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July 6, 2010

Kirsten Walli
Board Secretary, Ontario Energy Board
PO Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario
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Re: Electricity Conservation and Demand Management Targets EB-2010-0216

North Bay Hydro Distribution Limited (NBHDL) would like to comment on the Board's requirement to amend our licence to reduce summer demand by 5 MW and consumption by 27 GWh through the delivery of CDM programs to meet provincial objectives. These programs are to be delivered over the 2011-2014 period. NBHDL has been very active delivering conservation programs to our customers and this is a major factor why our load has declined by 2.5% in 2009 (compared to 2008) and 2.2% to the end of May 2010 (compared to same period in 2009). NBHDL has proven its capability and experience in delivering conservation programs that are effective and efficient. NBHDL's comments on these new targets are based on this experience and our knowledge of how electricity is used in North Bay and what our customers are expecting from us.

1. The 5 MW 2014 summer peak demand savings target is not realistic.

NBHDL is a winter peaking utility. In 2009 our January load averaged 89,294 KW per hour while our July load averaged 56,113 KW per hour. The 5,000 KW target represents a 9% reduction in our average July demand. This target is not realistic given the fact NBHDL does not have the same loads driving demand compared with southern Ontario. We actually celebrate when temperatures increase in the summer and we open windows to enjoy the brief periods of warmth. The overall penetration of air conditioning, HVAC loads, swimming pools, etc is quite low in our market.

NBHDL suggests three alternatives with respect to establishing our demand reduction target. The first alternative is that the 5,000 KW target should be established for NBHDL's true peak period which is in the winter. This would represent a more realistic target (5.6% of average January load) and allow us to concentrate on larger loads like electric space heating and electric water heating. A second alternative is to take the 1,330 MW provincial CDM target divided by the all time peak of 27,005 MW (4.9%) and for us to reduce our average summer demand by that amount. This would result in a demand reduction target of 2,750 KW for NBHDL, a target that is more realistic. The third

alternative would be to allow NBHDL to work with its larger commercial and industrial customers to dispatch larger natural gas fired back-up generators connected to NBHDL's 44 KV system under certain circumstances. Our customers are reluctant to work with aggregators and the terms of the existing Demand Response programs are onerous and forget that customers are actually assisting the province with their problem of meeting peak demand. NBHDL feels that if a more simplified Demand Response program is developed, it can deliver. If NBHDL maintains operational control over its distribution system, then there is potential to engage customers to use their natural gas fired generators to help meet provincial demand. There is not a large population of customers that could participate; however, their generators are large and controlled for dispatch when required. The 5,000 KW summer demand reduction target would be more achievable only if these changes are made to the current Demand Response programs.

2. The 27 GWH energy target is realistic only if NBHDL is allowed the flexibility of targeting electric space and electric water heating, including load shifting to off-peak periods.

NBHDL has reviewed its preliminary 2009 demand and energy saving results achieved through the delivery of OPA programs. Unless there are significant changes to these programs, they will not deliver the demand and energy saving results identified by the Board.

NBHDL's winter consumption, December through March, is 75% higher than summer consumption, June through September. Clearly NBHDL must focus on winter consumption to achieve this target. This means programs must be targeted at better control and load shifting of electric space and water heating. Converting these loads to natural gas is not practical or cost effective for the customer. Programs will have to be developed to either more effectively control these loads or shift them to off-peak periods. Load shifting may not pass the OPA's economic tests; however, it should be noted they are cost effective and practical for the customer who is paying for these provincial initiatives. If residential, commercial and industrial electric space and water heating load control and shifting to off-peak periods is not a permitted CDM activity, then NBHDL will be unable to meet this energy target.

The OPA will also focus its resources on developing programs that benefit summer peaking utilities, resulting in an inherent disadvantage to winter peaking utilities that will be forced to rely on tier 2 and tier 3 programs to achieve their results. Tier 2 and 3 programs are more onerous and costly to develop and it is unfair for NBHDL to be forced to rely on going through this process while other LDC's can rely strictly on tier 1 programs to generate their results. Both the OPA and the OEB should proactively assist winter peaking utilities with developing their program mix in conjunction with developing and regulating processes.

