JT 1.5 Exhibit 3

EXHIBIT : PROGRAM COST RECOVERY 2009-04-27+PK's COMMENTS

MEI Program Cost Recovery

Date Prepared: April 20, 2009

MEI programs

- At this time, funds collected via the proposed MEI Cost Recovery are intended to be used to support the delivery of multi-fuel energy conservation programs and renewable energy development. Three programs will be included for FY 2009/2010 at an estimated total cost of approximately $150 million.
- The programs are: PowerHouse, Home Energy Savings Program, and the Ontario Solar Thermal Heating Incentive Program. All these programs affect both electricity and natural gas users, as well as users of other fuels.
  - **PowerHouse** offers a low or zero interest loan to residential applicants to purchase and install one of four conservation measures: a ground source heat pump, a solar photo-voltaic panel, a solar thermal panel, microwind.
  - **The Home Energy Savings Program (HESP)** provides incentives to residential homeowners to carry out conservation measures at home. The program subsidizes a home energy audit for 50% of the cost of the audit, up to $150. The program then pays retrofit grant to homeowners who completes energy retrofits recommended through the audit. The retrofit grant is matched by the federal government's eco-energy program; thus, every federal dollar in benefits to the participant is matched by the province with another dollar of benefit to the participant.
  - **The Ontario Solar Thermal Heating Initiative (**OSTHI) program similarly subsidizes the installation of large (commercial) solar air and solar water roofs. The first are generally used to substitute natural gas heating in warehouses, barns, etc; while the solar water is used to pre-heat water.

Timeline

Regulation Approved June 30 every year:

-**Total Amount to be collected from Natural Gas and Electricity for the FY**

-**Two assessment dates (October 1 and February 1) from Natural Gas and from Electricity**

-**Each assessment for 50% of the annual assessment of the utility**

-**Methods: a. Board and IESO (for Tx connected) to work out the electricity assessments; Board to work out the Natural Gas assessments. b. Both are volumetric in basis (cubic m or kwh). Volumetric assessment based on 12 months period ended last December 31.**

- **Assessments include method of payment: directly to Consolidated Revenue Fund, electronic bank transfer instructions**

Cost Recovery: Principles and Rules

- Principles and Rules created based on what data is available to be used
- When the energy retrofit measure reduces the consumption of only one fuel:
  - allocate the full cost to that fuel. For example:
    - If energy retrofit measures displace/reduce electricity consumption only
      → 100% cost assigned to **Electricity**
    - If energy retrofit measures displace/reduce natural gas consumption only
      → 100% cost assigned to **Natural Gas**
    - If energy retrofit measures displace/reduce the consumption of other fuels only
      → 100% cost assigned to **Other**
- When the energy retrofit measure reduces the consumption of several fuels or reduces the consumption of some fuels and increases the consumption of other fuels:
  - If the measure affects the building envelope (insulation, doors, windows, etc): allocate 90%/10% cost to fuel displaced-electricity
  - If the measure does not affect the building envelope (ground source heat pump): allocate the cost to the displaced fuel
  - Always allocate the furnace DC motor cost to **Electricity**

Cost Recovery – Estimated Breakdown by Program

Program	Natural Gas		Electricity		Other		Total
OSTHI (Ontario Solar-Thermal Heating Incentive)							
PowerHouse							
OHESP (Ontario Home Energy Savings Program)	$104M	71%	$29M	20%	$13M	9%	$146M
Total							

Cost Recovery Example: Ontario Solar Thermal Heating Incentive

- **Sample Project 1:**
  - Solar Water Installation on Apartment Building
  - Total System Cost: $7,495.00; **Ontario Contribution: $1,873.50**
  - Displaced Energy: Electricity
    - Invoice split for NG – 0%; **Invoice split for Electricity – 100%**; Invoice Split for Taxes – 0%

