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BY E-MAIL AND WEB POSTING

April 29, 2009

**To: All Rate-regulated Natural Gas Distributors
All Participants in Consultation Process EB-2008-0346**

Re: Measures and Assumptions for Demand Side Management (DSM) Planning

The purpose of this letter is to provide parties with the Measures and Input Assumptions that should be used by natural gas distributors for the development of the DSM Plans for 2010.

Background

The three-year DSM plans for each of Enbridge and Union will expire on December 31, 2009.

In October 2008, the Board initiated a consultation process (EB-2008-0346) on the development of new Demand Side Management (DSM) guidelines for distributors.

Draft Demand Side Management Guidelines for Natural Gas Distributors were issued for stakeholder comment on January 26, 2009. In addition, the Board engaged the services of Navigant Consulting to produce a draft report on "Measures and Assumptions for Demand Side Management (DSM) Planning" (the "Measures and Input Assumptions Report") which was posted for stakeholder comment on February 6, 2009.

On April 14, 2009 the Board issued a letter requiring rate regulated natural gas distributors to file one year DSM plans for 2010. This letter stated that the Measures and Input Assumptions Report issued with this letter should be used for the development of the DSM Plans for 2010.

Distributors are to file DSM plans for 2010 by the end of May 2009.

Submissions from Interested Parties

Five submissions were received commenting on the draft Measures and Input Assumptions Report. One of the submissions was a cooperative effort in which nine stakeholders pooled their cost eligible hours to hire an expert consultant to comment on the Navigant report. The following summary is only intended to provide an overview, and all comments in their entirety are posted on the Board's website.

Enbridge and Union

Enbridge retained the services of Summit Blue and Indeco to review the Measures and Input Assumptions Report. In addition, both distributors submitted general comments and measure specific input assumptions and comments. Six new studies were also provided to Navigant Consulting.

The distributors' commented that free ridership and spillover be included in input assumptions and that the input assumptions should be locked in for the Total Resource Cost (TRC) savings used in the shared savings mechanism (SSM) calculations.

Other Parties

The Building Owners and Managers Association of the Greater Toronto Area, Consumers Council of Canada, Canadian Manufacturers and Exporters, Green Energy Coalition (GEC), Industrial Gas Users Association (IGUA), Low Income Energy Network, London Property Management Association, Pollution Probe and the Vulnerable Energy Consumers Coalition (VECC) (collectively the "Cooperative") together retained Vermont Energy Investment Inc. to review the Measures and Input Assumptions Report.

Support was expressed for the Ontario Power Authority's (OPA) web-based process for managing new information on measures and assumptions. Comments included support for free rider rates as a function of program design, but not as an input assumption attached to stand alone measures. The Cooperative identified a number of circumstances for which the application of prescriptive assumptions was viewed as inappropriate. These included:

- where assumptions would be affected by program design;
- for measures failing cost-effectiveness screening;
- for measures with significant variability in savings owing to differences in installation or building stock; and,
- for custom measures' lives without independent assessment.

VECC also supported harmonization with the OPA's Measures and Assumptions for CDM Mass Market Prescriptive Measures for low-income consumers. VECC also commented that low income home owners and renters are the least able to pay the

incremental cost of CDM and DSM programs and as a result they cannot benefit from these programs.

IGUA supported a process for stakeholder review and comment on any future updating of inputs and assumptions.

Green Energy Coalition

In a separate letter submitted after the stakeholder comments had been posted, GEC provided comments specifically on the DSM assumptions review process. The principle criticism being that the process did not provide a mechanism to examine or challenge proposals and assertions around the input assumptions provided by distributors. GEC proposed that the process be changed to involve Board staff and an independent expert in the Evaluation and Audit Committee (EAC) discussions to develop input assumptions. As an alternative approach, GEC suggested that the Board could appoint Navigant or some other expert to act as an arbitrator in the EAC processes after considering comments from both utility and EAC members and advisors.

As indicated in the letter dated April 14, 2009, the Board intends to review the existing DSM framework with respect to any impacts stemming from the Green Energy Act later this year. At this time, the Board will also consider GEC's suggestion to involve Board staff and an independent expert in the Evaluation and Audit Committee (EAC) discussions when measures and input assumptions are updated in the future.

Board Determination and Distributor Implementation

Navigant reviewed all of the comments provided. In response to stakeholder comments, Navigant revised the input assumptions for accuracy and updated information. In addition, it revised report to elaborate on its approach and assumptions and provided additional references. See the attached report for more details on Navigant's response to the issues identified by stakeholders.

The Board has considered how Navigant has addressed the comments, data and studies provided by stakeholders and is satisfied that the Measures and Input Assumptions Report reflects the best available information with respect to the various measures covered.

The Board adopts the Navigant Measures and Input Assumptions Report dated April 16, 2009 for use in the 2010 DSM plans. A copy is attached to this letter.

All materials related to this consultation are posted on the "OEB Key Initiatives" portion of the Board's web site at www.oeb.gov.on.ca. The material will also be available for public inspection at the Board's office during normal business hours.

The Board will address the issue of cost awards for this consultation in accordance with a Notice of Hearing that will be issued for that purpose in the near future.

The issuance of this letter concludes this consultation. The Board wishes to thank all participants for their contributions.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachments

Measures and Assumptions for Demand Side Management (DSM) Planning,
Navigant Consulting Inc. April 16, 2009
Appendix C: Substantiation Sheets