August 31, 2012

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

Dear Ms. Walli:

RE: EB-2012-0337 – Union Gas Limited – 2013-2014 Demand Side Management Plan for Large Volume Customers - Proposed Rate T1, Proposed Rate T2 and Rate 100

Under the terms of the EB-2011-0327 Settlement Agreement ("Agreement") approved by the Board on February 21, 2012, Union agreed to file a new application and evidence supporting a 2013 and 2014 DSM plan for Rate T1 and Rate 100 prior to September 1, 2012 ("Plan"). Pursuant to the Agreement, Union's application and evidence are attached.

Union notes that in its 2013 Cost of Service Application (EB-2011-0210) Union proposed to split the current Rate T1 into two rate classes with distinct rate structures; a new Rate T1 mid-market service and a new Rate T2 large market service. Accordingly, the Plan provides for DSM programming to customers served under the new Rate T1 and the new Rate T2 rate schedules, both of which are currently served under the existing Rate T1 rate schedule.

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-2011-0327 Intervenors

EB-2012-0337

ONTARIO ENERGY BOARD

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 pursuant to Section 36(1) of the *Ontario Energy Board Act, 1998*, for an Order or Orders approving the 2012 to 2014 Demand Side Management Plan.

APPLICATION

1. Union Gas Limited ("Union") is a regulated public entity incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent.

2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storage of gas and a non-utility storage business.

3. On June 30, 2011, the Ontario Energy Board (the "OEB" or the "Board") issued the Demand Side Management ("DSM") Guidelines for Natural Gas Utilities (the "Guidelines"). The Board noted the natural gas utilities were expected to develop their DSM plans in accordance with the Guidelines, and to submit those plans to the Board for approval.

4. Union applied to the Board on September 23, 2011, pursuant to Section 36 of the *Ontario Energy Board Act* for an Order or Orders effective January 1, 2012 approving Union's DSM Plan for the years 2012, 2013 and 2014. The docket number of this proceeding was EB-2011-0327.

5. The EB-2011-0327 Settlement Agreement ("Agreement") was filed on January 31, 2012. The Agreement on page 26 states, "The Participating Parties have agreed that the DSM

Plan for 2013 and 2014 relating to Large Industrial Rate T1 / Rate 100 will not be included in this Agreement, and Union hereby withdraws its requests for approvals of that part of its Plan as set forth in the Application. Union agrees to file a new application and evidence with the Board supporting a Large Industrial Rate T1 / Rate 100 DSM plan for 2013 and 2014 prior to September 1, 2012. Agreement to the 2012 DSM plan for T1 and Rate 100 is without prejudice to the position any party may have on Union's 2013 and 2014 Large Industrial Rate T1 and Rate 100 DSM application."

6. On February 21, 2012 the Board issued its decision approving the Agreement as filed.

7. Pursuant to the Agreement, Union filed an application and evidence supporting a new Large Volume DSM Plan for the years 2013 and 2014 on August 31, 2012.

8. In Union's 2013 Cost of Service Application (EB-2011-0210) Union proposed to split the current Rate T1 into two rate classes with distinct rate structures; a new Rate T1 mid-market service and a new Rate T2 large market service. If approved by the Board, Union proposes to implement the new rate classes, eligibility changes and rate structures, on a revenue neutral basis, effective January 1, 2013. Therefore, Union's Large Volume DSM Plan relates to proposed Rate T1, proposed Rate T2 and Rate 100 customers.

   In the event the proposed split of the current Rate T1 into two rate classes is not approved by the Board in EB-2011-0210, the reference to Rate T2 would apply to Rate T1 customers with a minimum firm daily contracted demand of 140,870 m^3.

9. Union now applies to the Board for the following:

   (a) Approval of the Large Volume Rate T1/Rate T2/Rate 100 Programs for the years 2013 and 2014;

(b) Approval of the Large Volume Rate T1/Rate T2/Rate 100 Budget and associated calculation methodology for the years 2013 and 2014 ;

(c) Approval of the Large Volume Rate T1/Rate T2/Rate 100 Program and associated calculation methodology for scorecard targets and associated target adjustment methodology for the years 2013 and 2014;

(d) Approval of the Large Volume T1/Rate T2/Rate 100 DSM Incentive amounts and associated calculation methodology for the years 2013 and 2014;

(e) Approval to continue the Board approved DSM variance account and Lost Revenue Adjustment Mechanism approach for Rate T1/Rate T2/ Rate 100.

10. All approvals sought by Union are to be effective January 1, 2013.

11. Union also applies to the OEB for such interim order or orders approving the above as may from time to time appear appropriate or necessary.

12. Union further applies to the Board for all necessary orders and directions concerning procedures for the determination of this application.

13. 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.

14. 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 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.

15. 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

- and -

Torys LLP
Toronto Dominion Centre, Suite 3000
79 Wellington St. W.
Toronto, ON M5K 1N2
Attention: Crawford G. Smith (csmith@torys.com)

Telephone: (416) 865-8209
Fax: (416) 865-7380

DATED: August 31, 2012

UNION GAS LIMITED

By its Solicitors

[Original signed by]

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Torys LLP
Toronto Dominion Centre, Suite 3000
79 Wellington St. W.
Toronto, ON M5K 1N2
Attention: Crawford G. Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

UNION GAS LIMITED

Exhibit List

Exh.	Tab	Sch./ App.	Contents
A	1		**Written Direct**
			Proposed DSM Plan for Large Volume Customers for 2013 - 2014
			Schedules
		1	Rate Class Impacts of DSM - 2012 Budget vs. 2013 Budget
		2	Rate Class Impacts of DSM - 2012 vs. 2013 Average Unit Rates
		3	DSM Costs in Proposed 2013 Rates
			Appendices
		A	Jurisdictional Review
		B	Rate T1 Focus Group - June 5, 2012 - Presentation
		C	Rate T1 Focus Group - June 5, 2012 - As It Was Heard Report
		D	Rate 100 Focus Group - June 25, 2012 - Presentation
		E	Rate 100 Focus Group - June 25, 2012 - As It Was Heard Report
		F	Customer Meetings - July, 2012 - Presentation
		G	Intervenor Consultations - August 15, 2012 – Material provided to All Parties Invited: Invitation, Attendance List, Correspondence After Consultation Session - Responses to Questions Raised at the Consultative Meeting, Revised Presentation and Summary of Intervenor Feedback
		H	Intervenor Consultation - August 15, 2012 – Summary of Feedback received and Union's Position, including changes made from the original Plan proposal to the final Plan

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1. INTRODUCTION

On January 31, 2012, Union Gas Limited ("Union") filed the EB-2011-0327 – 2012 - 2014 Demand Side Management ("DSM") Plan Settlement Agreement ("Agreement"). The Agreement included a Large Industrial DSM program for 2012 only. As part of the Agreement Union committed to file a new application and evidence with the Ontario Energy Board ("Board") supporting a Large Industrial Rate T1 and Rate 100 DSM plan for 2013 and 2014 prior to September 1, 2012. The Board accepted the Agreement on February 21, 2012. Accordingly, Union has developed a new Large Volume DSM Plan ("Plan") for the years 2013 and 2014. Although the DSM Guidelines for Natural Gas Utilities ("Guidelines") dated June 30, 2011 (EB-2008-0346) and the Agreement, refer to the customers within Rate T1 and Rate 100 as "Large Industrial", Union has termed this Plan as Large Volume to recognize that customers within these rate classes have end uses that are not exclusively industrial in nature. The Plan includes a single Large Volume Program (the "Program") outlined in Section 6.

In Union's 2013 Cost of Service Application (EB-2011-0210) Union proposed to split the current Rate T1 into two rate classes with distinct rate structures; a new Rate T1 mid-market service and a new Rate T2 large market service. If approved by the Board, Union proposes to implement the new rate classes, eligibility changes and rate structures, on a revenue neutral basis, effective January 1, 2013. The Plan is premised on the Board's approval of the proposed split of Rate T1. In the event the Board does not approve Union's proposal related to Rate T1 and Rate T2, Union will modify the Plan as discussed in Section 8.

Union has prepared the Plan in compliance with the Board's Guidelines. Union will continue to follow the framework elements approved in the EB-2011-0327 proceeding as they relate to the Plan. Specifically, the process for the Lost Revenue Adjustment Mechanism ("LRAM"), DSM Variance Account ("DSMVA"), DSM Incentive Deferral Account ("DSMIDA"), DSM Program Screening, Avoided Costs, Stakeholder Terms of Reference and Low-Income program cost recovery are not impacted by the Plan. Union is seeking approval of the Plan effective January 1, 2013.

1.1 Consultation Efforts

Consultation with current Rate T1/Rate 100 customers and intervenors contributed to the development of the proposed Large Volume DSM Plan for 2013 and 2014. Several consultation sessions with Rate T1 and Rate 100 customers and industry stakeholders were completed in the months of June, July and August 2012. At these sessions the Rate T1/Rate 100 DSM program information was shared and Union received customer feedback and comments to inform its program proposal.

Customer and Stakeholder Input

Union invited all existing Rate T1 customers to attend a DSM Rate T1 focus group session on June 5, 2012. To facilitate Rate T1 customer participation, this focus group session was scheduled to coincide with Union's annual Rate T1 customer meeting. Eleven Rate T1 customers representing approximately 50% of the total volume consumed by the T1 rate class in 2011 participated in this focus group session.

A similar focus group session was also held with Rate 100 customers. This session took place on June 25, 2012, by way of conference call. Five Rate 100 customers participated. The customers represented approximately 70% of the total Rate 100 volume consumed in 2011.

At these focus group sessions, Union confirmed that it would be applying to the Board to extend its Rate T1/Rate 100 DSM program for 2013 and 2014. Union also shared information related to the 2012 Rate T1/Rate 100 DSM program structure and encouraged customers to share their views and comments related to the current program.

Both focus group sessions included a presentation from Union (Appendix B and Appendix D). This presentation provided customers with an understanding of Union's Rate T1/Rate 100 DSM program history and an overview of the current Board approved 2012 Rate T1/Rate 100 DSM program. The presentation highlighted key 2012 DSM program features that differentiated the

current program from the DSM programs of prior years (e.g. separate scorecard, budget limitation, Union DSM incentive limitation, etc.). The focus group sessions encouraged discussion and customers proactively shared their views and perspectives related to Union's DSM program.

The following is a summary of the feedback received from customers attending these sessions:

- Customers commented that they value Union's energy-efficiency focused engineering expertise, noting they do not want to lose access to this resource;
- Larger customers expressed an interest in having increased flexibility to access larger incentive amounts for larger projects. It was suggested that Union could provide a specific fund for energy-efficiency and let the customer determine how best to spend these funds;
- Some customers indicated that they were completing energy-efficiency initiatives on their own and would like the option to not participate in Union's DSM program and avoid any associated costs; and
- Some customers expressed concern regarding large one-time deferral charges. They suggested avoiding future potential charges by incorporating the underpinning costs into rates or, alternatively, collecting the deferral costs over a longer period of time.

Union provided each customer who attended the focus group sessions with a summary capturing what was heard at each meeting. The "As It Was Heard Report" is provided at Appendix C and Appendix E. After considering the feedback received from customers, Union developed the program described in Section 6.

During the month of July 2012, Union presented its proposed Plan through a series of five additional meetings with customers and stakeholders. These customers collectively accounted for over 60% of the total Rate T1 and Rate 100 volume throughput in 2011. A presentation from a customer meeting is provided at Appendix F.

Intervenor Consultation on 2013 – 2014 Large Volume Rate T1/Rate T2/Rate 100 DSM Plan

On August 15, 2012, Union held a Consultative meeting with intervenors and interested parties. At the consultation, Union presented its 2013 – 2014 Large Volume DSM Program proposal, budget and annual scorecards, and feedback was provided by stakeholders. Following the consultation, Union circulated its presentation to the Consultative, including those not able to attend. In addition, Union offered stakeholders who attended the meeting the opportunity to review the summary of feedback received at the Consultative session to ensure it reflected their input and provide additional written comments on the Plan. The material provided to Union's Consultative, invitation and attendance list are provided in Appendix G. A summary of the feedback received and Union's position, including changes made from the original Plan proposal to the final Plan, is provided in Appendix H.

Union notes that although it consulted with stakeholders when developing the Plan and incorporated, where in Union's view appropriate, the feedback provided through consultation, it does not have consensus on the Plan. While some customers and stakeholders liked the program proposal, others indicated that they would like to opt-out of the Plan, thereby avoiding any costs associated with providing DSM programs or DSM related deferral account disposition. Union addresses its reasoning for not offering an opt-out option in Section 7. It is Union's view that the Plan is consistent with the Guidelines while balancing the goals of the Board and the interests of Union, its customers and its stakeholders.

1.2 Union's 2013 – 2014 Large Volume Program Overview

Union's Board-approved 2012 Rate T1/Rate 100 program is targeted to all customers within these rate classes. It includes the following five offerings: customer engagement, engineering feasibility and process improvement studies, O&M optimization, new equipment and processes, and energy management. The 2012 post-inflation program budget is $4.664 million. This budget includes the incentives provided to customers who undertake energy-efficiency initiatives within

their facilities. Customer incentive funds are dispersed via an aggregated pool approach where projects are supported based on their lifetime natural gas savings and cost-effectiveness.

In 2013 and 2014, Union is proposing to deliver the same program offerings and maintain a consistent program budget, escalated annually for inflation. All Rate T1[1] customers will maintain access to an aggregate pool of customer incentives throughout the year. This approach has been successful in driving projects for these customers historically and is consistent with the DSM program structure in Union's bundled contract rate classes that serve other similarly sized customers.

Union is proposing to change the customer incentive budget process for Rate T2 and Rate 100 customers to a new Direct Access budget mechanism. Instead of an aggregate pool approach, at the beginning of the year these customers will each have direct access to the full customer incentive budget they pay in rates. They must use these funds to identify and implement energy-efficiency projects, or lose the funds to be used by other customers in their rate class. This “use it or lose it” approach ensures each customer has first access to the amount of the customer incentive budget funded by their rates.

The Direct Access budget mechanism is being introduced in direct response to feedback received from Union’s largest customers at the focus group sessions. Rate T2 and Rate 100 customers will have enhanced flexibility to access a greater level of incentives for individual large projects or studies. They will know their dedicated amount of customer incentive budget for the program year. This funding can be incorporated into their overall budget planning process with the knowledge that available funds will either be used for qualifying activities to deliver value to them, or the funds will be moved to the aggregate pool for use by others. By motivating each customer to take action with their available incentive budget, Union’s program also aims to minimize intra-rate class cross subsidization. Additionally, Union has removed the ability to

[1] As per Rate T1 proposal in Union’s 2013 Cost of Service Application (EB-2011-0210)

overspend the budget by 15% in Rate T2 and Rate 100 to provide greater rate certainty for these customers.

Union's program has also been informed by a Jurisdictional Review of programs in North America, provided in Appendix A. Some jurisdictions in the United States ("U.S.") offer self-direct or opt-out provisions whereby customers either pay a cost-recovery mechanism fee which can be "self-directed" into an internal energy-efficiency investment or the customer "opts-out" and is exempt from funding energy-efficiency programs. Union found no Canadian jurisdiction offering either of these program options today. In the U.S., with the exception of Vermont, none of the top twenty leading jurisdictions in industrial programming offer any form of an opt-out program. Ten of the top twenty, however, do provide self-direct programs. Union's Direct Access budget mechanism includes key elements of self-direct programs in other jurisdictions. It builds on these program models by continuing to provide technical assistance through its Account and Project Managers. This is in direct response to customer feedback regarding the high value placed on Union's technical resources. This technical support is not present in the majority of self-direct programs in other jurisdictions. In addition, the program will follow the evaluation, verification and audit protocols in the Guidelines and established through the Stakeholder Terms of Reference (e.g. Technical Evaluation Committee and Audit Committee process) to ensure reliable energy savings are generated. This is consistent with the rest of the DSM program portfolio.

Within an environment of competing production demands, limited resources and low commodity prices for natural gas, it is important to continually ensure energy-efficiency remains a priority for large volume customers. These customers have, and continue to generate, the most cost-effective natural gas savings within Union's program portfolio. Although some customers, such as power producers, have indicated that they would like to opt-out of the Plan, significant economically feasible efficiency opportunities remain in the province that large volume customers have not undertaken to-date. Union's Program will continue to support customers in identifying and realizing these energy savings. For industrial and power generation customers

alike, Union has experienced consistent growth in the number of projects and cost-effective natural gas savings generated in its large volume rate classes. Union has provided a summary of its historical Rate T1 and Rate 100 cumulative natural gas savings and projects in Table 1 below.

Table 1: 2008 – 2011 Rate T1 and Rate 100 Cumulative Natural Gas Savings and Projects

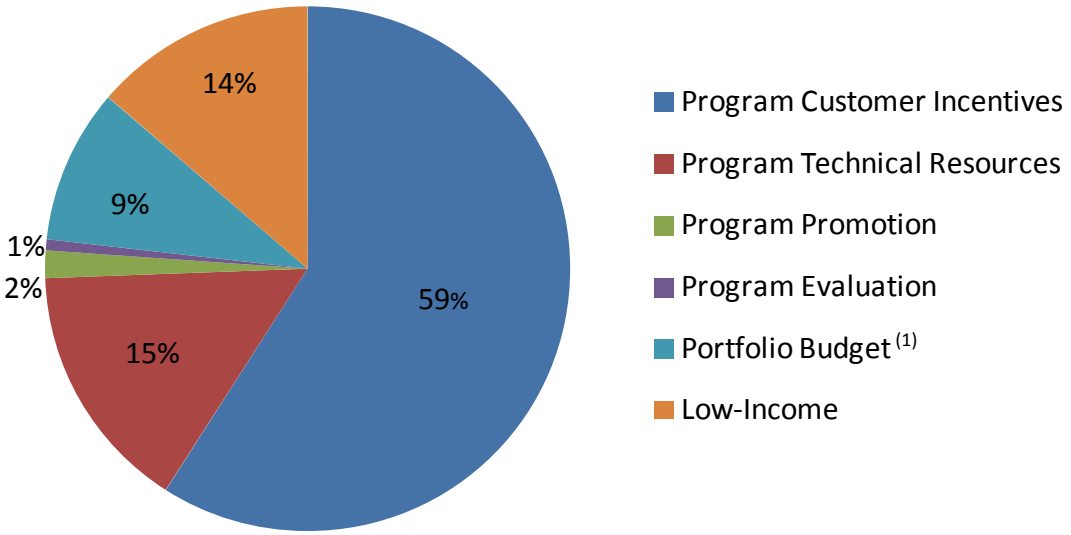
	Customer Type	2008	2009	2010	2011
Cumulative Natural Gas Savings (m^3)	Power Generation	7,689,125	67,715,197	69,372,232	87,708,786
	Industrial	463,212,790	617,062,026	912,564,045	1,392,613,906
	Total	**470,901,915**	**684,777,223**	**981,936,277**	**1,480,322,692**
Projects Completed (1)	Power Generation	2	11	23	25
	Industrial	92	113	108	247
	Total	**94**	**124**	**131**	**272**

(1) Includes all studies, capital and O&M projects

The Program will build on Union's success in driving substantial energy savings and bill reductions for customers. Union is proposing to allocate $6.209 million in the large volume rate classes for DSM in 2013. This value includes the proposed Large Volume program budget, as well as the allocation of Board-approved DSM portfolio and Low-income costs allocated to Rate T1, Rate T2 and Rate 100 customers. The amount is consistent with 2012, escalated for inflation[2] and is allocated between Rate T1, Rate T2 and Rate 100 in Exhibit A, Tab 1, Schedule 1. Figure 1 displays the percentage allocation for each budget item included in the $6.209 million. The values for each budget item in Figure 1 are included in Tables 2 and 3 below.

[2] For 2013, Union has applied an illustrative inflation factor as at Q1, 2012 of 2.25%. The actual inflation rate applied for 2013 will be based on the four quarter rolling average of the Gross Domestic Product Implicit Index as at Q2 2012, released at the end of August.

Figure 1 - Percentage Allocation of Rate T2, Rate T1, Rate 100 DSM Budget Items



(1) Includes portfolio level research, evaluation and administration allocated to Union's Large Volume Rate Classes

As displayed, 59% of the DSM amount in rates is budgeted for customer incentives and 15% for program technical resources. This 74% of the total DSM amount allocated to Large Volume rate classes directly supports the identification, analysis and implementation of energy-efficiency projects.

The process and timing for Rate T1, Rate T2 and Rate 100 customers to access available customer incentive funding will follow two distinct mechanisms, as outlined below:

Rate T1

- Rate T1 customers will have access to an Aggregated Pool of customer incentive budget.
- This budget will be available to all Rate T1 customers throughout each program year.
- This is consistent with Union's customer incentive budget approach in 2012 for these customers.

Rate T2/Rate 100

- From January 1 until April 1 of each year, Union's energy-efficiency experts will assist customers to develop an energy-efficiency plan. This plan will identify potential projects, their timing and associated customer incentive funding. The energy-efficiency plan is to be submitted to Union by April 1.
- From January 1 until August 1 of the program year, each Rate T2 and Rate 100 customer will have dedicated access to the amount of the customer incentive budget they fund in their rates for energy-efficiency initiatives.
- After August 1 of each year, any remaining funds that have not been allocated to projects or studies will become available to any customer within their rate class.

2. PROGRAM BUDGET

Consistent with the Guidelines and the Agreement as it relates to other DSM programs, Union is proposing to escalate the current approved Large Volume DSM Program budget of $4.664 million by inflation each year to arrive at the 2013 and 2014 Large Volume Rate T1/Rate T2/Rate 100 Program budgets. The inflation rate for 2013 and 2014, also consistent with the Agreement, will be calculated using the four quarter rolling average of the Gross Domestic Product Implicit Index ("GDP-IPI"), released at the end of August of the prior calendar year. Accordingly, the 2013 budget will be the 2012 budget escalated using the inflation rate calculated using the four quarter rolling average of the GDP-IPI as at Q2, 2012. For illustrative purposes, the 2013 and 2014 budget in Table 2 have been escalated using the inflation factor at Q1, 2012 of 2.25%.

Table 2 provides the 2012 Board approved program budget, and proposed annual Large Volume Rate T1/Rate T2/Rate 100 program budget for each year of the Plan.

Table 2: 2012 – 2014 Large Volume Rate T1 / Rate T2 / Rate 100 Program Budget

	Year		
	2012 [2] ($000)	2013 ($000)	2014 ($000)
Large Volume T1/T2/R100 Program Budget			
Program Customer Incentives	$ 3,487	$ 3,487	$ 3,487
Program Promotion	$ 100	$ 100	$ 100
Program Technical Resources	$ 907	$ 907	$ 907
Program Evaluation	$ 40	$ 40	$ 40
Cumulative Inflation [1]	$ 130	$ 235	$ 342
Total Large Volume DSM Program Budget	**$ 4,664**	**$ 4,769**	**$ 4,876**

[1] Inflation rate for 2012 is 2.87%. For 2013 & 2014 the illustrative inflation rate is 2.25%.

[2] Approved as per EB 2011-0327

The total DSM amount to be included in rates for 2013 and 2014 for Union's Large Volume rate classes is displayed in Table 3 below. In addition to the Program budget, this includes the portion of the total DSM portfolio budget and Low-income costs allocated to Rate T1, Rate T2 and Rate 100. The total portfolio budget, Low-income budget, and methodology to allocate these budgets to Union's rate classes were filed in the 2012 – 2014 DSM Settlement Agreement and approved by the Board (EB-2011-0327).

Table 3: Total DSM Amount Allocated to Large Volume Rate T1/Rate T2/ Rate 100 Classes

		Year		
		2012 ($000)	2013 ($000)	2014 ($000)
Portfolio Budget (For All Union Programming)				
Research		$ 766	$ 766	$ 766
Evaluation		$ 969	$ 969	$ 969
Administration		$ 1,582	$ 1,582	$ 1,582
Total DSM Portfolio Budget Pre-Inflation		**$ 3,317**	**$ 3,317**	**$ 3,317**
Cumulative Inflation [1]		$ 95	$ 172	$ 250
Total DSM Portfolio Budget Post-Inflation	(a)	**$ 3,412**	**$ 3,489**	**$ 3,567**
Portfolio Budget Allocation to Rate T1/Rate T2/Rate 100 (%)[2]	(b)	**16.9%**	**16.9%**	**16.9%**
Portfolio Budget Amount Allocated Rate T1/ Rate T2/ Rate 100 ($000) [1]	(c) = (a) * (b)	**$ 578**	**$ 591**	**$ 604**
Large Volume Rate T1/Rate T2/Rate 100 Program Budget [1]	(d)	**$ 4,664**	**$ 4,769**	**$ 4,876**
Total Large Volume Program and Allocated Portfolio Budget [1]	(e) = (c) + (d)	**$ 5,241**	**$ 5,359**	**$ 5,480**
Low-Income Allocation to Rate T1/Rate T2/Rate 100 [1]	(f)	**$ 831**	**$ 850**	**$ 869**
Total DSM Budget Allocation to Rate T1/Rate T2/Rate 100 [1]	(g) = (e) + (f)	**$ 6,073**	**$ 6,209**	**$ 6,349**

[1] Inflation rate for 2012 is 2.87%. For 2013 & 2014 the illustrative inflation rate is 2.25%.

[2] Calculated as the pre-inflation Large Volume Rate T1/Rate T2/Rate 100 program budget $4.534 M / Total pre-inflation DSM budget for all programs of $26.773.

The sum of the proposed Large Volume Rate T1/Rate T2/Rate 100 Program and allocated Board-approved portfolio budget for these rate classes is $5.359 million in 2013 and $5.480 million in 2014. As with the 2012 Program budget, Union must allocate the 2013 and 2014 Program budget and allocated portfolio budget between the large volume rate classes. Of the total Large Volume Program budget, Union proposes to allocate 32% to Rate T1, 38% to Rate T2 and 30% to Rate 100. This allocation of DSM costs is consistent with Union's 2013 Cost of Service Application (EB-2011-0210, Exhibit J.H-8-13-2) (adjusted for 2013 inflation factor of 2.25% versus 2.87%). The amount in each Large Volume rate class is provided at Exhibit A, Tab 1, Schedule 1.

The 2013 Low-income budget is based on the 2012 Low-income budget, which was allocated using the 2012 Board-approved distribution revenue by rate class in Union's EB-2011-0025 rates proceeding. The 2013 Low-income budget also includes an inflation factor adjustment of 2.25%. Further, for the 2013 proposed Rate T1 and Rate T2 split, the Low-income budget is allocated based on the 2013 forecast revenue (per EB-2011-0210) for these rate classes. The allocation of

Low-income program costs and overheads for each Large Volume rate class is provided at Exhibit A, Tab 1, Schedule 1.

Union will track the variance between the DSM budget included in rates, by rate class, and the actual DSM dollars spent by rate class. The variance, by rate class, will be disposed of annually through Union's deferral disposition application.

In the event Union qualifies to access the 15% allowable overspend, Union will only access the overspend for Rate T1 up to a maximum of 15% of the program and portfolio budget allocated to Rate T1. For 2013, this value is $1.697 million[3] and the resulting maximum 15% overspend claim is $0.255 million. The 2013 value will be escalated by inflation for the 2014 program year. The 15% overspend will not be accessed for, nor recovered from, Rate T2 or Rate 100.

Union has imposed additional restrictions on the 15% overspend relative to 2012 to provide greater rate certainty for Large Volume customers. In 2012 each large volume rate class had a potential deferral due to the 15% overspend of $0.786 million. This has been reduced for Rate T1 and eliminated for Rate T2 and Rate 100 in 2013 and 2014.

Consistent with the EB-2011-0327 Agreement, Union proposes that, at its sole discretion, it be allowed to transfer a maximum of $0.500 million of the program budget allocated to Rate T1, Rate T2 or Rate 100 to Rate T1, Rate T2 or Rate 100 respectively (exclusive of the 15% allowable overspend). Further, Union will not transfer budget dollars from any other part of the overall DSM budget into Rate T1, Rate T2 or Rate 100.

[3] Rate T1 program and portfolio budget allocation is provided in Schedule 1. 2013 inflation is based on the illustrative inflation rate of 2.25%.

3. TARGETS

The metrics in the Large Volume scorecard include two cumulative natural gas savings metrics, and a Rate T2/Rate 100 Percent of Customer Incentive Budget Spent metric. The 2013 and 2014 Rate T1/Rate T2/ Rate 100 scorecards are displayed in Table 4 below.

Maximizing cost-effective m^3 savings is one of the guiding principles set out by the Board in the DSM Guidelines. In recognition of the importance of driving natural gas savings, Union has included cumulative m^3 targets in its 2013 and 2014 scorecards. This metric was also included in the Board approved 2012 scorecard. For 2013 – 2014, Union has proposed two cumulative natural gas savings metrics, one for Rate T2/Rate 100 customers who will have direct access to their dedicated customer incentive budget, and one for Rate T1 customers who will have access to an aggregated pool of customer incentive funding. Union has separated these two metrics in recognition of the increased customer incentive flexibility introduced in the Direct Access budget mechanism for Rate T2/Rate 100 customers and the additional budget limitation for these rate classes introduced through the elimination of the 15% overspend. These changes required Union to set the target levels for these customers differently than for Rate T1 customers.

To ensure Union balances the goal of maximizing gas savings with generating broad customer participation amongst its largest volume gas users, Union has introduced a Rate T2/Rate 100 Percentage of Customer Incentive Budget Spent metric. This metric will incent Union to drive participation from each customer, maximizing individual customer value.

While Union has ensured the scorecard balances the overall weighting between Rate T2/Rate 100 and Rate T1 customers at 40% versus 60%, Union has placed lower weighting on the cumulative natural gas savings metric for Rate T2/Rate 100 customers relative to Rate T1 customers. This is in recognition of the lack of historical information upon which to base the Rate T2/Rate 100 cost-effectiveness. Union has placed equal weighting on each of the two Rate T2/Rate 100 metrics as Union feels it is equally important to ensure natural gas savings as well

as broad customer participation for these customers. Ensuring each customer participates in the program minimizes cross subsidization within each rate class.

Table 4: 2013 and 2014 Large Volume Rate T1/Rate T2/Rate 100 Scorecards

2013 Large Volume Rate T1 / Rate T2 / Rate 100 Scorecard				
Metric	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Rate T2 / Rate 100 Cumulative Natural Gas Savings (m^3)	75% of Target	2012 Post Audit T2/R100 Customer Incentive Cost Effectiveness (m^3 per Customer Incentive Dollar Spent)*($2.383)*(1-0.30)	110% of Target	20%
Rate T2 / Rate 100 Percentage of Customer Incentive Budget Spent (%)	60%	70%	80%	20%
Rate T1 Cumulative Natural Gas Savings (m^3)	75% of Target	2012 Post Audit T1 Customer Incentive Cost Effectiveness (m^3 per Customer Incentive Dollar Spent)*($1.104)	125% of Target	60%

2014 Large Volume Rate T1 / Rate T2 / Rate 100 Scorecard				
Metric	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Rate T2 / Rate 100 Cumulative Natural Gas Savings (m^3)	75% of Target	2013 Post Audit T2/R100 Customer Incentive Cost Effectiveness (m^3 per Customer Incentive Dollar Spent)*($2.383)	110% of Target	20%
Rate T2 / Rate 100 Percentage of Customer Incentive Budget Spent (%)	2013 Post Audit Result (%)	2013 Post Audit Result (%) + 5%	2013 Post Audit Result (%) + 10%	20%
Rate T1 Cumulative Natural Gas Savings (m^3)	75% of Target	2013 Post Audit T1 Customer Incentive Cost Effectiveness (m^3 per Customer Incentive Dollar Spent)*($1.104)	125% of Target	60%

Scorecard Metrics Description

a. Rate T2/Rate 100 Cumulative Natural Gas Savings (m^3)

- The total natural gas saved for all projects delivered to Rate T2 and Rate 100 customers for the term of their measure life, net of adjustment factors such as free ridership and spillover.

b. Rate T2/Rate100 Percentage of Customer Incentive Budget Spent (%)

- Measures Union's ability to influence Rate T2 and Rate 100 customers to access their available funds, maximizing each customers' participation and value from the program.
- Calculated as the average of each Rate T2 and Rate 100 customer's post-audit customer incentive spend divided by the 100% customer incentive budget funded within the program year in each customer's rates.
- In calculating the results for this metric, the value cannot exceed 100% for an individual customer.
- For 2014, in the event the calculated 2014 targets (Lower Band, Target or Upper Band) are lower than the 2013 Targets, the 2014 metric target levels will become the 2013 targets (Lower Band: 60%, Target:70%, Upper Band: 80%). No target level may exceed 100%.

c. Rate T1 Cumulative Natural Gas Savings (m^3)

- The total natural gas saved for all projects delivered to Rate T1 customers for the term of their measure life, net of adjustment factors such as free ridership and spillover.

For 2013 and 2014, Union proposed that the cumulative natural gas savings targets will be determined by multiplying the previous year's Rate T2/Rate 100 and Rate T1 customer post-audit cost-effectiveness (m^3 per customer incentive dollar spent) by $2.383 million for Rate T2/Rate100 and $1.104 million for Rate T1 respectively. These values represent the customer incentive budget for the Rate T2/Rate 100 and Rate T1 customers, and are consistent with the rate class allocation of the total customer incentive budget provided in Table 2 above. For 2013 only, a discount factor of 30% will be applied to the Rate T2/Rate 100 cumulative natural gas savings target.

3.1 Rationale for Targets

Cumulative Natural Gas Savings Metric Targets

Union has proposed two cumulative natural gas savings metrics. The first measures the m^3 results generated by Rate T2/Rate 100 customers, and the second the m^3 savings generated by Rate T1 customers. For both metrics, Union has based the cumulative natural gas savings targets on the cost-effectiveness of the previous program year. The overall approach is similar to the cumulative natural gas savings targets for 2013 and 2014 in Union's Resource Acquisition scorecard. Through using a formulaic approach, the targets will be adjusted based on the performance of the prior calendar year.

The target calculation for the cumulative natural gas savings metrics are based on post-audit m^3 per customer incentive dollar spent, not m^3 per promotion and incentive dollar spend as is the case for the Resource Acquisition scorecard. In the Resource Acquisition scorecard the programs, and their associated promotion costs, had been included in the calculation of a single metric. In contrast, the Large Volume program scorecard has separate target calculations at a rate class level. As promotion costs are not tracked at a rate class level, they have been excluded from the target calculation.

Union has outlined the reasons for the differences in the cumulative natural gas savings target levels for the Rate T2/Rate 100 metric (Direct Access) and Rate T1 metric (Aggregate Pool) below.

Rate T2/ Rate 100 Cumulative Natural Gas Savings Metric

To reflect the transition in cost-effectiveness between the 2012 and 2013 programming for Rate T2 and Rate 100 customers, Union has applied a 30% discount factor to the 2013 Target for this metric. Union's Direct Access budget mechanism provides these customers the flexibility to fund a greater percentage of incremental project costs, studies and audits than was possible under the 2012 Program. As customers fund a greater percentage of incremental cost through their

available incentives, the m^3/$ customer incentive cost-effectiveness will be lower for Rate T2 and Rate 100 than it was in 2012. In addition, these customers will receive incentive funding for developing energy plans that will generate no direct m^3 savings. In response to these changes, Union has applied a 30% discount factor to the 2012 results to establish an appropriate 2013 Target. As the actual 2013 results will reflect the cost-effectiveness of programming under the Direct Access budget mechanism, the discount factor is not included in the 2014 target calculation.

Union has maintained the 2012 25% spread between the Lower Band and Target for this metric. The Upper Band has been set as 110% of the Target to recognize Union has eliminated the ability to overspend the budget by 15% for Rate T2 and Rate 100 customers once the 100% scorecard target is achieved. Within this structure Union must achieve a 10% increase above the Target with no additional funding above the budget. Therefore, it will be very challenging for Union to drive increased natural gas savings above the Target level for this metric.

Rate T1 Cumulative Natural Gas Savings Metric

As the 2013 – 2014 programming for these customers is consistent with 2012, Union has not applied a discount factor to the 100% Target. Union has maintained the 25% spread between the Lower Band, Target and Upper Band for this metric as Union retains the ability to overspend the budget by 15% for Rate T1 should the scorecard achieve the 100% weighted scorecard target on a pre-audit basis.

Rate T2/Rate 100 Percentage of Customer Incentive Budget Spent Metric Targets

This metric measures the percentage of the customer incentive budget funded in rates that is utilized by each Rate T2 and Rate 100 customer for energy-efficiency initiatives, on an individual customer basis. In setting the 2013 targets for this metric, Union established a baseline calculated on a four year average as displayed in Table 5 below. Union did not historically plan its program budget at a rate class level. In prior program years there was no separate Rate

T1/Rate 100 budget, and the DSM allocation established in these rate classes reflected a simple escalation of the 2007 budget. Therefore, Union established the baseline as follows:

- The total annual customer incentive received by Rate T1 and Rate 100 customers was tallied.
- This total, by rate class, was allocated back to each individual Rate T1 and Rate 100 customer based on the total volume of gas consumed by the customer for each calendar year. This established the amount of the DSM customer incentive each customer would have paid in their rates if the historical DSM rate class allocation had been based on where the budget was to be spent, as will be the case in 2013 – 2014.
- For each projected Rate T2 and Rate 100 customer, Union divided the actual customer incentive each customer received annually by the amount, based on the above methodology, they would have paid in rates. Where the resulting percentage was greater than 100%, Union capped the value at 100% as the 2013 – 2014 metric cannot exceed full utilization of the direct access customer incentive available for the purposes of measuring this metric.
- Union then averaged each customer's percent of customer incentive received relative to the value funded in rates to arrive at the historical annual results. The four year average for all customers Union has assessed will be in Rate T2 and Rate 100 is provided in Table 5 below.

Table 5: Percentage of Customer Incentive Funded in Rates Received, on an Individual Customer Basis

	2008	2009	2010	2011	Four Year Average
Rate T2 Average	31%	33%	34%	45%	36%
Rate 100 Average	19%	40%	49%	54%	40%
Total Average	25%	36%	41%	49%	38%

Union has established the 2013 Lower Band Target as 60%, the Target as 70%, and the Upper Band Target as 80%. These levels of broad customer participation represent a significant increase over Union's current baseline but will drive Union to ensure every customer accesses their available Direct Access budget to undertake projects. This will generate energy savings for each customer and minimize cross-subsidization within Rate T2 and Rate 100. Union has applied

a target formula based on the actual 2013 post-audit metric result for the 2014 targets. Therefore, the 2014 targets will be adjusted based on the performance of the prior calendar year to drive continual improvement.

4. DSM INCENTIVE

Table 6 below shows the 2013 – 2014 maximum shareholder financial incentive allocated to the Large Volume Rate T1/Rate T2/Rate 100 scorecard based on the Program budget share. The Program budget and percentage budget share aligns with the values presented in Table 3.

The DSM Incentive is consistent with the Guidelines. It is allocated based on the program budget share and escalated for inflation annually. For illustrative purposes, all values in Table 6 have been escalated for 2013 and 2014 using the the inflation factor as at Q1, 2012 of 2.25%. Actual annual inflation will be based on the four quarter rolling average GDP-IPI issued by Statistics Canada in the second quarter and published at the end of August.

Table 6: Maximum DSM Incentive Allocated to Large Volume Program Scorecard

	2013			2014		
	Budget	Budget Share	Max Utility Incentive	Budget	Budget Share	Max Utility Incentive
	($000)	%	($000)	($000)	%	($000)
Scorecard						
Large Volume Rate T1 / Rate T2 / Rate 100	4,769	16.9%	1,809	4,876	16.9%	1,850
Programs Sub-total [(1)]	**28,162**	**100.0%**	**10,685**	**28,795**	**100.0%**	**10,926**

[(1)] Sum of the proposed Large Volume Program budget and the program budgets for all programs approved in the DSM Settlement Agreement (EB-2011-0325).

5. RATES IMPACT

The total amount of DSM spending to be recovered in 2013 rates as compared to 2012 approved rates for Rate T1, Rate T2 and Rate 100 customers is provided at Exhibit A, Tab 1, Schedule 1. DSM costs are included in approved delivery rates and are not separately identified. Although DSM costs are included in approved delivery rates and are not separately identified, Exhibit A,

Tab 1, Schedule 3 provides the average rate for 2013, by rate class, with and without DSM-related costs.

In addition to the information above, Union has provided Exhibit A, Tab 1, Schedule 2 which compares the average unit rate of total DSM-related costs in 2012 rates to the average unit rate of total DSM-related costs Union expects to incur in 2013.

6. UNION'S PROPOSED 2013-2014 LARGE VOLUME RATE T1/RATE T2/RATE 100 DSM PROGRAM

6.1 Customer Class Targeted

The Program will target Large Commercial, Industrial and Power contract customers. This group of customers are diverse and are typically comprised of large volume industrial operations, power generators, institutions, greenhouse operations, chemical plants and petroleum refineries. Annual consumption for these customers range from approximately 4,000,000 m³ to over 635,000,000 m³.

6.2 Rate Class Targeted

- Rate T1 – Storage and Transportation Rates for Contract Carriage customers with combined firm and interruptible annual consumption of 2,500,000 m^3 or greater and a daily firm contracted demand up to 140,870 m^3 (Union South).
- Rate T2 – Storage and Transportation Rates for Contract Carriage customers with daily firm contracted demand of at least 140,870 m^3 (Union South).
- Rate 100 – Large Volume High Load Factor Firm Service customers whose maximum daily requirement for firm service is 100,000 m^3 or more, and whose annual requirement for firm service is equal to or greater than its maximum daily requirement multiplied by 256 (Union North).

6.3 Program Goals

Program goals for the Large Volume Rate T1/Rate T2/Rate 100 program consist of the following:

- Provide customers (Rate T2/Rate 100) with direct access to their associated incentive funds for a set period of time, allowing these customers the planning certainty to incorporate energy-efficiency incentives into their operations and providing flexibility for these customers to align funds with corporate initiatives.
- Provide all Large Volume customers with the tools, expertise and support to incorporate energy-efficiency into their everyday operations and practices through continuous improvement.
- Promote the identification of energy saving measures through proper analysis techniques.
- Encourage the procurement and utilization of energy-efficient equipment and processes.
- Encourage the adoption of operations and maintenance actions and process improvements that support a continuous focus on energy management.
- Generate long-term and cost-effective energy savings for customers, to enable increased competitiveness in the global economy.

6.4 Program Strategy

To achieve these program goals, Union will provide dedicated technical expertise to assist customers in obtaining value from the identification, adoption and implementation of energy-efficient actions throughout their sites, facilities and operations. Union will engage customers to increase awareness surrounding the positive benefits achieved through active energy management. Customers will be provided financial incentives and education/training initiatives that are value-added; this will encourage customers to focus on continuous energy management as an integral part of their operations and practices.

6.5 Program Offerings

Consistent with the 2012 Program, Union will continue to encourage the adoption of energy-efficient equipment, technologies and actions through direct customer interaction. The program offerings have been developed to ensure customers have access to education and awareness initiatives, technical assistance and financial incentives, supporting the continuous improvement approach (Plan/Do/Check/Act) to active energy management.

The following are the Program offerings:

1. Customer Engagement: Communication and Education
2. Engineering Feasibility and Process Improvement Studies
3. Operation and Maintenance Practices
4. New Equipment and Processes
5. Energy Management

These offering are further outlined below.

1. Customer Engagement: Communication and Education

Union will provide education, training and technical expertise to Rate T1, Rate T2 and Rate 100 customers. Customers will be offered a wide variety of materials aimed at building an increased awareness of energy-efficiency opportunities and benefits. Union's targeted and connected set of initiatives afford Rate T1, Rate T2 and Rate 100 customers the opportunity to incorporate continuous energy management into their operations.

2. Engineering Feasibility and Process Improvement Studies

This offering will support studies to identify and quantify potential energy savings measures. Furthermore, the offering will support comprehensive process improvement studies to determine and assess financial costs and benefits of energy-efficiency opportunities, supporting the customer's internal decision making process.

3. Operation and Maintenance Practices

Union provides financial incentives to support operation and maintenance actions and practices which result in saving natural gas, and which may also increase energy-efficiency and/or improve productivity of customers' operations. These incentives are available for customers, with or without an engineering feasibility or process improvement study.

4. New Equipment and Processes

Union provides financial incentives to support the installation of new equipment and processes which result in saving natural gas, and which may also increase energy-efficiency and/or improve productivity of customer's operations. These incentives are available for customers, with or without an engineering feasibility or process improvement study.

5. Energy Management

Financial incentives support the installation of energy meters, monitoring and management systems, allowing customers to manage the energy intensity of their operations actively and continuously.

Market Delivery

The Large Volume Rate T1/Rate T2/Rate 100 Program is delivered directly to customers by dedicated Union Gas Account and Project Managers; energy experts who are knowledgeable about individual customer's businesses, operations and processes.

Collaboration with key organizations, original equipment manufacturers, vendors, suppliers and consultants is required to expand the reach of Union's program offerings, educate customers and encourage the adoption of energy-efficiency best practices. Furthermore, these collaborations develop customer's capacity to make informed energy-efficiency decisions while helping to promote the investigation and implementation of energy-efficiency projects.

Barriers Addressed

Primary barriers preventing higher uptake of energy-efficiency measures in the market include the following:

1. Customer's focus on their core manufacturing competencies. Energy use is typically not considered a core production management system metric as energy is widely viewed as a "cost of doing business". Increasing efficiency of energy-use is a significant challenge in many plants due to its broad scope and the reality that controlling the efficiency of energy use is not as central to the operation as production output, product quality or even environmental compliance. To address this barrier, Union presents a full suite of program offerings to allow customers the ability to incorporate energy-efficiency into their everyday operations through continuous improvement.

2. Some customers appear to place a low priority on maintaining their energy using equipment, allowing inefficient use to continue without management awareness. Budget and resource limitations challenge customers to balance manufacturing priorities versus energy-efficiency spending. To address this barrier, Union provides support through financial incentives for cost-effective performance improvement actions. In addition, Union's educational forums present customers with best-practices and promote knowledge sharing.

3. Some projects that save natural gas may have long payback periods that make them ineligible for internal capital resources, especially given current low commodity prices for natural gas. To address this barrier, Union offers incentives that reduce project payback time.

4. Adverse economic conditions in the market place. To address this barrier, Union will share best-practices for initiatives that can increase customers' operating efficiencies. This approach can reduce customer operating expenses year-over-year and will enable customers to operate in a more sustainable manner, allowing them to better compete in the global marketplace.

5. Lack of customer awareness of Union's Program and of energy-efficient options. The primary strategy for informing customers about the Program and their energy-efficiency options is direct contact by Union's Account Managers and Project Managers. However, there remains a need to communicate more widely with customer staff. To address this barrier, Union will focus on awareness and education through communication strategies including tradeshows, workshops, seminars, case studies, newsletters and website resources to communicate the benefits of energy-efficiency for Rate T1, Rate T2 and Rate 100 customers.

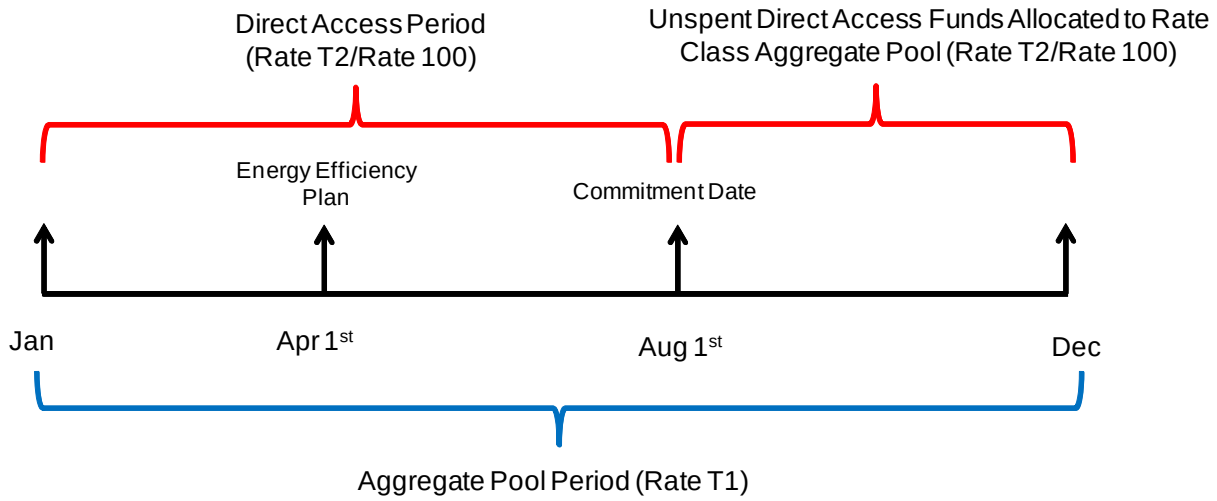
6.6 Customer Incentive

Incentive levels are established to drive energy-efficiency initiatives throughout a customer's operations and facilities in a cost-effective manner. These incentives will be directed to the customer.

6.6.1 Customer Incentive Budget Mechanism

Union is introducing two separate DSM program budget mechanisms for customers to access customer incentive funding in the Large Volume program. A Direct Access budget mechanism will be provided to Rate T2 and Rate 100 customers. An Aggregate Pool budget mechanism will be provided to Rate T1 customers. The timeframe for customers to access customer incentive funding within these two budget mechanisms is outlined in Figure 2 and described below.

Figure 2: Timeline for Customer Incentive Access in Direct Access and Aggregate Pool Budget Mechanisms



6.6.2 Direct Access Budget Mechanism

Each Rate T2 and Rate 100 customer will have dedicated access to the customer incentive budget they pay in their rates. Under this model, these customers will know exactly how much funding they have available for each program year. This ensures they can appropriately plan their expenditures to reduce energy usage in their facility.

Union has separated the stages of the Direct Access budget mechanism into two periods, outlined below.

Rate T2/Rate 100 Direct Access Period: January – August 1

From January 1 to August 1 of each program year, Rate T2 and Rate 100 customers have direct access to their associated customer incentive contributions for the year. These funds must be

used to support energy-efficiency projects such as Union's existing program offerings listed in Section 6.5.

By April 1st, customers are required to submit an Energy-Efficiency Plan, authored with the assistance of Union Gas' energy experts. An incentive will be provided to the customer once their Energy-Efficiency Plan has been confirmed by Union Gas. The Energy-Efficiency Plan will serve as a roadmap allowing customers and Union to actively work together, driving energy-efficiency projects at customers' operations, sites and facilities.

Until August 1st, Direct Access customers can either receive an incentive for an energy-efficiency project or earmark funds for projects with completion dates after this milestone. Earmarking is defined as an intentional hold of a customer's direct access incentive funds prior to the August 1st commitment date. Earmarking only applies to projects with commissioning or completion dates between August 1st and December 31st. A project will be earmarked for funding from a customer's Direct Access funds if Union has received documentation from the customer that is acceptable to Union. This documentation will describe the project and include a commitment regarding when the project will be commissioned in the current year.

Rate T2/Rate 100 Aggregate Pool Period: August 1 - December

After August 1st, any Direct Access funds not fully utilized or earmarked will be made available to all customers within the rate class. These funds will be dispersed via an aggregated pool approach where projects are supported based on their lifetime natural gas savings and cost-effectiveness.

6.6.3 Aggregate Pool Budget Mechanism

All Rate T1 customers will have access to an overall customer incentive budget these customers fund in rates. This customer incentive budget will be disbursed via an aggregated pool approach where projects are supported based on their lifetime natural gas savings and cost-effectiveness. Union's existing program offerings are listed in Section 6.5. All Rate T1 customers are eligible

to receive customer incentives for projects and studies from the aggregate pool of budget available throughout the program year. This is consistent with Union's program approach in 2012 for these customers and the DSM program structure in Union's bundled contract rate classes that serve other similarly sized customers.

6.7 Program Duration

All Program offerings in the Large Volume Rate T1/Rate T2/Rate 100 Program will be delivered annually over the course of the two year DSM Plan. The offerings may change should market conditions change over the course of the Plan.

6.8 Cost Effectiveness

The estimated Total Resource Cost ("TRC") cost effectiveness for Union's Large Volume Rate T1/Rate T2/Rate 100 Program is displayed in Table 7. The actual cost effectiveness will be reported in Union's Annual Report for each program year.

Table 7: Large Volume Rate T1/Rate T2/Rate 100 Program Cost Effectiveness

Measure	Participants	Total TRC Benefits	Total TRC Costs	Total Net TRC Before Program Costs	TRC Ratio
Large Volume Offerings (Custom) [1]	41	$ 188,260,716	$ 22,056,635	166,204,080	8.5
Total		**$ 188,260,716**	**$ 22,056,635**	**$ 166,204,080**	
		Promotion Costs	$ 100,000		
		Administration Costs	$ 906,511		
		EM&V Costs	$ 40,000		
		Program Total Net TRC		**$ 165,157,569**	
		Program TRC Ratio			**8.1**

1. TRC Benefits and TRC Costs based on 3 year historical (2009-2011) average of Rate T1/Rate 100 custom results

7. WHY NO OPT-OUT PROVISION

As indicated in Section 1.1, some customers expressed an interest in having the option not to participate in Union's DSM programming. By opting out of Union's DSM programming, these customers would seek to avoid any DSM related costs included in delivery rates and the impacts associated with the disposition of DSM-related deferral accounts. Union does not support and is not proposing an opt-out mechanism as part of the Plan because:

1. Such a mechanism violates the well-established principles of class ratemaking that have been supported and endorsed by the Board on numerous occasions; and

2. Given the Guidelines established by the Board and Union's proposals in respect of DSM programming for Rate T1, Rate T2 and Rate 100, many of the past customer concerns have been addressed without the need for an opt-out mechanism.

7.1 The Well-Established Principles of Class Ratemaking

In Union's view, any mechanism that allows for customers in any rate class to opt-out of paying for any costs associated with that customer class, including the costs associated with DSM-related programming, is inconsistent with the well-established principles of class ratemaking. All of Union's Board-approved rates adhere to this principle. The costs of providing regulated distribution, transmission and storage services are allocated to rate classes which consist of customers with similar load characteristics on the basis of cost causation for the class. The costs allocated to rate classes include the costs that are ancillary to and support the provision of regulated distribution, transmission and storage services. These costs include the costs of providing DSM programming. Under class ratemaking, the costs recovered from customers through rates are not the actual costs incurred to provide service to an individual customer. Rather, the costs recovered from an individual customer represent a reasonable recovery of the costs allocated to the class as a whole. As such, customers will pay more or less than the actual costs associated with providing their specific service. As a matter of principle, the contribution to the recovery of DSM-related costs by customers that do not fully avail themselves of DSM

programming is no different than a customer served directly off transmission main contributing to the recovery of distribution-related costs that are allocated to their rate class.

Said another way, any opt-out mechanism is a targeted form of end-user ratemaking which neither the Board nor Union has supported.

The principles of class ratemaking have been supported by the Board on numerous occasions. For example, in RP-2003-0063/ EB-2004-0542 (Union's Response to the Board's M16 Directive), Union applied for approval of new M16 rates for transportation service for embedded storage pools connected to Union's transmission or distribution system. That proceeding focused on the firm M16 transportation component east of Dawn to serve Tribute Resources' Tipperary storage pool, which would be served under the proposed revised M16 rate schedule. On page 5 of Decision with Reasons, the Board stated that:

> *"Over the years, the Board has had many requests for special status for a customer group or a customer. The Board has been consistent in its response to such requests by adhering to its established principles in dealing with cost allocation and rate setting. Principled ratemaking involves the creation of a unified and theoretically consistent set of rates for all participants within the system. It begins with the establishment of a revenue requirement for the regulated utility and proceeds to design rates for the respective classes according to well-recognized and consistent theory respecting such elements as cost allocation. This is an objective and dispassionate process, which is driven by system integrity and consistent treatment between consumers on the system. Principled ratemaking typically does not involve a ranking of interests according to a subjective view of the societal value of any given participant or group of participants. This approach is not unique to Ontario. A departure from these principles should only be undertaken where the evidence and all other circumstances outweigh the inherent virtue of an objective process." (emphasis added)*

In RP-2003-0063 / EB-2003-0087 / EB-2003-0097 (Union's 2004 rates case), Coral Energy Canada Inc intervened to seek the Board's approval for a rate to govern the supply of gas to the Brighton Beach gas-fired electricity generation facility located in Windsor, Ontario. On page 176 of its Decision with Reasons, the Board endorsed a postage stamp ratemaking approach. Specifically, the Board stated that:

"The development and design of a rate or rate class is a process that is governed by principles which have been developed by scholars and practitioners. Principles are necessary because of the high degree of interdependence of gas distribution system participants. Of all the principles governing the establishment of rates and rate classes, the most fundamental is that requiring that rate classes should be responsible for a reasonable proportion of the costs they cause the system to incur".

The revenue requirement established by the Board in rates cases such as the present case represents the system's overall financial burden. In order for rates to be just and reasonable, which is the statutory requirement, each rate class should bear a proportion of that burden roughly coincident with the costs incurred by the system operator, in this case Union Gas, in providing the necessary infrastructure and services to arrange for, store and transport the commodity to that rate class' members." (emphasis added)

In effect large volume customers who want to opt-out of DSM programming are seeking special rate treatment at the expense of other customers in the class. Union currently offers DSM programming to all rate classes to which it provides regulated distribution, transmission and storage services. To offer an opt-out option to large volume customers would also create an inappropriate inconsistency with other rate classes.

7.2 The Board's Guidelines and Union's Proposed Plan Address Many Customer Concerns

Union understands that the customers seeking the option to opt-out are doing so for three primary reasons. They are:

1. The customer is of the view that there are no further DSM opportunities for them to take advantage of;
2. The customer is implementing DSM initiatives on their own and does not require utility DSM programming; and
3. The disposition of DSM-related deferral accounts have resulted in significant unexpected out-of-period adjustments.

With respect to Items 1 and 2, it is Union view, notwithstanding the principles of class ratemaking described above, that utility DSM programming continues to provide value for all customers. With the current low price of gas, DSM programming for all customers ensures that energy conservation remains a priority. Despite commodity price fluctuations, a sustained focus on energy-efficiency is important for the long-term environmental sustainability and economic competitiveness of Ontario. Payment of DSM funding ensures there is no internal competition for this budget for other uses within a customer's organization. It is a driver for large volume organizations to leverage ratepayer-funded technical support to seek out conservation opportunities within their facility. Union's proposed Direct Access program design incorporates the key elements of a self-direct program but has been tailored for Union's customers based on Union's knowledge of the market requirements and customer feedback. The proposed Plan, and in particular Union's proposals related to Direct Access, ensures that energy conservation continues to be a priority for large volume natural gas consumers in Ontario. Union further notes that in most jurisdictions where opt-out is a feature of a DSM plan, customers are required to demonstrate to the regulator that they are in fact undertaking DSM initiatives.

With respect to Item 3, the Guidelines and proposed Plan directly address the concerns related to the significant, unexpected, out-of-period adjustments possible under the DSM Plan ("Old Plan") in place prior to 2012.

Under the Old Plan, Union had no limit to the amount that could be spent in a rate class and the ability to increase DSM program spending by 15% of the total DSM budget. The additional 15% of available DSM program funds were not capped for any rate class. To the extent that DSM spending differed from the rate class allocation or Union accessed the additional funds, the variance was allocated to rate classes in the DSMVA in proportion to actual DSM spending by rate class. Since the amounts were not capped at the rate class level, this resulted in significant charges attributable to individual rate classes.

Although the Guidelines did not address these issues, the Agreement limited the following items: the overall Large Industrial program budget, the amount ($0.5 million) which may be transferred between large volume rate classes within this program budget, and the amount of the 15%

available overspend that could be applied to the Large Industrial program. Union is proposing to extend these limitations in the Plan proposed for Rate T1, Rate T2 and Rate 100. Further, Union has removed the ability to overspend the Plan budget by 15% in Rate T2 and Rate 100.

The Guidelines and the proposed Plan also address the amount and allocation of the DSM incentive. Under the Old Plan, the maximum 2011 Shared Savings Mechanism ("SSM") DSM incentive was $9.2 million and was allocated to rate classes in proportion to TRC savings. The allocation of the SSM in proportion to TRC resulted in significant charges being attributed to large volume rate classes.

Per the Guidelines, the DSM incentive attributable to any rate class is allocated in proportion the actual DSM spending for that rate class. As indicated above, Union is proposing to extend the limitations on DSM spending for the large volume rate classes in 2013 and 2014 consistent with the Agreement. Accordingly the maximum DSM incentive attributable to Rate T1, Rate T2 and Rate 100 will also be limited and known in advance.

8. PENDING BOARD DECISION ON PROPOSED T2 RATE STRUCTURE

In the event the proposed T2 rate structure is not approved by the Board, the budget transfer and allocation amounts between Rate T1 and Rate T2 would no longer apply. The 2013 and 2014 Large Volume DSM budget would be allocated 70% to Rate T1 and 30% to Rate 100. In the event Union qualifies to access the 15% allowable overspend, Union will access up to a maximum of 15% of the program and portfolio budget allocated to Rate T1, Rate T2 and Rate 100. This maximum overspend may be allocated to programming for Rate T1, Rate T2, Rate 100, or any combination, at Union's discretion. These budget conditions are consistent with 2012.

The Direct Access budget mechanism for Rate 100 customers would remain as outlined above. This Direct Access budget mechanism would also be applied to all Rate T1 customers with a minimum firm daily contracted demand of 140,870 m^3 based on the 2013 Test Year Forecast for Rate T1. This threshold is consistent with the Rate T2 criteria proposed in Union's 2013 Cost of Service Application (EB-2011-0210).

Rate T1 customers with a firm daily contracted demand less than 140,870 m^3 would have access to an aggregate pool customer incentive budget. This aggregate pool incentive budget would be determined based on the percent of the 100% program budget allocated in rates for aggregate pool customers (i.e. if 10% of the Large Volume program budget is recovered from these customers 10% of the $3.487 million customer incentive budget would be budgeted in the aggregate pool).

After August 1st, any Rate T1 Direct Access customer's energy-efficiency funds not fully utilized or earmarked will be made available to all customers in Rate T1 as an aggregated pool customer incentive budget. There will be no distinction between Rate T1 Direct Access or Aggregate Pool customers in Union's annual deferral disposition application.

Union's Large Volume program scorecard will maintain the Percentage of Customer Incentive Budget Spent metric, which will be applicable to Rate T1 customers with a minimum firm daily contracted demand of 140,870 m^3 and Rate 100. The two Cumulative Natural Gas Savings metrics will be combined into a single metric, which will measure the natural gas savings for all Rate T1, Rate T2 and Rate 100 customers. For 2013, the Target for this metric will be calculated as the sum of the following:

- 2012 post-audit customer incentive cost-effectiveness for Direct Access customers (Rate T1 customers with a minimum firm daily contracted demand of 140,870 m^3 and Rate 100) * portion of Union's $3.487 million 100% customer incentive budget allocated to these customers * (1-0.30); and
- 2012 post-audit customer incentive cost effectiveness for Aggregate Pool customers (Rate T1 customers with a firm daily contracted demand of less than 140,870 m^3) * portion of Union's $3.487 million 100% customer incentive budget allocated to these customers

For 2014, the Target will be the 2013 post-audit customer incentive cost-effectiveness for all Large Volume customers multiplied by $3.487. For 2013 and 2014, the Upper Band target will be 125% of Target.

UNION GAS LIMITED
Rate Class Impacts of DSM
2012 Budget vs. 2013 Budget
($000's)

Line No.	Particulars	2012 DSM Budget (1) DSM Program Budget (a)	DSM Program Inflation Factor (b)	Total DSM Program Budget (c) = (a+b)	Low Income DSM Program Budget (d)	Low Income DSM Inflation Factor (e)	Total Low Income DSM Budget (f) = (d+e)	Grand Total DSM Budget (g) = (c+f)	2013 DSM Budget (2) DSM Program Budget (h)	DSM Program Inflation Factor (i)	Total DSM Program Budget (j) = (h+i)	Low Income DSM Program Budget (k)	Low Income DSM Inflation Factor (l)	Total Low Income DSM Budget (m) = (k+l)	Grand Total DSM Budget (n) = (j+m)	Variance (o) = (n-g)
1	Rate 100	1,529	44	1,572	181	5	187	1,759	1,572	35	1,608	187	4	191	1,799	40
2	Rate T1	3,567	102	3,669	627	18	645	4,314	3,669	83	3,752	645	15	659	4,411	97
3	Total Rate 100 & T1	5,095	146	5,241	808	23	831	6,073	5,241	118	5,359	831	19	850	6,209	137
	Proposed T1 & T2 Split															
3	Proposed Rate T1								1,660	37	1,697	102	2	104	1,801 (3)	
4	Proposed Rate T2								2,009	45	2,054	543	13	555	2,609 (3)	
5	Total Proposed Rate T1 & Rate T2 (line 3 + line 4)								3,669	83	3,752	644	15	659	4,411	

Notes:
(1) EB-2011-0327, Settlement Agreement, Appendix C.
(2) 2012 DSM Budget plus inflation factor of 2.25%.
(3) EB-2011-0210, J.H-8-13-2, adjusted for inflation factor of 2.25% vs. 2.87%.

UNION GAS LIMITED
Rate Class Impacts of DSM
2012 vs. 2013 Average Unit Rates
(cents/m^3)

Line No.	Particulars	2012 Total DSM Budget (1) (a)	2012 Approved Volume 10^3m^3 (2) (b)	2012 Average Unit Rate (c) = (a/b*100)	2013 Total DSM Budget (3) (e)	2013 Forecast Volume 10^3m^3 (4) (d)	2013 Average Unit Rate (f) = (e/d*100)		Variance (g) = (f-c)
1	Rate 100	1,759	2,219,052	0.0793	1,799	1,895,488	0.0949		0.0156
2	Rate T1	4,314	4,794,769	0.0900	4,411	5,164,982	0.0854		(0.0046)
3	Proposed Rate T1				1,801	548,986	0.3281	(5)	0.2382
4	Proposed Rate T2				2,609	4,615,996	0.0565	(5)	(0.0334)

Notes:
(1) EB-2011-0327, Settlement Agreement, Appendix C.
(2) EB-2011-0025, Rate Order, Working Papers, Schedule 4, Column (r).
(3) 2012 DSM Budget plus inflation factor of 2.25%.
(4) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, Column (a).
(5) EB-2011-0210, J.H-8-13-2, adjusted for inflation factor of 2.25% vs. 2.87%.

UNION GAS LIMITED
DSM Costs in Proposed 2013 Rates

Line No.	Particulars		Proposed Rates with DSM (a)		DSM-related Component (b)		Proposed Rates without DSM (c) = (a-b)	DSM in Proposed Rates (d) = (b/a)
1	Rate 100	Distribution Revenue ($000's)	16,326	(1)	1,799	(2)	14,528	
2		Volumes (10^3m^3)	1,895,488		1,895,488		1,895,488	
3		Average rate (cents / m^3)	0.8613		0.0949		0.7664	11.0%
4	Current Rate T1	Distribution Revenue ($000's)	54,273	(1)	4,411	(2)	49,862	
5		Volumes (10^3m^3)	5,164,982		5,164,982		5,164,982	
6		Average rate (cents / m^3)	1.0508		0.0854		0.9654	8.1%
7	Proposed Rate T1	Distribution Revenue ($000's)	10,786		1,801	(3)	8,985	
8		Volumes (10^3m^3)	548,986		548,986		548,986	
9		Average rate (cents / m^3)	1.9648		0.3281		1.6367	16.7%
10	Proposed Rate T2	Distribution Revenue ($000's)	43,486		2,609	(3)	40,877	
11		Volumes (10^3m^3)	4,615,996		4,615,996		4,615,996	
12		Average rate (cents / m^3)	0.9421		0.0565		0.8856	6.0%

Notes:
(1) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (g).
(2) 2012 DSM Budget plus inflation factor of 2.25%.
(3) EB-2011-0210, J.H-8-13-2, adjusted for inflation factor of 2.25% vs. 2.87%.

Filed: 2012-08-31
EB-2012-0337
Exhibit A
Tab 1
Appendix A

Review of Jurisdictions Which Offer a Self-Direct or Opt-Out Program Funding Mechanism for Large Customers

In developing the Large Volume DSM Plan, Union considered a number of program options including self-direct and opt-out programs. Union reviewed the programs offered in other jurisdictions throughout North America to gain an understanding of:

- established self-direct or opt-out programs
- structures and requirement of the programs
- participation rates in the programs

A number of resources were utilized in completing the review, including a recent study prepared by the American Council for an Energy-Efficient Economy[1] (ACEEE), an Internet-based search as well as communication directly with program administrators and industry sources.

