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Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited
Application for 2013 Disposition of Demand Side Management Deferral and
Variance Accounts
Board File No. EB-2014-0273**

Please find attached interrogatories filed on behalf of the Association of Power Producers of Ontario ("APPRO") in the above-referenced proceeding. Interrogatories relating to confidential information have been prepared separately and attached as Appendix A.

Please do not hesitate to contact me should you have any questions or concerns.

Sincerely,

Lisa (Elisabeth) DeMarco

CC: Vanessa Innis (Union Gas Limited)
Alexander Smith (Torys LLP)
David Butters (APPRO)
John Wolnik (Elenchus Research Associates Inc)

Encl.

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 for an
order or orders clearing certain non-commodity related deferral
accounts;

EB-2014-0273

Interrogatories From

The Association of Power Producers of Ontario (APPrO)

February 25, 2015

Question: 1

Reference:

- i. Exhibit B Tab 1 section 6.1 page 67

The new program includes a shift in the customer incentive budget process for Rate T2/R100 customers to a new Direct Access budget mechanism. In lieu of an aggregate pool approach, at the beginning of the year these customers each have direct access to the full customer incentive budget they pay in rates.

Customers must use these funds to identify and implement energy efficiency projects, or lose the funds which will consequently become available for use by other customers in the same rate class.

- ii. Exhibit A Tab 2 page 9

Union's 2013 Auditor, Evergreen Economics, stated in the Auditor's Report that "going through the sample of evaluated projects and removing savings for those projects that might be considered free riders would result in an over-correction for free ridership, as a free ridership adjustment is already being applied to the entire sample of projects. Since the free ridership adjustment is being applied to the entire group, no additional project level adjustment is needed." [Emphasis added]

- iii. EB-2013-0109 March 27, 2014 Decision at page 39, the Board said

The Board considers it reasonable to expect that at least a minimal level of scrutiny of the value of incentive investments would occur even though there is a free ridership rate applied to the portfolio overall. The investment in DSM should not occur when it is apparent that the implementation of a proposed project is not being influenced by the DSM incentive contribution. In other words, investments should not knowingly be made in free riders. The Board does not consider Union's approach to its large industrial custom DSM projects to be sufficient in this respect. [Emphasis added.]

- iv. Exhibit B Tab 2 page i

We conducted our audit in accordance with the rules and principles set down by the Ontario Energy Board in the DSM Guidelines for Natural Gas Utilities (EB-2008-0346).

Preamble:

The Board approved Union's Direct Access program in EB-2012-0337, but subsequently provided further direction to Union that "investments should not knowingly be made to free riders". Evergreen seems to think that the Board was wrong and this adjustment would result in an over-correction for free riders. APPrO would like to understand both Union's position on the Board's decision as well as Evergreen's position. APPrO would also like to understand what, if any, changes were made to the administration of the DSM

program as a result of this Board decision by Union and also how Evergreen took this into account in their audit.

The following questions are directed to Union:

- a) What specific changes did Union make in how it managed its 2014 DSM Direct Access program to reflect the Board's EB-2013-0109 Decision referenced in Reference (iii), above?
- b) In the initial stages of discussion with customers about the potential for funding a DSM initiative, how and when does Union make the determination whether or not the energy efficiency measure is additional to business as usual, i.e. would have been completed or not without the DSM funding?
- c) Does Union make this determination noted in b) above in each and every case prior to funding?
- d) Please provide a table including all of the DSM projects discussed with Direct Access customers in 2014 (after the March 27, 2014 Decision) where DSM funding was considered or requested by customers but rejected by Union as Union considered these to be free riders and therefore not eligible pursuant to EB-2013-0109, and the project description.
- e) To which auditor did Union assign the responsibility of ensuring compliance with the Board's direction in Reference (iii)?

Unless otherwise specified, the following questions are directed to the appropriate auditor responsible for compliance with the Board's direction in Reference (iii) above and, in the event that this responsibility was not specifically assigned to an auditor, then these questions should be answered by Evergreen:

- f) Please explain the auditor's understanding of the Board's Decision in EB-2013-0109 as provided in Reference (iii) as it relates to a customer that would have undertaken the DSM work independent of the DSM funding.
- g) In Reference (iv) Evergreen notes that it conducted its audit pursuant to EB-2008-0346. Please explain in detail how it incorporated the Board's Decision in Reference (iii).
- h) For each Direct Access project audited by Evergreen, please describe how the auditor determined if Union exercised the appropriate scrutiny to determine if: (i) the customer was a free rider; and (ii) the project was additional to business as usual activity.
- i) Please provide the number of DSM projects that were determined ineligible to receive DSM funding by the auditor as a result of the audit and subsequently rejected eligibility. Please provide a table including each of these projects (names redacted) and provide:
 - i. a brief description of each project;
 - ii. the rationale for each project rejected; and
 - iii. the amount of DSM funding that had been provided to the customer.

APPENDIX A

[This Appendix has been confidentially filed with the Board and Applicant]