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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Your reference
EB-2012-0337

Our reference
01015413-0031

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Dear Ms. Walli:

Union Gas Limited – 2013-2014 Large Volume DSM Plan (EB-2012-0337)

Please find attached the information requests of APPrO for the above-noted proceeding.

Yours very truly,

Original signed by

John Beauchamp

JB/mnm

Attachment

cc: All Interested parties

DOCSTOR: 2534297\1

Union Gas 2013-2014 DSM Application

EB-2012-0337

Interrogatories from the Association of Power Producers of Ontario (APPrO)

Question 1

Reference: Exhibit A, Tab 1, Page 3 of 36
DSM Guidelines for Natural Gas Utilities dated June 30, 2011 (EB-2008-0346)
EB-2011-0210 Exhibit H1 Tab 1 T1/T2 Split

Preamble: Union references the OEB DSM Guidelines and notes that the OEB refers to customers in Rate 100 and T1 as Large Industrial and Union indicates that not all of the customers within these rate classes are industrial and has referred to them as 'Large Volume' customers. APPrO is interested in better understanding the nature of the customers contracting for distribution service under these rate categories.

a) Please provide a description/classification of the customer groupings that fit within these rate categories.
b) Please provide a table showing the following information for 2013
   - Number of customers within each of Rate 100 and T1 rate category by the description/classification noted in a)
   - The aggregate contract demand by description/classification for 2013 and 2014 and rate category
   - The forecasted annual consumption for 2013 and 2014 by description/classification and rate category
c) Assume that the OEB approves the new rate T2 category as applied for in EB-2011-0210; please redo the table in b) to reflect the 3 rate categories.

Question 2

Reference: Exhibit A, Tab 1, Section 1.1, page 5

Preamble: Union indicates that one of the comments received in the feedback session was: "Customers commented that they value Union's energy-efficiency focused engineering expertise, noting they do not want to lose access to this resource". APPrO wants to better understand this comment received.

a) Given that the T1 rate category includes small industrial customers with annual consumption from 5 $10^6 m^3$ [1] to large customers 635 $10^6 m^3$ [2]. Please indicate if this comment uniformly came from all sizes of customers or if it predominately came from smaller customers.
b) Please provide the number of in-house technical resources and the specific qualifications of these resources.

Question 3

Reference: Exhibit A, Tab 1, Section 1.1, page 6

Preamble: Union indicates: "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." APPrO would like to better understand the interests that are being balanced.

a) Please explain what balance was trying to be achieved.
b) For each of the parties noted in the above quote (Union, its customers and its stakeholders) please detail the interests of each party that has been taken into account and how the Plan as filed strikes the balance noted.

Question 4

Reference: Exhibit A, Tab 1, Section 1.2, page 7
EB-2008-0346

Preamble: Union indicates that "The Direct Access budget program is being introduced as a direct response to feedback received from Union's largest customers." APPrO would like to better understand this feedback.

a) Please confirm that the most if not all of Union's customers, that would be eligible for rate 100 and T2 rate classes, are represented by one of APPrO, IGUA or CME.
b) Please confirm that in Union's consultation sessions with customers that a number of large customers expressed a preference to not participate in Union's ratepayer funded DSM programs.

[1] Union Gas' Tariff current threshold volume for T1 contract rate eligibility. If the T2 rate category is approved the T1 rate eligibility threshold will decline to 2.5 $10^6 m^3$ per Exhibit A Tab 1, page 22.
[2] Exhibit A Tab 1, page 22

c) Please confirm that APPrO's feedback to Union on behalf of its members was to not require large volume customers participate in a ratepayer funded DSM programs.

d) Please confirm that in its submission to the Board in EB-2008-0346 dated 21 April 2011, IGUA s submission that ratepayer funded DSM programs for industrial customers should be discontinued.

e) Please confirm that CME in its written submission to the Board on 21 April 2011 in EB-2008-0346 stated:

> "*CME also has some members who operate very large industrial enterprises. These members would, for instance, be customers of Union's T1 or Rate 100 rate classes. CME is concerned about the appropriateness of affording competitive advantages to one large industrial over another through the receipt of utility funded custom projects. Many of these customers have resources and experience to undertake their own conservation activities. CME urges the Board to establish a process to fully assess whether gas DSM should continue to be offered and funded by the continuation of gas DSM for the largest industrial rate classes. Within this context, if the Board is inclined to continue to approve gas DSM for large industrial rate classes, then the Board should also consider the appropriateness of permitting large industrial customers to opt-out of funding and receiving DSM programs.*"

Question 5

Reference: Exhibit A, Tab 1, Section 1.2, page 8

Preamble: Union indicates that: "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."

a) Does Union believe that Union is in a better position than individual customers to evaluate and ration the scarce resources it has available to meet such customer's competitive needs? Explain.

