October 2, 2017

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

Dear Ms. Walli:

Re: EB-2017-0127 - Union Gas Limited – DSM Mid-Term Review – Part Two Requirement One Submission

Enclosed is Union Gas Limited's submission for Part Two Requirement One of the Mid-Term Review of the 2015-2020 Demand Side Management Framework for Natural Gas Distributors.

If you have any questions concerning this submission, please contact me at (519) 436-4558.

Yours truly,

[*Original Signed by*]

Adam Stiers
Manager, Regulatory Initiatives

c.c.: Myriam Seers (Torys)
Valerie Bennett, OEB Case Manager

DSM MID-TERM REVIEW

PART TWO REQUIREMENT ONE: SUBMISSION OF UNION GAS LIMITED

On June 20, 2017 the Ontario Energy Board ("OEB") issued a letter outlining the consultation process by which it will undertake the Mid-Term Review of the 2015-2020 Demand Side Management ("DSM") Framework for Natural Gas Distributors (the "DSM Framework"). The letter stated that the Mid-Term Review will be separated into two parts. In the first part, the OEB will undertake a review of the OEB-approved 2015-2020 DSM Framework in the context of the Cap-and-Trade program. Union Gas Limited ("Union") filed its submission to part one on September 1, 2017. The second part requires submission, by Union and Enbridge Gas Distribution Inc. ("Enbridge") (together the "Utilities"), of studies and reports as set out in the OEB's DSM Decision and Order on the Utilities' respective 2015-2020 DSM Plans (the "OEB Decision and Order").[1] These studies and reports were classified into a first requirement, due to be submitted by October 1, 2017, and a second requirement, due to be submitted by January 15, 2018. This is Union's submission on the first requirement for part two of the DSM Mid-Term Review. Union intends to propose 2019 and 2020 DSM scorecards for its entire DSM portfolio together with its submission on the second requirement, due by January 15, 2018.

[1] EB-2015-0029/EB-2015-0049, Decision and Order, Mid-Term Review Requirements, Schedule D.

This submission is organized according to the studies and reports applicable to Union as part of the first requirement, as follows:

1. Custom Free-Ridership – *Provide information showing how Union has lowered free-ridership rates of its custom programs (section 5.2.6)*
    1.1. Efforts to Reduce Free-Ridership
    1.2. Barriers to Lowering Free-Ridership
2. Low-Income TRC Plus – *Demonstrate that all low-income programs have a TRC-Plus result of at least 0.7 (section 5.3)*
3. Categorization of Residential New Construction Offering – *Consider the appropriateness of categorizing the Residential New Construction programs as Resource Acquisition programs (section 5.4.1)*
4. Energy Literacy – *Provide information related to an integrated Energy Literacy program (section 5.4.9)*
5. Categorization of Performance-Based Programs (RunSmart Offering and Strategic Energy Management Offering) – *Move RunSmart and Strategic Energy Management programs to Resource Acquisition scorecard (sections 5.4.10 and 5.4.11)*
6. Administration Costs – *Provide information related to program overhead and portfolio overhead (or administration) costs (section 8.3)*
    6.1. Overview of Union's DSM Administrative Costs
    6.2. DSM-Related Costs Recovered Through Distribution Rates, Outside of the DSM Budget
    6.3. Increasing the Overall Efficiency of DSM Administrative Costs
    6.4. Impacts of Joint Program Design and Delivery on DSM Administrative Costs

Appendices

1. CUSTOM FREE-RIDERSHIP – *PROVIDE INFORMATION SHOWING HOW UNION HAS LOWERED FREE-RIDERSHIP RATES OF ITS CUSTOM PROGRAMS (SECTION 5.2.6)*

In Section 5.2.6 of the OEB's Decision and Order, the OEB directed the Utilities at the Mid-Term Review to "provide evidence showing how it has lowered the free-ridership rates in these [Commercial/Industrial Custom] programs" and to "provide evidence to either demonstrate the effectiveness of its screening efforts or identify the barriers to lowering the free-rider rate in commercial and industrial custom programs".[2]

1.1. EFFORTS TO REDUCE FREE-RIDERSHIP

Union has enhanced several key program design and implementation practices within the Commercial/Industrial Custom offering in order to reduce free-rider participation. These enhancements include updated project eligibility requirements, improved project documentation and screening practices, the exclusion of routine maintenance projects, and the addition of terms and conditions to marketing materials. These enhancements are explained in further detail below.

[2] EB-2015-0029, Decision and Order, p. 21.

Updated Project Eligibility Requirements

In an effort to reduce free-ridership in Union's Commercial/Industrial Custom offering, Union has updated its custom project eligibility requirements to ensure they exceed industry standard practices. An example of an industry standard practice used is one inch-thick (1") insulation for buried pipes within Union's greenhouse market.[3] By updating its project eligibility requirements to exceed industry standard practice, buried pipes within Union's greenhouse market must now exceed one inch-thick insulation in order to qualify to receive a financial incentive through Union's Commercial/Industrial Custom offering. While not all customers will follow industry standard practice within their respective facilities, the likelihood a customer will do so without being provided a financial incentive is considered high. Therefore, by updating project eligibility requirements to exceed industry standard practices, free-ridership within the custom offering is expected to decrease. Union will continue to assess market and industry standard practices and will update project eligibility requirements as appropriate to ensure they continue to exceed industry standard practices.

Improved Project Documentation and Project Screening Practices

In an effort to reduce free-ridership, Union has enhanced its custom project documentation form to capture more detailed information about each custom project in order to identify and screen-out projects with high free-ridership attributes. Please see Appendix A for the enhanced project

[3] Buried pipes are used in greenhouses to heat the growing space using steam or hot water. Insulation is used on the pipes to reduce heat loss while transporting the steam or hot water from the boiler room to the greenhouse and back.

documentation form. Specifically, the custom project documentation form now solicits information related to compliance requirements and manufacturer warranties. Projects that are considered compliance requirements (such as for safety or emissions purposes) or are eligible for manufacturer warranty should be completed by the customer without financial incentive. Improving the documentation form to capture more targeted and relevant information from participating customers allows Union to more effectively identify and screen-out projects with high free-ridership attributes.

Exclusion of Routine Maintenance Projects

In an effort to reduce free-ridership, beginning in 2016, Union stopped providing incentives for routine maintenance projects such as steam trap repairs, steam leak repairs and combustion tune-ups. Steam traps, for example, are devices used within commercial/industrial facilities to discharge condensate with minimal steam loss, and should be repaired or replaced soon after failure to prevent excessive steam loss and inefficient energy use. In an effort to reduce free-rider participation, routine maintenance projects such as steam trap repairs are no longer eligible for financial incentives within Union's Commercial/Industrial Custom offering, and savings from routine maintenance projects are not claimed towards the offering's results. To ensure customers are aware of the benefits of performing routine maintenance activities, Union continues to provide information and education about routine maintenance projects as part of the offering.

Addition of Terms and Conditions to Marketing Material

In an effort to reduce free-ridership, Union's marketing material for the Commercial/Industrial Custom offering now includes a Terms and Conditions section that informs program participants that the eligibility of all projects are subject to verification by Union. Please see Appendix B for Union's Terms and Conditions. The additional information is intended to inform customers that certain projects with high free-ridership attributes will not be accepted by Union. Union believes this helps limit the number of projects with high free-ridership elements from entering the project screening process.

1.2. BARRIERS TO LOWERING FREE-RIDERSHIP

The primary method by which Union can reduce free-ridership within its Commercial/Industrial Custom offering is by enhancing program design and implementation practices to include new free-ridership mitigation efforts. Union's most valued source of new free-ridership mitigation efforts comes from feedback provided by the DSM Evaluation Contractor ("EC") (formerly the DSM auditor) and the Custom Project Savings Verification consultant ("CPSVC").[4] As part of Union's annual DSM evaluation and audit process, the independent EC and CPSVC conduct an in-depth review of Union's Commercial/Industrial Custom offering, integrate knowledge and expertise from other jurisdictions, and provide feedback that can be incorporated into program

[4] The EC is responsible for the annual evaluation and audit of Union's entire DSM portfolio. The CPSVC is responsible for the annual savings verification for custom projects within Union's Commercial/Industrial Custom offering. The EC and CPSVC roles may be performed by the same firm.

design. As described in Section 1.1, Union has enhanced several design and implementation practices within the offering to reduce free-rider participation, many of these enhancements resulted directly from feedback received from the EC and CPSVC.

Other means by which Union identifies new enhancements to reduce free-rider participation include:

- Reviewing free-ridership mitigation literature from energy conservation program experts;
- Reviewing free-ridership mitigation efforts that have been tested by energy conservation program administrators in other jurisdictions; and,
- Engaging energy conservation program experts to review, and provide recommendations on Union's existing program design and implementation practices, with respect to free-ridership mitigation.

As noted above, the feedback provided to Union by the EC and CPSVC is highly valued as a source of new free-ridership mitigation efforts. Unfortunately, excessive delay in the Utilities' 2015 and 2016 DSM evaluation and audit processes has effectively created a new barrier to lowering free-ridership as the Utilities have not yet received actionable free-ridership mitigation recommendations from the EC or CPSVC regarding their 2015 and 2016 DSM programs. The OEB's Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020) (the "Guidelines") specify that the OEB is expected to hire the EC by

October 1 of the year to be audited.[5] In the case of the 2015 DSM program year, the EC should have been selected by October 1, 2015. However, the EC for Union's 2015 DSM program year was not selected until April 2016. As per OEB staff's 2015 EC Request for Proposal, the 2015 Final Audit and Evaluation Report was due October 2016. While Union has received some initial reporting from the 2015 DSM evaluation and audit process, as of October 2, 2017 the 2015 Final Audit and Evaluation Report is not yet complete. Furthermore, as of October 2, 2017 the CPSVC for the 2016 DSM program year has not yet been selected. Union submits that going forward, the annual DSM evaluation and audit process should conclude in a timely manner to ensure continuous improvement to free-ridership mitigation efforts resulting from valuable EC and CPSVC feedback.

