

Festival Hydro

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Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
27th Floor
2300 Yonge Street
Toronto, Ontario M4P 1E4

June 8, 2011


Dear Ms. Walli:

**RE: Addendum to Festival Hydro Inc. Conservation and Demand Management Strategy
Board File # EB-2010-0215**

As requested by the Board, Festival Hydro Inc. ("Festival Hydro") is submitting an amendment to its original Conservation and Demand Management ("CDM") Strategy document ("Strategy") filed to the Board on November 1, 2010. The addendum provides proposed budgeted figures to implement and operate the programs/initiatives indicated in the original Strategy. Festival Hydro used the best available information to reach the preliminary overall estimated budget for their 2011-2014 CDM Programming.

If you have any questions or concerns, please do not hesitate to contact Ysni Semsedini, at (519) 271-4703 x 259 or email semsediniy@festivalhydro.com

Respectfully yours,


W.G. Zehr
President

Background

On November 1, 2010, Festival Hydro Inc. ("Festival Hydro") filed a Conservation and Demand Management ("CDM") Strategy Document ("Strategy") to Ontario Energy Board ("Board") to comply with the CDM Code.

Festival Hydros' original Strategy submission indicated targets of 6 MW demand and 30 GWh energy savings. These targets were subsequently changed on November 12, 2010 to 6.230 MW and 29.250 GWh. At this time, it is believed that Festival Hydro will achieve its targets through the Ontario Power Authority's suite of CDM Programming ("Tier 1 Programs").

On November 26, 2010, the Board advised Festival Hydro that its CDM Strategy needs to be amended to include funding information. The funding information must include the overall estimated budget not just the Program Administration Budget that was provided by the OPA. At the time of filing and still, complete funding information for Tier 1 programs are still not available.

The PAB makes up one of the five funding components that Festival Hydro expects to receive as support for its delivery of 2011 – 2014 OPA program offerings: The following five funding components are expected to make up the entire funding formula (as reported in the OPA webinar on December 9, 2010)

- 1) Program Administrative Budget ("PAB")
- 2) Capability Building Funding ("CBF")
- 3) Participant Based Funding ("PBF")
- 4) Customer Incentives ("CI")
- 5) Cost Efficiency Incentive ("CEI")

The prospective budget outlined in this document covers four of the funding components: PAB, CBF, PBF and CI. The CEI is an incentive given to LDCs for efficient use of program funding and is being left out of the prospective budget as outlined in the OEBs letter to All Licensed Electricity Distributors dated February 18, 2011.

Methodology

The prospective budget was estimated using the following methodologies:

1. Using the Resource Planning Tool provided by the OPA, the avoided costs associated with the OPA- Contracted Province-Wide CDM Programs were estimated. Avoided costs are the main benefit that is considered in the Program Administrators Cost (PAC) Test and TRC test.

2. The results of other utilities of similar size and customer mix were reviewed to ensure a level of consistency in Festival Hydro's budget estimate and approach.
3. For each of the three OPA program categories: Consumer, Commercial and Industrial. The budget costs are allocated between the OPA and Festival Hydro using the values reported in Toronto Hydro submission.

Prospective Budget

To respond to this direction from the Board, Festival Hydro has prepared an estimated, prospective budget for planned Tier 1 Programs. The estimated overall budget requirement by Festival Hydro to meet its demand and energy targets is \$9,057,448.92.

<u>Program</u>	<u>Program total</u>
OPA Industrial Program	\$679,169.87
OPA Commercial and Institutional	\$5,149,428.75
OPA Consumer Program	\$3,228,850.31
OPA Low-income Program	NA
Portfolio total	\$9,057,448.92

* Note that the prospective budget portfolio total above is not inclusive of any OPA Low-income Program costs. Further details regarding Low-income programs are pending from the OPA.

Limitations

These prospective budgets are intended to provide an indication of the scale of the resources required to meet the targets for Festival Hydro. The final numbers maybe higher or lower depending on the following factors:

- Technologies and measures to be implemented
- Details of program designs and the actual cost of delivering them
- The ability to meet "typical" costs in the Festival Hydro's service area
- The possible need for the programs to exceed energy targets in order to meet demand targets (or vice versa)
- Specific area demographics might not meet the OPA prescribed allocations

**Festival Hydro Inc.
Conservation and Demand Management Strategy 2011-2014
Amended June 8, 2011 to add budget information**

Festival Hydro will report to the Board the progress relative to budget in its annual reports and to advise the Board of any adjustments required to ensure that the targets are being met.