

ENBRIDGE GAS DISTRIBUTION

RESPONSE TO THE CONSERVATION WORKING GROUP'S REPORT ON THE PROPOSED SHORT TERM (2010) FRAMEWORK FOR NATURAL GAS LOW-INCOME DSM (JULY 24, 2009)

JULY 29, 2009

1. BACKGROUND

Enbridge supports the view of the Ontario Energy Board (OEB) in its increased focus on the needs of the low income consumer, and the recognition that:

“Electricity conservation and demand management (“CDM”) and natural gas demand-side management (“DSM”) programs can be effective tools to assist low-income energy consumers to reduce their overall energy usage.’ (EB-2008-0150 Report of the Board, March 10, 2009, p 13).

Enbridge has demonstrated its effectiveness in the role of delivering DSM over the last 13 years, and has matured into a highly regarded and successful agent of conservation services across Ontario during that time. For the last two years, Enbridge has been addressing the low income segment explicitly through a number of basic and deeper measures as part of its overall DSM portfolio, and is prepared to take the next step towards a broader, more comprehensive DSM service offering to address the special needs of this customer segment.

Enbridge believes that low-income consumers should have equal access not only to DSM programs, but also to newer technologies and emerging renewable energy options, to ensure that energy bill savings are not exclusively available to the wealthier members of society, and to give all consumers, regardless of income status, a role to play in the conservation culture of the future.

With the right framework and financial mechanisms in place, Enbridge can continue to deliver DSM benefits in the low-income segment, and dedicate the resources and management attention necessary to ensure success. The OEB also acknowledges the importance of incentives for gas utilities in the delivery of DSM to this segment:

“The Board is of the view that it is in the public interest for distributors to have the appropriate incentives to create programs targeted to low-income energy consumers.” (EB-2008-0150 Report of the Board, March 10, 2009, p 13).

The balance of this report presents Enbridge’s input and position on the key short-term framework components of the Conservation Working Group’s (CWG’s) “Report on the Proposed Short Term (2010) Framework for Natural Gas Low-Income DSM” (July 24, 2009). The layout and structure of this report follows that of the CWG’s report, to facilitate the comparison of Enbridge’s input to the corresponding sections in the CWG report.

2. GUIDING PRINCIPLES FOR LOW-INCOME DSM FRAMEWORK

Enbridge is generally supportive of all of the guiding principles contained in the CGW Report, but has a number of comments and clarifications specific to a few of the principles, as follows:

Guiding Principle 2: Be delivered in a cost-effective manner

The term “cost-effective” has a certain history and connotation in the context of DSM in Ontario; the traditional measure of cost-effectiveness has been the Total Resource Cost (TRC) test, which attempts to quantify the net economic benefits resulting from an improvement in energy efficiency. The key benefit variable in this test is the avoided energy costs resulting from the energy efficiency measure, which is an important but by no means the only significant benefit that results from energy efficiency, particularly in a low income household. The Ontario Energy Board recognizes the limitations of the TRC for low income programs:

“In order to provide effective assistance, programs need to be targeted to, and specially designed for, low-income energy consumers. Many of these programs may not be consistent with the general principle that CDM and DSM programs deliver positive total resource cost (“TRC”) benefits. Failure to meet the test should not necessarily result in disqualification for the overall CDM or DSM portfolio.” (EB-2008-0150 Report of the Board on the Low-Income Energy Assistance Program, March 10, 2009, p 13).

While Enbridge agrees that the principle of cost-effectiveness for low-income programs is an important one, we want to underscore that we do not believe the TRC is the appropriate measure at this time. Currently there is no broadly-used industry standard for how to measure cost-effectiveness in low income programs; in section 3.5, Enbridge offers a practical solution to this problem to test in 2010 or until there is a better tool available.

Guiding Principle 3: Provide simple-non-duplicative, integrated and coordinated application, screening and intake process for all segments of the low-income housing market including, for example, homeowners, owners and occupants of social and assisted housing, and owners of privately owned buildings that have low-income residents, whether or not these residents are responsible for paying their energy bills.

