



RP-2004-0203
EB-2004-0459

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 Chatham-Kent
Hydro Inc. for an Order Pre-approving its Conservation and
Demand Management Plan.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

George Dominy
Member

Cathy Spoel
Member

ORDER

Chatham-Kent Hydro Inc.(CKH) has filed an application dated January 13, 2005 with the Ontario Energy Board for an Order pre-approving its Conservation and Demand Management (CDM) Plan. The Board assigned File No. RP-2004-0203 / EB-2004-0459 to this application.

A Notice of Application and Written Hearing was issued by the Board on February 2, 2005. CKH served and published the Notice as directed by the Board. The intervention period expired on February 21, 2005. There were no intervenors. One submission was received from Ms. Kara Smith.

Ms. Smith proposed that CKH allow customers to supply excess renewable energy from solar and wind power to the electrical grid. It is the Board's understanding that this issue is being addressed through a separate process.

On May 31, 2004, the Minister of Energy granted approval to all distributors in Ontario to apply to the Board for an increase in their 2005 rates by the third instalment of their incremental market adjusted revenue requirement (MARR). This approval is conditional on a commitment to reinvest an equivalent amount in CDM initiatives.

On October 5, 2004, the Board issued a Procedural Order (the Procedural Order) which addressed the opening of deferral accounts; the recovery of development expenses; the process for applying for plan approval; and the filing requirements for plan approval. Pursuant to the Procedural Order all electricity distribution companies, including CKH, received authorization to establish a deferral account.

At the introduction of the Market Based Rate of Return for electricity distributors in Ontario, CKH elected to operate at a return on equity of 6.05%, this is below the maximum allowable rate of 9.88%. It is CKH's position that the remaining incremental MARR does not allow CKH to adequately fund conservation and demand management. On September 20, 2004 CKH requested the permission of the Minister of Energy to apply to the Board for an increase in rates to fund conservation and demand management. On October 20, 2004 the Minister of Energy granted approval to CKH to apply to the Board for an increase rates equivalent to the third instalment of incremental MARR, assuming the maximum return on equity, conditional on CKH applying the financial commitment to conservation and demand management. Accordingly, the Board is willing to allow CKH to apply an amount equivalent to the third instalment of incremental MARR, assuming a maximum allowable return on equity, towards conservation and demand management. Approval of this application will bring CKH up to the maximum allowable return on equity.

The elements of CKH's CDM Plan include: customer awareness, a 'smart' meter pilot, a price alert pilot, a commercial and industrial customer energy efficiency program, distribution system optimization, renewable energy, research and development and an all sectors initiative consisting of various energy efficiency programs.

The total budget for the CDM plan is \$1,000,000. This amount is equivalent to the determined third instalment of incremental MARR had CKH elected the maximum allowable return on equity.

The Board finds that the activities and programs proposed by CKH qualify as conservation and demand management activities and that the planned investments are eligible for tracking in the deferral account.

The Board approves the expenditure of \$1,000,000 for implementation of the CDM Plan.

The Board requires that CKH file with the Board quarterly and annual reports on the progress of the initiatives included in the approved CDM Plan. The annual reports will be subject to public review.

The Board understands that the approved CDM Plan and the associated budget allocation to the individual programs may be subject to modifications. The Board requires that all modifications be identified in the quarterly and annual reports. In addition, CKH shall apply to the Board for approval for modifications of spending above 20% of the approved budget.

IT IS ORDERED THAT:

1. Chatham-Kent Hydro Inc. is granted approval of the Conservation and Demand Management Plan as submitted for the Board's review in the application dated January 13, 2005. This investment satisfies the Minister of Energy's condition of a financial commitment to reinvest the equivalent of one year of incremental

market adjusted revenue requirement in conservation and demand management. The approved total budget is \$1,000,000.

2. Chatham-Kent Hydro Inc. shall file with the Board quarterly and annual reports on the progress of the initiatives within its Conservation and Demand Management Plan.
3. The quarterly reports shall be filed no later than 30 days after the end of each calendar quarter.
4. The annual reports shall be filed no later than March 31 of the following year. The annual reports shall be subject to public review. The annual report shall include a cost benefit analysis on the program included in the Conservation and Demand Management Plan.
5. Chatham-Kent Hydro Inc. shall apply to the Board for approval if cumulative fund transfers among programs exceed 20% of the approved budget.
6. Chatham-Kent Hydro Inc. may credit the costs of preparing its Conservation and Demand Management application and participation in the hearing including intervenor and Board costs against the amount required to be spent on its Conservation and Demand Management Plan budget.

DATED at Toronto, March 28, 2005.

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary