of an LDC to receive any of the transmission savings associated with connection of DG to an LDC on the basis that they did not create the savings. VECC's submission is that this is incorrect. It is the customers of the LDC that support the LDC's assets and operations through their electricity bills. Furthermore, without the existence of the LDC there would be no**

			benefit created. For example, it the Distributed Generator connected directly to the Grid via a LV line used solely by the generator there would be no transmission benefit to share. It is the existence of the LDC and the fact the generator is connecting to the LDC that creates the benefit. In colloquial language it takes "two to tango" or in this case create the benefit. In effect, contrary to the submission of the DG Task Force (para 18) the customers did help create the benefit by virtue of supporting the existence of the LDC. As a result, in VECC's view it is appropriate from a cost (or in this case benefit) causality perspective the transmission savings should be shared.
	10.7 Stand By Charges		
	10.8 Low Voltage Charges		
	10.9 Demand Determinants		
	10.10 CDM/SM/RA		
11. SPECIFIC SERVICE CHARGES	11.1 – 11.7		
12. OTHER REGULATED CHARGES	12.2 Retail Service Charges	**Hydro Ottawa** is concerned that rates charged for competitive services offered by the utility will require OEB approval which will result in a loss of "competitive advantage" (page 15). HO recommends that the last paragraph in section 11.6 be dropped.	**VECC disagrees. HO acknowledges in its submission that the prices offered for such services must cover costs – otherwise distribution customers are subsidizing these activities. In order to demonstrate that cross-subsidization is not occurring an LDC**

		HO expresses concern that the standard rates were not developed using a "fully allocated cost" approach (page 16)	**can either submit the rates for approval by the OEB or perform the work on a full cost recovery basis as outlined in the second last paragraph of Section 11.6.** **VECC acknowledges and shares HO's concern. VECC believes that this is a shortcoming that should be addressed in future EDR processes – particularly after the completion of the cost allocation review.**
	RCVA 12.3 Non-Competitive Electricity charges	**HO** expresses concern that the fee for specific STRs may be too low and seeks the ability to apply the same costing methodology used for specific charges to establish an appropriate rate (page 16)	**VECC agrees with HO's submission.**
13.Mitigation	13.1 Impact Analyses	**EDA** supports PA group recommendations that – if a threshold test is used, there should be a single value that determines who might qualify for a simplified review and not for determining if rate mitigation is required (page 35). **HO** expresses concern that mitigation requirements "would reduce the revenue requirement for HO after a review of the cost of service has already been completed and has determined that the revenue requirement to be just and reasonable" (p. 16) **EGD** submits that to minimize administrative burden rate impacts should be based on average use rather than a range of consumption levels.	**VECC supports the approach recommended by Econalysis Consulting Services which is based on an analysis of historic rate increases for a sample of 28 Electricity Distributors** **If the Board decides to base rate impact analysis on average use then development of the impact criteria/targets will have to consider the fact that some customers will experience impacts that are greater than the**

			"average".
		HO suggests that as well as looking at the level of rate increase consideration should also be given to an LDC's rate levels relative to the provincial average. (page 16)	**VECC disagrees and observes that HO's recommendation is akin to using "rate levels" as the "comparator" for purposes of screening LDC rate Applications. VECC notes that the whole purpose of the "comparators and cohorts" exercise is to recognize and adjust for valid reasons as to why LDCs' cost structures (and hence rates) will be different. VECC submits that LDC rate levels is not an appropriate "comparator".**
	13.2 Mitigation Methodologies	**Hydro One's** discussion regarding mitigation methodologies (page 18, para 2&3) recognizes that the current cost allocation and rate design for 2006 are not cost-reflective. However, it then goes on to suggest that changes to either in an effort to mitigate impacts will result in increased cross-subsidies.	
		EGD states that rate shock in and of itself should not be considered sufficient justification to deny costs that were prudently incurred to serve distribution customers.	**See VECC's response to Ottawa Hydro**
		EGD states (page 3) that it supports the need to manage rate impacts for customers. It acknowledges that when the Board determines rate shock is possible, mitigation is required to collect the prudently incurred costs over a reasonable time frame.	**VECC agrees with EDG's comment that there is a need to manage rate impacts.**

