

February 4, 2010

BY COURIER (2 COPIES) AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms. Walli:

**Re: Pollution Probe – Written Argument
EB-2009-0096 – Hydro One – 2010-11 Distribution Rates**

Pursuant to the Board's direction during the last day of the oral hearing, please find enclosed Pollution Probe's written argument for this matter.

Yours truly,



Basil Alexander

BA/ba

Encl.

cc: Applicant and Intervenors by email per Appendix A to *Issues List Decision and Procedural Order No. 2*

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF a review of an Application filed
By Hydro One Networks Inc. for an Order approving just and
reasonable rates and other charges for electricity distribution
for 2010 and 2011 (the “Hydro One 2010-11 Distribution Rates
Application”).

**WRITTEN ARGUMENT
on behalf of POLLUTION PROBE**

February 4, 2010

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Introduction

Pollution Probe's written submissions are limited to the following matters:

- Greater encouragement of Hydro One's *peaksaver* program with the goal of signing up 100,000 new participants in 2010;
- Encouragement for Hydro One to continue and expand the ERIP and Double Returns programs;
- Endorsement of the Green Energy Coalition's submissions regarding the capital and operating budgets' accommodation of renewable generation, CDM, and the need for an LRAM; and
- Awarding 100% of costs.

Each of these issues will be examined in turn.

The Board Should Encourage Faster and Larger Expansion of Hydro One's *peaksaver* Program

Pollution Probe submits that the Board should encourage Hydro One to conduct a larger and faster expansion of its *peaksaver* program. Pollution Probe submits that an appropriate aggressive goal would 100,000 new participants in 2010, thus increasing Hydro One's *peaksaver* penetration rate by 25 percentage points.

Pollution Probe submits that the *peaksaver* program provides multiple benefits to Ontario. These benefits include:

1. helping phase-out our dirty coal plants;
2. reducing the need for costly new peaking electricity generation and transmission infrastructure; and
3. as noted by the IESO, helping to dramatically reduce peak day electricity commodity costs.¹

As a recent example of *peaksaver*'s contribution to these goals, Hydro One used its *peaksaver* residential and small business air-conditioner load control program to reduce demand by 19.7 MW at the time of the province's annual and highest peak demand during the 2009 summer.²

However, as of the end of 2009 Hydro One only had approximately 28,000 *peaksaver* participants despite having a potential total number of residential *peaksaver* participants

¹ According to the IESO: "Various ISOs throughout North America have experienced scenarios where even small demand reductions of two to five per cent can reduce prices by a half or more." [IESO, 2009 *Ontario Market Outlook* at page 12 (available online at <http://www.ieso.ca/imoweb/pubs/marketReports/OMO-Report-2009.pdf>)].

² Exhibit H, Tab 4, Schedule 11. See also Transcript of December 7, 2009 at pg. 69.

of about 400,000.³ In other words, Hydro One's *peaksaver* participation rate was only about 7%.

Despite the large number of potential *peaksaver* participants remaining and current low participation rate, Hydro One forecasts that it will only be adding about 10,000 *peaksaver* participants per year between 2010 and 2014 inclusive.⁴ That is, Hydro One is forecasting that by December 31, 2014 it will have approximately 77,800 *peaksaver* customers and hence an overall participation rate of *less* than 20%.

Pollution Probe submits that Hydro One can and should do much better to help phase-out coal and reduce its customers' electricity bills, particularly since it is Ontario's largest LDC. Hydro One admitted that, in addition to advertising, a good door-to-door program is a possible method to sign up new participants, and that Hydro One would look at such a program.⁵ Further, Hydro One also admitted if more resources were devoted to the program, there could be an increase in the uptake.⁶

Pollution Probe thus submits that the Board should encourage Hydro One to conduct a larger and faster expansion of the *peaksaver* program, particularly given the significant positive impacts of the program. Such encouragement would also be in accordance with the Board's statutory objectives to protect the interests of consumers and to promote demand management in accordance with the policies of the Government of Ontario.⁷

Pollution Probe proposes that an appropriate aggressive goal would be for Hydro One to sign up 100,000 new *peaksaver* participants in 2010, which increase the participation rate by 25 percentage points. Pollution Probe acknowledges that the *peaksaver* promotion budget may accordingly need to be increased from its 2009 level of \$350,000,⁸ but Hydro One should be required to apply to the OPA for the appropriate funding. If required, any costs not funded by the OPA should be instead tracked by an appropriate variance account and examined by the Board in a future hearing for cost-effectiveness.