2. LOW-INCOME TRC-PLUS – *DEMONSTRATE THAT ALL LOW-INCOME PROGRAMS HAVE A TRC-PLUS RESULT OF AT LEAST 0.7 (SECTION 5.3)*

In Section 5.3 of the OEB's Decision and Order, the OEB asked the Utilities to demonstrate that all Low-Income programs meet the low-income Total Resource Cost-Plus ("TRC-Plus") ratio of at least 0.7 at the time of the Mid-Term Review. The request originated from the OEB's finding that "some of the programs proposed [in Union's 2015-2020 DSM Plan] for low-income

[5] EB-2014-0134 Guidelines, pp. 17-18.

customers either did not have cost-effectiveness results or did not meet the TRC-Plus ratio threshold of 0.7".[6]

For clarity, Union proposed one Low-Income program (the "Low-Income program") within its 2015-2020 DSM Plan (EB-2015-0029), which was forecasted to achieve a TRC-Plus ratio of 1.0 in 2016 (above the 0.7 low-income TRC-Plus threshold).[7] Despite the TRC-Plus ratio of the Low-Income program overall, some of its components were forecasted to be below the TRC-Plus ratio threshold of 0.7. For example, the Furnace End-of-Life offering was forecasted to achieve a TRC-Plus ratio of 0.37.[8] It is both appropriate and permissible for components of the Union's Low-Income program to screen below the TRC-Plus threshold, as long as the program as a whole screens above the TRC-Plus threshold. Section 9.1.3 of the Guidelines states that: "For screening purposes, the TRC-Plus test should be performed at both the program and portfolio level."[9] This approach appropriately enables the Utilities to offer customers the most comprehensive suite of energy conservation offerings possible, while ensuring programs remain cost effective overall. Union believes this is consistent with the OEB's cost-effectiveness screening as described in the Guidelines and is aligned with the OEB's guiding principles as outlined in the DSM Framework, specifically:[10]

- Achieve all cost-effective DSM that result in a reasonable rate impact.
- Design programs so that they achieve high customer participation levels.

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[6] EB-2015-0029, Decision and Order, p. 24.
[7] EB-2015-0029, Exhibit A, Tab 3, Appendix A, p. 97, Table 32.
[8] EB-2015-0029, Exhibit A, Tab 3, Appendix A, p. 97, Table 32.
[9] EB-2014-0134 Guidelines, p. 31.
[10] DSM Framework, pp. 7-8.

For further clarity on how Union's DSM portfolio is organized, please see Union's 2015-2020 DSM Plan framework in Figure 1 below and a detailed description of how Union's 2017 DSM portfolio is organized in Table 1 below.

Figure 1
Union's DSM Portfolio

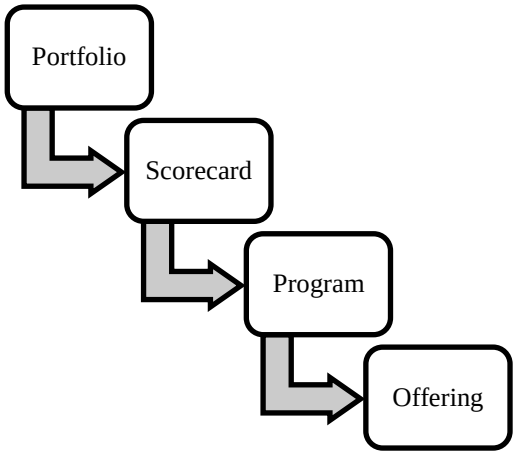

Table 1
Union's DSM Portfolio

DSM Scorecard	DSM Program	DSM Offering
Resource Acquisition Scorecard	Residential Program	Home Reno Rebate Offering
	Commercial/ Industrial Program	Commercial/Industrial Prescriptive Offering
		Commercial/Industrial Custom Offering
		Commercial/Industrial Direct Install Offering
Performance-Based Scorecard	Performance-Based Program	RunSmart Offering
		Strategic Energy Management Offering
Low-Income Scorecard	Low-Income Program	Home Weatherization Offering
		Multi-Family Offering
		Indigenous Offering
		Furnace End-of-Life Upgrade Offering
Large Volume Scorecard	Large Volume Program	Large Volume Direct Access Offering
Market Transformation Scorecard	Market Transformation Program	Optimum Home Offering
		Commercial Savings by Design Offering

In 2016, Union's Low-Income program achieved a TRC-Plus ratio (pre-audit) of 1.3 (above the 0.7 low-income TRC-Plus threshold). Union proposes to continue screening cost-effectiveness at the portfolio and program levels only, as per the OEB's Guidelines. Should the OEB decide to change cost-effectiveness requirements and direct the Utilities to ensure components of programs (such as offerings or specific technologies) screen above the TRC-Plus ratio threshold of 0.7, Union's programs and targets would need to be re-established to account for the exclusion of certain offerings and technologies. However, a change of cost-effectiveness requirements could unnecessarily limit the energy conservation options that can be made available to customers and as a result, would be inconsistent with the OEB's guiding principles discussed above.

3. CATEGORIZATION OF RESIDENTIAL NEW CONSTRUCTION OFFERING – *CONSIDER THE APPROPRIATENESS OF CATEGORIZING THE RESIDENTIAL NEW CONSTRUCTION PROGRAMS AS RESOURCE ACQUISITION PROGRAMS (SECTION 5.4.1)*

In Section 5.4.1 of the OEB's Decision and Order, "The OEB suggests that Enbridge and Union consider categorizing these [residential new construction] programs as Resource Acquisition [instead of Market Transformation] at the Mid-Term, with CCM [lifetime natural gas] saving targets similar to prescriptive programs in addition to participation targets".[11]

The OEB defines Market Transformation programs as being "focused on facilitating fundamental changes that lead to greater market shares of energy-efficient products and

[11] EB-2015-0029, Decision and Order, pp. 35-36.

services."[12] In contrast, the OEB defines Resource Acquisition programs as "seek[ing] to achieve direct, measurable savings customer-by-customer."[13] Union is in agreement with the OEB's definition of Market Transformation and Resource Acquisition programs. Union adds that the difference between Market Transformation and Resource Acquisition can be further recognized by assessing the program's approach to adoption barriers and energy savings. Union has outlined the differences in Table 2 below.

Table 2
Differences between Market Transformation and Resource Acquisition Programs

	Market Transformation	**Resource Acquisition**
Adoption Barriers	Focused on adoption barriers related to a technology or service, **within an entire market or industry**	Focused on adoption barriers related to a technology or service, **specific to the individual customer**
Energy Savings	Focused on energy savings that extend to an **entire market or industry, including non-participants of the program**	Focused on energy savings that result **directly from participants of the program**

The OEB also acknowledges that "some programs are a mix of Market Transformation and Resource Acquisition programs and seek both outcomes – fundamental changes in markets and direct, measurable energy savings."[14] Union is in agreement with the OEB's assessment, and adds that programs rarely exclusively consist of either Market Transformation or Resource Acquisition characteristics. Instead, the primary goal of a program or offering should be used to

[12] EB-2014-0134 Guidelines, p. 13.
[13] EB-2014-0134 Guidelines, p. 14.
[14] EB-2014-0134 Guidelines, p.14.

determine the program type, in this instance as either Market Transformation or Resource Acquisition.

With respect to Union's Optimum Home offering, the primary goal is to address and overcome the barriers that prevent widespread construction of high-efficiency homes in the residential new construction market. By targeting the largest builders, the offering seeks to change the building practices of the most influential market participants in order to encourage broader adoption of high-efficiency practices to the entire new construction market. Unlike Resource Acquisition programs, which focus on driving energy savings related to the implementation of a specific technology or service (typically accompanied by a financial incentive), Union's Optimum Home offering works with builders to examine all aspects of their business to address the more fundamental barriers to building homes at higher efficiency levels. The offering also seeks to address demand-side barriers with homebuyers through education and awareness (see pp. 17-18). The offering does not offer incentives or rebates for the implementation of specific technologies or services. Some of the fundamental barriers the offering addresses include:

- The concerns builders have with building high-efficiency homes, including unfamiliarity with, or reluctance to use, new technologies or processes;
- The challenges faced by builder sales teams regarding their ability to convince home buyers of the value of high-efficiency homes; and,
- Competing factors for home buyers such as location, builder reputation, and aesthetic upgrades.

More specifically, Union's Optimum Home offering engages the largest most influential builders with customized support to assess their key business functions and building practices by: identifying areas where efficiencies can be gained, integrating new practices into their daily business functions and construction projects, and enhancing builder marketing and sales efforts for high-efficiency homes.

Based on the design of Union's Optimum Home offering, Union asserts that the primary goal of and therefore the program itself, is more appropriately categorized as Market Transformation, as opposed to Resource Acquisition. Should the OEB direct Union to re-categorize the offering as Resource Acquisition, fundamental changes to the offering's design would be required. Union does not believe this is appropriate as the current Market Transformation approach continues to be the most effective way of driving energy savings within the residential new construction market. As noted on p.1, Union intends to file proposed 2019 and 2020 DSM scorecards, including the Optimum Home offering within the Market Transformation scorecard, as part of its Mid-Term Review submission in January 2018.

4. ENERGY LITERACY – *PROVIDE INFORMATION RELATED TO AN INTEGRATED ENERGY LITERACY PROGRAM (SECTION 5.4.9)*

In Section 5.4.9 of the OEB's Decision and Order, the OEB approved Enbridge's Energy Literacy program until the Mid-Term Review, and directed Enbridge to work with Union and the Independent Electricity System Operator ("IESO") to ensure the Energy Literacy program is comprehensive. The OEB also requested that the Utilities propose an Integrated Energy Literacy program with consistent province-wide messaging as part of the Mid-Term Review, using funding from their existing DSM budgets. The request stemmed from the OEB's assessment of Enbridge's 2015-2020 DSM Plan, which included a standalone Energy Literacy program. Although several educational components were included within Union's DSM offerings, Union did not propose a comparable stand-alone Energy Literacy program or offering as part of its 2015-2020 DSM Plan.

It should be noted that although Union's DSM portfolio does not currently include a standalone Energy Literacy program, energy literacy and education is included throughout Union's existing DSM offerings. A list of energy literacy and education components within Union's existing DSM offering is provided in Table 3 below.

Table 3
Energy Literacy and Education Components within Union's Existing DSM Offerings

DSM Program	DSM Offering	Energy Literacy and Education Component
Residential Program	Enhanced Home Reno Rebate Offering	Requires participants to complete a pre-retrofit energy assessment which outlines all energy efficiency opportunities within the customer's home. The results of the assessment are provided to homeowners by a Certified Energy Advisor.
		Through partnership with the government of Ontario and the IESO, all other common fuel types (i.e. oil, wood, propane and electricity) have been added to the offering, ensuring a comprehensive energy literacy approach. Education extends to electric appliances, as information about potential electricity savings is provided directly to participating homeowners, directing them to the IESO's energy conservation website for further information and electricity conservation rebate opportunities.[15]
Market Transformation Program	Optimum Home Offering	Residential builder forums were hosted by Union in March 2016 (Hamilton, Ingersoll, Huntsville, and Kingston) to share key technical, sales and marketing information. Please see Appendix C for details about the builder forums.
		Union's website provides lessons learned about building high-efficiency homes from participating builders. Union's website also provides information about why building to the ENERGY STAR standard is good for the home builder's business, and provides instructions about how to become an ENERGY STAR builder.[16]
		Union's website provides information to potential homebuyers about the benefits, features, and impacts of buying an ENERGY STAR qualified home, provides answers to frequently asked questions about ENERGY STAR qualified homes, and helps potential homebuyers find ENERGY STAR builders in their area.[17]
Low-Income Program	Home Weatherization Offering	Union has developed educational videos about the home weatherization process.[18] The videos discuss: • how the age of homes is typically related to the quality and level of insulation,

[15] www.saveonenergy.ca
[16] www.uniongas.com/highperformancehomes
[17] www.uniongas.com/energystar
[18] www.uniongas.com/weatherization

		• the importance of conducting an energy assessment to determine air leakage and insulation opportunities, • how air leakage is tested using a blower door test, • how insulation upgrades conserve energy, and • the benefits of using water conservation measures.
	Multi-Family Offering	Union currently sponsors Housing Services Corporation's Community Champion Program, which supports the development of sustainable communities within Ontario's social housing sector. The program engages, educates, and supports social housing staff and residents about energy conservation initiatives by providing training on the benefits of energy conservation. Training sessions address a variety of initiatives including saving energy and water, and minimizing waste. The Community Champion Program's intent is to create a culture of conservation in the social housing sector and to empower residents to take ownership of creating their own sustainable community action plan.
Commercial/ Industrial Program	Commercial/ Industrial Prescriptive Offering	Union develops case studies that provide customers an in-depth perspective of actual energy conservation projects.[19] Case studies include how an energy-related challenge was met by improving the energy efficiency of the business, as well as insights related to the energy conservation project itself including: • the high-efficiency technologies installed, • the overall cost of the project, • the rebates paid to the customer by energy conservation programs, • the energy saved by the project, and • any non-financial benefits resulting from the project.
	Commercial/ Industrial Custom Offering	Union subsidizes energy management certification costs for employees of its Commercial/Industrial Custom offering participants, through the Canadian Institute for Energy Training. In 2016, these employees were certified under the Building Operator Certification (BOC)[20] and the Certified Energy Manager (CEM)[21] programs.

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[19] www.uniongas.com/business/communication-centre/success-stories/giant-tiger-success
[20] www.cietcanada.com/programs/boc/
[21] www.cietcanada.com/programs/cem/

Furthermore, Union's residential energy conservation website provides tips about how customers can save energy, as well as links to other government energy conservation programs.[22] Union's commercial/industrial energy conservation website provides customers with free calculators and energy insights to make informed energy decisions for their business.[23] Calculators compare fuel costs, calculate air emissions from natural gas combustion, and convert one unit of measure to another. Energy insights provide information that helps customers identify which factors should be used to convert a cubic meter of natural gas to litres of heating oil, how to use resource utilization efficiency to determine the overall efficiency of their business's heating system, and how to determine which fuel is most cost-effective for their business needs.

Union supports the development and implementation of new and innovative energy conservation programs through the DSM Framework. However, without incremental budget funding to support the implementation of a new Energy Literacy program, Union would be required to re-allocate funding from existing programs and offerings. Union submits that re-allocating funding from existing programs and offerings to support new programs is not appropriate as it would negatively impact Union's ability to achieve the participation goals of existing programs and offerings that have proven beneficial to customers. To support the development of a new Energy Literacy program Union requests that the OEB approve an incremental budget of $250,000 per year beginning in 2019. Contingent upon OEB-approval of this incremental budget, Union will file a program outline for the Energy Literacy program to the OEB within three months.

[22] www.uniongas.com/savemoney
[23] https://www.uniongas.com/business/save-money-and-energy/analyze-your-energy

5. CATEGORIZATION OF PERFORMANCE-BASED PROGRAMS (RUNSMART OFFERING AND STRATEGIC ENERGY MANAGEMENT OFFERING) – *MOVE RUNSMART AND STRATEGIC ENERGY MANAGEMENT PROGRAMS TO RESOURCE ACQUISITION SCORECARD (SECTIONS 5.4.10 AND 5.4.11)*

In Sections 5.4.10 and 5.4.11 of the OEB's Decision and Order, the OEB directed Union to re-categorize its RunSmart and Strategic Energy Management offerings as Resource Acquisition at the Mid-Term Review and to move the offerings' metrics to the Resource Acquisition scorecard. The OEB provided the following context with respect to Union's RunSmart offering and Enbridge's Run-It-Right program:[24]

> *"The OEB approves Enbridge's Run-it-Right and Union's RunSmart programs as proposed. However, the OEB finds both to be Resource Acquisition programs as the primary objective of the programs are to achieve gas savings. Although the programs include an educational aspect related to the on-site energy assessment, the gas utilities have an expectation that there will be gas savings within 12-months from the initial assessment. The OEB finds that sufficient data is available to develop gas savings target metrics, incentive levels and calculate cost-effectiveness results."*

Similarly, the OEB provided the following context with respect to Union's Strategic Energy Management offering and Enbridge's Comprehensive Energy Management program:[25]

> *"The OEB approves Enbridge's Comprehensive Energy Management and Union's Strategic Energy Management programs as proposed. However, the OEB finds both are*

[24] EB-2015-0029, Decision and Order, p. 46.
[25] EB-2015-0029,Decision and Order, p. 58.

designed to achieve gas savings, similar to the Run-it-Right and RunSmart programs. The OEB acknowledges that these programs include an educational component, but the main focus of this program is related to gas savings."

Consistent with Resource Acquisition offerings (defined on pp. 12-13), Union's RunSmart and Strategic Energy Management offerings are measured using a natural gas savings metric, in collaboration with a participation metric. Union designed the natural gas savings metric as the average percentage of natural gas saved by offering participants, rather than in the traditional manner of lifetime natural gas m^3 saved. The approach taken is appropriate for these offerings because they have relatively few participants.[26] By combining the natural gas savings metric with a participant metric Union cannot achieve the available shareholder incentive by enrolling only a single large customer in the offering.

A natural gas savings metric for Union's RunSmart offering is included in Union's 2017 and 2018 Performance-Based scorecards, in addition to a participation metric.[27] For Union's RunSmart offering, one year of consumption data is required to determine participants' initial baseline before natural gas savings can be calculated. Union did not include a natural gas savings metric for the RunSmart offering on its 2016 Performance-Based scorecard as 2016 was the first year the offering was included within Union's DSM portfolio.

[26] The target for participation in the RunSmart and Strategic Energy Management Offerings in 2016 was 28 and 3, respectively (OEB Decision and Order, Schedule C).
[27] EB-2015-0029, Decision and Order, Schedule C.

Similarly, a natural gas savings metric for Union's Strategic Energy Management offering is included in Union's 2018 Performance-Based scorecard.[28] For Union's Strategic Energy Management offering, one year of energy plan development and sub-metering equipment installation, followed by a second year of consumption data to determine participants' initial baseline is required before savings can be determined. Union did not include a natural gas savings metric for the Strategic Energy Management offering in its 2016 and 2017 Performance-Based scorecard as 2016 was the first year the offering was included within Union's DSM portfolio.

Similar to a Resource Acquisition program, Union screens the Performance-Based program (which includes the RunSmart and Strategic Energy Management offerings) using the TRC-Plus test and Union provides financial incentives directly to the program's participants. The program's forecasted TRC-Plus test result was provided in Union's 2015-2020 DSM Plan.[29] The incentive structure for the offerings is provided in Table 4 below.

[28] EB-2015-0029 Decision and Order, Schedule C.
[29] EB-2015-0029, Exhibit A, Tab 3, Appendix A, p. 62, Table 23.

Table 4
Incentive Structure – RunSmart and Strategic Energy Management Offerings

RunSmart Offering Incentive Structure[30]	• Savings demonstrated less than the minimum threshold of 5% improvement from baseline will not receive an incentive. • Savings demonstrated between 5% and 10% improvement from baseline will receive $0.20 per annual m^3 saved. • An incremental deep savings bonus of $0.05 per annual m^3 is applied to customers demonstrating greater than 10% improvement (but less than 15%). • An incremental deep savings bonus of $0.10 per annual m^3 is applied to customers demonstrating greater than 15% improvement.
Strategic Energy Management Offering Incentive Structure[31]	• Year-1 start-up incentives: o Up to $25,000 to support the purchase and installation of sub-metering and data management equipment. • Additionally, in-kind technical support (from Union and a third party) will be made available at no charge to the customer, to assess and identify appropriate unitized energy use metrics (relative to a customer's process and production), to recommend sub-metering requirements, and to aid in the development of a continuous improvement energy management plan for the customer. • Year-2 baseline incentive: o Customer to submit a 12-month baseline report. o No incentive available since only baseline data is being collected. • Year-3 performance incentive: o Customer to submit a 12-month performance report. o >5% savings (from baseline) = $10,000 fixed incentive. • Year-4 performance incentive: o Customer to submit a 12-month performance report. o >10% savings (from baseline) = $15,000 fixed incentive. • Year-5 performance incentive: o Customer to submit a 12-month performance report. o >15% savings (from baseline) = $20,000 fixed incentive.

For these reasons, Union asserts that the Performance-Based program (which includes the RunSmart and Strategic Energy Management offerings) is already treated as a Resource

[30] EB-2015-0029, Exhibit A, Tab 3, Appendix A, p. 55.
[31] EB-2015-0029, Exhibit A, Tab 3, Appendix A, pp. 57-58.

Acquisition program, and is classified as a Performance-Based program due to the way savings are determined (i.e. multi-year engagement using sub-metered and/or consumption data). According to the OEB's Guidelines, Performance-Based programs and Resource Acquisition programs are categorized as similar program types:[32]

> *"It can be rather difficult to provide definitive evidence that the natural gas utilities' market transformation programs are responsible for the reported results; while they generally promote the energy efficiency message, their savings may be indirect. In comparison, resource acquisition and performance-based programs seek to achieve direct, measurable savings customer-by-customer."*

Union deliberately proposed a separate scorecard for the Performance-Based program (rather than including it within the Resource Acquisition scorecard) to ensure that a shareholder incentive amount was attributed solely to the Performance-Based program, encouraging Union to remain focused on the success of the program.[33] In contrast, moving the Performance-Based program (which consists of the RunSmart and Strategic Energy Management metrics) to the Resource Acquisition scorecard will introduce the risk that the Performance-Based program will be overshadowed by larger Resource Acquisition programs. For example, 1% of Union's maximum shareholder incentive was available via the Performance-Based scorecard in 2016.[34] Therefore, Union's ability to earn that 1% of its maximum shareholder incentive depended solely

[32] EB-2014-0134 Guidelines, p. 14.
[33] Union's 2016 OEB-approved budget for the Performance-Based Program was $548,000 (OEB Decision and Order, Schedule A).
[34] EB-2015-0029, Decision and Order, Schedule C.

on its ability to meet Performance-Based program targets, and could not be earned by overachieving through another DSM program. If the Performance-Based program were to be moved to the Resource Acquisition scorecard, the amount could be earned by over-achieving on another metric from the scorecard.

Union finds it appropriate to use multiple scorecards regardless of similarities in program types. Union does not believe it is appropriate to include all Resource Acquisition-type programs or offerings on one scorecard. The OEB's DSM Guidelines and Framework do not require the utilities to file all programs of similar types on one scorecard. An example where other Resource Acquisition-type programs are included on separate scorecards is Union's Low-Income program. Scorecards should be designed in a manner that ensures appropriate focus on each program and offering.

For these reasons, Union submits that no changes should be made to the categorization of Union's Performance-Based program (which includes the RunSmart and Strategic Energy Management offerings) and that the program should be maintained on a separate Performance-Based scorecard. As noted on p.1, Union intends to file proposed 2019 and 2020 DSM scorecards, including the RunSmart and Strategic Energy Management offerings within the Performance-Based scorecard, as part of its Mid-Term Review submission in January 2018.

6. ADMINISTRATION COSTS – *PROVIDE INFORMATION RELATED TO PROGRAM OVERHEAD AND PORTFOLIO OVERHEAD (OR ADMINISTRATION) COSTS (SECTION 8.3)*

In Section 8.3 of the OEB's Decision and Order, the OEB directed the Utilities to provide a more detailed explanation of the administration and overhead costs ("administrative cost") associated with their DSM plans, and to indicate what measures have been undertaken to increase the overall efficiency of program overhead and administrative costs at the Mid-Term Review. The OEB also requested that the Utilities identify any DSM-related costs recovered through distribution rates outside of the DSM budget and that they provide the impacts of joint program design and delivery on overhead and administrative costs.

In an effort to ensure a comprehensive and consistent review of the Utilities' DSM administrative costs, and to support future DSM administrative cost discussions, the Utilities retained Dunsky Energy Consulting ("Dunsky") to:

- Conduct a review of each utility's DSM administrative costs;
- Clarify what is included in the Utilities' respective DSM administrative costs;
- Identify how other leading jurisdictions define and allocate DSM administrative costs;
- Provide an independent perspective on the different DSM administrative cost allocation methodologies; and,
- Provide recommendations for potential changes or next steps with respect to DSM administrative cost allocation methodologies.

Dunsky concludes that Union's interpretation of administrative costs appears to be in compliance with the Guidelines despite the fact that there are differences in the Utilities' respective interpretations of the Guidelines.[35] Please see Appendix D for the report prepared by Dunsky.

Dunsky notes that within the submissions of the Utilities and the OEB on the 2015-2020 DSM Framework (including the Utilities' 2015-2020 DSM Plans and the OEB's Decision and Order), both administration costs and overhead costs are used interchangeably when referring to administration-type costs.[36] Dunsky further notes that the distinction between the terms is unclear. For the purpose of this submission, Union uses the term administrative costs to refer to all administration-type costs.

6.1. Overview of Union's DSM Administrative Costs

Union includes the following costs within its DSM administrative costs:

- Salaries and wages for internal DSM employees;
- Benefits and short term incentive plan ("STIP") for internal DSM employees (partial)[37]; and,

[35] Dunsky Report, p. 13.
[36] Dunsky Report, p. 2.
[37] Benefits for internal DSM employees are only charged to the DSM budget for incremental roles that were added as part of Union's 2015-2020 DSM Plan. Benefits for the existing DSM roles at the time of Union's 2015-2020 DSM Plan were, and continue to be, charged to Operating and Maintenance ("O&M"). At the time of the utility's next O&M rebasing, the benefits for incremental roles will be moved to O&M and will no longer be charged to the DSM budget.

- Other costs associated with internal DSM employees (training/development costs, travel costs, computer-related costs, communication costs, office supply/material costs, subscription/membership costs, postage costs, and consulting services costs).

In 2016, Union spent $8.4 million (pre-audit) on DSM administrative costs. The breakdown by DSM administrative subcategory is provided in Table 5 below.

Table 5
DSM Administrative Costs

DSM Administrative Costs	**2016 Spend (Pre-audit) ($ millions)**
Salaries and wages for internal DSM employees	$7.3
Benefits and STIP for internal DSM employees (partial)[41]	$0.3
Other costs associated with internal DSM employees	$0.8
Total	$8.4

Union includes the following costs within its DSM budget, outside of administrative costs:

- DSM customer incentives;
- DSM promotional costs (marketing/promotion costs, and third-party program design/delivery costs);
- DSM evaluation, measurement and verification costs;
- DSM research costs;
- DSM pilots and studies; and,
- DSM IT system upgrades.

In 2016, Union spent $37.4 million (pre-audit) on DSM non-administrative costs.

6.2. DSM-RELATED COSTS RECOVERED THROUGH DISTRIBUTION RATES, OUTSIDE OF THE DSM BUDGET

The following DSM-related costs are recovered through distribution rates, outside of the DSM budget:

- Benefits and STIP for internal DSM employees (partial)[38];
- General use of assets and office space for internal DSM employees; and,
- DSM costs related to internal shared services (e.g. finance, human resources, legal).

6.3. INCREASING THE OVERALL EFFICIENCY OF DSM ADMINISTRATIVE COSTS

DSM administrative cost efficiency is closely correlated to the magnitude of an initiative. In general, as the magnitude of an initiative increases the percentage associated with administrative cost decreases. This is evident by assessing Union's historical DSM expenditures over a period of DSM portfolio growth. For example, in 2012, Union spent $6.8 million on DSM administrative costs compared to a total DSM spend of $31.2 million, or 21.7% of total DSM spend.[39] In 2016, Union spent $8.4 million (pre-audit) on DSM administrative costs compared to a total DSM spend of $45.8 million (pre-audit), or 18.3% of total DSM spend. By increasing the

[38] Benefits for internal DSM employees are only charged to the DSM budget for incremental roles that were added as part of Union's 2015-2020 DSM Plan. Benefits for the existing DSM roles at the time of Union's 2015-2020 DSM Plan were, and continue to be, charged to O&M. At the time of the utility's next O&M rebasing, the benefits for incremental roles will be moved to O&M and will no longer be charged to the DSM budget.
[39] Union 2012 DSM Annual Report, p. 17, Table 3.1 (Portfolio administrative spend + Program administrative spend).

size of Union's DSM budget (and subsequently its DSM portfolio) by 47%, between 2012 and 2016, the percentage of expenditure on DSM administrative costs decreased by 16%.[40]

Expenditure on DSM administrative costs is also closely related to DSM program design, as some programs require higher administrative costs than others. For example, DSM programs that offer training and technical support from Union staff will generally result in a higher expenditure on DSM administrative costs compared to programs that do not (e.g. programs that only offer customer incentives).

While Union has identified that the efficiency of DSM administrative costs is principally related to the size of the DSM budget/portfolio and how DSM programs are designed, Union remains focused on increasing the overall efficiency of DSM administrative expenditure. Union's primary means of accomplishing this is by hiring part-time staff on contract during peak periods of the year instead of hiring full-time employees. Union has and will continue to use this approach within its DSM tracking and reporting group when additional resources are required to process applications. Similarly, Union will hire external engineering consultants to process custom projects during peak periods, rather than hiring incremental full-time staff. Furthermore, Union encourages employees to use video and teleconferencing technologies to reduce employee travel expenses.

[40] From 21.7% to 18.3%.

6.4. IMPACTS OF JOINT PROGRAM DESIGN AND DELIVERY ON DSM ADMINISTRATIVE COSTS

Union has collaborated with other parties on two recent energy conservation offerings, resulting in more efficient DSM administrative expenditure, as explained below:

1. In 2016, Union partnered with the government of Ontario (via the Green Investment Fund) to enhance Union's Home Reno Rebate offering. The enhancements include expanded eligibility for participation, new rebates and increased rebate levels for measures already included in the offering. Through the partnership, the provincial government funds the offerings' enhancements and a portion of the administrative costs. As a result, Union's DSM program benefits from more cost-effective administrative expenditure. In 2017, Union and the government of Ontario partnered with the IESO to enhance the offering to include rebates for electric components. Union estimates that the administrative cost efficiency realized as a result of the partnerships related to the enhanced Home Reno Rebate offering is approximately $200,000 per year.
2. In 2017, Union partnered with Alectra Utilities ("Alectra") to deliver the Commercial/Industrial Direct Install offering to small-business customers. The partnership resulted in the addition of natural gas energy conservation technologies to Alectra's existing lighting program. By partnering with Alectra instead of delivering a separate direct install offering, Union estimates approximately $40,000 per year in DSM administrative cost efficiencies.

6.5. Challenges with Comparing DSM Administrative Costs between Program Administrators

Union's DSM administrative cost category reflects costs associated with internal DSM staff, while Enbridge's DSM administrative category reflects the overhead costs required to support DSM programs.[41] While similar, there are differences between the Utilities respective definitions of administrative costs. For example, Enbridge includes DSM evaluation study costs within its administrative costs (because Enbridge has classified evaluation study costs as an overhead cost required to deliver DSM programs), while Union accounts for evaluation study costs outside of administrative costs (because evaluation study costs are paid to third-parties and are not internal DSM staff costs). Dunsky found that both Utilities appear to be in compliance with the OEB's Guidelines, but that different interpretations of the Guidelines has resulted in the Utilities taking different approaches to allocating DSM administrative costs.[42] Through a review of other leading jurisdictions, Dunsky found that there are further differences when comparing the Utilities DSM administrative allocation methodologies to other jurisdictions.[43]

6.6. Conclusions

Dunsky's report provides the following conclusions regarding administrative costs: [44]

[41] Dunsky Report, p. 13.
[42] Dunsky Report, p. 13.
[43] Dunksy Report, pp. 4-8.
[44] Dunsky Report, p. 13.

- "a more precise definition of the existing guidelines may provide the Board and intervenors with a clearer understanding of the two organizations' allocation in future DSM Plan applications"
- "an examination of potential changes to the guidelines for Administration Costs to focus on function rather than internal and external costs could assist the Board and intervenors to have a clearer understanding of each utility's actual spend on costs unrelated to direct program delivery."

Union is in agreement with Dunsky's assertion that the DSM administrative cost allocation methodology for the Utilities should be more clearly defined, and submits that the appropriate time to develop and implement a common methodology is during the development of the post-2020 DSM Framework. Specifically, Union suggests that the Utilities jointly propose a consistent methodology as part of their DSM applications for the post-2020 DSM Framework.

Project Documentation FORM

Customer:

Contact Name: Acct No.:

Project:

Form is Incomplete

1 **Was this project completed for energy conservation purposes?** ie. The project was not mandated through any regulation, safety concerns, or to maintain manufacturer's warranty?

☐ Agree ☐ Partially *Select One Option*

2 **Energy Efficient Project (High Efficient Option)** *Select One Project Type*

A. Project Type

- ☐ a. Optimized existing equipment/process
- ☐ b. New Equipment or Add-On Equipment/Features
- ☐ c. Replaced existing equipment
- ☐ d. Replaced existing equipment with "Better"
- ☐ e. New Construction (New Buildings only)

B. ***Description of Project***

C. **Expected Equipment Useful Life of the High Efficient Option (EUL)** _____ yrs _____ *Source*

3 **Previous Existing Operation** *Please Fill in Section 3*

A.

B. ***How long has facility operated as above (Question 3A) ?*** _____ yrs

C. ***How long could facility continue to operate as above (Question 3A) ?*** _____ yrs

4 **Was something less efficient considered, besides the "as-is" condition?**
i.e. A different piece of equipment or a model with less efficient options?

☐ YES ☐ NO *Select One Option*

If Yes, please describe the alternate option considered.

5 **Installation / Commissioning Dates**

A. ***Commissioning Date:*** ***May 15, 2016*** (dd-mm-yyyy)

B. ***Installation Date:*** (dd-mm-yyyy) *- If different from commissioning date (i.e. long commissioning period)*

6

☐ YES ☐

If YES . . .

7 **Have you or will you apply for additional incentive funding for this project?**

☐ ☐

☐
☐

8 Additional Comments

9 Key Assumptions and Sources Summary

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.
11.
12.

TERMS AND CONDITIONS

Incentive offers apply to Union Gas customers with an active commercial or industrial account, for installations of eligible equipment between Jan. 1, 2017 and Dec. 31, 2017. Replacements of existing energy efficient equipment do not qualify. Both purchased and rental units are eligible. All commercial and industrial building types are eligible unless specified. Applications require proof of purchase and installation. High-volume projects will be reviewed on a per-project basis. Foodservice incentives apply to commercial food preparation or processing. Multi-unit residential incentives apply to buildings with more than five units and two floors. Programs and incentives subject to change or cancellation without notice. Union Gas makes no warranty or guarantee regarding the estimated savings. All applications are reviewed by Union Gas and subject to verification for eligibility and installation. Additional terms and conditions may apply.

OFFERS:

SPACE HEATING

1) **Air Curtain:** Pedestrian single and double doors and shipping doors in buildings with space heating are eligible. Other door sizes not listed may be eligible. Replacement of existing air curtains is not eligible. Buildings with vestibules are not eligible. Equipment installed must be non-heated and must be tested by a third-party performance standard (ANSI/AMCA 220-05 or similar).
2) **Boiler Cycling Control:** The boiler cycling control should vary the cut-in point of a boiler burner as a function of the load; detect the magnitude of demand; and distinguish between standby losses vs. real demand for heating. To be installed on a hydronic or steam non-condensing and/or non-modulating boiler used for space heating, in existing building only.
3) **Condensing Boiler:** Incentive applies to condensing boilers used for space heating, water heating or both; with thermal efficiency: Retrofit ≥90%; New Construction >90% for permits issued in 2017. Eligible boilers must be certified to CSA 4.9/ANSI Z21.13.
4) **Condensing Make-up Air Unit:** Incentive applies to units ≥ 1,500 ≤ 14,000 CFM with thermal efficiency ≥ 90% for equipment with constant speed, 2-speed and variable frequency drive (VFD). Buildings with DCV are not eligible.
5) **Condensing Unit Heater:** Must have thermal efficiency of ≥ 90%.
6) **ERV/HRV:** Operating CFM of the unit must have a minimum sensible heat recovery effectiveness of 65% at 32 F. Not to be used to recover energy from areas where 100% fresh air is required; no recirculation is allowed by codes or standards; contaminants (gases and vapours) may be present and the ERV may bring them back into the breathing zone; or systems where no DCV or daytime scheduled setbacks exist. Incentive paid on operating CFM of the unit. In-suite installations may be eligible at a different incentive level.
7) **Demand Control Ventilation:** Incentive applies to single zone systems with DCV installed on constant-volume ventilation systems in buildings operating as retail or office. Mall common areas, office breakrooms and telephone/data entry facilities with zones larger than 500 sq. ft. are not eligible. Buildings with ERV or HRV, multi-zone systems or variable air volume (VAV) are not eligible. Buildings must have natural gas space heating.
8) **Infrared Heater:** Incentive applies to units ≤ 299 kBtu/hr. in new construction or when replacing conventional unit heaters only.

MULTI-UNIT INSTALLATION BONUS

9) Multiple installations of space heating, water heating and foodservice equipment that occur in one or more locations per account holder, per year. Eligible installation of 4-10 units receive 20% bonus on total incentive, 11-20 units receive 30% bonus on total incentive and 21-30 units receive 40% bonus on total incentive. Maximum bonus of $20,000. Excludes custom engineering projects, ozone laundry, demand control ventilation and all equipment installed in-suite, in-room or in-office. To be eligible for the bonus, installations must occur between Jan. 1, 2017 and Nov. 30, 2017 with applications sent to Union Gas by Dec. 1, 2017. Bonus is paid to the organization/business responsible for the decision to install the energy efficient equipment.

CUSTOM ENGINEERING PROJECTS

10) Total incentive cannot exceed 50% of the project cost. Contact your Union Gas Account Manager for detailed information on eligibility and application requirements.

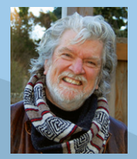
Network with Canada's leading building science and energy efficiency experts.

SPEAKERS


Gord Cooke


Kirk Johnson


Corey McBurney


Tex McLeod


Andrew Oding


Al Schmidt

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Gord Cooke
Principal Partner, Construction Instruction and President, Building Knowledge Canada

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The new Ontario Building Code takes effect on January 1, 2017.

Get expert insights on what it means for you:
- High-level context on the direction of the code
- Overview of key energy changes
- Strategies to meet and exceed code cost-effectively

Learn how to meet industry and customer demand:
- Voluntary Programs – Financial/Non-Financial benefits for the homebuilder and homebuyer
- Major trends unfolding, Next Gen ENERGY STAR/ R-2000/EnerGuide (ERS) Programs update
- Open discussion – What do builders want to see in next gen voluntary programs?

See how leading builders are raising performance standards, maximizing efficiencies and managing costs:
- Process improvements
- Cost efficiencies
- Builder innovations
- New technologies
- Sales strategies
- Lessons learned

Find out how Union Gas is driving interest among homebuyers.

Who should attend:
- Production and custom builders
- Local homebuilder associations
- General contractors
- Municipal planning staff & building officials
- Manufacturers (energy efficiency/building technologies)

2016 UNION GAS BUILDER FORUMS

March 8 — HAMILTON: THE BEST WESTERN AT CARMEN'S

Time	Description
8:30 – 9:00	**Breakfast & Networking**
9:00 – 9:15	**Opening Remarks**
9:15 – 10:45	**Ontario Building Code 2017** Gord Cooke, Building Knowledge
10:45 – 11:00	Break
11:00 – 12:00	**Future Proof your Business – ENERGY STAR and 2017** Kirk Johnson, Program Director – EnerQuality
12:00 – 1:30	Lunch
1:30 – 2:30	**High Performance Homes Builder Panel – Best Practices and Lessons Learned** Gord Cooke Builders: Reid's Heritage Homes, Sifton Properties Ltd.
2:30 – 2:45	Break
3:00 – 3:45	**Union Gas Builder Support Programs** Union Gas Representative
3:45 – 4:00	Closing Remarks

March 9 — INGERSOLL: THE ELM HURST INN

Time	Description
8:30 – 9:30	**Breakfast & Networking**
9:30 – 9:45	**Opening Remarks**
9:45 – 11:15	**Ontario Building Code 2017** Gord Cooke, Building Knowledge
11:15 – 11:30	Break
11:30 – 12:30	**Future Proof your Business – ENERGY STAR and 2017** Kirk Johnson, Program Director – EnerQuality
12:30 – 1:30	Lunch
1:30 – 2:30	**High Performance Homes Builder Panel – Best Practices and Lessons Learned** Gord Cooke, Al Schmidt Builders: Doug Tarry Homes, BK Cornerstone
2:30 – 2:45	Break
3:00 – 3:45	**Union Gas Builder Support Programs** Union Gas Representative
3:45 – 4:00	Closing Remarks

March 29 — HUNTSVILLE: THE HIDDEN VALLEY RESORT

Time	Description
8:30 – 9:30	**Breakfast & Networking**
9:30 – 9:45	**Opening Remarks**
9:45 – 11:15	**Ontario Building Code 2017** Gord Cooke, Building Knowledge
11:15 – 11:30	Break
11:30 – 12:30	**Future Proof your Business – ENERGY STAR and 2017** Kirk Johnson, Program Director – EnerQuality
12:30 – 1:30	Lunch
1:30 – 2:30	**High Performance Home Building in the North – Opportunities & Challenges** Tex McLeod, Andy Oding, & Kirk Johnson
2:30 – 2:45	Break
3:00 – 3:45	**Union Gas Builder Support Programs** Union Gas Representative
3:45 – 4:00	Closing Remarks

March 31 — KINGSTON: THE AMBASSADOR HOTEL

Time	Description
8:30 – 9:00	**Breakfast & Networking**
9:00 – 9:15	**Opening Remarks**
9:15 – 10:45	**Ontario Building Code 2017** Gord Cooke, Building Knowledge
10:45 – 11:00	Break
11:00 – 12:00	**Future Proof your Business – ENERGY STAR and 2017** Kirk Johnson, Program Director – EnerQuality
12:00 – 1:30	Lunch
1:30 – 2:30	**High Performance Homes Builder Panel – Best Practices and Lessons Learned** Tex McLeod Builders: CaraCo Development Corporation, Geertsma Homes
2:30 – 2:45	Break
3:00 – 3:45	**Union Gas Builder Support Programs** Union Gas Representative
3:45 – 4:00	Closing Remarks

ADMINISTRATIVE COSTS REVIEW:

ENBRIDGE GAS DISTRIBUTION AND UNION GAS LIMITED

PREPARED BY
DUNSKY ENERGY CONSULTING

SUBMITTED TO
Enbridge Gas & Union Gas

September 2017

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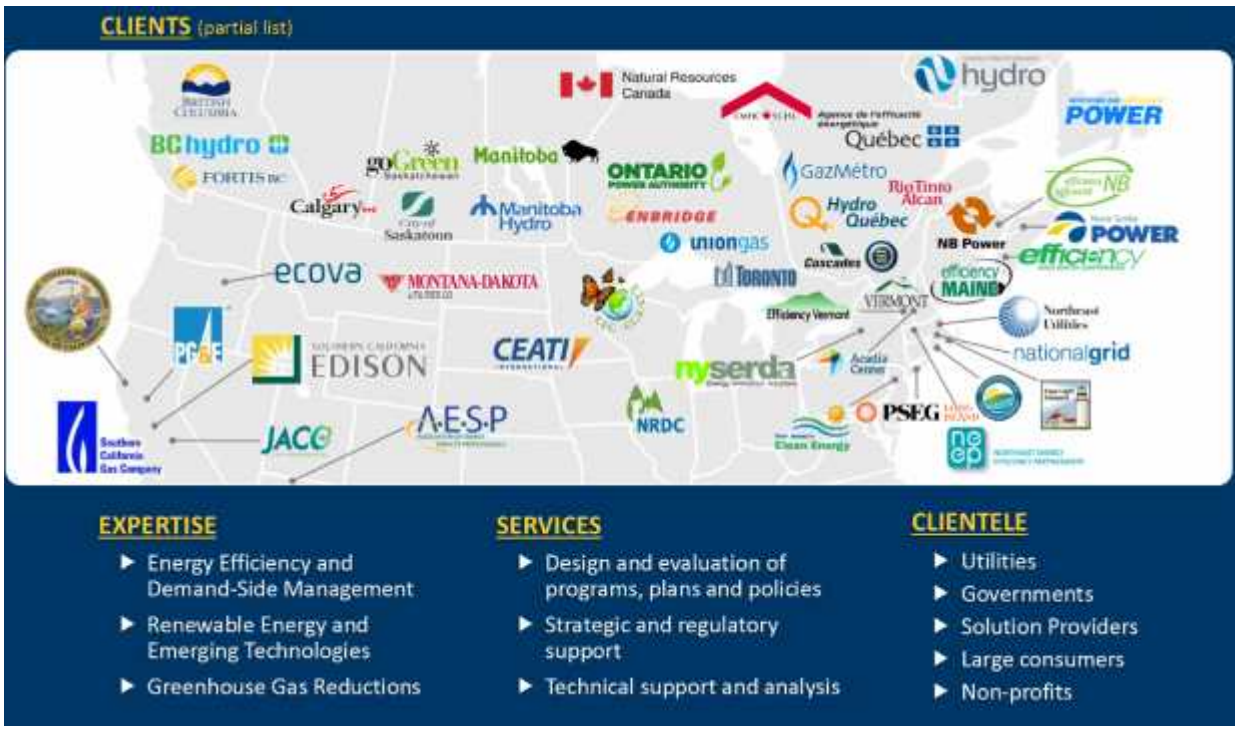
ABOUT **DUNSKY ENERGY CONSULTING**

Dunsky Energy Consulting is specialized in the planning, design, support and evaluation of sustainable energy programs and policies. Our clients include leading utilities, government agencies, private firms and non-profit organizations throughout North America.



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INTRODUCTION

On April 1, 2015, Union Gas Limited and Enbridge Gas Distribution filed Applications with the Ontario Energy Board ("OEB" or "the Board") for approval of their respective 2015-2020 Demand-Side Management (DSM) Plans. During the subsequent proceedings, some intervenors indicated concern with the level of administrative and overhead costs.[1] In its January 20, 2016 Decision and Order (the "Decision") the Board approved modified administrative costs, but also "found the evidence regarding administration and overhead costs did not fully describe the nature of these costs. The considerable variation, both between overhead costs for all programs and between the two gas utilities, only added to the confusion."[2] The OEB therefore directed the utilities to provide more detail regarding the administration and overhead costs in relation to their overall DSM Plans.[3]

To meet this directive, Union and Enbridge retained Dunsky's services to review each utility's administrative and overhead costs (proposed, approved, and actual), clarify how these costs are developed and allocated, and provide an independent perspective on the differences between the allocation and interpretation of these costs, as well as to provide recommendations for potential changes or next steps, if applicable.

This report includes the following sections:

- Introduction
- Overview and Review of Administrative Costs
- Allocation Methodologies Analysis
- Options and Considerations
- Overall Conclusions

To conduct an appropriate analysis, we examined different stages of the 2015-2020 DSM Plan process, namely Proposed, Approved, and Actual Costs. We differentiate between them where applicable. Unless otherwise noted, 2016 values are used for each stage of the analysis.

OVERVIEW AND REVIEW OF ADMINISTRATIVE COSTS

As the first stage in our work, we reviewed the OEB's *Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors* (*2015-2020)* (the "Guidelines") and each

[1] Ontario Energy Board. *Decision and Order* re. Union Gas Limited and Enbridge Gas Distribution Inc. – *Application for approval of 2015-2020 demand side management plans*. OEB Docket EB-2015-0029 / EB-2015-0049. January 20, 2016. p. 60.
[2] Ibid.
[3] Ibid.

utility's allocations to understand how administrative costs are currently being categorized and reported. We also scanned several leading jurisdictions to understand how they categorize these costs. Our findings are below.

ONTARIO ENERGY BOARD DEFINITION

In its Guidelines, **the OEB defines Administrative Costs as "generally the costs of staff who work on DSM activities."** It further indicates that these costs are "often differentiated" between support and operations staff[4]:

- Support staff costs are considered fixed costs or "overhead" that occur regardless of the level of customer participation in the programs.

- Operations staff costs vary, depending on the level of customer participation.

The Guidelines direct utilities to include all staff salaries that are attributable to DSM programs in the appropriate Program Cost area. Administrative costs that cannot be assigned to a program can be accounted for at the portfolio level.

The Decision for the Proceeding adds additional detail, including "staff salaries, employee training and development, office supplies, consulting costs, sponsorships and memberships" under overhead and administration costs.[5]

ONTARIO ENERGY BOARD INTERPRETATION

In the above-referenced OEB documents and in the utilities' Plans, the terms Administrative Costs and Overhead Costs are both used when referring to administrative-type costs. The distinction between the terms, however, is unclear. In the textual description in section 8.3 of the Decision, the OEB states that Enbridge's 2016 *overhead* costs "are forecast to be $8.8M and *administration* costs are $3.5M", with Union proposing "program *overhead* costs of $10.0M and *administration* costs, which include information system costs, of $11.7M"[6] [emphasis added].

This wording suggests that the OEB distinguishes between *program-level overhead* and *portfolio-level administrative costs*. However, in the Board's summary tables, only the term Overhead Costs is used, which may indicate that the OEB uses the terms interchangeably (see Table 1, below). These differences in terminology may create a challenge for the Board, the utilities, and stakeholders in terms of interpreting and comparing the utilities' budgets.

---

[4] *Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020)*. p. 30.
[5] Ontario Energy Board. *Decision and Order* re. Union Gas Limited and Enbridge Gas Distribution Inc. – *Application for approval of 2015-2020 demand side management plans*. OEB Docket EB-2015-0029 / EB-2015-0049. January 20, 2016. p. 59.
[6] Ibid, p. 59.

Table 1. Excerpt from OEB Summary Table of Overhead and Administrative Costs

Enbridge Overhead Budgets	2016
Proposed Program Overhead Costs	$8,800,000
Approved Program Overhead Costs	***$7,741,021***
Proposed Portfolio Overhead Costs	$3,500,000
Approved Portfolio Overhead Costs	***$3,500,000***
Total Proposed Overhead Costs	$12,300,000
Total Approved Overhead Costs	**$11,241,021**
Reference: Proposed overhead costs - Enbridge Applicatio	

Union Overhead Budgets	2016
Proposed Program Overhead Costs	$10,023,000
Approved Program Overhead Costs	***$8,747,373***
Proposed Portfolio Overhead Costs	$11,735,000
Approved Portfolio Overhead Costs	***$11,235,000***
Total Proposed Overhead Costs	$21,758,000
Total Approved Overhead Costs	***$19,982,373***

To note, the breakdown in Table 1 reflects how the OEB interpreted the utilities' overhead and administrative costs in its Decision, not how Union and Enbridge categorize their administrative costs. However, by cross-referencing the budget items in the utility plans included in the above OEB summary tables, we find items we would not necessarily include (such as pilot projects) based on the Board's definition of Administrative Costs in the Guidelines and Decision (see Table 2).

Table 2. Cross-reference between OEB Interpretation of Proposed 2016 Plan Overhead Budgets and Utility Budget Tables

OEB Category	Items Included in the OEB Decision Summary of the Utilities' "Proposed Overhead Costs"		
		Union	Enbridge
PROGRAM overhead costs		**$10.0 M**	**$8.8 M**
	Administration		
	Low Income	■	■
	Market Transformation	■	■
	Resource Acquisition	■	■
	Performance-Based	■	
	Large Volume	■	
	Energy Management		■
	Evaluation		
	Resource Acquisition	■	
	Performance-Based	■	
	Low-Income	■	
	Start-Up		
	Residential	■	
PORTFOLIO overhead costs		**$11.7 M**	**$3.5 M**
	Research	■	
	Evaluation	■	■
	Administration	■	
	Pilots	■	
	Tracking System Upgrades/DSM IT chargeback	■	■
	Collaboration & Innovation		■

The Board's interpretation of $21.7 million in Administrative and Overhead Costs leads to very different allocations for Union (of 37.9%), which proposed a total of $10.1 million in Administrative Costs in its Plan, plus another $2.1 in Evaluation costs (17.9%). In contrast, the OEB's interpretation of Enbridge's Administrative Costs are in line with the utility's administrative cost categories, leading to an administrative cost allocation of 15.8%. These multiple interpretations of the definition(s) add to the potential for confusion.

OTHER DSM ADMINISTRATOR APPROACHES

As illustrated above, allocating administrative costs is a matter of definition. While there are some common practices that can inform this discussion, there is no "right" or "wrong" way to define what is and is not an administrative cost – practice varies by jurisdiction.

In this section, we provide examples of ways in which different jurisdictions interpret and allocate administrative costs. These examples are based on an initial scan of publicly available information and include:

- **Massachusetts:** selected because it is considered a leader in energy efficiency.
- **Oregon:** selected because it is consistently in the top ten of the American Council for an Energy-Efficient Economy (ACEEE) state energy efficiency scorecard.
- **Nova Scotia:** selected because it is a leading jurisdiction in Canada

These examples are provided for contextual purposes; they have been developed for different regulatory proceedings with different purposes. We are including them, however, as **examples that highlight the difficulties in benchmarking, or even comparing, different organizations' or jurisdictions'**. Definitions can also change over time, adding to the difficulty.

We note that comparability of size, type of organization, fuel sources, etc. is relevant when analyzing energy savings, investment, and similar questions; however, it is not as relevant for understanding the definition of administrative costs.

MASSACHUSETTS

Massachusetts is commonly ranked as the top U.S. state for demand-side management program activities, both for electric and natural gas customers. Programs are administered primarily by the state's electric and gas utilities, each of which are responsible for achieving their targets within allotted budgets, and each of which stands to earn shareholder incentives. However, all program administrators collaborate in developing and submitting for approval a unified three-year plan.

In Massachusetts, the energy efficiency budget category definitions are used statewide by all Program Administrators. Currently, administrative costs fall under Program Planning and Administration (PP&A) and include:

> *costs associated with developing program plans, including market transformation plans, R&D (excluding R&D assigned to Evaluation and Market Research), day-to-day program administration, including labor, benefits, expenses, materials, supplies, overhead costs, any regulatory costs associated with energy efficiency activities, database/data repository development and maintenance, sponsorships and subscriptions, and energy efficiency services contracted to non-affiliated companies, e.g., outside consultants used to prepare plans, screen programs, improve databases and perform legal services. This category also includes internal salaries for administrative employees/tasks, including program managers who do not have direct sales and technical assistance contact with customers.*[7]

[7] *Massachusetts Joint Statewide Three-Year Electric and Gas Energy Efficiency Plan (2016-2018)*. Filed with the Department of Public Utilities October 30, 2015. http://ma-eeac.org/wordpress/wp-content/uploads/Exhibit-1-Gas-and-Electric-PAs-Plan-2016-2018-with-App-except-App-U.pdf. p. 231.

The Massachusetts Administrative Costs category includes more items than the OEB's, in part because of the addition of the "Program Planning" allocation. There are additional differences, however. **For salaries, the Massachusetts' definition does not allocate salary costs on the basis of whether they are incurred in-house or externally, as Union does. Rather, the definition is focused on the requirements of an individual's role**: evaluation and market research staff or consultants are allocated to the Evaluation and Market Research category, and Program Managers are allocated to the category within which their role fits:

> *Salaries of program managers with direct sales and technical assistance customer contact are appropriately allocated to STAT [Sales, Technical Assistance, and Training], while salaries of program managers without direct contact are more appropriately allocated to PP&A. For example, the salary of a C&I program manager who works directly with customers will be allocated to STAT, while the salary of a residential program manager who does not deal directly with customers due to the lead vendor model will be allocated to PP&A.*[8]

ENERGY TRUST OF OREGON

Oregon is also ranked in the top ten U.S. states for DSM activities, including for natural gas. Programs are offered by the Energy Trust of Oregon (ETO), a third-party administrator that achieves higher-than-average savings.[9] ETO collaborates with the state's utilities, non-profits and government agencies and receives input from two advisory councils.

ETO allocates all costs based on purpose, rather than by set categories, by sharing costs between Administrative and Program Costs. Allocations for Administrative Costs are applied to costs that are not direct program costs or program support costs. In other words, a cost is considered an administrative cost if it does not consist of "program management, program delivery, program incentives, program payroll and related expenses, outsourced services, planning and evaluation services, customer service management, and trade ally network management."[10] For example, equipment costs required for a program would be allocated to that program, but general equipment purchases would be allocated to administration.

The following table provides an overview of the categories to which ETO allocates Administrative Costs when not meeting the definition of Direct Program or Program Support Costs.[11]

[8] Ibid. pp. 232-33.
[9] American Council for an Energy-Efficient Economy (ACEEE). *2016 State Scorecard: Oregon.*
[10] Public Utility Commission of Oregon. *Order: Recommendations for 2017 Performance Measures.* Order No. 17.050. Feb. 13, 2017. p. 7.
[11] EfficiencyOne. Response to Consumer Advocate Information Request (IR-13), NSUARB Docket E-ENS-R-15: *2016-2018 Supply Agreement for EECA*.

Table 3. Administrative Cost Allocation by Energy Trust of Oregon

Cost Categories	Administrative	Direct Program and/or Program Support
1. Supplies	◖	◗
2. Postage and shipping expenses	◖	◗
3. Telephone	◖	◗
4. Printing and publications	◖	◗
5. Occupancy expenses	◖	◗
6. Insurance	◖	◗
7. Equipment	◖	◗
8. Travel	◖	◗
9. Meetings/training/conferences	◖	◗
10. Interest expenses and bank fees	◖	◗
11. Depreciation and amortization	◖	◗
12. Dues, licenses and fees	◖	◗
13. IT services	◖	◗

EFFICIENCYONE

EfficiencyOne holds the franchise to administer electric and non-electric energy efficiency in Nova Scotia and operates under the Efficiency Nova Scotia brand. Considered a DSM leader in Canada, Efficiency Nova Scotia is an energy efficiency utility under the province's Public Utilities Act and is regulated by the province's Utility and Review Board.

EfficiencyOne takes a limited interpretation with respect to the allocation of Administrative Costs, including items such as banking-related and accounting costs, information technology, meetings and travel, rent and office costs, and some salaries/benefits and training costs (see table 2 below). Unlike ETO, EfficiencyOne shares only five of its cost categories between Administrative Costs and Program Costs, depending on the type of cost. For example, consulting and salary costs for a specific program are allocated to that program, but consulting costs or salaries for the finance or human resources departments are allocated to Administrative Costs.[12]

[12] Ibid.

Table 4. Administrative Cost Allocation by Efficiency Nova Scotia

Cost Categories	Admin	Direct Program and/or Program Support
1. Amortization	●	
2. Bad debt	●	
3. Bank charges, interest and fees	●	
4. Consulting and other	◖	◗
5. Information technology	◖	◗
6. Meetings, travel and meals	◖	◗
7. Membership and dues	●	
8. Office and insurance	●	
9. Rent	●	
10. Salaries and benefits	◖	◗
11. Training and development	◖	◗

TAKEAWAYS

These examples show that each jurisdiction interprets the definition and application of administrative costs differently. No jurisdiction has a *right* way of defining these costs, but ensuring a clear, transparent definition can assist with understanding changes over time and between organizations.

