

November 10, 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 – Amendment to the 2011 Demand Side Management Plan – Incremental Low-Income Demand Side Management Plan

Dear Ms. Walli:

On January 7, 2010, the Ontario Energy Board (the “Board”) issued a letter to the EB-2008-0346 and EB-2008-0150 participants directing natural gas distributors to file a one-year Demand Side Management (“DSM”) Plan for 2011 under the existing DSM framework.

On April 30, 2010, Union Gas Limited (“Union”) filed its 2011 DSM Plan with the Board.

On July 5, 2010, the Ministry of Energy and Infrastructure issued a letter to the Board indicating that their work on low-income energy customers, which was previously suspended, should resume. On July 22, 2010, the Board issued a letter indicating that the implications of the letter from the Ministry on Union’s 2011 DSM Plan would be considered within the existing application which was before the Board at the time.

On September 9, 2010, the Board issued its Decision and Order approving Union’s 2011 DSM Plan. The Board directed Union to file an amendment to the 2011 DSM Plan which would include an incremental Low-Income DSM Plan and indicated that this Low-Income Plan was expected to be developed in consultation with Union’s consultative group.

Attached is Union’s incremental Low-Income DSM Plan for 2011.

As set out in the Plan, Union has proposed a scorecard measurement approach to its Home Weatherization program. It has done so notwithstanding the Board’s finding in its September 9, 2010 Decision that it was not prepared to order Union to switch from TRC to scorecard measurement for 2011 low-income DSM. Union’s decision to propose scorecard measurement is based on the twin goals of recognizing the non-energy benefits of the program, and ensuring sufficient incentives to undertake deep measures for low-income customers. The decision is also consistent with the 2009 report of the Low-Income Energy Assistance Program (“LEAP”) Conservation Working Group and the Board’s Decision to approve scorecard measurement of Enbridge Gas Distribution’s low income Weatherization program (EB-2010-0175).

The incremental 2011 Low-Income DSM Plan was developed in consultation with Union's low-income sub-committee of stakeholder groups convened to provide input on the Plan. The sub-committee met with Union on seven occasions between September 10 and October 13, 2010 and ultimately reached full consensus on the incremental 2011 Low-Income DSM Plan.

Feedback on the Plan was also requested from the larger Consultative group. On October 14, 2010, Union sent information on the proposed low-income Plan to the full Consultative and held a joint consultative meeting with Enbridge on October 15, 2010 to solicit input. Although some Consultative members provided no opinion on the proposed incremental 2011 Low-Income DSM Plan, of those who did provide an opinion, none opposed the Plan.

In light of the efforts of Union to engage the consultative on the incremental Low-Income DSM Plan, Union is requesting an expedited review process which would allow for an approval of the Plan by the end of the year. Union requires approval before the end of 2010 in order to enter into the contracts required for low-income program delivery in 2011. Any delay would impact Union's ability to meet its targets.

If you have any questions, please contact me at 519-436-4521.

Yours truly,

[original signed by]

Marian Redford
Manager, Regulatory Initiatives

cc: Crawford Smith (Torys)
EB-2010-0055 Intervenors

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving its 2011 Demand Side Management Plan.

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
3. Union offers Demand Side Management (“DSM”) programs to its customers in accordance with the multi-year DSM framework established in the EB-2006-0021 proceeding (the “existing framework”) which was to be in effect from 2007 through 2009.
4. On April 14, 2009, the Ontario Energy Board (the “Board”) issued a letter directing Union to file a one year DSM plan for 2010 based on the existing framework, including increases based on the established budget escalators.
5. On January 7, 2010, the Board issued a letter directing Union to file a one year DSM plan for 2011 based on the existing framework, including increases based on the established budget escalators.
6. On April 30, 2010 Union filed its 2011 DSM plan.

7. On September 9, 2010, the Board issued its Decision and Order granting approval of Union's 2011 DSM Plan. The Board directed Union to file an amendment to the 2011 DSM plan which would include a supplemental Low-Income DSM Plan as a result of a letter from the Ministry of Energy and Infrastructure on July 5, 2010 directing the Board to resume their work on low-income energy customers, which was previously suspended.
8. Union hereby applies to the Board, pursuant to section 36 of the Ontario Energy Board Act for an order or orders approving its 2011 Low-Income DSM plan.
9. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
10. This application is supported by written evidence that will be filed with the Board and may be amended from time to time as circumstances may require.
11. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.
12. The address of service for Union is:

Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Marian Redford
Manager, Regulatory Initiatives
Telephone: (519) 436-4521
Fax: (519) 436-4641

Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

DATED November 3, 2010.

UNION GAS LIMITED

By its Solicitors
[Original signed by]

Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

Union Gas Limited
Incremental 2011 Low-Income DSM Plan

Table of Contents

1 Introduction.....2

1.1 2011 DSM Plans and Decisions..... 2

1.2 Consultation Process..... 3

1.3 Approach..... 4

2 Regulatory Framework6

2.1 Budget..... 6

2.2 Screening..... 7

2.3 Program Measurement Towards Utility Incentive..... 7

2.4 Incentive Structure..... 8

2.5 Lost Revenue Adjustment Mechanism (“LRAM”) 9

2.6 DSM Variance Account (“DSMVA”) 9

2.7 Avoided Costs..... 9

2.8 Evaluation and Audit Process 9

3 Low-Income Incremental Plan10

3.1 Strategy 10

3.2 Initiatives..... 10

3.2.1 Home Weatherization Program..... 10

3.2.2 Basic Audit..... 12

3.2.3 Research..... 13

1 Introduction

1.1 2011 DSM Plans and Decisions

By application dated April 30, 2010, Union Gas Limited (“Union”) applied to the Ontario Energy Board (“Board”) for approval of its 2011 Natural Gas Demand Side Management (“DSM”) Plan (“the 2011 DSM Proceeding”). The application was based on the existing DSM framework established in EB-2006-0021.

Subsequently, on July 5, 2010, the Minister of Energy and Infrastructure provided a letter to the Board urging the Board to consider expanding both low-income and general natural gas DSM efforts relative to previous years. The letter outlined the policy objectives which could guide the Board’s work, including increased emphasis on deep or extended measures, and a shift away from the standard Total Resource Cost (“TRC”) test for conservation initiatives. The Minister asked the Board to begin work immediately on low-income activities so they could be completed for January 2011, recognizing that 2011 may be a transition year.

As a result of the Minister’s letter, Board Staff and intervenors filed a number of interrogatories and comments in Union’s 2011 DSM proceeding respecting how Union planned to incorporate the considerations laid out in the Minister’s letter. Union took the position that it would consult with stakeholders and would, if necessary, file an incremental Low-Income DSM Plan for 2011.

On September 9, 2010 the Board approved Union’s 2011 DSM Plan as filed. Within the Decision, the Board noted its expectation that Union would file an amendment to the Plan that would recognize the government’s policy with respect to increased conservation programs for low-income energy consumers as expeditiously as possible. Additionally, the Board noted its expectation that Union would consult on the low-income plan elements with all members of the consultative group, and indicated Union could request additional funds for low-income programs, should it choose to do so.

Among those who sought and received intervenor status in the 2011 DSM Proceeding was the Low-Income Energy Network (“LIEN”). LIEN filed comments dated July 15, 2010 in which it suggested that Union be required to replace the TRC test with a scorecard approach for low-income DSM in 2011.

Union’s position in the DSM Proceeding was that, because its application had been filed in advance of the Minister’s July 5, 2010 letter, it was based solely on the existing DSM framework established in EB-2006-0021. Under the established DSM framework, a scorecard approach to measure low-income programming was not consistent with the Generic Proceeding Decision and, accordingly, Union had not proposed a scorecard approach in its application. In its September 9, 2010 Decision, respecting Union’s 2011 DSM Plan, the Board indicated it would not approve a change from using TRC to a scorecard approach for low-income DSM in 2011. Instead, the Board stated that issue could be more fully and appropriately examined in the context of the next DSM framework for 2012 and beyond.

Notably, two weeks later, on September 24, 2010, the Board released its Decision regarding Enbridge Gas Distribution's ("EGD") 2011 DSM Plan (EB-2010-0175) (the "EGD Proceeding"). In that Decision, the Board approved the following changes; the establishment of a dedicated Home Weatherization budget, the use of a scorecard for program measurement, and a revised incentive structure for EGD's low-income Weatherization program rather than the use of TRC. The Board noted that, although EGD's DSM Plan departed from the existing DSM framework, the departure had been developed in consultation with members of the DSM Consultative and no party had objected to the changes.

1.2 Consultation Process

In response to the Minister's letter to the Chair of the Board (dated July 5, 2010), Union and Enbridge held a joint collaborative session with representatives of LIEN, the Vulnerable Energy Consumers Coalition ("VECC") and the Ontario Sustainable Energy Association ("OSEA") on August 25, 2010. The purpose of this session was to outline the proposed elements to be included in the incremental 2011 Low-Income DSM Plan of each utility and to solicit input from these organizations.

On August 31, 2010, before the Board's Decision in the DSM Proceeding was released, Union held a Consultative meeting at which Union and EGD proposed the creation of a sub-committee of intervenors to assist in the preparation of the incremental 2011 Low-Income DSM Plans. It was suggested that the committee members would represent the greater Consultative and would convene jointly with EGD and Union over the months of September and October.

The process was agreed upon by the Consultative. Union subsequently solicited interest from the Consultative group to establish the members of the sub-committee; all stakeholders who expressed interest were given the opportunity to join the committee. Union met with the sub-committee members (LIEN, VECC, and Green Energy Coalition ("GEC")) seven times between September 10 and October 13, 2010.

Following the release of the Decision in the EGD Proceeding, Union advanced discussions with the sub-committee regarding the inclusion of an expansion of the low-income Home Weatherization program under scorecard measurement. Union's purpose in doing so was to ensure consistency between programs offered to low-income customers within the Union and EGD franchise areas. Left unaltered, the result of the Board's Decisions in Union's DSM Proceeding and the EGD Proceeding would be the advancement of the programs that would provide increased access to deep measures for low-income customers within EGD's franchise area, without similar levels of support being accessible to low-income customers in Union's franchise area.

Union and Enbridge consulted extensively with the members of the sub-committee and achieved full consensus on all elements of the incremental 2011 Low-Income DSM Plan. Following full agreement with the sub-committee, Union sent a summary of the elements of the proposed incremental 2011 Low-Income DSM Plan to the full Consultative on October 14, 2010. Union and Enbridge held a joint Consultative meeting on October 15, 2010 to solicit input from the full Consultative. Those who did not attend the Consultative meeting were contacted by a sub-

committee member for their responses and feedback.

On November 4, 2010, Union provided the enclosed incremental 2011 Low-Income DSM Plan to the full Consultative for review and comment.

Through the consultation process, Union has achieved full agreement on the incremental 2011 Low-Income DSM Plan with the sub-committee, and has received no opposition from the members of the Consultative group.

1.3 Approach

In Union's respectful submission, the Decisions in Union's DSM Proceeding and the EGD Proceeding are inconsistent on the issue of scorecard measurement. Union's Incremental 2011 Low-Income DSM Plan addresses this inconsistency by adopting scorecard measurement for its Home Weatherization program.

Screening for the Home Weatherization program will continue under the TRC test (for measure eligibility). However, scorecard measurement of the results is required for the Home Weatherization program as the program is not competitive on a TRC measurement basis against other resource acquisition programs. The use of a scorecard allows the flexibility to align the program's targets with its ultimate objectives. It also provides the ability to prioritize Home Weatherization within Union's DSM portfolio in the best interests of low-income energy consumers through the provision of a separate utility incentive based on achievement towards the established targets.

In its Decision on the DSM Generic Proceeding (EB-2006-0021), the Board determined that a utility incentive mechanism is appropriate to reward the successful provision of DSM programs.¹ The use of a scorecard to measure the results of the Home Weatherization program allows Union to expand the program towards the achievement of the separate incentive. The program incentive enclosed in this Plan is consistent with the four principles developed within the Low-Income Energy Assistance Program ("LEAP") Conservation Working Group formed by the Board in 2009. The goal of the Working Group was to establish the DSM framework for low-income energy consumers. The principles outline the level of incentive is to be reflective of the level of the natural gas utilities' activity and effort, the incentive is to have some relationship to the benefits achieved, the incentive levels are to be large enough to attract the natural gas utilities' management attention and incentive levels are to be comparable to those obtained through non-low-income DSM². All parties reached agreement on these guiding principles for the incentive structure of low-income DSM programs.

Union and EGD have followed a consistent approach to the screening and measurement for low-

¹ Ontario Energy Board. *DSM Generic Proceeding Phase 1 Decision with Reasons (EB-2006-0021)*. August 25, 2006. Issue 5.1, Page 12.

² IndEco Strategic Consulting Inc. *Report on the Proposed Short-Term (2010) Framework for Natural Gas Low-income DSM – Final Report of the Conservation Working Group to the Ontario Energy Board*. August 13, 2009. Page 31.

income Home Weatherization in their incremental 2011 Low-Income DSM Plans. The scorecard metrics and incentive levels established are consistent, while the targets reflect the unique circumstances of each utility. The elements of Union's incremental Low-Income DSM Plan, including the budget, TRC screening threshold, scorecard performance targets and incentive levels, are interrelated. A change in any one element would necessitate a change to the Plan as a whole. Union and EGD consulted extensively with the members of the sub-committee and achieved full consensus on all elements of the incremental 2011 Low-Income DSM Plan.

2011 represents a transition year for the coordination of gas and electric programming, and the bridge year between the existing DSM framework and new framework for 2012 and beyond. In this context, Union's incremental Plan provides for the expansion of Union's Home Weatherization program to address the Minister's direction to place emphasis on deep measures, and includes activities which lay the foundation for the future success of this program and allow for potential coordination with the Ontario Power Authority ("OPA") and Local Distribution Companies ("LDC").

2 Regulatory Framework

This section outlines how the incremental 2011 Low-Income DSM Plan will apply in relation to the Board-approved 2011 DSM Plan, which follows the framework established in the Decision on Phase 1 of the DSM Generic Proceeding.

2.1 Budget

Union has established that a budget of \$2.465 million is required to undertake the activities outlined in Union's 2011 Incremental Low-Income DSM Plan. This budget is incremental to the \$24.890 million DSM budget approved in Union's 2011 DSM Plan, of which \$1.903 million is dedicated to low-income programming and \$0.205 million is allocated to low-income market transformation. The incremental budget will be directed exclusively to the low-income sector for the Home Weatherization program and to fund activities which will serve as the foundation for future program success. Table 1 provides a summary of the forecasted 2011 incremental DSM budget. New information may compel Union to adjust its budget allocation from the forecast provided to ensure the budget is spent effectively. As this budget was developed in consultation with the low-income sub-committee, Union would consult with its EAC should a material change from the forecast in Table 1 occur during the program year.

Table 1: 2011 Incremental DSM Budget for Low-Income Initiatives

| Low-Income Initiatives | 2011 Incremental Budget (\$000) |
|--|--|
| Weatherization Program | |
| Measures/Audits and Program Administration | \$1,650 |
| Marketing and Education | \$175 |
| Data Analysis | \$350 |
| Basic Audit | \$150 |
| Weatherization Program Subtotal | \$2,325 |
| Research & Evaluation | \$140 |
| Total Budget | \$2,465 |

The incremental budget of \$2.465 million is outside of the existing DSM framework established in EB-2006-0021 and will not be included in the calculation toward Union's TRC target. The incremental budget will not be used to fund activities that drive TRC through additional program participants in 2011, and will not be treated as a cost deducted from Union's 2011 net TRC results. Union is requesting approval to recover the incremental 2011 Low-Income Plan budget through the Demand Side Management Variance Account (Account no. 179-111), to be addressed in Union's 2011 deferral account disposition proceeding in 2012. This amount is incremental to the maximum DSMVA value as approved in Union's 2011 DSM Plan. For clarity, the maximum amount which could be recovered through the 2011 DSMVA is \$6.568 Million (calculated as 15% of the 2011 DSM Plan budget of \$24.890 Million (\$3.733 Million) + 2011

Low-income incremental Plan budget (\$2.465 Million) + 15% of 2011 Low-income incremental Plan budget (\$0.370 Million).

2.2 Screening

The TRC test is a benefit/cost test that determines the net present value of a DSM measure, program or portfolio's savings. The benefits are the costs avoided by the reduction in resource consumption (natural gas, electricity, and water) and the costs are the participant (equipment) and program costs.

In 2009, the LEAP Conservation Working Group formed by the Board recognized that a 1.0 TRC screening threshold was not appropriate for low-income DSM³. This was confirmed by the Minister's July 5, 2010 letter to the Chair of the Board which recognized that the standard TRC threshold of 1.0 is not appropriate for low-income conservation initiatives and that they would be evaluated for other metrics, as the Board considers appropriate. The Working Group considered the use of a lower TRC threshold of 0.7. This lower threshold is intended to recognize that, while TRC captures all of the costs associated with deep measures (such as building envelope upgrades), it does not capture non-energy benefits, which are difficult to quantify. The lower TRC threshold of 0.7 serves as a proxy for the additional benefits, such as those realised from reductions in debt and the associated bad-debt expense related to Union's low-income customers which accrue to all rate-payers, and increased comfort in the home resulting from building envelope upgrades, but which are not currently reflected in avoided costs or captured in TRC.