Question 6

Reference: Exhibit A, Tab 1, Section 1.2, page 8

Preamble: Union indicates that:

"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".

APPrO would like to better understand this position.

a) Please provide the basis for this statement.
b) Please explain the underlying assumptions used to make this statement.
c) Please provide the total number of the new Clean Energy Supply (CES) plants that are situated in Union's Southern franchise region.
d) Is it Union's view that new state of the art CES plants require significant energy efficiency programs?

Question 7

Reference: Exhibit A, Tab 1, Section 1.2, pages 9 - 12

Preamble: Union indicates that:
"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."

APPrO would better understand these percentages.

a) Please confirm that based on the above noted percentages, the balance of the costs of the DSM programs or 26% of the DSM budget goes to administration and overheads or other costs not directly related to implementation of energy-efficiency projects.
b) Please confirm that these percentages exclude the Union incentive payments that would be paid for by customers in the event that Union met the necessary scorecard targets.
c) Union indicates that the 15% of the budget ($6.209 m[3]) or $931,000 is for Technical Resources and is directly involved in energy-efficiency projects. Table 2 indicates that the Technical Resources budget is $907,000 and adjusted for inflation for 2012 and 2013 (2.87% and 2.25% respectively) suggests that the Technical Resource budget is $954,000. Please confirm that 97.5% of the Technical Resources are directly involved in energy implementation projects and only 2.5% is involved in administration, program evaluation, program promotion

[3] Exhibit A Tab 1 page 9 line 11

supervision or other activities that are not directly involved implementation of energy-efficiency programs. If not confirmed, please indicate what percentage of the technical resources are related to administration, program evaluation, program promotion or other activities not directly related to implementation of energy-efficiency programs.

d) Please recalculate the percentage of the 'DSM amount' that is directly allocated to supporting energy-efficiency projects if the incentive payments are included in the calculation assuming 100% payout.

Question 8

Reference: Exhibit A, Tab 1, Section 2, pages 14 and 35

Preamble: Union indicates that it has the ability to overspend the DSM budget for T1 by 15%, but not Rate T2 or Rate 100. It also states that if the new T2 budget category is not approved, then it will restore the 15% overspend for all rate categories.

a) Please indicate what amount is being increased by 15% to provide a greater DSM funds under both the situation where T2 is approved and where it is not approved.
b) Why is this 15% amount required?
c) To the extent that it is required, please explain why this should not also result in a corresponding reduction in the following year's DSM budget for such rate category?
d) How will the overspending be recovered from customers? Assuming that Union does overspend by the 15% and the rate T2 category is not approved, what will be the additional cost that a large volume customer using 10 PJ of gas will incur as a result of this overspend flexibility.

Question 9

Reference: Exhibit A, Tab 1, Section 2, pages 14

Preamble: Union indicates that it wishes to have the sole discretion to transfer up to $0.5 m of funds to rate T1, T2 or Rate 100.

a) Why does Union require this sole discretion?
b) Should underspending in one rate class category not just be credited to the deferral accounts for such rate class and be crediting to such customers?
c) What criteria will Union use to decide whether to transfer the funds?

d) Who will pay for this overspending? What is the impact to each of the above 3 rate categories if the amount is transferred to that rate class?
e) How will the additional funds be collected from customers in the rate class receiving the funds?
f) How will the funds be returned to those customers in the rate class where the funds are being sourced?

