



EB-2011-0327

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

AND IN THE MATTER OF an application by Union Gas
Limited seeking approval of its 2012-2014 Demand Side
Management plan.

**PROCEDURAL ORDER NO. 2 and
DECISION ON ISSUES**

Union Gas Limited ("Union Gas") filed an application with the Ontario Energy Board (the "Board") on September 23, 2011, seeking approval for its 2012-2014 Demand Side Management ("DSM") plan.

The Board has assigned file number EB-2011-0327 to this application.

The application has been filed pursuant to the Board's DSM Guidelines that were issued on June 30, 2011. Union Gas is seeking approval of a 2012 DSM budget of \$30.954M, including the specific programs and the associated evaluation plans and accounting.

On October 13, 2011 the Board issued a Notice of Application.

On November 4, 2011 the Board issued Procedural Order No. 1 which allowed for parties to file submissions on both the draft issues list and Union's request for interim approval.

On November 16, 2011 the Board issued its Decision regarding Union's request for interim approval of parts of its 2012-2014 DSM plan.

Comments and Decision on Issues

The Board received submissions on the draft issues list from the Association of Power Producers of Ontario (“APPrO”), Canadian Manufacturers & Exporters (“CME”), Industrial Gas Users Association (“IGUA”), Pollution Probe, and the Vulnerable Energy Consumers Coalition (“VECC”). On November 15, 2011, Union Gas replied to these submissions.

APPrO recommended that the Board add the following issue: “What is the appropriate rate design for recovery of DSM costs?” In support of this request, APPrO quoted a portion of the settlement agreement in Union’s 2012 rates proceeding (EB-2011-0025):

The parties accept Union’s proposal to include the incremental DSM costs, as filed in EB-2011-0327, in 2012 rates on an interim basis. This treatment is intended to provide for an in-year adjustment of rates if warranted as a result of the EB-2011-0327 proceeding, and to be determined by the Hearing Panel in that proceeding, as opposed to conventional variance account treatment through which variances are disposed of commencing part way through the following year. The final DSM budget and allocation of the budget to rate classes will be determined in the EB-2011-0327 proceeding. The parties agreement to include the DSM budget as proposed in EB-2011-0327 in Union’s proposed 2012 rates is without prejudice to positions any party may take in the EB-2011-0327 proceeding.

Union’s response noted that in its view the issue did not relate to rate design as suggested by APPrO. Rather, Union submitted that the issue related to the method of the recovery or refund of any variance between Union’s proposed 2012 DSM budget and allocation and the final approved 2012 DSM budget and allocation.

APPrO emphasized certain portions of the settlement agreement, and in particular the following: “The final DSM budget and allocation of the budget to rate classes will be determined in the EB-2011-0327 proceeding.” The Board therefore concludes that the issue of concern to APPrO is broader than Union’s characterization and encompasses the allocation of DSM costs to rate classes.

CME, IGUA and Pollution Probe also identified cost allocation related issues, and in particular, the allocation of the costs related to the low income program. They

suggested that an issue to review the allocation of low-income DSM program costs would be helpful as the DSM Guidelines (EB-2008-0346) issued on June 30, 2011 provide new direction for the treatment of funding for the low-income DSM budget. Union did not object to an additional issue being included in the final issues list but offered slightly different wording from the other parties.

CME also suggested that the Board include an issue allowing the examination of the appropriateness of proposed cost allocation of the DSM incentive. CME notes that in previous years, the DSM incentive was allocated on the basis of TRC achieved, but Union has proposed that the DSM incentive now be allocated between Resource Acquisition, Low-Income and Market Transformation Program types based on their approved budget shares. Union made no comments on this suggestion.

The Board concludes that each of these matters can be appropriately addressed under one general issue: Is the proposed allocation for DSM budget costs and incentive costs appropriate?

IGUA requested that the Board expand Issue 1.3 to include consideration of not only the appropriateness of the budgets for large industrial DSM programs, but also consideration of the merits of the proposed programs. Union made no comment on this suggestion. In the Board's view, a consideration of the appropriateness of the budget includes consideration of the merits (in other words, the appropriateness) of the proposed programs. The merits of any programs, including the proposed large industrial program, can be investigated and examined by parties within the scope of the current issues list.

VECC suggested that the Board revise Issue 6.1 to read "Is the proposed DSM Program Screening process and where applicable results, reasonable and appropriate?" Union did not comment on this proposal. The Board will accept this modification.

VECC also recommended revising issue 8.1 regarding the stakeholder engagement process. Union noted that a Settlement Agreement has been filed regarding the Joint Terms of Reference on Stakeholder Engagement to which both Union and Enbridge Gas Distribution Inc. are parties. Union suggested that this issue no longer requires the review of stakeholders and is more appropriately worded: "Is the Settlement Agreement

for the Joint Terms of Reference on Stakeholder Engagement filed November 10, 2011 acceptable to the Board?" The Board agrees that this modification is appropriate.

VECC's final suggestion was in regards to Issue 10.0: Research. VECC suggested that the budgets for 2012-2014 associated with research also be included in the issue. Union did not comment on this suggestion. The Board concludes that this revision is not necessary because issue 1.8 already encompasses consideration of the 2012-2014 budget for research.

The Board finds that it is necessary to make the following guidance on the next steps in the proceeding.