Union does not believe a departure from TRC screening is appropriate or practical for 2011 as this represents a one-year Plan under the existing DSM framework. However, in recognition of the benefits not captured under TRC, Union proposes to modify the TRC threshold for the low-income Home Weatherization program to 0.7 for 2011. The weatherization measures will be screened at the household level based on a TRC threshold of 0.7. The weatherization upgrades to be installed in a home will be determined from the results of an initial energy audit performed on a custom basis.

2.3 Program Measurement Towards Utility Incentive

To allow for the expansion of Union's Home Weatherization program, a change in the measurement methodology is required. While TRC is a tool that may be used to measure the overall resource savings achieved by a low-income program, it is not the appropriate metric to use for measurement towards a utility incentive for building envelope upgrades. The existing Home Weatherization program is not competitive on a TRC measurement basis against other resource acquisition programs, as the program is more expensive both based on the ratio of TRC benefits relative to the budget spent, and on a program administration basis. The Home Weatherization program requires a significant level of administration to overcome the associated

³ IndEco Strategic Consulting Inc. *Report on the Proposed Short-Term (2010) Framework for Natural Gas Low-income DSM – Final Report of the Conservation Working Group to the Ontario Energy Board*. August 13, 2009. Page 20-21.

logistical challenges and complexities with its delivery, resulting in a program which requires a large level of utility effort. Relative to Union's basic measure low-income program, TRC measurement towards the achievement of a utility incentive does not competitively reward the level of effort required to drive TRC benefits. However, Union recognizes the Home Weatherization program drives non-energy benefits not currently captured under TRC measurement. For these reasons, while the measures within the Home Weatherization program will continue to be *screened* using TRC, TRC *measurement* is not appropriate to calculate the incentive level achieved for the program.

Union supports the conclusions of the multi-stakeholder LEAP Conservation Working Group that a scorecard measurement approach would be more effective for low-income deep measures, such as Home Weatherization. Measuring a program's performance with a scorecard provides the flexibility to establish targets that are tailored to the objectives of the program. Scorecard measurement towards a utility incentive is appropriate where the program cannot be effectively measured through a resource cost test. It enables the utility to generate significant benefits for energy consumers where opportunities would have been otherwise limited. Such programs include Market Transformation programs, which focus on overcoming the barriers that limit the adoption of an energy-efficient technology, and Union's Home Weatherization program which drives benefits that extend beyond resource savings alone. The building envelope upgrades included in the Home Weatherization program generate significant benefits for each participant but produce lesser TRC savings per dollar spent than lower cost basic measures, such as energy efficient showerheads and aerators. The scorecard measurement approach for the Home Weatherization program eliminates the disincentive that exists under TRC measurement for Union to pursue deep home retrofit measures.

Union gained full agreement within the Low-Income Plan sub-committee that a scorecard measurement approach is more appropriate than TRC to determine the utility incentive achieved for Union's low-income Home Weatherization program. The change to scorecard measurement in 2011 for this program provides the flexibility to align utility targets and incentives with the government's policy objectives, and to deliver the outcomes which provide the maximum impact for Union's low-income energy consumers.

2.4 Incentive Structure

To expand the Home Weatherization program in 2011, Union requires measurement under a scorecard with established performance metrics and the opportunity to earn an adequate incentive. Union will use the scorecard approach to evaluate program effectiveness and determine eligibility for an incentive payment. The actual percentage achieved relative to the target for each scorecard metric will be used as the multiplier applied to the metric's incentive weighting. The maximum incentive that is achievable for any one metric is the 150% value. The individual metric scores will be combined to calculate Union's overall score which determines the incentive achieved for 2011. Union will be eligible to earn an incentive for a total score between the 0% and 150% overall scorecard performance levels, with a maximum incentive at the 150% performance level.

In 2011, Union will be eligible to receive an incentive of \$200,000 at the 50% overall scorecard achievement level, \$400,000 at the 100% achievement level, and \$600,000 at the 150% achievement level.

2.5 Lost Revenue Adjustment Mechanism (“LRAM”)

Union will continue to use the LRAM deferral account for 2011 in the same manner as in previous years. The lost distribution revenues that result from the Home Weatherization program will be recovered using the methodology established in EB-2006-0021 on a custom basis.