Question 10

Reference: Exhibit A, Tab 1, Section 3, page 16

Preamble: The scorecard metric for cumulative natural gas savings is based on the total natural gas saved for all projects over their useful life net of adjustment factors such as free ridership and spillover.

a) Please specify how the measured life of a project is determined for each type of DSM program element.
b) It is understood that a free rider is a program participant who would have installed a measure on his or her own even without the program and spillover effects relate to customers that adopt energy efficiency measures because they are influenced by a utilities program-related information and marketing efforts.[4] Please indicate specifically how the effects of free ridership and spillover are identified and measured.
c) In the event that customers have regular in-house energy management programs independent of the utility DSM program, how is this taken into account in determining the measured life of a project? For example if the life of a maintenance project is 10 years and if the company on its own initiative would have implemented the program in 4 years but it is accelerated because of the program incentives, how are the cumulative m^3 savings measured in such case?
d) It is understood that if the T2 rate category is not approved, then Union maintains the ability to overspend the entire T1 budget by 15%. What changes to the scorecard metrics does Union propose to deal with this event?
e) Please provide a copy of the latest DSM audit.

Question 11

Reference: Exhibit A, Tab 1, Section 6, pages 24

[4] Section 7.1 of the Guidelines

Preamble: Union indicates that customers will be provided a wide variety of material aimed at building an increased awareness of energy-efficiency and benefits.

a) For large energy intensive customers such as gas-fired generators, is Union of the view that the potential for higher profits is insufficient for customers to be aware of the potential for energy efficiency?
b) Given that Union has a number of brand new state-of-the-art combined cycle generators situated in its franchise, what specific material has Union developed that would assist these customers? Please provide copies of these materials.

Question 12

Reference: Exhibit A, Tab 1, Section 6.5, pages 26

Preamble: Union states that: **"**Energy use is typically not considered a core production management system metric as energy is widely viewed as a "cost of doing business"."

a) Please confirm that gas-fired generators consume tens of millions of dollars of natural gas each year.
b) Please confirm that any company that consumes this amount of gas, that energy management is central to their operation. If not confirmed please explain.
c) Please provide a detailed list of the programs in Union's full suite of offerings for these large state-of-the-art gas-fired generator customers.

Question 13

Reference: Exhibit A, Tab 1, Section 7, pages 31

Preamble: Union states that offering an opt-out program violates the well-established principles of rate class rate making

a) Please confirm that section 8.2 of the OEB Guidelines did not mandate that Union was required to offer large volume customers any DSM programs, and that Union has voluntarily decided to offer large volume customers these services.
b) In light of the feedback received from many individual customers and the feedback from the various associations representing customer groups opposing the DSM program, please explain why Union continues to propose a DSM program for each of T1, T2 and Rate 100 rate classes.

c) Is there anything preventing Union from establishing a non-regulated affiliate to offer large volume customers energy efficiency programs on a “for-profit basis” and removing the cost of the DSM program from its distribution rates?

Question 14

Reference: Exhibit A, Tab 1, Appendix A

Preamble: Union provides information on Self-Directed or Opt-Out Programs

a) Please indicate if the survey results were based on an ‘internet’ or third party review of available material or if Union conducted a first-hand review all of these jurisdictions or companies.
b) Please provide a list of all of the Canadian and US companies or jurisdictions that were specifically surveyed.
c) For the companies or jurisdictions that were surveyed, please indicate which companies or jurisdictions excluded DSM programs for one or more of their large volume rate classes.
d) In the study performed by Union (Chart A), Union points out that the states of Vermont, Wyoming, Kentucky, Missouri, Ohio, North Carolina, South Carolina, Texas and Virginia all have some form of DSM Opt-Out program. Did Union review the regulatory programs of these jurisdictions and/or speak with the companies offering these opt-out programs? If so please explain how these 9 jurisdictions are able to offer these programs in light of the concerns that Union expressed about rate class ratemaking?
e) For each of the companies or jurisdictions that offered a self-directed DSM program please provide the net percentage of the funds that were directly available to customers for self-directed DSM programs as a percentage of the total DSM costs paid by ratepayers within the applicable rate class. The total funds paid by ratepayers should include all program overheads, incentive payments to the utilities to offer such programs or other costs not directly involved in delivering energy-efficiency programs.

Question15

Reference: Exhibit A, Tab 1, Appendix B

Preamble: Union provides some of the program incentives on slide 8. APPrO would like to better understand these incentives proposed.

a) For customers that would typically be eligible for Rate 100 or T2, and for each of the 10 program elements shown on slide 8, please provide the average cost of implementing these program elements (where reasonably possible) and show the total cost of implementing the program, incentive amount provided by Union, the amount that the customer would fund on its own and the percentage funded directly by each of Union through ratepayer funded DSM and the percentage funded directly by the customer.