



January 26th, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

RE: Conservation and Demand Management (CDM) Guidelines for Electricity Distributors (EB-2012-0003)

On January 5, 2012, the Ontario Energy Board (the “Board” or the “OEB”) issued a letter to electricity distributors and participants in the Conservation and Demand Management (“CDM”) Code and target proceedings (EB-2010-0215 and EB-2010-0216), inviting written comments on the Board’s recently developed CDM Guidelines.

Whitby Hydro Electric Corporation (“Whitby Hydro”) appreciates the opportunity to comment on the Board’s CDM Guidelines and offers the following comments which are intended to highlight areas where further clarity and consideration may be beneficial.

Time-of-Use (“TOU”) Pricing

Whitby Hydro supports the Board’s position that the Ontario Power Authority (“OPA”) should conduct an evaluation of provincial savings associated with the TOU pricing and allocate savings by distributor on an appropriate basis. Given that the timing of TOU pricing implementation has and is occurring on a staggered basis by distributor, the OPA should take appropriate factors into consideration when preparing the allocation. A consultation with distributors is suggested to ensure best practices and appropriate allocation methodologies are developed.

In order to allow distributors to understand the significance of the TOU savings, it is expected that the OPA’s reporting of data be prepared at the earliest opportunity and continue on an annual basis. Whitby Hydro suggests that for distributors to have sufficient time to address whether additional programs or efforts are required to meet their targets, initial information should be made available by the first quarter of 2013.

Pre-2011 OPA Contracted Province-Wide CDM Programs

Whitby Hydro understands that the Board intends to allow CDM savings to be counted towards a distributor’s target in those cases where an OPA program was contracted prior to 2011, but implementation did not occur until 2011. However, if programs are contracted in 2014 and do not complete implementation until 2015, the savings associated with these

programs will not be allowed to be included in the targets. Whitby Hydro understands the Board's distinction in this regard however, it is concerned that unpredictable delays beyond 2014 for specific project implementation are beyond a distributor's control. These delays are difficult to build into the overall target achievement plan and Whitby Hydro asks that the Board re-consider this approach and allow savings associated with those projects to be included in the target if they are completed within the timeframe outlined in the contract.

Duplication with OPA Programs

Whitby Hydro understands the Board's need to ensure that Board-Approved CDM programs are not duplicative to OPA contracted CDM programs in cases where funding is requested. However, Whitby Hydro is concerned that the guidelines do not adequately address circumstances where some OPA contracted CDM programs are established but not deployed and thus not available to distributor's customers. In these scenarios, the Board should only consider duplicity when OPA contracted programs are fully available for deployment. Also, given the limited window of opportunity to plan and co-ordinate a new program to ensure results can be included in the target, it is imperative that the overall process for review (including the OPA's review) and approval be streamlined to ensure that programs can result in maximum impact within the 2011-2014 timeframe. Whitby Hydro requests that the Board set appropriate process related timelines which will be adhered to in order to facilitate this.

Reporting

Whitby Hydro supports the Board's guidelines which recognize that reporting efforts should be streamlined wherever possible and in cases where the OPA already produces reports, these reports should be relied on in the formats provided, thus allowing distributors to focus efforts only where additional information is required.

Cost-Effectiveness

Whitby Hydro agrees with the Board that the OPA's Cost Effectiveness Tests should be used for Board-Approved programs which request funding. As the cost effectiveness test may change over the 2011-2014 time period, Whitby Hydro requests that the Board clarify this section to stipulate that the test that would apply, would be one that was in effect at the time the distributor developed its program.

Other Funding Sources

Whitby Hydro requests that the Board provide further details and clarifications to this section of the guidelines to ensure distributors are able to understand differences in criteria necessary for Board Approved programs which include some portion of "other funding".

