

February 9, 2004

Ontario Energy Board
P.O. Box 2319, 2300 Yonge Street
26th Floor
Toronto, ON M4P 1E4

Attention: Paul B. Pudge, Assistant Secretary

Dear Mr. Pudge:

Re: RP-2003-0144: Staff Report to the Board on DSM and DR

We appreciate this opportunity to be able to comment and would only hope that the OEB will take into very serious consideration our comments on the OEB staff report on DSM and DR. In brief, we find the report to be flawed and very inefficient if not a self-serving method to handle the objectives.

The report does not address the direct benefit to the customer. It discourages new and innovative means to achieve the goal, certainly eliminates local initiatives and could result in a very negative impact on the LDC as well as the customer.

There are certain elements of the program such as education that could be administered by a central agency such as the OEB. These include printing and the basic objectives of the program including energy conservation. However, the program itself must be administered by the LDC. It would be a fiasco if water heater controls were administered by one agency for the entire province. Imagine if a customer ended up with no hot water or a problem with any other controlled load.

From a utility that controlled loads from the early 1940's, our experience has proven that for a Demand Management system to work you must have a customer and that customer must be satisfied. In your staff proposal, the

customer is overlooked but there does appear to be business opportunities for a number of people to make money. These would only add to the costs that customers are presently paying for.

*Page 2
February 9, 2004
Comments on RP-2003-0144*

Through an audit, the value of the program must be proven and justified. It must be kept simple to administer and implement. The value should be realized by everyone; the Province, the LDC and the Customer.

The customer must see a financial benefit. Our utility is presently working with one of our customers on a complete new scheme that would take 3.5 years for a residential customer to recoup investment while utilizing the fixed rate per kwh structure. For the commercial customer payback time is reduced by half due to the effect of the demand rate. However, with an incentive rate to the LDC where savings could be shared with the customer, this could be greatly reduced and could provide immediate customer "buy in" and produce immediate benefit to all.

Until market opening, at ORPC we controlled water heaters, electric heat and other miscellaneous loads. We could offer 50% of our savings to the customer based on the customer controlled connected KW load. Using this method, as a not for profit hydro, we paid for the equipment and were able to maintain the system. At peak times, we were able to reduce our peak by 15 - 20%. (30 MW peak reduced to 25 KW). The system was moth balled when the market opened and the change in rate structure took place. We, the LDC, could not offer the customer a benefit for any of their inconvenience. Ironically, we did use the system when we were restoring power after the Blackout. Do our customers want it back? Yes, they certainly do. They have written letters to the MPP and the previous Minister of Energy. It would be beneficial to all our customers if our savings were passed on to every customer for load control. However, it would be at the inconvenience of only the customer that had load management equipment or controlled loads. (There are customers who would not permit controls in their home) In the interim, until a new program is put in place, we have a stranded asset in our controls. In summary, the customer must see an immediate personal benefit, as well as the LDC, in order to accept and pay for and maintain the system.

If we look at what each party wants in the chain of supply, we will see that the government wants to rid themselves of the debt. They want a reliable, economical and efficient supply of electricity to residents and businesses in Ontario. The LDC wants a simple method of administering DSM & DR for

the benefit of their customers, while allowing a reasonable return to their shareholder. The customer wants a reliable, economical and efficient supply of electricity.

The more bureaucracy and people we put in between these parties, the higher the cost of the product and the less say the customer has in what his wants and needs are.

Furthermore, with a central agency you eliminate competition for load management schemes. You discourage new and innovative schemes. If the LDC were to control and receive benefit from the program, they in turn would solicit many Ontario companies for products that would best serve their customers and their needs. These schemes would be implemented faster by the LDC than by a central agency and at a lot lower cost. We, the customers of Ontario do not need more bureaucracy.

Page 3

February 9, 2004

Comments on RP-2003-0144

These programs could be rated or evaluated by using a PBR measurement. This would encourage a quick and positive response.

There still is one large problem facing DSM; that being what we should be controlling. It is one reason why a central agency is a very scary means of control from an LDC point of view. What do we really need to control? Is it just the demand, reducing peak (kw), or is it the hourly price? From a customer perspective I would want my LDC to do both, the demand to ensure ample supply for the Province and the dollar to keep my costs as low as possible. In this market, we really should control both. In the "old world", we always thought by controlling the peak, we were controlling the dollar as it was always said that the high cost of power was between the hours of 7 p.m. to 11 p.m. However, at post-market opening, the cost of power could be ridiculously high at 2 a.m. in the morning, eliminating the customer's financial benefits unless we controlled the load to the cost of power being purchased in addition to the peak. This represents a complete new challenge to DSM.

There is little doubt a good DSM program will meet the needs of a DR need. What still needs to be addressed in our DR program is what occurred during the Blackout. We advertised and encouraged people to use minimal electricity. For the most part our residential, small and large customers were terrific. Our malls, however, did not co-operate. They continued to operate full tilt. My only answer to this, and I hope it never happens, would be that the circuits feeding these malls may be the last to be restored and the first to be shed in the future.

In summary, the LDC is here for the customer and the overall benefit of the Province of Ontario. We want to operate in the most efficient way possible for the benefit of the shareholder. We are alarmed at the thought of extra layers of parties in operating the program in getting the product to our customer.

Respectfully submitted,

Murray L. Moore, President

Ottawa River Power Corporation
283 Pembroke Street West
P.O. Box 1087
Pembroke, ON K8A 6Y6
Email: mlmoore@orpowercorp.com
Fax: (613) 732-9838

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