

August 11, 2010

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

Attention: Ms. Kirsten Walli, Board Secretary

**RE: EB-2010-0055 - Union Gas Limited - 2011 Demand Side Management Plan –
Reply Submission**

Dear Ms. Walli:

Please find attached Union's reply submission related to the above mentioned 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-2010-0055 Intervenors

UNION GAS LIMITED

Reply Submission

Overview

1. By application dated April 30, 2010, Union Gas Limited (“Union”) applied to the Board for approval of its 2011 Natural Gas Demand Side Management (“DSM”) Plan. The Board assigned docket number EB-2010-0055 to the application.
2. The Board issued Procedural Order No. 1 on June 15, 2010 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 April 30, 2010. Union provided an update to its 2011 DSM Plan with the addition of a new measure on May 18, 2010. Union’s responses to interrogatories were delivered to the Board on July 20, 2010.
3. Written comments were filed by the Canadian Manufacturers & Exporters (“CME”), the Industrial Gas Users Association (“IGUA”), the Low-Income Energy Network (“LIEN”), and the Vulnerable Energy Consumers Coalition (“VECC”).
4. All intervenors supported Union’s 2011 DSM Plan as being consistent with the existing DSM framework. Subject to the three issues discussed below, CME, IGUA and LIEN did not oppose the Board’s approval of Union’s 2011 DSM Plan. VECC requested the Board not approve Union’s 2011 DSM Plan until revisions are filed to Union’s low-income DSM portfolio, citing direction provided by The Minister of Energy and Infrastructure in the letter to the Board dated July 5, 2010.

5. CME and IGUA raised an issue regarding CDM initiatives which may be undertaken by Union in 2011. CME urged the Board to direct Union to establish a deferral account to track all of Union's CDM initiatives in 2011. IGUA submitted that the Board should indicate its expectation that Union will not significantly expand the scale or scope of its regulated electricity CDM involvement pending establishment of the new CDM framework.
6. IGUA raised concerns with respect to Union's proposed research and program initiatives within the gas fired power generation sector. IGUA submitted that the Board should reject Union's proposal to engage in DSM programming or research regarding efficiency of natural gas fired electrical power generation in 2011.
7. LIEN urged the Board to require Union to file a revised 2011 DSM Plan within two months of the approval of the 2011 DSM Plan which augments the budget and savings targets. In particular, LIEN noted a component of this augmentation would be an increase to the low-income DSM budget to expand the geographic reach, as well as increase the participants and savings/customer achieved, for Union's Weatherization program.
8. This is Union's reply to the above submissions.

Gas and Electricity Conservation Coordination

9. Union views 2011 as a transition year that will inform market participants and provide the first steps towards a robust and integrated energy conservation strategy. This approach aligns with the Minister of Energy and Infrastructure's letter dated July 5, 2010 to the OEB encouraging the Board to ensure collaboration, in particular for low-income programming, with gas distributors.

10. Union will seek to engage in CDM initiatives which are complimentary and ancillary to Union's DSM portfolio and leverage the Company's existing processes and infrastructure. Union does not anticipate those activities will be material in 2011. Collaboration with CDM program administrators will result in enhanced cost and program delivery efficiencies and more effective conservation programming for Ontario's energy consumers.
11. As indicated in Exhibit B2.02, collaborative CDM partnerships established by Union will follow the existing rules for DSM investment and returns. At the present time Union has not engaged in retained delivery services for a regulated electric LDC; however, if Union engages in CDM retained delivery specifically for a regulated electric LDC in 2011, Union will request a deferral account to record any net revenues and those net revenues will be split 50/50 between shareholders and ratepayers. This deferral account is consistent with the Board's EB-2006-0021 Decision (Issue 15.2).

Gas Fired Power Generation

12. Union's DSM expertise encompasses all natural gas combustion equipment, including natural gas fired generation equipment and related controls. Gas fired power generation customers fund Union's industrial DSM programs through their rates, and Union's program elements directed to these energy consumers present an opportunity for those customers to achieve energy savings through these programs.
13. Union is engaged in ongoing discussions with the OPA around industrial program design and delivery and would address any program duplication if encountered. The power generation sector receives no support from the OPA related to initiatives to consume gas

more efficiently. Excluding Union's program initiatives to this sector would result in lost opportunities for energy efficiency.

Augmentation of the 2011 DSM Plan for Low-Income Programming

14. Union requires timely approval of the 2011 DSM Plan to allow adequate time for program planning prior to the 2011 program year. As noted in VECC's submission, Union and Enbridge initiated a process to discuss adjustments to the low-income portfolio for 2011 with LIEN and VECC.
15. In light of the Minister's letter to the chair of the OEB regarding considering the expansion of low-income DSM programs, Union believes a revision to the low-income aspects of its 2011 DSM Plan is appropriate. On the basis of the 2011 DSM Plan being approved by the Board as filed, which includes Union's current low-income programs, Union is prepared to file an incremental 2011 transitional Low-Income DSM Plan which includes the key elements of budget, target and appropriate shareholder incentives. The further Low-Income Plan will be filed following the discussions with LIEN and VECC.

Conclusion

16. In conclusion, for the reasons set out above, and subject to item 15 above, Union requests an order of the Board approving the 2011 DSM Plan and input assumptions (Appendix A & B) as filed.