



RP-2004-0203
EB-2005-0491

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 Hearst Power
Distribution Company Limited for an Order Pre-approving its
Conservation and Demand Management Plan.

BEFORE: Gordon Kaiser
Presiding Member and Vice Chair

Cathy Spoel
Member

DECISION AND ORDER

An application dated September 19, 2005 was filed with the Ontario Energy Board (the "Board"), by Hearst Power Distribution Company Limited ("Hearst Power") for an order pre-approving its Conservation and Demand Management ("CDM") plan and an accounting order to establish a deferral account in which to track CDM expenditures. The Board assigned File No. RP-2004-0203 / EB-2005-0491 to this application

A Notice of Application and Hearing (the "Notice") was issued by the Board on October 5, 2005. Hearst Power served and published the Notice as directed by the Board. The intervention period expired on October 31, 2005. There were no intervenors.

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 by the distributor to reinvest an equivalent amount in CDM initiatives.

On October 5, 2004, the Board issued a procedural order in the RP-2004-0203 proceeding (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 Hearst Power, received authorization to establish a deferral account.

The elements of Hearst Power's CDM plan include: a price response program including modifications to Hearst Power's customer information system software in order to accommodate smart meters; a meter retrofit program; and customer information plans including a bilingual website; and bill inserts regarding energy savings tips.

The Board has found in past applications that, for distributors who did not have an incremental MARR to invest in CDM activities, the budget for these activities would be based on the equivalent of one third of the MARR determined in the 2001 rate unbundling proceedings. The total budget for the CDM plan is \$70,000. This amount is equivalent to one third the MARR described above for Hearst Power.

The Board finds that the activities and programs proposed by Hearst Power qualify as CDM activities and that the planned investments are eligible for tracking in the deferral account established under the procedural order.

The Board approves the expenditure of \$70,000 for implementation of the CDM plan. Since Hearst Power cannot include this expenditure in its 2005 rates, Hearst Power should make the appropriate adjustments to its 2006 rate application.

The Board requires that Hearst Power 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, Hearst Power shall apply to the Board for approval for modifications of spending above 20% of the approved budget.

IT IS ORDERED THAT:

1. Hearst Power Distribution Company Limited is granted approval of the Conservation and Demand Management Plan as submitted for the Board's review in the application dated September 19, 2005. The approved total budget is \$70,000.
2. Hearst Power Distribution Company Limited shall adjust its 2006 rate application to recover the approved budget.
3. Hearst Power Distribution Company Limited shall file with the Board quarterly and annual reports on the progress of the initiatives within its Conservation and Demand Management Plan.
4. The quarterly reports shall be filed no later than 30 days after the end of each calendar quarter.
5. 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 programs included in the conservation and demand management plan.

6. Hearst Power Distribution Company Limited shall apply to the Board for approval if cumulative fund transfers among programs exceed 20% of the approved budget.

7. Hearst Power Distribution 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, November 24, 2005.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "John Zych". The signature is stylized with a large initial "J" and a long, sweeping underline.

John Zych
Board Secretary