



EB-2007-0110

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 Middlesex
Power Distribution Corporation for a Decision granting an
extension of Conservation and Demand Management
programs.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION

Middlesex Power Distribution Corporation ("Middlesex") is a licensed distributor providing electrical service to consumers within its licensed service area. Middlesex filed an application dated March 26, 2007 with the Ontario Energy Board (the "Board") for approval of an extension to the third tranche spending in conjunction with its approved Conservation and Demand Management ("CDM") plan.

On March 26, 2007, Middlesex is requesting an extension to April 30, 2008 of its Distribution Optimization and Line Loss Reduction with a budget of \$50,000 and its School Conservation Program with a budget of \$5,000. These CDM programs were part of the original CDM plan approved by the Board on March 14, 2005 (EB-2005-0197).

The Board had issued a letter on March 1, 2007 setting out the process for distributors to apply for incremental funding for CDM programs to be included in 2007 distribution rates. In the letter, the Board indicated that it would use an expedited approach for the approval of additional funding for CDM programs that are currently undertaken as part of the third tranche of the MARR-based CDM Programs.

The letter also stated:

“For funding requests received before March 23, 2007, the funds will be included in 2007 rates for implementation on May 1 (provided that the TRC analysis requirement is met) but all amounts collected in rates in relation to the costs of the MARR-based CDM Program will be booked into a variance account. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Program. If the extended Program is approved, the variance account will be closed. If the Program is not approved, the variance account will remain and be the subject of disposition in the future, the expectation being that the Program would be discontinued”.

In the Board’s April 20, 2007 decision dealing with Middlesex’s 2007 rates and incremental CDM requests (EB-2007-0553), the Board indicated that the utility had satisfied the minimum requirements set out in the March 1, 2007 letter for its CDM plan. In that decision the Board reflected in rates the incremental CDM amounts, and it authorized the establishment of a new sub-account within Account 1508 to track these expenditures.

A notice of application and hearing was issued on February 12, 2007. There were no interventions in this proceeding. The Board proceeded by way of written hearing.

Board Findings

The Distribution System Optimization and Line Loss program is a voltage conversion program to reduce line losses. In its application, Middlesex estimated a reduction in line loss by 250 KVA with the conversion of the 4,000-volt distribution system stations to a 27,600-volt system.

In the Board's view, replacement of the 4,000-volt system at a higher voltage level appears to be part of a routine capital replacement process, with no additional costs that can be attributed to a conservation initiative. The evidence shows that there would be no incremental cost difference between rebuilding a portion of the system at the current voltage level compared to rebuilding it at a higher voltage level. In the Board's view, and as noted in the Board's decision dated April 20, 2007 (EB-2007-0553), it is appropriate to consider plans of this nature in relation to normal life cycle replacement. Where the program is seen to be a normal part of system sustainment, it ought not to be considered a CDM initiative.

For these reasons the Board does not approve this request by the applicant to include the Distribution System Optimization and Line Loss program as a CDM program.

In its April 20, 2007 decision, the Board found that, for the Distribution System Optimization and Line Loss Reduction program, Middlesex should include only the annual capital-related expenses in 2007 rates, in the amount of \$7,025. As the Board is not approving the extension of this CDM program, the \$7,025 amount or any amount that is a result of the over-collection prior to rate rebasing will be addressed at the time of Middlesex's rate rebasing proceeding.

Middlesex has proposed to extend The School Conservation Program to April 30, 2008. The School Conservation Program is an education program that targets grade 5 students in the Strathroy-Caradoc and Parkhill areas that aims to illustrate the importance of energy conservation. The Board is satisfied as to the merits of the program and approves its extension as applied for by Middlesex with a budget of \$5,000.

DATED at Toronto, July 31, 2007

Original signed by

Paul Sommerville
Presiding Member

Original signed by

Paul Vlahos
Member

Original signed by

Ken Quesnelle
Member