

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to make certain determinations respecting conservation and demand management (“CDM”) by Local Distribution Companies (“LDC”) activities as described in the Electric Distribution Rates (“ECR”) Handbook and Total Resource Cost (“TRC”) Guide pursuant to sections 19(4) and 78 of the *Ontario Energy Board Act, 1998*

REPLY SUBMISSION OF NEWMARKET HYDRO LIMITED

1. Newmarket Hydro Limited (“NHL”) appreciates this opportunity to file a brief Reply Submission, following the oral hearing of this matter on December 22, 2005.
2. For the convenience of the Board and other parties, the two factual clarifications provided by NHL at the hearing are summarized, with reference to the evidence, as Schedule “A”.
3. NHL believes that the written and oral submissions of other parties herein only serve to reinforce NHL’s position and recommendation to the Board as set out in its Written Submission dated December 20, 2005. In particular, NHL notes and commends to the Board the following submissions, that support NHL’s recommendation of provincially coordinated CDM programs:
 - (a) the written and oral submissions of Board Staff;
 - (b) the written submissions of the Consumers’ Council of Canada; and
 - (c) the written and oral submissions of the Ontario Power Authority (“OPA”).
4. NHL also acknowledges the written and oral submissions of Hydro One Networks Inc., the Coalition of Large Distributors, and Enbridge Gas Distribution Inc., that support NHL’s position that further Board initiatives with respect to CDM program spending by LDCs not be

undertaken at this time, pending further experience and evaluation of the recent “third tranche” program initiatives, taken by LDCs pursuant to the Minister’s letter of May 31, 2004.

5. NHL welcomes the written and oral submissions of the OPA, which acknowledge and embrace the OPA’s statutory role of “providing leadership and co-ordination of CDM in Ontario”. NHL agrees in particular with the following positions articulated by the OPA, and commends them to the Board:

- (a) there is a need for province-wide consistency in some CDM programs, and the OPA has a key role to play in ensuring such consistency;
- (b) however, the OPA’s role is not an exclusionary one, and LDCs will continue to play a vital role in delivering CDM in Ontario, based upon their leadership, innovation and knowledge of the local communities they serve, including both
 - (i) delivery of provincial or local CDM initiatives that the OPA is seeking to procure, in those circumstances where the LDCs are best positioned to do so; and
 - (ii) development and delivery of local programs as a more appropriate local alternative, or as a supplement, to those provincial programs;
- (c) the OPA must also play a coordination role with respect to delivery of CDM by LDCs, including a role in providing guidance to the Board about its role in relation to CDM.

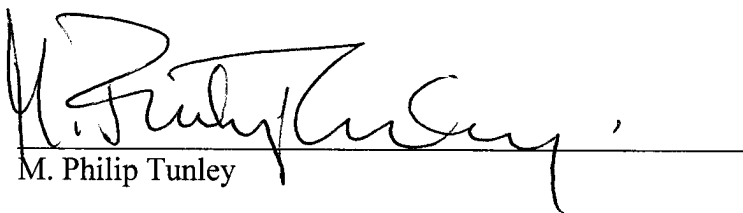
6. NHL acknowledges the OPA’s commitment to undertake a study of the role of LDCs in delivering CDM programs, and a study of the free-ridership issue, to assist the Board and LDCs in their coordination, development and evaluation of existing and new CDM initiatives. NHL believes that these studies should be undertaken immediately, in advance of the summer 2006 deadlines for delivery of the OPA’s integrated power system plans.

7. Within the same timeframe, and in the context of those studies, NHL believes it should be a priority for all interested parties to identify and work to eliminate any overlaps between LDCs' existing local CDM program initiatives taken pursuant to the Minister's letter of May 31, 2004, and the provincial CDM programs delegated to the OPA pursuant to the Minister's directions of October 2 and 20, 2005. The goals of fairness to customers and efficiency in the delivery of CDM within the province are not served by any such duplication. Addressing this issue ought to be the first item of business in implementing the OPA's coordination role.

8. Until this overlap has been addressed, and the results of these studies are available, the record herein simply does not justify the Board taking additional actions along the lines suggested by the questions posed in the Notice of Hearing, as urged by some intervenors.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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Schedule “A” – Factual Clarifications Provided at the Hearing

NHL Spending on CDM as a % of Total Distribution Revenue:

1. The proper comparable percentage of total distribution revenue planned by NHL to be spent on CDM, for purposes of the Table assembled at paragraph 10 of the VECC Written Submission, would be over 3%, and not 1.6% as shown in that Table.
2. This is calculated by comparing total CDM expenditure of \$1.2 million over 3 years in NHL’s CDM Plan as approved by the Board (Appendix 1 to the NHL Response to GEC Interrogatory #1, at p. 3), with NHL’s total annual distribution revenue of approximately \$12.5 million.

NHL Spending on CDM after 2007:

3. Paragraph 10 on page 3 of the Written Submissions of the School Energy Coalition states:

“10. At least one LDC (Newmarket Hydro) has said [Newmarket Hydro response to GEC IR#1] that it does not intend to continue its own CDM programs after it has spent its third tranche funds. It anticipates that the OPA and the Ministry of Energy will take over responsibility for CDM, and it will only act as a local delivery agent for their programs.”
4. What NHL’s response to GEC IR#1 actually says about the future of CDM in its service area is:

“... The expectation is that NHL customers will recognize the value of CDM and embrace it, such that the conservation culture continues long after NHL’s [third tranche] CDM dollars are exhausted. NHL expects that its programs will be continued and supplemented into the future by the OPA and the Ministry of Energy. NHL is planning to embed only the costs of administering these provincial initiatives at the local level in rates.”