



**Milton Hydro Distribution Inc.**

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**Addendum to Milton Hydro Distribution Inc.'s Conservation and  
Demand Management Strategy 2011 - 2014**

**OEB File: EB-2010-0215**

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# 1 Background

This addendum document is submitted by Milton Hydro Distribution Inc. (Milton Hydro) in accordance to the Ontario Energy Board (“the Board”) letter issued on May 20<sup>th</sup> 2011 to all licensed electricity distributors and the filing requirements set out in the Conservation and Demand Management (“CDM”) Code (Board File No. EB-2010-0215).

On November 1<sup>st</sup> 2010 in response to the CDM Code, Milton Hydro submitted its 2011 to 2014 CDM Strategy<sup>1</sup> outlining its strategic plan on delivering 8 MW, revised to 8.05 MW of peak demand and 34 GWh, revised to 33.5 GWh of electricity consumption reduction towards the province’s CDM Targets. The strategy included an estimate of both Ontario Power Authority (“OPA”) Contracted Province-Wide Programs (Tier 1) and Board-Approved CDM Programs (Tier 2) required to meet the allocated targets.

On November 30<sup>th</sup> 2010, Milton Hydro received acknowledgement from the Board that it had conducted a review of its CDM strategy as submitted on November 1<sup>st</sup> 2010 to be incomplete. In its letter, the Board directed Milton Hydro to file an addendum to its CDM Strategy that contains prospective budgets for planned OPA-Contracted Province-Wide CDM Programs and Board-Approved CDM Programs.

It further stated:

“When developing the estimated, prospective budgets, Milton Hydro may use a methodology of its choice. For example, the approach used by Hydro One Networks Inc. or Toronto Hydro-Electric Systems Limited. Alternatively, Milton Hydro may choose to use information arising from the finalization of the OPA’s funding formula.”

The estimated prospective budget outlined in this addendum is based on the methodology outlined in section 4 (CDM Projected Budget) and includes:

- OPA program administration costs (“PAB”);
- Capacity building funding (“CBF”);
- Participant based funding (“PBF”);
- Participant incentives (“PI”); and
- Board-Approved CDM Program budgets.

## 2 Milton Hydro CDM Strategy

In May of 2009, the *Green Energy Act, 2009* received Royal Assent<sup>2</sup> by the Government of Ontario establishing CDM as a key component of the Province’s strategy to reduce electricity demand and usage in Ontario. As part of this initiative, the Ministry of Energy directed the Board to establish CDM targets for reducing provincial peak demand and electricity consumption as well as a CDM Code which would outline the obligations and requirements for licensed electricity distributors for meeting their CDM targets.

The new CDM Code established the rules for reporting, planning, design and evaluation, measurement and verification (EM&V) relating to CDM targets. It also ensures that distributors meet CDM targets in a cost effective and efficient manner to provide value to ratepayers. Included in the

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<sup>1</sup> [http://www.ontarioenergyboard.ca/OEB/\\_Documents/EB-2010-0215/MILTON\\_CDM\\_Strategy\\_20101101.pdf](http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0215/MILTON_CDM_Strategy_20101101.pdf)

<sup>2</sup> A method by which any constitutional monarch formally approves and promulgates an act of his or her nation’s parliament, thus making it a law.

CDM Code is Milton Hydro's allocation of the 1,330 (MW) provincial peak demand and 6,000 (GWh) of reduced electricity consumption to be achieved over a four year period beginning January 1, 2011.

On November 1<sup>st</sup> 2010 Milton Hydro submitted its strategy<sup>3</sup> for achieving its allocation of the provincial CDM targets. Milton Hydro's share of the provincial target is 8.05 MW of peak demand and 33.5 GWh of electricity consumption reduction. Milton Hydro built a strategy based on its 'best estimate' of achievable savings with OPA-Contracted Province-Wide CDM Programs given that many OPA program design and funding had not been concluded.

Details of the OPA Low Income Program were also not available at the time of filing and therefore was not included the Milton Hydro CDM Strategy nor will it be addressed in this addendum. Once approved and launched this program will form part of the Milton Hydro CDM strategy.

The following tables summarize the estimated savings and milestones which included in Milton Hydro's CDM Strategy.

Table 2.1. Peak Demand kW Savings Summary

<b>Peak Savings</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Annual Incremental Peak Demand (MW) Savings	0.910	2.730	5.300	7.970

Table 2.2. Incremental Annual Energy Savings Summary

<b>Energy Savings</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Annual Energy Savings (MWh)	1,920	3,777	4,612	4,583

Table 2.3. Cumulative Energy Savings Summary

<b>Milestone</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Cumulative Electricity Consumption Savings	1,970	7,564	17,658	31,967

Table 2.4 Milestones Achieved

<b>Milestone</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Milton Hydro CDM Target</b>
Stage	Stage 1 - programs launch/pilot	Stage 2 - programs settle/provide fine tuning	Stage 3 – programs mature	Stage 4 – program full performance	

<sup>3</sup> [http://www.ontarioenergyboard.ca/OEB/\\_Documents/EB-2010-0215/Greater%20Sudbury%20Hydro\\_CDM%20Strategy\\_20101101.pdf](http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0215/Greater%20Sudbury%20Hydro_CDM%20Strategy_20101101.pdf)

% of target MW	11.4%	34.1%	66.3%	99.6%	8.05 MW
% of target MWh	5.6%	16.6%	29.7%	42.1%	33,500 MWh

Table 2.5. Summary of Demand and Energy Savings

CDM Programs Source	Peak Demand Reduction (MW) (2011-2014)	Cumulative Energy Reduction (GWH) (2011-2014)
Tier I - OPA-Contracted Province Wide CDM Programs	7,970	31,967
Tier II - OEB-Approved CDM Programs	N/A	N/A
Total (OPA Tier I only)	7,970	31,967

Also at the time of filing, the conservation savings attributed to Smart Meters and TOU billing had not been determined and therefore the demand and energy savings from the implementation of these initiatives have been excluded from the above targets. When the final CDM results for Smart Meters and TOU prices become available from the OPA, Milton Hydro will include them in its overall targets.