- **Sample Project 2:**
  - Solar Air Installation on Farm Building
  - Total System Cost: $214,262.19; **Ontario Contribution: $53,565.55**
  - Displaced Energy: Natural Gas
    - **Invoice split for NG – 100%**; Invoice split for Electricity – 0%**;** Invoice Split for Taxes – 0%

- **Sample Project 3:**
  - Solar Air Installation on Farm Building
  - Total System Cost: $321,942.65; **Ontario Contribution: $80,000.00**
  - Displaced Energy: Propane
    - Invoice split for NG – 0%; Invoice split for Electricity – 0%; **Invoice Split for Taxes – 100%**

Cost Recovery Example: PowerHouse

- **Sample Project 1:**
  - Solar Water Installation
  - Total System Cost: $7,500.00; **Ontario Contribution: $875.00***
  - Displaced Energy: Natural Gas
    - **Invoice split for NG – 100%;** Invoice split for Electricity – 0%; Invoice Split for Taxes – 0%

- **Sample Project 2:**
  - Solar PV Installation
  - Total System Cost: $30,000.00; **Ontario Contribution: $4,750.00***
  - Displaced Energy: Electricity
    - Invoice split for NG – 100%; **Invoice split for Electricity – 100%;** Invoice Split for Taxes – 0%

- **Sample Project 3:**
  - Wind Turbine Installation
  - Total System Cost: $30,000.00; **Ontario Contribution: $4,750.00***
  - Displaced Energy: Electricity
    - Invoice split for NG – 0%; **Invoice split for Electricity – 100%;** Invoice Split for Taxes – 0%

* estimated

Cost Recovery Example: PowerHouse (contd.)

- **Sample Project 4:**
  - Geothermal Installation (house with central air conditioning)
  - Total System Cost: $25,000.00 **Ontario Contribution: $3,750.00***
  - Displaced Energy: Natural Gas (heating); Electricity (cooling)
    - **Invoice split for NG – 90%; Invoice split for Electricity – 10%;** Invoice Split for Taxes – 0%

- **Sample Project 5:**
  - Geothermal Installation (house with no central air conditioning)
  - Total System Cost: $25,000.00 **Ontario Contribution: $3,750.00***
  - Displaced Energy: Natural Gas (heating)
    - **Invoice split for NG – 100%;** Invoice split for Electricity – 0%; Invoice Split for Taxes – 0%

- **Sample Project 6:**
  - Geothermal Installation (house with central air conditioning)
  - Total System Cost: $25,000.00 **Ontario Contribution: $3,750.00***
  - Displaced Energy: Heating Oil (heating); Electricity (cooling)
    - Invoice split for NG – 0%; **Invoice split for Electricity – 10%; Invoice Split for Taxes – 90%**

* estimated

Cost Recovery Example: OHESP

- **Sample Project 1**
  - Displaced Energy: Natural Gas (heating); Electricity (cooling)

Retrofit	Air Sealing	Central AC	ESTAR Doors
Ont. Contribution	$150.00	$200.00	$90.00
Split (%)	NG - 90; Elec - 10	Elec - 100	NG - 90; Elec - 10
Split ($)	NG - $135; Elec - $15	Elec - $200	NG - $81; Elec - $9

  - Total: Ontario Contribution: $440; **SBC: Natural Gas: $216; Electricity: $224**

- **Sample Project 2**
  - Displaced Energy: Oil (heating); Electricity (cooling)

Retrofit	Air Sealing	Central AC	ESTAR Doors	Attic Insulation
Ont. Contribution	$150.00	$200.00	$90.00	$300.00
Split (%)	Taxes - 90; Elec - 10	Elec - 100	Taxes - 90; Elec - 10	Taxes - 90; Elec - 10
Split ($)	Taxes - $135; Elec - $15	Elec - $200	Taxes - $81; Elec - $9	Taxes - $270; Elec - $30

  - Total: Ontario Contribution: $740; **SBC: Taxes: $486; Electricity: $254**