K1.2



Ontario Energy Board Commission de l'Énergie de l'Ontario



EB-2006-0021

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

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

Commission #elf:

BEFORE:

Pamela Nowina

Presiding Member and Vice Chair

Paul Vlahos Member

Ken Quesnelle

Member

DECISION WITH REASONS

August 25, 2006

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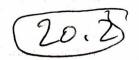
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Ontario Energy Board

FILE No. EB-2001-0791

EXHIBIT No. KI-2

DATE April 14, 2008



the DSM shareholder incentive amounts (being the SSM and the incentive available in respect of market transformation programs) are calculated in accordance with the Board approved methodology. The audit shall provide an opinion on the DSM shareholder incentive amounts proposed and any amendment thereto. The remainder of the auditor's responsibilities are reflected in issue 9.3."

How should SSM costs be allocated between customer classes? (Issue 5.4)

"Parties agree that DSM shareholder incentive amounts shall be allocated to the rate classes in proportion to the net TRC benefits attributable to the respective rate classes."

What evidence is required to clear the DSMVA? (Issue 6.4)

"The utility shall clear DSMVA amounts, subject to review as a component of the DSM audit, to ensure compliance with the Board approved rules. The utility shall include the DSMVA as part of the audit described in issue 9.3. The utility may recover the amounts in the DSMVA from ratepayers provided it has achieved its annual TRC savings target on a pre-audited basis and the DSMVA funds were used to produce TRC savings in excess of that target on a pre-audited basis."

How should DSMVA balances be allocated between customer classes? (Issue 6.5)

"The Utilities shall allocate the DSMVA amounts in rates based on the Utility's DSM spending variance for that year versus budget, by customer class. The actual amount of the variance versus budget targeted to each customer class shall be allocated to that customer class for rate recovery purposes."



Should the DSM consultative be continued? If yes, (Issue 7.1)

"When required or useful, the utility will engage and seek advice from a variety of stakeholders and experts in the development and operation of its DSM program. As the utility is ultimately responsible and accountable for its actions, consultative activities shall be undertaken at its discretion. However, at a minimum, each utility will hold two consultative meetings annually. The purpose of the meetings will be to:

- Review annual results (the Evaluation Report will be sent to
 the Consultative annually for review) and select the
 Evaluation and Audit Committee ("EAC"). Three members
 will be selected using the current process used to select
 the Audit Sub-Committee; the fourth member will be the
 utility. In the current process, the members of the
 Consultative nominate individuals to stand on the
 committee. Then each member of the Consultative votes
 for the three members they would like on the committee.
 The three with the highest number of votes form the
 committee.
- Review the completed evaluation results.

The Utilities each acknowledge the principle that stakeholder consultation has proved valuable. They each intend to continue to take advantage of the input of the consultative as long as the consultative is adding value and the overall cost of the process is reasonable."

What role should the Consultative have in the DSM planning, design, approval and audit process? (Issue 7.2)

Settlement on this issue was referred to completely settled Issue 7.1.

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How often should the Consultative and LDCs meet? (Issue 7.3)

"A utility shall determine the stakeholders that it will engage based on the goals and objectives of the engagement, subject to the requirement to meet twice annually set out under Issue 7.1 above. See Issue 7.5."

What is the appropriate amount that should be budgeted for Consultative and Sub-committee expenses? (Issue 7.4)

"The utility shall determine as part of the planning process, the appropriate amount to include in its overall DSM budget for stakeholder engagement, based on anticipated needs."

How should participation in the Consultative committee be determined? (Issue 7.5)

"The utility shall determine the stakeholders that it will engage based on the goals and objectives of the engagement. All intervenors in the Utility's most recent rate case shall be entitled to participate in the consultative meetings described in issue 7.1 above."

Should a percentage of the DSM budget be allocated to research? If yes, (Issue 8.1)

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"Parties agree that the Utilities should conduct forward-looking DSM research. The appropriate level of budgets for research shall be determined by each Utility from time to time (depending upon need, market conditions, etc.) and each Utility should include a summary of its forecasted research in its multi-year DSM plan filed with the Board."

How should it be determined that research is required and when? (Issue 8.2)

"The utility shall determine the research needed to inform program assessment as part of its ongoing operational responsibilities and to ensure the long term viability of its DSM program. In making this



The Board is satisfied with the Financial Package proposal for market transformation. GEC argued for a much larger budget for market transformation and lost opportunity projects. Utility witnesses stated that the utilities could not effectively spend these budgets. The Board notes that the proposal regarding utility incentives for these programs does not achieve the level of certainty that exists for other elements of the Financial Package. While GEC argued for a more concrete incentive mechanism, the witnesses at the hearing were largely in agreement that market transformation programs are not necessarily amenable to fixed and inflexible rules. The Board agrees. The Board therefore accepts the proposal as filed.

Targeted Programs (Issues 13.1, 13.2, 13.3)

The Financial Package agreement makes the following proposals:

"Parties to this settlement accept that low-income customers face barriers to access DSM programs which are unique to this group of customers. Accordingly, parties to this settlement agree that it is appropriate to establish a minimum amount of spending on targeted low-income customer programs in the residential rate classes of both Utilities. It is agreed that each utility will spend out of its DSM budget a minimum of \$1.3 million, or 14% of each respective utility's residential DSM program budget, whichever is greater. For clarity, a utility may expend more than \$1.3 million or 14% of its residential DSM program budget if the utility considers it appropriate. The Utilities each agree to increase the \$1.3 million spending floor by the budget escalation factor appropriate for the utility (i.e. EGD 5%; Union 10%) in each of the second and third years of a three year plan.

The parties to this settlement further agree that of the \$1.0 million budget for market transformation programs, each utility will expend no less than 14% on targeted low-income market transformation programs.

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