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February 25, 2011

*via RESS e-filing – signed original to follow by courier*

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
PO Box 2319  
2300 Yonge Street, 27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited (“THESL”)  
Addendum to Applications and Submissions on Draft Issues List  
OEB File No. EB-2011-0011**

Attached please find an Addendum to THESL’s Applications for 2011-2014 Board-Approved CDM Programs, which details the requested recovery of costs incurred in the planning and development of the proposed programs.

Furthermore, pursuant to Procedural Order 1, THESL submits that it accepts the Draft Issues List as proposed by the Board.

Please contact me if you have questions.

Yours truly,

*[Original signed by Jack Lenartowicz for:]*

Glen A. Winn  
Manager  
Regulatory Applications & Compliance

/attach.

:GAW/JL/acc

cc: J Mark Rodger, THESL Counsel, by email only  
Intervenors of Record for EB-2011-0011, by email only

## **Addendum to Toronto Hydro-Electric System Limited's Applications for 2011-2014 Board-Approved CDM Programs**

### **Introduction**

On January 10, 2011 Toronto Hydro-Electric System Limited ("THESL") filed its Applications for 2011-2014 Board-Approved CDM Programs (the "Applications"). THESL is hereby submitting an addendum to the Applications, which seeks approval for recovery of costs incurred in 2010 in developing and planning the Board-Approved CDM Programs as outlined in the Applications, as well as costs forecast to be incurred in 2011 for further support of the Applications and incremental regulatory costs related to the EB-2011-0011 proceeding. THESL submits that all these costs are prudent and necessary in meeting the requirements of the *Green Energy and Green Economy Act, 2009*, the Minister of Energy and Infrastructure's ("MEI") March 31, 2010 Directive, and the Board's established CDM Targets and Code (collectively the "CDM Directives").

### **Nature of the Program Development, Planning Costs, and Application Costs**

In preparation for the implementation of the CDM Directives, it was necessary for THESL to undertake planning work to determine how and by what means it was to achieve its Board assigned peak demand (286 MW) and energy consumption (1,304 GWh) targets between January 2011 and December 2014. Furthermore, once established that a portion of the targets would need to be met by Board-Approved programs, THESL needed to plan for and develop these programs. This required market research, program analysis, and the preparation and filing of the Applications.

Beginning as early as December 2009 and discussed throughout 2010, THESL identified to the MEI and the Board the need to begin its planning and development work for OPA CDM programs as well as for new Board-Approved CDM programs. THESL also identified at that time the need to recover labour costs incurred in 2010 as a result of CDM work performed by THESL to plan and develop new CDM programs for both OPA programs and Board-Approved applications. This work was incremental to THESL's then current work in delivering OPA funded programs in 2010. Neither the OPA nor non-OPA incremental planning costs were funded by the OPA for the purpose of delivering 2010 CDM programs under the Toronto Directive, nor were they funded by the OPA for the delivery of province-wide CDM programs under the LDC Directive.

The matter of CDM planning and development work performed in 2010 and the need for cost recovery for this work was discussed extensively at the Energy Conservation Working Group ("ECWG") chaired by staff from the MEI, and attended by Board staff, Ontario Power Authority ("OPA") staff, Electricity Distributors Association ("EDA") staff, and representatives from a number of utilities. THESL's need to commence its planning and development work in 2010 and its need to recover its costs was acknowledged by the MEI and Board staff members at these meetings.

On July 21, 2010, in its direct submissions to the Board in regard to the then proposed CDM Code (EB-2010-0215), THESL (through a joint submission as part of the Coalition of Large Distributors) further reiterated the existence of these costs and the need for an appropriate recovery mechanism.

On February 1, 2011 THESL and the OPA signed a contract agreement that allows THESL to recover costs spent in 2010 for work performed to support OPA-contracted province-wide programs. The OPA recognized that costs incurred in preparation for the implementation of OPA programs in 2011 were legitimately incurred and would be recoverable. THESL is now seeking similar treatment to recover 2010 costs associated with its planning and development work in preparing the Board-Approved CDM programs contained in the Applications.

In 2011 THESL expects that continued technical assistance will be required to support the Applications during the hearing process, and has forecast labour costs for this purpose. Furthermore, as the Board has deemed that utility CDM activities are to be kept strictly separate from a utility's regulated business, THESL is also seeking recovery of incremental costs incurred in preparing and bringing the Applications before the Board. These would include external legal costs expected to be incurred in defending the applications, as well as OEB hearing costs and intervenor cost claims.

### **Determining the 2010 Program Development and Planning Costs**

THESL has been tracking its various planning costs since January 1, 2010. As a result of the need to work independently on both OPA-contracted province-wide programs and Board-Approved programs, THESL established an accounting and time reporting system to track labour costs separately for OPA and Board-related program development. The costs included for recovery are labour costs strictly related to planning, evaluating, and preparing for the implementation of Board-Approved CDM programs as contained in the Applications. Table 1 below shows the program development and planning costs, broken down by cost program and cost category.

**Table 1: 2010 Program Development and Planning Costs**

<b>Programs</b>	<b>Description</b>	<b>2010 Cost (\$)</b>
Tier 2	Program Planning	39,429
	<b>Total Tier 2</b>	<b>39,429</b>
Tier 3	Program Planning	49,800
	Market Analysis	55,631
	Technology Review	13,339
	<b>Total Tier 3</b>	<b>118,770</b>
<b>Total</b>		<b>158,199</b>

## 2011 Forecast Program Development and Application Costs

THESL has forecast costs related to the filing and support of the Applications expected to be incurred in 2011. These include the incremental labour costs in providing technical support throughout the application process, as well as incremental regulatory costs expected to be incurred in filing and defending the application. The regulatory components are limited to forecast external legal costs, OEB costs, and intervenor cost claims.

Table 2 below shows the forecast 2011 incremental labour costs as well as incremental regulatory costs associated with the filing and processing of the Applications.

**Table 2: 2011 Forecast Program Development, Planning Costs, and Application Costs**

Programs	2011 Cost (\$)	Notes:
Tier 2 Support	12,250	5 FTE, 3.5 days @ \$100/hr
Tier 3 Support	28,000	5 FTE, 8 days @ \$100/hr
	<b>40,250</b>	
THESL Legal Costs	20,000	Application Cost
OEB Costs	25,000	Application Cost
Intervenor Cost Claims	100,000	Application Cost
	<b>145,000</b>	
<b>Total</b>	<b>185,250</b>	

## Relief Requested

THESL seeks the Board's approval for the 2010 program development and planning costs, as well as forecast 2011 application support and regulatory costs, to be considered together with the Applications, and further approval for \$343,449 to be recovered together by way of the funding mechanism for its Board-Approved CDM programs.