



RP-2004-0203
EB-2005-0198

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. for an Order Pre-approving its Conservation and
Demand Management Plan.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cathy Spoel
Member

DECISION AND ORDER

Hydro One Networks Inc. (“Networks” or the “Applicant”) and Hydro One Brampton Networks Inc. (“Brampton”) filed an Application dated January 11, 2005 with the Ontario Energy Board (the “Board”) for an Order pre-approving their Conservation and Demand Management (“CDM”) Plans.

A Notice of Application and Oral Hearing was issued by the Board on January 19, 2005 and the Board held an oral hearing in Toronto on February 17 and 18, 2005. On February 18, 2005, the Board rendered an oral decision with reasons approving the Application with certain conditions. In that decision, the Board approved Networks’ CDM plan subject to the condition that the Applicant re-allocate \$7,100,000 proposed for ‘smart’ meter costs and that an alternative proposal be filed with the Board.

On July 8, 2005, Networks submitted its plan for reallocating the \$7,100,000 expenditure. On August 25, 2005, the Board issued a Procedural Order directing Networks to meet with intervenors, in an attempt to reach an agreement on the revised plan by September 30, 2005.

Networks proposes to reallocate the \$7,100,000 into three programs; (1) an increase of \$500,000 to the expanded Residential – Low Income and Social Housing program from \$4,500,000 to \$5,000,000; (2) the allocation of \$600,000 to the Business, Farms, Municipalities, Universities, Schools and Hospitals (“MUSH”) Conservation program; and (3) an increase of \$6,000,000 to the Distribution Networks Loss Reduction program from \$2,000,000 to \$8,000,000.

On September 23, 2005, pursuant to the Board’s Procedural Order, Networks convened a meeting with several intervenor groups. On or about October 14, 2005, the Board received submissions from Networks and seven intervenors in the proceeding. Submissions were received from; Canadian Manufacturers and Exporters (“CME”), Energy Probe Research Foundation (“Energy Probe”), Green Energy Coalition (“GEC”), Low Income Energy Network (“LIEN”), Pollution Probe, Schools Energy Coalition (“SEC”) and Vulnerable Energy Consumers Coalition (“VECC”). All submissions indicated that no consensus was reached at the September 23, 2005 meeting.

Position of the Parties

Networks is seeking approval of the re-allocation of funds as set out in the July 8, 2005 Application, on the basis that the revised CDM plan addresses the concerns of the Board as well as the comments of VECC with respect to social housing programs. Networks submits that the increase in funding for the line losses programs was based on a technical study identifying positive economic benefit and that the proportion of funds allocated to the various programs is, in fact, more balanced than plans approved for other distributors.

Of the seven intervenor groups, Energy Probe and CME supported Networks' plan as filed. However, CME did express a concern that electricity ratepayers would be funding energy efficiency expenditures that should be the responsibility of municipalities and hospitals which have access to their own source of public funds.

GEC, LIEN, Pollution Probe, SEC and VECC (the "Group") took the same position and opposed the plan. The Group submitted an alternative proposal. The Group's proposal effectively adopts the programs proposed by Networks but adds a program to alleviate transmission problems in York Region. The Group's proposal also deferred a decision on \$5,000,000 of capital funding for the line loss reduction program to Networks' 2006 distribution rate hearing currently before the Board. This would free up \$5,000,000 in funding to be allocated to Low Income and Social Housing, Business/Farm/MUSH Conservation and York Region programs.

Board Findings

This Application and submissions to the Board raise several issues. First, are the programs proposed by the Applicant legitimate conservation or demand management programs? Second, are programs designed for the MUSH sector appropriate to include in a distributors CDM plan? Third, should this Board Panel, which has responsibility for decisions on Application for third tranche CDM plan approval, disallow funds with the expectation that the matter will be considered in another proceeding? Finally, should the Board impose a CDM plan on an LDC that it has not proposed?

The Board finds that the programs as proposed are consistent with the Minister's directive to electricity distributors on May 31, 2004. Further, none of the intervenor groups with the exception of CME have indicated that they have any concerns with the programs. In fact, the Group's proposal would allocate more funds to the programs proposed by Networks.

The second issue arises from CME's concern that ratepayers are funding energy efficiency programs in the MUSH sector, which have their own source of public funds. This argument can be made with respect to all classes of electricity consumers. To some degree all classes of consumers have access to alternative funding. The main concern from the Board's perspective is to ensure that the programs are sound and to the extent possible are supported by proper cost benefit tests.

The next issue is whether this Panel of the Board should disallow funds for the line loss program on the basis that the issue may be addressed in another proceeding. That proposition becomes, in the Board's view, problematic. This Panel's mandate is to decide the Application before it. In fact, the Applicant is responding to a previous decision of this Panel requesting reallocation of the funds. We believe this Panel should address this issue in a timely manner. This Panel's decision may or may not inform another Panel dealing with a similar issue in a subsequent rate case.

The last issue is whether the Board should impose on the Applicant a plan that it has not proposed. The Board does not feel it is necessary to address this matter as a general principle. There may be cases where the Board finds that the plans proposed are not appropriate. In fact, that has happened in this proceeding.

There may also be cases where alternative plans are proposed by other parties and the Board accepts them. Each case will have to be decided on its own merit. However, the Board does believe that the appropriate forum to address the York Region Supply issue is through the proceeding that is currently before the Board.¹ This position was previously adopted in another Board Decision with respect to a MAADs application.²

¹ EB-2005-0315

² RP-2005-0254

IT IS ORDERED THAT:

- 1 Hydro One Networks Inc. is granted approval of the Revised Conservation and Demand Management Plan, as submitted in the Application dated July 8, 2005.

DATED at Toronto, November 01, 2005

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary