

EB-2015-0029/0049

Ontario Energy Board

Union Gas Limited/Enbridge Gas Distribution

2015-2020 DSM Multi-year Plans

Union Gas Limited
Union Compendium for Synapse Panel

September 2, 2015

UNION COMPENDIUM FOR SYNAPSE PANEL

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Tab 1

6. Union should consider including a scorecard for the Large Volume program to ensure that the costs for that program are appropriately spent.

6.3. Performance Incentive Target Adjustments

6.3.1 Enbridge's Proposed Target Adjustment Factor

Enbridge proposes to adopt a target adjustment factor (TAF) that would adjust its savings targets as input assumptions change over time in response to evaluations and audit processes. Enbridge explains that the purpose of the TAF is to ensure that targets, and subsequent shareholder incentives, are fair and predictable for both ratepayers and shareholders. Enbridge proposes to apply the TAF to each cumulative cubic meter (CCM) metric to determine its actual savings targets, based on the variance in CCM that can be attributed to changes in input assumptions (Enbridge Gas Distribution 2015b, Exh. B, Tab 1, Sch. 4, pp. 40-41).

Specifically the TAF is calculated as follows:

$$\text{TAF} = \left(\frac{\text{CCM Based on Input Assumptions and Adjustment Factors at Time of Audit} - \text{CCM Based on Input Assumptions and Adjustment Factors at Time of Filing}}{\text{CCM Based on Input Assumptions and Adjustment Factors at Time of Filing}} \right)$$

6.3.2 Union's Proposed Formulaic Target Setting Mechanism

Union proposes that the 2017 through 2020 metric targets be based on a formulaic target setting mechanism that adjusts a year's targets based on the previous year's performance. Union explains that this approach provides flexibility for the targets to reflect the best available information and most recent experience at the time the targets are set. More specifically, Union will determine the cumulative natural gas savings targets for each year by multiplying that year's budget by the prior year's post-audit cost of saved energy or cost per participant (depending on the scorecard metric). For some scorecards, Union proposes a percentage increase in targets each year to further incent the utility to deliver programs cost-effectively (Union Gas Limited, 2015a, Exh. A, Tab 3, pp. 22-23).

Union offers the following illustrative example to demonstrate how this mechanism will work:

For illustrative purposes, if Union's 2016 post-audit achievement [by the Resource Acquisition program] is 1,109,631,656 m³ while spending \$30.8 million dollars (promotion and incentive spend) to achieve those results, the yield would be 36.0 m³ per dollar spent. To calculate the 2017 target, the 2016 post audit yield (36.0 m³/\$) will be multiplied by the 2017 Resource Acquisition promotion and incentive budget (\$34.2 million) and 1.02 to equal a target of 1,255,189,380 m³. The Lower Band will be 941,392,035 m³ (75% of 1,255,189,380 m³) and the Upper Band will be 1,568,986,725 m³ (125% of 1,255,189,380 m³). (Union Gas Limited, 2015a, Exh. A, Tab 3, p. 23).

This method will apply to all scorecards, except the Market Transformation scorecard which will be phased out in 2016, and will be adjusted according to whether the metric's units are in terms of savings or in terms of participants.

Note that Union applied this same methodology to establish their Resource Acquisition targets in their 2012-2014 program (EB-2011-0327).

6.3.3 Appropriateness of Shareholder Incentive Adjustment Mechanisms

The utilities propose different mechanisms to adjust their annual shareholder incentives to avoid the risk associated with updates to input assumptions. As discussed in more detail in Section 9.2 below, it is a best practice to limit the impact that evaluation studies can have on the shareholder incentive a utility achieves. However, it is also important to maintain precedent where policy decisions have already been determined.

In Massachusetts, the program administrators revise their performance incentive rates (i.e., the incentive dollar earned for each dollar benefit or net benefit achieved) only for updates to avoided costs. Avoided costs are seen as beyond the utilities' control, and therefore they should not be penalized for applying such updated information. However, the program administrators do not update the incentive rates to account for program implementation or other evaluation impacts that effect savings during the course of a three-year plan. The mechanism used in Massachusetts does not change the overall pool of performance incentives available to the program administrators.

Beyond this treatment in Massachusetts, we are unaware of other jurisdictions where shareholder incentives are adjusted by this type of mechanism. As discussed in more detail in Chapter 8.1, some jurisdictions will adjust the amount of shareholder incentives awarded at the completion of a year to account for adjustments to input assumptions. However, it is much less common to adjust the shareholder incentive targets against which a utility's actual performance will be compared.

The Board should reject both Enbridge's and Union's proposed adjustment mechanisms because the overall five-year savings goal targets that the utilities are required to achieve should not be adjusted during the course of the plan. Such an approach encourages the utilities to reach their initial goals more creatively should evaluation impacts decrease claimed savings for current measures. If evaluation study results reduce the amount of savings the utilities can claim from certain measures, then the utilities will need to investigate new measures, increase marketing for other measures, or implement other strategies that results in greater savings. Therefore, it is important the initial goals (and therefore shareholder incentive targets) established during this planning process are appropriately aggressive to ensure the utilities remain motivated to achieve savings throughout the plan term.

Note that Union's proposed approach is particularly problematic because it accounts not only for input assumption updates, but also changes in implementation. It also proposes annual target updates. Accounting for implementation changes and updating the performance incentive annually removes the benefits of applying a multi-year plan. Through a multi-year plan, a utility has the flexibility to achieve

the overall multi-year goal at a pace that is suitable for its service territory, customers, and energy markets, which may not be the same pace every year.

6.3.4 Recommendations

1. The Board should reject both Enbridge's and Union's proposed shareholder incentive target adjustment mechanisms because the overall five-year savings goal targets that the utilities are required to achieve should not be adjusted during the course of the plan.
2. The Board should thoroughly investigate whether the initial goals (and therefore shareholder incentive targets) established during this planning process are challenging to achieve to ensure the utilities remain motivated to reach greater savings throughout the plan term.

6.4. Pay-for-Performance

The Framework encourages a pay-for-performance type of a structure for pilot programs (Ontario Energy Board, 2014a, p. 24). Such a mechanism combines a utility's cost recovery and shareholder incentive amounts into one standard rate for all cubic meters of natural gas saved ($\$/m^3$). Both Enbridge and Union indicate that they are investigating a pay-for-performance mechanism as part of their plans (Enbridge Gas Distribution 2015b, Exh. B, Tab 1, Sch. 2, p. 9; Union Gas Limited, 2015a, Exh. A, Tab 3, p. 65).

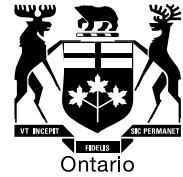
Union expects that it will examine the associated strengths, risks, impacts, and limitations of a pay-for-performance mechanism. It will do an in-depth quantitative analysis of Union's programs to determine which programs are conducive to such a mechanism. If Union deems a pay-for-performance mechanism appropriate, it will propose it to the Board for approval during the mid-term review. (Union Gas Limited, 2015a, Exh. A, Tab 3, p. 65).

Our research indicates that there have been very few pay-for-performance mechanisms implemented in other jurisdictions. Such an approach could result in programs that "cream skim," meaning they focus on implementing measures that have the lowest costs with the highest savings potential. This could happen if the rate is set such that the utility receives a flat amount for cost recovery and performance incentives. The utility will likely aim to keep costs as low as possible, so that they can keep the remaining revenue from the established rate as a performance incentive.

We suggest that the Board review Union's analysis on this issue during the mid-term review to assess whether a pay-for-performance mechanism is appropriate for use in Ontario. We caution that the proposed shareholder incentive mechanisms may be a better use of ratepayer funding to incent the utilities to deliver successful programs.

**Ontario Energy
Board**

**Commission de l'Énergie
de l'Ontario**



EB-2006-0021

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

AND IN THE MATTER OF a generic proceeding initiated by the Ontario Energy Board to address a number of current and common issues related to demand side management activities for natural gas utilities.

BEFORE: Pamela Nowina
Presiding Member and Vice Chair

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION WITH REASONS

August 25, 2006

DECISION WITH REASONS

The Board is satisfied that the Financial Package proposal reaches an appropriate balance between increasing DSM budgets and approving budgets which can be spent in a cost effective manner. Both Pollution Probe and GEC argued in favour of much higher budgets; however, the Board is not convinced that the utilities could currently spend these amounts cost-effectively.

Should there be plan targets and if so, should they be volumetric or based on TRC values? (Issue 1.4)

The Financial Package agreement makes the following proposal:

“Parties to this partial settlement further agree that there will be an annual TRC target. The parties agree to phase in a formula over the next three years which will set this target, as described below, by averaging the Utility’s actual audited TRC results over the previous three years and applying to this figure an escalation factor equal to 1.5 times the amount by which the utility’s budget is increased. The parties agree to phase in the aforementioned formula over the next three years beginning with an agreed upon target for each utility in 2007 which, for Union will be \$188 million and for EGD \$150 million.

Furthermore, the parties agree that, in the event the avoided costs used by the utility are, at a later date, updated, the actual audited results from previous years used to calculate the target will be adjusted to reflect these updated avoided costs.

Finally, and for greater certainty (and as an example), set out below is the formula by which the target will be set for Union, with 2010 provided for illustrative purposes only:

- 2007 - \$188 million.
- 2008 - The simple average of \$188 million and the actual 2007 audited TRC value as approved by the Board increased by 1.5 times the budget escalation factor (ie. 15%).

DECISION WITH REASONS

- 2009 - The simple average of \$188 million and the actual 2007 and 2008 audited TRC values as approved by the Board increased by 1.5 times the budget escalation factor (ie. 15%).
- 2010 - The simple average of the previous three years actual audited TRC values as approved by the Board increased by 1.5 times the budget escalation factor (ie. 15%).

For EGD, the formula by which the target will be set is as follows, with 2010 provided for illustrative purposes only:

- 2007 - \$150 million
- 2008 - The simple average of \$150 million and the actual 2007 audited TRC value as approved by the Board increased by 1.5 times the budget escalation factor (ie. 7.5%).
- 2009 - The simple average of \$150 million and the actual 2007 and 2008 audited TRC values as approved by the Board increased by 1.5 times the budget escalation factor (ie. 7.5%).
- 2010 - The simple average of the previous three years actual audited TRC values as approved by the Board increased by 1.5 times the budget escalation factor (ie. 7.5%).

The “actual audited TRC values” shall be the total TRC produced for the year in question as determined by the audit in the following year. In setting the target for 2009 and subsequent years, the actual audited TRC value for the immediately preceding year, but not for the prior two years used in the average, will be adjusted to reflect any changes in input assumptions determined in the audit to apply to that year for LRAM purposes. By way of example, if a free rider rate is increased in the 2009 audit carried out in the first half of 2010, under the partial settlement that change would normally apply to SSM for the years 2010 and thereafter, but to LRAM for 2009 as well. In calculating the target for 2010, the three year average will use the TRC values otherwise determined for 2007 and 2008, but for 2009 will use the audited TRC values, adjusted for that change in free rider rate identified in the audit.”

DECISION WITH REASONS

The Board is satisfied that the Financial Package proposal sets reasonable TRC targets for the utilities. The Board notes that the formula used to derive the targets in years two and three of the plan is self adjusting to account for actual performance in the previous year. The Board finds this formula to be preferable to setting the targets for all three years in advance.

The Board notes that the target for Union in year one of the plan will actually be lower than its Board approved target for 2006. The Board heard evidence from Union that the TRC target for 2006 had been set at a level that it will not attain. Union indicated that according to its current projections for 2006, the company will likely achieve TRC savings in the range of \$170 million (on a target of \$216 million). The Board accepts Union's evidence in this regard, and finds that a target of \$188 million in year one of the three-year plan is reasonable.

On what basis should the DSM program spending be targeted amongst customer classes? (Issue 1.7)

The Financial Package agreement makes the following proposal:

“Parties acknowledge that EGD's and Union's rate classes and customer needs are not identical, and hence it is not appropriate to restrict spending based on a rigid formulaic approach by rate class. The Utilities acknowledge and accept the principle that their portfolio of DSM programs should provide customers in all rate classes and sectors with equitable access to DSM program(s) to the extent reasonable, and that this principle must be balanced and consistent with the principle of optimizing cost-effective DSM opportunities. To the extent that a proposed multi-year plan proposes DSM sector (ie. residential, commercial, or industrial) level spending that is significantly different than the historical percentage levels of spending in those sectors, the utility will provide its explanation for this in its proposed multi-year plan. Parties may challenge any such

EB-2011-0327

UNION GAS LIMITED

SETTLEMENT AGREEMENT

January 31, 2012

“Stakeholder Engagement Agreement”) with stakeholders covering the period 2012 through 2014. For Union, the Stakeholder Engagement Agreement was filed with the Board for its consideration and approval on November 10, 2011, and is incorporated into this Agreement at Appendix B.

6/ RESOURCE ACQUISITION PROGRAM

(Partial Settlement)

Evidence Reference: A/p.19; A/p.24; A/Ap.A/p.15-17; A/Ap.A/p.36; B1.1; B1.7; B1.8; B4.9; B6.5; B6.13; B9.1; B9.3; B10.1; B11.10; B11.11; B11.18

The Participating Parties, except Pollution Probe, agree to a program budget of \$14.022 million for 2012 – 2014 related to Union’s Resource Acquisition programming. The budget of \$14.022 million includes program-specific evaluation, administration and overhead costs, but excludes inflation, general evaluation and research costs, and allocated overheads.

Parties acknowledge that if the Board finds that the increase in the DSM incentive related to the additional Low-income budget should not be approved and, as a result, Union reduces its Low-income budget to align with the lower incentive, the allocation of overheads will change.

Subject to the Board’s findings on Section 3 of this Agreement, the maximum incentive for the Resource Acquisition Scorecard in 2012 is 53.5% (\$14.022 million/\$26.233 million) of the maximum incentive of \$10.450 million. This equates to a maximum incentive of \$5.588 million for the Resource Acquisition scorecard.

Subject to the Board's findings on Section 3 of this Agreement, the maximum incentive for the Resource Acquisition Scorecard in 2013 and 2014 is 52.4% (\$14.022 million /\$26.773 million) of the maximum incentive of \$10.450 million. This equates to a maximum incentive of \$5.473 million for the Resource Acquisition scorecard.

Parties, except Pollution Probe, agree to the following Resource Acquisition scorecards for each of years 2012, 2013 and 2014.

The scorecard targets contained in this agreement supersede Union's DSM Plan Exhibit A, Table 4.

2012 Resource Acquisition Scorecard				
Metrics	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Cumulative Natural Gas Savings (m3)	619,500,000	826,000,000	1,032,500,000	90%
Deep Savings - Residential (homes)	120	160	200	5%
Deep Savings - Commercial/Industrial (% of baseline consumption)	4.00%	5.00%	6.00%	5%

2013 Resource Acquisition Scorecard				
Metrics	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Cumulative Natural Gas Savings (m3)	75% of Target	2012 Post-Audit Scorecard Cost Effectiveness (m3 per Promotion and Incentive Dollar Spent) times \$10.684M times 1.02	125% of Target	90%
Deep Savings - Residential (homes) ⁽¹⁾	2013 Target minus 50 homes	2012 Actual times 1.25	2013 Target plus 50 homes	5%
Deep Savings - Commercial/Industrial (% of baseline consumption)	The higher of: i) 2012 Actual ii) 4.5%	The higher of: i) 2012 Actual + 1% ii) 5.5%	The higher of: i) 2012 Actual + 2% ii) 6.5%	5%

⁽¹⁾ In the event the calculated 2013 Target (2012 Actual times 1.25) is lower than the 2012 Target (160 homes), the 2013 Metric Target Levels will become the 2012 targets (Lower Band: 120, Target:160, Upper Band: 200)

2014 Resource Acquisition Scorecard				
Metrics	Metric Target Levels			Weight
	Lower Band	Target	Upper Band	
Cumulative Natural Gas Savings (m3)	75% of Target	2013 Post-Audit Scorecard Cost Effectiveness (m3 per Promotion and Incentive Dollar Spent) times \$10.684M times 1.02	125% of Target	90%
Deep Savings - Residential (homes) ⁽¹⁾	2014 Target minus 50 homes	2013 Actual times 1.25	2014 Target plus 50 homes	5%
Deep Savings - Commercial/Industrial (% of baseline consumption)	The higher of: i) 2013 Actual ii) 4.5%	The higher of: i) 2013 Actual + 1% ii) 5.5%	The higher of: i) 2013 Actual + 2% ii) 6.5%	5%

⁽¹⁾ In the event the calculated 2014 Target (2013 Actual times 1.25) is lower than the 2012 Target (160 homes), the 2014 Metric Target Levels will become the 2012 targets (Lower Band: 120, Target:160, Upper Band: 200)

For 2013 and 2014, the cumulative natural gas savings target will be determined by multiplying the previous year's Resource Acquisition Scorecard post-audit cost effectiveness (m³ per promotion and incentive dollar spent) by \$10.684 million (the current year's Resource Acquisition promotion and incentive budget prior to inflation). The result of the calculation will be further multiplied by 1.02 to arrive at the final cumulative natural gas savings targets for the year in question. For example, if in 2012 Union achieves 875,000,000 m³s (post-audit) on the cumulative natural gas savings metric and spent \$10.9 million in promotion and incentive costs within Resource Acquisition programs, the cost effectiveness would be 80.3 m³ per promotion and incentive dollar spent (875 million m³ divided by \$10.9 million). The 2012 cost effectiveness (80.3 m³/\$) would then be multiplied by the 2013 Resource Acquisition promotion and incentive budget of \$10.684 million (2013 Residential promotion and incentive budget plus 2013 Commercial/Industrial promotion and incentive budget, as per Table 1), results in a 2013 pre-adjusted cumulative natural gas savings of 857,925,200 m³. The 2013 pre-adjusted cumulative natural gas savings of 857,925,200 m³ is further increased by 2% for a final 2013 cumulative

natural gas savings target of 875,083,703 m³. The Lower Band would be 656,312,778 m³ (75% of 875,083,703 m³) and the Upper Band would be 1,093,854,629 m³ (125% of 875,083,703 m³).

For 2013 and 2014, the Deep Savings – Residential Target will be determined by taking the previous year's Deep Savings – Residential result and multiplying it by 1.25. If by using this methodology the 2013 and/or 2014 Target is lower than the 2012 Target, then the Target, Lower Band, and Upper Band, will revert to the 2012 Target, Lower Band, and Upper Band. For example:

- a) If in 2012 Union achieves 180 homes on the Deep Savings – Residential Metric, the 2013 Target would be 225 homes (180 homes multiplied by 1.25). The Lower Band would be 175 homes (225 homes minus 50 homes) and the Upper Band would be 275 homes (225 homes plus 50 homes).
- b) If in 2012 Union achieves 120 homes on the Deep Savings – Residential Metric, the calculated 2013 Target would be below the 2012 Target (120 homes multiplied by 1.25 is 150 homes; 10 homes fewer than the 2012 Target of 160 homes). In this example, the 2013 Target, Lower Band, and Upper Band, would revert to the 2012 levels of 160 homes at the Target, 120 homes at the Lower Band, and 200 homes at the Upper Band.

For 2013 and 2014, the Deep Savings – Commercial/Industrial Target will be determined by taking the previous year's Deep Savings – Commercial/Industrial result and adding 1%. If by using this methodology the Target is less than 5.5%, then the Target will be 5.5%. The Lower Band will be the previous year's Deep Savings – Commercial/Industrial result. If the previous year's result is less than 4.5%, then the Lower Band will be 4.5%. The Upper Band will be

determined by taking the previous year's Deep Savings – Commercial/Industrial result and adding 2%. If by using this methodology the Upper Band is less than 6.5%, then the Upper Band will be 6.5%. For example:

- a) If in 2012 Union achieves 5.2% on the Deep Savings – Commercial/Industrial Metric, the 2013 Target would be 6.2% (5.2% plus 1%). The Lower Band would be 5.2% and the Upper Band would be 7.2% (5.2% plus 2%).
- b) If in 2012 Union achieves 4.3% on the Deep Savings – Commercial/Industrial Metric, the calculated 2013 Target would be below 5.5% (4.3% plus 1% is 5.3%). In this example, the 2013 Target would be 5.5%, the Lower Band would be 4.5% (since the 2012 result is only 4.3%), and the Upper Band would be 6.5% (since the 2012 result plus 2% would only be 6.3%).

With respect to Union's Resource Acquisition plan, parties, except Pollution Probe, further agree that:

1. Union will move the Integrated Energy Management Systems ("IEMS") initiative from the Market Transformation scorecard to the Resource Acquisition scorecard. The budget associated with IEMS is \$0.600 million. There are no cubic meters savings associated with the IEMS budget. The Participating Parties further agree that, at Union's sole discretion, Union may use the IEMS budget for other programs or activities. In the event that Union uses IEMS funds for other programs, the cumulative cubic meter scorecard figures for Resource Acquisition in 2012, including (lower band, target, and upper band, shall increase

Ontario Energy Board



EB-2014-0134

Report of the Board

**Demand Side Management Framework for
Natural Gas Distributors (2015-2020)**

December 22, 2014

strategy, consult with stakeholders and prepare a meaningful multi-year DSM plan for the Board to consider. The Board provides guidance below regarding the timelines related to the development and filing of the gas utilities' new multi-year DSM plans.

15.1 DSM Activities in 2015

The gas utilities should roll-forward their 2014 DSM plans, including all programs and parameters (i.e., budget, targets, incentive structure) into 2015. Both Enbridge and Union requested that their 2014 activities be rolled-forward into 2015 to help facilitate a smooth evolution into the new DSM framework.

The Board agrees this is appropriate and will allow the gas utilities to fully consider the new DSM framework and appropriately develop their DSM portfolio and suite of programs that will make up their new multi-year plans. The gas utilities should increase their budgets, targets and shareholder incentive amounts in the same manner as they have done throughout the current DSM framework (i.e., 2013 updates to 2014 should now apply as 2014 updates to 2015). The Board expects the gas utilities' new multi-year DSM plans will fully address the guiding principles and key priorities outlined in the framework.

Currently, DSM amounts have already been approved and are included in rates for both Enbridge and Union²⁵. If necessary, the gas utilities may modify their current suite of programs and re-allocate funds between approved programs up to a maximum of 30% of the approved annual DSM budget for an individual DSM program. Additionally, the gas utilities may increase overall spending by up to 15%, consistent with the Board's guidance as part of the gas utilities' current, approved DSM plans, and use these additional funds to begin to incorporate and address the guiding principles and key priorities outlined in the DSM framework. If a gas utility incurs DSM spending greater than that which has been previously approved, it should track these expenditures in the DSM variance account for clearance in a future proceeding.

15.2 Multi-Year DSM Plan Applications

²⁵ 2015 DSM amounts were approved by the Board as part of EGD's 2014-2018 Custom IR Rate Application (EB-2012-0459). EGD has subsequently updated its 2015 DSM budget amounts as part of its 2015 rate application (EB-2014-0276). 2015 DSM amounts were approved by the Board as part of Union's 2014-2018 rate application, EB-2013-0202. Union has subsequently updated its 2015 DSM budget amounts as part of its 2015 rate application (EB-2014-0271).

Filed: 2015-06-23
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UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 3, pp. 20-24
Exhibit A, Tab 3, pp. 26-30
Exhibit A, Tab 3, Appendix A, pp.15, 43, 89

Preamble: For the 2016 Resource Acquisition and Low-Income scorecards, Union set the cumulative natural gas savings targets using a bottom-up analysis. However, over the 2017 to 2020 period, the targets on both scorecards are adjusted each year, using a formulaic target setting approach, based on the previous year's (i.e. 2016) achieved savings expressed on a $\$/m^3$ basis multiplied by the subject year's (i.e. 2017) promotion and incentive budget (plus a 2% target increase applied in the case of the Resource Acquisition scorecards).

Union also provided program-specific rationale for cumulative natural gas savings targets, where applicable, in Exhibit A / Tab 3 / Appendix A.

- a) Please provide Union's position on setting the cumulative natural gas savings targets for the 2017-2020 period, for both of the noted scorecards, using a bottom-up analysis (similar to how Union set the 2016 targets).
- b) Please file proposed cumulative natural gas savings targets for the 2017-2020 period, for both of the noted scorecards, using a bottom-up analysis (similar to how Union set the 2016 targets).
- c) For the Resource Acquisition scorecard, please confirm that these cumulative natural gas savings targets would be calculated by adding the total in Table 6 (Exhibit A / Tab 3 / Appendix A / p.15) and Table 13 (Exhibit A / Tab 3 / Appendix A / p. 43) for each year. For the Low-Income scorecard, please confirm that the cumulative natural gas savings targets calculated, on a bottom-up basis, would reflect the total provided in Table 31 (Exhibit A / Tab 3 / Appendix A / p. 89) for each year.
- d) Please explain why Union provided program-specific rationale for cumulative natural gas savings targets, for the 2016-2020 period, when Union is not proposing to use these targets in the Resource Acquisition and Low-Income scorecards over the 2017-2020 period.
- e) Please explain why it is reasonable to establish 2017-2020 savings using a formulaic target setting mechanism, similar to that used for the 2013-2014 Resource Acquisition scorecards, given the DSM Framework's guiding principle to achieve all cost-effective DSM that results in a reasonable rate impact.

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- f) Please explain how Union's proposed target setting approach will result in sufficiently aggressive targets that ensure the prudent use of ratepayer funds.
- g) Please explain why Union is not proposing to apply the same 2% increase to the cumulative natural gas savings targets, used in the 2017-2020 formulaic target setting approach for its Resource Acquisition scorecard, to its Low-Income scorecard.

Response:

- a) Setting fixed targets for 2017-2020 based on current input assumptions and market expectations would not take into account changes that may occur over the course of the framework. The formulaic targets as set out in Union's Resource Acquisition and Low Income scorecards allow for the targets to remain flexible and adjust based on best available information. As stated at Exhibit A, Tab 3, p. 22, Union's approach to formulaic scorecards is consistent with the Board-approved 2012-2014 Scorecards (EB-2011-0327 Settlement).
- b) Table 1 and Table 2 below represent the 100% scorecard targets using the same methodology to derive the 2016 scorecard targets for the Resource Acquisition and Low Income scorecards.

Table 1

Resource Acquisition Scorecard Targets for 2017-2020				
Metric	2017	2018	2019	2020
Cumulative Natural Gas Savings (m ³)	1,148,519,100	1,185,792,799	1,186,045,987	1,186,045,987

Table 2

Low Income Scorecard Targets for 2017-2020				
Metric	2017	2018	2019	2020
Single Family Cumulative Natural Gas Savings (m ³)	34,402,185	37,562,991	40,033,822	41,238,796
Social and Assisted Multi Family Cumulative Natural Gas Savings (m ³)	14,414,187	13,733,226	13,722,425	13,718,000
Market Rate Multi Family Cumulative Natural Gas Savings (m ³)	4,581,202	4,611,338	6,306,214	6,306,214

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- c) Confirmed.
- d) Although Union is proposing a formulaic approach to its Resource Acquisition and Low Income scorecards, the Guidelines required Union to file its forecasted annual targets and long-term natural gas targets (p. 42). In order to comply with the filing requirements Union provided forecasted cumulative natural gas savings for each of its programs for 2016-2020.
- e) As described at Exhibit A, Tab 1, p. 6, Union designed its DSM programs to balance the need to achieve all cost-effective savings while complying with the rate impact requirements (\$2.00/month for a typical Residential customer) outlined by the Framework. Details on Union's programs and offerings and how they address the Framework and Guidelines key priorities, such as the achievement of all cost-effective DSM, can be found at Exhibit A, Tab 3, Appendix A. It is the design of Union's DSM portfolio of programs and offerings that balance the achievement of all cost-effective savings and reasonable rate impacts; the formulaic approach to target setting has no bearing on the achievement of all cost-effective savings.
- f) Union believes the 2016 targets have been aggressively set based on the Board's key priorities and guiding principles. The formulaic approach for the subsequent years ensures that the targets remain aggressive by responding to market conditions. This approach is responsive to changes in the market place and to the extent Union is more cost-effective in achieving savings, it would be reflected through a higher target the following year.
- g) Union believes the target formula for the Low Income Scorecards outlined in Exhibit A, Tab 3, p. 26 represents a challenging target setting methodology.

Tab 2

9.2.3 Best Practices for Regulatory Reporting

Relevant literature consistently recommends that best practice with regard to regulatory reporting is to maintain the planned input assumptions, at least for the savings on which performance incentives are based, especially with regard to free-ridership and spillover impacts.²¹ An ACEEE study eloquently phrased the rationale for the best practice, stating:

For purposes of judging program administrator performance, when a priori net savings assumptions (e.g., NTG ratios) have been agreed to, evaluation results should generally only be applied prospectively, to adjust future energy savings calculations.

That approach should hopefully reduce the likelihood of protracted argument and litigation... reduce the program administrator's perception of risk, and thus encourage more innovative programs. It is also consistent with basic fairness. If all parties have agreed to accepted NTG values based on a given program design and that design is faithfully executed, it is reasonable not to retroactively change the playing field used for crediting energy savings accomplishments (Kushler et al., 2014, p. 32).

The inherent idea of maintaining the planned input assumptions for shareholder incentive purposes is that utilities should not receive reduced incentives for factors outside of their control. There are a number of factors for which a utility has greater influence, such as the number of measures installed, the types of measures installed, the customers targeted for participation, and other program implementation elements. Such factors should be based on actual data and results when filed in regulatory reports. It is a policy decision for regulators to decide the extent to which evaluation impacts over which utilities have little influence should effect utility shareholder incentives and program results.

Conversely, applying updated evaluation results during regulatory reporting can be appropriate in certain contexts or depending on regulatory precedent. As discussed above, it is important that system planning processes use the best available estimates of how much incremental resource was actually acquired. Applying updated input assumptions can also be used for informational purposes to understand how evaluation studies are impacting programs to better design future programs.

For programs that are new or that have very uncertain free-ridership potential, it may be more appropriate to wait until evaluation results are available to estimate net savings. In such instances, all parties agree ahead of time that the updated evaluation results will be applied during reporting, so the "rules of the game" remain consistent between planning and reporting.

One of the most important contexts to use updated input assumptions is for Lost Revenue Adjustment Mechanisms (LRAM). Allowing recovery of lost revenue is intended to remove a utility's disincentive from implementing successful energy efficiency programs that essentially erode revenue by decreasing sales. In effect, an LRAM makes a utility financially "whole" by returning revenues that have been "lost"

²¹ The referenced literature includes Kushler et al., 2012, pp. 30, 39, 2014, pp. 25, 32; NMR Group, 2012, pp. 23–24; SEEAAction, 2012b, pp. 8–11 through 8–12.

from energy efficiency savings. These lost revenues relate to the actual savings experienced at a customer's meter which result in a sales decrease. For example, if a customer did not install a more efficient heating system, then the utility would continue to receive revenue from the sales of the inefficient heating system. If a customer does install a more efficient heating system, and an evaluation study determines that the savings from the more efficient heating system are actually 100 m³ rather than the 130 m³ as expected in the plan, then the actual sales that the utility "lost" are 100 m³, not 130 m³, and the amount collected through the LRAM should reflect this adjustment. Therefore, the savings associated with the LRAM should apply updated evaluation and audit results, and should not be maintained from the plan.

Recovery of lost revenues and shareholder incentives are fundamentally different, so it is entirely appropriate to apply different policies for the savings used to determine the amount a utility receives from each mechanism. An LRAM removes a disincentive, making a utility neutral to implementing efficiency. Using updated evaluation impacts for purposes of the LRAM is reasonable, because it better reflects the actual decrease in sales experienced by a utility. Conversely, the shareholder incentive provides a reward for implementing successful, well-designed programs that increase efficiency savings. Maintaining planned input assumptions for shareholder incentive purposes is reasonable based on the reasons discussed above, and because to do otherwise could result in decreased shareholder incentives to utilities if evaluation results decrease savings, defeating the purpose of an incentive.

Note that only applying evaluation updates on a going-forward basis does not imply less frequent evaluation studies, especially within a multi-year plan. Programs should be regularly evaluated to validate savings, focus program efforts on specific market areas, and to ensure appropriate implementation and spending of ratepayer funding.

9.2.4 Jurisdictional Review for Regulatory Reporting

Jurisdictions take different approaches on when to apply evaluation results. ACEEE surveyed U.S. states on evaluation practices and found that 31 states apply evaluation results on a going-forward basis, that 17 states use evaluation results to determine eligibility and/or the amount of shareholder incentives, and that 10 states use evaluation results to determine eligibility and/or the amount of lost revenue recovery (Kushler, Nowak, & Witte, 2012, pp 10, 28). Another study conducted by NMR indicates that all of the New England States and New York only apply updated free-ridership and spillover values to future planning and reporting documents (Forum, 2012, p. 24).

Massachusetts has taken a hybrid approach to applying evaluation results. The state requires program administrators to update savings and impact factors that affect adjusted gross savings during regulatory reporting, asserting that "it is imperative that the adjusted gross savings associated with each program year be determined using the most up-to-date information available," so as "to ensure that the value of the resources procured through the energy efficiency programs is represented in an accurate and reliable manner." However, the impact factors used for free ridership and spillover in the regulatory plans are held constant in the regulatory reporting. In making this determination, the Massachusetts Department of Public Utilities explained that:

Net savings have a more limited role than adjusted gross savings in determining the value of the resources acquired through the energy efficiency programs. Net savings values, which indicate the level of adjusted gross savings that can be attributed only to the energy efficiency programs, are used primarily to inform and guide future program design decisions. This forward-looking function is not enhanced by a retrospective application of updated evaluation study results.

The retrospective application of updated net savings impact factors has produced sufficiently reliable and accurate results, to date, for determining the performance of traditional energy efficiency programs. Continuing this practice, however, could provide a disincentive for Program Administrators to adopt the innovative approaches to energy efficiency that likely will be needed going forward to meet the requirements of the Green Communities Act and the GWSA. To avoid the risk that performance in administering the plans could be negatively affected by post-implementation adjustments to program savings that are difficult to project beforehand, Program Administrators may seek to adopt an overly cautious approach to program design and implementation. Revising our current practice so that Program Administrators no longer adjust net savings calculation post-implementation should remove a disincentive for Program Administrators to adopt innovative approaches to program design and implementation. (Massachusetts Department of Public Utilities, 2012, pp. 14–15).

In addition, Massachusetts files two sets of data with their annual energy efficiency reports. The first set is the “preliminary” data, which uses the input assumptions used in the plan, updates for actual implementation (number of units, actual costs), updates custom savings calculations, and adds new measures not originally in the plan. The second set is the “evaluated” data, which updates the preliminary data for any new values that are the result of evaluation studies completed within the previous year. The NTG values are not updated from the planned values in either the preliminary or evaluated data sets. The preliminary data set is intended to isolate the program administrator’s performance in implementing the programs, and is the data set that the program administrators use to explain to the Department of Public Utilities any significant variances compared to the plan. The evaluated data is considered the final, actual data for the year, and is used in determining the utility’s performance incentives.

It is not uncommon for states to approach net and gross savings differently in this regard. As examples, Georgia reports gross energy savings for its IRP and quarterly DSM reports, but uses net savings to determine performance incentive (Georgia Public Service Commission staff, 2015). Similarly, Maryland uses gross savings figures when reporting their projected energy savings, and net savings for cost-effectiveness and program design purposes (Maryland Public Service Commission, 2011, p. 16).

9.2.5 Ontario’s Approach to Evaluation Impacts

As noted above, it is a policy decision for regulators to decide the extent to which evaluation impacts should effect utility shareholder incentives and program results. In Ontario, the Board has previously visited this issue and established a policy for how to address updated input assumptions.

Prior to 2012, the gas utilities used updated input assumptions for LRAM calculations, but maintained planned input assumptions for the shareholder incentive calculations. For the 2012-2014 plans, the Board adjusted this framework by agreeing with Staff's Discussion Paper that shareholder incentives should also use updated input assumptions, not just the LRAM calculations. The Board maintained this policy decision for the 2015-2020 plans, which is also consistent with the electric conservation program policy framework. Specifically, the DSM Filing Guidelines stipulate:

The evaluation of the achieved results for the purpose of determining the lost revenue adjustment mechanism (LRAM) amounts and the shareholder incentive amounts should be based on the best available information which, in this case, refers to the updated input assumptions resulting from the evaluation and audit process of the same program year. For example, the LRAM and shareholder incentive amounts for the 2015 program year should be based on the updated input assumptions resulting from the evaluation and audit of the 2015 results. The updates to the input assumptions resulting from the evaluation and audit of the 2015 results would likely be completed in the second half of 2016.

As such, the precedent in Ontario is to apply updated evaluation results to shareholder incentives and the LRAM. It is important to maintain regulatory precedent on such matters, to provide consistency to the utilities developing and implementing the plan and to participating stakeholders. Only extenuating circumstances should cause the Board to revisit this policy, and such conditions are not apparent in the current proceeding.

9.2.6 Recommendations

1. The best, most up-to-date information available, including recent evaluation updates, should be used for (a) reliability needs, (b) regulatory plans and program design; and (c) regulatory reporting, including achieved performance incentives and LRAM.

9.3. Net Savings Assumptions

9.3.1 Background on Free-Ridership

A free rider is a program participant who would have implemented an energy efficiency measure or practice in the absence of a ratepayer-funded energy efficiency program. Free riders can be: (1) total, in which the participant's activity would have completely replicated the program measure; (2) partial, in which the participant's activity would have partially replicated the program measure; or (3) deferred, in which the participant's activity would have completely replicated the program measure, but at a future time outside the program's timeframe (Northeast Energy Efficiency Partnerships, 2011).

As discussed in the section above, jurisdictions define, calculate, and treat savings differently. When jurisdictions provide definitions for the types of savings reported (which is not always the case), those definitions are typically inconsistent across jurisdictions. More specifically, jurisdiction-reported data in many instances does not indicate whether net savings include adjustments for realization, persistence,

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UNION INTERROGATORY #16

INTERROGATORY

Reference: L.OEBStaff.1, Page 119 and 122

Preamble:

At Section 9.2.3, Synapse states, “relevant literature consistently recommends that best practice with regard to regulatory reporting is to maintain the planned input assumptions, at least for the savings on which performance incentives are based.”

And,

At Section 9.2.5 Synapse states, “the precedent in Ontario is to apply updated evaluation results to shareholder incentives and the LRAM. It is important to maintain regulatory precedent on such matters, to provide consistency to the utilities developing and implementing the plan and to participating stakeholders.”

Question:

Would Synapse agree that the Board’s policy regarding the application of best available information to determining shareholder incentive is not in line with best practice? If so, please explain why maintaining consistency with this regulatory precedent is more important than adopting best practices. Is Synapse aware of other jurisdictions where regulatory policies on this issue have evolved?

RESPONSE

Note that for this issue, while the literature may recommend a certain practice, jurisdictions regularly implement practices that differ from the literature recommendations. This is because it is a policy decision for regulators to decide the extent to which evaluation impacts should effect utility shareholder incentives and program results. Jurisdictions take different approaches on when and how to apply evaluation results.

In Ontario, the Board has previously visited this issue and established a policy for how to address updated input assumptions, and that decision was partially based on ensuring consistency with the electric CDM program policies. It is important to maintain regulatory precedent on such matters, to provide consistency to the utilities developing and implementing the plan and to participating stakeholders. Only extenuating circumstances should cause the Board to revisit this policy, and such conditions are not apparent in the current proceeding.

Witnesses: T. Woolf
K. Takahashi
E. Malone
J. Kallay
A. Napoleon

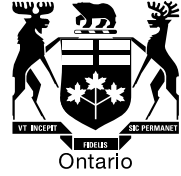
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Regulatory policies have evolved on this issues in Massachusetts as summarized in the referenced section of the report (specifically pages 120 into 121). The Massachusetts D.P.U. 11-120 docket fully addresses the evolution of this issue in the state.

Witnesses: T. Woolf
K. Takahashi
E. Malone
J. Kallay
A. Napoleon

**Ontario Energy
Board**

**Commission de l'Énergie
de l'Ontario**



EB-2006-0021

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

AND IN THE MATTER OF a generic proceeding initiated by the Ontario Energy Board to address a number of current and common issues related to demand side management activities for natural gas utilities.

BEFORE: Pamela Nowina
Presiding Member and Vice Chair

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION WITH REASONS

August 25, 2006

DECISION WITH REASONS

How should free rider and savings input assumptions be determined? (Issue 3.1)

“Parties agree that input assumptions such as free rider rates, prescriptive measure savings assumptions, incremental equipment costs, measure lives and avoided costs (natural gas, electricity and water) shall be based on research utilizing the best available data at the time a multi-year plan or new program or significant new program design is developed. These assumptions shall be assessed for reasonableness prior to implementation of the plan or program and should be reviewed and updated on a regular basis during the plan period as part of each Utility’s ongoing evaluation and audit processes.”

What certainty is required that the assumptions are set for the duration of the DSM plan? (Issue 3.3)

“The time at which changes in assumptions become effective shall differ depending on the use to which the assumption is being put:

Program Design and Implementation. The Utilities agree to the principle that their DSM programs should be managed with regard to the best available information known to them from time to time. Normal commercial practice requires that a Company should react through changes to program design, implementation and/or mix, to material changes in base data as soon as is feasible given relevant operational considerations.

LRAM. Assumptions used will be best available at the time of an audit. By way of example, if in June of 2008 the audit of the 2007 programs demonstrates a change in assumptions, that change shall apply for LRAM purposes from the beginning of 2007 onwards until changed again.

DECISION WITH REASONS

SSM. Assumptions used from the beginning of any year will be those assumptions in existence in the immediately prior year, adjusted for any changes in the audit of that prior year. By way of example, if in June of 2008 the audit of the 2007 programs demonstrates a change in assumptions, that change shall apply for SSM purposes from the beginning of 2008 onwards until changed again.”

What is the mechanism to determine if an input assumption needs to be reviewed or researched? (Issue 3.4)

“The Utility may of its own initiative or at the request of the Evaluation and Audit Committee (“EAC”) commence a review of or research into assumptions.”

How should the (LRAM) mechanism be structured? (Issue 4.2)

“The parties agree that the LRAM mechanism shall be calculated using the assumptions and savings estimates approved in the plan and adjusted for the audited Evaluation Report results.

For Union, the first year impact will be calculated as 50% of the annual volumetric impact multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.

For EGD, the first year impact will be calculated on a monthly basis based on the volumetric impact of measures implemented in that month multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.

Both of these processes for the Utilities reflect the status quo.

The LRAM account shall be cleared annually.

DECISION WITH REASONS

explanation, or its impacts. The Board will then determine whether to approve the revised spending ratios, and if so, under what conditions.

To the extent that actual sector level spending then varies significantly from the ratios identified in the plan, parties may challenge the appropriateness of the deviation from the plan when the utility seeks approval for the clearance of relevant accounts and the Board can make such order as is appropriate. (Issue 1.7)”

The Board is cognisant of the tension between ensuring that each rate class is allocated an appropriate portion of DSM funds on the one hand, and the benefits of targeting spending to the most cost effective programs regardless of what rate class they fall in on the other. The Board is satisfied that the Financial Package proposal finds the appropriate balance.

What is an appropriate incentive mechanism and how should it be calculated? (Issue 5.2)

The Financial Package agreement makes the following proposal:

“The parties to this agreement agree that an SSM shall be established for the first year of the plan and shall be in effect for each year of each multi-year plan.

Parties agree that the amount of any SSM shall not be included in the Utility’s return on equity (“ROE”) for the purposes of setting rates or in the calculation of any earnings sharing amounts.

The parties agree that for the purposes of this settlement, the TRC indexing target for 2007 for EGD will be \$150 million, and for Union, \$188 million. Targets for subsequent years shall be set in accordance with the formula in Issue 1.4. The cumulative SSM incentive payment to each utility for achieving their respective TRC target will be set by a formula,

DECISION WITH REASONS

and at 100% of TRC target will be \$4.75 million. For the purposes of determining whether each utility has met its 100% TRC target, the input assumptions for the calculation of SSM will not be changed retroactively. For clarity, changes to input assumptions, which are confirmed through audit, apply in the year immediately following the year being audited. For example, input assumptions for purposes of the SSM remain fixed for 2007, and any changes to input assumptions which change as a result of the audit of the 2007 results which is undertaken in early/mid-2008 will apply from the beginning of the 2008 year forward. Also see Issue 3.3.

For both Utilities, the following formula applies for the determination of the SSM curve and resulting cumulative payout. The SSM payout will be calculated based on the results as they apply along the curve and each of the following percentage thresholds do not represent lump sum payments for reaching the threshold but simply serve to structure the SSM curve based on targets and SSM amounts as agreed to by the supporting parties:

Up to 25% of the annual target, a total payout of \$225,000
Up to 50% of the annual target, a total payout of \$675,000
Up to 75% of the annual target, a total payout of \$2,250,000
Up to 100% of the annual target, a total payout of \$4,750,000
Up to 125% of the annual target, a total payout of \$7,250,000
In excess of 125% of the annual target, a total that is capped at no more than \$8,500,000.

The parties agree that the annual 'cap' of \$8.5 million will increase annually by the Ontario CPI as determined in October of the preceding year (i.e., the 2008 cap will increase based on CPI as determined at October of 2007).

See also issue 10.4 for the incentive available to the utilities in respect of market transformation programs”

DECISION WITH REASONS

During the hearing, the utilities provided the formula in calculating SSM, which is reproduced below:

“For achievement of between 0 and up to 25.0% of the annual target, the SSM payout shall equal \$900 for each 1/10 of 1% of target achieved.

For achievement of greater than 25.0% up to 50% of the annual target, the SSM payout shall equal \$225,000 plus \$1,800 for each 1/10 of 1% of target achieved.

For achievement of greater than 50.0% up to 75.0% of the annual target, the SSM payout shall equal \$675,000 plus \$6,300 for each 1/10 of 1% of target achieved above 50.0%, and

For achievement of greater than 75.0% of the annual target, the SSM payout shall equal \$2,250,000 plus \$10,000 for each 1/10 of 1% of target achieved above 75.0% to a maximum of the SSM annual cap.”

There was a complete settlement on issue 5.1, in which all parties agreed that there should be an incentive mechanism. The Financial Package proposal for issue 5.2 presents a formula for determining the exact amount of the SSM payout based on the level of success each utility has achieved in hitting its TRC targets. The Financial Package proposal calls for an escalating incentive scale which starts at the first dollar of TRC net benefits achieved. This proposal marks a change from the current Board approved practice where the utilities are required to reach a certain level of net TRC savings before any incentive is realized. The Board is satisfied that this change to the *status quo* is appropriate. The Board is persuaded by the utilities' evidence that the proposed structure is more likely to attract management attention to DSM programs. The Board is also comforted by the fact that the incentive payments for performance below 50% of the TRC target is very low. Further,

DECISION WITH REASONS

the \$8.5 million cap on incentive payments for any one year ensures that ratepayers will not have to pay an undue amount if a utility achieves extraordinary success.

Demand Side Management Variance Account (Issues 6.1, 6.2, 6.3)

The Financial Package agreement makes the following proposals:

“Parties agree that the DSMVA shall be continued. The DSMVA shall be used to “true-up” the variance between the spending estimate built into rates for the year and the actual spending in that year. If spending is less than what was built into rates, ratepayers shall be reimbursed. If more is spent than was built into rates, the utility shall be reimbursed up to a maximum of 15% of its DSM budget for the year. All additional funding must be utilized on incremental program expenses only (i.e. cannot be used for additional utility overheads). For greater certainty, program expenses include market transformation programs.”

“There should be no limit on the amount of under spending from budget that should be returned to ratepayers. Parties agree that a Utility may spend and record in the DSMVA for reimbursement to the utility, in any one year, no more than 15% (fifteen per cent) of that Utility’s DSM budget for that year.”

The Board finds the Financial Package proposal to be reasonable. The DSMVA will allow utilities to aggressively pursue programs which prove to be very successful, even where this causes them to exceed the Board approved budget (by up to 15%). It will also ensure that unspent DSM funds are returned to ratepayers.

Tab 3

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UNDERTAKING JT4.17

UNDERTAKING

August 18, 2015 Technical Conference Transcript, page 82.

Synapse to provide its view on whether Union's targets are credible.

RESPONSE

As stated in Synapse's report, the numbers provided in Union's plan indicate that the company's programs will result in substantial savings, with Union's 2016 annual saving at 0.47 percent of 2014 actual sales at a cost of \$0.05 per m3. (Exh. L.OEBStaff.1, page 3). While the plan overall will result in substantial savings, the savings goals are not aggressive and could be strengthened considerably. This is particularly true for the residential sector as the projected saving for this sector is about 0.2 percent of 2014 actual sector sales. For comparison, the Massachusetts gas program administrators achieved 1.35 percent of sales in 2014, and are currently expected to achieve 1.44 percent of sales annually from 2016 through 2018.²

Our report provides numerous recommendations that would improve Union's proposed program design and implementation, thereby increasing savings and participation rates. If Union were to adopt most of our recommendations, then it is likely their targets would be more reasonable and more credible.

² See Massachusetts Energy Efficiency Advisory Council, "Comments regarding the April 30th Draft 2016-2018 Energy Efficiency Plan, Resolution approved July 21, 2015," page 2, available at <http://ma-eeac.org/wordpress/wp-content/uploads/Final-EEAC-July-Resolution-7-21-15.pdf>

Witnesses: T. Woolf
K. Takahashi
E. Malone
J. Kallay
A. Napoleon

Filed: August 10, 2015
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	VT	MA	RI	MN
Number of Customers (2012)				
Residential	39,917	1,411,717	228,487	1,364,174
Commercial	5,535	119,742	21,442	125,831
Industrial	38	6,027	56	1,225
Total	45,490	1,537,486	249,985	1,491,230
Sales Volumes (m3 in 2012)				
Residential	85,280,468	3,206,807,568	449,770,294	2,908,609,482
Commercial	65,522,055	1,966,788,808	285,725,638	2,236,586,473
Industrial	76,770,020	1,212,578,171	222,023,205	2,877,751,427
Total	227,572,544	6,386,174,548	957,519,137	8,022,947,382
DSM Spending (2014)				
Residential	\$ 1,536,730	\$ 98,897,476	\$ 9,829,100	\$ 23,545,912
Low Income	\$ -	\$ 38,284,014	\$ 4,246,800	\$ 5,040,259
C&I	\$ 714,125	\$ 33,914,584	\$ 5,586,800	\$ 12,156,533
Regulatory/other			\$ 370,900	\$ 3,995,914
Total	\$ 2,250,855	\$ 171,096,074	\$ 20,033,600	\$ 44,738,618
Annual m3 Savings (2014)				
Residential	838,806	44,433,623	5,203,928	32,434,937
Low Income	-	7,443,613	837,362	1,433,803
C&I	1,776,524	29,231,704	5,541,184	49,782,447
Total	2,615,330	81,108,941	11,582,474	83,651,187
Lifetime m3 Savings (2014)				
Total	45,196,622	1,084,138,194	168,723,475	n.a.

- b) Mr. Neme does not have access to detailed information regarding the characteristics of large customers in these jurisdictions. As noted in response to a) above, large customers in Minnesota are permitted to opt out of DSM programs. To his knowledge, the utilities in Vermont, Massachusetts and Rhode Island serve all customers, including large customers, with their programs.

Witness: Chris Neme