January 26, 2012

Ms. Kirsten Walli
Ontario Energy Board
PO Box 2319
27th Floor, 2300 Yonge Street
Toronto, Ontario M4P 1E4

Re: CDM Guidelines for Electricity Distributors
Board File No.: EB-2012-0003

Dear Ms. Walli,

Chatham-Kent Hydro Inc. ("CKH") appreciates the opportunity to comment on the "Guidelines for Electricity Distributor Conservation and Demand Management ", issued January 5, 2012.

If you have any questions or concerns, please contact Dave Ferguson at (519)352-6300 ext 558 or via email at: regulatory@ckenergy.com.

Regards,

[Original Signed By]

Andrya Eagen
Senior Regulatory Specialist
Phone: (519) 352-6300 Ext. 243
Email: andryaeagen@ckenergy.com

cc: Dan Charron, President of Chatham-Kent Hydro
Chris Cowell, Chief Financial and Regulatory Officer
David Ferguson, Director of Regulatory Affairs and Risk Management

Chatham-Kent Hydro Inc. ("CKH") welcomes the opportunity to provide the following comments on the "Guidelines for Electricity Distributor Conservation and Demand Management", issued January 5, 2012:

The Inclusion of the Impact of TOU Pricing in 2014 CDM Targets

CKH supports the Board's determination that TOU pricing should be treated as a Board-approved program for the purpose of measuring achievement of the 2014 CDM targets. CKH is also in agreement that the OPA is best positioned to determine savings evaluations that will be consistent and non-duplicative across all distributors.

CKH wishes to provide input on the methodologies and logistics that will be applied in the determination of savings evaluations.

In its letter of August 4, 2010 titled "Determination under Section 1.2.1 of the Standard Supply Service Code to Mandate Time-of-Use Pricing for Regulated Price Plan Consumers", the Board established multiple tranches of TOU implementation, ranging from June 2011 and March 2012. Subsequently, various distributors received deadline extensions, ranging from September 2011 to December 2012.

As a smart meter pilot program participant, CKH was in the first tranche a deadline of June 2011. Accordingly, CKH commenced its first wave of residential TOU billing in September 2010, with full implementation of residential TOU billing in December 2010. CKH subsequently achieved complete TOU implementation on deadline in June 2011.

CKH submits that the OPA should be directed to ensure that the TOU savings allocation methodologies and logistics are inclusive of the following considerations:

i. The starting point for the evaluation period should commence from the month of each individual distributor's first wave of TOU implementation (with the exclusion of pilot programs). This would ensure recognition of the provincial conservation benefits resulting from early TOU implementation, or from TOU implementation on, or before, the deadline as directed by the Board.

ii. 2010 TOU savings should be considered toward 2014 CDM targets. Although the timeframe for the current CDM Code started on January 1, 2011, the inclusion of 2010 appears consistent with the treatment of pre-2011 OPA-contracted province-wide CDM programs on page 3 of the CDM Guidelines. This would recognize the conservation efforts of distributors who were early TOU adopters.

iii. Final TOU savings evaluations for each calendar year should be provided to each distributor by March 31 of the following year. This would allow distributors to assess TOU results on a timely basis when determining progress toward CDM targets. Since 2014 results will inherently be unavailable at December 31, 2014, the timely availability of 2010, 2011, 2012 and 2013 TOU savings would permit distributors to make internal forecast assessments of 2014 results.

Duplication with OPA Programs and the Evidence Onus

On page 5 of the CDM Guidelines, it is noted that: "The Board expects distributors to engage in a detailed and thorough discussion with the OPA prior to filing a Board-Approved CDM program application." Page 6 further explains that distributors are expected to file the OPA program assessment with applications for Board-Approved CDM programs.

CKH accepts that this is a reasonable approach to ensure avoidance of program duplication.

However, page 6 of the CDM Guidelines, it is further indicated that in addition to the filing of an OPA assessment, the onus is on the applicant to provide "clear, cogent and convincing evidence" that the program is not duplicative. It is not clear to CKH what further convincing evidence could be provided beyond an OPA assessment of non-duplication.

CKH submits that this latter requirement is duplicative in itself. It is suggested that an OPA assessment alone should be sufficient to prove non-duplication. Said otherwise, if the OPA determines that a program is non-duplicative, the onus should be on the other stakeholders to prove otherwise.

CKH further submits that in the event that a Board-Approved CDM program is subsequently adopted by the OPA on a province-wide basis, it should be considered non-duplicative for the originating distributor(s) for the remaining term of the CDM period (2014).

The Establishment of an LRAM Variance Account (LRAMVA)

CKH supports the establishment of a LRAMVA, consistent with the DSMVA mechanism utilized by natural gas distributors. This account would capture variances to distributor load forecasts relating to conservation.

CKH acknowledges that lost revenues associated with historic CDM programs should be incorporated into load forecasts. However, CKH believes that there are inherent forecasting challenges for conservation adjustments, given the continuously evolving nature of conservation in Ontario. In this regard, it has been suggested by some that the rule against retroactive rate-making precludes retroactive adjustments related to the period for which rates were declared final. The extension of this is that if actual savings were not fully reflected in a final approved load forecast, those variances would be absorbed by the distributor.

CKH submits that the very existence of LRAM is indicative that the principal of revenue neutrality takes precedence over rate certainty in the context of lost revenues resulting from CDM activities. Therefore, CKH submits that it is an appropriate and good rate-making practice to establish the LRAMVA.