2.6 DSM Variance Account (“DSMVA”)

As the 2011 Low-Income DSM budget listed above is incremental to the Board-approved 2011 DSM budget filed in Union’s 2011 rate application (EB-2010-0148), Union is requesting reimbursement for the incremental 2011 Low-Income Plan budget through the DSMVA. Union will be eligible to access an additional 15% of its incremental 2011 Low-Income DSM Plan budget, provided it has achieved the 100% overall Home Weatherization scorecard target on a pre-audited basis. For clarity, access to the additional budget is contingent on reaching the 100% overall score for the scorecard, not the score of the metrics individually. All additional funding must be utilized on incremental program expenses.

Union’s incremental 2011 DSM Plan budget will be recovered through Union’s R01 and M1 small volume general service rate classes. Costs will be allocated between the M1 and R01 rate classes based on the 2011 net volume savings allocation and will be recovered via the DSMVA on a volumetric basis.

The DSMVA balance for 2011 will be cleared in Union’s 2011 deferral disposition proceeding in 2012.

2.7 Avoided Costs

Union will use the same approach for the calculation of avoided costs as established in EB-2006-0021 and filed in the 2011 DSM Plan.

2.8 Evaluation and Audit Process

The Home Weatherization program results will be included in Union’s 2011 Annual Report which will be subject to an independent third party audit. As an evaluation priority for 2011, Union may undertake a contractor assessment to verify the NRCan HOT2000 application software inputs used to develop the savings estimates for program measurement are applied in a manner consistent with the basis used in the development of the natural gas savings targets established in Union’s 2011 Home Weatherization scorecard. The details of this verification work will be determined in consultation with Union’s Evaluation and Audit Committee.

3 Low-Income Incremental Plan

3.1 Strategy

In 2011, Union will expand its low-income Home Weatherization program both to increase the number of home retrofits and to provide for deeper weatherization to increase the average volume of natural gas conserved per home. Union will also conduct activities to streamline the Weatherization program intake process and support the future development of the program. To ensure a smooth and successful ramp-up of the Home Weatherization program, the activities outlined below will provide the market intelligence required to transition to a more comprehensive and targeted approach for low-income conservation programming. These initiatives will serve as the foundation for a focused strategy to reach the low-income energy consumers in greatest need, and will allow for the natural gas program to be aligned with the CDM program elements under development. Union will endeavour to collaborate on the following initiatives with the OPA, as well as the LDCs, where appropriate, to optimize cost-sharing. The ultimate objective of the initiatives outlined below is to support a more holistic approach to energy conservation for Ontario's low-income energy consumers.

3.2 Initiatives

In response to the direction provided by the Minister and Board, Union will undertake the following activities in 2011.

3.2.1 Home Weatherization Program

Union will expand the low-income Home Weatherization program outlined in section 3.1.3 of Union's Board-approved 2011 DSM Plan. As outlined above, the measures in this program will be screened using the TRC test with a benefit/cost threshold of 0.7, and the program will be measured using a performance scorecard. Together with the dedicated budget for the Home Weatherization program, the lowered screening threshold allows for the potential to perform deeper weatherization in the form of additional insulation measures within the identified homes. This allows the program to support a more comprehensive approach within the home, and may resolve the limitations historically encountered by the program. Under the existing TRC threshold of 1.0, there are often further energy savings that are not addressed in the home of a low-income customer that a typical residential customer would address, such as higher R-value insulation upgrades. These are often not addressed under the existing threshold because they prove to be too costly to pass the TRC test.

Through data analysis that considers the Low-Income Cut-Off ("LICO") levels of postal codes in its franchise area, Union has identified neighbourhoods with high propensities of low-income energy consumers. Union's service area covers a diverse geographic range throughout the province of Ontario and contains significant regional variation. To deliver the Home Weatherization program in a more targeted manner, Union plans to purchase property assessment information from the Municipal Property Assessment Corporation, or similar data, that will allow Union to gain an understanding of the housing stock (such as the age and size of

the homes) that low-income energy consumers reside in. By overlaying the housing stock profiling with m³ consumption history in identified areas of low-income customers, Union will be able to identify not only where low-income customers are likely to reside, but which homes are in the most need of building envelope upgrades. The end result of this analysis will be the ability to specifically target potential addresses for more effective programming for deep weatherization measures, and to reach those low-income energy consumers in the greatest need of conservation initiatives.