		Veridian argues that it should be permitted to proceed with rate harmonization prior to the completion of a cost allocation study (page 5)	**VECC has no particular concerns about LDCs initiating rate harmonization as part of their 2006 Applications – provided overall bill impact guidelines are established by the OEB (as per VECCs initial submissions) and the impacts of rate harmonization are considered within these guidelines. Indeed, given the equity issues raised by Veridian, the OEB should consider directing all LDCs with geographic (as opposed to density) rates to consider initiating rate harmonization in 2006.**
		NEPPA suggests that rate harmonization strategies should be handled between interested owners/stakeholders when they are municipally owned and that local interest groups could present their cases to the municipal owners (page 15).	**VECC disagrees with NEPPA's suggestion and strongly believes that rate harmonization strategies should be subject to review/approval by the OEB. To do otherwise the Board would be ignoring its statutory responsibility to protect consumers with respect to price**
14 Comparators and Cohorts	14.1 Methodology	**EDA** notes that the methodology suggested by Mr Camfield is a long way from comprehensive benchmarking **Hydro One** points out that is different from others in terms of its service territory. Hydro one supports Dr. Lowry's suggestions for modifying Exhibit E 6.3. Hydro One is concerned about the costs and quality of data and suggests that the RRR submissions contain adequate data for screening.	**VECC supports development of C&C for regulation of ED in Ontario**
		TH is concerned that Total Cost, rather than normalized cost comparisons are proposed by Camfield and Lowry. However it accepts the	**VECC agrees in some respects that total cost rather than normalized cost comparisons are less informative. However it will be an**

		development of C&C but only as a screening tool. It is concerned TH is unique and cannot be placed in a cohort.	**appropriate test of the methodology as to where TH is placed**
	14.2 Filing Requirements	**TH** strongly Supports Alternative 1- Full confidentiality similar to the RRR filings EDA Supports Alternative 1 –the filing is provided only to Board Staff	**VECC notes that the Board has granted protection of Confidentiality to the Gas Utilities *only* in the specific circumstances of commercial sensitivity related to non-regulated affiliates or third party service providers. Otherwise all operating and cost information is disclosed publicly** **VECC disagrees with maintaining the Confidentiality of the RRR filing** **The Electric Utilities like the gas utilities are publicly-regulated and all of their operations are subject to public scrutiny.** **The data required for benchmarking are part of the operating statistics and costs of the utilities and should be disclosed to the utilities' ratepayers and the public.** **There are no other considerations such as personal privacy and accordingly the Board should require full disclose the data, with whatever caveats the utilities may include regarding data quality.**
15.Service Quality Regulation	15.1 Customer Service Performance Indicators (CSPI) 15.2 Service Reliability Indices (SRI) 15.3 Cause of Service Interruption		

Conservation and Demand Management			
TOPIC	**ISSUE**	**UTILITY POSITION(S)**	**VECC Reply**
C&DM MODEL	Regulatory and Accounting Treatment of C&DM		**VECC notes that the large utilities have been given the opportunity to test C&DM under the first generation C&DM approved by the Board. VECC is not supportive any approach for second generation C&DM that is not State of the Art.** **As noted in its main Argument, VECC supports many of the proposals advanced by Indeco on behalf of Canadian Energy Efficiency Alliance regarding an appropriate regulatory framework**
LRAM	Prospective or Retrospective LRAM	**EDA** supports a Prospective LRAM with a utility load forecast **Hydro One** suggests that initially the assumptions for LRAM calculation should be standardized and pre-approved. In the longer term Hydro One supports a Prospective LRAM with a utility load forecast **TH** supports having a set of transitional arrangements for the LRAM and SSM. This includes Ex post assessment of impacts for determining the incentive payments	**VECC supports a retrospective LRAM BUT only for 2006. This provides Consistency with Tier 1 applications using 2004 with adjustments. An LRAM variance account is not required for 2006.** **In future forward test year filing requires a prospective LRAM and an *LRAM Variance Account***
SSM	SSM based on % of TRC benefits or other type of SSM	**EDA** supports an SSM tied to savings generated by the Programs. Incentives will motivate distributors to divert some of their attention to from core activities by giving C&DM a higher priority. **Hydro One** supports an SSM based on % of	**VECC does not support Incentives such as an SSM based on a flat % of TRC savings. The low hanging fruit should not require incentives. The more difficult and higher risk initiatives may justify an incentive and this should be**

