

Demand Side Management Working Group – Meeting #3

EB-2014-0134

July 25, 2014

These notes are intended to be indicative of discussion points and progress at the meeting, rather than an exhaustive summary of comments made by the working group members. They are provided to allow others to follow the progress of the working group.

Upon convening at 9:30 a.m.

1. Introductions

Board staff welcomed working group members and discussed the purpose and objectives of the third working group meeting.

2. Attendance

The following people attended the meeting:

- Fiona Oliver-Glasford, Enbridge Gas Distribution Inc. (EGD)
- Ravi Sigurdson, EGD
- Brandon Ott, EGD
- Tracy Lynch, Union Gas Limited (Union)
- Alison Moore, Union
- Vanessa Innis, Union
- Julie Girvan, Consumers Council of Canada (CCC)
- Jack Gibbons, Environmental Defence
- Ian Mondrow, Industrial Gas Users Association (IGUA)
- Kathleen Cooper, Low-Income Energy Network (LIEN)
- Julia McNally, Ontario Power Authority (OPA)
- Marion Fraser, Ontario Sustainable Energy Association (OSEA)
- Jay Shepherd, School Energy Coalition (SEC)
- Tony Pardal, Toronto Hydro-Electric Systems Limited (THESL)
- Steve Zebrowski, Veridian Connections Inc. (Veridian)
- Grant Cockburn, Ministry of Energy (observer)
- Mike Parkes, Environmental Commissioner of Ontario (observer)
- Emay Cowx, C2C Strategies (facilitator)

- Lynne Anderson, Takis Plagiannakos, Josh Wasylyk, Sarah Cole, Board Staff

3. Cost Effectiveness Tests

To begin Meeting #3, working group participants reviewed and discussed various cost effectiveness tests for use in program screening, including the Total Resource Cost (TRC) Test, Program Administrator Cost (PAC) Test, Participant Cost Test (PCT) and Societal Cost Test (SCT). There was a general consensus amongst the working group that the use of the SCT should be incorporated into program screening to include environmental benefits. It was agreed that programs should be more broadly screened to capture the environmental impacts of programs in regards to greenhouse gas reductions, which would speak to the government's objectives of reducing emissions. The working group discussed using a streamlined approach for valuing greenhouse gas emissions, but this topic was not discussed in any depth. It was also generally agreed that the use of the SCT and PAC tests were appropriate program assessment tools, but the use of the TRC test remains appropriate. It was generally agreed that a lower screening threshold (other than a cost effectiveness ratio of 1.0) be used for low-income program be maintained to ensure these programs continue to be offered. It was also noted by a participant that DSM screening at the portfolio level would be more appropriate.

The Participant Cost Test (PCT) was also suggested as a useful tool at the program selection stage in order to take into consideration the costs and benefits to participants.

Using a tiered approach for program screening was discussed by the group with participants suggesting that a tiered approach should not be used. It was generally agreed that the tests are not subject to a hierarchy, but rather work to complement one another and should be viewed as complementary tools that provide insight into a program's relative value. A participant noted that the Board has a history of including greenhouse gas reductions in its review, dating back over 20 years to E.B.O. 169¹. One participant believed that the Board should demonstrate leadership by taking actions that help fulfill the government's objective of reducing greenhouse gas emissions, in accordance with the OEB Act and in the interest of customers.

The working group discussed whether the PAC Test should be used by the gas utilities. Ultimately, the test received mixed reviews from participants, with some participants

¹ A Report of the Demand-Side Management Aspect of Gas Integrated Resource Planning For: The Consumers' Gas Company Ltd., Centra Gas Ontario Inc. and Union Gas Limited, E.B.O. 169-III, Report of the Board, July 23, 1993.

noting that it acts as a good, clear analog to cost of generation (albeit with examples specific to the electricity sector), while others, agreeing it provides value for the electricity sector, did not see the value in using the PAC test for natural gas. It was, however, generally agreed that using the PAC test at the portfolio level would be more appropriate than at the program level, since this would provide an analysis of the overall cost-effectiveness of the utilities' entire DSM portfolio. Finally, it was suggested that the PAC test be used as a complimentary test within the utility screening process, as a way of prioritizing programs based on rate impacts. This would also help in selecting programs that pass the SCT to address budget limitations.

