

February 27, 2008

VIA EMAIL AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: OEB Draft Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry and has the utmost interest in initiatives that impact the energy industry and the provision of on going service quality and reliability to customers. Attached please find a list of PWU employees.

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures on going service quality, reliability and safety at a reasonable price for Ontario customers. To this end, attached please find the PWU's comments on the February 8, 2008 Draft Guidelines for Electricity Distributor Conservation and Demand Management.

We hope you will find the PWU's comments useful.

Yours very truly,

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List of PWU Employers

Atomic Energy of Canada Limited (Chalk River Laboratories)
Barrie Hydro
BPC District Energy Investments Limited Partnership
Brant County Power Incorporated
Brighton Beach Power Limited
Bruce Power Inc.
Corporation of the City of Dryden - Dryden Municipal Telephone
Corporation of the County of Brant
Electrical Safety Authority
EPCOR Calstock Power Plant
EPCOR Kapuskasing Power Plant
EPCOR Nipigon Power Plant
EPCOR Tunis Power Plant
Erie Thames Services Corporation
Goldman Hotels Inc. - Hockley Highlands Inn & Conference Centre
Great Lakes Power Limited
Grimsby Power Incorporated
Halton Hills Hydro Inc.
Hydro One Inc.
Independent Electricity System Operator
Inergi LP
Innisfil Hydro Distribution Systems Limited
Kenora Hydro Electric Corporation Ltd.
Kincardine Cable TV Ltd.
Kinectrics Inc.
Kitchener-Wilmot Hydro Inc.
Lake Superior Power (Brookfield Power)
London Hydro Incorporated
Middlesex Power Distribution Corporation
Milton Hydro Distribution Inc.
Mississagi Power Trust (Brookfield Power)
New Horizon System Solutions
Newmarket Hydro Ltd.
Norfolk Power Distribution Inc.
Nuclear Safety Solutions
Ontario Power Generation Inc.
Orangeville Hydro Limited
PUC Services Inc.
Sioux Lookout Hydro Inc.
Sodexo Canada Ltd.
TransAlta Energy Corporation - O.H.S.C. Ottawa
Vertex Customer Management (Canada) Limited
Whitby Hydro Energy Services Corporation

**PWU Comments on OEB Draft Guidelines For
Electricity Distributor Conservation and Demand Management
EB-2008-0037**

Introduction

On February 8, 2008, the Ontario Energy Board (the "Board" or "OEB") issued Draft Guidelines for *Electricity Distributor Conservation and Demand Management* ("Draft Guidelines") on which it invited comments.

The Draft Guidelines sets out new polices related to the following four matters:

- Funding for system improvement programs;
- Availability of multi-year funding;
- Inclusion of distribution and transmission losses in savings calculations; and,
- Enhanced evaluation planning and reporting.

In its cover letter the Board indicates that it would be assisted by interested parties' views on questions related to the new policies in addition to other comments interested parties may wish to make.

Below are the PWU's comments on some of the questions posed by the Board.

System Improvement Programs

With respect to funding for system improvement programs, is sufficient direction provided to guide the distributors in their asset management planning?

With regard to the consideration of system improvement programs as conservation and demand management ("CDM") measures, the Draft Guidelines note the absence of existing efficiency standards for distribution infrastructure and that it is therefore difficult to identify components of a capital project that might be considered as CDM related. Further, the Draft Guidelines state that in the Board's view "maximizing efficiency of the distribution system should be part of prudent asset management practices, and not considered "extra" or "optional".

The Draft Guidelines state that new infrastructure, or replacement of existing infrastructure that maximizes infrastructure efficiency will not be considered a CDM initiative. In addition, the Draft Guidelines set out the Board's expectation

that “distributors will consider energy conservation and efficiency improvements as part of distributors’ overall analysis of any infrastructure investment”.

The PWU supports the policy on System Improvement Programs put forth in the Draft Guidelines that maximizing efficiency of the distribution system should be part of prudent asset management practice. In the PWU’s view, the alternative of treating efficiency enhancement of the distribution system as “extra” or “optional” in the absence of efficiency standards may in fact inadvertently diminish efficiency investments.

However, with regard to the question posed by the Board as to whether sufficient direction is provided to guide the distributors in maximizing efficiency in asset management planning, the PWU does not believe that sufficient direction is provided. Left as is, there is paucity on policy that clearly articulates the desirability of distribution system efficiency improvements. In the Draft Guidelines “the Board notes that the development of appropriate distributor asset management practices is part of the 2008-2011 Business Plan, which will provide an opportunity to further explore the role of energy efficiency in asset management planning”. The PWU encourages the Board to adopt as an objective for that review the clear articulation of policy and guidelines on the role of energy efficiency in asset management planning.

Multi-year Funding

What are the implications of the Board approving a three-year plan for a distributor given potential uncertainties regarding the Ontario Power Authority’s CDM activities for the same period?

The PWU agrees with the benefits of multi-year CDM funding identified in the Draft Guidelines and in particular that multi-year funding “can reduce year-over-year uncertainty regarding budget and program continuity that comes with funding on a year-by-year basis”. While, as noted in the Draft Guidelines, there are potential uncertainties regarding the Ontario Power Authority’s (“OPA”) CDM activities, the PWU submits that in avoiding multi-year funding based on uncertainty related to OPA activities, the Board would be exacerbating the uncertainty. The enhanced uncertainty may inadvertently form a barrier to CDM activity. The Board might consider a CDM variance account to address uncertainty related to OPA CDM programs.

Should CDM funding be included in the distribution revenue requirement and therefore be subject to the Incentive Regulation Mechanism (“IRM”) rate adjustment? Alternatively, should CDM funding remain outside of the IRM rate adjustment as is currently the case?

The PWU believes that CDM funding should remain outside of the IRM rate adjustment. This will allow the distributors flexibility in seeking additional funding for CDM programs that require improvements and for new CDM programs. In addition, expecting distributors to find efficiency in OPA CDM programs whose details and infrastructure are to a large degree determined by the OPA is not a

realistic expectation. Including CDM funding in the IRM rate adjustment can result in cuts to other distributors operations, maintenance and administration (“OM&A”) programs to accommodate improvements to CDM programs, new CDM programs and the distributors lack of control of OPA CDM program efficiency. Cuts to other OM&A programs in turn will impact on going distribution service quality and reliability.

Enhanced Evaluation Planning and Reporting

With respect to the Evaluation Report referred to in section 7.4, are the Board’s expectations sufficiently clear? Are there any additional matters that should be addressed in an Evaluation Report to enhance its effectiveness?

The Draft Guidelines specifies that a distributor that makes a Lost Revenue Adjustment Mechanism or Shared Savings Mechanism claim for a CDM program funded by the OPA or through distribution rates will need to file the Evaluation Report. The PWU submits that all distributors carrying out CDM programs funded by the OPA or through distribution rates ought to be required to file the Evaluation Report. In its proposed Integrated Power System Plan filed with the Board, the OPA includes a CDM resource component. It is essential that the Board, OPA and stakeholders have the ability to evaluate, monitor and validate CDM progress for assurance that the CDM target counted on for planning purposes is achieved. The inability to confirm CDM achievement will jeopardize the province’s long-term supply adequacy and system reliability.