3. The proposed allocation methodology assumes a level playing field across the province when it comes to achieving targets.

A level playing field does not exist across this province. There are a number of factors impacting a LDC's ability to achieve results including:

a) Participation in past programs

NBHDL has been very active reducing residential, commercial and industrial loads through previous programs. The largest and most cost effective retrofits have already been achieved either through third tranche programs or recent OPA programs. NBHDL should be rewarded for its commitment and achievements from third tranche programs and OPA programs 2006 through 2010. The targets set for 2011 through 2014 should be adjusted along the lines of the methodology suggested by SEC in its submission to the Board on this issue.

b) All local delivery networks (distribution channels) are not equal

Achieving and sustaining energy efficiency results requires an extensive network of contractors, engineering consultants, suppliers, distributors, etc. The network is less extensive the further the distance from Toronto and other major cities. What this means is that in North Bay it takes much longer to work with customers to identify and implement measures and energy efficient technology is more expensive to install because of the small market. The smaller network means that NBHDL cannot rely on the delivery network to generate leads. NBHDL has to generate all customer opportunities on its own. Developing a more extensive distribution channel in North Bay will not occur as the market size does not support it over the longer term.

c) Funding Mechanisms

If funding is made available to LDC's to reduce demand on a per MW or KW basis only then winter peaking utilities will be disadvantaged to achieve energy reduction targets. Newmarket for example has a proposed 9 MW demand reduction objective and 34 GWH. NBHDL has a 5 MW demand reduction objective and 27 GWH. If funding is made available on a per MW basis only Newmarket would have more relative funding to achieve its energy reduction target.

d) Customer Demographics

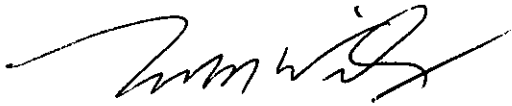
Customer demographics have a great influence on the ability to achieve CDM objectives. In North Bay, many of our industrial customers are typical northern based businesses, dependent on resource industries (mining and forestry). These sectors have been adversely impacted by the global recession and do not have the money to invest in energy efficient technologies at this time. North Bay also has a large business sector dependent on tourism and travel. The global recession has negatively impacted this sector and reduced its ability to participate in energy efficiency programs. North Bay has a large population of retirees and they have different needs that should be factored into the design of CDM initiatives if their sector is to be engaged.

Many of NBHDL's customers are concerned about the cost of smart meters and the impact of TOU pricing, especially during the winter period. There is an opportunity to develop load shifting programs that achieve both CDM results and provide tools to manage around TOU pricing. Customers are expecting some agency to step forward and help provide programs with tangible benefits that place them in control of electricity costs. There is a unique opportunity for convergence and to have CDM programs which include load shifting deliver on dual objectives.

Summary

NBHDL believes that setting CDM targets and developing the CDM code are very important provincial issues and NBHDL is committed to participating and delivering on targets. NBHDL has identified a number of issues with the proposed allocation methodology that must be given consideration by the Board, the OPA and the provincial government. Since this is an important initiative, with our licence dependent on achieving results, NBHDL believes time must be taken to develop a bottom up approach to determine what results can be achieved in our market considering our local factors. This approach could be married with the proposed allocation methodology and differences could be discussed. This process could be completed quickly and efficiently and would ensure ownership and buy in of targets at the local level. The current process leaves no opportunity for ownership and buy-in at the frontline where results are truly delivered.

NBHDL also suggests the Board and OPA organize a group of winter peaking LDC's to develop common solutions to problems that exist beyond the GTA. NBHDL looks forward to participating in such a group.

A handwritten signature in black ink, appearing to read 'Todd Wilcox', written in a cursive style.

Todd Wilcox
Chief Operating Officer