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EB-2007-0681

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc.
For an Order or Orders approving rates for the distribution of electricity.

GEC Cross-Examination Materials

(HON Witness Panel 4)

David Poch
Counsel to GEC

613-264-0055

David I. Poch Barrister

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10 July 2008

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

Dear Ms Walli:

Re: EB-2007-0681 GEC-Pembina-OSEA Cross Examination materials

Attached please find our cross examination materials for the Hydro One Distribution case.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Poch', with a stylized flourish at the end.

David Poch

SUMMARY OF BOARD DIRECTIVES AND UNDERTAKINGS FROM PREVIOUS PROCEEDINGS

This exhibit identifies Board directives to Hydro One Distribution from its previous rates proceedings. Table 1 lists the directives and indicates the Exhibit number in this application in which the evidence responds to the Board directives, or provides the response itself.

Table 1
Directives from Proceeding RP-2005-0020/EB-2005-0378 (2006 Distribution Rates)

Item #	Issue	Summary of Directive	Reference Exhibit
(i)	CDM	The Board expects Hydro One to provide a more sound analysis of CDM program details and reduction objectives in future applications. (2.3.9)	Exhibit A, Tab 14, Schedule 3, Section 2.6
		Response Note - Hydro One will take guidance on planned reductions and funding from OPA based programs.	
		The Board expects Hydro One to present future CDM load reduction forecasts with a bottom-up analysis estimating the expected results of their CDM activities and those of others that affect their loads. The Board expects Hydro One's next CDM load reduction forecast, of this order of magnitude, to include a proposal for an LRAM. (2.3.13)	Exhibit A, Tab 14, Schedule 3, Section 4.0
		Response Note - Hydro One has concerns with the practical difficulties and related accuracy of determining the actual amount of CDM savings achieved by its customers in a given year, through the implementation of CDM initiatives from various sources such as the Ontario Power Authority, Provincial Government and Federal Government. Hydro One believes it is prudent to wait for the OPA to develop Measurement and Verification programs for determining actual CDM achievements and as such is not proposing or requesting an LRAM at this time.	

1 Ministry of Energy staff; specific customer development was based on forecast survey
2 results from major customers. Information provided from these entities is consistent with
3 the economic assumptions used in business planning as described in Exhibit A, Tab 14
4 Schedule 2. Also, inputs from these entities form the economic database (referred to
5 henceforth as economic forecast) that is used to establish Hydro One Distribution load
6 forecast. Section 3 below provides a detailed description of the methodology used by
7 Hydro One to develop its load forecasts. Detailed modeling equations and definitions are
8 presented in the Appendices.

9
10 When applying Hydro One Distribution's forecasting methodology to derive the 2008
11 requirements, Hydro One Distribution is expected to deliver 40,666 GWh of electricity to
12 some 1,170,000 distribution customers. This represents an increase of 0.14 percent over
13 the 2006 demand forecast and an increase of 1.7 percent over the 2006 customer count.
14 Section 4 below provides more detailed discussion in respect of the comparison of the
15 2008 forecast in relation to the historic (2006) and bridge (2007) years. Hydro One
16 Distribution's load forecast has incorporated the Board's latest decision for Hydro One
17 Transmission Rate case (EB-2006-0501) to include 350 MW of natural conservation in
18 the provincial CDM target of 1350 MW for 2007. The load forecast in 2008 also
19 accounts for 251 MW of CDM program impacts assumed in the OPA's IPSP that was
20 filed with the Board on August 29, 2007.

21
22 **2.0 DISCUSSION OF THE ECONOMIC CONSIDERATIONS THAT**
23 **INFLUENCE HYDRO ONE DISTRIBUTION'S LOAD FORECASTS**
24

25 In this section we discuss some of the key economic considerations that must be taken
26 into account in the process of developing load forecasts and in the application of
27 forecasting methodologies. The elements of the forecasting process used by Hydro One
28 Distribution are for the most part based on the knowledge of how the major economic

2.6 Conservation and Demand Management

Hydro One Distribution supports the Ontario Government's conservation and demand management (CDM) target to achieve a 1,350 MW of peak reduction by 2007 and a further reduction of 1,350 MW by 2010. Hydro One Distribution used the Board approved 3rd tranche funding of \$39.5 million to cover its CDM programs for the 2004-2007 period. After the 3rd tranche funding, Hydro One will rely on the CDM funding from OPA to fund its CDM initiatives in 2008 and beyond.

