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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli

Re: Vulnerable Energy Consumers Coalition (VECC)
Additional Submissions Re: EB-2007-0555
Milton Hydro Distribution Inc. – 2007 Electricity Distribution Rate Application

On March 7, 2007, VECC filed its submissions with respect to Milton Hydro's 2007 Electricity Distribution Rate Application. Subsequently, on March 22, 2007 Milton Hydro filed a revised submission regarding its 2006 CDM plan and a new submission for its 2007 CDM plan. VECC has reviewed the new materials filed by Milton Hydro and set out below are further submissions regarding Milton Hydro's 2007 Rate Application.

<u>Deferral Account Treatment of 2006 CDM Spending</u>

In its March 7, 2007 submissions VECC expressed the concern that Milton Hydro was seeking to clear from its 2006 CDM Deferral Account its forecast 2006 CDM spending ($300,750) as opposed to it actual 2006 CDM spending and that no information had been provided regarding actual spending to date.

In its most recent filing, Milton Hydro has provided details regarding its actual CDM spending for 2006 ($95,121) and confirmed that this is the amount it is seeking recovery for in 2007 through a rate rider. Virtually all of the spending in accumulated in the Deferral Account is in regard to programs that were originally filed as part of Milton Hydro's 2006 Rate Application and their cost effectiveness was reviewed by the Board as part of its July 5, 2006 Decision when it authorized the 2006 CDM Deferral Account. The only exception is some $3,900 in spending on social housing which was not in the original plan. While VECC clearly supports and encourages distribution utilities to offer such programs, there has been no evidence provided by Milton Hydro as to the cost effectiveness of the program in question. VECC would encourage Board Staff to work with Milton Hydro to address this deficiency, thereby allowing for the recovery of these costs as part of the 2007 Rates.

Proposed 2007 CDM Spending

In its revised submission, Milton Hydro is proposing to include in 2007 rates $205,629 in CDM spending. With respect to the proposed programs for 2007 there is an inconsistency in the information provided on pages 2 and 8 of the Application. Page 2 shows no 2007 spending on Developing Electricity Response Systems to Promote CDM and spending of $21,100 for Program Administration. In contrast, page 8 shows $10,000 of spending in 2007 on Developing Electricity Response Systems to Promote CDM and spending of $11,100 for Program Administration. Board Staff should be directed to clarify the record.

All of the spending is to support the continuation of the 2006 programs. Milton Hydro has provided TRC analyses for each of the proposed programs and for three out of the six programs the TRC results are negative. In its submissions regarding Milton Hydro's 2006 Rate Application, VECC acknowledged that not all programs are amenable to TRC analyses and the some have intangible benefits. In this particular incidence, VECC notes that the programs with negative TRC results account for either 17% or 12% of the proposed 2007 CDM spending (depending on outcome of the previous paragraph) and that, overall, the portfolio of programs yields positive net benefits, with an overall TRC ratio of 2.77. Given this context, VECC is prepared to support Milton Hydro's proposed 2007 CDM spending.

VECC does however have one concern with respect to the proposed level of spending for 2007. As part of its 2006 Rate Application, Milton Hydro ultimately proposed CDM spending for 2006 of $300,750. However, to date (i.e., as of February 28, 2007) it has only spent $95,121. Given this history, VECC is concerned about the capacity of Milton Hydro to spend the $205,629 proposed for 2007.

Proposed Recovery of 2006 and 2007 CDM Spending

With respect to the recovery of the $95,121 of 2006 CDM spending, Milton Hydro proposes to allocate the $10,000 associated with Developing Electricity Response Systems to Promote CDM directly to the Residential class. The detailed description of the related activities (see March 22, 2007 Application, page 18) indicates that the initiative is looking at demand-side management strategies “to be used in the industrial/commercial and residential sectors in Ontario”. As a result, VECC submits that this direct allocation to the Residential class is inappropriate and that the costs should be spread across all customer classes.

With respect to the 2007 proposed CDM spending, Milton Hydro is proposing that $26,427 be allocated directly to the Residential class. Part of this spending is a continuation of the 2006 initiative Developing Electricity Response Systems to Promote CDM and, for the reasons provided above, VECC submits that the 2007 spending should also be allocated to all customer classes. The balance of the CDM spending directly allocated to the Residential class is for the CDM Newsletter. Again, the detailed description of the related activities (page 9) indicates that the Newsletter is sent to all customers as a bill insert. As a result, VECC submits that the costs of the program should be allocated to all customer classes.

Please contact either Bill Harper (416-348-0193) or myself (416-767-1666) if you have any questions regarding our submissions.

cc: Milton Hydro Distribution Inc.

Yours truly,

Michael Buonaguro
Counsel for VECC