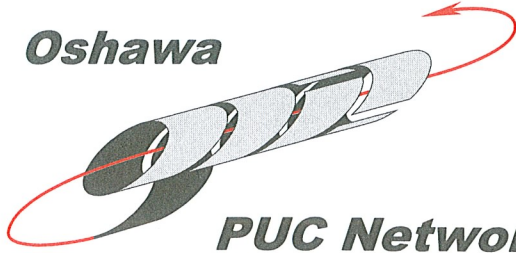


Oshawa



PUC Networks Inc.

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October 28, 2010

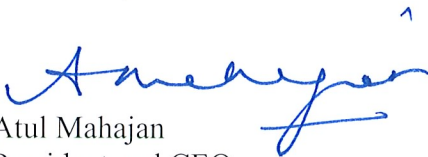
Ontario Energy Board
2300 Yonge Street
Toronto, Ontario, Canada
M4P 1E4

Re: Oshawa PUC Networks Inc. – CDM Strategy

As per the Notice of Proposal to Issue a New Code from the Ontario Energy Board dated June 22, 2010 please find attached our 2011-2014 Conservation and Demand Management Plan for Oshawa PUC Networks Inc. This CDM Strategy follows the guidelines set out in Appendix B of the Conservation and Demand Management Code for Electricity Distributors.

Please feel free to contact me if you have any questions or require any further information.

Yours truly,


Atul Mahajan
President and CEO

Encl.

Oshawa PUC Networks Inc.: CDM Strategy

1. As per the Notice of Proposal to Issue a New Code from the Ontario Energy Board on June 22, 2010 please find attached our 2011 -2014 Conservation and Demand Management Plan for **Oshawa PUC Networks Inc (“OPUCN”)**.
2. OPUCN’s 4-year target for Total Reduction in Peak Provincial Electricity Demand is **13.0 MW**. This target represents 0.94% of the overall 4-year provincial demand reduction target of 1,330 MW.
3. OPUCN’s 4-year target for Total Reduction in Electricity Consumption is **53 GWh**. This target represents 0.88% of the overall provincial energy savings target of 6,000 GWh.
4. OPUCN has defined the following Target Allocation Assumptions:
 - 4.1. OPA projections suggest that the residential sector can be expected to yield 1150 GWh of the overall 6,000 GWh energy conservation target. This implies that the residential sector will contribute 19.2% of overall energy savings and the non-residential sectors will contribute the remaining 80.8%.
 - 4.2. OPUCN believes that these are reasonable assumptions and is targeting the residential sector for 19.2% of its 53 GWh energy savings target, or 10.2 GWh. This leads to a non-residential energy savings target of 42.8 GWh over the four year period.
 - 4.3. OPA projections further suggest that the residential sector can be expected to contribute 32% of the province-wide persistent demand reduction target of 1,330 MW or 425.6 MW. This leads to a non-residential demand reduction target of 904.4 MW target province-wide.
 - 4.4. OPUCN believes that these are also reasonable assumptions and is targeting 4.2MW of persistent demand reduction from the residential sector and 8.8 MW of persistent demand reduction from the non-residential sectors.
 - 4.5. OPUCN non-residential billing history suggests that, of the non-residential customers billed annually, 37% of the KWh billings can be attributed to Industrial customers and the remaining 63% can be attributed to Commercial and Institutional customers. OPUCN will use this experience to target 15.8 GWh of energy savings from Industrial customers and 27.0 GWh in energy savings from its Commercial and Institutional customers.
 - 4.6. OPUCN’s non-residential billing history further suggests that 46% of its billed demand is attributable to its Industrial customers, leading to a demand savings target of 4 MW (46% of its 8.8 MW non-residential target). The remaining 4.8 MW of targeted non-residential demand reduction will be realized from the Commercial and Institutional sector.

5. 2011-2014 CDM Strategy Outline

OPUCN plans to take a measured approach to achieving the four-year targets established by the Ontario Energy Board. The company is experienced in implementing energy efficiency programs in the residential, commercial/institutional and industrial markets, low income sector activities and demand reduction. Consequently, as shown in Table 1, energy efficiency targets are “front-end loaded” to take advantage of OPUCN’s previous experience and the persistence of savings over the four year timeframe, while low income sector and demand reduction activities are scheduled to ramp up more gradually over the term. OPUCN is planning to fully meet or exceed both its energy savings and demand reduction targets.

