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Sent: July 19, 2005 8:04 AM
To: John Zych
Subject: Guide to Total Resource Cost Analysis

John:

I apologize for not submitting this in the format that you requested. However, these are a few comments on the Draft Guide to Total Resource Cost Analysis that might be helpful in finalizing the document.

Thank you for giving us the opportunity to provide input on the Draft Guide to Total Resource Cost Analysis.

This is a very comprehensive document and due to the short time provided between its issue (July 6, and the time for responses July 18) we have only a few points that we wish to make:

- the time required to include the TRC analysis in the 2006 Rate Application process is not sufficient for the development, evaluation and documentation of CDM programs to be included in the 2006 RA. As a result we will not be including a request for additional CDM funds in our 2006 RA.
- our first concern is the impact that this document will have on the initial CDM programs. The proposal that we made for the investment of the CDM funds coming from the third tranche of the rate increase was made on the basis of satisfying the objective of increasing the awareness of conservation of electricity in Ontario more than on returning a positive net return. Will a net negative return be held against the LDC where the benefits cannot be quantified?
- we would like to see examples of TRC calculations for education and soft programs are designed to increase awareness at a customer level. We believe that education and knowledge are the foundation to instilling a mind set for conservation. These type of programs have a high front end cost and are very difficult to quantify the benefits.
- We are not clear as to why incentive payments are not treated as costs and a component of the TRC. Is it because the incentive payment is deducted from the cost of the replacement unit and therefore is a part of the cost difference? I assume that the other costs associated with these promotions would qualify at the program or portfolio level. There should be a free rider benefit from this type of promotion as it increases customer awareness of conservation and demand management. This should be included as a benefit.
- is there any guidance for the inclusion of overhead costs for staff support costs? The same issue applies for special audit program costs.
- the annual reporting mid way through a program is likely to show that program costs exceed the benefits for labour intensive and front end loaded programs. Programs designed to increase customer awareness of CDM are examples of front end labour intensive initiatives. This needs to be considered in program evaluation.
- we would like clarification of attribution (section 2.2). We have joined a group of gas and electricity distributors that will provide a CDM program outside our geographic area. Will we be eligible to include 100% of the benefits of this program?

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