



RP-2004-0203

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF Applications by distributors
under the *Ontario Energy Board Act, 1998* for approval of
Conservation and Demand Management Plans.

PROCEDURAL ORDER

Background

The Minister has authorized distributors to apply for their third installment of market adjusted revenue requirement. The Minister has also stated that approval of the recovery of this amount in rates is to be conditional on a financial commitment to invest an amount equal to one year's incremental returns in conservation and demand management activities. This Procedural Order addresses the following matters: (i) opening deferral accounts; (ii) development expenses; (iii) applications for plan approval; and (iv) filing requirements.

(i) Deferral Accounts

The Minister by letters dated May 31, 2004 granted written approval to all distributors to apply to the Board for approval to establish a deferral account to record costs incurred with respect to conservation and demand management activities. The Board has decided that it would be more expeditious and less burdensome to distributors for it to grant the authority to establish a deferral account by amending the Accounting Procedures Handbook and the Uniform System of Accounts, rather than by requiring all distributors to make an individual application.

The Board has amended the Accounting Procedures Handbook and the Uniform System of Accounts. The Board has established the following rules with respect to the operation of the deferral accounts:

1. Costs incurred prior to March 1, 2005 will be increased by interest recorded at 5.75% per annum on the outstanding monthly balance of the tracking account.

2. Distributors may seek to recover any financing costs of a conservation program provided that the program expenditures were made on or after March 1, 2005 and before March 1, 2006. 11
3. The balance in the tracking account will be reduced each month during the period between March 1, 2005 and February 28, 2006 by 1/12 of approved incremental revenue requirement. 12

The Board will provide more details of these changes to the Accounting Procedures Handbook and the Uniform System of Accounts in the near future. 13

(ii) **Development Expenses** 14

The Board has decided that, in order to encourage distributors to undertake conservation and demand management activities, the Board is prepared to allow development expenses of up to \$25,000, as part of the third installment of market adjusted revenue requirement, for the research of technologies or programs that could be employed for conservation or demand management activities. This amount, if spent, will be counted as money to be applied against the third installment of market adjusted revenue requirement irrespective of whether any program is subsequently undertaken. 15

(iii) **Applications for Plan Approval** 16

The Board understands that some distributors wish to have approval of their Conservation and Demand Management Plans prior to the Board approving their 2005 rate adjustments so that they can commence spending to implement these plans. Some distributors have also expressed concern that they would invest in certain activities which the Board would later conclude were not appropriate. The Board, in its information bulletin dated August 30, 2004, addressed this concern by stating that it was prepared to give approval of planned conservation and demand management activities prior to these costs actually being incurred. 17

This Procedural Order sets out the process for how distributors may apply for approval of Conservation and Demand Management Plans. Distributors have three options they can follow in applying for approval. These options are: 18

1. Apply now for an interim order of the Board; 19
2. Apply now for a final order of the Board (subject only to the ultimate review of the actual expenditures); 20
3. Apply, in early 2005 as part of their application for 2005 rates, for a final order of the Board (subject only to the ultimate review of the actual expenditures). 21

The choice between requesting an interim order (Option 1) and requesting a final order now (Option 2) is between a more rapid decision (resulting in an interim order under Option 1) and a more certain decision (resulting in a final order under Option 2).

The Board can only issue a final order (under Option 2) after hearing from all eligible parties. Following such a hearing, the Board may make a binding decision approving the plan and deciding that the third tranche will be available to meet the distributor's financial commitment to invest in conservation and demand management activities. A party taking this approach would have the certainty that a final order will not be reviewed later by the Board. The Board intends to proceed by way of a written hearing in reviewing applications for a final order unless a party provides good reason why the matter should proceed by way of an oral hearing. The Board anticipates that it can decide on an application made in accordance with Option 2 in which it proceeds by way of a written hearing within one month of a complete application being filed with the Board.

The Board may, in the alternative (under Option 1) issue an interim order which will have effect prior to the hearing for a final order. In this case, the Board may set aside the finding in its interim order but it will only do so if an eligible intervenor successfully argues that the approach taken in the interim order is inappropriate. However, in the absence of the findings changing as a result of a hearing, the Board will not change its position from that taken in an interim order.

As stated in its August 30, 2004 information bulletin, and in accordance with the Minister's direction, at a later date the Board will carry out a review of the actual expenditures. Where a distributor has a final order approving its plan, Board approval of the actual expenditures will be granted where the money was spent in accordance with the distributor's proposal and the commitments outlined in the plan.

(iv) **Filing Requirements**

The Board has also decided that, in order to ensure that the Board has the necessary information it requires to make timely decisions with respect to the applications of distributors for approval of their Conservation and Demand Management Plans, it shall require distributors to file certain information with these applications. This information is as follows:

- (a) a description of the proposed programs identifying the affected customer classes and the specific details of each program;
- (b) the total program budget including the total amount and schedule of the annual expenses for the 2004-2007 time period; and
- (c) the anticipated program benefits, including quantifiable benefits where these can be identified (i.e. energy savings (kW or kWh)). Where the program has anticipated qualitative benefits (such as enabling technologies or customer education), these expected qualitative benefits must be described.

THE BOARD ORDERS THAT:

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1. Distributors may apply in accordance with one of the following three options for approval of their Conservation and Demand Management Plans:

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(a) apply now for an interim order of the Board;

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(b) apply now for a final order of the Board (subject only to the ultimate review of the actual expenditures referred to above);

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(c) apply for a final order of the Board (subject only to the ultimate review of the actual expenditures referred to above) as part of their application for 2005 rates.

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2. The Board shall proceed to dispose of any application made for approval of a Conservation and Demand Management Plan by way of a written hearing, unless any party provides good reason why the matter should proceed by way of an oral hearing.

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3. Any distributor that files an application for approval of a Conservation and Demand Management Plan with the Board shall file the following information with the application:

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(a) a description of the proposed programs identifying the affected customer classes and the specific details of each program;

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(b) the total program budget including the total amount and schedule of the annual expenses for the 2004-2007 time period; and

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(c) the anticipated program benefits, including quantifiable benefits where these can be identified (i.e. energy savings (kW or kWh)). Where the program has anticipated qualitative benefits (such as enabling technologies or customer education), these expected qualitative benefits must be described.

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ISSUED at Toronto, October 5, 2004.

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ONTARIO ENERGY BOARD

John Zych
Board Secretary