



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2007 ELECTRICITY DISTRIBUTION RATES  
CDM SPENDING**

**MIDDLESEX POWER DISTRIBUTION  
CORPORATION**

**EB-2007-0553**

**MARCH 12, 2007**

## **Introduction**

As part of its 2007 EDR application, Middlesex Power Distribution Corporation (the “Applicant”) has submitted a plan (“CDM Plan”) to spend \$50,000 on four new conservation and demand management (“CDM”) programs. The programs are: Social Housing, Commercial Industrial, Sub-metering, and Load Control.

The purpose of this document is to provide the Board with the submissions of Board staff in respect of the Applicant’s CDM Plan, and whether the Applicant provided the information required to support its proposed CDM spending. Board staff’s assessment of the Applicant’s CDM Plan did not include a review of whether the proposed budget amounts are reasonable, nor whether the input assumptions underlying the Total Resource Cost (“TRC”) analysis are accurate.

## **Background**

The Board denied a previous request by the Applicant’s for \$50,000 of incremental CDM funding in the 2006 electricity rate adjustment process (EB-2005-0351), because the Applicant failed to provide cost-effectiveness testing results for the proposed activities, or details of the programs themselves. However, the rate model was not properly adjusted to reflect the Board’s decision. Due to this error, the Applicant’s 2006 rates included the proposed CDM spending amount of \$50,000. The Applicant is now proposing to spend, in 2007, the \$50,000 collected through 2006 rates, on the programs outlined in its CDM Plan.

## **Filing Requirements**

The applicable filing requirements are set out in the Board’s November 14, 2006 Filing Requirements for Transmission and Distribution Applications (“Filing Requirements”).

Staff submits that the Applicant has not provided all of the information required by the Filing Requirements. Specifically, Staff submits that the Applicant has failed to provide the following required information:

1. Characteristics of the Applicant’s distribution system.

2. General descriptions of the CDM programs. While some information has been provided, Staff submits that there is insufficient detail as to the nature and scope of the activities involved in the programs.
3. Customer classes targeted. The Applicant has not indicated which customer classes are targeted for each of its programs.
4. The projected budget, for 2007, broken down into:
  - (a) capital expenditures;
  - (b) operating expenditures, separated into direct and indirect expenditures; and
  - (c) for each operating expenditure, an allocation of the expenditure by targeted customer classes.

The Applicant provided only the total budget for 2007 for each initiative within the CDM Plan, but not the required breakdown listed above.

5. Complete input assumptions underlying the forecasted savings and costs, including a detailed presentation of the calculations. Specifically, the Applicant did not provide the input assumptions for its avoided energy and avoided capacity costs for each initiative. In addition, the Applicant's budgeted utility costs for measures were not, in all cases, used for the cost / benefit analysis. A different set of costs were used in some cases, and the Applicant provided no explanation for this difference.
6. A discussion of how the Applicant's programs are consistent with the proposed programs offered by the OPA. In its March 2, 2007 Report of the Board on the Regulatory Framework for Conservation and Demand Management by Ontario Electricity in 2007 and Beyond, the Board determined that where funding is available from the OPA for programs, distributors will be expected to apply to the OPA for funding for those programs. Staff submits that for the Applicant's Commercial Industrial and Load Control programs, and the Refrigerator initiative within the Social Housing program, insufficient information has been provided to allow for a proper assessment of whether the Applicant's programs are sufficiently different from those offered by the OPA.

## **Total Resource Cost Test**

In its Report of the Board on the 2006 Electricity Distribution Rate Handbook, the Board concluded that approval of spending in 2006 rates that was incremental to third tranche funding was conditional upon the spending meeting the TRC test established in the Board's Conservation Manual. While no Conservation Manual was developed, the Board did develop a TRC Guide, which defines the cost / benefit test to be used by distributors for determining the cost effectiveness of CDM programs. Staff submits that it is reasonable for the Board apply the same conditions for 2007 incremental funding.

The Applicant's Refrigerator initiative within its Social Housing program and its Sub-Metering program do not meet the TRC test, as they have scores of 0.98 and 0.99, respectively.

## **Options**

As indicated above, the Applicant has already collected, through 2006 rates, the \$50,000 that it is proposing to spend on the programs within its CDM Plan. If the Board were to not approve the Applicant's CDM Plan, it may be necessary to create a deferral account to track the money and how it is spent.

If the Board were to approve the CDM Plan submitted by the Applicant, there is a potential for duplication of programs with those offered by the OPA, and for the implementation of programs that have not met the TRC test and therefore are not cost effective.

One option is that funds could be re-allocated within the proposed portfolio, away from those programs that are being offered by the OPA, and away from those programs that do not meet the TRC test.

All of which is respectfully submitted.