Enbridge plans to address the energy efficiency needs of all categories of low-income consumers over time, in private and social housing, recognizing that some segments may take longer to develop effective programs for, particularly where the low-income consumer does not pay their own utility bills (i.e. they are included in rent). The low income segment that can most readily enjoy the benefits of energy efficiency are those consumers that pay their own utility bills, as they will see an immediate reduction in their energy bills, freeing up dollars that can be re-directed to other necessities of life such as food and clothing. Non-bill paying consumers will enjoy the benefits of increased comfort and possibly health and safety benefits, but the immediate financial benefits of lower energy bills will accrue at least initially to the property owner or landlord.

Enbridge supports the remaining principles in the CWG’s report, but wishes to emphasize that these are long-term principles, and many of them depend on the framework that is

eventually developed for electric CDM, and the long-term gas DSM framework that will be developed over the next few months. In the short term, at least for 2010, Enbridge's focus will be on developing and delivering programs that satisfy as many of these principles as possible, without sacrificing quality program design, but some may take longer to achieve due to dependencies on other, as yet unsettled, issues.

3.1 PROGRAM DESCRIPTION

Enbridge supports the program design principles outlined in the CWG's report, and offers the following comment on the second-last bullet:

- *The program will have a component that continues each gas utility's existing program of low-cost basic measures, Enbridge's Enhanced TAPS program and Union's Helping Homes Conserve program, [but at a reduced scale compared to their respective 2009 programs]. These measures will ensure that a number of low-income households receive a basic level of assistance in 2010 and will also aid the gas utilities in generating leads for potential participants for the more expensive, deeper measures.*

Enbridge accepts this program design element but objects to the limitation in square brackets. Enbridge accepts the fifth guiding principle in the CWG document: "Emphasize deep measures..." and feels this is sufficient guidance to give reassurance to all parties that the focus of our budget and efforts will be on deep measures.

By increasing the scope and scale of the deep measures component of its low-income portfolio, Enbridge will, by definition, reduce the relative size of its current Enhanced TAPS program, even if it maintains the current level of participants. Enbridge points out that the Enhanced TAPS program is highly cost effective from a TRC perspective, and therefore this program will help keep the overall portfolio cost effective by any definition, while generating leads for the deeper measures. This program also offers a low-cost alternative to the full audit and direct install model for inexpensive gas and electric measures that do not require skilled technicians to install, thereby creating an opportunity to reach a much greater number of low income consumers with at least some energy efficiency options.

3.2 TARGET AUDIENCE

Enbridge supports the target audience definition outlined in the CWG report.

3.3 ELIGIBILITY

Enbridge supports the eligibility criteria outlined in the CWG report, and proposes the following clarification to the last paragraph:

“Regardless of the criteria established, it should be social service agencies and not the gas utilities that determine the low-income status of potential program participants based on the program screening criteria that are adopted.”

In the event where a low-income consumer self-identifies and applies directly to the utility for access to the program (i.e. does not engage a social service agency), the utility’s service provider (i.e. the contractor hired to manage delivery of the program) will confidentially screen the consumer for income eligibility using the same criteria (this is currently done in Enbridge’s low income weatherization program).

3.4 PROGRAM MEASURES

Enbridge supports the program measures description outlined in the CWG report.

3.5 SCREENING

Enbridge supports the CWG consensus that the “TRC approach to screening should not be adopted.” However, the alternative CWG proposal to use a simple payback calculation for measure screening is also unsuitable, primarily because of the variability of energy prices from year to year, which may make some measures cost effective one year and not cost effective the next.

A payback criterion will also limit the inclusion of some more costly measures, such as some renewable measures, which would otherwise be unattainable by low income consumers, yet have been identified by the Province as key elements of the solution to our energy needs of the future. Enbridge submits that low-income consumers should not be excluded from participation in the emergence of renewable technologies in Ontario, and it is arguable that they should be prioritized for these “green,” energy saving technologies.

There are two stages at which measures need to be screened. The first is for inclusion in the program in the first place, and the program measures list in section 3.4 identifies the key measures that will be included in the 2010 program. Enbridge proposes that as long as a measure meets at least one of the following three criteria, it should be eligible for inclusion in the low-income program:

- The measure has been shown to be TRC positive in the traditional DSM portfolio
- The measure is commonly included in other low-income programs in other jurisdictions
- The measure is included in either the province’s Home Energy Retrofit Program or the federal government’s ecoENERGY program measures list, or has been identified in the Green Energy Act as a measure which can make a positive contribution to the province’s energy conservation goals.

