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VIA RESS AND COURIER

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File No. T988122

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0327 – Union Gas Limited 2012-2014 Demand Side Management (DSM) Plan

Industrial Gas Users Association (IGUA) Submissions on Draft Issues List

Further to Procedural Order No. 1 herein, we write to provide brief comment on behalf of IGUA on the Board's draft issues list.

Allocation of Low-Income DSM Costs

IGUA suggests that the final issues list should include an item regarding the appropriate allocation among Union's rate classes of the low-income DSM program related costs (budget, incentive and LRAM amounts).

The Board's June 30, 2011 *Demand Side Management Guidelines for Natural Gas Utilities* provide the following direction regarding the allocation of the low-income DSM budget:

> *The Board is of the view that the low-income DSM budget should be funded from all rate classes, to be consistent with the electricity conservation and demand management framework, as well as the LEAP Emergency Financial Assistance program.*

Union's LEAP Emergency Financial Assistance program has to date been funded pursuant to a court mandated settlement of the class action proceeding against Union in respect of late payment penalties. Union has no existing methodology for allocation of LEAP Emergency Financial Assistance program costs among its rate classes. Union proposes to allocate these costs in proportion to rate base assigned to the various customer classes. Enbridge has proposed to allocate its low-income DSM program costs to rate classes in proportion to the rate classes' contribution to overall distribution revenue. The relative impacts on customers of the alternative methods for low-income DSM cost allocation are significant, and IGUA intends to explore in this proceeding these relative impacts and the appropriateness of Union's proposal.

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Appropriateness of Large Industrial DSM Programs

IGUA submits that issue 1.3 on the Board's draft issues list is appropriately expanded to include consideration of not only the appropriateness of the budgets for large industrial DSM programs, but to also include consideration of the merits of the proposed programs.

IGUA notes the questions raised by the Board in its letter of March 29, 2011 in its EB-2008-0346 consultation on DSM guidelines for Ontario's gas distributors. In particular, in respect of industrial DSM programs, the Board asked for comment on the following questions:

> *Do industrial and commercial DSM programs with significant incentives create competitive advantages for the participants of the programs relative to their competitors? What programs, if any, are appropriate for these sectors? Should there be a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes? Should DSM programs in these sectors focus more on energy audits and efficiency training or case studies to highlight best practices and new technologies, rather than financing equipment and installation costs for specific DSM projects?*

In the DSM Guidelines resulting from this consultation the Board indicated that ratepayer funded DSM programs for large industrial customers would be no longer be mandatory and would be considered on their merits. IGUA submits that consideration of the merits of the programs is thus an appropriate topic for consideration in review of Union's 2012-2014 DSM application.

Conclusion

IGUA appreciates the Board's consideration of these submissions.

Yours truly,

Ian A. Mondrow

c: Murray Newton (IGUA)
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