Self-direct programs typically allow all or a portion of a cost-recovery mechanism ("CRM") fee to be "self-directed" into an internal energy-efficiency investment. Opt-out programs allow the customer to be exempt from paying the CRM fee, however they often include other requirements the customer has to meet to ensure they are completing energy-efficiency projects on their own. As a result, participation in these programs has been low.

Both self-direct and opt-out are fairly new program concepts. The majority of these programs have been launched within the last 5 years and focus on electricity savings. According to the ACEEE study, there is no single style of opt-out or self-direct program and limited data on whether industrial customers and the broader public interest are better served by these program concepts versus traditional DSM programs.

[1] Chittum, A. (October 2011) *Follow the Leaders: Improving Large Customer Self-Direct Programs*. American Council for an Energy-Efficient Economy.

Since the structure of the opt-out or self-direct mechanisms in place varies widely, the study characterized an opt-out / self-direct program continuum to identify the main categories of program characteristics. Table 1 displays this continuum. Programs yield more reliable energy-efficiency savings, and public benefits increase, as you move across this table from left to right.

Table 1: Opt-Out/Self-Direct Program Continuum[2]

	Opt-Out	Self-Direct		
Type of program	Opt-out	Less structured	More structured, lower oversight	More structured, higher oversight
Payment of CRM	None	None	Fully/partially on bill	Fully/partially on bill
M&V of savings	None	None/minimal	Minimal, self-reported	Minimal to substantial
How funds used	Firm assumed to use saved CRM funds for energy efficiency	Firm assumed to use saved CRM funds for energy efficiency	Rate credit or project rebate	Personal escrow account, rate credit or project rebate
Follow-up	None	None to minimal	Minimal	Minimal to substantial
Examples	NC, KY	MN, MO	MT, OR	WA, CO
	Public Benefit Maximization			

Through Union's review of North American jurisdictions, it was determined that no other Canadian provinces currently offer an opt-out or self-direct program option. As a result, the review focussed on jurisdictions in the United States that offer these programs. A summary table of the findings from the review is enclosed.

Overall, forty-one states have some type of cost recovery mechanism to fund energy-efficiency programs. Of the top twenty leading jurisdictions based on their 2010 industrial DSM expenditure per capita[3,4,5]:

[2] Chittum, A. (October 2011) *Follow the Leaders: Improving Large Customer Self-Direct Programs*. American Council for an Energy-Efficient Economy. p.7.

- ten provide a self-direct program
- nine do not provide any form of self-direct or opt-out (e.g. California and New York)
- one offers a self-direct and opt-out option

Vermont is the only jurisdiction in the top twenty that provides an opt-out program. The program was established in 2009 as a three-year pilot allowing eligible customers to be exempt from the CRM fee provided that the customer commits to spending an annual average of no less than $3.0 million over a three-year period on energy-efficiency investments. Customers must also demonstrate that they have a comprehensive energy management program with annual objectives and pay a $50,000 fee to participate in the program.

In reviewing the programs offered in other jurisdictions, three factors were determined to be key in designing a successful program for large volume customers:

- credibility of the savings generated from the program;
- level of technical support provided by the program administrator; and
- rate of customer participation in the program.

These factors were considered to be key since Union and DSM stakeholders strongly believe that robust evaluation, measurement and verification are critical to ensuring reliable energy savings are generated. In addition, technical support is valued by Union's customers and participation is critical to the success of the program.

Credibility of Savings

Union and DSM stakeholders have worked together to ensure the energy savings reported through Union's DSM programs are accurate. In 2012, the Board approved Union's Stakeholder

[3] Chittum, A. And Nowak, S. (April 2012). Money Well Spent: 2010 Industrial Energy-Efficiency Program Spending. American Council for an Energy-Efficient Economy, p.7.
[4] Arnaout, M. (December 2011). Natural Gas Efficiency Programs Report, 2010 Program Year. American Gas Association, p.62.
[5] U.S Department of Commerce; "2010 Census Population Profile Maps"; http://www.census.gov/geo/www/maps/2010_census_profile_maps/census_profile_2010_main.html

Terms of Reference[6] which were developed in collaboration with stakeholders. The Terms of Reference enhance Union's evaluation and audit functions by ensuring clarity and accountability for all stakeholders in the process.

Similarly, states such as Idaho, Washington, Wisconsin, Vermont, New Jersey and Colorado have designed their self-direct programs to ensure reported savings are actually occurring. Some examples of program requirements include:

- Wisconsin customers are required to develop a self-direct program plan that meets cost-effectiveness standards and includes a detailed measurement and verification ("M&V") plan. Customers must also adhere to the stated M&V design and submit quarterly reports to the Wisconsin Public Services Commission.
- Xcel Energy in Colorado requires self-direct customer projects meet the cost-effectiveness standards required of other programs, and include reliable measurement and verification of the savings produced.
- The self-direct pilot recently launched in August 2011 in New Jersey has built in M&V requirements within each stage of the process. Each customer is required to develop energy-efficiency plans certified by a professional engineer which include M&V protocols. The final M&V will be conducted by the customer's external engineers and monitored by the program administrator.

These initiatives ensure that the self-direct programs are held to the same standards as other programs. In other states such as Michigan, Montana and Minnesota it is unclear whether the claimed savings through self-direct projects are actually occurring due to a lack of verification, though it appears the Minnesota Department of Commerce is currently attempting to assess claimed savings through an independent third party.

The ACEEE Study concludes that "in some states, well structured and adequately measured self-direct programs appear to have achieved energy savings equal to or greater than what would

[6] Ontario Energy Board. (February 21, 2012) *Decision and Order on Settlement Agreement.* EB-2011-0327

have been achieved without a self-direct option. For this reason, policies should support well-structured self-direct options. An opt-out program, however, is never a wise policy decision".[7] Union has found that opt-out programs collect little to no data on the customer's continued energy-efficiency investment and associated savings. For example, in Kentucky, electric transmission service customers who opt-out of efficiency programming must only indicate that they have, or will in the future, make cost-effective energy-efficiency investments in their facilities. There is no required measurement of baseline efficiency or verification that the investment occurs. Similarly in Missouri, there is no follow up or ongoing monitoring of the efficiency investments made by any opt-out customer.

Program Administrator Technical Support

In opt-out programs, technical support to identify opportunities within facilities and develop energy-efficiency plans is not provided. Many self-direct programs also do not provide this type of technical support, for example:

- Michigan's self-direct program requires that large customers develop and implement their own energy savings plans. All but the largest customers must secure assistance from an "energy optimization service company" to help develop their plan; however, no companies have applied to become qualified and certified service companies to-date.
- In the New Jersey self-direct pilot, customers must develop a draft, and subsequently final, energy-efficiency plan which is certified by a professional engineer and incorporates M&V planning. The program administrator monitors and reviews all plans and reporting, but does not support the customer in their development.
- In Massachusetts, the customer must develop projects on their own with little to no technical assistance from the program administrator.

[7] Chittum, A. (October 2011) *Follow the Leaders: Improving Large Customer Self-Direct Programs*. American Council for an Energy-Efficient Economy. P.22.

Similarly, program administrators in Washington and Wisconsin require self-direct customers to develop and submit their energy-efficiency and M&V plans without technical assistance from the program administrator.

The lack of technical assistance found in most opt-out and self-direct programs would not align with Union's customer requirements.

Customer Participation

In most jurisdictions a threshold typically based on demand, is set and customers then enrol in the self-direct program or self-select to opt-out. An exception is Washington, where all eligible customers are automatically enrolled into the self-direct initiative. As shown in the summary table, many self-direct and opt-out programs have relatively low take-up. For example:

- In Massachusetts, the electric self-direct program was previously used by some larger industrial and institutional customers, but interest in the program has declined. Many customers determined they could receive greater benefits from remaining in the traditional program.
- In Wisconsin, though the self-direct program was developed in response to requests by large energy consumers, to-date no companies have chosen to self-direct. Large customers have reported that the self-direct program did not offer enough benefits over existing programming, and the administrative requirements of developing their own implementation and M&V plans was too burdensome.
- In Michigan the number of self-directing companies fell from 77 at the start of the program in 2008 to 47 in 2011.

These states noted above are all jurisdictions where the program administrator provides little to no technical support for customers.

Arizona, Idaho, and Oregon have also experienced low take-up of their self-direct programs. Rocky Mountain Power, which operates in Utah and Wyoming, allows customers to opt-out of

50% of their efficiency charges for two years if they prove, through an external auditor, that they have achieved all cost-effective energy-efficiency. Not a single customer has received this credit since its offering.

On the other hand, relatively high participation rates have been seen in the self-direct programs in Washington and Montana. As noted above, Washington enrols all eligible customers in the program. In both states, program administrators have noted that the high level of participation is due to the understanding among customers that they either can use the available funds on qualifying activities to deliver value to the company or lose them to be used by others. This is noted as motivating decision makers within the company to use the funds. Participation is a key element in measuring the success of any DSM program.

Top 20 U.S Jurisdictions based on Industrial Expenditure per Capita[1,2,3]

State	Ranking	2010 Industrial DSM Expenditure per Capita	Self-Direct/ Opt-Out Offered	Structure	Customer Requirements	Technical Support Provided to Customer	EM & V Requirements	Participation
Oregon	1	$10.98	Self-Direct (2002)	- Customers receive contractual obligations to achieve a certain kWh of savings annually - Customers who fail to meet their goals must repay a proportional amount of the rate credit (i.e. penalty payment).	**Eugene Water & Electric Board (EWEB):** -Companies must report and validate they have achieved their kWh savings target annually **Department of Energy (DOE):** -Customers self report efficiency measures into computer system.	No	**EWEB:** – M&V required **DOE:** - Data not monitored to provide cost of saved energy - no pre or post-monitoring of measures - Conducted by Program Administrator	**EWEB** – 2 participants **DOE** - Few participants - No new self-directing customers in 4 years
Idaho	2	$9.99	Self-Direct (June 1 2004)	- Project implementation only after utility reviews and approves application - 100% of funds available to fund up to 100% of project cost	-Customers submit application to Utility for projects	- Utility engineers work with customers to support energy savings calculation	- Must meet existing cost-effectiveness standards - follow up metering required in some cases - Conducted by Program Administrator and third party	< 5 participants in 2010
New York	3	$9.98	No					
Rhode Island	4	$8.98	No					
Washington	5	$7.33	Self-Direct (1999)	- Program combines a dedicated incentive funding structure based on customer contributions with a competitive bidding process for unclaimed funds. (long term 5 year program) - Customers may fund up to 100% of efficiency measure costs	- Customers have 24 months to complete their projects, competitive bid process follows - Customers submit their own proposal and M&V plan to utility	No	- Projects must meet utility's avoided cost requirements - Post-installation inspection after measure implementation - Conducted by customer - Program Administrator reviews and approves the customer M&V plan	>75% participation in 2010-2013 cycle
Massachusetts	6	$6.26	Self-Direct	- Have access to fees over 2 year period - Customers have access to 85% of their CRM fees - Gas customers don't currently pay CRM fees, but are pursuing self-direct program		No	- M&V processes and protocols required - Conducted by customer	-Low interest
Maine	7	$6.11	Self-Direct	-	-	-	-	-
New Hampshire	8	$5.82	No					
Tennessee	9	$5.27	No					
Pennsylvania	10	$5.10	N/A					
Iowa	11	$5.09	No					

[1] Chittum, A. and Nowak, S. (April 2012). Money Well Spent: 2010 Industrial Energy Efficiency Program Spending. American Council for an Energy Efficient Economy, p.7.
[2] Arnaout, M. (December 2011). Natural Gas Efficiency Programs Report, 2010 Program Year. American Gas Association, p.62.
[3] U.S Department of Commerce; "2010 Census Population Profile Maps"; http://www.census.gov/geo/www/maps/2010_census_profile_maps/census_profile_2010_main.html

State	Ranking	2010 Industrial DSM Expenditure per Capita	Self-Direct/ Opt-Out Offered	Structure	Customer Requirements	Technical Support Provided to Customer	EM & V Requirements	Participation
Minnesota	12	$4.78	Self-Direct (January 2012)	-Self-direct option allows customers full exemption from their assigned CRM fees	- Customers must show they are making "reasonable" efforts to identify or implement energy-efficiency, and that they are subject to competitive pressure that make it helpful for them to be exempted from CRM fees - Must submit reports every 5 years to maintain exemption	No	- Minimal information, substantially less than what would have been collected under non-self-direct program -Conducted by Program Administrator	-12 participants
Wisconsin	13	$4.57	Self-Direct (2009)	- Upon successful implementation of a self-direct program, and verification of measured savings, participants receive reimbursement checks drawn against their dedicated escrow accounts. - The Public Services Commission (PSC) also may ask that any unused funds be returned to fund additional efficiency programs.	- Customers must develop a self-direct plan and submit it to the PSC for approval. - Approved customers implement their plans, adhere to the stated M&V design and submit quarterly reports to the PSC.	No	- Self-direct program plans must meet cost-effectiveness standards and include detailed M&V plans. -Conducted by customer	- No participation
Vermont	14	$4.39	Self-Direct/ Opt-Out (2009)	**Self-Direct** -Required to use the funds within 24 months, unused funds are forfeited **Opt-Out** -3 year pilot, allows eligible consumers to be exempt provided that the consumer commits to spending an annual average of no less than $3 million over a three-year period on energy-efficiency	**Self-Direct** - Submit projects for incentive payment **Opt-Out** - Must demonstrate they have a comprehensive energy management program with annual objectives - Must pay $50,000 participation fee	-	**Self-Direct** -All projects must pass cost-effectiveness tests -Pre and Post installation reviews are required -Conducted by Program Administrator **Opt-Out** No M&V	**Self-Direct** - 1 participant **Opt-Out** - 1 participant
California	15	$4.12	No					
Montana	16	$3.82	Self-Direct	- Self-direct operates as an escrow account, allows customers to direct their CRM funds into an account specifically earmarked for future use -Company has 2 years to use their funds -Unused funds are returned to larger pool of CRM revenues	-Once project is complete, company submits appropriate paperwork, payment issued on a quarterly basis	-	- No M&V required - Self-direct customers file an annual report where a "public challenge" process is provided -Additional scrutiny or review not required or performed absent a public challenge	- Popular among eligible companies - 2010: 56 participants
Nevada	17	$3.36	No					
Arizona	18	$3.33	Self-Direct (2009)	- Customers may fund up to 100% of project costs -If funds are not used by self-directing customers, funds are returned to the overall CRM funding pool	Customers given 2 years to file an energy-efficiency project application	-	- Must meet existing cost-effectiveness standards - EM&V Required -Conducted by Program Administrator	-1 participant

State	Ranking	2010 Industrial DSM Expenditure per Capita	Self-Direct/ Opt-Out Offered	Structure	Customer Requirements	Technical Support Provided to Customer	EM & V Requirements	Participation
New Jersey	19	$3.17	Self-Direct Pilot (August 2011)	- Total incentives may not exceed 100% project costs - Upon approval of final plan, customers have 1 year to complete project and satisfy program requirements (6 month extension can be granted) - There is no credit given for previously installed measures	- Must develop a self-direct Draft Energy Efficiency Plan (DEEP) - Upon approval of DEEP customer must complete a Final Energy-Efficiency Plan (FEEP) certified by a professional engineer with M&V planning	No	- Similar requirements to traditional program - customer must submit a M&V report certified by a professional engineer - pre- and post-inspections will be conducted as needed -Conducted by customer's external engineers - Program Administrator monitors and reviews all FEEP's and M&V reports	- Anticipating 25 projects
District of Columbia	20	$3.16	No					
Remaining U.S Jurisdictions offering Self-Direct or Opt-Out								
Utah	1	$2.89	Self-Direct / Opt-Out	**Self-Direct** -Customers can earn a credit up to 100% of their CRM fee **Opt-Out** - If customers can prove, using an external auditor , that they have achieved all cost-effective efficiency, they may receive a 50% credit of all CRM charges for 2 years	-	-	**Self-Direct** Projects must have a payback of 1-5 years and must meet other cost-effectiveness tests as required	**Self-Direct** >25% of eligible customers **Opt-Out** - No participation
Colorado	2	$2.64	Self-Direct (Mid-2009)	- Run like any other industrial offering - Customer may earn up to 50% of incremental project costs (either $525/kW or 10c/kWh) - Self-Direct customers may not participate in any other utility program	-Customers have 2 years to complete project	- Utility reviews all major technical details and works directly with customer	- Must meet existing cost-effectiveness standards -Extensive EM&V Required - Conducted by customer and the Program Administrator is responsible for reviewing implementation, monitors plans and project TRC analyses	< 0.5% of eligible customers
Wyoming	3	$2.22	Self-Direct / Opt-Out	**Self-Direct** -Customers can earn a credit up to 100% of their CRM fee **Opt-Out** - If customers can prove, using an external auditor , that they have achieved all cost-effective efficiency, they may receive a 50% credit of all CRM charges for 2 years	-	-	**Self-Direct** Projects must have a payback of 1-5 years and must meet other cost-effectiveness tests as required	**Self-Direct** >25% of eligible customers **Opt-Out** - No participation

State	Ranking	2010 Industrial DSM Expenditure per Capita	Self-Direct/ Opt-Out Offered	Structure	Customer Requirements	Technical Support Provided to Customer	EM & V Requirements	Participation
New Mexico	4	$1.88	Self-Direct (Mid-2009)	- Run like any other industrial offering - Customer may earn up to 50% of incremental project costs (either $525/kW or 10c/kWh) - Self-Direct customers may not participate in any other utility program	-Customers have 2 years to complete project	- Utility reviews all major technical details and work directly with customer	- Must meet existing cost-effectiveness standards - EM&V Required - Conducted by customer and Program Administrator is responsible for reviewing implementation, monitors plans and project TRC analyses	< 0.5% of eligible customers
Kentucky	5	$1.80	Opt-Out	-	-Must indicate that they either have or will in the future make cost-effective energy-efficiency investments in their facilities	N/A	No	- 100% of 13 eligible customers
Missouri	6	$1.26	Opt-Out	-	- The 2,500kW comprehensive DSM plan category requires customers submit their plan to the Missouri Public Service Commission for review. The commission is to provide customer a decision within 30 days - under the two categories must provide notification to their utility that they wish to opt-out	N/A	- No follow up or ongoing monitoring of the efficiency investments made	-Since May 2011 4 customers have opted out - None have asked to opt-out under the 2,500kW provision
Michigan	7	$1.14	Self-Direct (2008)	- All but the largest self-direct customers must secure the assistance of an "energy optimization service company" to help develop baseline and energy savings plan	- Customers must develop energy-efficiency plan for approval	No	-Program Administrator responsible for ensuring claimed savings are occurring	-2011: 47, down from 77 when program started
Ohio	8	$1.09	Self-Direct/ Opt Out (2008)	-Self-direct and opt-out provisions depend on utility. **AEP:** - Customers may receive incentive for previously implemented energy-efficiency measures. - If the specified reduction levels are met, the customer can receive an incentive or request an exemption from the cost recovery mechanism for a defined number of months (opt-out) - The exemption is equal to the incentive they would have received under self-direct	-No requirement that the funds be used on energy-efficiency - Customers must submit application stating they have implemented savings projects **Duke Energy:** - Customer are also allowed to submit applications stating that they will implement projects that will meet energy savings and/or peak reduction benchmarks that scale up slightly over future years **FirstEnergy:** -Customers can receive a full exemption from the CRM fees if they	-	**Self-Direct** - Projects must pass a utility cost test, considered for their payback period - M&V is required -Conducted by Program Administrator	**Opt-Out** **AEP** - 7 participants in first year, 0 since **First Energy** - Used by a handful of large customers **Duke Energy** - No participation **Dayton Power** -1 participant
North Carolina	9	$0.46	Opt Out	-	-	N/A	-	-

State	Ranking	2010 Industrial DSM Expenditure per Capita	Self-Direct/ Opt-Out Offered	Structure	Customer Requirements	Technical Support Provided to Customer	EM & V Requirements	Participation
South Carolina	10	$0.46	Opt-out	- Customers have to submit Opt-out form and wait to receive written confirmation	**Duke Energy:** -Customer has to certify that they have performed an energy audit or analysis within 3 years preceding the opt-out request - has implemented or plans to implement cost-effective energy-efficiency measures	N/A	-	-
Texas	11	$0.34	Opt-Out	- For profit customers that take electric service at the transmission level are not allowed to participate in utilities' energy-efficiency programming	N/A	N/A	-No M&V required	N/A
Virginia	12	$0.11	Opt-Out	-	-Customers must show that they either have already made energy-efficiency investments or plan to in the future	N/A	-Customers must submit M&V reports yearly - No cost effectiveness tests	-
U.S Jurisdictions not Offering Self-Direct or Opt-Out								
Connecticut	1	$2.38	No					
Maryland	2	$1.20	No					
Delaware	3	$0.71	No					
Arkansas	4	$0.71	Pending					
Hawaii	5	$0.66	No					
Florida	6	$0.48	No					
Illinois	7	$0.38	No					
Indiana	8	$0.27	No					
South Dakota	9	$0.20	No					

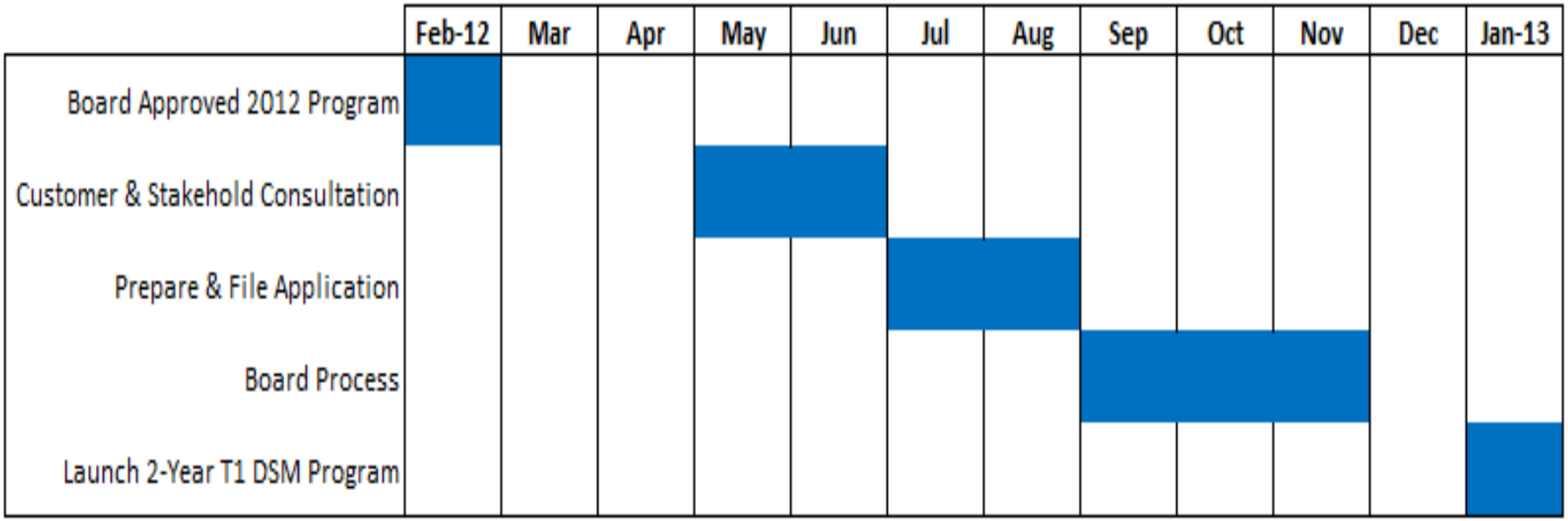
T1 Enersmart (DSM) Program
Customer Focus Group Meeting