### 3 OPA PAB CDM Funding

Throughout 2010 and into early 2011, the OPA in consultation with the Electricity Distributors Association (EDA) worked towards developing a CDM funding formula that would set forth a program administration budget (“PAB”) for each registered CDM program for the period of 2011 to 2014. On December 24<sup>th</sup> 2010, Milton Hydro received an email from the EDA providing it with its four-year PAB. This budget is shown in the Table 3.1 below.

Table 3.1. – Four-year PAB Funding for OPA Contracted Province-Wide Programs

OPA Program Description	PAB Funding Amount
OPA Consumer Program	\$647,395
OPA Commercial/Institutional Program	\$704,877
OPA Industrial Program	\$99,912
OPA Low Income Program	n/a
<b>Total OPA Program Funding</b>	<b>\$1,452,184</b>

The OPA has defined the following categories of expenses eligible under the PAB budget<sup>4</sup>:

- all salaries and labour costs including benefits;
- LDC Other Service Provider expenses;

<sup>4</sup> Master Agreement, Exhibit A-6-1 to Schedule A-6.

- billing and collection expenses;
- customer care, advertising and marketing expenses;
- information and technology expenses;
- office equipment expenses; and
- any other expense that the LDC can show is relevant and necessary for a registered initiative.

## 4 Milton Hydro’s CDM Projected Budget

In response to the Board’s request to supplement its 2011 - 2014 CDM Strategy and based on the above methodology, Milton Hydro has prepared an estimated, prospective budget for planned OPA-Contracted Province-Wide CDM Programs and Board Approved CDM Programs.

### 4.1 Methodology

As part of the development of budget estimates, Milton Hydro conducted a review of the approach used by other distributors and found the following methodology to be most appropriate:

1. Estimate the avoided costs associated with OPA-Contracted Province Wide Programs based on the CDM Strategy planning exercise. These costs are reflected as program benefits in the Total Resource Cost (TRC) Test which are imbedded in the Resource Tool provided by the OPA.
2. Estimate reasonable program costs (including PAB, CBF and PBF) required to deliver the OPA-Contracted Province Wide Programs. The reasonableness of this estimate considers that in order for the OPA Programs to be cost effective, the avoided costs from step one must be higher.
3. Estimate the participant incentives associated with the OPA-Contracted Province Wide Programs based on the CDM Strategy planning exercise.
4. Estimate the OPA-Contracted program budget by adding the estimated program costs from step two and the participant incentives from step three.

### 4.2 Estimated Prospective Budget

The budget estimates provided in this addendum are intended to be Milton Hydro’s best estimate of the scale of resources required to meet its allocated CDM target. They are based on Milton Hydro’s initial assumption that the OPA Contracted Province-Wide Programs would allow Milton Hydro’s to reach both its peak demand and electricity consumption targets.

The estimated budget requirement by Milton Hydro to meet its target is \$2,984,873. Budget details by market sector are shown in the table below.

Table 4.1 Estimated Prospective CDM Budget

CDM Program Description	Estimated Prospective Budget
OPA Consumer Program	\$2,180,086
OPA Commercial/Institutional Program	\$704,877
OPA Industrial Program	\$99,912
OPA Low Income Program	n/a
Board Approved CDM Program	\$0
<b>Total OPA Program Funding</b>	<b>\$2,984,873</b>

### 4.3 Issues and Constraints

These budget estimates were prepared using Milton Hydro’s current CDM Strategy assumptions which rely on a number of factors such as:

- Actual program uptake with the OPA programs.
- OPA program design and expected program operation and implementation.
- Actual program delivery costs specific to Milton Hydro’s franchise area.

In addition to these factors, there are a number of OPA-Contracted Province-Wide program elements still unavailable to the LDCs. Details are shown in the table below:

Table 4.2 OPA Program Elements Not Yet Available

<b>CDM Program Description</b>	<b>Years</b>	<b>Description</b>	<b>Target Customers</b>
Midstream Electronics Initiative - Initiative Schedule B1	2011-14*	Retail promotion of energy efficient televisions	Residential
Midstream Pool Equipment Initiative - Initiative Schedule B1	2011-14*	Retail promotion of “right sized” pool equipment	Residential
Home Energy Assessment Tool Initiative - Initiative Schedule B1	2011-14*	On-line, home energy assessment and recommendations on how energy consumption can be reduced	Residential
Residential Demand (“DR”) Response	2011-14*	Free, installed direct load control devices and in-home display systems/capability. Non-DR offers: subsidized in-home display systems/capabilities	Residential
Direct Service Space Cooling Refrigeration Initiative – Initiative Schedule C5	2011-14*	An initiative that provides incentive towards servicing of rooftop and ground-mounted air conditioners with a capacity of 25 tons or less.	Commercial Institutional
Small Commercial Demand Response	2011-14*	Free, installed direct load control devices and in-home display systems/capability. Non-DR offers: subsidized in-home display	Commercial Institutional

		systems/capabilities	
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Milton Hydro plans to review its CDM Strategy on an annual basis and will strive for efficiencies in program delivery by building both its strong customer relationships and current CDM programs. It will advise the Board if any adjustments are required to ensure that it meets its CDM target.

Respectfully submitted,

*Original signed by Cameron McKenzie*

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