Ontario Energy Board

P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario

C.P. 2319
2300, rue Yonge
27e étage
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY EMAIL

March 29, 2016

Kirsten Walli
Board Secretary
2300 Yonge Street, Suite 2701
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Union Gas Limited (Union) 2015-2020 DSM Plan
Draft Rate Order
Board File Number: EB-2015-0029

Enclosed are OEB staff's submissions on Union's Draft Rate Order in the above noted proceeding.

Yours Truly,

(*Original Signed by*)

Josh Wasylyk
Project Advisor

cc: All participants in EB-2015-0029 and EB-2015-0049

Ontario

ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

Union Gas Limited

2015-2020 DEMAND SIDE MANAGEMENT PLAN

EB-2015-0029

March 29, 2016

Background

On February 24, 2016 the Ontario Energy Board (OEB) issued its updated Decision and Order with respect to applications filed by Enbridge Gas Distribution Inc. (Enbridge) and Union Gas Limited (Union) for approval of their respective 2015-2020 demand side management (DSM) plans. As part of the OEB's updated Decision, the OEB ordered the gas utilities to each file a Draft Rate Order and updated Draft Accounting Order reflecting the OEB's findings as soon as is practicable.

On March 14, 2016 Union filed its Draft Rate Order and the Draft Accounting Order for the DSM Cost-Efficiency Incentive Deferral Account (No. 179-150).

OEB Staff Submission on Draft Rate Order

OEB staff submits that the proposed allocation of the DSM budget to rate classes and the proposed methodology for recovering the incremental 2016 DSM budget is appropriate. In considering the Draft Rate Order, OEB staff has made certain assumptions regarding the methods that Union has used, which are described in further detail below. OEB staff invites Union to provide any further clarification that it believes may be necessary in its reply submission.

In regard to the DSM budget allocation, OEB staff submits that the proposed allocation of the 2016 DSM budget is in accordance with the principle of cost causality. OEB staff notes that the proposed allocation methodology is largely consistent with the methodology as described in the pre-filed evidence[1] and in response to a London Property Management Association (LPMA) interrogatory[2].

OEB staff notes that Union's 2016 DSM program budgets, with the exception of the Low Income program budget, are allocated to rate classes based on historical customer incentive spending and forecasted DSM activity at the rate class level. The portfolio-level costs are allocated to rate classes on the same basis as the allocation of the

[1] EB-2015-0029, Pre-filed Evidence, Exhibit A, Tab 3, p.10.
[2] EB-2015-0029 / EB-2015-0049, Union Interrogatory Responses, Exhibit B.T3.Union.LPMA.21.

program budgets (unless it was possible to make a direct assignment of the portfolio-level costs to a specific rate class).

It is OEB staff's understanding that the change to the proportional allocation of the portfolio-level budget to the Commercial and Industrial program[3] is caused by the OEB's reclassification of the Commercial and Industrial Direct Install Program from a pilot program to a non-pilot program.[4] This reclassification operates to remove the direct assignment of the costs associated with the Direct Install Pilot Program to the Commercial and Industrial portfolio-level budget.[5] As a result, this would reduce the proportional allocation of the portfolio-level budget to the Commercial and Industrial Program. If OEB staff's understanding is correct, it has no concerns with the proposed change to the proportional allocation of the portfolio-level budget to the Commercial and Industrial program.

OEB staff also understands that the allocation of the portfolio-level budget to the Large Volume program (and more specifically to Rate 100 and Rate T2)[6] in the Draft Rate Order is a result of the OEB's direction to Union to continue its Large Volume Self-Direct program (with a $4 million annual budget).[7] OEB staff submits that it is appropriate for Union to recover some of the portfolio-level costs from Rate 100 and Rate T2 given the OEB's approval of a significant expansion to the Large Volume program (when compared to Union's original proposal).

