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August 3, 2007

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ONTARIO ENERGY BOARD

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Application for Amendments to Veridian Connections Inc.'s Conservation and Demand Management Plan

Veridian Connections Inc. ("Veridian") hereby requests approval for proposed amendments to its Conservation and Demand Management (CDM) Plan, a plan that was originally approved by the Ontario Energy Board (the "Board") under Board file number RP-2004-0203/EB-2004-0484.

Background

Veridian's original CDM plan was filed with the Board on November 4, 2004 and amended on December 6, 2004. It provided for \$3,500,000 in CDM investments by September 30th 2007. The Board issued its Final Order approving Veridian's plan on February 3, 2005. The order permitted Veridian to transfer budget amounts between program areas within the plan without further Board approval, to a cumulative fund transfer threshold of 20%.

Two amendments to Veridian's CDM plan have been made since the time that the Board issued its Final Order:

Revision 1: In September 2005, the plan was amended to incorporate Scugog Hydro Energy Corporation's (Scugog Hydro) CDM plan into Veridian's plan, following Veridian's acquisition of Scugog Hydro and cancellation of that utility's electricity distribution licence. At the same time, the plan was amended to reallocate budget amounts between certain programs.

Revision 2: In June 2006, the plan was amended to incorporate Gravenhurst Hydro Electric Inc.'s (Gravenhurst Hydro) CDM plan into Veridian's plan, following Veridian's acquisition of Gravenhurst Hydro and the cancellation of that utility's distribution licence.

The Board was notified of the details of both of these plan amendments. The first revision was reported by letter on September 15th 2005 and was accepted by the Board as an "informational update". The second revision was identified in Veridian's quarterly CDM spending reports. It was also identified in Veridian's 2006 Annual Report as filed with the Board on March 30th 2007.

The power to make your community better.

Veridian Connections is a wholly owned subsidiary of Veridian Corporation



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Following these plan amendments, Veridian's CDM plan comprises a total spending commitment of \$3,741,000. For ease of reference full details of the current plan and the cumulative budget reallocations associated with the two plan revisions are provided under appendix 'A'.

Projected Plan Status at September 30th 2007

By the end of the July 2007, Veridian had invested a total of \$2,330,054 under its CDM plan. It is projected that a further \$679,500 will be invested during the third quarter of 2007, leaving a spending shortfall of approximately \$731,446 at the end of September 30th 2007.

Details of actual and projected spending by program are detailed under appendix 'B'.

Proposed Budget Reallocations

It is apparent that Veridian will not be able to fully exhaust its CDM spending commitment by the end of the third quarter 2007 as originally planned. In addition, there have been a number of changes to the business environment for electricity distributors since Veridian's original plan was approved. These changes necessitate further reallocations between program budgets

The following table provides a summary of Veridian's proposed budget amendments.

CDM Program	Current Budget (\$000)	Proposed Budget (\$000)	Change (\$000)
CONSERVATION & DEMAND MANAGEMENT			
Residential & Small Commercial (<50 kW)			
- Co-branded Mass Market Program	533	800	+ 267
- Smart Meter Pilot	309	222	- 87
Commercial, Industrial & Institutional (>50 kW)			
- Smart Meter Program	1201	518	- 683
- Leveraging Energy Conservation/Load Mgmt.	246	43	- 203
DISTRIBUTION LOSS REDUCTION			
- Distribution Loss Reduction	1174	1784	+ 610
DISTRIBUTED ENERGY			
- Load Displacement	120	199	+ 79
- Standby Generators	100	100	0
- Peak Shaving Generator, Scugog Muni. Bldg.	58	75	+ 17
TOTAL	\$3741	\$3741	\$0

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The basis for the proposed budget reductions is as follows:

