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June 14, 2007

Delivered by Courier and E-mail

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

Dear Ms. Walli:

**Re: North Bay Hydro Distribution Limited - Extension of CDM Activities
Beyond September 30, 2007**

We are counsel to North Bay Hydro Distribution Limited ("North Bay Hydro"). On March 16, 2005, the OEB issued its Decision and Order approving North Bay Hydro's proposed Conservation and Demand Management ("CDM") Plan for the period of January 1, 2004 through September 30, 2007. The OEB approved a total budget of \$1,274,500 for the CDM Plan, including both capital expenditures and operating expenses. This amount represented ½ of the second instalment of North Bay Hydro's Market Adjusted Revenue Requirement ("MARR"), which had previously been forgone, and the entire third instalment of North Bay Hydro's incremental MARR.

We are writing to you with respect to the Commercial, Industrial and Institutional Demand Management activities that form part of North Bay Hydro's CDM Plan. The amount budgeted for these programs in North Bay Hydro's approved CDM Plan was \$545,000. The programs involve the preparation of an audit of an interested customer's facilities, followed by a summary report outlining major opportunities for savings from among those demand reduction measures approved by the OEB. Where the customer expresses an interest in pursuing those opportunities, North Bay Hydro would prepare a more formal audit, assist in designing the project(s), and prepare an agreement that would provide for a financial incentive to the customer from North Bay Hydro to assist in reducing the payback and costs associated with implementing the measures. The budgeted costs include costs related to the audits, program design and the incentives themselves.

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In the Plan (a copy of pages 13 and 14, which describe this program, accompanies this letter), North Bay Hydro had indicated that “This program must be delivered to customers in early 2005 as it will take between 18-24 months before measures are actually implemented.” North Bay Hydro began approaching customers in the target classes upon receiving OEB approval of its CDM Plan, and has been pleased with the results of this program to date. In its March 30, 2007 annual Report to the OEB on the status of implementation of its CDM Plan (the “2007 Report”), North Bay Hydro advised that it had realized energy savings to that date of 1,126,850 kWh against costs (again, to that date) of \$239,570.

In the portion of its 2007 Report (an electronic copy of the 2007 Report accompanies this letter) that related to these projects (see Table 1, at page 2), North Bay Hydro advised as follows: “Several projects completed and many others with executed contracts. Customers are slow to react and many take significant time to complete projects.” Assuming that all of the outstanding projects for which agreements have been signed are completed, North Bay Hydro’s costs will total approximately \$462,287.

North Bay Hydro is concerned at this time, however, that those of its customers that are still interested in conservation-related upgrades will not pursue them due to the requirement that North Bay Hydro complete the work outlined in its CDM plan by September 30, 2007. In many of these cases, audits have been completed, the customers are aware of the potential savings, and they have expressed their interest in proceeding with the projects, but the agreement may not have been executed; in others, agreements have been signed but work has not yet been performed. North Bay Hydro estimates that projects representing energy savings of 3,080,845 kWh hours, with costs of \$143,434.39 in incentives to be paid out, plus North Bay Hydro’s administrative and other costs, including marketing and promotion, auditing, and consultant fees, remain highly likely to proceed. However, as the OEB will appreciate, the customer is responsible for the initial expenditures on the upgrades, and the incentives, while not insignificant, cover only a portion of the customer’s cost. North Bay Hydro has little control over when the work is performed, but it is clearly beneficial to the customer and the province that it be performed. In the absence of the incentives, it is far less likely that this work will be performed.

North Bay Hydro believes that a number of its other customers still wish to pursue projects, in addition to those that have reached the point of executing agreements. If necessary, additional funds for audits and incentives beyond the \$545,000 budgeted for these activities may be available from the \$90,000 previously budgeted for the Energuide for Houses program, which has been cancelled by the federal government. North Bay Hydro estimates that the sum of approximately \$60,000 remains from its budget for that program.

In order to ensure that customers that have expressed an interest in moving forward with upgrades are able to do so, and in order to ensure that North Bay Hydro can meet its obligations to the OEB with respect to its full CDM spending, North Bay Hydro requests that the OEB extend the deadline for completion of this portion of its CDM Plan to the end of the current rate year (April 30, 2008) and allow North Bay Hydro to execute agreements with interested customers until December 31, 2007. North Bay Hydro believes that this will allow most if not all of those projects North Bay Hydro has



assigned a “medium” to “high” likelihood of completion to proceed, with the corresponding anticipated energy savings.

North Bay Hydro appreciates that the Ontario Power Authority (the “OPA”) will be offering a similar CDM program. However, North Bay Hydro submits that its program is more favourable to its customers than that of the OPA, and it would be regrettable if the work already performed by North Bay Hydro for these customers were to be duplicated through the OPA process. North Bay Hydro suggests that it would be more appropriate and cost effective to maintain these customers in the North Bay Hydro program. North Bay Hydro will likely opt into the OPA program following the completion of its CDM expenditures.

We thank you for your consideration in this matter. Should you have any questions or require further information with respect to the North Bay Hydro program, its results to date and/or the anticipated savings, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Original Signed by James C. Sidlofsky

James C. Sidlofsky
JCS/dp

cc: E. Chirico, North Bay Hydro
J. Snider, North Bay Hydro

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