ALLOCATION METHODOLOGIES ANALYSIS

The previous section provides context in terms of the difficulties in directly comparing the Ontario gas utilities' Administrative Costs as filed. However, as part of our work, we attempted to understand the differences between each utility's Administrative Costs budget. This was intended to allow us to analyze the potential cause(s) of any differences between the utilities' administrative costs and/or changes to Administrative Costs budgets, per concerns expressed by Intervenors in the 2015-2020 DSM Plan Hearings. Our intent in providing this understanding is not to assess whether one utility's interpretation is more appropriate than another; rather, it is to

provide a common ground for discussing each utility's Administrative Costs and understanding where some of the differences in allocations lie.

UTILITY CATEGORIZATIONS

UNION INTERPRETATION OF ADMINISTRATIVE COSTS

Union Gas interprets Administrative Costs to be *internal* DSM costs such as travel and accommodations, office supplies, and computer-related expenses, as well as staff salaries, including individuals involved in direct program delivery (see Table 5 for a list of categorized costs). In addition, DSM staff benefits for new positions (i.e. incremental for the 2015-2020 Plan) are included in Administrative Costs. All other fixed and variable DSM-related costs are considered incentives, promotion, or evaluation costs, and are allocated at the program or portfolio level. Salaries and payments made to external suppliers, delivery agents, or other program delivery support such as marketing are categorized within these non-Administrative categories.

With this interpretation of Administrative Costs, Union's proposed program and portfolio Administrative Costs are 17.9% of the utility's total proposed 2016 budget.[13]

ENBRIDGE INTERPRETATION OF ADMINISTRATIVE COSTS

Enbridge interprets Administrative Costs to be all costs not specifically allocated to delivering a particular DSM program, as well as all DSM staff salaries (see Table 5 for details). In other words, incentives; third-party program delivery costs; and marketing, advertising and promotion are excluded from Administrative Costs. Several cost categories are shared between program delivery costs and overhead.

With this interpretation of Administrative Costs, Enbridge's proposed program and portfolio Administrative Costs are 18.1%.[14]

[13] Calculated from: Union Gas Limited. *2015-2020 DSM Plan*. OEB Docket EB-2015-0029. April 1, 2015. Exhibit A, Tab 3, p. 6. One-time IT costs have been excluded.
[14] Calculated from: Enbridge Gas Distribution Inc. *Multi-Year Demand-Side Management Plan (2015 to 2020).* OEB Docket EB-2015-0049. April 1, 2015. Exhibit B, Tab 1, Schedule 4, p. 3.

Table 5. Overview of Union Gas and Enbridge Gas Interpretation of Administrative Costs

Cost Allocation	Union Gas	Enbridge Gas
INCLUDED in Administrative Costs	• DSM staff salaries • 2015-2020 incremental DSM staff benefits • Employee travel costs • Employee training and development • Office supplies, printing, and materials • Subscriptions • Postage • Memberships • Computer-related costs • Communication • Consulting services	• DSM staff salaries • Employee travel costs* • Employee training and development* • Office supplies* • Monitoring and evaluation • Legal fees • DSM consulting services* • Research and development* • Sponsorships, conferences and registration fees* • Memberships*
EXCLUDED from Admin Costs	• Incentives • Third-party costs • Monitoring and evaluation • Marketing and advertising • Promotions	• Incentives • Third-party program delivery costs • Marketing and advertising • Promotions • Subscriptions • Unclassified Projects • Sponsorships, conferences and registration fees* • Employee training and development* • Office supplies* • Consulting services; DSM Consultative* • Research and development* • Employee travel costs* • Memberships*

*Costs allocated to either administrative or program delivery based on specific cost incurred.

OPTIONS AND CONSIDERATIONS

Our analysis indicated that Union and Enbridge have similar allocations to administrative costs despite some differences in interpretation of the OEB's guidelines. Nevertheless, given the fact that differences in interpretation exist, and that some interpretations can lead to vastly different results, in this section we outline some considerations related to these interpretations and allocations.

IMPLICATIONS OF EXISTING ALLOCATIONS

As highlighted earlier in this report, the majority of Union and Enbridge's Administrative Costs are related to salaries and wages. To reduce administrative costs, the utilities would therefore need to focus on reducing staffing costs. We note, however, that doing so should be considered carefully, since it could lead to unintended consequences and, potentially, higher overall DSM costs because of the way that Administrative Costs are allocated. By allocating all *internal* program delivery and program administrative costs to Administrative Costs and all *third-party* program delivery and program administrative costs to Program Costs, **the allocations are not based on *value* to DSM program delivery; rather, they are based on *who* is performing a potentially identical activity**.

When it comes to administrative efficiency, **the current Administrative Costs structure creates an incentive to outsource program delivery to third parties for the purposes of reducing a utility's Administrative Costs.** This is because third-party salaries are captured as a program cost, not an administrative cost. **However, a shift to third-party delivery does not necessarily translate into a reduction in *overall* DSM costs**. Similarly, if either utility reduced in-house marketing support, Administrative Costs could be reduced, but additional external consulting fees could actually *increase* costs. There could also be an added drawback of reducing consistency and efficiencies in applying brand standards, reviewing materials, and other related issues.

Focusing efforts on reducing Administrative Costs is therefore likely to have a very specific outcome: increased third-party delivery structures. While this is not an issue *per se* (some program administrators offer their programs almost exclusively through third parties, while others offer almost all programs internally), an outsource-based delivery structure should be an intentional plan, with benefits and drawbacks fully considered. However, some potential drawbacks of such an approach can include customer-service concerns, increased oversight costs in terms of duplicating tracking and quality assurance activities between the utilities and program vendors, and increased consultant costs for marketing and outreach. **More importantly, doing so could result in *perceived* cost reductions only**, as allocations would shift from administration to program delivery without necessarily reducing costs.

ALTERNATIVE OPTIONS

A potential alternative to focusing on offering programs via third parties would be to change the allocation of internal staff salaries that relate to program delivery to Program Costs. Modifying the Program Cost category to include both internal and third-party program-delivery costs may help to clarify which costs are providing direct benefit to customers and which ones are indirect administrative costs of offering DSM programs. Doing so would mean that cost categories reflect the type of work conducted rather than the entity conducting it.

This alternative would align with other jurisdictions: while there is variation between jurisdictions' Administrative Cost definitions, it is not common practice to include salaries and benefits for staff engaged in program development, delivery, and/or support within this category. The approach in leading jurisdictions such as Massachusetts, Oregon, and Nova Scotia is to allocate those salaries as a program expense. EfficiencyOne, which limits Administrative Cost allocations to items such as supplies, equipment, technology, and non-program-related staff costs (e.g. human resources, finance, and information technology) has Administrative Costs that range from 5-8% each year.[15] While adjusting the Administrative Cost allocations would only reduce Union and Enbridge's *apparent* Administrative Costs, not overall costs, it could increase the clarity of where DSM investment is being spent. We note that further analysis would be required before implementing such a change, as it would increase allocation to program costs, which may have an impact on setting DSM targets.[16]

If consideration is given to redefining Administrative Costs, we would recommend allocating by activity type rather than who incurs the cost. While further study of Union and Enbridge's specific requirements and internal needs would be required to inform the exercise, examples could include:

- Incentives
- Program Delivery (e.g. delivery agent costs)
- Program Support (e.g. planning, evaluation, research, program-related staff, marketing, etc.)
- Pilot delivery and support
- Administrative and Overhead (e.g. office supplies, IT costs, employee travel and training, etc.)

Our task was not to recommend a particular change to the OEB's definition of Administrative Costs. We note the above as an example only, designed to highlight an option for mitigating potential drawbacks of the existing definition and to highlight potential unintended consequences

[15] EfficiencyOne. Response to Consumer Advocate Information Request 13. *2016-2018 Supply Agreement for Energy Efficiency and Conservation Activities.* Matter M06733. Exhibit 21. May 19, 2015.
[16] DSM targets are currently set based on program investment and other variable costs, so a substantial increase in allocated program costs without changing the methodology or assumptions for setting targets could cause an unattainable target to be set.

of reducing Administrative Costs by outsourcing work without an analysis of discernable benefit and/or potential reduction in ratepayer value.

OVERALL CONCLUSIONS

Our analysis of Union and Enbridge's Administrative costs was intended to provide clarification of the two utilities' categorization of costs and their apparent differences in magnitude, per the Board's direction for "Enbridge and Union to provide more detailed explanation of the administration and overhead costs associated with the overall DSM plan."[17] Overall, our review indicates **there is very little difference between Union and Enbridge's actual spend on Administrative Costs**.

The difficulty in determining whether one utility has significantly higher costs than the other appears to be related to different interpretations of the existing guidelines. Union and Enbridge each interpret the Board's filing guidelines differently, with Union generally applying a lens of "internal vs. external" categorization, and Enbridge of "delivery vs. overhead". Both utilities appear to be in compliance with the Board's guidelines, but differing interpretations may be leading to the confusion about allocations (both in dollars and percentage) to Administrative Costs. As indicated above, potential concern on the part of the Board or intervenors could be addressed by clarifying the filing guidelines or by revising how costs are allocated. **A more precise definition of the existing guidelines may provide the Board and intervenors with a clearer understanding of the two organizations' allocations in future DSM Plan applications**. This would involve the clarification of the staff and other applicable costs that should be allocated to Administrative Costs under the existing definition. Because the existing definitions are built into accounting and reporting frameworks, it may be difficult to adjust this prior to the next Plan filing.

Clarifying the existing definition is not likely to change the overall percentages allocated to administrative costs in a significant way. It could, in fact, result in continued concern regarding large allocations to this cost category. And these concerns will be exacerbated as levels of investment in DSM increase along with the staff needed to support higher targets. **An examination of potential changes to the guidelines for Administrative Costs to focus on function rather than internal and external costs could assist the Board and intervenors to have a clearer understanding of each utility's actual spend on costs unrelated to direct program delivery.**

This change, if pursued, would likely require implementation during the next DSM Plan process, as Administrative Costs are currently a function of overall budgets and targets, and recategorization would likely result in changes to accounting and reporting frameworks.

[17] Ontario Energy Board. *Decision and Order*. p. 60.

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