The second stage at which measures should be screened is at the household level, when the service provider is faced with a decision on what measures to recommend for

installation. The results of the home energy audit will make recommendations based on the audit findings, and this should be the baseline for choosing which measures might be installed. In addition, Enbridge proposes that it provide smart protocols for the service provider to rely on, to ensure that we are only installing the measures that will have a significant impact on energy consumption. These protocols may be based on age of equipment, efficiency level, etc.. Enbridge will rely on industry experts to help design these protocols, and will include samples of these protocols in its low-income DSM Plan to be filed with the Board.

3.6 PROGRAM DELIVERY

Enbridge supports the program delivery model outlined in the CWG report.

3.7 EDUCATION AND TRAINING

Enbridge supports the education and training proposal outlined in the CWG report.

3.8 BUDGETS AND TARGETS

Enbridge has assessed the potential for ramping up its existing low income programs to broaden their scope and their reach, and considered the input of the CWG stakeholders contained in the CWG report. Enbridge proposes that a target of 1000 low-income homes for installation of extended measures and 5000 homes for basic measures represents an aggressive but achievable target for 2010:

Enbridge 2010 Proposed Target Compared to 2009 Board-Approved Target			
	2009 Board- Approved Low Income Plan	Proposed 2010 Low Income Plan	Increase
Extended Measure Participants	400	1,000	150%
Basic Measure Participants	5,000	5,000	0%

To achieve this result, Enbridge has calculated a required total budget (assuming no third-party rebates) of \$9.7 million. An approximate breakdown of this budget is as follows:

ENBRIDGE PROPOSED 2010 BUDGET	
Budget Category (All detailed costs are estimates until program plan is complete)	2010 Budget (before 3 rd party rebates)
Program Variable Costs	
Audit Costs	\$0.6 million
Basic Measures	\$0.4 million
Extended Measures	\$5.8 million
Total Program Variable Costs	\$8.3 million
<i>Variable Cost per Participant – Basic Measures</i>	<i>\$95</i>
<i>Variable Cost per Participant – Extended Measures (includes audit costs)</i>	<i>\$6,400</i>
Program Fixed Costs	
Education/Training	\$0.1 million
Marketing/Service Provider Fees	\$1.0 million
Other (labour, expenses, evaluation, research)	\$0.3 million
Total Program Fixed Costs	\$1.4 million
Grand Total Budget	\$9.7 million

This budget breakdown is preliminary only; all detailed costs are subject to validation and will be firmed up in Enbridge's Plan to be filed with the Board. However, Enbridge expects that a budget envelope of \$9.7 million would be sufficient to achieve these results. In the event that Enbridge is able to access Federal and Provincial incentive dollars for eligible measures, the budget requirements would be reduced, and excess funds could be put to acquiring additional participants in 2010 or could be carried over into 2011.

The expected rate impact on residential customers of this budget would be approximately 1.2 percent on total bill excluding commodity charges, or about \$6 per residential customer per year.

Enbridge is not in a position to speculate on a budget/target trajectory over a five year period to 2014 at this time. The budget and target presented above for 2010 is itself speculative and unprecedented, and there are still several unknowns related to the low income framework for electric LDCs, the long term framework for gas DSM post-2010, and the incentive regulation model for Enbridge post-2012. All of these elements will influence the nature and scope of low income programs after 2010.

SCORECARD MODEL

Enbridge supports the CWG's recommendation to use a market transformation-type scorecard to evaluate performance in its low-income DSM program. Enbridge also supports most of the performance metrics presented in the "Strawman Scorecard" in the

CWG report in Table 5, and proposes the following, slightly modified scorecard for consideration by the Board:

Enbridge Low Income DSM Scorecard		2010 Performance Levels			
Element	Performance Metrics	50%	100%	150%	Weights
ULTIMATE OUTCOMES	1) Basic Measure Participants	4,600	5,000	5,400	20%
	2) Extended Measure Participants	800	1,000	1,200	40%
	3) Total Gas Savings (m ³) (measure savings x measure life)	TBD ¹	TBD ¹	TBD ¹	40%
MARKET EFFECTS	4) Increase in number of communities served by program (over 2009)	TRACKING MEASURE ONLY			0%
¹ The 50%, 100% and 150% performance levels for the “Total Gas Savings” metric will be proposed in Enbridge’s Plan to be filed with the Board, as detailed measure shares have not yet been determined.					

The fourth proposed Performance Metric in the CWG report, “Percent of participants referred to the program by social service agencies,” is an unsuitable metric for performance measurement as it only partially reflects the performance of the utility in delivering the program; there may be barriers beyond the control of the utility that may prevent the social service agencies from making sufficient referrals. Furthermore, the utility should not be discouraged from marketing directly to low-income consumers where appropriate.

3.9 INCENTIVE STRUCTURE

It has been demonstrated since 1999 that a utility shareholder incentive is an effective tool to encourage utilities to perform well, and to even out-perform targets, in the delivery of DSM programs. The reason that the existing Shared Savings Mechanism (SSM) in the traditional DSM framework works well, is that it represents a potential revenue opportunity that corresponds well to the level of effort and internal resources required to produce the targeted results. The utility has deemed this level of profitability in DSM as competitive with other revenue-generating activities in the Company, and therefore is prepared to allocate sufficient resources and management attention to the successful delivery of DSM.

This premise should also form the basis for establishing an appropriate pool of incentive dollars for the delivery of low-income DSM. In other words, the SSM value of low income in the traditional DSM framework – measured by level of utility effort rather than TRC – should be scaled up to reflect the new, expanded low-income portfolio, to establish an appropriate pool of incentive dollars for the 2010 low-income DSM plan.

In Enbridge's view, this amounts to a pool of about \$750,000 for 100% achievement of Enbridge's proposed targets for 2010. This amount would be allocated to the various performance metrics in the proposed scorecard above, based on the proposed weights beside each metric.

The \$750,000 incentive level is a fair and appropriate level of utility incentive from two perspectives: first, it reflects the significant ramping up of utility effort and low-income consumer benefits over the 2009 baseline, and second, it represents an amount that is meaningful enough to capture utility management attention to ensure targets are met or exceeded.

Incenting the utility on a dollar per measure basis, as suggested by some CWG members, is problematic in that it may incent the wrong behaviour. The objective of the low-income DSM program is to ensure the appropriate measures are installed for the circumstances found in the low-income homes, and the utility should not be incented to seek out participants on the basis of which measures are prioritized by the incentive. Even though certain measures may show greater savings potential than others, those measures may not be required in a proportionate share of low income homes.

3.10 PROGRAM RESEARCH NEEDED IN 2010

Enbridge supports the research priorities outlined in the CWG report.

3.11 ADDITIONAL FRAMEWORK COMPONENTS: LRAM, DSMVA, AND EVALUATION

Enbridge also assumes that the existing LRAM and evaluation, monitoring and audit protocols will apply to the low-income DSM program. Enbridge assumes that the existing DSMVA mechanism will also exist, however Enbridge proposes that the current 15% cap on DSMVA funding be increased to 25% for low-income, to reflect the added uncertainty in this new framework, and the heightened importance of having a constant presence in the market without risk of program interruptions due to budget constraints.

**RESPONSE TO THE
CONSERVATION WORKING
GROUP'S REPORT ON THE
PROPOSED SHORT TERM (2010)
FRAMEWORK FOR NATURAL GAS
LOW-INCOME DSM**

UNION GAS LIMITED

July 29, 2009

1. BACKGROUND

Union Gas (“Union”) supports the increased focus of the Ontario Energy Board (“OEB”) on the needs of the Low-Income consumer, and the recognition that:

“Electricity conservation and demand management (“CDM”) and natural gas demand-side management (“DSM”) programs can be effective tools to assist low-income energy consumers to reduce their overall energy usage.’ (EB-2008-0150 Report of the Board, March 10, 2009, p 13).

Union has demonstrated its effectiveness in delivering DSM over the last 13 years, and has become a highly regarded and successful agent of conservation services in Ontario. For the last two years, Union has been addressing the Low-Income segment explicitly through a number of basic and deeper measures as part of its overall DSM portfolio. Union is prepared to take the next step towards a broader, more comprehensive DSM service that addresses the special needs of this customer segment. A key guiding principle in EB-2008-0150 is the development of partnerships with social agencies. Union recognizes the benefits these relationships create in terms of effective delivery for Low-Income programming and will work to enhance these relationships and develop new partnerships.

