



EB-2004-0457

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 an Application by Hydro One Networks Inc. under the *Ontario Energy Board Act*, 1998 for approval of its Conservation and Demand Management Plan.

Before:

Gordon Kaiser
Vice-Chair and Presiding Member

George Dominy
Member

Cathy Spoel
Member

INTERIM ORDER

Hydro One Networks Inc. (Hydro One) filed an application dated October 1, 2004 with the Ontario Energy Board (the Board) to establish a deferral account to track the costs of its conservation and demand management program expenditures. At the same time Hydro One submitted its preliminary Conservation and Demand Management Plan (CDM Plan). In its CDM Plan, Hydro One indicated that, in addition to other initiatives, it would be developing a series of pilot projects within its service territory, and that those pilot projects can make significant contribution to peak load reduction. A pilot project entitled "Interim Distribution Time of Use Rates" is included in the range of proposed pilot initiatives in the CDM Plan.

Under a separate application, dated October 1, 2004, Hydro One applied to establish interim time-of-use (ToU) rates for demand billed customers with specific customer profiles (Interim Rates Application). By letter dated November 2, 2004, Hydro One requested that the Board consider the evidence provided in the Interim Rates Application in its review of Hydro One's application for an Interim Order approving a pilot project for "Interim Distribution Time of Use Rates". Hydro One also indicated that it will seek approval of its overall CDM Plan at a later time.

The Minister of Energy, by letters dated May 31, 2004, granted written approval to all distributors to apply to the Board for approval to establish deferral accounts to record costs incurred with respect to conservation and demand management activities.

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On October 5, 2004, the Board issued a Procedural Order (the Procedural Order) which addresses the opening of deferral accounts; the recovery of development expenses; the process for applications for plan approval; and filing requirements for plan approval. Pursuant to the Procedural Order all utilities, including Hydro One, have received authorization to establish a deferral account.

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Hydro One has stated that the objective of the “Interim Distribution Time of Use Rates” pilot project is to evaluate customer response to unbundled distribution ToU rates. Hydro One seeks approval for the retroactive program implementation of the pilot from May 1, 2002 until Hydro One’s next application for distribution rates is reviewed by the Board. Hydro One is proposing to track shortfalls in distribution revenues resulting from the proposed ToU rates and to cover this shortfall through the funds made available to implement conservation and demand management initiatives. Hydro One anticipates a revenue shortfall of \$ 150,000 per year.

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The Board finds that the activities proposed by Hydro One in its pilot project for “Interim Distribution Time of Use Rates” qualify as conservation and demand management activities and that the planned investments are eligible for tracking in the deferral account. The third installment of Hydro One’s Market Adjusted Revenue Requirement (MARR) is \$ 62,000,000. The budget required to cover the anticipated revenue shortfall created by implementation of the ToU rates is estimated at \$ 150,000 per year. This budget may be recovered entirely from the funds of the third installment of Hydro One’s MARR starting November 10, 2004 and ending on September 30, 2007.

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The Board does not approve any retroactive portion of the cost recovery for implementation of the “Interim Distribution Time of Use Rates” pilot project.

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THE BOARD THEREFORE ORDERS THAT:

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1. Hydro One Networks Inc. is granted an interim approval of pilot program “Interim Distribution Time of Use Rates” submitted for the Board’s review in the application dated October 1, 2004 and amended on November 2, 2004. The approved budget is \$ 150,000 annually starting on November 10, 2004 and ending on September 30, 2007.
2. The Board does not approve any retroactive portion for cost recovery related to implementation of the “Interim Distribution Time of Use Rates” pilot project.
3. This interim order is effective as of date of this interim order until replaced by a final order.

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DATED at Toronto, November 10, 2004.

ONTARIO ENERGY BOARD

John Zych
Board Secretary