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Your reference	Our reference
EB-2010-0215	01011840-0013
EB-2010-0216	

June 6, 2013

**Filed on RESS
Sent By Courier**

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Kashechewan Power Corporation – CDM Strategy (EB-2010-0215/EB-2010-0216)

We are counsel to Kashechewan Power Corporation. As per our correspondence of April 24, 2013, representatives of Kashechewan Power Corporation, Fort Albany Power Corporation and Attawapiskat Power Corporation have been diligently working with OPA staff towards finalizing an amended version of the Master CDM Program Agreement to account for the community-specific needs of Kashechewan, Fort Albany, and Attawapiskat. We have now reached a consensus on CDM programming and the amended Master Agreements were executed on May 24th. As a result, we are now able to file Kashechewan Power Corporation's CDM strategy—see attached.

Please feel free to contact me if you have any questions or concerns.

Yours very truly,

Original signed by

John Beauchamp
Associate

JB/mm

Enclosure

Cop(y/ies) to: M. Williams (Kashechewan Power Corporation)
G. Lawlor/L. Edwards/R. Reimer (Five Nations Energy Inc.)
V. Sawler (Ontario Energy Board)
R. King (Norton Rose Canada)



KASHECHEWAN POWER CORPORATION

2011-2014 Conservation and Demand Management Strategy

June 6, 2013

Kashechewan Power Corporation 2011-2014 Conservation and Demand Management Strategy

On September 16, 2010, the Ontario Energy Board (“OEB”) released the final version of the Conservation and Demand Management (“CDM”) Code for Electricity Distributors (the “CDM Code”). The CDM Code sets out the obligations and requirements that a licensed distributor must comply with in relation to the CDM targets set out in their licences.

Among these requirements, the CDM Code requires electricity distributors to file a CDM Strategy that sets out a high level description of how a distributor intends to achieve its CDM targets. On January 14, 2011, Kashechewan Power Corporation (“KPC”) was advised by the OEB that it should refrain from filing its CDM Strategy until such time as the OPA released its aboriginal CDM program. That program was very recently released, and as a result, KPC is now filing its CDM Strategy. It follows the template set out in Appendix B of the CDM Code. It should be noted that the OPA Aboriginal Program is not really designed for entities such as KPC, and as a result, KPC has worked with the OPA (as well as Attawapiskat Power Corporation and Fort Albany Power Corporation) to modify certain aspects of the OPA Tier 1 Programs (defined below) to suit the unique circumstances of these three distributors and their communities.

KPC distributes electricity to consumers in the remote First Nation community of Kashechewan in the James Bay Lowlands. The unique geographic, social, and economic circumstances in KPC’s service area make some of the OPA-Contracted Province-Wide CDM Programs (the “Tier 1 Programs”) untenable for KPC. For instance, because there is no industry in Kashechewan, KPC will not register to deliver the Industrial Program. In addition, many individual Initiatives¹ within the Tier 1 Programs do not make sense for KPC and its customers (e.g., Initiatives targeting air conditioners). KPC expects that most of the savings made to achieve its CDM targets will come about via the Tier 1 Low-Income Program and the

¹ Note that the Tier 1 Programs (Residential, Commercial/Institutional, etc.) are each comprised of multiple “Initiatives”.

Commercial/Institutional Direct Install Lighting Program. This raises three issues. Unlike other LDCs (who may have a small proportion of its customers living in low-income households), a majority of KPC's customers are low-income. Second, because the Program Administration Budget ("PAB") funding under the OPA's CDM Master Agreement is tied to delivery of all Programs, the OPA will need to be flexible in terms of allowing KPC's PAB funds attached to the Tier 1 Industrial Program to be re-allocated to the Programs and Initiatives that KPC will be offering. Third, this CDM Strategy will need to be extensively amended to reflect the extra cost and effort to deliver CDM programs in a remote community.

As a result of these issues, KPC is unable to provide certain information requested in the CDM Strategy template at this time, including Initiative-specific budget projections, years of operation or total projected reductions in peak demand and electricity consumption. We will update the Board as details become available.

1. Distributor Name

KPC is a non-profit, non-share capital corporation owned² by the Kashechewan First Nation. It is the local distributor for, and sole supplier of electricity to, the community of Kashechewan, which has an on-Reserve population of 1,800.