June 5th, 2012

T1/R100 Enersmart Program

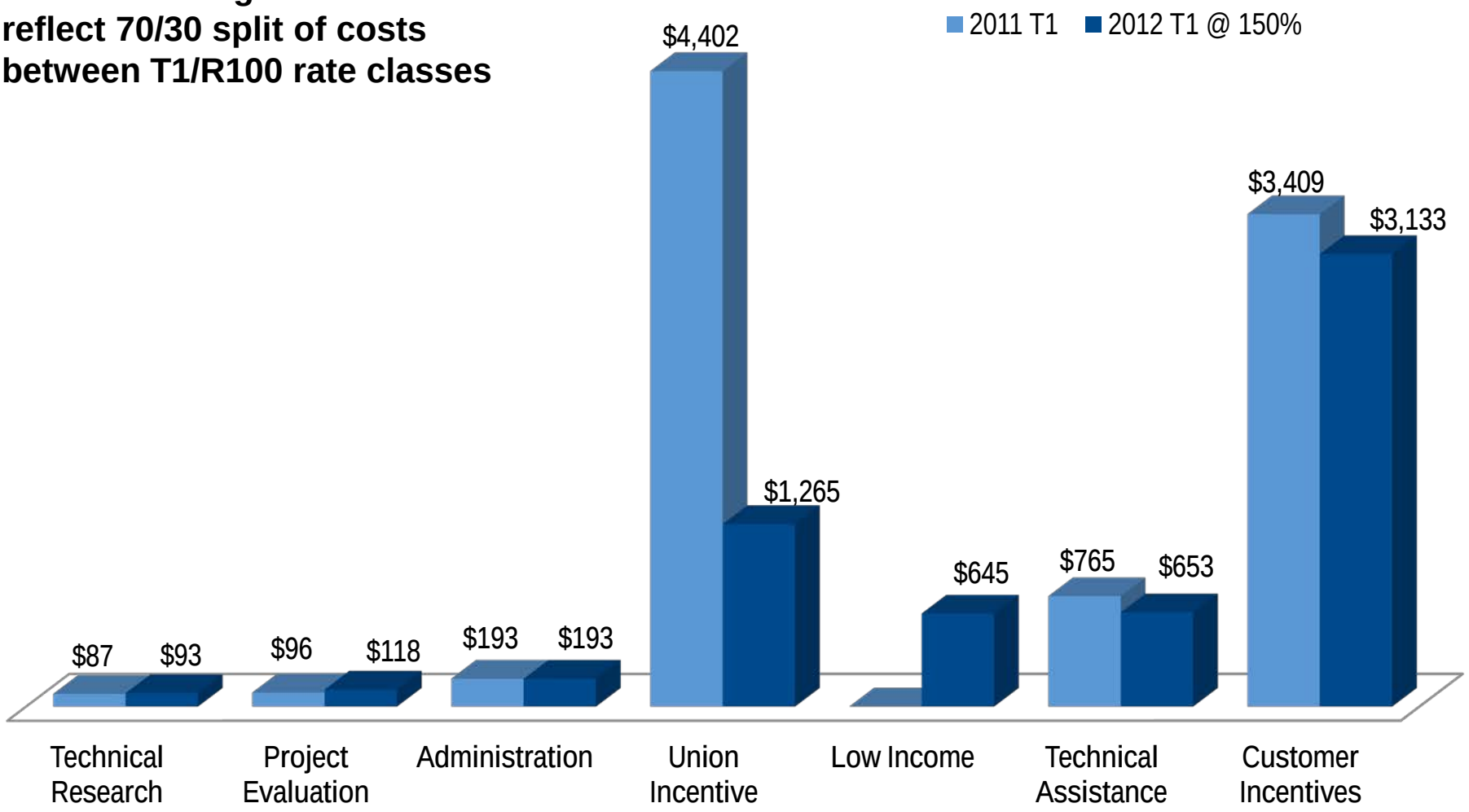
- Current T1 DSM program expires at the end of 2012
- Union will file an application to extend the T1 program through 2013/14
  - Align with Union's DSM program for all other rate classes
- T1 Customer Consultation:
  - Share information and receive customer input

T1/R100 DSM Application Timeline



T1 DSM Cost Breakdown ($,000s)

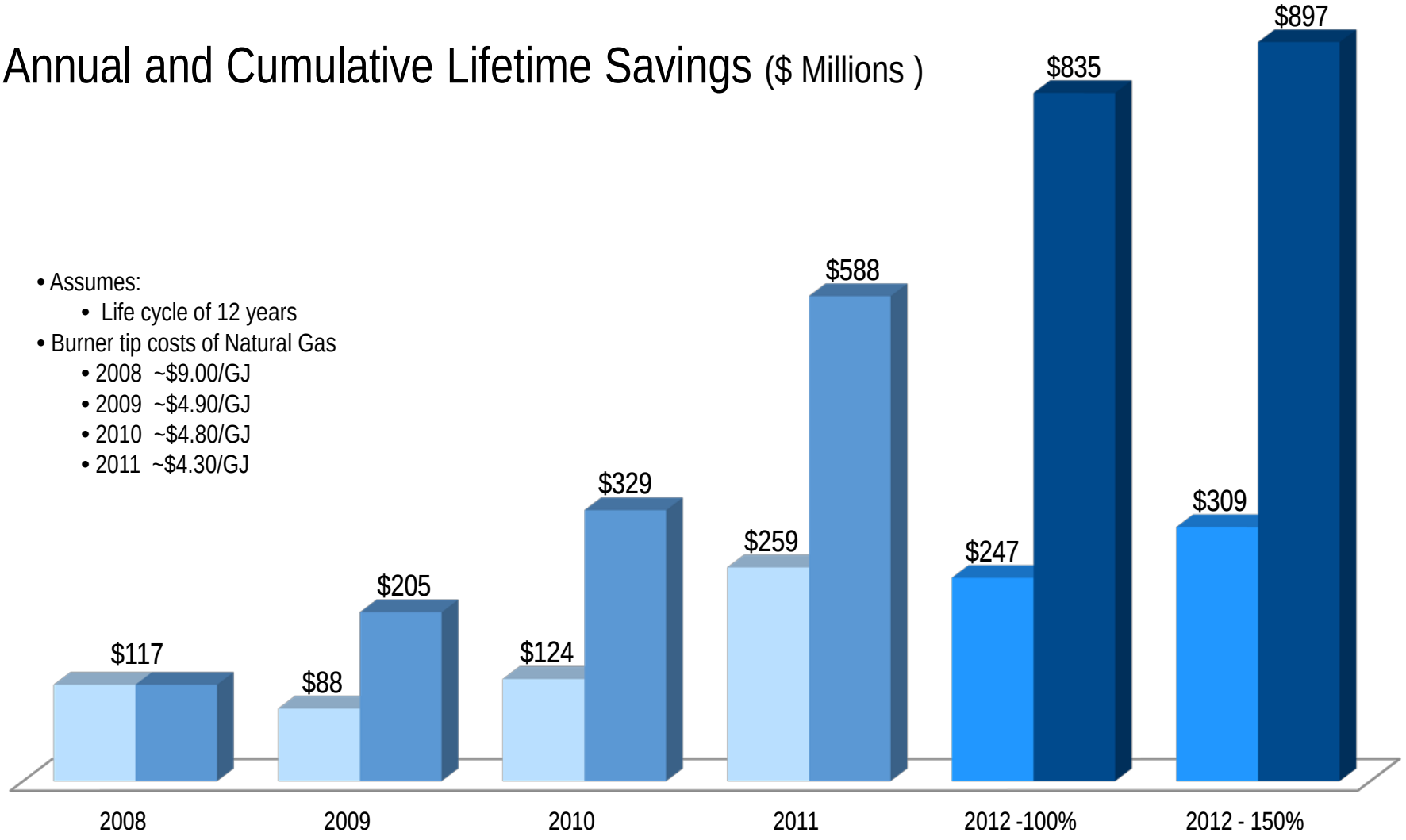
2012 DSM Program costs reflect 70/30 split of costs between T1/R100 rate classes



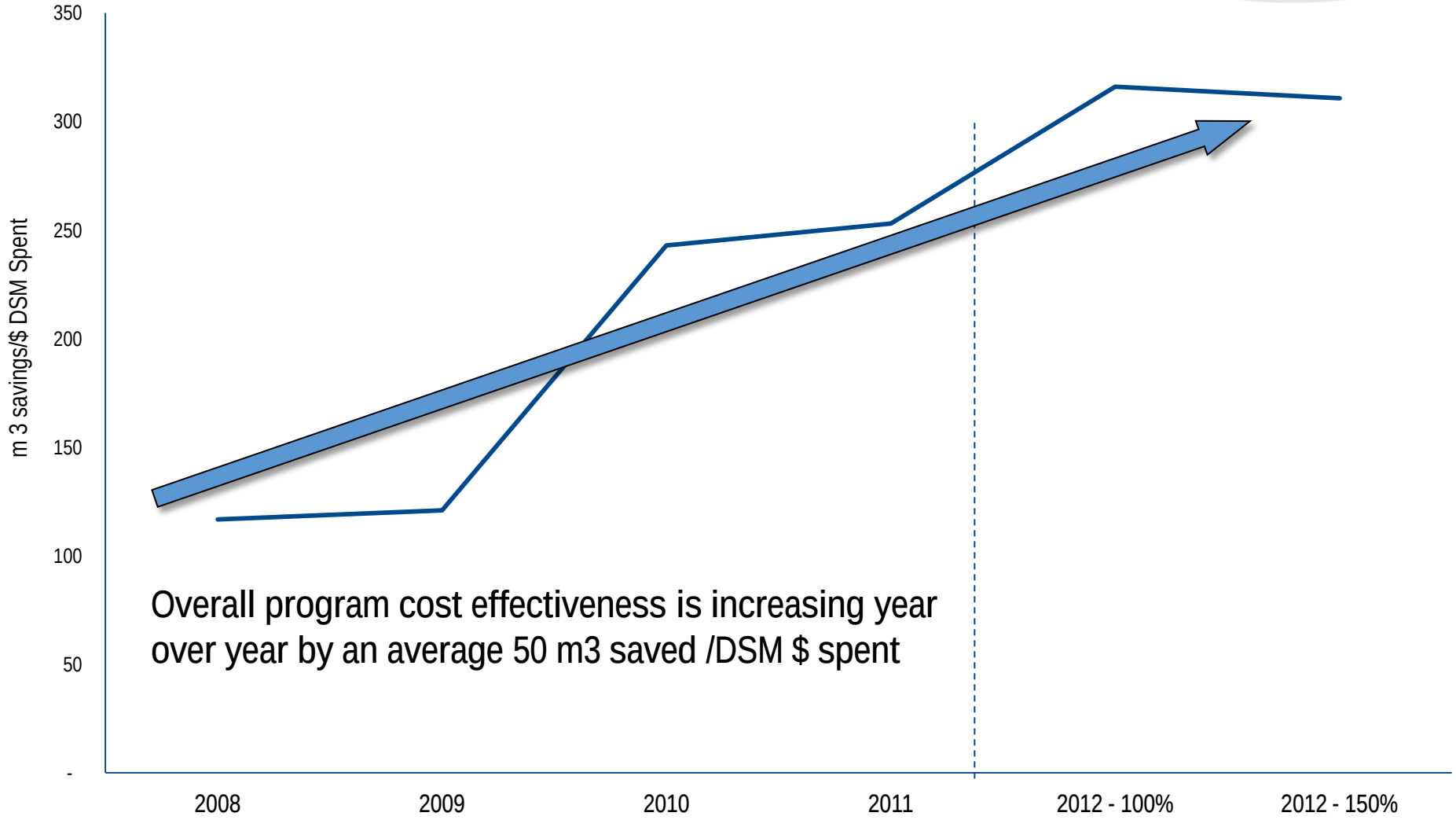
T1 Customer Energy Savings

Annual and Cumulative Lifetime Savings ($ Millions)

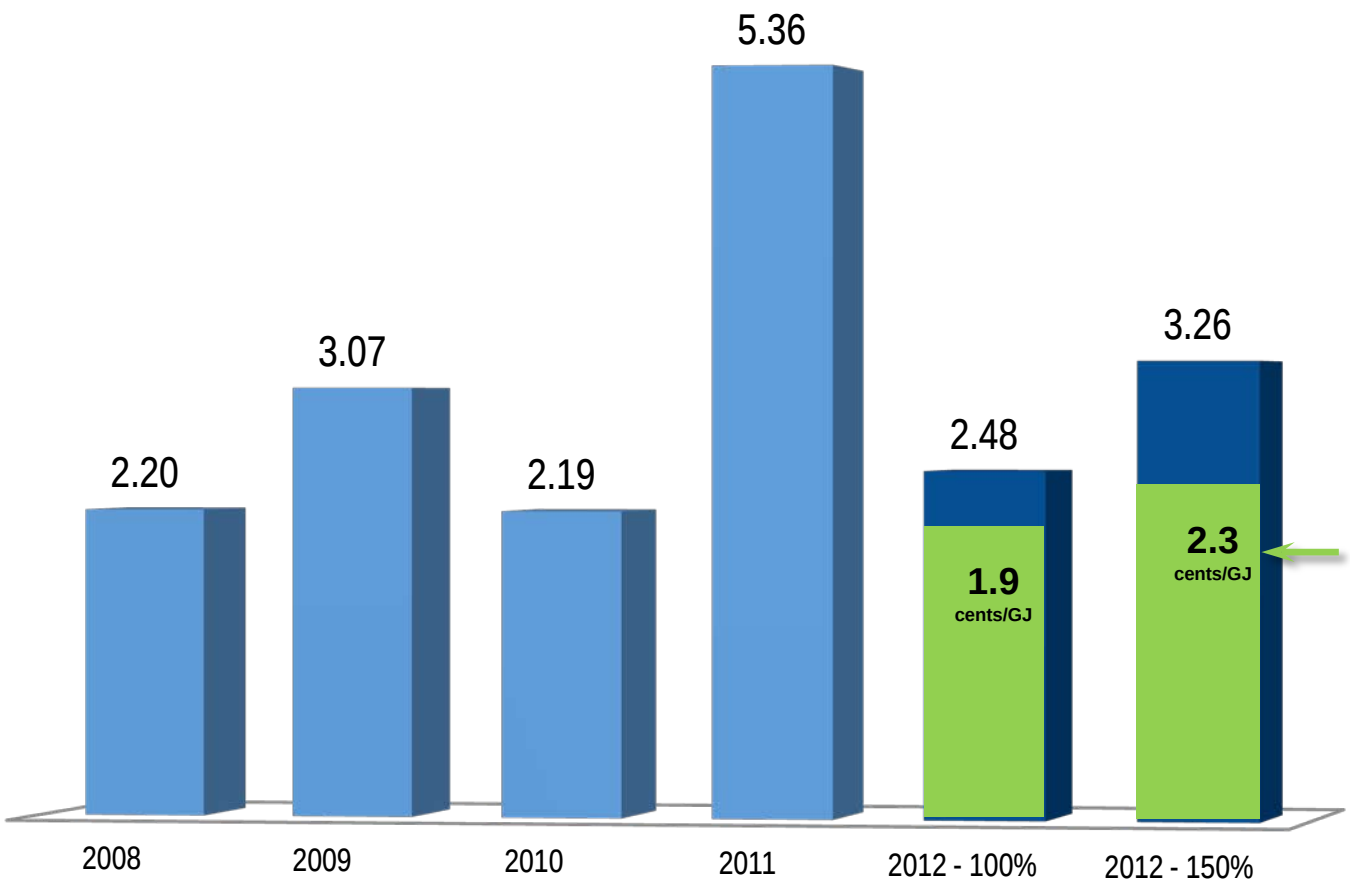
- Assumes:
  - Life cycle of 12 years
- Burner tip costs of Natural Gas
  - 2008 ~$9.00/GJ
  - 2009 ~$4.90/GJ
  - 2010 ~$4.80/GJ
  - 2011 ~$4.30/GJ



T1 DSM Program: Cost Effectiveness



T1 Average DSM Program Cost – Cents/GJ



Potential average value of:
- **Customer Incentives**
- **Technical Assistance**

No Low Income program prior to 2012
For comparison purposes Low Income program costs are not included in the 2012 average cost

T1 Enersmart Program Features & Customer Benefits

- Supports your efforts to develop and implement energy saving projects which improve competitive positioning and the bottom-line
- Access to Technical expertise:
  - Unlimited access to experienced Professional Engineers
  - Sharing best in-class knowledge
- Employee Training and Education
  - Broad based or site specific
- Support for cutting edge research and development - natural gas related technologies
- Recognition and awareness building with your employees
- Flexible program design - easy to participate

2012 Enersmart Program Elements

Program Element	Incentive
Engineering Feasibility Study	50% of the cost, up to $10,000
Process Improvement Study	66% of the cost, up to $20,000
Steam Trap Survey	50% of the cost, up to $6,000
New Equipment	8 cents per m^3, up to $40,000 per project
Operations & Maintenance	8 cents per m^3, up to $20,000 per project
Boiler Tune-Up	$250 per boiler
Meters – Gas/Steam/Hot-water	50% of the cost, up to $1,000
Infrared Polyethylene – IR Poly	$400 per growing acre
Demonstration of New Technologies	25% of the cost, up to $75,000
Customer Education	Various

2012

Union Gas Limited, a
Spectra Energy
Company

T1 Enersmart (DSM) Program Customer Focus Group Meeting June 5th, 2012, London, Ontario

[AS IT WAS HEARD REPORT]

PARTICIPANTS

T1 Customers
Greenfield Ethanol
Hiram Walker
AM Dofasco
Gerdau
Suncor
Lanxess
Hanson Brick
Nova Chemicals Canada
TransAlta Corporation
Styrolution Canada
US Steel Canada
Union Gas
Dave Simpson, General Manager Infranchise Sales & Marketing
Sarah Van Der Paelt, Director Sales, Business Markets
Dave MacEacheron, Manager Strategic Industrial Accounts
Wally Rumiel, Manager Market Development, Engineering Services
Todd Marentette, Manager, CI Energy Efficiency Programs
Victoria Falvo, Manager, Energy Conservation Strategy
Lutz Plotzke, Account Manager, Union North Power Markets
Stu Owen, Account Manager
Marian Redford, Manager, Regulatory Initiatives
Randa Speller, Project Manager / Facilitator, PPD

PURPOSE OF SESSION

Union will be applying to the Ontario Energy Board to extend its T1/R100 Enersmart energy efficiency (DSM) program for 2013 and 2014.

To assist in preparing its application, Union scheduled this T1 customer session to provide a forum where T1 customers could share their views and comments related to Union's Enersmart program.

CUSTOMER FEEDBACK SUMMARY

Key points heard from today's session:

- Cost recovery & Deferral charge:
  - Customers supported Union's DSM program, then were subsequently embarrassed by the potential 2011 Deferral billing.
  - Put costs into rates (going forward, recovery of past year's costs),
  - Spread cost recovery out over longer period of time.
  - Provide advance notice of one-time charges as soon as possible.
- Some customers indicated that they were completing their own energy efficiency initiatives and would like the option to not participate in Union's DSM program.
- Strong value expressed for Union's technical resource expertise and assistance.
- Larger customers expressed an interest in more flexibility / larger incentives for larger projects.
  - Provide a fund and let the customer determine how to spend it.

VERBATIM LIST – CUSTOMER FEEDBACK

Note: customer feedback has been grouped into several themes to keep similar items together.

Cost Recovery & Deferral Accounts

- I'd like to see the deferral amount embedded into rates, instead of after the fact deferral bills. That would mean putting 2011 deferral amounts into rates going forward for a year or more, extends the payback period.
- Embed Union Gas incentives into rates going forward, rather than a deferral charge retroactively.
- I'm wondering about the time value of money relating to deferral amounts if embedded into rates (either as charges or credits) – how to match this to "lifetime" savings, when savings would be calculated on current rates.
- How would 2011 deferral amounts translate into rates going forward, instead of one time charges?
- Potential 2011 large one-time deferral charge amount has left a bad taste.
- There's a big shadow associated with DSM now because of the potential deferral hit, it will take a while for this shadow to go away – we're almost afraid to look at DSM because of the fear of a potential retroactive hit.
- Questioning net value of DSM incentive or gain when we have to pay another lump sum amount afterward.

- Will this new DSM program introduced for 2012 (program caps, separate scorecard etc.) help us budget for 2013? If it's capped, can we find out what the potential charges will be before the end of the year, so we can do an accrual for it?
- Suggestion to allow for the recovery of deferral charges over many months (up to a year suggested), or if this can't be done, to put it into rates.
- Q. Can 2011 deferrals still be put into 2013 rates?
    - ANS: Union's Deferral application is currently before the Board and a Board Order will determine how Union can collect the Board approved deferral amount.

Union Gas Incentive:

- We like the hard caps on potential Union Gas incentives going forward (maximum payout amount is capped).

Enersmart Customer Incentives:

- Today's incentives are easy to access, especially compared to the electricity programs.
- I'd like to see a mechanism that will allow higher customer incentive payouts for bigger projects for significantly bigger customers like us.
- If we're not doing capex projects, there's not a lot of opportunity to save – would be good to have an incentive that recognizes and credits the time and resources we utilize on an ongoing basis to promote energy efficiency.
- The limits (program element incentives) are too low, for example $250 per boiler if we do boiler tune-up. That's simply too low considering the cost.
- Going forward, we're going to ask for the NET incentive – not just what we get for doing DSM in our plants, but also including what will be collected back from us after the fact – is the net savings from doing DSM worth the total investment?

Enersmart Program Elements

- We see it as a good thing to be able to leverage Union Gas' expertise, that's a definite benefit to us.
- Our O&M budgets do not always give us the support we require. We find a fair amount of value-added from the technical expertise provided by Union, these are high end engineers who really help us.
- Engineering feasibility studies – those are pretty expensive and there should be some way to prove whether or not such a study should even be completed – some sort of pre-study business case to justify the expenditure on a feasibility study, which in itself is a precursor to even more spending to implement the recommendations coming out of the study.
- We also want to know that Union is doing everything it can to keep it's administration costs down - keep the overall program costs as low as possible.
- Question – when did Enersmart start providing incentives for O&M related costs?

  - Example given – steam trap surveys, follow-up to ensure they're running efficiently with required repairs and replacements to improve efficiency.