4. Process for Updating Input Assumptions

Working group participants discussed the process for developing and updating the common list of input assumptions, including the appropriateness of the Technical Evaluation Committee ("TEC") and the Technical Reference Manual ("TRM"). It was generally agreed that the work of the TEC remains appropriate as it is important to review and address, in detail, common issues faced by the utilities. It was noted that although the initial development of the TRM is a very onerous process, it is a critical task and one that should be completed by the TEC due to their current level of involvement to date and the technical nature of the TRM.

Board staff proposed an option for the group to discuss, seeking input on the appropriateness of the Board taking a leadership role on an ongoing basis and responsible for annually updating the TRM following the TEC's completion of the master document. Some participants supported the proposal indicating that it would allow for a streamlined process, but noted that ongoing input from intervenors and utilities should be maintained. It was mentioned that by taking on this role, the Board would eliminate any perception of bias from the process and increase the perceived accountability of the results.

A suggestion was made by at least one working group member that in addition to updating the input assumptions list for DSM activities, the Board may want to consider taking on the same role with respect to the electricity CDM input assumptions list to increase consistency between the two frameworks. It was also suggested, although not discussed in any depth that the two input assumptions list be combined into one list that both electricity and natural gas utilities could rely on.

5. Evaluation & Audit Process

The next topic of discussion was focused on the evaluation and audit process that the companies undertake to ensure that delivered programs achieve expected results and to identify areas of improvement for future programs. Participants of the working group agreed that the evaluation and audit process must be comprehensive, transparent and efficient in order to provide value to the Board and ensure trustworthy and reliable results.

The manner in which specific natural gas savings are verified was discussed. One participant noted that in a recent discussion paper by the Toronto Atmospheric Fund² reviewing DSM performance measurement, it was suggested that firms can be hired to conduct custom project savings verifications (“CPSV”) who would then be overseen by a third party auditor tasked with conducting the larger evaluation and audit of the overall results. This would vary from the current arrangement where the gas utilities hire and oversee the CPSV work. Board staff suggested that the Board take a leadership role and oversee and manage the evaluation and audit process. It was suggested by some participants that there might be merit for the Board to oversee and manage the audit process, which could allow for more efficiency in the overall process. Some participants were open to Board Staff’s proposal provided that the Board’s role was focused on project management and utilities and stakeholders were provided the opportunity for input into the process. Other participants questioned this approach and cautioned that if the Board is to proceed with overseeing the evaluation and audit process, the necessary technical expertise should be maintained (such as the engineering reviews). At least one participant noted that having the Board oversee and manage the process could also reduce perceptions of bias and would be beneficial from a public perception point of view. Other participants were less supportive and noted that a balance must be achieved, where the primary objective should be to ensure that utilities are compensated for valid results, developed through a rigorous, transparent and accountable process with input from key stakeholders remaining a central component of the overall process. Participants from the utilities indicated that they have worked hard over the last few years to ensure that transparency and rigor have been built into the process to ensure that results are reliable. It was noted however that the current process allows for inefficiency and redundancies which can at times undermine the value of the established process. It was suggested by one participant that the Board’s involvement in the evaluation and audit process may create a more adversarial process

² Toronto Atmospheric Fund, 2014 OEB Gas DSM Framework Issue Paper: Performance Measurement, Page 6 of 9, June 24, 2014

whereby it would become more difficult for utilities and interveners to reach compromise with a staff representative in the room, potentially leading to longer adjudicative proceedings. It was suggested that a jurisdictional review of other leading provinces' and states' evaluation and audit models be studied to ensure the Ontario model is properly positioned to provide the greatest value.

One participant stated that the use of assumptions throughout the evaluation and audit process, such as deemed savings and engineering estimates is not appropriate. Rather, the use of real customer data should be transitioned into program design and evaluation in order to determine more accurate and reliable results. Other participants cautioned that the use of real customer data was not a simple undertaking and would likely require the incorporation of engineering assumptions in order to normalize changes in usage, a point to which the original participant agreed. It was further noted that utilities require expectations of how programs should be developed, delivered and measured to effectively and appropriately implement data-based programs as this would be a change from the current approach which has proven adequate for most jurisdictions in North America.