THE BOARD ORDERS THAT:

1. The Final Issues List, attached as Appendix A, is hereby approved for the Union Gas Limited 2012-2014 DSM Plan application.
2. Intervenors and Board Staff who wish to seek further information from the applicant shall request it by written interrogatories filed with the Board and delivered to the intervenors and the applicant on or before **Friday, December 2, 2011**.
3. Union Gas shall file complete responses to all interrogatories and deliver them to parties on or before **Friday, December 16, 2011**.
4. A Settlement Conference will be held on **Monday, December 19, 2011** beginning at 9:30 a.m. in the Board's West Hearing Room on the 25th Floor at 2300 Yonge Street, Toronto, ON and may continue on Tuesday, December 20, 2011.
5. If there is a settlement or a partial settlement agreement forthcoming from the Settlement Conference, then that agreement shall be filed with the Board no later than 4:00 p.m. on **Friday, January 20, 2012**.
6. The Board will sit on **Monday, January 30, 2012** at 9:30 a.m. in the Board's North Hearing Room on the 25th Floor at 2300 Yonge Street, Toronto, ON to review any Settlement Proposal.

7. The oral hearing in this proceeding will begin on **Monday, February 13, 2012** at 9:30 am in the Board's North Hearing Room on the 25th Floor at 2300 Yonge Street, Toronto, ON.

All filings to the Board must quote the file number, EB-2011-0327, be made through the Board's web portal at www.errr.ontarioenergyboard.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guidelines found at www.ontarioenergyboard.ca. If the web portal is not available you may e-mail your document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Attention: Board Secretary
Filings: <https://www.errr.ontarioenergyboard.ca/>

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, November 18, 2011

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A
of
Procedural Order No. 2 and
Decision on Issues
Union Gas Limited
2012-2014 DSM Plan Application
EB-2011-0327

FINAL ISSUES LIST

UNION GAS LIMITED (“UNION GAS”)
2012-2014 DEMAND SIDE MANAGEMENT PLAN
FINAL ISSUES LIST
EB-2011-0327

1.0 Budgets – Resource Acquisition Programs, Low-Income, Market Transformation, Research, Evaluation, and Administration

- 1.1 Are the 2012-2014 budgets for the Residential Resource Acquisition Program (2012 - \$4.103M, 2013 - \$4.282M, 2014 - \$4.054M) reasonable and appropriate?
- 1.2 Are the 2012-2014 budgets for the Commercial/Industrial Resource Acquisition Program (2012 - \$9.181M, 2013 - \$9.181M, 2014 - \$9.106M) reasonable and appropriate?
- 1.3 Are the 2012-2014 budgets for the Large Industrial Rate T1 and Rate 100 Program (2012 – \$3.147M, 2013 - \$3.147M, 2014 - \$3.147M) reasonable and appropriate?
- 1.4 Are the 2012-2014 budgets for the Low-Income program (2012 - \$6.839M, 2013 - \$6.839M, 2014 - \$6.839M) reasonable and appropriate?
- 1.5 Are the 2012-2014 budgets for the Market Transformation High Efficiency Water Heating Program (2012 - \$1.552M, 2013 - \$1.238M, 2014 - \$1.506M) reasonable and appropriate?
- 1.6 Are the 2012-2014 budgets for the Market Transformation High Efficiency Residential New Build Program (2012 - \$0.726M, 2013 - \$0.860M, 2014 - \$0.820M) reasonable and appropriate?
- 1.7 Are the 2012-2014 budgets for the Market Transformation Integrated Energy Management Systems Program (2012 - \$0.690M, 2013 - \$0.690M, 2014 - \$0.765M) reasonable and appropriate?
- 1.8 Are the 2012-2014 budgets for research (2012 - \$1.066M, 2013 - \$1.066M, 2014 - \$1.066M) reasonable and appropriate?
- 1.9 Are the 2012-2014 budgets for evaluation (2012 - \$0.969M, 2013 - \$0.969M, 2014 - \$0.969M) reasonable and appropriate?

- 1.10 Are the 2012-2014 budgets for administration (2012 - \$1.819M, 2013 - \$1.819M, 2014 - \$1,819M) reasonable and appropriate?
- 1.11 Is the proposed allocation for DSM budget costs and incentive costs appropriate?

2.0 Program Targets – Resource Acquisition Programs, Low-Income, Market Transformation

- 2.1 Are the proposed Residential Resource Acquisition Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.2 Are the proposed Commercial/Industrial Resource Acquisition Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.3 Are the proposed Rate T1/Rate 100 Resource Acquisition Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.4 Are the proposed Low-Income Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.5 Are the proposed High Efficiency Water Heating Market Transformation Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.6 Are the proposed High Efficiency Residential New Build Market Transformation Program scorecard targets for 2012-2014 reasonable and appropriate?
- 2.7 Are the proposed Integrated Energy Management Systems Market Transformation Program scorecard targets for 2012-2014 reasonable and appropriate?

3.0 DSM Incentive

- 3.1 Is the proposed DSM Incentive of \$10.45M for 2012-2014 reasonable and appropriate?

4.0 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

4.1 Is the proposed LRAMVA reasonable and appropriate?

5.0 Demand Side Management Variance Account (DSMVA)

5.1 Is the proposed DSMVA reasonable and appropriate?

6.0 DSM Program Screening

6.1 Is the proposed DSM Program Screening process and where applicable results, reasonable and appropriate?

7.0 Avoided Costs

7.1 Is the proposed approach for calculating avoided costs in Union Gas' 2012-2014 DSM Plan reasonable and appropriate?

8.0 Stakeholder Engagement Process

8.1 Is the Settlement Agreement for the Joint Terms of Reference on Stakeholder Engagement filed November 10, 2011 acceptable to the Board?

9.0 Evaluation and Audit Process

9.1 Is the proposed Evaluation and Audit Process for Union Gas' 2012-2014 DSM Plan reasonable and appropriate?

10.0 Research

10.1 Is the Research and Development plan proposed by Union Gas reasonable and appropriate?