Implementation of Province-Wide or Tier 1 programs is expected to achieve at least 90% of the energy savings target and 75% of the demand reduction target. OPUCN will augment the Tier 1 results with Tier 2 and/or Tier 3 initiatives, if needed, once some further experience has been gained with Tier 1 implementation and participation figures. OPUCN will work with the OPA and other LDC’s to explore the opportunity for common Tier 2 initiatives. In addition, OPUCN is exploring opportunities for designing and implementing Tier 3 projects which may be of value to the ratepayers of Oshawa.

Table 1 - CDM Programs Rollout Strategy

	RESIDENTIAL		COMMERCIAL/ INSTITUTIONAL		INDUSTRIAL		LOW INCOME ¹	
	Proportion of Res. Target		Proportion of C&I Target		Proportion of Inst. Target		Proportion of LI Target	
	Demand	Energy	Demand	Energy	Demand	Energy	Demand	Energy
TIER 1	75%	90%	75%	90%	75%	90%	75%	90%
Year 1	25%	25%	25%	25%	15%	25%	15%	15%
Year 2	35%	35%	35%	35%	35%	35%	35%	40%
Year 3	25%	25%	25%	25%	30%	25%	25%	30%
Year 4	15%	15%	15%	15%	20%	15%	15%	15%
TIER 2	25%	10%	25%	10%	25%	10%	25%	10%
TIER 3								
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

1. Assume mid-2011 introduction of Low Income program

6. 2011-2014 OPA-Contracted Province-Wide CDM Programs

OPUCM intends to take advantage of the full suite of OPA-contracted province-wide CDM programs:

Industrial Program

In order to meet and exceed CDM targets, OPUCN plans to begin seeking participants to enroll in the CDM Industrial Program in December, 2010 for program commencement in January, 2011, through to 2014. The initial focus will be on the largest industrial consumers (based on demand and consumption), and progress through to smaller potential participants. Customers most likely to participate in the OPA Industrial program include those with significant demand and energy requirements who are metered with interval meters. OPUCN has approximately 130 customers who meet this profile. These include customers in the multi-unit residential, educational, restaurant, commercial, and government sectors. Table 2 provides the detailed projections for program implementation in the industrial sector:

Table 2 – Industrial Program Details

	PROJECTED REDUCTION IN CONSUMPTION (GWH)	PROJECTED REDUCTION IN PEAK DEMAND (MW)
2011	3.6	0.5
2012	5.0	1.0
2013	3.6	0.9
2014	2.2	0.6
Total	14.4	3.0

Budget –

OPUCN has not finalized a budget for these programs because details of eligibility and funding are not yet clear.

Enroll Industrial clients in each of:

1. DR3 Program
2. DR1 Program
 - Industrial customers which are not suitable candidates for DR3
3. Industrial Accelerator Program
 - Provide capital incentive and enabling initiatives
4. Industrial Equipment Replacement Programs

Commercial and Institutional Program

Similar to the Industrial program, OPUCN will initially focus on the largest commercial and institutional consumers (based on demand and consumption), and progress through to smaller potential participants. OPUCN has approximately 4,000 to 4,300 customers in this classification. They are generally small to medium sized businesses without interval meters. They are primarily small multi-unit residential, retail, commercial customers, and light industrial customers. Table 3 provides detailed assumptions for program implementation in the commercial/institutional markets:

Table 3 – Commercial/Institutional Program Details

	PROJECTED REDUCTION IN CONSUMPTION (GWH)	PROJECTED REDUCTION IN PEAK DEMAND (MW)
2011	6.3	0.9
2012	8.1	1.3
2013	6.3	0.9
2014	3.6	0.5
Total	24.3	3.6

Budget –

OPUCN has not finalized a budget for these programs because details of eligibility and funding are not yet clear.

Enroll Commercial & Institutional clients in each of:

1. Existing Building Retrofit Programs
2. New Construction Programs
3. DR3 Program
4. DR1 Program
 - a. Industrial customers which are not suitable candidates for DR3
5. Capability Building Programs

Residential Program

OPUCN has approximately 48,000 residential customers who are directly metered by the utility. There are also a significant number of residential consumers with suite meters who are only partially identified at this time. Part of the Plan involves identifying those consumers so that they can participate in appropriate programs. Table 4 provides implementation details for program implementation in the residential sector:

Table 4 – Residential Program Details

	PROJECTED REDUCTION IN CONSUMPTION (GWH)	PROJECTED REDUCTION IN PEAK DEMAND (MW)
2011	2.2	0.8
2012	3.3	1.1
2013	2.2	0.8
2014	1.4	0.5
Total	9.1	3.2

Budget –

OPUCN has not finalized a budget for these programs because details of eligibility and funding are not yet clear.