2. Total Reduction in Peak Provincial Electricity Demand Target

Total Reduction in Peak Provincial Electricity Demand	0.0070 MW
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3. Total Reduction in Electricity Consumption Target

Total Reduction in Electricity Consumption	0.330 GWh
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4. CDM Strategy

² As a non-share capital corporation, there are no shares in KPC.

KPC intends to meet all of its targets through the Tier 1 Programs. The plan is to deliver all Tier 1 Programs and Initiatives with the exception of:

- Under the Residential Program:
 - **HVAC Discounts (Rebates)** – Residences in Kashechewan utilize electric baseboard heating and have only recently begun to utilize window air conditioners. The houses in this community do not use central air conditioning systems.
 - **Demand Response** – Residents in Kashechewan do not own central air conditioners, electric water heaters, or pool pumps required for this Initiative to be fruitful.
- Under the Commercial & Institutional Program:
 - **Existing Building Commissioning** – KPC does not have any customers in the General Service >50kW with single building premises greater than 50,000 square feet in size and with chilled water plants.
 - **Demand Response 1 (DR 1) and Demand Response 3 (DR 3)** – KPC does not have any customers with peak demand of 50kW or more.
- Under the Industrial Program: There is no industry in Kashechewan so KPC cannot utilize any Initiatives under this Program.

KPC believes that the most significant potential for demand and energy savings lies within KPC's Residential and Institutional customer classes.

Kashechewan is a remote community (approximately 150 km north of Moosonee) and is, for most of the year, only accessible by air. As the community is situated in the far north of Ontario, residents face cold weather conditions for much of the year. They have no access to natural gas, and for the most part heat their homes via electric baseboard heating. Due to the poor quality of on-Reserve housing (coupled with extremely high unemployment rates), residents spend a significant portion of their income on electricity. Much of what little employment does exist in

Kashechewan is seasonal, meaning that the majority of the population is dependent on employment insurance for much of the year.

Achievement of peak or usage reductions will be very difficult for KPC, since electricity usage has been increasing significantly since being connected to the transmission grid at the end of 2001. Since then, the peak demand has nearly doubled, as has the average of the monthly peak demand. In terms of usage, usage in Kashechewan has increased by about 67% over that same period, and more than doubled since 1997 (the last year of actuals from when Kashechewan was served by Hydro One). In essence, the increased electric load in the past decade reflects not just community growth, but pent up demand pre-2001.

The following table breaks down KPC's forecasted demand reduction and energy savings per Program, with annual milestones:

KASHECHEWAN	2013			2014			2015*		
	No. of Participants	MW	MWh	No. of Participants	MW	MWh	No. of Participants	MW	MWh
Residential Program	50	0.0000525	2.475	100	0.000105	4.95	50	0.0000525	2.475
Commercial and Industrial Program	3	0.000315	14.85	5	0.00063	29.7	4	0.000315	14.85
Industrial Program	0			0			0		
Low Income Program	25	0.0013825	65.175	50	0.002765	130.35	25	0.0013825	65.175
TOTAL	78	0.00175	82.5	155	0.0035	165	79	0.00175	82.5
TARGET		0.00175	82.5		0.0035	165		0.00175	82.5

*While KPC is required to meet its CDM targets by the end of 2014, KPC has been delayed in accessing the Tier 1 Programs due to: (a) having to wait for the OPA to release its aboriginal conservation program (as acknowledged by the OEB); and (b) the need to modify the OPA Master Agreement to suit the unique circumstances of the remote community served by KPC. Consequently, it will be extremely difficult for the targets to be met in the shortened period available. Given that the OPA Tier 1 programs are set to be extended (in accordance with the Minister's direction dated December 21, 2012), we have incorporated the year 2015 in the table above. While meeting such targets by the end of 2015 will still be difficult, it is more realistic forecast than one that would end at December 31, 2014.

5. Tier 1 Programs

(1) Residential Program

The Residential Program will help consumers improve the energy efficiency of their homes, and empower consumers by giving them information (consumption and price) to help them better manage their electricity use.

(a) Appliance Retirement and Exchange

This Initiative is a carry forward and enhancement of the Great Refrigerator Roundup. It includes free pick-up and decommissioning of old, inefficient, working appliances. As well, the Exchange events target room air conditioners and dehumidifiers at retail locations.

The Exchange Events portion of the Program is a carry forward and enhancement of exchange events previously hosted by retailers. It includes exchange events held biannually at participating retailers for room air conditioners and dehumidifiers.

