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**BY EMAIL**

December 1, 2011

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited  
2012-2014 Demand Side Management Plan  
Board File No. EB-2011-0327  
Additional Information Request by Board staff**

Please see attached Board staff written interrogatories for the above proceeding. Kindly forward to the applicant and all parties.

Yours truly,

*Original Signed by*

Josh Wasylyk  
Advisor, Applications and Regulatory Audit  
Ontario Energy Board

c: Marian Redford, Union Gas Limited  
Crawford Smith, Torys LLP

# **Union Gas 2012-2014 DSM Plan**

**EB-2011-0327**

## **Board staff Interrogatories**

### **Issue 1.0 – General Budgets**

#### **1. Ref: Exhibit A, Page 15 – Section 2.1: Budget**

Union states that its 2012 budget will be \$30.091 million, adjusted annually for inflation. Union notes that the DSM Guidelines allow the utilities to increase their 2011 budget by inflation each year.

- a) Please explain why Union feels it is appropriate to apply inflation to its 2012 DSM budget and not begin to escalate its DSM budget starting in 2013, the second year of this new term.
- b) Please discuss the changes, if any, that Union would make to its DSM Plan if the Board did not allow the requested escalation for inflation in 2012.

#### **2. Ref: Exhibit A, Page 15 – Section 2.1: Budget**

Union proposes to use the four quarter rolling average at Q2 of each year of the GDP-IPI inflation factor, released at the end of August, to align with the timing of Union's annual rate setting process.

In the DSM Guidelines, it notes at Section 8: Budgets, that the budgets should be escalated annually using the previous year's GDP-IPI issued in the third quarter and published at the end of November.

- a) Please discuss any challenges Union faces in using the method outlined in the DSM Guidelines.
- b) Please use 2011 as a proxy and provide an example of how the different methods for applying GDP-IPI would have affected Unions proposed 2012 DSM budget.

### **Issue 1.3 – Large Industrial Rate T1/Rate 100 Program**

3. Ref: Exhibit A, Page 9-14, Justification for Large Industrial Rate T1/Rate 100 Program

Union mentions that it surveyed all Rate T1 and Rate 100 customers to determine if it should continue to offer DSM programming to large industrial customers and that based on the survey results, Union determined it should continue to offer these programs.

- a) Please discuss if Union based its decision to proceed with developing and applying for approval of the large industrial program on anything other than the survey results and feedback from large industrial customers. If Union has relied on any accompanying studies or reports that support the delivery of large industrial programs, please provide these.

4. Ref: Exhibit A, Page 13

Union notes that competitors of the industrial and commercial Rate T1 and Rate 100 customers are found in other contract rate classes that are eligible for DSM programming including steel, automotive, hospitals, greenhouses and chemical companies form part of the Rate M4, Rate M5 and Rate 20 rate classes.

- a) Please provide a table that lists all industrial/commercial customers within the Rate M4, Rate M5 and Rate 20 rate classes who have participated in Union's DSM programs from 2007-2011. In the table include the number of programs each customer has participated in, the year(s) they were a participant, if the program was a standard resource acquisition program or a large industrial/commercial specific program, the amount of incentive dollars received by each participant (divided by year), and the cumulative natural gas savings achieved each year. (redact the names of the customers if necessary)

### **Issue 1.4 – Low-Income Budget**

5. Ref: Exhibit A, Page 16, Table 1 – 2012 DSM Budget Calculation

Union notes that it has increased its budget by 10% in response to the allowance made in the DSM Guidelines.

- a) Please discuss the rationale and appropriateness for increasing the low-income budget by 10%.

- b) Please discuss the need for the additional \$2.736M for the low-income program.
- c) Please provide a table that shows the number of participants, cumulative natural gas savings and the number (and type) of measures installed for Union's low-income program in 2007, 2008, 2009, 2010 and 2011.

### **Issue 1.11 – DSM Budget Allocation**

#### **6. Ref: Exhibit A, Page 17 – Section 2.1: Budget**

Union notes that it proposes to allocate the 2012 low-income DSM budget of \$8.068 million to rate classes in proportion to the most recent Board-approved allocation of rate base.

