

December 3, 2010

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Sent via E-mail

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

Attention: Kirsten Walli

Dear Ms. Walli:

Re: Review of Electricity Distribution Cost Allocation Policy, Board File No.: EB-2010-0219

The City of Welland requests withdrawal of the submission made December 2nd, 2010 over the signature of David Ferguson.

That document was a next-to-final draft. Therefore, the submission accompanying this letter is the final version.

Yours sincerely,



Andrew J. Roman,
Counsel to the City of Welland.
AJR/ajr

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December 3rd, 2010

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Attention: Kirsten Walli

Dear Ms. Walli:

Re: Review of Electricity Distribution Cost Allocation Policy, Board File No.: EB-2010-0219

In response to the Ontario Energy Board's (the "**Board**") September 2, 2010 letter, the City of Welland (the "**City**") reviewed the Elenchus Report (the "**Report**") and participated in the stakeholder meeting. This submission was prepared by counsel on behalf of the City Welland.

The City recognizes the need for the Board to review cost allocations periodically. Changes to cost allocation requirements should be made with a view to achieving the Board's objectives set out in the *Ontario Energy Board Act, 1998*. These objectives include:

Board objectives, electricity

1. (1) The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

(...)

2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.

(...)

There is an opportunity for the Board to help promote economic efficiency, cost effectiveness and electricity conservation in the replacement of the present street and sentinel lighting with new, more energy efficient technology. This can be done by introducing a program of incentives to convert to more efficient technology.

The Elenchus Report

The City's submission is specifically concerned with street and sentinel lighting, as discussed in Section 3 of the Report. The City is considering making a substantial investment to change its street lighting to more energy efficient technology in a single, municipality-wide upgrade project.

Some parties in the stakeholder meeting mentioned that street and sentinel lighting provide a public good. They are a safety device for drivers and pedestrians alike. It is a public safety service the City *must* provide and one that, with the Board's objective of moving the provincial revenue-to-cost ratio towards 1.0, will add operational expense to the City's budget.

The *Green Energy and Green Economy Act, 2009* required that Ontario's Local Distribution Companies ("**LDC**") be given conservation targets as part of their conditions of licence. The LDC conservation targets consist of both system peak demand savings and cumulative energy savings requirements. In the Board Decision and Order (EB-2010-0215/0216), under section 27.1 and 27.2 of the *Act*, Welland Hydro Electric System Corporation's ("**Welland Hydro**") licence has been amended to include a conservation and demand management ("**CDM**") reduction target of annual peak electricity demand of 5.560 MW and net cumulative electricity consumption reduction for the period 2011-2014 of 20.600 GWh. The Directive states that each LDC *must* meet its CDM target as a condition of its licence.¹

In order to assist Welland Hydro and other Ontario LDCs reach these targets and fulfil the Board's objectives, the City seeks assistance from the Board by (1) introducing a program to assist municipalities in reducing street light loads across the province. In the alternative, (2) if the Board does not have jurisdiction, for the Board to seek a Ministerial Directive providing it. In the further alternative, (3) failing the above, the Board should recommend to the Ontario Power Authority (the "**OPA**") and the Provincial Government that a program be introduced to assist in achieving the required reductions through conversion to more energy efficient technology in street and sentinel lighting.

Energy Savings Technology

Street lighting is a major source of electricity consumption. There are hundreds of thousands of street lighting fixtures across the province, consuming 903,082,987 kWh of electricity – accounting for approximately 13% of total municipal use.² The existing stock of street lighting fixtures in the province consists of high pressure sodium lamps ("**HPS**"), typically powered by a magnetic ballast – a rather old technology. The timing is appropriate to address street lighting replacement as the existing stock has generally been in operation for the past 20-25

¹ Ontario Energy Board. Decision and Order. Appendix 'A': LDC CDM Targets. EB-2010-0215/0216

² "Ontario Municipalities: An Electricity Profile," [2008], p. 8-12

years.³ As the promotion of energy efficiency and conservation are objectives of the Board, action on a province-wide street light replacement program would greatly benefit energy efficiency and assist in achieving the required consumption reduction targets. Further, there is a significant “opportunity lost” each time replacement of fixtures is made with old technology in sub-division developments, roadways and parking lots. The continued installation of these older style lights will negatively affect energy efficiency in the province for the next 20+ years (the general operating life of existing technology).

