

October 15, 2009

Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, Ontario  
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

RE: EB-2009-0166 - Union Gas Limited - 2010 Demand Side Management Plan – Low-Income

Dear Ms. Walli:

On April 14, 2009, the Board issued a letter to the EB-2008-0346 participants directing natural gas distributors to file a one-year DSM Plan for 2010 rather than a new multi-year plan. The letter notes that the Board expected the 2010 DSM Plan to be filed under the current DSM framework.

On May 13, 2009, the Board issued a letter directing the distributors to remove programs related to low-income energy consumers from the 2010 DSM Plans as they were to be addressed through the Low-Income Energy Assistance Program Conservation Working Group (“CWG”) (EB-2008-0150).

On May 29, 2009, Union filed its 2010 DSM Plan in accordance with the prescribed Board directions noted above. The Board issued its Decision on September 30, 2009, approving the plan as filed.

By letter dated September 28, 2009 the Board requested Union to file a one year low-income DSM plan for 2010 based on the existing DSM framework, including budget increases based on the established escalators. The Board’s letter noted that the CWG’s report on a proposed short-term low-income DSM framework, although of interest to stakeholders and potentially valuable to the Ministry during the development of a province-wide long-term program, would not be implemented.

Accordingly, Union has attached its 2010 Low-Income DSM Plan. The 2010 Low-Income DSM plan was created based on the current DSM framework established in EB-2006-0021.

The low-income DSM budget proposed in the Plan has been included in the total DSM budget as filed in Union's 2010 rate application (EB-2009-0275).

If you have any questions, please contact me at 519-436-5476.

Yours truly,

*[original signed by]*

Chris Ripley  
Manager, Regulatory Applications

cc: Crawford Smith (Torys)  
EB-2009-0166 Intervenors

**UNION GAS LIMITED**  
**2010 LOW-INCOME DSM PLAN EVIDENCE**

**INTRODUCTION**

As directed by the Board in its letter of September 28, 2009, Union has prepared the enclosed 2010 Low-Income DSM Plan in accordance with the existing DSM framework established in the DSM Generic Proceeding Decision (EB-2006-0021). The Plan also builds on Union's DSM experience to date.

Union's 2010 low-income DSM activities will focus on delivering natural gas savings, but will also enable customers to generate electricity and water savings through Union's programs. In 2010, Union will seek out additional partnerships to drive further penetration and success in the low-income market.

**REGULATORY FRAMEWORK**

***Budget:*** The budget for Union's 2010 Low-Income DSM Plan will be \$1.730 million. This budget represents a 10% increase to the \$1.573 million of Union's 2009 DSM budget used for Low-Income DSM Programs.

In its 2010 DSM Plan, Union filed an overall budget of \$20.897 million which reflected a 10% increase to the total 2009 DSM budget of \$20.570 million, less the associated 2010 Low-Income DSM budget of \$1.730 million. With the inclusion of Low-Income DSM Programs, the overall 2010 DSM budget will be \$22.627 million (\$20.897 million + \$1.730 million).

Union's total 2010 DSM budget of \$22.627 million is consistent with the existing DSM framework which provides for a 10% increase to the previous year's DSM budget (\$20.570 million x 1.1 = \$22.627 million).

***Target:*** For 2010, Union's TRC target will be based on the TRC formula accepted in EB-2006-0021. The formula sets the annual target by averaging Union's actual audited TRC results over the previous three years and applying to this figure an escalation factor equal to 1.5 times the amount by which budget is increased, or 15%. For the 2010 Plan, Union's target will be established as follows:

- The simple average of the actual 2007, 2008, and 2009 audited TRC values as approved by the Board, including the actual TRC values attributed to Union's Low-Income DSM Programs for each year, increased by 1.5 times the budget escalation factor (i.e. 15%).

***Shared Savings Mechanism (“SSM”):*** In 2010, Union will be eligible to earn an SSM incentive payment, determined using the methodology outlined in EB-2006-0021. At 100% of the TRC target Union will be eligible for an SSM incentive payment of \$4.75 million. An additional incentive of \$0.5 million will be available for market transformation activities. TRC savings derived through Union’s 2010 Low-Income DSM Programs will contribute to the achievement of the TRC target for the SSM incentive payment.

***Lost Revenue Adjustment Mechanism (“LRAM”):*** Union will continue to apply the rules of the LRAM as outlined in EB-2006-0021. Volumetric reductions resulting from Union’s 2010 Low-Income DSM Programs will contribute to the calculation of the LRAM.