Enroll Residential clients in each of:

1. Appliance Retirement/Exchange Events
2. Instant Discounts (Rebates)
3. HVAC Discounts (Rebates)
4. Residential Demand Response
5. Midstream Incentives
6. New Construction
7. Enabling Tools

Low Income program

As information is not yet available for OPA's province-wide Low Income program, it is not yet clear what the projected budget, or expected demand/consumption may be. OPUCN has several types of low income housing, including subsidized apartments, townhouses, retirement residences, and nursing homes. OPUCN plans on conducting a survey of the sector to more accurately identify eligible consumers. Low income implementation details will be provided once the Low Income program design is made available by the OPA.

Portfolio Roll Up

Table 5 provides a “roll up” of the entire Tier 1 program portfolio and demonstrates that OPUCN’s intent is to maximize the energy savings and demand reduction potential of the Tier 1 portfolio. Tier 2 and 3 initiatives will be considered and developed in the event they are needed to augment results from Tier 1 programs and/or to exceed targeted results.

Table 5 – Tier 1 Portfolio Roll Up:

	PROJECTED REDUCTION IN CONSUMPTION (GWH)	PROJECTED REDUCTION IN PEAK DEMAND (MW)
2011	12.1	2.2
2012	16.4	3.4
2013	12.1	2.6
2014	7.2	1.6
Total	47.8	9.8
2014 Target	53.0	13
2014 Difference	(5.2)	(3.2)

Note: Province wide low income programs are not included in this total. OPUCN is exploring possibilities for Tier2 and Tier3 programs with a view to eliminating the additional shortfall.

Budget –

OPUCN has not finalized a budget for these programs because details of eligibility and funding are not yet clear.

7. 2011-2014 Potential Board-Approved CDM Programs

As mentioned earlier in this document, OPUCN intends to consider implementing board-approved CDM programs focusing on aspects specific to its customer base. Pending cost effectiveness testing, OPUCN will make decisions on whether or not to approach the Board for approval of any identified programs. Should any potential Tier 2 program(s) be published which may be advantageous for OPUCN’s service territory, these too will be considered for implementation. While designing and implementing its conservation and demand management program requirements for CDM 3rd Tranche funding, OPUCN initiated innovative, cost effective programs targeted at several sectors of its customer base. Lessons learned from these largely successful programs will be applied to OPUCN’s identification, planning and expected introduction of any Tier 2 and Tier 3 programs going forward.

OPUCN has not yet formally identified any specific Tier 2 or Tier3 programs to this point. However, it has identified some preliminary needs in the government and education sectors.

Further details of program descriptions, the metrics associated with implementation and collaboration opportunities will all be provided when and if Board-approved program proposals are deemed necessary.

8. 2011-2014 CDM Program Mix

OPUCN intends to offer a wide range of programs for all customers in each priority sector. OPUCN believes that its customers are receptive to the idea of energy conservation and demand reduction and will be well-served by the programs.

OPUCN intends to implement the programs initially using existing staff and consultants currently delivering OPA conservation programs. As participation in the programs increases it is expected that additional resources will be required. OPUCN intends to monitor the programs closely and put resources in place as they may be required.

9. 2011-2014 CDM Programs Co-ordination

At this point OPUCN has not identified specific partners for its program delivery efforts. However, one goal of program delivery is to build awareness and capacity within the customer base. To that end, OPUCN intends to engage with community organizations, business groups, social agencies, and green energy providers and consultants to deliver its programs in the most effective and efficient manner. Building conservation awareness and expertise will ensure that a culture of conservation takes hold in Oshawa to the benefit of our customers and the community as a whole. Another goal is to deliver these programs as efficiently as possible. To that end OPUCN is exploring opportunities to partner with area LDC's and natural gas providers to deliver programs efficiently.

In preparation for program delivery, staff of OPUCN has participated in all possible OPA and OEB webinar and workshop training opportunities. It is expected that CDM education and training will be ongoing as the programs develop.