- Struggling with the savings calculation and Union's contribution on the savings – does Union's effort match the contribution to savings?
- Hard to get money back through Enersmart incentives each year and some things we wish to do often do not get on the list of projects/programs to be completed.
- If the OEB wants the program then keep program O&M down and maximize ability to leverage incentives.

Program Participation/Structure

- We'd like to see an opt-out provision, where we would not participate or have to pay out anything but the low income portion. We wouldn't get any incentives for doing energy efficiency programs, nor would we have to pay a share of Union's deferred costs.
- If opt out, opting back in may be for 5 years – wouldn't be right to just opt in, do a project, then opt out right away again.
- Sometimes there's not a lot left we can do for a period of time, so we may want to opt out.
- We have plants in various jurisdictions in North America. Many energy companies recognize that we need to do DSM to reduce our costs and stay competitive, but in some areas, they allow us a fund and we determine how to spend it. If we don't use it in any given year, we lose it. (Paraphrased after meeting comment: If we put 100% in and we have access to 90% of those dollars. The 10% pays for administration and social programs. If you don't use it, it is lost. The audit is a simple audit.).
- Under the current system with Union Gas, we're putting money into the projects we're doing, and we're also paying Union Gas after the fact through deferral bills.
- We'd like to see either a pot of money to draw from, or the ability to opt out, or opt back in for a specified period of time (recognize that we shouldn't just opt in for a year, do the project, reap the savings/incentive then back out again).
- Compromise could be this pot of money – recognize we may not get value in the first year of a project, but over the lifetime. Example is a furnace replacement – large expenditure in the first year, but savings take time to accumulate.
- We are energy efficient to start with. Union Gas didn't give me anything more than I would have done with my own technical people, but I'm still paying for it as a T1 customer.

Miscellaneous

- I'd love to see you bring back the S&T deferral credits to offset deferral costs.
- Question regarding Enbridge and whether they have the same type of DSM programs as Union…
  - ANS: Enbridge programs are similar to Union's programs, although their Rate 125 for large customers does not have a DSM program – that rate class didn't

exist when Enbridge started their DSM programs, so it's more of an oversight than exclusion.

- I'm not seeing how Union Gas is permanently losing gas sales…gas lost through DSM activity seems to be more than offset by more pressure we're all under to add even more natural gas use – lots of new projects like cogen, so it's really not lost business.
    - Could there be some sort of claw back when the pipes are full? i.e. DSM cost recovery linked to amount of unused capacity?
- Union Gas uses lifetime savings for a project even though a customer may go out of business, or stop using the equipment that was supposed to be generating the savings.
- We're seeing the energy savings, but is Union Gas seeing energy reductions like lower CD's?
    - ANS: Yes, Union is seeing it, and can relate it to DSM activity, not just the economy. We're seeing loads dropping across the board. Union is currently in the process of lowering the eligibility requirements for rate classes like T1, M7 and M5, for example. Union has seen customers getting dropped out of their usual rate class because they no longer meet the minimum requirements. Union is trying to address this in our current rate case. Union is also seeing contract parameters staying the same even if the customer grows or adds a new production line – a direct correlation to DSM activity.

Filed: 2012-08-31
EB-2012-0337
Exhibit A
Tab 1
Appendix D

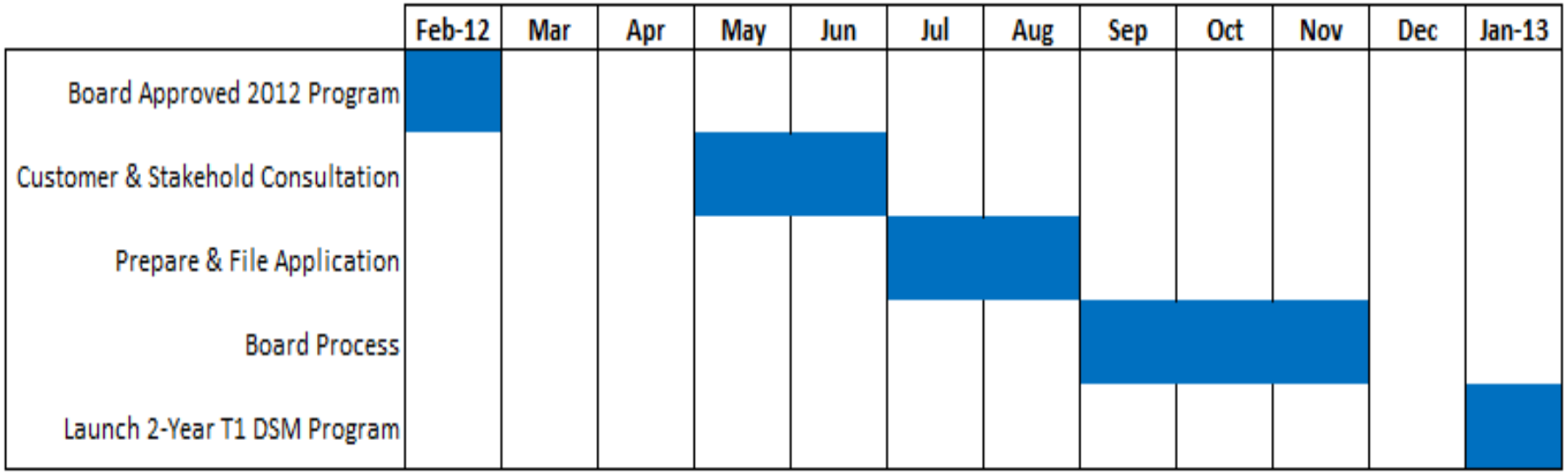
R100 Enersmart (DSM) Program
Customer Focus Group Meeting

June 25th, 2012

R100 Enersmart Program

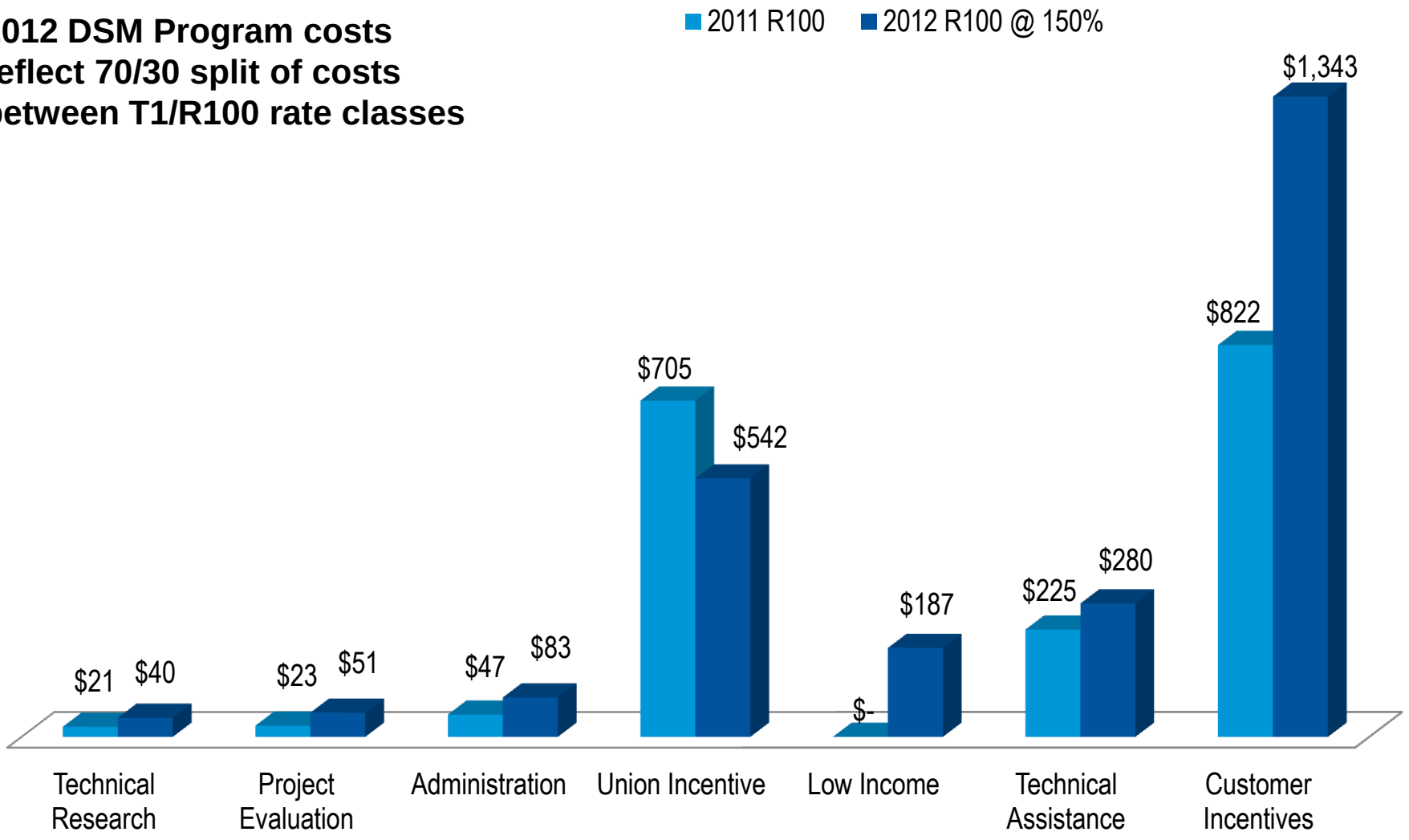
- Current R100 DSM program expires at the end of 2012
- Union will file an application to extend the R100 program through 2014
  - Align with Union's DSM program for all other rate classes
- R100 Customer Consultation:
  - Share information and receive customer input

T1/R100 DSM Application Timeline



R100 DSM Cost Breakdown ($,000s)

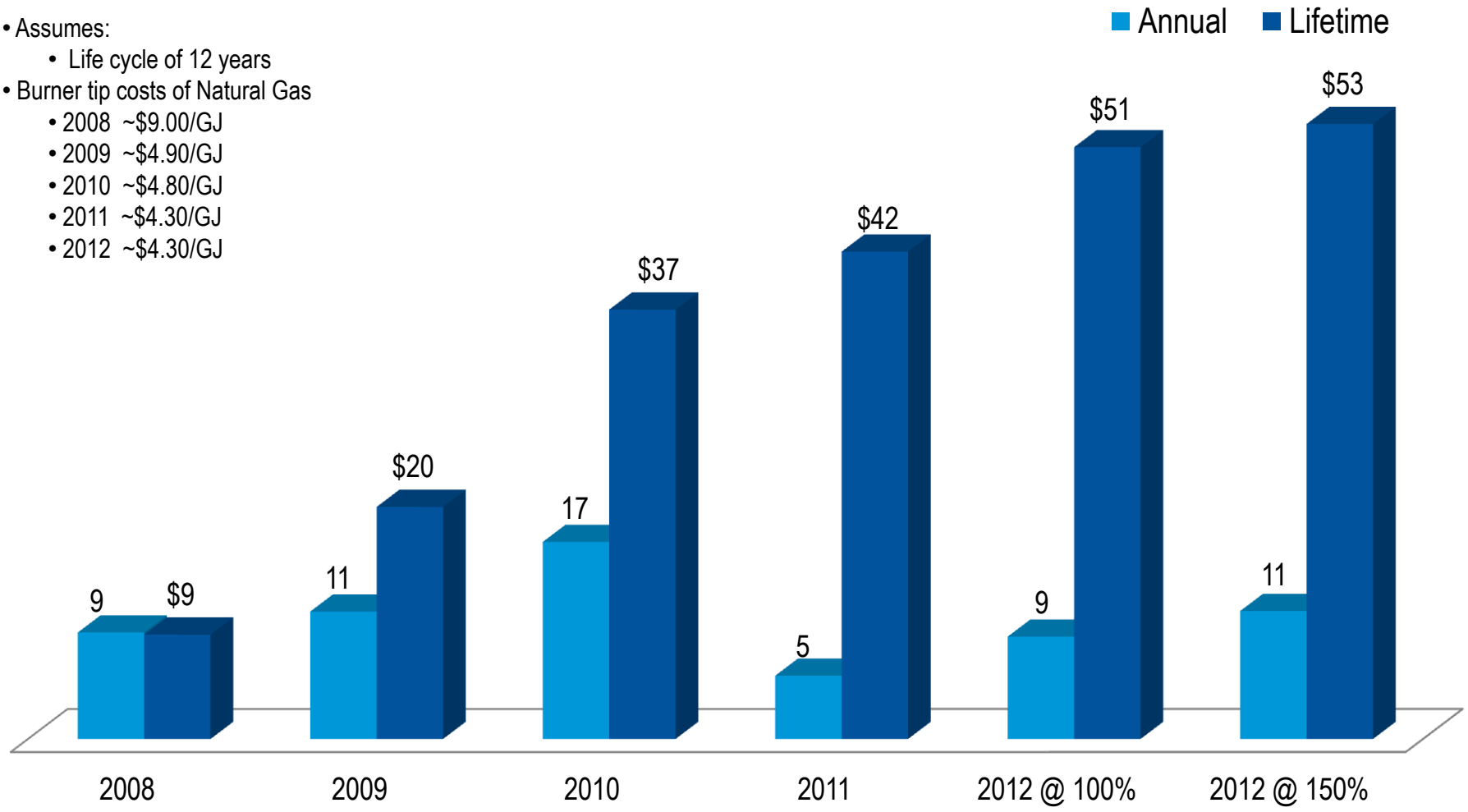
2012 DSM Program costs reflect 70/30 split of costs between T1/R100 rate classes



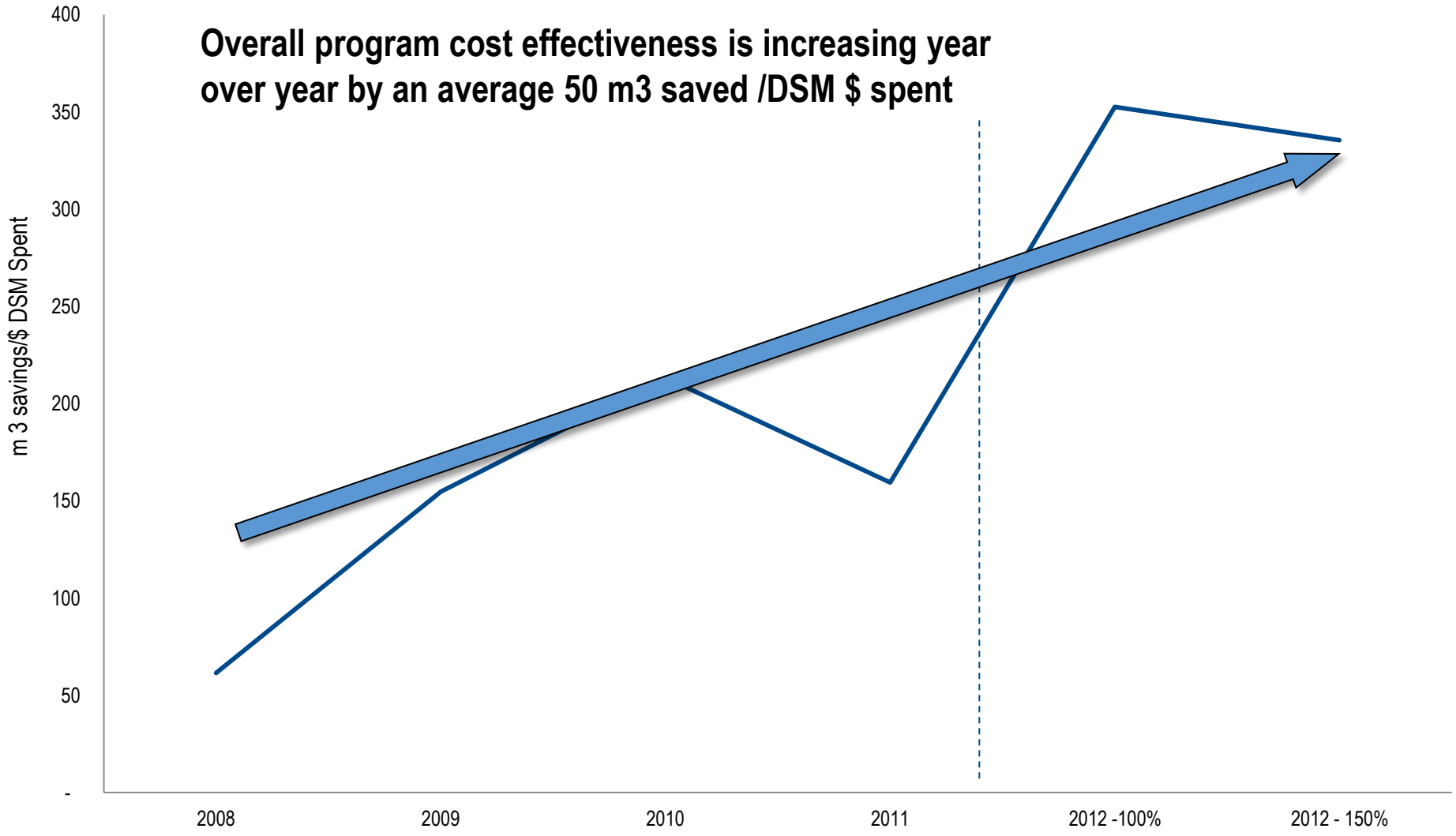
R100 Customer Energy Savings

Annual and Lifetime Savings ($ Millions)

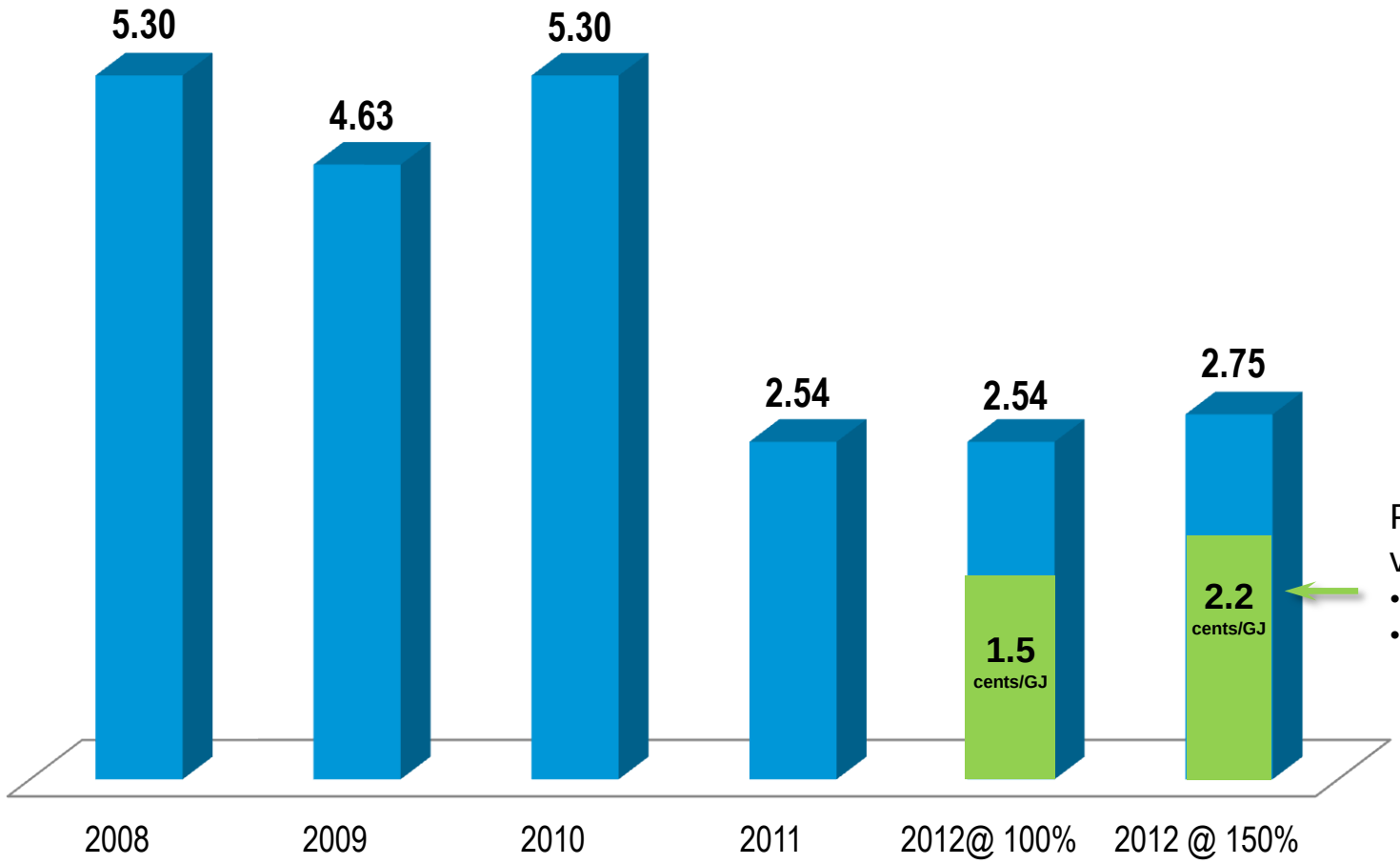
- Assumes:
  - Life cycle of 12 years
- Burner tip costs of Natural Gas
  - 2008 ~$9.00/GJ
  - 2009 ~$4.90/GJ
  - 2010 ~$4.80/GJ
  - 2011 ~$4.30/GJ
  - 2012 ~$4.30/GJ



R100 DSM Program Cost Effectiveness



R100: DSM Program Cost / GJ



Potential average value of:
- Customer Incentives
- Technical Assistance

No Low Income program prior to 2012
For comparison purposes Low Income program costs are not included in the 2012 average cost

R100 Enersmart Program Features & Customer Benefits

- Supports your efforts to develop and implement energy saving projects which improve competitive positioning and the bottom-line
- Access to Technical expertise:
  - Unlimited access to experienced Professional Engineers
  - Sharing best in-class knowledge
- Employee Training and Education
  - Broad based or site specific
- Support for cutting edge research and development - natural gas related technologies
- Recognition and awareness building with your employees
- Flexible program design - easy to participate

2012 Enersmart Program Elements

Program Element	Incentive
Engineering Feasibility Study	50% of the cost, up to $10,000
Process Improvement Study	66% of the cost, up to $20,000
Steam Trap Survey	50% of the cost, up to $6,000
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Infrared Polyethylene – IR Poly	$400 per growing acre
Demonstration of New Technologies	25% of the cost, up to $75,000
Customer Education	Various

Union Gas Limited, a
Spectra Energy
Company

R100 Enersmart (DSM) Program Customer Focus Group Conference Call Meeting June 25th, 2012

TABLE OF CONTENTS

PARTICIPANTS

R100 Customers
INVISTA (Canada) Company
Essar Steel Algoma
Northland Power
Resolute Forest – Abitibi
Kingston Cogen
Atlantic Power
Union Gas
Dave MacEacheron, Manager Strategic Industrial Accounts
Wally Rumiel, Manager Market Development, Engineering Services
Lutz Plotzke, Account Manager, North Strategic Power Customers
Gaetan Bessette, Account Manager, North Strategic Industrial Markets
Marian Redford, Manager, Regulatory Initiatives
Randa Speller, Project Manager / Facilitator, PPD

Purpose of Session

Union will be applying to the Ontario Energy Board to extend the T1/R100 Enersmart energy efficiency (DSM) program for 2013 and 2014.