With the proper framework and financial mechanisms in place, Union will continue to deliver DSM benefits to the Low-Income segment, dedicating the resources and management attention necessary to ensure success. The OEB also acknowledges the importance of incentives for gas utilities in the delivery of DSM to this segment. (EB-2008-0150 Report of the Board, March 10, 2009, p 13).

This report presents Union’s input and position on the key short-term framework components of the Conservation Working Group’s (CWG’s) “Report on the Proposed Short Term (2010) Framework for Natural Gas Low-Income DSM” (July 24, 2009).

2. GUIDING PRINCIPLES FOR LOW-INCOME DSM FRAMEWORK

Union is generally supportive of all of the guiding principles contained in the CGW Report, but has a number of comments and clarifications on a few of the principles. They are:

Guiding Principle 1: Be accessible to low-income natural gas customers

- a) *Be accessible province-wide in the long term*
- b) *Require no upfront cost to the low-income energy consumer and result in an improvement in energy efficiency within the consumer’s residence*
- c) *Address non-financial barriers (e.g. communication, cultural and linguistic)*

Although best efforts will be made to address the “non-financial barriers” identified, Union positions that costs to accommodate cultural and linguistic differences have not been budgeted for.

Guiding Principle 2: Be delivered in a cost-effective manner

The term “cost-effective” has a certain history and connotation in the context of DSM in Ontario. The traditional measure of cost-effectiveness has been the Total Resource Cost (“TRC”) test, which attempts to quantify the net economic benefits resulting from an improvement in energy efficiency. The key benefit variable in this test is the avoided energy costs resulting from the energy efficiency measure, which is an important but by no means the only significant benefit that results from energy efficiency, particularly in a low income household. The OEB recognizes the limitations of the TRC for low income programs.

Guiding Principle 3: Provide simple-non-duplicative, integrated and coordinated application, screening and intake process for all segments of the low-income housing market including, for example, homeowners, owners and occupants of social and assisted housing, and owners of privately owned buildings that have low-income residents, whether or not these residents are responsible for paying their energy bills.

Union plans to address the energy efficiency needs of all categories of Low-Income consumers over time, in private and social housing, recognizing that some segments may take longer to develop effective programs for, particularly where the Low-Income consumer does not pay their own utility bills (i.e. they are included in rent). The Low-Income segment that can most readily enjoy the benefits of energy efficiency are those consumers that pay their own utility bills. These customers will see an immediate reduction in their energy bills, freeing up dollars that can be re-directed to other necessities of life such as food and clothing. Non-bill paying consumers will enjoy the benefits of increased comfort and possibly health and safety benefits. In the case of non-bill paying customers, the immediate financial benefits of lower energy bills will accrue at least initially to the property owner or landlord.

Low and high-rise private rental housing, where the utilities are included in the rent, are excluded in the 2010 program, due to the added complication of program design required to ensure that the financial benefits of energy efficiency upgrades do not go exclusively to the landlord, rather than the low income tenant, and to ensure that the stock of Low-Income rental housing units is not reduced as a result of landlords raising rent when their buildings are upgraded. Union does not have experience in delivering Low-Income DSM programs to these segments and the utilities will require some time to investigate program design alternatives that do not result in these or other unintended consequences.

Union supports the remaining principles in the CWG’s report. It is Union’s view, however, that these are long-term principles, many of which depend on the framework that will be developed for electric CDM, and the long-term gas DSM framework that will be developed over the next few months. In the short term, Union’s focus will be on developing and delivering programs that satisfy as many of these principles as possible, without sacrificing quality program design.

3.1 PROGRAM DESCRIPTION

Union supports the program design principles outlined in the CWG's report. With respect to the statement at page 10 of the CGW report, that: offers the following comment on the second-last bullet:

- ***“The program will have a component that continues each gas utility’s existing program of low-cost basic measures, Enbridge’s Enhanced TAPS program and Union’s Helping Homes Conserve program, [but at a reduced scale compared to their respective 2009 programs]. These measures will ensure that a number of low-income households receive a basic level of assistance in 2010 and will also aid the gas utilities in generating leads for potential participants for the more expensive, deeper measures”***

Union offers the following comment:

Union accepts this program design element by reducing its 2010 basic measures objective to well below the 2009 basic measures objective. It is important to note however, that Union strongly supports the Helping Homes Conserve program.