- The reduction in the budget for the **C.I. & I. (> 50 kW) Smart Meter program** is due to legislated restrictions on our ability to fully execute our smart meter deployment plan for general service customers. The original plan was based on conversions to interval metering, for all customers larger than 50 kW in size. The initial focus was on the conversion of customers between 200 kW and 500 kW in size, and this work is now substantially complete. Further conversion work for customers in the 50 kW to 200 kW range was halted upon introduction of Ontario Regulation numbers 426/06 and 427/06. These regulations, as we understand them, prohibit investments in smart metering that do not comply with the 'Functional Specification for Advanced Metering Infrastructure' dated July 14, 2006. This specification does not cover smart demand meters, as is required for 50 kW to 200 kW general service customers.
- The budget reduction for the **C.I. & I. (> 50 kW) Leveraging Energy Conservation and/or Load Management program** partially reverses a budget reallocation that established this program in September of 2005. As explained in our September 15th 2005 letter, this program was added to Veridian's portfolio of CDM programs to accommodate the delivery of the powerWISE Business Incentive Program in concert with other members of the Coalition of Large Distributors (CLD). Unfortunately, despite our best marketing efforts, there was limited customer response to the program. Furthermore, the program has now been eclipsed by the Ontario Power Authority's Electricity Reduction Incentive Program (ERIP), so additional spending in this program category is not anticipated.
- The modest budget reduction in the **Residential & Small Commercial (< 50 kW) Smart Meter Pilot program** is due to the successful completion of Veridian's 400-point smart meter pilot project at less than budgeted cost.

Of course, these budget reductions require offsetting budget increases. The rationale for the proposed increases is as follows:

- A nominal increase in the budget for the **Peak Shaving Generator at the Scugog Municipal Building** is required to accommodate the higher than expected actual costs to complete this work.
- An increase in the budget for the **Load Displacement program** is required to accommodate actual spending and spending commitments associated with a very successful demand response incentive program.
- An increase in the budget for the **Residential & Small Commercial (< 50 kW) Co-branded Mass Market program** is required to accommodate actual spending and spending commitments. No new commitments are planned within this program, as our efforts have transitioned to the support of Ontario Power Authority's mass market conservation programs. However, there are two current initiatives that will continue into the fall of 2007 - an electric water heater tune-up program and an un-metered to metered electric water heater conversion program.

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- The remaining offsetting increases have been attributed to the **Distribution Loss Reduction program**. This is proposed for two reasons. First, the costs of distribution system losses are a pass through expense for distributors. Consequently the financial benefits of reductions in these losses will accrue to all customers, thereby proving a balancing of benefits between customer classes. Second, investments in distribution loss reduction initiatives under this program have been very effective to date, and opportunities to replicate these initiatives on other components of Veridian's distribution network have been identified. These opportunities include further investments in power system load balancing, voltage load profile management, and power factor correction.

As stated in appendix 'A', the cumulative fund transfers between program budgets associated with the first two revisions to Veridian's CDM plan total \$246,000 or approximately 6.6% of the total program budget. The additional transfers totaling \$973,000 as proposed in this application increase this cumulative transfer to 33%.

As noted above, the \$203,000 budget reduction for the C.I. & I. (> 50 kW) Leveraging Energy Conservation and/or Load Management program partially reverses an earlier reallocation made under plan revision number 1. Therefore, it might be considered that this reallocation should be backed out of the cumulative transfer amount, reducing it to a value of \$1,016,000 or 27%. However, even with this adjustment the proposed transfer amounts exceed the 20% threshold established in the Board's Final Order.

A clean version of Veridian's program budget with these proposed changes shown is provided under Appendix 'C'.

Proposed Timeline Extension

Veridian's current CDM plan includes eight program areas. If the amendments proposed in the application are approved, the following three of these eight programs will require timeline extensions to accommodate activity beyond September 30th 2007:

- Residential & Small Commercial (< 50 kW) Co-branded Mass Market program
- Distribution Loss Reduction program
- Distributed Energy Standby Generator program

While the actual timeline extension required varies by program, for simplicity we propose a one-year extension to September 30th 2008 be provided for all three programs.

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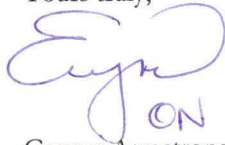
Relief Sought

Veridian hereby requests:

- Approval of its proposed budget reallocations and the adoption of the revised budget presented under Appendix 'C'.
- A twelve month extension to September 30th 2008 for completion of program spending for the following programs:
 - Residential & Small Commercial (< 50 kW) Co-branded Mass Market program
 - Distribution Loss Reduction program
 - Distributed Energy Standby Generator program
- Continued flexibility to transfer funds among the remaining programs without further Board approval as long as the cumulative fund transfers do not exceed 5% of the total approved budget.
- That the Board dispose of this application without a hearing pursuant to section 21(4)(b) of the Act.