- a) Please discuss the appropriateness of allocating the 2012 low-income DSM budget to rate classes in proportion to the most recent Board-approved allocation of rate base as opposed to rate classes in proportion to the rate classes' contribution to overall distribution revenue.
- b) Please provide a table that compares the allocation of the 2012 low-income DSM budget between the two approaches mentioned in 6(a) above.

### **Issue 2.0 – Program Targets**

#### **7. Ref: Exhibit A, Page 22 - Section 2.2: Targets**

Union notes the manner in which it established its 50%, 100% and 150% target levels. To calculate the 50% target, Union used a 0.5 multiplier. To calculate the 150% target, Union used a multiplier of 1.25.

- a) Please discuss if Union presented its proposed target levels to its DSM consultative and the response from parties.
- b) Please discuss the rationale for using a multiplier of 1.25 for the 150% target as opposed to a multiplier of 1.5.

## **Issue 2.1 & 2.2 – Resource Acquisition Program Scorecard Targets**

8. Ref: Exhibit A, Page 24, Table 4, 2012-2014 Resource Acquisition DSM Scorecards

Union provides a table that shows the scorecards metrics for the resource acquisition programs.

- a) Please confirm that these targets are inclusive of both the residential programs and the commercial/industrial resource acquisition programs. If it does not, please specify what programs this scorecard applies to.
- b) Please discuss the nature of feedback Union received from stakeholders of its proposed 2012-2014 Resource Acquisition DSM Scorecard targets.
- c) Please provide a table that compares the 100% cumulative natural gas savings target for resource acquisition programs (exclusive of large industrial) for 2012 (558,041,000 m<sup>3</sup>) with the final audited cumulative natural gas savings for resource acquisition programs (exclusive of large industrial) that Union has achieved in 2007, 2008, 2009, 2010 and 2011.
- d) Please discuss why the 100% cumulative natural gas savings target decreases from 2012-2014.

## **Issue 2.3 – Rate T1/Rate 100 Resource Acquisition Scorecard Targets**

9. Ref: Exhibit A, Page 26, Table 5, 2012-2014 Resources Acquisition DSM Scorecards

Union provides a table that shows the scorecard metrics for the large industrial program.

- a) Please provide a table that compares the 100% cumulative natural gas savings target for the large industrial program in 2012 (200,000,000 m<sup>3</sup>) with the final audited cumulative natural gas savings for Union's large industrial programs in 2007, 2008, 2009, 2010 and 2011.

### **Issue 3.0 – DSM Incentive**

10. Ref: Exhibit A, Page 36, Section 2.3 – DSM Incentive

Union proposes that the maximum DSM incentive amount available for the 2012 program year \$10.450 million.

- a) Please discuss the rationale for increasing the DSM incentive amount when the Board DSM guidelines state that the maximum amount available for the 2012 program year should be \$9.5 million and no reference to an increase in the DSM incentive amount is mentioned in the guidelines.

### **Issue 6.0 – DSM Program Screening**

11. Ref: Exhibit A, Page 42, Section 2.7 – Program Screening

Union discusses that the programs included in this application were decided upon based on the criteria outlined in the DSM Guidelines.

- a) Please provide a table that lists of all the programs Union considered for inclusion in its 2012-2014 DSM Plan, the TRC ratio for each program, the cost for each program and the rationale for or against proceeding with the program.

### **Issue 8.0 – Stakeholder Engagement Process**

12. Ref: Joint Terms of Reference on Stakeholder Engagement, November 4, 2011, pages 11 & 16

Within the Joint Terms of Reference there are details on the newly proposed Technical Evaluation Committee (TEC), Technical Reference Manual (TRM) and Audit Committee (AC). The guidelines for fees are outlined for both the TEC and the AC. The expectations of total annual hours are noted as being 150 hours for the TEC and 60 hours for the AC for each intervenor.

- a) Please provide a table that shows the total annual hours and costs claimed by each intervenor who was a member of Union's evaluation and audit committee in 2007, 2008, 2009, 2010 and 2011. Compare these amounts with the total expected 2012, 2013 and 2014 annual hours and costs from the TEC and AC parties. Provide total amounts at the bottom of the table for comparison purposes.

- b) Please discuss if the total costs for the Stakeholder Engagement process is built into Union's proposed Evaluation budget of \$969,000. If this cost is not included in the Evaluation budget, please discuss where and how this cost is proposed to be recovered.