This program is highly cost effective from a TRC perspective, and therefore this program will help keep the overall portfolio cost-effective by any definition, while generating leads for the deeper measures. This program also offers a low-cost alternative to the full audit and direct install model for inexpensive gas and electric measures that do not require skilled technicians to install, thereby creating an opportunity to reach a much greater number of low income consumers with at least some energy efficiency options.

3.2 TARGET AUDIENCE

Union supports the target audience definition outlined in the CWG report with the exception of the third bullet which requires clarity. Union suggests that the bullet should read as follows:

“Low-rise private multi-family tenants where the tenant is responsible for paying the natural gas bill.”

3.3 ELIGIBILITY

Union recommends the following changes to the eligibility criteria outlined in the CWG report:

Primary or secondary name on the gas bill and proof of receipt of social benefits (e.g. Ontario Works, Ontario Disability Support Program, Ontario Child Care Supplement for Working Families, National Child Benefit Supplement for Seniors, Guaranteed Income Supplement for Seniors, Allowance for Survivor

While Union is in agreement with the second criteria listed in the CWG report, the third criteria listed is a modified version of the generally accepted Statistics Canada LICO and is not required.

In the event where a Low-Income customer self-identifies and applies directly to the utility for access to the program (i.e. does not engage a social service agency), the utility's service provider (i.e. the contractor hired to manage delivery of the program) will confidentially screen the consumer for income eligibility using the same criteria (this is currently done in Union's Low-Income weatherization program).

3.4 PROGRAM MEASURES

Union supports the program measures description outlined in the CWG report with the exception that the extended measure listed is a limited list. The CWG has unanimously agreed that the vast majority of installed extended measures will relate to weatherization due to the focus being on those measures which provide the greatest m³ savings.

3.5 SCREENING

Union supports the CWG consensus that the "TRC approach to screening should not be adopted." Union agrees with the CWG's recommendation to screen measures based on a simple payback to the Low-Income energy consumer. By focusing on simple paybacks we will be able to provide deeper measures in the home while still delivering a cost-effective program. This will benefit the Low-Income customers by providing them with a more robust program while being prudent with rate-payer dollars.

There are many factors to consider while developing a simple payback tool, such as weather over the geographic spread (south vs. north). For this reason, Union will need time to develop a sophisticated and effective tool. Union will recommend a set of payback numbers and smart protocols as suggested by the CWG in our detailed program plans.

Illustrated below is a sample of the simple paybacks:

Measure	Total Gas Savings M3/y	Total Electricity savings (kWh/y)	Total Water Savings (L/Y)	Total Installed Cost\$	Measure Life (years)	Annual savings, \$/y	Life Cycle Savings (M3)	Life cycle savings, \$	Savings-weighted Package Measure life	Simple payback
MultiFamily										
Showerheads (1)	38		7797	1	10	\$21	380	\$212	1	0.05
Aerators (1)	10		2004	1	10	\$5	100	\$55	0	0.18
Pipe Wrap (1)	25			4	10	\$5	250	\$45	0	0.89
Programmable Thermostats	145	84		70	12	\$35	1,740	\$414	1	2.03
Novitherm Panels boiler tune-up & install	-	-	-	-	15	\$0	-	\$0	-	-
CFL's (15 W)	-	1,040	-	20	4	\$104	-	\$416	1	0.19
Wall Insulation	560	-	-	2,220	30	\$101	16,800	\$3,024	9	22.02
Attic Insulation	98	-	-	744	30	\$18	2,952	\$531	2	42.01
Basement Insulation	66	-	-	900	30	\$12	1,980	\$356	1	75.76
Draft-proofing (caulking, weather-stripping etc)	150	-	-	180	25	\$27	3,760	\$677	2	6.65
High-Efficiency Furnaces (+ECM), base Mid eff	-	-	-	-	18	\$0	-	\$0	-	-
Tankless Water Heaters	-	-	-	-	14	\$0	-	\$0	-	-
High-Efficiency Energy Star Water Heaters	-	-	-	-	14	\$0	-	\$0	-	-
Drain Water Heat Recovery	39	-	-	740	20	\$7	780	\$140	0	105.41
Fuel-switching	71	-	-	900	-	\$13	-	\$0	-	70.42
Solar thermal water heating systems	-	-	-	-	25	\$0	-	\$0	-	-
Total	1,203	1,124	-	\$5,780	15.0	\$347	18,042		16.9	16.7
Single Family										
Showerheads (1)	38		7797	1	10	\$21	380	\$212	0.35	0.05
Aerators (1)	10		2004	1	10	\$5	100	\$55	0.09	0.18
Pipe Wrap (1)	25			4	10	\$5	250	\$45	0.07	0.89
Programmable Thermostats	216	120		70	12	\$51	2,592	\$611	1.01	1.38
Novitherm Panels boiler tune-up & install	-	-	-	-	15	\$0	-	\$0	-	-
CFL's (15 W)	-	1,040	-	20	4	\$104	-	\$416	0.69	0.19
Wall Insulation	1,400	-	-	3,700	25	\$252	35,000	\$6,300	10.38	14.68
Attic Insulation	246	-	-	1,240	25	\$44	6,150	\$1,107	1.82	28.00
Basement Insulation	165	-	-	1,500	30	\$30	4,950	\$891	1.47	50.51
Draft-proofing (caulking, weather-stripping etc)	376	-	-	300	25	\$68	9,400	\$1,692	2.79	4.43
Air Sealing & Attic Insulation	-	-	-	-	30	\$0	-	\$0	-	-
High-Efficiency Furnaces (+ECM), base Mid eff	-	-	-	-	18	\$0	-	\$0	-	-
Tankless Water Heaters	-	-	-	-	20	\$0	-	\$0	-	-
High-Efficiency Energy Star Water Heaters	53	-	-	740	14	\$10	742	\$134	0.22	77.57
Drain Water Heat Recovery	99	-	-	900	20	\$18	1,980	\$356	0.59	50.51
Fuel-switching	-	-	-	-	-	\$0	-	\$0	-	-
Solar thermal water heating systems	-	-	-	-	25	\$0	-	\$0	-	-
Total	2,628	1,160	9,801	8,476		607	51,159	\$11,819	19.5	14.0

Union also supports the CWG's recommendation to collect data throughout 2010 in order to calculate the TRC on a household and program level. This will allow for further analysis for the long-term Low-Income framework.

3.6 PROGRAM DELIVERY

Union supports the program delivery model outlined in the CWG report.

3.7 EDUCATION AND TRAINING

Union supports the education and training proposal outlined in the CWG report.

3.8 BUDGETS AND TARGETS

Union has assessed the potential for ramping up its existing Low-Income programs to broaden their scope and their reach, and considered the input of the CWG stakeholders contained in the CWG report. Union proposes that a target of 250 Low-Income homes for installation of extended measures and 6000 homes for basic measures represents an aggressive but achievable target for 2010:

Union Gas 2010 Proposed Target Compared to 2009 Board-Approved Target			
	2009 Board- Approved Low- Income Plan	Proposed 2010 Low- Income Plan	Increase/(Decrease)
Extended Measure Participants	125	250	100%
Basic Measure Participants	10,000	6,000	(33%)

To achieve this result, Union has calculated a required total budget (assuming no third-party rebates) of \$3.0 million. An approximate breakdown of this budget is as follows:

UNION GAS PROPOSED 2010 BUDGET	
Budget Category (All detailed costs are estimates until program plan is complete)	2010 Budget (before 3 rd party rebates)
Program Variable Costs	
Audit Costs	\$0.1 million
Basic Measures	\$0.8 million
Extended Measures	\$1.4 million
Total Program Variable Costs	\$2.3 million
<i>Variable Cost per Participant – Basic Measures</i>	<i>\$135</i>
<i>Variable Cost per Participant – Extended Measures (includes audit costs)</i>	<i>\$6,000</i>
Program Fixed Costs	
Education/Training	\$0.05 million
Marketing/Service Provider Fees	\$0.4 million
Total Program Fixed Costs	\$0.55 million
Other Fixed Costs	\$0.25 million
(labour, expenses, evaluation, research)	
Total Budget	\$3 million

This budget breakdown is preliminary only; all detailed costs are subject to validation and will be firmed up in Union’s 2010 Plan to be filed with the Board. In the event that Union is able to access Federal and Provincial incentive dollars for eligible measures, the excess funds could be put to acquiring additional participants in 2010 or could be carried over into 2011.

