



**uniongas**

A Spectra Energy Company

May 7, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St., 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2008-0346 DSM Guidelines – Union's Questions to Concentric**

Please find attached Union's questions on Concentric's Review of Demand Side Management for the Natural Gas Distributors report.

Yours truly,

*[Original signed by]*

Chris Ripley  
Manager, Regulatory Applications

Attach.

c.c.: EB-2008-0346 Participants  
Crawford Smith, Torys

## **Union's Questions for Concentric – May 7, 2010**

---

### **Issue #1 – DSM Cost Effectiveness Test**

---

1. Recognizing that, at the program level, program and incentive costs are related to the number of participants, how would Concentric recommend establishing the participation levels to be used in the Societal Cost Test ("SCT") and Program Administrator Cost ("PAC") tests respectively?
2. Does Concentric recommend the PAC test be used to prioritize programs within each sector, or is Concentric recommending the prioritization be applied across the entire DSM resource acquisition portfolio recognizing the potential result that the portfolio may not provide DSM programs to all sectors?
3. Recognizing that the gas distributors are aware of changing market conditions due to their ongoing interaction with customers and market actors, please confirm that Concentric recommends that the utilities maintain a degree of flexibility in prioritizing the DSM programs delivered to the market?
4. How would Concentric's screening and prioritization recommendations relate to behavioural and market transformation programs which are not formulaic in nature?

### **Issue #3 – DSM Input Assumptions/Parameters**

---

5. Please clarify which of the approaches below Concentric recommends for the use of best available input assumptions, including avoided costs, and outline the rationale for the approach recommended.
  - a. Input assumptions would be based on best available data approved for SCT, PAC, the target(s) and performance measurement prior to the program year and would not be changed retroactively within that year. Any changes based on Evaluation Reports and new information would be applied to the next full program year within the term of the DSM framework;
  - b. Input assumptions would be based on best available data for SCT, PAC, the target(s) and performance measurement at the end of the program year and would all be changed retroactively at the end of that year;
  - c. Outline approach if not captured by a) or b).
6. Recognizing that changes to input assumptions, including avoided costs, may be significant, what mechanism is Concentric suggesting to adjust the recommended 3-5 year targets when these changes alter the prioritization of DSM programs?

#### **Issue #4 – DSM Adjustment Factors**

---

7. As Concentric is recommending attribution based on dollars spent by the utility, what factors led Concentric to the conclusion that budget is the primary indicator of a partner's contribution to the program?
8. Currently gas distributors undertake persistence studies for identified measures which may be uninstalled prior to the end of their useful life. What value does Concentric foresee in separating persistence from measure life for measures which are too costly or impractical to uninstall prior to their end of useful life?
9. How does Concentric recommend measure life and persistence be defined for behavioural programs?

#### **Issue #6 – DSM Budget Development**

---

10. Is Concentric recommending budgets be approved on an annual or multi-year basis?
11. What relationship is Concentric recommending between adjustments to the recommended multi-year targets and the budget?
12. Confirm that Concentric recommends an over spending structure which the utilities could utilize to maintain program momentum above the budget proposal comparable to the existing DSM Variance Account? If not, why not?
13. Is Concentric's research that forms the basis for the proposed EM&V budget of 3% to 5% of the total DSM budget based on jurisdictions which operate under similar screening, measurement, and audit requirements as those proposed in the report? Has an analysis been done on the budget implications for evaluation and audit in order to accommodate for the benchmarking and ongoing market penetration studies required to measure results under Concentric's recommendation?
14. Does Concentric recommend the budget continue to be recovered exclusively from the rate class to which the funding was directed?

#### **Issue #7 – DSM Metrics and Targets**

---

15. How would Best Available Technologies ("BAT") be determined and by what criteria? For example, where natural gas or carbon emissions reductions are not maximized by the same technology, which would be used to determine the BAT?