5.1. Periodic Impact Assessments

Board staff made the suggestion that the Board conduct periodic impact assessments outside and in addition to the annual evaluation and audit process. Board staff noted that this would provide all stakeholders with insight into how effective the programs have truly been and help identify what changes have been made in the marketplace (e.g., increased energy efficiency levels, reduction in overall gas consumption levels, etc.). Working group participants generally supported incremental empirical analysis of program effects however who should conduct this analysis was not discussed in any detail. One suggestion was to use the results of the impact assessment to help utilities prioritize programs that yield the greatest benefits as the basis for being offered on an ongoing basis. It was also suggested that although this is an important and valuable analysis, that it is not required to be included in the DSM framework at this time, but something the Board includes in its work plan.

5.2. Adjustment Factors

It was generally agreed that the four primary adjustment factors (free ridership, spillover effects, attribution and persistence) mostly remain appropriate, perhaps outside of spillover (as discussed further below), and should continue to be used. It was mentioned that spillover effects should be considered at a greater level for the benefit of

the utilities, while others suggested that any changes regarding spillover effects from the 2012 DSM Guidelines outside of a formal proceeding would be opposed. If the utilities felt that spillover effects should be included to a greater level, they would need to provide detailed, empirical evidence that clearly shows how these effects have been quantified in order for parties to provide comments and review the proposals. It was agreed that the correct and most effective way to determine how the benefits from delivering DSM programs should be attributed to both natural gas and electricity utilities is a complicated issue. More information, such as analyzing individual programs, is necessary to properly assess what each utility has done. It was noted by the working group that fairly calculating attribution for who should receive the benefits of the program should not be tied solely to the absolute dollars invested in a program, as there is a substantially greater amount of funding available to electricity distributors than natural gas distributors.

6. Program Types

The working group discussed the appropriateness of the current types of DSM programs that the gas utilities have been offering to customers. Some participants mentioned that the current DSM guidelines do not explicitly direct the gas utilities to offer low-income programs to private, multi-unit buildings and that this is a critical area that the new DSM framework should address as there remains significant potential savings that have not been targeted in the past.

It was noted that an opportunity exists with the forthcoming new, long-term framework, for the utilities to make significant changes to their current programs, aided by the analysis of new potential studies, past experience and input from stakeholders. One participant proposed that the utilities investigate and strive to incorporate new program types into their long-term DSM plans, including a comprehensive residential energy home retrofit program, on-bill financing to minimize rate impacts in-line with the Government of Ontario's Long-Term Energy Plan, and programs that aim to defer or reduce future capital projects. It was noted that the utilities will need to provide justification of future proposals based on market need and the value to customers should be clearly defined for all programs. The utilities noted that although they remain open to discussing the extent to which DSM can play a complementary role in overall system planning processes, much more analysis and information is needed in this area before they are able to proceed with programs that specifically address infrastructure capital investments. The utilities noted that it would be beneficial for all interested parties if the utilities conduct studies that look at their respective systems and provide an objective analysis of potential areas where DSM can help reduce the need for future

capital investments. The utilities further suggested that the Board include some direction regarding what it expected utilities to include.

Some participants mentioned the need for the Board to identify the objectives of DSM, perhaps as part of the new DSM framework. It was suggested that this should be in the context of what DSM programs should aim to achieve and look at both the utility system and customer impacts. It was proposed by one participant that DSM should be pursued to the extent that rate payer funded DSM avoids higher cost alternatives.

Board staff sought input from the working group participants on whether resource acquisition programs should be divided between those that provide long-life benefits and those that provide short-life benefits. One participant believed that the utilities and the Board may need to look at how programs that provide different benefits are funded and incentivized. Several participants noted that the Board and stakeholders should not micromanage the utilities' DSM businesses in this manner, relying instead on the plans put forth by the utilities for Board review and approval. It was suggested by one participant that the costs associated with DSM programs that produce long-term benefits may be more appropriately treated as capitalized amounts which would then provide long-term benefits to the utilities and bring DSM efforts closer to utilities' other business areas. Similarly, it was suggested that those programs that only produce short-term benefits may be more appropriately treated as expensed amounts.

