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DELIVERED AND VIA RESS

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Review of DSM Framework for Natural Gas Distributors
EB-2008-0346**

Pursuant to the Board's letter dated March 19, 2010, we enclose three copies of the Questions of Enbridge Gas Distribution Inc. to Concentric Energy Advisors in respect of its report entitled *Review of Demand Side Management (DSM) Framework for Natural Gas Distributors*.

An electronic copy of same has been submitted through the Board's RESS web portal.

Yours truly,

AIRD & BERLIS LLP



Dennis M. O'Leary

DMO:ct
Enclosure
cc DSM Consultative

ONTARIO ENERGY BOARD

IN THE MATTER OF Demand Side Management
Guidelines for Natural Gas Distributors;

AND IN THE MATTER OF a Review of Demand Side
Management (DSM) Framework for Natural Gas
Distributors

**QUESTIONS OF ENBRIDGE GAS DISTRIBUTION
INC. TO CONCENTRIC ENERGY ADVISOR
("CONCENTRIC") RE THE "CONCENTRIC
REPORT"**

May 7, 2010

Study Process

1. What weight did Concentric give to stakeholder comments, considering that those comments were gathered over a year ago and before passage of the *Green Energy Act*?

The Principles

Reference: Page 17

2. Did Concentric review DSM principles developed in Ontario in consultation with the Board, utilities and stakeholders, e.g., principles from EBO 169 and in later Decisions of the Board? If so, please identify the specific principles relied upon or rejected.
3. What process did Concentric use to develop the guiding principles? Was Concentric given direction for this aspect of its work? If so, please describe.

Reference: Page 17

4. At page 17 of the Concentric Report, it states that Concentric's suggested direction among the various options is based upon its understanding and interpretation of Ontario's provincial policies on energy and the environment. Please define and list the provincial policies to which Concentric refers.

Reference: Page 18

5. At page 18 of the Concentric Report, it states that "Concentric believes it is important for the OEB to set forth well articulated policy objectives for its energy efficiency and conservation program." Is Concentric of the view that the Board has not to date articulated its policy objectives, and if so, in what areas does Concentric have this concern? Was Concentric provided with a list of policy objectives? If so, please produce.

Issue #1: Cost Effectiveness Test

6. Does Concentric agree that the number of programs that will pass the Societal Cost Effectiveness (SCT) Test will be directly linked to the value placed on GHG emissions? Does Concentric agree that a low value for GHG emissions will result in no material increase in program offerings?
7. Please provide a detailed list of all of the costs and benefit components used for the Program Administrator test that Concentric proposes that gas utilities undertake. In particular, please describe the components included in "avoided supply costs of energy and demand" listed on page 41.

Issue #2: Avoided CostsIssue #3: Input assumptions

8. What process does Concentric propose for approving assumptions for new measures during the multi-year plan period?
9. In respect of approved measure assumptions, please clarify if approved measure assumptions would be “locked in” at the beginning of the program year for the entirety of a program year for the purposes of calculating program results and incentives.
10. Please clarify if avoided costs would be “locked in” at the beginning of the program year for the entirety of a program year for the purposes of calculating program results and incentives.
11. Please confirm that Concentric is recommending that every program will need to have input assumptions (energy savings, incremental costs, free ridership, etc.) measured and established for the purposes of SCT and PAC screening, in addition to market penetration data for those programs that will be evaluated on that basis.

Issue #4: Adjustment factors

12. If a gas utility is the entity with primary responsibility to operate a program and generate results, shouldn't the default rule be that its attribution is 100% unless there are demonstrable good reasons to use a different percentage?
13. With regard to attribution, why did Concentric not recommend the approach used in California? Would the California approach tend to encourage more partnering between gas utilities and other DSM players?
14. Does Concentric agree that, where the gas utility is retained by an electric utility under contract, the attribution should be as set out in the contract with the electric utility?
15. Please describe the rationale or contributing factors that led Concentric to the position that program attribution should be determined primarily by the program partners' contributions to the program budget.
16. Does Concentric agree that the attribution rule it proposes, if adopted, that is adopted will cause the gas utilities to gravitate towards programs where it is easier to prove attribution? Will this not act as a disincentive to gas utilities partnering with other third parties? Does Concentric understand that in a number of programs, the gas utilities have been the catalyst securing third party funding for programs? In such situations, shouldn't the gas utility be entitled to an attribution level greater than its financial contribution to the program?

Issue #5 Program Design

17. How should utilities be encouraged to engage in long term development activities that address deep market barriers, e.g., capacity building or research and development?

Issue #6 Budgets

18. As stated, a DSM budget at 3-6% of utility revenue would not be sufficient to meet provincial goals of 80% reduction in GHG emissions. What amount does Concentric suggest would be required for the utilities to assist the province in meeting the provincial emission reduction goal?
19. How does Concentric define “an appropriate degree of flexibility” for the utilities? Does this mean that where a gas utility proposes a DSM budget that falls in the range of 3 to 6 percent of utility revenues, a presumption arises in favour of the proposed budget amount for the purposes of obtaining approval from the Board in respect of a DSM plan?
20. How does Concentric define Research and Development (“R&D”)? What proportion of the DSM budget does Concentric recommend be devoted to R&D?
21. As Concentric notes in its report, DSM budgets are on an upward trend. Does Concentric suggest a one-time large increase in DSM budgets, or should the budgets be escalated more gradually over a number of years?

