

July 28, 2016

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

Dear Ms. Walli:

RE: EB-2015-0029 – Union Gas Limited – 2015-2020 Demand Side Management (“DSM”) Plan – Green Investment Fund Attribution

The Ontario Energy Board (“Board”) issued its final 2015 to 2020 Report on the DSM Framework for Natural Gas Distributors (the “Framework”) and the Filing Guidelines to the DSM Framework (“the Guidelines”) on December 22, 2014 (EB-2014-0134). These documents were developed to guide Union Gas Limited (“Union”) and Enbridge Gas Distribution Inc. (“Enbridge”) (collectively “the utilities”) in the preparation of their 2015-2020 DSM Plans.

On January 20, 2016, and updated February 24, 2016, the Board issued its Decision and Order on the utilities’ respective DSM Plans (EB-2015-0029/EB-2015-0049).

Subsequent to the Board’s Decision and Order, Union entered into an agreement with the Ministry of Energy to provide funding, through the Ontario Green Investment Fund, to Union to enhance its residential Home Reno Rebate offering. The enhancements include:

- Expanded eligibility for participation, including:
 - Homes that use oil, propane, or wood as their primary heating fuel
 - Homes that use natural gas as their primary heating fuel but are not serviced by Union or Enbridge
- New rebates for:
 - High-efficiency oil furnaces and boilers
 - High-efficiency propane furnaces and boilers
 - High-efficiency wood burning systems
 - Air-source heat pumps
 - Smart thermostats
- Increased rebate levels for measures already included in the offering

All other elements of the Home Reno Rebate offering remain unchanged and as approved by the Board.

The agreement also provides funding to Union to develop a new residential Behavioural offering. Union does not currently administer a residential Behavioural offering within its DSM portfolio.

In situations where Union delivers a DSM offering in partnership with another party (e.g., governments, non-rate-regulated private sector), the Guidelines outline the following requirements at page 22:

“Attribution of Benefits Between Rate-Regulated Natural Gas Utilities and Other Parties

Attribution of savings between rate-regulated natural gas utilities and other parties (e.g., governments, non-rate-regulated private sector, etc.) should be based primarily on the shares established in a partnership agreement reached prior to the program’s launch.

Where the natural gas utilities’ allocated share of natural gas savings in the partnership agreement is more than 20% of the share that would have been allocated based on a “percentage of total dollars spent” basis, an explanation for the difference should be provided. The natural gas utilities are also expected to file expected spending for each of the partners participating in the delivery of the program before the program is launched and the actual amount spent by each partner within each program year has taken place. As partnerships do not always evolve as originally planned, this additional information will help the Board and stakeholders to assess the reasonableness of the shares allocated in the partnership agreement reached prior to the program’s launch and the actual contribution the natural gas utilities made to the program.

The share allocated to the natural gas utilities will be used to determine the credited achievement for each of the relevant metrics used to evaluate the program.”

Union is filing this letter to outline the expected spend, term, and attribution agreement from the agreement with the Ministry of Energy.

Expected Spend

Funding for enhancements to Union’s Home Reno Rebate offering is provided to Union by the Ministry of Energy, through the Green Investment Fund, in the amount of \$40 million.

Funding for the development of a new residential Behavioural offering is provided to Union by the Ministry of Energy, through the Green Investment Fund, in the amount of \$2 million.

Union’s Board-approved DSM budget is outlined in Schedule A of the EB-2015-0029/EB-2015-0049 Decision and Order, in the table entitled “Union Gas Limited 2016 to 2020 DSM Budgets and Targets”.

Term

The enhancements to Union’s residential Home Reno Rebate offering will begin in 2016.

The development of a new residential Behavioural offering will begin in 2017.

The partnership agreement ends May 31, 2019.

Attribution Agreement

While funding from the Green Investment Fund will drive incremental participation, Union's existing Home Reno Rebate offering continues to be the foundation of the offering. For this reason, attribution of the enhanced Home Reno Rebate offering's results will not be determined simply based on the source of funding. Instead, attribution between Union and the Green Investment Fund will occur based on the following rules:

1. 100% of the results from homes outside of Union's franchise area will be attributed to the Green Investment Fund.
2. 100% of the results from homes within Union's franchise that use a primary heating fuel other than natural gas will be attributed to the Green Investment Fund.
3. 100% of the results directly related to the smart thermostat will be attributed to the Green Investment Fund.
4. For all other results, there will be a two-phased approach to attribution each year. During Phase 1, 80% of the results will be attributed to Union and 20% will be attributed to the Green Investment Fund. If at any point in a given year Union exhausts its DSM funding available, or elects to stop using DSM funds for the enhanced Home Reno Rebate offering, Phase 2 of attribution will begin. During Phase 2, 100% of the offering's results will be attributed to the Green Investment Fund. Phase 1 will reset on January 1st of each year.

Attribution levels for Phase 1 were established based on the estimate that the Green Investment Fund incentive enhancements will account for approximately twenty percent (20%) of the total per-home average incentive amount.

Attributable results include the number of homes participating in the enhanced Home Reno Rebate offering, the amount of energy saved by the enhanced Home Reno Rebate offering, and the amount of GHG emissions avoided by the enhanced Home Reno Rebate offering. Savings will be determined based on HOT2000, except for smart thermostats, which will use prescriptive savings assumptions from the joint Union and Enbridge Technical Reference Manual.

For the Behavioural offering, 100% of the results will be attributed to the Green Investment Fund.

Union will report the actual spend and results within its DSM Annual Reports and in its annual disposition of DSM deferral and variance accounts proceeding.

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

Yours truly,

[Original Signed by]

Vanessa Innis
Manager, Regulatory Initiatives

c.c.: Josh Wasylyk, Board Staff
Alex Smith (Torys)
EB-2015-0029 Intervenors