uniongas
A Spectra Energy Company

August 21, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

RE: EB-2015-0029 – Union Gas Limited ("Union") – 2015-2020 DSM Plan - Undertaking Responses

Dear Ms. Walli,

Please find attached Union's response to the following undertaking received in the above case: J2.5.

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[*original signed by*]

Vanessa Innis
Manager, Regulatory Initiatives

Encl.

cc: Lawrie Gluck, Board Staff
Alex Smith, Torys
All Intervenors (EB-2015-0029)

UNION GAS LIMITED

Undertaking of Ms. Lynch
To Ms. Girvan

To explain how the cost efficiency incentive would work through the DSM VA.

Response:

The cost-efficiency incentive as contemplated in the Board's Framework is a new initiative and the Framework provides little guidance as to the operation of this mechanism. Union's DSM Plan includes a cost-efficiency incentive that would be triggered once Union has achieved its target utility incentive. As stated in Union's response to JT2.21, achievement of the target utility incentive may be driven by any scorecard. The underlying assumption is that Union is able to achieve its DSM target utility incentive while spending less than the amount Union has included in its budget.

In the event that Union determines it was able to achieve its target utility incentive at a lower cost than budgeted that amount will not be refunded to customers; it will be set aside in a cost-efficiency tracking account. Union recognizes there may be timing issues in determining the cost-efficiency incentive amount to be applied to the next year's budget due to the audit process and deferral disposition process.

The following simplified illustrative example shows how the cost-efficiency incentive would work:

Assume there are only two programs in 2016. Program 1 has a budget of $15 million and Program 2 has a budget of $10 million for a combined total of $25 million. If the target utility incentive is achieved at a total cost of $23 million, $2 million would be set aside in the cost-efficiency DSMVA to be used to generate results in 2017. The budget available in 2017 would be $27 million ($25 million plus $2 million). The $2 million could be spent to generate results in either Program 1 or Program 2.

Line No.	($)	2016 Program 1	2016 Program 2	2017 Program 1	2017 Program 2
	Forecast				
1	Budget included in rates	15	10	15	10
2	Program budget	15	10	17	10
	Actual				
3	Budget included in rates	15	10	15	10
4	Program costs	13	10	15	10
5	DSMVA	-	-	-	-
6	Cost Efficiency Incentive	2	-	-	-