***Demand Side Management Variance Account (“DSMVA”):*** Union will continue to use the DSMVA to “true-up” the variance between the DSM budget built into rates for 2010 and the actual DSM expenditures, including Low-Income Programs, in 2010. If actual spending is less than the amount built into rates, ratepayers shall be reimbursed. Union will be reimbursed for overspending, up to a maximum of 15% of its DSM budget for the year, provided additional funding is utilized on incremental program expenses, including market transformation programs.

***Research:*** In 2010 Union will focus on research directed at improving the program design and the targeting of opportunities within Union’s overall DSM portfolio. This focus demonstrates Union’s commitment to developing a sustainable portfolio of DSM programs. This may include research on Low-Income DSM programs in 2010.

***Evaluation:*** Union is committed to completing evaluation work on a portion of the measures included in this 2010 Plan as prioritized by Union in collaboration with its EAC prior to the start of 2010. Union will also complete an Annual Report which will be subject to an independent third party audit. Low-Income DSM programs in 2010 will be included in the evaluation process and the Annual Report.

## **RESIDENTIAL LOW-INCOME EXISTING CUSTOMERS**

Participation in conservation programs is an effective and proven long-term solution for customers to manage their energy use and lower their energy costs. Often low-income customers live in inefficient dwellings yet don’t have the financial means or awareness of available programs to implement conservation measures. As a result, it is necessary to deliver programs that are tailored to meet the specific needs of these customers. In 2010, Union Gas will continue to design and promote targeted Demand Side Management (“DSM”) programs for low-income customers to help address these barriers.

## **STRATEGY**

In order to remove any barriers to participation in our low-income programs, Union's Helping Homes Conserve ("HHC") program is delivered right to the customer's door, at no cost to the customer. By going door-to-door to postal codes with high-propensities of low-income customers, Union is able to interact one-on-one with customers to teach them the benefits of the program. By removing any costs to participation, customers who previously couldn't take part in conservation programs due to financial constraints, are now able to participate.

To provide low-income customers with deep measures, Union will engage social housing providers and local social service agencies to develop partnerships in order to deliver our Home Weatherization program to their tenants and private homeowners within their communities. This program will also be delivered at no-cost to the customer in order to alleviate any barriers to the program.

Union will continue to engage the low-income community by partnering with local social service agencies, local associations, social housing providers and municipalities. By developing strategic partnerships, Union will increase awareness of the program in the community and develop a broader understanding of the needs and challenges of our low-income customer base.

Education is a key component to the effective delivery of low-income programs. Through various mediums, Union will provide tailored education to low-income customers. By educating customers on the benefits of conservation, program adoption increases.

## **INITIATIVES**

Union will continue to drive our HHC program, which offers low-income customers the free installation of; energy-efficient showerheads, pipe wrap and a programmable thermostat. A kitchen and bathroom aerator is left behind for self-installation. HHC is currently offered to Union's low-income customers who reside in Hamilton, London, Windsor, Sudbury, North Bay, Cornwall and Brantford. Union will look to expand the geographic reach of HHC in 2010.

As an extension of Helping Homes Conserve, Union offers qualifying low-income customers' deep measures through our Home Weatherization program. This program addresses building envelope issues in low-income neighbourhoods within Union's franchise area. Customers receive a pre and post energy audit and subsequent necessary building envelope upgrades which could include; attic insulation, wall insulation, basement insulation and draft-proofing measures. These upgrades provide benefits beyond energy savings by contributing to increased comfort and indoor air quality in the home. All services are provided at no cost to the customer. Union has successfully

delivered this program in Hamilton and Cornwall to date and will continue to pursue opportunities to expand the program to further communities in 2010.

In addition to measure installation, Union will continue to work with our social service agency program partners to host educational workshops tailored to low-income customers. These workshops teach attendees about various low-cost and no-cost conservation tips they can perform around the home to help reduce their energy use. These workshops also provide customers with a “starter-kit” that include products such as rope caulk and window film, to give customers the tools they need to improve the efficiency of their home.

Union will continue to explore enhancing the program to allow for a more comprehensive approach in the future. This approach will take into consideration the need for addressing the unique barriers low income customers face and ensuring that the energy savings attained as a direct result of the measure installation are realized on the participant’s energy bills.

#### **LOW INCOME MARKET TRANSFORMATION**

Union will allocate 14% of the market transformation budget, or \$186,340 in 2010, to low income-customers. Union Gas will look to partner with social housing organizations to incorporate Drain Water Heat Recovery (“DWHR”) units in the building process.