While KPC hopes to utilize these Initiatives, we do not expect many appliances in the community to qualify for retirement/exchange (e.g. most fridges are not 20 years old and there are no dehumidifiers in the community). Thus, we expect minimal reductions in electricity demand and consumption reductions as a result of this Initiative.

(b) Instant Discounts (Rebates)

This Initiative will include year round coupons and bi-annual in-store instant discounts (Rebates) for energy efficient products. A conservation discount card to replace the discount coupons may be distributed to KPC's customers when available.

Measures for this program include: Energy Star CFLs, Energy Star qualified fixtures, Energy Star ceiling fans, lighting control products, hot water pipe wrap, water heater blanket, weather-stripping, heavy duty plug in timer, advanced power strips, clotheslines, and baseboard programmable thermostats for electric baseboard heaters.

There is one department store in Kashechewan – the Northern Store. The success of this Initiative will thus depend on whether the Northern Store is willing to participate in the program

(i.e., whether the Northern Store will stock the eligible products and accept the coupons). KPC is currently in the process of negotiating its involvement.

(c) New Construction

This Initiative provides incentives for builders to construct new, single family homes that include energy efficiency standards that are above current building codes. It includes incentives for prescriptive measures, custom projects, whole home EnerGuide 83 and 85, training on energy efficiency building techniques and practices and consumer education.

This Initiative will have to be coordinated in collaboration with the housing authority. KPC believes that this Initiative could prove very successful in these communities in Kashechewan. There are expected to be a number of new residential builds in Kashechewan.

(2) Commercial and Institutional (C&I) Program

The main objective of this Program is to assist owners and operators of C&I buildings and multi-family residences to achieve reduced demand and energy savings through the purchase and operation of energy efficient equipment and to participate in demand response Initiatives. The Program also provides education to tenants and occupants regarding in-suite energy efficiency and demand response opportunities to facilitate a culture of conservation.

The buildings in Kashechewan that may qualify for this Program include: the Northern Store; the local school; the Kashechewan Band Office; the water plant; the Kashechewan nursing station and related buildings; the local school, portables and teacherages; and the local hockey arena.

(a) Direct Installed Lighting

The Direct Installed Lighting Initiative targets customers in the General Service <50kW account category. In addition to offering eligible customers up to \$1,000 in equipment upgrades at no charge, standard prescriptive Incentives will now be available for eligible equipment beyond the initial \$1,000 limit.

KPC believes that the commercial/institutional buildings in Kashechewan could benefit greatly from this Initiative.

(b) New Construction

This Initiative provides incentives for builders to construct new commercial/institutional buildings, which exceed existing codes and standards for energy efficiency.

KPC believes that this Initiative could prove successful in these communities in the event any new commercial or industrial buildings are constructed. We are currently collecting data to determine the likelihood of this.

(c) Capability Building

This Initiative will offer three types of capability building activities: training and certification; energy efficiency solutions provider; and education.

KPC could benefit greatly from training and certification activities (its limited staff will experience difficulty trying to satisfy all of the above-mentioned Initiatives). KPC also believes that tenant education for residents of multi-family buildings with respect to in-suite energy efficiency and demand response opportunities could prove very fruitful.

(3) Low-Income Program

As noted above, a significant proportion of KPC's customer base is comprised of low-income households that are heated exclusively with electric baseboards and cooled with window air conditioners. This is the program that KPC expects will satisfy the majority of their demand and consumption targets. The delivery of this program requires amendments, which have been requested of OPA. Those amendments include the recognition of the extra costs to transport building materials to the community, the lack of qualified electricians, auditors and contractors and the need for a dedicated truck to move materials around the community. When feasible, materials will be shipped by ice road or barge to reduce transportation costs. Training community members to deliver parts of the program will reduce labour costs and build much needed capacity within the community.

6. Potential Board-Approved CDM Programs

KPC has no plans to undertake Board-Approved Programs at this time.

7. Program Mix

For reasons set out above, KPC will not offer the full spectrum of Tier 1 Programs. KPC expects that most of the savings made to achieve its CDM targets will come about via the Low-Income Tier 1 Program.

8. CDM Programs Co-ordination

KPC will pursue administrative efficiencies and coordinate its CDM activities with Fort Albany Power Corporation and Attawapiskat Power Corporation. It will also be coordinating its program delivery with: (a) Five Nations Energy Inc. (FNEI), through its existing FNEI Conservation Program; and (b) the Kashechewan First Nation Band Council and administrative institutions (e.g. housing authority, health authority, educational authority, etc.).