[3] In the response to LPMA Interrogatory #21, the proportional allocation of the portfolio level budget to the Commercial and Industrial program was not the same as the program budget. Approximately 42% of the total program budget was allocated to the Commercial and Industrial program, while approximately 46% of the portfolio level costs were allocated to the Commercial and Industrial program. In the Draft Rate Order at Working Papers, Schedule 1 the proportional allocation of the portfolio level budget to the Commercial and Industrial program is now the same as the program budget. Approximately 42% of the total program budget is allocated to the Commercial and Industrial program and approximately 42% of the portfolio level costs are allocated to the Commercial and Industrial program.
[4] EB-2015-0029 / EB-2015-0049, Decision and Order, January 20, 2016 at p. 18.
[5] The costs associated with the Commercial and Industrial Direct Install Program are treated as regular program costs (as opposed to pilot program costs included in the portfolio-level budget).
[6] In its pre-filed evidence, Union noted that portfolio-level costs were not allocated to the Large Volume program (Rate 100 and Rate T2) as the portfolio level activities did not impact the Large Volume program. EB-2015-0029, Pre-filed Evidence, Exhibit A, Tab 3, p.10.
[7] EB-2015-0029 / EB-2015-0049, Decision and Order, January 20, 2016 at p. 51.

In addition, OEB staff understands that the allocation of a portion of the Market Transformation budget to Rate 10 and Rate M2[8] in the Draft Rate Order is a result of the OEB's direction to Union to establish a Commercial Savings by Design Program.[9] OEB staff submits that Union appropriately allocated a portion of the Market Transformation budget to Rate 10 and Rate M2 in the context of the OEB's establishment of a Market Transformation program targeted at commercial customers.

Union proposed to allocate the Low Income program budget to all rate classes based on Union's most recent OEB-approved distribution revenue (in this case, Union used the 2015 distribution revenues). OEB staff submits that Union's proposed allocation of the Low Income program budget is appropriate as it uses the same allocation methodology as previously approved by the OEB.[10]

Union proposed to recover the incremental 2016 DSM budget through both changes to delivery rates (for the July 1, 2016 to December 31, 2016 period) and a prospective rate adjustment for general service classes / one-time adjustment for contract rate classes (for the January 1, 2016 to June 30, 2016 period). OEB staff submits that it has no concerns with the proposed delivery rates and the unit rates for prospective recovery applicable to the general service rate classes.

With respect to the one-time adjustments applicable to contract rate classes for the recovery of the incremental 2016 DSM budget (for the January 1, 2016 to June 30, 2016 period), OEB staff understands that these adjustments will be calculated on an individual customer basis by multiplying the delivery rate changes (i.e. the difference between the proposed delivery rates inclusive of the incremental 2016 DSM budget and the existing delivery rates) applicable to the contract rate classes by the specific customer's actual consumption and / or contracted volumes (depending on the customer's individual arrangement with Union) for the January 1, 2016 to June 30, 2016 period. OEB staff submits that recovery of the incremental 2016 DSM budget (for the

[8] In the response to LPMA Interrogatory #21, there was no allocation of the Market Transformation program or portfolio costs to Rate 10 or M2. EB-2015-0029 / EB-2015-0049, Union Interrogatory Responses, Exhibit B.T3.Union.LPMA.21.
[9] EB-2015-0029 / EB-2015-0049, Decision and Order, January 20, 2016 at p. 39.
[10] EB-2011-0327, Decision and Order on Settlement Agreement, February 21, 2012 (Settlement Agreement, Section 4)

January 1, 2016 to June 30, 2016 period) in the manner proposed by Union, and understood by OEB staff, will ensure that customers in contract rate classes are billed for what they would have paid over the January 1, 2016 to June 30, 2016 period if the incremental 2016 DSM budget had been included in delivery rates as of January 1, 2016.

Finally, OEB staff submits that the Draft Accounting Order for the DSM Cost-Efficiency Incentive Deferral Account (No. 179-150) filed by Union is in accordance with the OEB's findings in its updated Decision and Order.[11]

All of which is respectfully submitted.

[11] EB-2015-0029 / EB-2015-0049, Updated Decision and Order, February 24, 2016 at pp. 6-7.