Please do not hesitate to contact me at 905-427-9870, extension 2202 should you have any questions concerning this application.

Yours truly,



ON BEHALF OF:

George Armstrong
Manager of Regulatory Affairs and Key Projects

cc Michael Angemeer
Rob Scarffe
Axel Starck
Dave Clark

Summary of CDM Plan Revisions

Revision No.	Date	Description	Budget Reallocation			Cumulative Budget Reallocation*	Reallocation as Percent of Total Current Budget**
			Amount	From	To		
1	September 15, 2005	Incorporate 'Customer Education' and Peak Shaving Generator' programs from Scugog Hydro's CDM plan	\$5,300	Scugog Hydro's CDM plan	Co-branded Mass Market Program	0	0
			\$58,000	Scugog Hydro's CDM plan	Peak Shaving Generator, Scugog Municipal Building	0	0
		Add 'Leveraging Energy Conservation and Load Management programs'	\$126,000	Distribution Loss Reduction	Leveraging Energy Conservation and Load Management programs	\$126,000	3.5%
			\$120,000	Distributed Energy Load Displacement	Leveraging Energy Conservation and Load Management programs	\$246,000	6.9%
		Update Distribution Loss Reduction program description (addition of voltage profile management)	\$0	Not applicable	Not applicable	\$246,000	6.9%
2	June 1, 2006	Incorporate 3 rd Tranche spending obligation from Gravenhurst Hydro Electric Inc.'s CDM plan	\$178,000	Gravenhurst Hydro Electric Inc.'s CDM plan	Co-branded Mass Market program	\$246,000	6.6%

Veridian Connections Inc. - Conservation and Demand Management Plan

* It is assumed that Incorporation of CDM budget amounts from acquired electricity distributors does not constitute a budget reallocation

** cumulative reallocation to date as a percent of the total budget at the time of revision.

Program Budget and Timeline Summary

		Annual Budget (\$'000)			Total Budget (\$'000)
		2004-05	2006	2007	
CONSERVATION AND DEMAND MANAGEMENT					
Residential and Small Commercial (<50kW)					
- Co-branded Mass Market Program	OPEX	92	212	229	533
	CAPEX	0	0	0	0
- Smart Meter Pilot	OPEX	28	32	32	92
	CAPEX	217	0	0	217
Commercial, Industrial & Institutional Market (>50kW)					
- Smart Meter Program	OPEX	91	149	135	375
	CAPEX	128	349	349	826
- Leveraging Energy Conservation and/or Load Mgmt. Programs	OPEX	20	20	20	60
	CAPEX	62	62	62	186
Sub-Total, Conservation & Demand Management:		638	824	827	2289
DISTRIBUTION LOSS REDUCTION					
- Distribution Loss Reduction	OPEX	12	22	22	56
	CAPEX	286	666	166	1118
Sub-Total, Distribution Loss Reduction:		298	688	188	1174
DISTRIBUTED ENERGY					
- Load Displacement	OPEX	12	12	12	36
	CAPEX	28	28	28	84
- Standby Generators	OPEX	10	5	5	20
	CAPEX	40	20	20	80
- Peak Shaving Generator, Scugog Municipal Bldg.	OPEX	0	58	0	58
	CAPEX	0	0	0	0
Sub-Total, Distributed Energy:		90	123	65	278
Total Budget, All Programs		1026	1635	1080	3741