One participant suggested that rate reform be included as a future program type. It was noted that although this would be a fairly significant change from the current program offering, it would enable the Board to set different rate structures to influence usage behaviour which is one of the primary goals of DSM; moving usage from peak periods and also lowering overall usage levels. Other participants did not support the inclusion of rate reform within the DSM Framework indicating that it is more appropriately addressed through the gas utilities' rate proceedings.

Another suggestion was for the utilities to provide an option where customers could finance participation in DSM programs through an on-bill financing program. Participants noted that there would be a number of issues that would need to be resolved if the utilities were to proceed with a program of this nature, such as who provides the funding, are third party financial institutions involved, what level of risk is appropriate for the utilities, what penalties could be imposed on customers for late or non-payment, and how are remaining balances treated for future home owners. One participant suggested that it may be appropriate for the utilities to conduct a request for proposal process and solicit submissions from financial institutions to investigate what

options are available regarding financing and interest rates to determine if customers would actually participate. Other participants did not agree that this is an area that the utilities should pursue noting that the list of potential issues is extensive with too much risk being placed on the utilities. It was also mentioned that this is an area that has been discussed amongst Enbridge and its DSM consultative members, with the conclusion being that it is a program that should not be offered at that time, although this conclusion was not supported by a number of interveners.

6.1. Large Volume Programs

Most working group participants generally agreed that there should not be any changes from the current DSM guidelines regarding large volume programs. Participants noted that programs for large volume customers should continue to be proposed on a case-by-case basis and that the Board should not make it mandatory for the utilities to provide these programs. In the event that the utilities do propose future programs targeted at large volume customers, some participants suggested that these programs be focused on providing expert, technical studies that deliver incremental value to customers. It was noted that financial incentives, although not a critical component in the decision making process for large volume customers' participation in DSM programs, can help play a role to ensure that recommendations provided by the utilities are implemented. One participant suggested that the pursuit of all cost-effective DSM programs inherently includes programs targeted at industrial and large volume customers and that these programs should be included in the utilities' new long-term DSM plans.

Another option that was proposed, but was not discussed in much depth, was to allow an option for large volume customers to opt-out of the program if they do not want to participate. It was noted that this issue was discussed in length in a past Board proceeding³ in which the Board determined that it was not appropriate for customers to opt-out of a program. It was suggested that future programs may include a component to allow customers who want to opt-out be required to either pay into a conservation fund or show the Board that they are investing a certain level of funding into energy efficiency on their own and that they have internal savings metrics to which they can be held responsible in order to be granted approval to opt-out of the program. Participants noted that similar frameworks are currently operating in the U.S. and that this could be something for the Board or utilities to explore during the new DSM framework term.

³ EB-2012-0337, Union Gas Limited, 2013-2014 DSM Plan for Large Volume Customers, Decision issued on March 19, 2013.

7. Staff-Proposed DSM Framework

As part of the final topic of discussion, Board staff presented details on various components of what it believed were reasonable proposals to present to the Board. The goal of the discussion was to receive the working group participant's comments on these proposals and understand any areas of concern. As a general comment, it was noted by one participant that the Board should consider whether the draft DSM Framework issued for comment from interested parties is positioned as a Board report or a Board Staff report. It was noted that the two formats carry different connotations and that typically, it is more difficult to make major revisions to a Board report than a Board staff report.

7.1. Key Components

The working group provided its comments on the key components to be included in the DSM Framework. Board staff provided preliminary proposals for each area to generate discussion and receive feedback from the working group. The following components of the DSM framework were discussed:

- Guiding Principles
- Term of Framework – including transition year and long-term plan
- DSM Program Types (including low income and programs supporting conservation first in infrastructure planning)
- Input Assumptions and Screening
- DSM targets (long-term & annual milestones)
- DSM budgets
- Incentive Payments
- Lost Revenue Adjustment Mechanism
- Recovery and Disposition of DSM Amounts
- Program Evaluation (including Adjustment Factors – free riders, persistence, etc.)
- Stakeholder Input and Consultation Process
- Co-ordination and Integration of Natural Gas DSM and Electricity CDM Programs
- Mid-term Review

Participants provided general, overall comments on the list of topics included in the DSM framework. One participant suggested that as a central component of the new DSM framework, there should be a discussion about the Board's objectives with respect to DSM to help put the framework review into proper context. Another participant

suggested that the use of the word “assumptions” should be avoided within the Framework in order to avoid limitations in the use of real data instead of engineering estimates and savings and measure life assumptions. Other participants cautioned that there were inherent challenges to measuring savings using metered data and that the use of estimates and assumptions would need to form a part of any such methodology. It was further suggested that “Performance Incentive” be replaced with “Shareholder Incentive” to properly reflect the fact that the incentive is a financial incentive for the gas utilities’ shareholders.