		TRC Savings	**performance–based, symmetric and on a sliding scale based on superior achievement.**
PRE-APPROVAL	The Board should pre-approve C&DM inputs and programs	**EDA** Supports Pre-approval of inputs and the model proposed by Indeco for the CEEA. **Hydro One** also supports the use of pr-approved inputs such as those in the California Conservation Manual.	**VECC supports greater standardization of inputs including program design assumptions based on standard measures and savings. The TRC should be the basic screening tool**
COST EFFECTIVENESS	TRC & RIM Tests		**VECC Notes that the Board Panel in the Hydro One C&DM proceeding indicated that the Annual Reports on 2005 C&DM programs should include Total Resource Cost Analysis of all programs**
AVOIDED COSTS			**VECC Notes that the Board Panel in the Hydro One C&DM proceeding indicated that Hydro one should lead an Avoided Cost Study for Completion by the end of May 2005**
BUDGETS AND LEVEL OF INVESTMENT		**Hydro One** Supports a threshold for budgets under which there is minimal review. Above the threshold a more in-depth review would be undertaken above the threshold. The threshold should be determined with input from the OPA and the IESO and other stakeholders	**2006 Budgets should account for 3rd tranche spending and there should be accounting separation of third trance coats and results.** **Incremental expenditures for 2006 should be fully reviewed as part of the 2006 EDR process the Conservation Handbook should provide the road map for filing for all 22006 proposed expenditures**
UNIVERSALITY			**VECC supports a C&DM framework based on the Universality of programs. This will ensure that there is a matching of costs and benefits. All programs should be available to all customers that**

			pay the costs in rates
RATE DESIGN		**EDA** supports moving to a Fixed Charge for all distribution service including C&DM. EDA believes that this will protect utilities regardless of who promotes conservation initiatives **Woodstock** provides an extensive submission supporting a 100% fixed charge for distribution rates including C&DM WS notes problems with the standard LRAM that would be solved by 100% fixed charge	**VECC notes that in respect of C&DM the EDA and WH's proposals are similar to the Segregated Rate Model under which C&DM costs are collected separately from the Revenue Requirement and disposed to customers by a Public Benefit Charge that is levied on a per customer basis to recoup C&DM costs. This is not the model currently employed by the OEB. This approach clearly ignores that the majority of the avoided costs are associated with the Cost of Power.** **The Board should decline WH invitation to authorize a small number of utilities to conduct an experiment with 100% fixed charges.** **See also VECC Comments under Issue 10.1**
AUDIT PROTOCOLS		**EGD** proposes that standard protocols be used but are only required for verification of LRAM and SSM claims	**VECC agrees that standard audit protocols be used and the Board should allow smaller utilities to use the same auditor to reduce cost and improve consistency**
STAKEHOLDERS		**EGD** recommends consultation with Stakeholders but notes that Utilities must be accountable for results and Stakeholders must participate in good faith, add value and work towards consensus	**VECC does not believe that gas utility-style consultatives are workable for ED C&DM, *<u>except for the CLD & Hydro One.</u>*** **VECC comments that acting in good faith is a two-way street**