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July 7, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge Street, 27th Floor,
Toronto, Ontario
M4P 1E4

Re: EB-2010-0216 CDM Targets

Dear Ms. Walli:

Bluewater Power Distribution Corporation (“Bluewater Power”) would like to submit the following comments in regard to the OEB’s allocation of CDM targets to electricity distributors.

It is understood that the targets across Ontario have been set at 1330 MW of provincial peak demand reduction by the end of 2014 and 6000 GWh of reduced electricity consumption cumulatively over the four year period from 2011 to 2014. We also understand that the values of those targets are not part of this consultation.

Bluewater Power understands that the purpose of the current consultation with respect to the methodology for allocating a portion of the target to individual utilities. In that regard, we have three main concerns: one being the use of 2008 data for the allocation; the second comment relates to time period in which the targets are to be accomplished; the third relates to the blanket approach to allocation. Each of the concerns is discussed in more detail below.

(i) Allocation Utilizing 2008 Data:

In general, we support the principle of using the most current data that is available. In particular, we note that the economic recession that impacted the world in late 2008 had a significant impact on customer load and, thereby, should create serious concerns for the OEB in terms of its willingness to rely upon 2008 data. Bluewater Power lost two of its five Large Use customers from 2008 to 2009. We also saw a 2% reduction in consumption for the residential class. Utilizing 2008 data could inappropriately allocate too large of a proportion to Bluewater Power.

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We say “could impact” because the economic downturn impacted all LDCs in Ontario; however, the impact would obviously vary from LDC to LDC which would be largely reflected in the 2009 data.

When an alternative is readily available in the form of utilizing the most current data (2009), we submit it is incumbent upon the OEB to utilize that data.

(ii) Time Period Covered by Targets:

We understand that the Minister’s Directive is clear that the period in which LDCs can earn credit toward the conservation targets commences January 1, 2011. We suggest, however, that the OEB and the Minister ought to consider whether that approach creates a disincentive in the interim that discourages LDCs from further engaging in conservation until next year.

To make that point more clear, we want the OEB (and the Minister through the OEB) to understand that the targets set are truly significant. Our estimate is that we will be required to at least triple our current efforts in order to achieve our targets. For a utility that has already been very active in the area of conservation that is a seemingly daunting task and we do not want to fail. We hope that we are “up to the challenge” but one small way in which LDCs could be assisted would be through the removal of the current disincentive. We understand that the commencement date of January 1, 2011 is not up for debate through this dialogue but we take this opportunity to suggest that the OEB ought to consult with the Minister to determine whether the Minister’s Directive could be amended.

A related issue that can and should be addressed by the OEB through this consultation is the notion of reflecting some form of “credit” for past efforts through a reduction in the target for LDCs that have outperformed the provincial average in the success of their conservation efforts to date. Bluewater Power has been actively participating in delivering both OEB approved programs (through 3rd MARR funding) and OPA programs. We are proud of our achievements to date and the benefits that we have provided to our customers. We estimate that we have already achieved approximately 25% of our target reduction in peak demand through OPA programs alone over the past three years.

It would not be consistent with the Minister’s Directive for us to request a reduction of 25% to our target due to those efforts; the overall provincial wide target would never be achieved if LDCs were given credit for efforts to date. However, if we achieved 25% of our target and the provincial average showed that other LDCs achieved 15% of their target, then we submit that it would be appropriate for our target to be reduced by 10% while another LDC who met only 5% of its target to-date would have their target increased by 10%. We submit that such an approach would be fair and appropriate because it puts LDCs on a level playing field; if one LDC has already harvested the “low hanging fruit” through past efforts, it will be that much more difficult for the LDC to meet their target. We make this submission not knowing where we fall relative to the provincial average because we believe strongly that it is the fairest approach to the setting of targets on a go-forward basis. We also submit that such an approach could be readily determined

if the consideration was limited to OPA programs where data is readily available and consistent across the province.

(iii) Blanket Approach to Allocation:

Bluewater Power has actively supported conservation from the moment the Provincial government declared it wanted to create a conservation culture. Conservation helps individual Ontarians to control their electricity bill; that benefit is ubiquitous across the province and should be encouraged province-wide. However, the benefit of conservation to the electricity grid itself is not the same across the province. Setting conservation targets absent consideration of transmission congestion is inappropriate in our view. To that extent, we submit that the OEB ought to consult with the IESO prior to finalizing the utility specific targets so that proper and fulsome consideration can be given to transmission constraints in setting priorities for conservation on a regional basis.

In the least, we suggest that the OEB ought to consider the impact of new embedded generation in each distributor's territory prior to setting a conservation target for a particular LDC. For example, by the end of 2010 Bluewater Power will play host to 87 MW of ground-mounted solar installed under the RESOP program. We will also be host to 5 MW of landfill gas generation under the RESOP program (our affiliates are directly involved in those initiatives). We have also received notice from the OPA, or consulted directly with proponents, on further generation under the Green Energy Act which will total 6.5MW of further generation, if built. Accordingly, our existing load, which averages approximately 120MW (ranging from a low of 100MW and a summer peak of 209MW reached on yesterday's date) will be offset by 98.5MW of generation. Add to that a conservation target of 11MW, and Bluewater Power will have offset 90% of our current load.

Clearly, having a conservation target that does not consider the specific circumstances of a utility will result in the creation of conservation where its benefit to the system is less significant than another location. We submit that our target ought to be reduced and, in making that submission, we accept that if our target is lowered to reflect our potentially reduced priority as a champion of conservation we ought not benefit financially from that reduction in target. In other words, we understand that if our target is lowered to reflect a lower priority for our conservation efforts that our financial incentives ought to be adjusted accordingly. We would suggest, for example, that incentives for exceeding the target could be lowered for any LDCs whose target has been reduced due to consideration of its particular circumstances, while incentives at the low-end (achieving 80-100% of target) could be increased for LDCs whose targets were increased. Those

July 7, 2010

issues will have to be addressed through the Performance Incentives in the upcoming consultation on the Conservation and Demand Management Code.

We make these submissions in support of the OEB's efforts to best implement the government's direction to further the conservation culture in Ontario.

Sincerely,

A handwritten signature in black ink, appearing to read 'APL', is positioned above the typed name and title.

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