7.2. Guiding Principles

The following guiding principles proposed by Board staff were discussed with the working group:

- a) Natural gas utilities should invest in DSM where it is more cost-effective than capital investments and/or the purchase of natural gas;
- b) Enable the achievement of all cost-effective DSM, as far as is appropriate and reasonable having regard to the respective characteristics of the natural gas sector, marketplace, and overall costs to customers;
- c) Where appropriate, coordination and integration of DSM programs (including low-income program) with electricity CDM programs should be achieved;
- d) Lost revenues resulting from DSM programs should not act as a disincentive to utility investments in DSM;
- e) Programs should be designed to remove barriers to assist customers to implement energy efficient measures;
- f) Minimize lost opportunities⁴ to implement energy efficient upgrades;
- g) Ensure DSM programs are available to low-income customers across the province;
- h) Programs should be designed to pursue long-life energy savings⁵;
- i) Incentives to utilities should be available commensurate with performance and in delivering on key objectives; and,
- j) Ensure the DSM Framework facilitates the inclusion of DSM in natural gas distributor infrastructure planning at the regional and local levels.

⁴ Lost opportunity markets refer to DSM opportunities that, if not undertaken during the current planning period, will no longer be available or will be substantially more expensive to implement in a subsequent planning period.

⁵ Long-term or deep energy savings refer to measures that result in long-term savings, such as thermal envelope improvements (e.g., wall and attic insulation).

It was generally agreed that there should be an understanding that low-income programs are unique and, as mentioned elsewhere in the DSM framework, will not have to meet the same cost-effectiveness thresholds to be considered for approval.

There was a general discussion about how the list should be framed and whether there should be some sort of hierarchy where some principles took priority over others. In the end, it was agreed that the Board should consider whether some principles are more important than others, and be clear about how cost-effective is defined since it can have varying connotations depending on where it is discussed.

7.3. Term of Framework and Long Term Targets

Board staff suggested that long-term natural gas savings targets could be established by the Board, rather than proposed by the utilities. Under this approach, the utilities would prepare and file DSM plans to achieve the long-term targets. Participants were concerned that long-term targets may lead to micro-management of DSM activities and could restrict the utilities' advancements towards innovation as they would primarily be focused on achieving a long-term natural gas savings target. Participants did not feel that the Board undertaking its own analysis of achievable potential would provide added value to Union's potential study update and the potential study for Enbridge's franchise area currently underway. It was suggested that if the Board determines this to be the appropriate option for developing long-term targets, then it should thoroughly review the gas utilities' past and current studies as appropriate and, if there are major methodological errors, conduct further analysis. With respect to how the Board would undertake developing the targets, Board staff felt it appropriate for the process to be managed by the Board with input from key stakeholders, including the utilities and members of the DSM consultative groups. Most participants felt a Board-led process throughout the framework was not appropriate and questioned the purpose of the Board undertaking this role, suggesting the Board rely on evidence provided by the utilities. Some parties questioned the value for long-term targets given the success of annual targets in the past and Board Staff's intention to continue with annual targets, budgets and incentive amounts. It was further indicated that if the Board should proceed with issuing long-term targets, that they be considered provisional targets based on the potential studies, and subject to revisions based on evidence submitted during the hearing where the Board decides on the new DSM plans. This would enable the gas utilities and any other party to propose and defend the merits of the targets in an open setting and allow the Board to consider all facts and relevant issues when determining the final long-term targets the gas utilities would strive to achieve.

