

**Ontario Energy Board CDM Performance Incentive versus Ontario Power  
Authority Cost Efficiency Incentive  
Toronto Hydro Example**

Facts

1. Toronto Hydro's CDM targets are 286,270 kW and 1,303,990,000 kWh.<sup>1</sup>
2. Toronto Hydro's CDM Program Administration Budget is \$50,194,721.<sup>2</sup>
3. Toronto Hydro's OEB Performance Incentive for exceeding its kW and kWh targets by 10% is \$20.25 per kW and 0.45 cents per kWh respectively.<sup>3</sup>
4. The OPA's Cost Efficiency Incentive is the sum of two tiers of incentives:
  - a) In the first tier, if the Actual Spend is greater than or equal to 95% and less than 100% of PAB Budget, the LDC will be eligible to retain 60% of the difference of PAB Budget less Actual Spend and the remaining 40% will be returned to the OPA; and
  - b) In the second tier, if Actual Spend is greater than or equal to 80% and less than 95% of PAB Budget (i.e. saving between 20% and 5%), the LDC may retain 80% of the difference of PAB Budget less Actual Spend and the remaining 20% will be returned to the OPA.<sup>4</sup>

Assumptions

1. Toronto Hydro has achieved its kW and kWh CDM targets.
2. Toronto Hydro has spent 80% of its Program Administration Budget (PAB).

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<sup>1</sup> Exhibit K2.3, Tab 1.

<sup>2</sup> EB-2011-0011, Ex. J, Tab 1, Schedule 1, Corrected April 21, 2011.

<sup>3</sup> Exhibit K2.3, Tab 2.

<sup>4</sup> Exhibit K2.3, Tab 3.

Incremental OEB CDM Performance Incentive for Toronto Hydro if it can exceed its kW and kWh CDM targets by 10%

a) kW Incentive

$$28,627 \text{ kW} \times \$20.25 \text{ per kW} = \$579,697$$

b) kWh Incentive

$$130,399,000 \text{ kWh} \times 0.45 \text{ cents per kWh} = \$586,796$$

c) Sum of kW and kWh Incentives

$$\$579,697 + \$586,796 = \textbf{\$1,166,493}$$

OPA Cost Efficiency Incentive for spending only 80% of Program Administration Budget (PAB)

Total PAB: \$50,194,721

95% of PAB: \$47,684,985

80% of PAB: \$40,155,777

a) Tier 1 Incentive

$$[\$50,194,721 - \$47,684,985] \times 0.6 = \$2,509,736$$

b) Tier 2 Incentive

$$[\$47,684,985 - \$40,155,777] \times 0.8 = \$6,023,366$$

c) Sum of Tier 1 and Tier 2 Incentives

$$\$2,509,736 + \$6,023,366 = \textbf{\$8,533,102}$$