Whitby Hydro suggests that this section does not adequately address CDM programs which are implemented by the distributor and fully funded by the distributor's shareholder (ie. program costs are excluded from rate re-basing and no separate cost recovery is requested). In these cases, where funding is not being requested through rates or revenue requirement, a modified process and set of requirements should be outlined. Whitby Hydro requests that the following options be considered:

- 1) Board Approval is not required initially prior to program implementation. In this case, Board approval is based on a review of the program results provided annually (as part of the annual report) or at a time otherwise determined by the Board.
- 2) Board Approval is required prior to program completion based on a more modified set of requirements.

In both of these options, Whitby Hydro suggests that the following modifications should be considered (references to CDM Code sections are noted):

Co-ordination with the OPA – Requirement (S. 2.3) would not apply. Distributor CDM efforts which are fully funded by the shareholder should not be contingent on whether the CDM program is considered duplicative to an already existing OPA contracted program. As long as measured savings etc. can be clearly traced back to the distributor/shareholder funded CDM programs, there should be no need to co-ordinate with the OPA, nor should there be a specific requirement to compare and prove that programs are not “duplicative” in nature.

Requirements

The following requirements would apply:

- Programs must end by December 31, 2014 (S. 3.1.3)
- Program Evaluation based on OPA’s EM&V Protocols (S. 3.1.4 (a))
- Explanation of programs objectives and method of delivery (S. 3.1.4 (c))
- Use of OPA’s Measures and Assumption Lists or details required if using an alternative (S. 3.1.4 (g))
- Restrictions on CDM programs for investment, replacement, efficiencies of infrastructure or FIT/MicroFit related (S. 3.1.5 (a-c))

Timing of the above requirements should be stipulated in the guidelines (where applicable), and Whitby Hydro suggests that it would be reasonable and practical to require that the information be included as part of the annual report.

The following requirements should not apply:

- Restrictions on timing of applications for Board-Approved CDM programs until after such time as the first set of OPA contracted provincial programs are established (S. 3.1.1)
- Benefit-cost analysis of each program using the OPA’s Cost Effectiveness Test (S. 3.1.4 (b))
- Target customers, forecasted participants, projected savings (kW/kWh), annual budget (S. 3.1.4 (d-f))

In summary, Whitby Hydro proposes that section 12 (Other Funding Sources) of the guidelines be amended and expanded to specifically address CDM programs that are fully funded by the distributor’s shareholder and where no further cost recoveries are being requested. These CDM programs would then be recognized by the Board using a modified process and set of requirements. These programs would be eligible to be included in the

distributor's target and for LRAMVA. The recommended guideline amendments would serve to further streamline and encourage CDM efforts where it is clear that there are no funding-related impacts to electricity customer rates.

Lost Revenue Adjustment Mechanism (LRAM)

Whitby Hydro appreciates the Board's updated guidelines with respect to LRAM and supports an approach which establishes recognition of differences between CDM impacts forecasted in load, and the actual CDM results. Whitby Hydro is also encouraged by the Board's desire to ensure that the distributors are kept whole for the 2011-2014 CDM term.

Whitby Hydro is concerned however, that the guidelines may not be sufficiently clear with respect to determining how the LRAMVA will work, timing and assumptions related to the calculation of LRAM and carrying costs, and the determination of the CDM component in load forecast. In order for distributors to have confidence in the LRAM (and LRAMVA) process, it is necessary to ensure that important areas of clarification are addressed up front so that distributors understand the expectations, and can feel some assurance that interpretations of the guidelines will support the concept of keeping distributors whole and ensuring that disincentives that would otherwise occur when distributors implement CDM programs are removed.