Table 2 summarizes the cumulative CDM impact since 2004 assumed in Hydro One's distribution system load forecast for 2006, 2007 and 2008. The CDM impact includes programs undertaken by Hydro One Networks and programs implemented by other agencies such as federal and provincial governments, OPA and IESO. Hydro One Distribution's 2007 CDM impact is the same as the 2007 CDM impact approved by the Board for Hydro One's Transmission Rate case (EB-2006-0501) issued on August 16, 2007. A 350 MW reduction to the 2007 provincial CDM target of 1350 MW was made to account for the impact of natural conservation. The 2008 CDM impact is consistent with the OPA's IPSP filed with the Board on August 29, 2007.

Table 2
CDM Impact on Hydro One Distribution Load
(GWh)

Year	Hydro One Retail	Embedded Direct and LDC Customers	Total
2006	194	151	345
2007	311	242	554
2008	437	333	770

CDM programs that have been undertaken in the past two years or are in the process of being initiated include the following initiatives:

- improved building codes for new housing and more stringent efficiency standards for appliances;
- conservation programs to encourage more efficient use of lighting and appliances;
- demand response programs to reduce air conditioning and water heating load in the summer months;
- use of smart metering and TOU rates to encourage consumers to shift consumption patterns to off-peak period; and
- programs to increase supply or reduce demand such as fuel switching, using back-up generation or requesting large industrial customers to reduce consumption on a temporary basis.

The 2006 annual report filed by Hydro One Distribution on CDM (RP-2004-0203/EB-2005-0198) includes detailed program impacts on a bottom-up basis.

Hydro One Distribution does not currently have the data required to do a bottom-up analysis of the CDM impact on Hydro One's load forecast from the various CDM programs driven by various sources such as the Ontario Power Authority, Provincial Government and Federal Government.

2.7 Customer Forecast

In 2007 Hydro One Distribution is expected to serve about 1.17 million customers through its distribution system. Detailed customer information is retained in the Customer Settlement System (CSS) for billing and account management. Customer data are extracted from CSS regularly for tracking, analysis and reporting. Customer forecast



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July 9, 2008

Mr. David Poch
Green Energy Coalition
1649 Old Brooke Road
Maberly, ON
K0H 2B0

Dear David,

Re: LRAM for Hydro One Networks Inc.

This letter is further to your e-mail of June 4, 2008, in which you asked about the OPA's plans to report on province wide results with respect to its Conservation programs. Your email is appended to this letter.

As detailed in the IPSP, the OPA is committed to conducting rigorous EM&V on the Conservation programs it procures in the market. EM&V provides assurance that the savings claimed are actual Conservation resources, and provides invaluable input into future portfolio design and program effectiveness.

The OPA intends to have 26 programs operating in market by the end of 2008. These programs will be delivered by a number of Channel Partners including LDCs, NGOs, industry associations and private companies.

Over the period of 2008 to 2010, the OPA will conduct detailed EM&V on all of these programs. In any given year, approximately a third of the programs will be undergoing EM&V.

On an annual basis, the OPA will publish a summary of the OPA's previous year's Conservation Portfolio results using the best available data as derived from the EM&V results. The Portfolio will be presented on a provincial basis and will provide a complete list of assumptions including detail on which programs were subject to EM&V. This report will be published by the OPA in the 3rd quarter.

I trust that this is of assistance. Please be advised that we will file this response with the Board and provide to registered parties.

Yours truly,

A handwritten signature in black ink, appearing to read "Michael Lyle", is written over a horizontal line.

Michael Lyle
General Counsel & Vice President
Legal & External Affairs

Attachment – your email of June 4, 2008

cc: Parties to EB-2007-0681 - Hydro One Networks Inc., 2008 Distribution Rates Application

Nimi Visram

From: David Poch [dpoch@eelaw.ca]
Sent: June 4, 2008 3:03 PM
To: Michael Lyle
Cc: susan.e.frank@HydroOne.com
Subject: LRAM for HON

Mike:

Further to my telephone call two weeks ago, in the course of the ADR discussions with (Susan Frank of) Hydro One, GEC was proposing an LRAM based on what OPA reports as accomplished for energy efficiency (pro-rated by Hydro One to their service territory). In the last case the OEB indicated that it expected HON to bring forward an LRAM. HON indicates that they expect most if not all of their efficiency to be pursuant to OPA contracts. However, HON is concerned that OPA may also conduct province-wide programs that are not delivered by HON and there could be difficulty sorting out impacts.

As it turns out, HON's forecast of CDM impact is based on a pro rata share of OPA's targets (however delivered). Accordingly, to simplify matters I have proposed that the LRAM be cleared on the same basis once OPA reports on its progress for the relevant period. HON would be responsible for the pro-rata apportionment which they would do on the same basis that they have forecasted impacts.

I undertook to contact you to confirm that OPA will in fact report such province-wide results on an annual basis.

Can you advise if this is indeed so.

Thanks,

David

David Poch
613-264-0055