Veridian Connections Inc. - Conservation and Demand Management Plan

Revision 2: June 1, 2006

Projected CDM Plan Status, Q3 2007

		Actual Costs to July 31, 2007	Projected Costs Q3 2007	Total Actual + Projected	Current Budget	Projected Variance to Budget
CONSERVATION AND DEMAND MANAGEMENT						
Residential and Small Commercial (<50kW)						
- Co-branded Mass Market Program	OPEX	520,951	160,433	681,384	533,000	(148,384)
	CAPEX	72,962	4,900	77,862	0	(77,862)
	TOTAL	593,913	165,333	759,246	533,000	(226,246)
- Smart Meter Pilot	OPEX	51,604	7,258	58,862	92,000	33,138
	CAPEX	162,977	0	162,977	217,000	54,023
	TOTAL	214,581	7,258	221,839	309,000	87,161
Commercial, Industrial & Institutional Market (>50kW)						
- Smart Meter Program	OPEX	168,022	76,215	244,237	375,000	130,763
	CAPEX	243,729	30,100	273,829	826,000	552,171
	TOTAL	411,751	106,315	518,066	1,201,000	682,934
- Leveraging Energy Conservation and/or Load Mgmt. Programs	OPEX	27,556	15,146	42,702	60,000	17,298
	CAPEX	0	0	0	186,000	186,000
	TOTAL	27,556	15,146	42,702	246,000	203,298
Sub-Total, Conservation & Demand Management:		1,247,801	294,052	1,541,853	2,289,000	747,147
DISTRIBUTION LOSS REDUCTION						
- Distribution Loss Reduction	OPEX	7,529	3,870	11,399	56,000	44,601
	CAPEX	809,017	300,000	1,109,017	1,118,000	8,983
	TOTAL	816,546	303,870	1,120,416	1,174,000	53,584
Sub-Total, Distribution Loss Reduction:		816,546	303,870	1,120,416	1,174,000	53,584
DISTRIBUTED ENERGY						
- Load Displacement	OPEX	8,664	32,578	41,242	36,000	(5,242)
	CAPEX	119,101	39,000	158,101	84,000	(74,101)
	TOTAL	127,765	71,578	199,343	120,000	(79,343)
- Standby Generators	OPEX	2,910	0	2,910	20,000	17,090
	CAPEX	60,578	10,000	70,578	80,000	9,422
	TOTAL	63,488	10,000	73,488	100,000	26,512
- Peak Shaving Generator, Scugog Municipal Bldg.	OPEX	74,454	0	74,454	58,000	(16,454)
	CAPEX	0	0	0	0	0
	TOTAL	74,454	0	74,454	58,000	(16,454)
Sub-Total, Distributed Energy:		265,707	81,578	347,285	278,000	(69,285)
Total Budget, All Programs						
	OPEX	861,690	295,500	1,157,190	1,230,000	72,810
	CAPEX	1,468,364	384,000	1,852,364	2,511,000	658,636
	TOTAL	2,330,054	679,500	3,009,554	3,741,000	731,446

Revised Program Budget

		Current Budget (revision 2)	Proposed Budget (revision 3)	Change
CONSERVATION AND DEMAND MANAGEMENT				
Residential and Small Commercial (<50kW)				
- Co-branded Mass Market Program	OPEX	533,000	722,000	189,000
	CAPEX	-	78,000	78,000
	TOTAL	533,000	800,000	267,000
- Smart Meter Pilot	OPEX	92,000	59,000	(33,000)
	CAPEX	217,000	163,000	(54,000)
	TOTAL	309,000	222,000	(87,000)
Commercial, Industrial & Institutional Market (>50kW)				
- Smart Meter Program	OPEX	375,000	244,000	(131,000)
	CAPEX	826,000	274,000	(552,000)
	TOTAL	1,201,000	518,000	(683,000)
- Leveraging Energy Conservation and/or Load Mgmt. Programs	OPEX	60,000	43,000	(17,000)
	CAPEX	186,000	-	(186,000)
	TOTAL	246,000	43,000	(203,000)
Sub-Total, Conservation & Demand Management:		2,289,000	1,583,000	(706,000)
DISTRIBUTION LOSS REDUCTION				
- Distribution Loss Reduction	OPEX	56,000	56,000	-
	CAPEX	1,118,000	1,728,000	610,000
	TOTAL	1,174,000	1,784,000	610,000
Sub-Total, Distribution Loss Reduction:		1,174,000	1,784,000	610,000
DISTRIBUTED ENERGY				
- Load Displacement	OPEX	36,000	41,000	5,000
	CAPEX	84,000	158,000	74,000
	TOTAL	120,000	199,000	79,000
- Standby Generators	OPEX	20,000	20,000	0
	CAPEX	80,000	80,000	0
	TOTAL	100,000	100,000	0
- Peak Shaving Generator, Scugog Municipal Building	OPEX	58,000	75,000	17,000
	CAPEX	-	-	0
	TOTAL	58,000	75,000	17,000
Sub-Total, Distributed Energy:		278,000	374,000	96,000
Total Budget, All Programs	OPEX	1,230,000	1,260,000	30,000
	CAPEX	2,511,000	2,481,000	(30,000)
	TOTAL	3,741,000	3,741,000	0