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10 August 2009

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
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Dear Ms Walli:

Re: EB-2009-0166 Union Gas 2010 DSM – GEC submissions

Attached are GEC's submissions

Sincerely,

David Poch

Cc: all parties

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GEC Comments on Union Gas' 2010 DSM Plan

Introduction

In anticipation of a revisiting of a variety of policy issues regarding gas DSM in Ontario, the Ontario Energy Board (OEB) has requested that both Enbridge Gas and Union Gas file one year DSM plans for 2010 rather than multi-year plans. Further, the Board has suggested that the one-year plans should assume that the current DSM framework remains in place.

In that context, GEC's review of the Union Gas' filed plan has been intentionally more cursory than in the past, assuming that the OEB prefers a more strategic review in this transition year. In general, we found the Union plan to raise far fewer questions and issues than the Enbridge filing. Our comments are focused on just one topic: the Company's proposed 2010 market transformation goals and performance incentives.

The Board should not interpret this strategic focus as an endorsement of the elements of the utilities' plans on which we are not commenting. We have simply assumed that concerns we have regarding other elements of the utilities' plans should be addressed as part of the broader discussion that will occur at a later date regarding possible changes to the current DSM framework.

These comments were developed on GEC's behalf based upon a review by its consultant, Chris Neme of the Vermont Energy Investment Corporation. As the Board is aware, Mr. Neme is a DSM expert with more than twenty years of relevant experience, including work for clients in more than twenty states and several Canadian provinces. He is intimately aware of the current Ontario gas utility DSM programs, as well as the evolution of both those programs and the Board's policy guidance regarding gas DSM. He has been elected by the full group of DSM stakeholders to serve on both the Enbridge and Union Gas Evaluation and Audit Committees (EACs) on numerous occasions in the past; he currently serves on the Enbridge EAC. Mr. Neme has also filed and defended regulatory testimony before the OEB on more than a dozen proceedings since the mid-1990s.

Market Transformation Metrics

To begin with, GEC would like to note that while we have some concerns regarding Union's proposed market transformation metrics, its proposal is generally better than Enbridge's for several reasons. First, Union's proposal appropriately focuses exclusively on ultimate outcomes and market effects. Second, its proposal provides much clearer definitions of what will be measured. Finally, it has clearly endorsed the notion that incentives for any one metric are capped at 150% of the weighting-based value of that metric.

Our only concern about the metrics is that the numerical goals for some of them appear low. For example, metric "b" has a proposed market share goal of only 14%. The goal for 2009 is only two percentage points lower (i.e. 12%) and the Company appears on its way to meeting it. A two percentage point increase is smaller than the increase seen in both of the previous two years. Moreover, a program that is gaining market share at a rate of only two percentage points per year will take decades to transform the market. In the fourth year of a program like this, we should be seeing a much steeper climb in market share. Thus, we suggest that something like a

20% target would be reasonable and appropriate. We have similar concerns about other goals as well.

That said, we are comforted by the fact that the Company has expressed a commitment to finalize the metrics in consultation with the EAC. Given that commitment, we suggest that the Board conditionally approve the Company's plan, with the condition being that such consultation is conducted and that the Company re-file an updated market transformation scorecard that represents a consensus of the EAC.