

November 27, 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’s 2010 Low-Income Demand Side Management Plan – Reply Submission

Dear Ms. Walli:

Please find enclosed two copies of Union Gas Limited’s reply submission for the above noted proceeding.

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

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board
Act, 1998, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by
Union Gas Limited for approval of its 2010 Low-Income
Natural Gas Demand Side Management Plan.

**UNION GAS LIMITED
REPLY SUBMISSION**

Overview

1. By application dated October 15, 2009, Union Gas Limited (“Union”) applied to the Board for an order granting approval of its 2010 Low-Income Natural Gas Demand Side Management (“DSM”) Plan under the existing docket number of EB-2009-0166 which was used for Union’s 2010 DSM Plan.
2. The Board issued Procedural Order No. 2 on October 26, 2009 providing for a written hearing, including written evidence, written interrogatories and written argument. Union’s prefiled evidence was delivered, with its application, to the Board on October 15, 2009. On October 27, 2009, Union filed an updated 2010 Low-Income DSM Plan which included the 2010 low-income input assumptions. Union’s responses to interrogatories were delivered to the Board on November 13, 2009.
3. Written argument was filed by the Industrial Gas Users Association (“IGUA”), Canadian Manufacturers & Exporters (“CME”), the Energy Probe Research Foundation (“Energy Probe”), the London Property Management Association (“LPMA”), and the Low-Income Energy Network (“LIEN”). IGUA, CME, Energy Probe and LPMA all noted no concerns with Union’s application.
4. LIEN noted concerns about the approval process for Union’s low-income DSM application and the low-income DSM framework in general. Specific to Union’s

application, LIEN requested that the Board endorse two conditions of approval. First, LIEN requested that the Board require Union to spend the equivalent of 20% of its residential DSM budget on low-income DSM programs. Second, LIEN requested that the Board require Union to expand its Weatherization program into at least one additional community in 2010.

5. This is Union's reply to the submission of LIEN.

LIEN's Characterization of the Context of this Application

6. LIEN's characterization of the context of this proceeding is not correct and leaves out the most important developments. The history of the present form of this application originated with a letter of May 13, 2009, in which the Board confirmed the establishment of the Low-income Energy Assistance Program (LEAP) and, as part of that initiative, the formation of a working group to address the conservation component of the LEAP. The role of this working group was to have been to develop both a short term and a long term DSM framework for natural gas distributors relating to low-income energy consumers. In this connection, Union was advised that DSM targets for low-income energy consumers would be considered separately from the main DSM portfolio. Union was, therefore, instructed to remove all low-income DSM programs from its main portfolio.
7. The "main portfolio", excluding low-income DSM, was considered and approved by the Board on September 30, 2009 in EB-2009-0166.
8. The subsequent reintegration of low-income DSM into this docket arose from Minister Smitherman's initiative announced on September 8, 2009. In a letter to the Chair of the Board, the Minister announced that he had commissioned the Canadian Council on Social Development to deliver recommendations on a low-income program that would align with the province's Poverty Reduction Strategy and *The Green Energy and Green Economy Act, 2009*. In doing so, the Minister asked the Board to refrain from implementing new support programs being developed in the LEAP for low-income energy consumers. Many of these programs, of course, involved or would have involved conservation measures. The provincial government's Poverty Reduction Strategy

therefore, has effectively superseded the Board's low-income energy consumers initiatives.

9. The Board's response to the Minister's announcement was, among other things, to ask, on September 28, Union to file its 2010 DSM Plan for low-income consumers "based on *the existing DSM framework including increases based on the established budget escalators*" to "ensure continuation of natural gas DSM programs for low-income consumers *until a province-wide framework has been completed*" [emphasis added]. The Board indicated that its decision with respect to Union's low-income DSM plan for 2010 would "be made separately" from the main DSM portfolio which had already been filed.
10. In effect, special programs, including conservation programs, for low-income consumers are in a holding pattern pending the government's wider poverty reduction initiatives. For 2010, or "until a province-wide framework has been completed," therefore, low-income DSM is to be based on the "existing DSM framework" including "established budget escalators."

Low-Income DSM Budget

11. On page 32 of its Decision with Reasons (EB-2006-0021, Phase 1), the Board noted that:

"Parties to this settlement accept that low-income customers face barriers to access DSM programs which are unique to this group of customers. Accordingly, parties to this settlement agree that it is appropriate to establish a minimum amount of spending on targeted low-income customer programs in the residential rate classes of both Utilities. It is agreed that each utility will spend out of its DSM budget a minimum of \$1.3 million, or 14% of each respective utility's residential DSM program budget, whichever is greater. For clarity, a utility may expend more than \$1.3 million or 14% of its residential DSM program budget if the utility considers it appropriate. The Utilities each agree to increase the \$1.3 million spending floor by the budget escalation factor appropriate for the utility (i.e. EGD 5%; Union 10%) in each of the second and third years of a three year plan."

12. Union's \$1.730 million budget for 2010 low-income DSM programs is reflective of the \$1.300 million budget established in 2007 increased by the Board approved budget

escalator of 10% in each year of the existing framework. Union submits that its application was made under the existing, Board approved, framework and allocates funds to its low-income DSM programs based on that framework.

13. LIEN's submission requesting the Board to increase the agreed upon minimum from 14% to 20% effectively resiles from the Board approved settlement and seeks to impose new criteria which were never agreed to or approved by the Board.
14. For this reason, LIEN's submission should be rejected.

Weatherization Program

15. It is Union's goal to expand the Weatherization program beyond Hamilton and Cornwall to additional communities. Union will continue to pursue opportunities to expand the Weatherization program to additional communities in 2010. However, the viability of such expansion is dependent on the market capacity of new communities, including the local agencies, and on budgeted dollars being available to deliver the program. The work has not yet been done to determine these parameters. Accordingly, it is premature for Union to make firm commitments in this regard. For the same reason, it would not be appropriate to simply direct Union to expand in the absence of appropriate, reliable information on these two determining factors.
16. In Union's submission, it is Union's responsibility to run its DSM programs within reasonable parameters and it intends to do so, expanding the Weatherization program to new communities in 2010 if and where conditions warrant.

Conclusion

17. In conclusion, for the reasons set out above, Union requests an order of the Board approving the 2010 Low-Income DSM Plan and input assumptions (Appendix A & B) as filed.