To assist in preparing its application, Union scheduled this R100 customer conference call to provide a forum where Rate 100 customers could share their views and comments related to our R100 Enersmart program.

AGENDA

- Welcome and introductions
- T1/R100 Enersmart DSM Program Presentation
- Customer Feedback

CUSTOMER FEEDBACK SUMMARY

Key points heard from today's session:

- Strong value expressed for Union's technical resource expertise and assistance
- Some differences in opinion regarding cost/benefit of DSM programs
- Appreciation of the flexibility of Union's programs
- Some thought the potential incentives don't really factor in to which projects/initiatives move forward

VERBATIM LIST – CUSTOMER FEEDBACK

Note: customer feedback has been grouped into several themes to keep similar items together.

Program Cost

- Q. On slide 6 (R100: DSM program Cost/GJ) – why have DSM costs dropped by about 50% in 2011 and 2012?
    - ANS. The 2011 DSM R100 program costs reflect actual DSM activity in 2011. The 2012 R100 DSM projected average cost reflect changes made to the DSM program for 2012. As part of the 2012 R100/T1 DSM Settlement Agreement the R100/T1 DSM program budget and Union incentive have been capped. The net result is a significant reduction (vs. prior years) in potential DSM costs to R100 customers.
- I appreciate that Union is very forthcoming to talk about these things and in particular its DSM program. Many APPrO members have the view that they are paying a lot of money vs. the benefit they receive and have reservations about the cost benefit associated with Union's DSM program. We are concerned about rate shock as Union is currently proposing in its 2013 rate case to increase the R100 rate by about 19% for 2013.

Enersmart Customer Incentives:

- Q. What if a series of DSM initiatives turn out to be substantially larger than you thought can Union provide more incentives to customers and can Union earn more utility incentive?
    - ANS – Customers can earn more savings than our maximum, but in 2012 our DSM program budget and incentives are capped. Customers can drive more M^3 savings, but our program is capped in terms of customer incentives we can pay out utility incentive we can earn.
- Q. Is there a limit on the amount of customer incentives that can be provided in 2012?
    - ANS – slide 3 – In 2012 Union's R100 budget for customer incentives is $1.1 million. If the 100% lifetime m3 savings target for 2012 is achieved then Union can access an additional $236,000 in incentives to encourage energy efficiency activities.
- I've been involved with energy efficiency programs for about 10 years. Some projects would have gone forward without Union's involvement, some projects would not proceed because of other business drivers and some projects would proceed because of Union's DSM program activity at our site. So there are essentially three categories. We do take into account the value DSM incentives represent. Generally, higher incentive amounts would help influence larger projects.

Enersmart Program Elements:

- Q. How does Union's calculate increases in production output and associated natural gas savings? I heard this at the London T1 customer meeting and would like to understand how this is calculated.
    - ANS – producing more units of product with the same amount of natural gas is an eligible DSM project. Natural gas savings are typically calculated based on theoretical calculations (often can't use a meter reading approach to all projects or initiatives). Example: if the heat rate for a power generator is improved by an initiative a theoretical engineering calculation utilizing the increased output rate would be used to calculate natural gas savings.
- Q. Regarding Annual and Lifetimes Savings slide: how does Union measure the savings, when some is actual throughput decrease (actual saved M^3) and some is production output increase?
    - ANS – we work with customers to determine the savings and programs are also audited.
- Q. How does Union calculate/measure Annual and Lifetimes Savings?
    - ANS – Union's engineers work closely with customers to determine the savings. A third party audit function is also in place to verify natural gas savings.
- In the past we operated a larger multi-site network of plants and we were able to effectively share information related to energy efficiency best practices etc. With business restructuring and plant closures, we essentially have lost the ability to do this

now. The ability for our plant personnel to have access Union's DSM engineering expertise is a positive feature associated with Union's DSM program. So while the program has a cost, it does offer significant value that we do not want to lose.

- Union has made positive changes to make the DSM program more flexible and customers who participate today have more options. Suggest that Union maintain or improve DSM program flexibility where possible. The need for program rules and structure needs to be balanced with making it work for large volume customers.
- Appreciation expressed for Union Gas DSM engineering resources. It was mentioned that these resources make it easier to participate in the program. For example, your engineers identify the opportunity, provide tech engineering support to develop projects and submit reports for us.

Program Participation/Structure:

- Plant managers have been running their plants for many years and would be doing energy efficiency projects without Union Gas involvement.
- Q. How many energy efficiency programs would have been completed without Union's assistance? Would customers have done this work without Union involvement?
    - ANS – As part of our program 56% of all natural gas savings claims are deducted and not included in our lifetime savings metric. This 56% "Free-rider" offset is included to recognize work that customers initiate without Union Gas involvement.

Miscellaneous:

- Q. If Union's DSM program is successful and customers are realizing significant natural gas savings, would Union's volume throughput forecast for R100 customers decline?
    - ANS – Yes, throughput could decrease in any rate class if the DSM program is successful.
- Q. So if Union's revenue requirement remains the same, and volume throughput decreases, will Union be asking for a rate increase?
    - ANS – Typically growth helps to dampen the impact of DSM driven volumetric decreases.
- Q. So, there's an indirect cost associated with the program being successful over time, the R100 rate would increases over time, is this correct?
    - ANS – Using history as a guide, the impact on rates associated with energy efficiency is not as significant as the impact associated with plant closures. To the extent that energy efficiency activity helps to maintain the cost competiveness of a business it is aligned with keeping plants in business and avoiding closure. Growth also serves to balance the impact of energy efficiency.

- We have been actively involved for many years with Union's DSM program and are very interested in continuing with these programs. Is there a chance Union's DSM program for R100 customers will not be approved?
    - ANS – Ontario Energy Board will ultimately decide based upon evidence from Union Gas and registered intervenors.
- Q. How many R100 customers are gas-fired power generators and how many are industrials.
    - ANS. About half are industrial and half are power generators
- So, if there are maybe two distinct groups within Rate 100, some see value associated with Union's DSM program while some do not see value, perhaps Union could divide the R100 rate class into two groups for purposes of delivering the DSM program. Suggest that Union consider offering different programs based on type of customer
- At the conclusion of the R100 Focus group session, participants expressed appreciation for Union being proactive in discussing DSM and encouraging customer input.

Filed: 2012-08-31
EB-2012-0337
Exhibit A
Tab 1
Appendix F

2013-2014 Large Industrial T1/R100 Program Concept

July 11, 2012

Large Industrial T1/R1– Program Concept

- Union to propose a new Direct Access offering
- Direct Access :
  - T1 customers with >100,000,000 m³ annual consumption
  - Rate 100 customers
- Non-Direct Access:
  - T1 customers with < 100,000,000 m³ annual consumption
- DSMVA remains the same for T1/R100, as per DSM Guidelines

Direct Access Process – T1 example

- Between Jan 1st – Aug 1st
  - Customers have access to Direct Access funds for projects/studies
- Between Jan 1st – Apr 1st
  - Every customer to submit an energy efficiency plan
    - 1-page, plan developed with Union Gas assistance
    - Help customers derive value from the program
      - Identifies Direct Access funds available in year
      - Identifies potential projects and their timing
      - Identifies associated incentive funding
      - A roadmap to guide customers in the year and access their funds
  - Upon submission and review from Union, customer receives $25,000

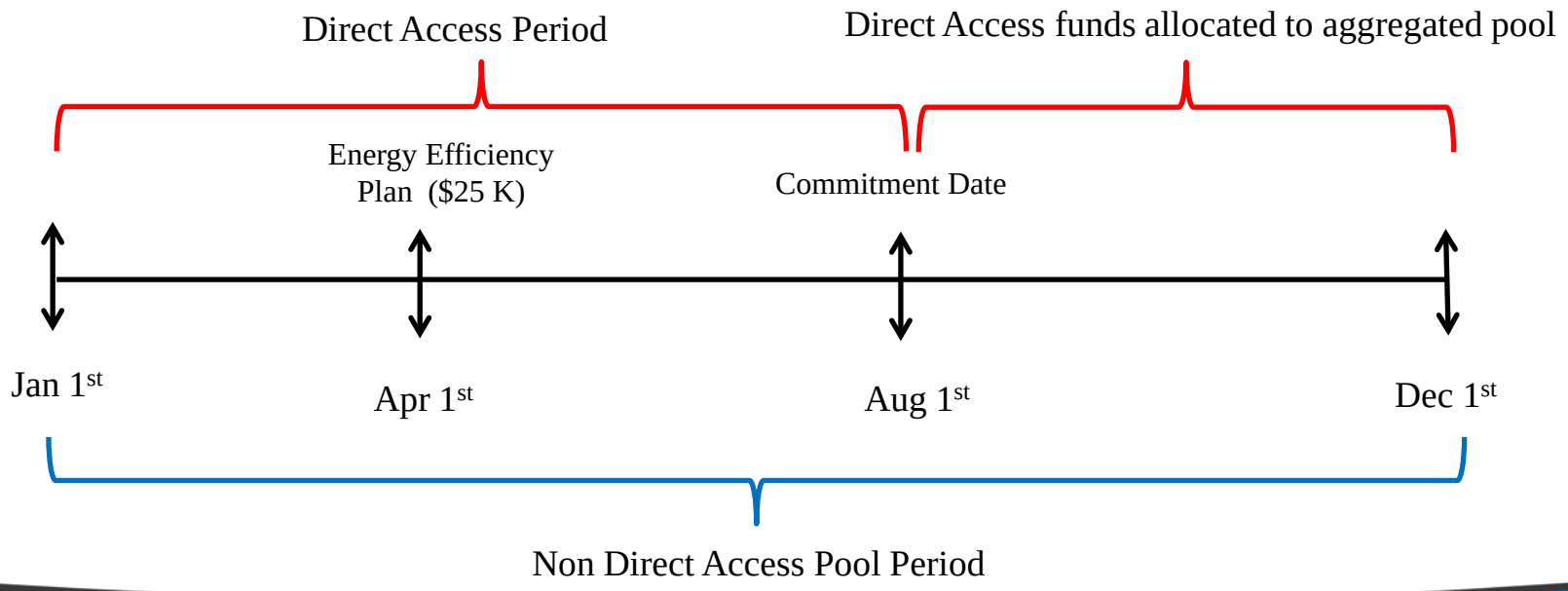
Direct Access Process – T1 example (cont.)

- After Aug 1st
  - Commitment date Aug 1st
  - Direct Access funds not spent or earmarked will be available to all T1 customers as aggregated pool of funds
- One year program cycle (unspent funds disposed of in deferrals)

Non Direct Access Process – T1 example

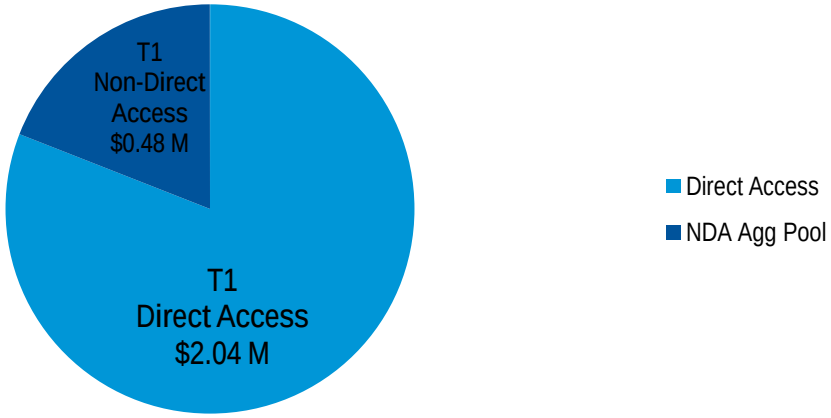
- Between Jan 1st – Dec 1st
  - Customers have access to funds in an aggregated pool
- After Aug 1st
  - Customers have access to unspent direct access fund

Direct Access Timeline

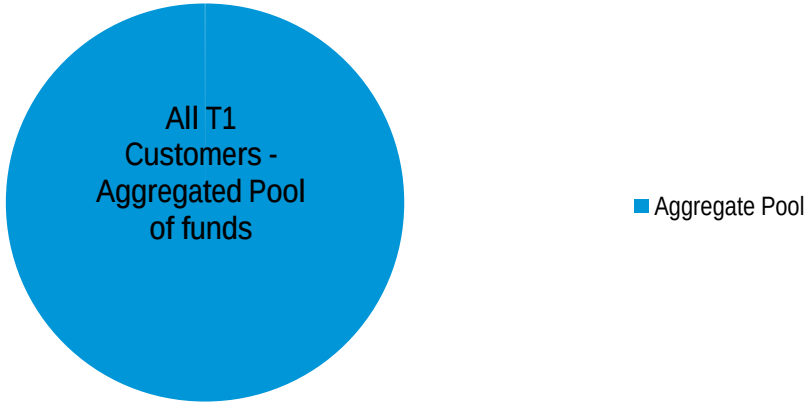


Budget Allocation – T1

T1 budget split between Direct Access and Non-Direct Access aggregated pool between Jan 1st – Aug 1st

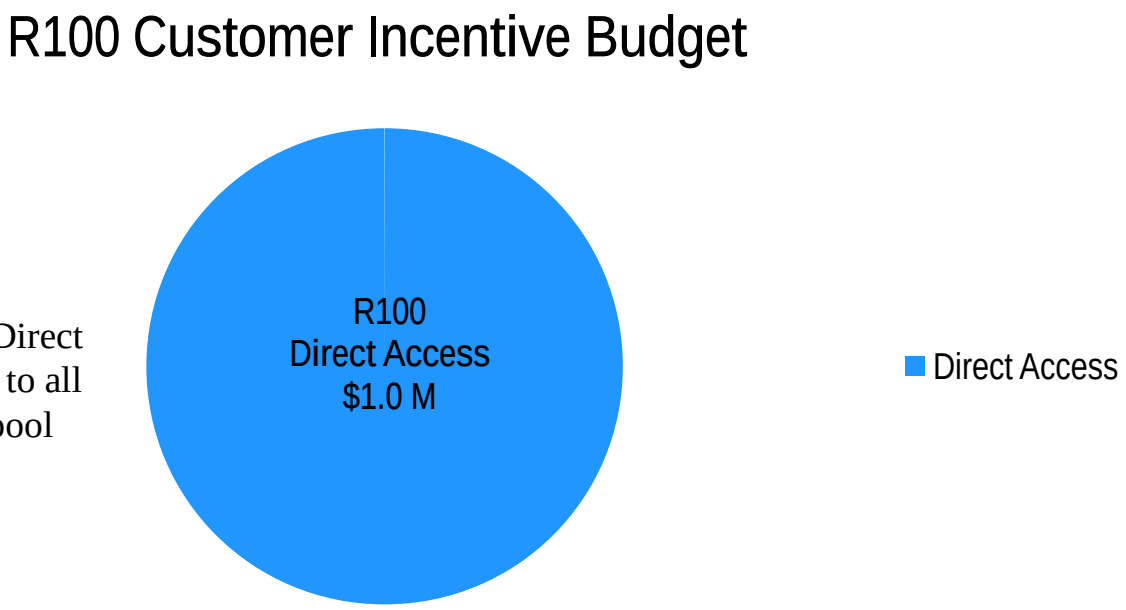


After Aug. 1st non ear marked Direct Access funds will be available to all T1 Customers in aggregated pool



Budget Allocation – Rate 100

After Aug. 1st non ear marked Direct Access Funds will be available to all R100 Customers in aggregate pool



Comparison to 2012 T1/R100 Program

- The overall budget of $4.7M for T1/R100 program has not changed from the 2012 budget. (2013 inflation to be added)
- Portion of budget is allocated to promotion, admin / technical resources, evaluation and low income.
- Maximum possible deferral will remain limited in the same manner as 2012 program.

Large Industrial Scorecard Metric

- Direct Access Metric:
  - Cumulative m^3 savings (currently only metric for 2012 program)
  - % of Direct Access (DA) customer incentive spent on DA eligible customers

    Focus:
    - Maximize energy savings
    - Maximize program value to DA eligible customers
- Non-Direct Access Metric
  - Cumulative m^3 savings (currently only metric for 2012 program)
- Other Possible Metrics?

From: Kulperger, Leslie
Sent: August 10, 2012 4:08 PM
To: David.Butters@appro.org; Marion Fraser; Vincent J. DeRose; jgirvan@ca.inter.net; Andrew Mandyam; Judith Ramsay; John DeVenz; Daniel.Johnson@enbridge.com; DavidMacIntosh@nextcity.com; spainc@rogers.com; rhiggin@econalysis.ca; drquinn@rogers.com; ian.mondrow@gowlings.com; Paul.Seaman@gowlings.com; jfstacey@interlog.com; nruzycki@justenergy.com; Randy Aiken; julie.boudreau@energy-efficiency.com; jim.gruenbauer@kitchener.ca; Loraine.Baillargeon@kitchener.ca; vyoung@aegent.ca; jgibbons@pollutionprobe.org; Jay Shepherd; wmcnally@opsba.org; paul.kerr@shell.com; pete_serafini@transalta.com; nadine_berge@transcanada.com; mbuonaguro@piac.ca; Judy Simon; normrubin.energyprobe@gmail.com; dpoch@eelaw.ca; Chris Neme; kai@web.ca; Takis Plagiannakos; michael.bell@ontarioenergyboard.ca; josh.wasylyk@ontarioenergyboard.ca
Cc: Lynch, Tracy; Redford, Marian; Falvo, Victoria
Subject: REVISED START TIME (11:30) for Union Gas' Consultative Meeting
Importance: High

Hello everyone,

Attached please find the agenda for Union's Consultative on August 15th. Please note that since our initial invitation, we have **shifted the start time to 11:30** to accommodate key stakeholders for the presentation on Union's T1/R100 Large Volume Program Plan later in the afternoon. We hope that you will be able to stay for that presentation, but recognize that you may not be available for the full duration. We are working to circulate a package of the presentation slides for your reference on Monday.

Time: **11:30 – 6:00** (lunch will be provided)

Venue: InterContinental Toronto Centre
Kingsway Room
225 Front Street West
Toronto, ON

For members who will be participating via teleconference, please use the call info below:
Dial: 1-866-826-8611
Code: 3012540

Many thanks,

Leslie

From: Kulperger, Leslie
Sent: July-10-12 10:30 AM
To: David.Butters@appro.org; Marion Fraser (marion.fraser@rogers.com); Vincent J. DeRose; jgirvan@ca.inter.net; Andrew Mandyam; Judith Ramsay (Judith.Ramsay@enbridge.com); John DeVenz; DavidMacIntosh@nextcity.com; spainc@rogers.com; rhiggin@econalysis.ca; drquinn@rogers.com; ian.mondrow@gowlings.com; jfstacey@interlog.com; nruzycki@justenergy.com; Randy Aiken; julie.boudreau@energy-efficiency.com; jim.gruenbauer@kitchener.ca; vyoung@aegent.ca; jgibbons@pollutionprobe.org; Jay Shepherd; wmcnally@opsba.org; paul.kerr@shell.com; pete_serafini@transalta.com; nadine_berge@transcanada.com; mbuonaguro@piac.ca; Judy Simon;

normrubin.energyprobe@gmail.com; dpoch@eelaw.ca; Chris Neme; kai@web.ca; Takis Plagiannakos;
Cc: Lynch, Tracy; Redford, Marian; Falvo, Victoria; Wong, Alvin
Subject: Invitation to Union Gas' Consultative Meeting

Hello everyone,

I would like to invite you to Union Gas' upcoming plenary DSM Consultative Meeting, which will be hosted on **Wednesday, August 15, 2012**.

At this point, proposed topics for the day will include:

- 2011 DSM Annual Report & Audit Results
- 2012 Evaluation Activities/TEC update
- 2012 Program Update
- T1/R100 Application status
- 2012 Audit Committee (AC) Intervenor members selection - next steps

A detailed agenda will be sent out prior to the meeting.

Time: 9:00 am – 4:30pm (lunch will be provided)

Venue: InterContinental Toronto Centre
Kingsway Room
225 Front Street West
Toronto, ON

RSVP: **Friday, July 27, 2012 – please direct responses to Alvin Wong (AlWong@uniongas.com)**

Please note, Union will reimburse one attendee only on behalf of each consultative stakeholder group for their participation in this meeting, however additional attendees are welcome.

I look forward to hearing from you.
Best regards,
Leslie

Leslie Kulperger
Manager, DSM Research & Evaluation
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Tel: 416.496.5360 | Fax: 416.496.5303 | Mobile: 647.286.0393

UNION GAS LIMITED DSM CONSULTATIVE MEETING – August 15, 2012

ATTENDANCE LISTING

Stakeholder Representatives

Jack Gibbons	Pollution Probe
David Butters	APPrO
Daniel Johnson	Enbridge Gas Distribution
Norm Rubin	Energy Probe
Vince DeRose	CME
Judy Simon	LIEN
Paul Seaman	IGUA
Jason Stacey	Jason F. Stacey
Micheal Bell	Ontario Energy Board
Lenore Dougan	Ontario Energy Board
Marion Fraser	BOMA
Dwayne Quinn	FRPO
Jay Shepherd	SEC
John Wolnik	APPrO
Ian Mondrow	IGUA
Derek Francis	Suncor
Kai Millyard	GEC
Roger Higgin	VECC
Julie Girvan	CCC

Internal Representatives

Tracy Lynch	Union Gas
Leslie Kulperger	Union Gas
Victoria Falvo	Union Gas
Melinda Clarke	Union Gas
Tina Nicholson	Union Gas
Todd Marentette	Union Gas
Johanna Lucas	Union Gas
Ryan Shaw	Union Gas
Tracey Brooks	Union Gas
Marian Redford	Union Gas
Alison Moore	Union Gas
Ehsan Dibaji	Union Gas
Dave MacEacheron	Union Gas
Carolyn Varady	Union Gas

From: Falvo, Victoria
Sent: August 16, 2012 3:43 PM
To: David.Butters@appro.org; Marion Fraser; Vincent J. DeRose; jgirvan@ca.inter.net; Andrew Mandyam; Judith Ramsay; John DeVenz; Daniel.Johnson@enbridge.com; rhiggin@econalysis.ca; drquinn@rogers.com; ian.mondrow@gowlings.com; Paul.Seaman@gowlings.com; jfstacey@interlog.com; Randy Aiken; jgibbons@pollutionprobe.org; Jay Shepherd; wmcnally@opsba.org; Judy Simon; normrubin.energyprobe@gmail.com; dpoch@eelaw.ca; Chris Neme; kai@web.ca; Takis Plagiannakos; michael.bell@ontarioenergyboard.ca; josh.wasylyk@ontarioenergyboard.ca; lenore.dougan@ontarioenergyboard.ca; DFrancis@suncor.com; jwolnik@elenchus.ca; DavidMacIntosh@nextcity.com; mbuonaguro@piac.ca
Cc: Kulperger, Leslie; Marentette, Todd; MacEacheron, Dave; Redford, Marian; Dibaji, Ehsan; Moore, Alison; Lynch, Tracy; Van Der Paelt, Sarah; Rumiel, Wally; Plotzke, Lutz
Subject: Responses to Questions Raised at the Consultative Meeting and Revised Presentation

Good afternoon Everyone,

Thank you for attending Union's Consultative meeting yesterday and providing feedback on Union's 2013 – 2014 Large Volume T2/T1/R100 program proposal. Please find below Union's responses to the two requests made during the Large Volume program presentation yesterday. I have also attached a revised version of the presentation with the adjustment noted below to the customer incentive budget for slides 16 and 17. Since there was an oversight, please replace the version of the slides provided by Leslie via email yesterday and the paper copies distributed in the room with the attached presentation.