Issue #7 Metrics and Targets

22. How will the use of market penetration of Best Available Technology simplify DSM administration when the necessary pre and post market penetration research will be in addition to work to support assumptions used in the SCT and PAC calculations? Isn't this in fact an added step that will be required in instances where the use of TRC or SCT tests have been effective to date?
23. Does Concentric agree that market penetration of Best Available Technology is a suitable metric for programs where:
 - (a) The market penetration information is readily available without undertaking new primary research
 - (b) There is a clearly identified technology that has wide application in the marketplace, e.g., high efficiency furnaces or high efficiency windows
 - (c) The measure passes the SCT test
 - (d) The measure is suitable for delivery through a prescriptive program.

24. Please confirm that it is Concentric's recommendation that, where it is not appropriate to use market penetration of Best Available Technology as the performance metric, the most appropriate metric is the gas savings achieved for individual customer participants in the program.
25. How does Concentric propose to measure performance for market transformation and research and development programs?
26. Since it is likely that the utilities will have to use forecast program TRC or SCT values for the purposes of allocating an appropriate portion of the SSM to the program, why not simply continue to use TRC results (or SCTs) as the performance metric for resource acquisition programs?

Issue #8 Incentives

Concentric advised at the Stakeholder Conference that it does not support the use of updated best available information in a backwards or retroactive manner in respect of the program administrator costs ("PAC") test or selection of best available technology. That is, if the best available information was used by a utility at the time that the PAC is undertaken, technologies assessed and programs are designed and prioritized, Concentric takes the position that best available information which is generated after-the-fact should not be used to go back and reconsider and question the choice of the programs chosen.

Specifically, it would not be open for parties, based on newer information or the development of a new or better technology becoming available, to question the decision by a utility to proceed with a program .

27. On page 119 of the Report, Concentric states "... the Board-approved assumptions are updated annually based on the results of the evaluation report. When input assumptions are updated, Concentric believes that it is appropriate to use best available information for purposes of calculating the financial incentive payment." Please clarify that use of best available information and updated assumptions would apply to the calculation of the program results and incentive
 - a.) for the next full program year OR
 - b.) the current year.
28. If (b) above, how does Concentric reconcile its position in respect of the PAC test and best available technology with the position regarding program results and incentives? More specifically, where a program is designed and targets are set on the basis of the best available information at the time, why should the results of that program be challenged by reason of a study or research undertaken after the time that a program is designed and put into operation?
29. If Concentric continues to advocate retroactively changing input assumptions, for the purposes of evaluating the performance of a program, does Concentric agree

- that the same input assumptions used to develop the targets for the program should also be retroactively changed?
30. Is Concentric recommending that the overall incentive be apportioned between programs based on the societal benefits (SCT test)?
 31. If so, how does Concentric propose that the societal benefits of market transformation programs and programs based on a market penetration metric be calculated?
 32. Is Concentric recommending that the Ontario Energy Board use the societal benefits to assign a higher incentive rate to programs that it wishes Gas utilities to accelerate?
 33. If Concentric is recommending that program incentives be apportioned on the basis of societal benefits, how does that reconcile with the recommendation that the utilities prioritize programs based on the PAC test?
 34. How does Concentric propose that value for the 100% incentive level be established?
 35. How does Concentric propose the 100% target level be set for the resource acquisition programs, market transformation programs and research and development programs?
 36. How is Concentric's proposal a simpler and more transparent framework than the current graduated incentive for TRC based programs and scorecard approach for market transformation programs?

Issue #9 LRAM

37. Was Concentric aware of the extent of the decoupling that has already been implemented as a result of EGD's existing incentive regulation ("IR") framework?
38. Does Concentric agree that consideration of DSM decoupling should be deferred until completion of the current IR period (i.e., to the end of 2012)?

Issue #10 Evaluation

39. What is the basis of the recommendation that the Board appoint DSM evaluators and auditors and manage their work? Please describe the issues which this recommendation would address.
40. Which of the following activities/measurements are considered within the proposed utility "evaluation, monitoring and verification" budget of 3-5% of total DSM budget:

- (a) studies to establish and/or update input assumptions (e.g. energy savings, incremental costs, free ridership, etc.)
 - (b) baseline market penetration studies
 - (c) post-program market penetration studies
 - (d) process evaluation (e.g. customer satisfaction studies, program delivery effectiveness studies, etc.)
 - (e) large custom project savings verification
 - (f) prescriptive program verification studies
 - (g) audit of DSM program results
41. Which of the evaluation and audit activities in the above question is Concentric proposing that the Board take responsibility for selection of the contractor and management of the study. Please provide a detailed list of the evaluation work that Concentric envisions being managed by OEB Staff.
42. Please confirm that it is Concentric's recommendation that the gas utilities would continue to manage verification studies and produce the Annual Report.

Issue #11 Filing Requirements

Issue #12 Stakeholder Input

43. What role does Concentric envision for the Evaluation and Audit Committee in respect of program evaluation and audit if the process will be managed by the Board in future.

Issue #13 Integration of Gas and Electric DSM