To support the broader and deeper program for low-income energy consumers, a comprehensive approach to the market is required. Customer education is a core element of Union's low-income programming and has been delivered through forums including an education guide tailored to low-income energy consumers and interactive clinics held in partnership with local social service agencies to provide customers with hands-on practical experience. The development of support and outreach tools to properly educate low-income energy consumers on the benefits of energy conservation will drive program adoption and promote the implementation of low-cost and no-cost conservation initiatives. The success of Union's community energy clinics has created a demand for additional clinics from local social service agencies that the current budget cannot support. Union would like to expand the reach of clinics in the community and incorporate what has been learned from the delivery of these clinics to-date to continue to improve the value provided to customers.

To further promote consistency within the intake process for low-income programs throughout Ontario, Union will increase the participant eligibility criteria for the low-income Home Weatherization and Helping Homes Conserve programs to 135% or below Canada's pre-tax, post-transfer LICO, based on a community size of greater than 500,000 residents. This change allows the programs to be more inclusive and achieves alignment with EGD and the proposed OPA Low-Income program eligibility criteria. As outlined in EB-2006-0021, Union has consulted with VECC on this change and has achieved consensus that it is appropriate. Union has historically utilized the 125% LICO level to define customers as eligible for participation in low-income programs.

Union will use a scorecard approach to evaluate program effectiveness and eligibility for an incentive payment. The scorecard for 2011 is outlined in Table 2 below.

Table 2: 2011 Home Weatherization Scorecard

| Union Gas Low-Income Home Weatherization Scorecard | | | | | |
|--|---|---------------------|---------|---------|---------|
| Element | Performance Metrics | Metric Value Levels | | | Weights |
| | | 50% | 100% | 150% | |
| Ultimate Outcomes | Weatherization Participants | 300 | 400 | 450 | 50% |
| | Total Natural Gas Savings (m ³) | 366,000 | 488,000 | 549,000 | 50% |

Scorecard Metrics Description:

- a) Weatherization Participants: The number of homes of low-income energy consumers served through the program that receive at least one substantial insulation measure (e.g. increase in insulation in more than half of the walls, basement walls or attic of the home) as well as associated cost-effective air sealing.
- b) Total Natural Gas Savings (m³): The natural gas savings will be calculated based on the results of the pre and post energy audits conducted by certified energy auditors on a custom basis.

Due to the overall non-linear relationship of the scorecard incentive metrics, Union has provided an example of the calculation for the Home Weatherization scorecard in Table 3 below.

Table 3: Sample Score Calculation for Home Weatherization Scorecard

| Sample Home Weatherization Scorecard Results | | | |
|--|---|----------------|--------|
| Element | Metric Performance | Weighted Score | Score |
| Ultimate Outcomes | 380 Weatherization Participants | 90 % × 50 | 45.0% |
| | 518,500 m ³ of Total Natural Gas Savings | 125% × 50 | 62.5% |
| | | Total | 107.5% |

The incentive for Union's performance, in this example, would be \$430,000 (107.5% × \$400,000).

Union views 2011 as a transition year towards a more integrated and robust low-income energy efficiency strategy that will ultimately result in more effective programming for low-income energy consumers.

3.2.2 Basic Audit

The addition of a basic home audit to the design of Union's Helping Homes Conserve program will allow Union to collect data to streamline the intake process for the Home Weatherization program. The audit will be performed by the basic measure installation contractor and will screen for information such as the age of the home, efficiency level of the equipment in the home and current insulation levels. A multi-fuel basic audit, which leverages the reach of Union's

established basic measure program, will allow for greater coordination between the natural gas and electricity programs and minimize screening disruption for the customer.

3.2.3 Research

To better address the needs and the barriers which limit program participation, Union plans to undertake a segmentation research initiative in 2011 to develop a greater understanding of the demographic profile of low-income energy consumers. As Union has experienced marked differences in program participation across the regions within its franchise area, the study will identify the key differences across major geographic locations. In addition, Union plans to hold focus groups with low-income stakeholders, such as representatives from social service agencies and housing providers, for their insight on the specific requirements for low-income programming and associated hurdles to further program uptake. The results would be assessed for regional variation.

This research will provide Union with the market data required to better understand the needs of low-income energy consumers and the barriers for program adoption. It will also allow Union to further refine its program design with focused rather than broad-based messaging and assist in crafting effective messaging to target customers. This will lay the foundation for the successful expansion of Union's future low-income programming.