1. **Portfolio Budget Allocation to Large Volume Program**
   The breakdown of the *portfolio* costs allocated to Rate T2/T1/R100 in slide 15 of the presentation are displayed below for 2012, 2013 and 2014. These portfolio costs are consistent with the January 31, 2012 Settlement Agreement (EB-2011-0327), page 8. The 16.9% allocation to the Large Volume program is based on the percentage of the overall DSM Program Sub-total that is allocated to the T2/T1/R100 program.

	Yea		
	2012 ($000	2013 ($000	2014 ($000
Portfolio Budget			
Research	$ 766	$ 766	$ 766
Evaluation	$ 969	$ 969	$ 969
Administration	$ 1,582	$ 1,582	$ 1,582
Total DSM Portfolio Budget Pre-Inflation	**$ 3,317**	**$ 3,317**	**$ 3,317**
Cumulative Inflation @2.87%	$ 9	$ 193	$ 294
Total DSM Portfolio Budget Post-Inflation	**$ 3,412**	**$ 3,510**	**$ 3,611**
Percent Allocation to T2/T1/R100 Program (%)[1]	16.9	16.9	16.9
Amount Allocated T2/T1/R100 Program ($000)	$ 578	$ 594	$ 611
Rate T2 Percent Allocation (%)	N/A	38	38
Rate T2 Portfolio Cost Value ($000)	-	$ 228	$ 234
Rate T1 Percent Allocation (%)	70	32	32
Rate T1 Portfolio Cost Value ($000)	$ 404	$ 188	$ 194
Rate 100 Percent Allocation (%)	30	30	30
Rate 100 Portfolio Cost Value ($000)	$ 173	$ 178	$ 183

[1]Calculated, using pre-inflation values, as the program budget $4.534 M / program sub-total $26.773 M.

2. Customer Incentive Values in Scorecard Target Calculation (slide 16 & 17)

It was noted in yesterday's meeting that the customer incentive values in the target calculation for the scorecard cumulative natural gas savings metrics (slide 16 & 17) did not align with the customer incentive values in slide 14. Inflation of 2.87% had been included in the customer incentive budget values in the scorecard target calculation. Thank you for bringing this oversight to Union's attention.

Consistent with the approach used for the 2013 – 2014 Resource Acquisition scorecard, inflation has been removed from the customer incentive values in the natural gas savings metric target calculation. The customer incentive values are now $2.383 M for T2/R100 and $1.104 M for T1 as this is the constant real budget throughout the 2012 – 2014 DSM term in Union's proposal. The customer incentive values in slides 14, 16 and 17 in the attached presentation are now consistent and do not include inflation. This is further consistent with the table on slide 13. On a pre-inflation basis, the program promotion & incentive budget is $3.587 M. For 2013 & 2014, this is budgeted as $0.100 M for promotion and $3.487 for customer incentives.

Please let us know if you have any further questions.

Thanks,
Victoria

Victoria Falvo, P.Eng.
Manager, DSM Strategy | Union Gas Limited
tel (416) 496-5246 | fax (416) 496-5331 | cell (416) 994-2865
vicfalvo@uniongas.com

2013-2014 Large Volume T1/T2/R100 Application

August 15, 2012

Agenda

- Opening Remarks
- Customer Focus Group Meetings
- One on One Customer Meetings
- Program Concept
- Program Measurement

Opening Remarks

- In the DSM Settlement Agreement (EB-2011-0327) Union committed to file a Large Volume Plan application for 2013 and 2014 prior to September 1st, 2012
- Union has developed a 2013 - 2014 Program Concept, Budget and Scorecard Target proposal
- Sharing our current proposed plan and seeking your comments prior to filing the application August 31

Customer Consultation

Dave MacEacheron - Manager, Strategic Industrial Markets

T1 Customer Focus Group Meeting

- June 5th – 11 T1 customers attended, representing over 50% total T1 volume
- Purpose:
  - To share information related to Union's Large Volume Enersmart program and receive customer feedback
  - To receive customer input to assist our design of the 2013-2014 T1/T2/R100 Large Volume program
- Customer Feedback:
  - Strong value expressed for Union's technical resource expertise and assistance
  - Larger customers expressed an interest in more flexibility / larger incentives for larger projects
  - Some customers noted they would like the option to not participate in Union's DSM program
  - 2011 deferral charge indentified as an issue

R100 Customer Focus Group Meeting

- June 25th – 5 R100 customers attended, representing over 70% total R100 volume
- Purpose:
  - To share information related to Union's Large Volume Enersmart program and receive customer feedback
  - To receive customer input to assist design of the 2013-2014 Large Volume T1/T2/R100 program
- Customer Feedback:
  - Industrial customers generally valued the DSM program and would like it to continue while power generator customers found little value and would like their DSM costs reduced or eliminated
  - Industrial customers valued Union's energy efficiency technical expertise and sharing of current best in-class efficiency measures – with O&M cutbacks and reduced resources, Union's expertise has greater value today
  - Power customers expressed the view that their operating people are already doing energy efficiency work
  - Higher incentive levels and greater flexibility will drive higher levels of influence

One on One Customer Consultation

- Five meetings were held with customers representing over 60% of total T1 and R100 volumes
- Purpose:
  - To share key elements of the Large Volume T1/T2/R100 Program including the Direct Access concept and receive customer feedback
- Customer Feedback:
  - Overall favourable opinion regarding the Direct Access concept
    - Increased flexibility, transparency and higher level of predictability/certainty associated with available incentives were mentioned as positive features
    - Recognized as "going a long way toward reducing cross-subsidization" within the rate class
    - Ability to Opt-In to the Direct Access concept should be considered
    - August 1st pooled funding concept will create incentive for customers to take earlier action

Large Volume T1/T2/R100 Program Concept

Victoria Falvo - Manager, DSM Strategy

Large Volume T1/T2/R100 Program

- Union is proposing a new Direct Access concept
- Direct Access :
  - T2 customers
  - Rate 100 customers
- Aggregated Pool:
  - T1 customers (same as 2012 program)
- DSMVA rules remain as per DSM 2012 Settlement
  - Program Budget cap
  - $0.500 million rate class transfer
  - 15% Overspend Maximum of $0.786 M + 2013 inflation

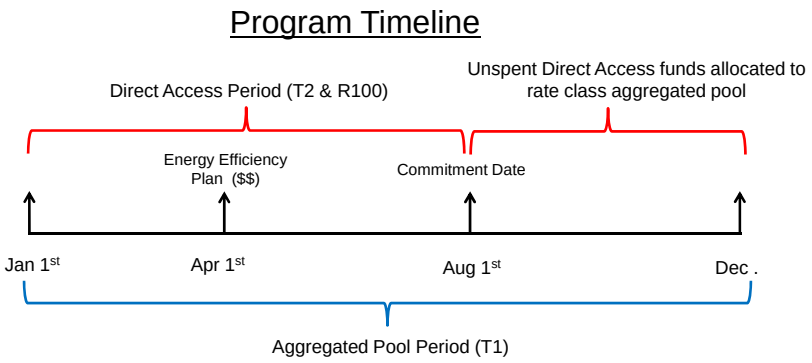
Direct Access Process – T2 & R100

- Between Jan 1st – Aug 1st
  - Customers have access to Direct Access funds for projects/studies
- Between Jan 1st – Apr 1st
  - Every customer to submit an energy efficiency plan
    - Plan developed with Union Gas' assistance
    - Help customers derive maximum value from the program
      - Identifies Direct Access funds available in year
      - Identifies potential projects, their timing & associated incentive funding
      - A roadmap to guide customers in the year and access their funds
  - Upon submission and review of energy efficiency plan with Union, customer receives an incentive
    - If customers choose not to submit an EE plan by April 1st, their incentive will be moved to the aggregated pool for other active participants.

Direct Access Process – T2 & R100 Example (cont.)

- After Aug 1st
  - Commitment date Aug 1st, afterwards Direct Access funds not spent or earmarked will be available to all customers in rate class as aggregated pool of funds
    - Earmarked defined as an intentional hold of a customer's direct access incentive funds prior to commitment date
    - Provides flexibility to customers for projects with Q4 implementation, by ensuring incentives will be available at the application stage
- One year program cycle (unspent funds disposed of in deferrals)

Direct Access and Aggregated Pool Timeline



Large Volume Program Costs

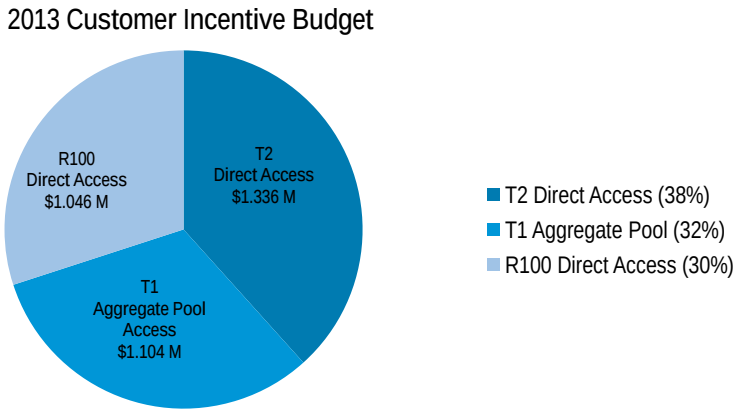
- The overall budget for the Large Volume program remains the same as the 2012 T1/R100 budget (inflation adjusted)

	Year		
	2012 ($000)	2013 ($000)	2014 ($000)
Large Volume Program Budget			
Large Volume Incentives/Promotion	$ 3,587	$ 3,587	$ 3,587
Large Volume Administration (e.g. engineering resources)	$ 907	$ 907	$ 907
Large Volume Evaluation	$ 40	$ 40	$ 40
Total Large Volume Program	$ 4,534	$ 4,534	$ 4,534
Cumulative Inflation @2.87%[1]	$ 130	$ 264	$ 402
Total Large Volume Program Budget Post-Inflation	$ 4,664	$ 4,797	$ 4,935

[1] 2.87% for 2013 and 2014 shown for presentation purposes only. Actual inflation rate will be based on the four quarter rolling average GDP-IPI inflation factor at Q2 of each year, released at the end of August.

- Maximum possible deferral will remain limited in the same manner as 2012 program
- Utility DSM Incentive at Target is $707K ($1.769 M maximum). Inflation will be added.

Budget Allocation By Rate Class



- After Aug. 1st non earmarked Direct Access funds will be available to all customers in T2 and R100 within each respective rate class

2013 Rate Impact Summary

2012 Values	T1	R100	Total
Volume (000 GJ) [1]	180,715	83,636	264,351
% Budget Allocation	70%	30%	100%
Total Program & Portfolio Costs ($000) [2]	$3,669	$1,572	$5,241
Program & Portfolio Cost ($/GJ)	**$0.020**	**$0.019**	
Low-Income Costs ($000) [2]	$645	$187	$832
100% 2012 DSM Incentive ($000) [2]	$506	$217	$723
Program, Portfolio, LI & DSM Incentive ($/GJ)	**$0.027**	**$0.024**	

[1] Board approved as per EB-2011-0025

[2] Board approved as per EB-2011-0327

2013 Proposed Values	T2	T1	R100	Total
Volume (000 GJ) [1]	173,977	20,691	71,441	266,109
% Budget Allocation [1]	38%	32%	30%	100%
Total Program & Portfolio Costs ($000) [2]	$2,067	$1,708	$1,618	$5,392
Program & Portfolio Cost ($/GJ)	**$0.012**	**$0.083**	**$0.023**	
Low-Income Costs ($000) [2]	$559	$105	$192	$855
100% 2013 DSM Incentive ($000) [2]	$279	$231	$218	$728
Program, Portfolio, LI & DSM Incentive ($/GJ)	**$0.017**	**$0.099**	**$0.028**	

[1] As proposed by Union as per EB-2011-0210

[2] Costs are displayed with an inflation rate of 2.87% for demonstration purposes. Actual 2013 Inflation will be based on the four quarter rolling average GDP-IPI inflation factor at Q2, released at the end of August 2012.

2013 Large Volume Scorecard

2013 Large Volume T1/T2/R100 Scorecard				
Metrics	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Direct Access T2 / R100 Cumulative Natural Gas Savings (m^3)	75% of Target	(2012 Post Audit T2/R100 Customer Incentive Cost Effectiveness) * ($2.383 M) * (60% Discount Factor)	125% of Target	20%
Direct Access T2/R100 Customer Incentive Percent of Budget Spent (%)	40%	50%	60%	20%
T1 Cumulative Natural Gas Savings (m^3)	75% of Target	(2012 Post Audit T1 Customer Incentive Cost Effectiveness) * ($1.104 M)	125% of Target	60%

Direct Access Cumulative Natural Gas Savings Metric

- Customer incentive cost effectiveness (m^3/$) calculation = [2012 cumulative m^3 for T2 & R100 customers / 2012 customer incentive spend T2 & R100 customers]

Direct Access T2/R100 Customer Incentive Percent of Budget Spent Metric

- Measures Union's ability to drive T2 & R100 customers to access their available funds and maximize each customers' value from DSM – for calculating the results for this metric value can not exceed 100% for an individual customer
- Calculated as the average of each T2 & R100 customer's [$ customer incentive spend / $ customer incentive budget included in rates]

2014 Large Industrial Scorecard

2014 Large Volume T1/T2/R100 Scorecard				
Metrics	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Direct Access T2 / R100 Cumulative Natural Gas Savings (m^3)	75% of Target	(2013 Post Audit T2/R100 Customer Incentive Cost Effectiveness) * ($2.383 M)	125% of Target	20%
Direct Access T2/R100 Customer Incentive Percent of Budget Spent (%)	2013 Post Audit Result (%)	2013 Post Audit Result (%) + 5%	2013 Post Audit Result (%) + 10%	20%
T1 Cumulative Natural Gas Savings (m^3)	75% of Target	(2013 Post Audit T1 Customer Incentive Cost Effectiveness) * ($1.104 M)	125% of Target	60%

Dibaji, Ehsan

From: Falvo, Victoria
Sent: August 21, 2012 6:32 PM
To: Falvo, Victoria; David.Butters@appro.org; Marion Fraser; Vincent J. DeRose; jgirvan@ca.inter.net; Andrew Mandyam; Judith Ramsay; John DeVenz; Daniel.Johnson@enbridge.com; rhiggin@econalysis.ca; drquinn@rogers.com; ian.mondrow@gowlings.com; Paul.Seaman@gowlings.com; jfstacey@interlog.com; Randy Aiken; jgibbons@pollutionprobe.org; Jay Shepherd; wmcnally@opsba.org; Judy Simon; normrubin.energyprobe@gmail.com; dpoch@eelaw.ca; Chris Neme; kai@web.ca; Takis Plagiannakos; michael.bell@ontarioenergyboard.ca; josh.wasylyk@ontarioenergyboard.ca; lenore.dougan@ontarioenergyboard.ca; DFrancis@suncor.com; jwolnik@elenchus.ca; DavidMacIntosh@nextcity.com; mbuonaguro@piac.ca
Cc: Kulperger, Leslie; Marentette, Todd; MacEacheron, Dave; Redford, Marian; Dibaji, Ehsan; Moore, Alison; Lynch, Tracy; Van Der Paelt, Sarah; Rumiel, Wally; Plotzke, Lutz
Subject: Intervenor Feedback Summary on Union's 2013-2014 Large Volume DSM Plan Proposal
Attachments: Summary of Intervenor Feedback from Aug 15 Consultative.pdf

Hello Everyone,

The attached table summarizes the feedback Union received at last Wednesday's Consultative meeting. Please advise if this accurately captures the feedback you provided or any changes/edits you feel are necessary by noon on Monday, August 27th. Similar to last year's plan filing, Union intends to include this summary in our 2013-2014 Large Volume application on August 31, 2012.

If you have any additional comments to add to the August 15th discussion, feel free to send them as well.

Thank you,
Victoria

Victoria Falvo, P.Eng.
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Summary of Feedback Received During Consultative Meeting Presentation

During Union's stakeholder Consultation Meeting on August 15, 2012, feedback was received and suggestions were made on Union's Plan proposal. The following summary lists the Stakeholder comments and feedback. It does not reflect stakeholder consensus.

Union Proposed	Stakeholder Comments & Feedback
Direct Access Budget Mechanism Timing Union proposed T2 and R100 customers would have access to their dedicated customer incentive budget until August 1 annually. After this date, all funds not spent or earmarked for energy efficiency initiatives in the year would be allocated to the rate class aggregate pool.	No concerns expressed with Direct Access concept for Rate T2 and Rate 100 customers, or continued Aggregate Pool funding for Rate T1 customers. Stakeholders suggested Union consider allowing Rate T2 and Rate 100 customers to receive customer incentive over multiple years for projects implemented over a multi-year timeframe to align spending with receipt of incentive funding. One stakeholder suggested Union consider allowing customers to trade customer incentive credits (i.e. customer 1 could provide customer 2 with their direct access customer incentive budget in return for customer 2 paying a portion of customer 1's associated DSM costs).
Direct Access Cumulative Natural Gas Savings Metric Union proposed cumulative natural gas savings targets based on a cost effectiveness formula for Direct Access T2/R100 (with the inclusion of a discount factor in 2013) and Aggregate Pool T1 customers respectively.	The majority of stakeholders who expressed an opinion noted they felt the discount rate was too high or not appropriate. Alternatively a stakeholder noted the program is going through a transition and the application of a discount rate makes sense for 2013. Some stakeholders noted the "Direct Access" and discount rate terminology of the scorecard required clarification.
Direct Access T2/R100 % of Budget Spent Metric Union proposed this metric with a 20% weighting in the scorecard. In 2013 the Lower Band Target was 40%, The Target was 50% and the Upper Band Target was 60%.	Concerns were expressed that achieving 100% of the Target for an average of 50% of each customer's % of direct access budget spent appeared low. Some stakeholders noted they did not feel this metric was required. As feedback from customers confirmed they would prefer a Direct Access budget mechanism, some stakeholders noted Union's program should achieve participation absent the metric. One stakeholder noted Union should consider a deep savings metric instead.

Filed: 2012-08-31
EB-2012-0337
Exhibit A
Tab 1
Appendix H

APPENDIX H- Summary of Feedback Received During Consultative Meeting Presentation and Union Decision / Adjustments Made to Plan

During Union's stakeholder Consultation Meeting August 15, 2012, feedback was received and suggestions were made on Union's Plan proposal. The following summary lists the Stakeholder comments and feedback, as well as Union's decision and any associated changes made to the Plan. While the summary does not reflect stakeholder consensus, it demonstrates the changes Union made to take stakeholder feedback into account.

Union Proposed	Stakeholder Comments & Feedback	Union Decision and Adjustments Made to Plan
Direct Access Budget Mechanism Timing Union proposed T2 and R100 customers would have access to their dedicated customer incentive budget until August 1 annually. After this date, all funds not spent or earmarked for energy efficiency initiatives in the year would be allocated to the rate class aggregate pool.	No concerns expressed with Direct Access concept for Rate T2 and Rate 100 customers, or continued Aggregate Pool funding for Rate T1 customers. Stakeholders suggested Union consider allowing Rate T2 and Rate 100 customers to receive customer incentive over multiple years for projects implemented over a multi-year timeframe to align spending with receipt of incentive funding. One stakeholder suggested Union consider allowing customers to trade customer incentive credits (i.e. customer 1 could provide customer 2 with their direct access customer incentive budget in return for customer 2 paying a portion of customer 1's associated DSM costs).	Union believes it is important for customers to have completed an energy efficiency initiative prior to receiving customer incentives to ensure the expenditures result in a completed project. Union also considers the Direct Access concept, and subsequent availability of any aggregate pool funds within the rate class, to provide adequate customer incentive flexibility for their facilities. Therefore Union is not proposing to provide incentive funding for projects prior to their completion. Union is not proposing to allow customers to trade customer incentive credits. Based on Union's experience, it is appropriate to drive all customers to conduct studies and project implementation on an ongoing basis to ensure energy enhancements are considered in each customer's decision making process. Trading of incentive credits between customers would also raise contractual and tracking issues requiring increased administration.
Direct Access Cumulative Natural Gas Savings Metric Union proposed cumulative natural gas savings targets based on a cost effectiveness formula for Direct Access T2/R100 (with the inclusion of a discount factor in 2013) and Aggregate Pool T1 customers respectively.	The majority of stakeholders who expressed an opinion noted they felt the discount rate was too high or not appropriate. Alternatively a stakeholder noted the program is going through a transition and the application of a discount rate makes sense for 2013. Some stakeholders noted the "Direct Access" and discount rate terminology of the scorecard required clarification.	In response to Stakeholder feedback, Union has reduced the discount factor from 40% to 30%. To ensure clarity for all parties, Union will adjust the terminology in its scorecard metrics from "Direct Access" to "Rate T2 / Rate 100" where applicable, and will adjust the formula in the scorecard from "Target * 70%" to "Target * (1 - 0.30)", referring to 30% as the discount rate. Union has also removed the 15% overspend eligibility for Rate T2 and Rate 100 customers, to provide greater rate certainty. Due to this change Union has adjusted the Upper Band target from 125% to 110% of Target.
Direct Access T2/R100 % of Budget Spent Metric Union proposed this metric with a 20% weighting in the scorecard. In 2013 the Lower Band Target was 40%, The Target was 50% and the Upper Band Target was 60%.	Concerns were expressed that achieving 100% of the Target for an average of 50% of each customer's % of direct access budget spent appeared low. Some stakeholders noted they did not feel this metric was required. As feedback from customers confirmed they would prefer a Direct Access budget mechanism, some stakeholders noted Union's program should achieve participation absent the metric. One stakeholder noted Union should consider a deep savings metric instead.	In response to stakeholder feedback, Union has substantially increased the target levels for this metric in 2013 to a Lower Band Target of 60%, a Target of 70% and an Upper Band Target of 80%. Union considers this metric very important to ensure broad participation in the program. It remains in the scorecard in Union's Plan to ensure Union is driven to minimize intra-rate class cross subsidization and target potential energy efficiency opportunities equally across all of its largest volume customers to minimize lost opportunities. Improving productivity and reducing the unit of energy per unit of output is a primary focus of Union's Large Volume program. Union works with the Large Volume customers on a continual basis as opposed to targeting them in any single year to derive maximum savings. A deep savings metric, which focuses on % of energy use saved in each program year, is therefore not an appropriate measurement metric for this program.