Union is not in a position to speculate on a budget/target trajectory over a five year period to 2014 at this time. The budget and target presented above for 2010 is itself speculative and unprecedented. There are still several unknowns related to the Low-Income framework for electric LDCs, including the long term framework for gas DSM post-2010. All of these elements will influence the nature and scope of Low-Income programs after 2010.

It is important to point out that the projected 2010 Low-Income budget of \$3 million represents a 100% increase from 2009 (excluding any Federal and Provincial incentives). Union is also cognizant of the 2010 M1 rate impacts a large Low-Income budget will have which are in addition to the rate impacts M1 system customers will already face as a result of the Green Energy Act being adopted and the harmonization of the GST and PST. Given these increases that are slated for January 2010, gas utilities must balance the need for a robust Low-Income program with fiscal prudence.

SCORECARD MODEL

Union supports the CWG’s recommendation to use a market transformation-type scorecard to evaluate performance in its Low-Income DSM program. Union also supports most of the performance metrics presented in the “Strawman Scorecard” in the CWG report in Table 5, and proposes the following, slightly modified scorecard for consideration by the Board:

Union Gas Low Income DSM Scorecard		2010 Performance Levels			
Element	Performance Metrics	50%	100%	150%	Weights
ULTIMATE OUTCOMES	1) Basic Measure Participants	4,000	6,000	8,000	20%
	2) Extended Measure Participants	200	250	300	30%
	3) Total Gas Savings (m ³) (measure savings x measure life)	TBD ¹	TBD ¹	TBD ¹	40%
MARKET EFFECTS	4) Increase in number of communities served by program (over 2009)	2	3	4	10%

¹ The 50%, 100% and 150% performance levels for the “Total Gas Savings” metric will be proposed in Union’s 2010 Plan to be filed with the Board, as detailed measure shares have not yet been determined.

The fourth proposed Performance Metric in the CWG report, “Percent of participants referred to the program by social service agencies,” is an unsuitable metric for performance measurement as it only partially reflects the performance of the utility in

delivering the program; there may be barriers beyond the control of the utility that may prevent the social service agencies from making sufficient referrals. Furthermore, the utility should not be discouraged from marketing directly to low-income consumers where appropriate.

3.9 INCENTIVE STRUCTURE

It has been demonstrated since 1999 that a utility shareholder incentive is an effective tool to encourage utilities to perform well, and to even out-perform targets, in the delivery of DSM programs. The reason that the existing Shared Savings Mechanism (SSM) in the traditional DSM framework works well, is that it represents a potential revenue opportunity that corresponds directly to the level of effort and internal resources required to produce the targeted results. The utility has deemed this level of profitability in DSM as competitive with other revenue-generating activities in the Company, and therefore is prepared to allocate sufficient resources and management attention to the successful delivery of DSM.

This premise should also form the basis for establishing an appropriate pool of incentive dollars for the delivery of Low-Income DSM. In other words, the SSM value of Low-Income in the traditional DSM framework – measured by level of utility effort rather than TRC – should be scaled up to reflect the new, expanded Low-Income portfolio, to establish an appropriate pool of incentive dollars for the 2010 Low-Income DSM plan.

In Union's view, this amounts to a pool of about \$650,000 for 100% achievement of proposed targets for 2010. This amount would be allocated to the various performance metrics in the proposed scorecard above, based on the proposed weights beside each metric.

In keeping with an incentive structure which is competitive with Union's traditional DSM incentive framework, the opportunity to earn a Low-Income incentive with no cap in place is recommended. As referenced in the first paragraph of section 3.9, this will incent Union to strive to overachieve on their targets and ensure that programs do not end once targets have been achieved.

3.10 PROGRAM RESEARCH NEEDED IN 2010

Union supports the research priorities outlined in the CWG report.

3.11 ADDITIONAL FRAMEWORK COMPONENTS: LRAM, DSMVA, AND EVALUATION

Union assumes that the existing LRAM and evaluation, monitoring and audit protocols will apply to the Low-Income DSM program. Union assumes that the existing DSMVA mechanism will also exist, however Union proposes that the current 15% cap on DSMVA funding be increased to 25% for Low-Income. This will reflect the added uncertainty in this new framework, and the heightened importance of having a constant presence in the market without risk of program interruptions due to budget constraints.