There are currently several technologies, including HPS with electronic ballasts, light emitting diodes (“**LED**”) and induction lighting products, that are market ready and have shown significant energy savings potential.⁴ The City was an early adopter of LED technology and has been actively pursuing technology to reduce its energy consumption. However, the risk-reward relationship is inadequate because conversion costs and lack of scale pose a substantial obstacle. The only practical way to achieve significant energy conservation in street and sentinel lighting is through changing existing technology to new more efficient technology as done in the late 1980’s and early 1990’s with conversion to HPS from mercury vapor and incandescent street lights. As the Board is aware, replacement can be episodic and investment lumpy. In consideration of the required reductions imposed on LDCs, the municipalities have an opportunity to reduce a major source of municipal electricity consumption with conversion.

Conversion Program

A conversion program could be by way of grant, reduction in global adjustment rate to street and sentinel lighting, rebates for CDM programs, payment in lieu of taxes (“**PILS**”) or other. A program similar to the Provincial Government’s Municipal Eco-Challenge Fund (“**MECF**”) could be suitable. The MECF offered \$20 million in grants that could be used to cover up to 25% of facility retrofitting costs (to a max of \$100,000) coupled with \$200 million in low-interest loans administered through Infrastructure Ontario.⁵

Further, the City proposes a buying group scheme to assist in reducing the capital expenditure of municipalities through economies of scale – as is sometimes done by both private sector companies and municipalities when purchasing goods for which volume discounts are substantial.

Energy savings are not the only policy benefit. Switching to newer, more efficient technology allows for (1) reduced electrical energy generation; (2) reduced maintenance costs, (3) promotion of a Green Economy and related employment opportunities; (4) reduced environmental impacts with longer operating life cycle and diversion from landfills.⁶

³ “Ontario’s Guiding Lights: Street Lighting, Addressing Energy efficiency & the Environment,” *Local Authority Services Ltd.*

⁴ For a review street lighting, please see “Ontario’s Guiding Lights: Street Lighting, Addressing Energy efficiency & the Environment,” *Local Authority Services Ltd.*,

⁵ Government of Ontario. “Ontario’s Climate Change Action Plan: Creating Our Sustainable Future, Annual Report 2007-2008,” 2008, Queen’s Printer for Ontario, p.18

⁶ “Ontario’s Guiding Lights”, Executive Summary.

Other Issues

As discussed in the Elenchus stakeholder meeting, the Board needs to incorporate definitions that accurately explain and clarify the 'default' values. Each default value should have a dialogue box that describes and illustrates each value properly. All LDC's should be using the same assumptions to ensure consistent application and use of the module. Further, definitions need to be included for the term "connection" and the concept of "daisy chaining". Currently, inconsistent assumptions are being applied to both these terms. A connection can be interpreted as either a 'customer' or an individual lamp pole. A 'daisy chain' is where there are multiple connections but counted as one account. The *Kitchener-Wilmot Hydro Inc.* Decision and Order is referred to in the Report (EB-2009-0267) but other interpretations exist. The Board needs to give direction on how LDCs should or could interpret these terms and concepts in a Cost Allocation Application.

Thank you for reviewing and considering the City's submissions.

Respectfully submitted this December 2nd, 2010

Yours sincerely,



Andrew J. Roman,
Counsel to the City of Welland.
AJR/ajr

cc.

Minister of Energy, The Honourable Brad Duguid, c/o Mr. C. MacLennan

Minister of Economic Development and Trade, The Honourable Sandra Pupatello, c/o Mr. F. Volpe

Ontario Power Authority, Mr. Colin Andersen, CEO.