Whitby Hydro recommends the following areas be addressed to promote clarity:

- 1) All OPA contracted province-wide CDM programs, Board-approved CDM programs, and Other Funded CDM programs should be counted toward the actual verified results for LRAMVA as long as they are undertaken by the distributor and/or delivered by a third party under contract with the distributor however, this should also include OPA contracted programs that are marketed and delivered by the OPA but are supported and promoted by the distributors in the distributor's franchise area.
- 2) CDM component included in the load forecast – clarification is required to ensure that distributors understand the Board's view with respect to the determination of the CDM component in the load forecast. For example, the following scenarios should be addressed:
 - a. Distributors who have a load forecast approved prior to 2011.
 - b. Distributors who have a load forecast approved in 2011.
 - c. Distributors who have a load forecast approved between 2012 – 2014.
 - d. Distributors who have load forecasts approved through settlement that do not specifically address a CDM component.
 - e. Distributors who (prior to the establishment of the new guidelines) have not included a CDM adjustment in their load because they did not feel sufficient supporting evidence was available and they believed that the LRAM mechanism would be made available to kept them "whole". As a result, distributors may not have included specifics regarding why CDM was not adjusted in the load forecast.
 - f. Distinguish the differences between:

- i. CDM effects that are incorporated in the dataset used to develop the load forecast
 - ii. CDM effects that may be addressed through the load forecast methodology/algorithm (ie. CDM is included as a statistically significant explanatory variable)
 - iii. CDM effects that are addressed as a manual adjustment, separate from the load forecast methodology
- and how this impacts the LRAMVA calculation
- g. Updates in guidelines should not have retrospective impacts where expectations were not evident at the time of load forecasting.

In many cases, the amount of CDM included in a load forecast may be clearly evident, but there may also be many instances where this is not the case. In cases where it is not clear, the Board should provide insight and/or a process to allow for this to be determined. It is preferable to make this determination prior to the time when LRAMVA calculations are required, as it does not seem prudent for distributors to set up variance accounts when there is not reasonable certainty of the Board's interpretations and whether they will be allowed to be kept whole.

- 3) Accounting entries for LRAMVA – Whitby Hydro suggests that examples of entries, timing of entries etc. be addressed in the guidelines or as supplemental material in advance of when the entries are expected to be reported.
- 4) Calculation of LRAM – the guidelines state that distributors must calculate the full year impact of CDM on a monthly basis. As CDM final results (from the OPA or otherwise) are typically provided as an annual amount, the Board should clarify acceptable approaches to determine monthly breakdowns. Whitby Hydro suggests that an even monthly proration is a reasonable methodology for determining lost revenue and applying the resulting carrying costs. Whitby Hydro also notes that results are typically reported by CDM program and that an allocation of the results by customer class may require estimations on a best efforts basis.
- 5) Timing of entries for LRAMVA – Whitby Hydro wishes to remind the Board that the reporting of final CDM impacts is often well after the year end. As a result, entries are likely to occur in the year after the program is completed. This does not allow for matching to occur in the year from which the LRAM actually occurred. In keeping with this, the LRAMVA account will have activity beyond the 2014 calendar year.
- 6) Timing of requirements to file for disposition of LRAMVA – Whitby Hydro agrees that at minimum distributors be required to apply for disposition of LRAMVA balances at the time of their cost of service rate applications. Whitby Hydro also agrees that applications should be allowed annually as part of an IRM application however, does not feel that a specific materiality threshold should be required. Distributors should be allowed the opportunity to apply for LRAMVA disposition

Whitby Hydro also recommends that if the Board requires a final “cutoff” deadline for applications for LRAMVA disposition claims for the 2011-2014 programs, that the following considerations be included in the deadline selection:

- a. Sufficient time to have passed so that final published CDM results (including OPA results) can be used in the calculations.
- b. Sufficient time to have passed such that LRAMVA balances have been audited.
- c. Sufficient notice be given to distributors of deadlines such that resource planning and third party consultants can be engaged in an efficient, cost-effective manner.

The benefits of considering the above items include improved accuracy and lower costs. Costs may be avoided when adequate planning is factored into the timeline and additionally if LRAM calculations are not required to be re-calculated using both preliminary and final CDM results.

Whitby Hydro hopes that the Board will find its comments of assistance. If there is any clarification required, please feel free to contact me directly.

Respectfully Submitted,

Original Signed by

Ramona Abi-Rashed
Treasurer