16. Who would be the arbiter of what represents the best available technologies?
17. In relation to the BAT in the commercial and industrial sectors specifically;
- a) Please provide clarification on how BAT would be utilized where more sophisticated technological solutions are required.
  - b) Who would be the arbiter of what represents the BAT for the distinct needs of a given facility or application?
  - c) Please provide specific examples of how BAT is used in other jurisdictions in the commercial and industrial sectors.
  - d) Confirm that Concentric agrees that BAT penetration may not be appropriate in the commercial and industrial sectors where most programs are custom in nature in which case TRC or SCT targets should be adopted.
18. For market penetration measurement, how does Concentric propose market assessments would be conducted for both the baseline and ongoing annual measurement? Is the expectation that this will be done through primary research?
19. Based on Concentric's assessment of other jurisdictions what degree of accuracy, given budget constraints, would be recommended for market penetration studies? What market penetration accuracy levels and margin of error bands were deemed achievable in these jurisdictions and did it vary by sector?
20. Please comment on the feasibility of top-down gas use reduction targets given the conclusion by Pacific Economics Group ("PEG") that there is insufficient data in Ontario to develop top-down measurement of the impact of utility conservation programs.
- a) If percentage reduction of gas consumption is deemed viable in spite of PEG's findings, please illustrate the methodology used in other jurisdictions as presented in the table on page 107 of the report. Please clarify if these results were utilized for measurement towards incentive achievement in these jurisdictions.
  - b) If percentage reduction of gas consumption is deemed not to be viable given PEG's findings, what would Concentric recommend as other metrics of measurement where market penetration is not feasible. Would a bottom-up approach be recommended for specific sectors?
21. Please confirm whether Concentric is recommending an individual target and incentive for each program. Would this vary between programs measured by market penetration vs. programs measured by other metrics as outlined in Concentric's response to question 20?
22. What measurement approach does Concentric recommend for behavioural programs?
23. Does Concentric recommend that the target for market transformation programs continue to be measured through a scorecard approach?

24. Please provide the rationale for Concentric's recommendation that market penetration and percentage gas reduction per customer be utilized as the appropriate measurement metrics for low-income programs given the agreed upon recommendation from the Low-Income Conservation Working Group on a set of performance metrics to be utilized and measured through a scorecard approach.

#### **Issue #8 – Shareholder Incentive Mechanism**

---

25. Is Concentric recommending that the annual incentive mechanism be based on progress towards annual or multi-year targets? Please clarify how the annual incentive would be structured under Concentric's recommendation.
26. What incentive mechanism methodology is Concentric proposing for resource acquisition programs? Is Concentric recommending the utility be required to meet the 100% target at a portfolio or individual program level? Please outline the methodology and incentive allocation structure for the proposed mechanism which would incorporate market penetration measurement as well as other metrics outlined in response to question 20.
27. Given Concentric's answers to questions 23 & 24, what incentive structure is Concentric recommending for low-income and market transformation programs? Please outline the recommended mechanism.
28. What incentive structure is Concentric proposing once the utility has met 100% of their target in order to incent them to drive higher DSM results?
29. Given Concentric's recommendation that gas distributors should not be rewarded an incentive for achieving less than 100% of program success, has Concentric considered the negative implications that imposing a threshold will have on the continuation of a program if achieving 100% program success does not appear feasible?
30. In those jurisdictions with a threshold, how have utilities performed relative to that threshold?

#### **Issue #9 – Lost Revenue Recovery Mechanism ("LRAM")**

---

31. The current LRAM mechanism does not provide for the recovery of contract peak demand reductions as a direct result of DSM program implementation. As it was not explicitly addressed in the report, does Concentric endorse capturing the recovery of this revenue reduction where it is directly linked to a DSM initiative to prevent the natural gas distributor from experiencing lost revenue as a direct result of DSM?

#### **Issue #10 – DSM Conservation Impact Evaluation**

---

32. Can Concentric please provide the rationale which formed the basis of the recommendation for the Board to select the evaluators and auditor, define the parameters of these projects and review the results?
33. Confirm that the evaluation report and audit report refers to the same document.

#### **Issue #11 – Filing and Reporting Requirements**

---

34. Under Concentric's recommendations please outline any filing and reporting requirements which differ from the current Annual Report.

#### **Issue #13 – Integration of Gas and Electric DSM**

---

35. What attribution methodology and administrator flexibility does Concentric recommend to facilitate integration of the opportunities indicated in the report (e.g. program delivery of home energy audits, low-income community programs etc.).
36. From a program delivery prospective, please provide examples of how programs are being jointly delivered in other jurisdictions which would be relevant given the marketplace in Ontario. What attribution methodology is in place in these jurisdictions?
37. Is Concentric aware of any jurisdiction where CDM and DSM frameworks share the same principles which would be relevant given the market structure of Ontario?