The Board Should Encourage the Continuation and Expansion of Hydro One's ERIP and Double Return Programs

Pollution Probe submits that the Board should encourage Hydro One to continue and expand the Electricity Retrofit Incentive Program ("ERIP") and the Double Return Program.

As detailed during the hearing, the ERIP and Double Return programs are some of Hydro One's most effective conservation programs as they result in a very large amount of

³ Exhibit H, Tab 4, Schedules 10 & 13. See also Transcript of December 7, 2009 at pgs. 69, 71-72.

⁴ Exhibit H, Tab 4, Schedule 14. See also Transcript of December 7, 2009 at pgs. 72-73.

⁵ Transcript of December 7, 2009 at pg. 69, l. 24 to pg. 70, l. 16, pgs. 73-74, and pg. 76.

⁶ Transcript of December 7, 2009 at pgs. 77-78.

⁷ *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, s. 1(1) paras. 1 & 3.

⁸ Email from Don Rogers, counsel to Hydro One, dated Jan. 13, 2010.

conservation for a relatively small number of participants.⁹ However, there appears to be a significant gap between the incentives offered by the ERIP programs and cost of new supply that would be otherwise required.¹⁰ There also appears to be no analyses or studies about the effectiveness of increasing the incentives associated with the Double Return Program (e.g. a Triple Return Program instead) given the similar effect on the need for new supply and electricity costs during system peaks.¹¹ As well, the continuation of the Double Return Program for 2010 and thereafter was unclear at the time of the hearing.¹²

Pollution Probe wishes to ensure that these highly effective programs continue and expand. Pollution Probe is also concerned that the Double Return Program is not inadvertently discontinued for 2010.

Pollution Probe thus submits that the Board should strongly encourage the continuation of these programs. Such encouragement would be in accordance with the Board's statutory objectives to protect the interests of consumers and to promote demand management in accordance with the policies of the Government of Ontario.¹³

Pollution Probe also submits that the Board should have Hydro One seriously examine increasing the incentives associated with these programs, particularly since Hydro One seemed amenable to considering such changes on a going-forward basis.¹⁴ Further, since the Double Return Program is only available to interval metered customers and transmission customers,¹⁵ Pollution Probe submits that Hydro One should also examine whether the Double Return Program should be expanded to other customer classes.

In light of the additional costs that may be associated with these submissions, Pollution Probe submits that Hydro One should apply to the OPA for corresponding funding. However, any costs not funded by the OPA for these important cost-effective programs could be tracked by an appropriate variance account and examined by the Board in a future hearing if needed.

Endorsement of GEC's Submissions re: Renewable Generation Accommodation, CDM, and LRAM Need

Pollution Probe has had an opportunity to review the submissions of the Green Energy Coalition ("GEC") in this proceeding. In particular, GEC made submissions regarding

⁹ In 2009, ERIP is estimated to provide 12,900 MWh in savings for 160 participants, and the Double Returns Program is estimated to provide 115,111 MWh in savings for 119 participants. See e.g. Exhibit H, Tab 4, Schedules 4 & 5 and Transcript of December 7, 2009 at pgs. 80, and 91-92.

¹⁰ Transcript of December 7, 2009 at pg. 86.

¹¹ Transcript of December 7, 2009 at pgs. 94-95 & 139.

¹² Transcript of December 7, 2009 at pg. 94.

¹³ *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, s. 1(1) paras. 1 & 3.

¹⁴ Transcript of December 7, 2009 at pgs. 86 & 94-95

¹⁵ Transcript of December 7, 2009 at pg. 139.

capital and operating budgets' accommodation of renewable generation, CDM, and the need for an LRAM.


Pollution Probe endorses and supports GEC's submissions on these points, and Pollution Probe does not have further specific submissions on these issues.

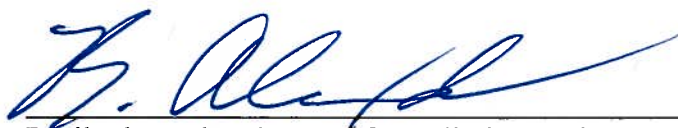
Costs

Pollution Probe respectfully requests that it be awarded 100% of its reasonably incurred costs of participating in this proceeding. Pollution Probe submits that its participation was responsible and assisted the Board in its consideration of the issues. In addition, Pollution Probe is a registered charity that has no pecuniary interest in the outcome of this proceeding.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

February 4, 2010


per: Murray Klippenstein, Counsel for Pollution Probe


Basil Alexander, Counsel for Pollution Probe

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