7.4. Screening

Board staff proposed that the gas utilities should screen future DSM programs using the TRC test and use the PAC test as a secondary resource. Some participants agreed that this type of screening process would be effective and that all programs should be cost-effective with a score of over 1.0, while other participants supported the use of the SCT screening at the portfolio level with TRC and PAC test results providing further information for consideration. One participant suggested that in the case that a program does not score over 1.0, utilities may be able to provide qualitative benefits to justify the lower cost effectiveness ratio. It was noted that the screening be performed at the program and portfolio levels to ensure that cost-effectiveness be achieved at all levels. Working group members also suggested that it would not be inappropriate for the companies to use the SCT to provide more information for the Board's consideration.

7.5. Budget

Board staff proposed the option that DSM budget parameters be set by the Board, from which the utilities would propose specific annual budgets. Some participants felt that the Board establishing an appropriate budget range was not appropriate and that the utilities should develop appropriate budgets taking into consideration results of the potential studies, future program opportunities, projected costs, and transitioning its DSM plans to address key objectives of the DSM framework.

The gas utilities noted that an acceptable budget range would be helpful, especially for the 2015 transition year to enable an efficient process. One participant mentioned that if the Board were to set a budget range as part of the DSM framework, the utilities would likely propose a budget that was at, or very close, to the maximum amount within the range, essentially making the range a maximum budget amount that utilities can spend on DSM. It was also noted that the report submitted on behalf of the Toronto Atmospheric Fund⁶ regarding appropriate DSM budgets provided helpful information as it looks at DSM in other jurisdictions. One participant mentioned that when approving budgets, the Board should take into consideration that greater efforts to accomplish new objectives may require a larger budget.

⁶ Toronto Atmospheric Fund, 2014 OEB Gas DSM Framework Issue Paper: Savings Goal and Budget Setting, June 24, 2014.

7.6. Performance Incentive

Board staff proposed a performance shareholder incentive option which is based on a percentage of total approved DSM budget. The staff proposal suggested that the shareholder incentive be calculated as 10% of the approved, annual DSM budget and be rewarded to the utility if it achieves a scorecard weighted score of 100%. Staff noted that the scorecard may consider a higher percentage of the incentive for programs that are more challenging to achieve, or that are key objectives that the Board wants to encourage. Staff also proposed, although this element was not discussed in any detail, that an additional incentive amount (up to a maximum of 5% of the approved, annual DSM budget) be available if the gas utility achieves a scorecard weighted score of 150%. Staff also proposed the option to include an additional incentive component to reward efficient spending. The cost efficiency incentive would provide a certain amount of any remaining funds that had been approved for DSM programs if the utilities were able to achieve their annual targets for less than was budgeted. Staff also proposed that the payment of shareholder incentives would continue to take place on an annual basis.

Some participants felt that, as proposed, Board staff's option would likely result in an overall lower shareholder incentive for the utilities. Participants noted that a lower incentive would likely discourage the utilities from aggressively resourcing and delivering DSM in the future, which could lead to less of a focus on achieving the goals of the Conservation Directive. It was noted that past programs have been very successful, and targets have generally been met, but that neither utility has achieved its maximum incentive every year. It was mentioned that the gas utilities have been leaders in energy efficiency and that the incentive structure proposed by Board staff may impact the utilities' consideration of supply side investments over DSM. Participants strongly urged Board staff to consider maintaining the current incentive amounts as opposed to drastically reducing the absolute amount.

With respect to the cost efficiency incentive, it was proposed by one participant that this should be structured in a way to allow the utilities to retain any unspent DSM budget amounts for the following year if the utilities achieved their annual targets. It was noted that this would provide a valuable incentive in that the utilities would then have a larger budget to achieve their previously approved targets. Participants strongly cautioned that if the Board proceeded with a cost efficiency incentive, it ensure that it works with any performance incentive and does not detract from the ultimate goal of reductions in natural gas consumption and an advancement of the utilities' programs and longer term focused education or capacity building work in order to provide more value to customers and a better overall experience.

7.7. Coordination and Integration of DSM with Electricity CDM

Board staff proposed that coordination and integration of natural gas DSM with electricity CDM be pursued where appropriate. It was proposed by one participant that an additional budget may be required to properly allow the gas utilities to coordinate its efforts with the electricity distributors. Some participants mentioned that as much direction the Board can provide to the utilities on where and how coordination and integration should be implemented would be very helpful. However, there was no consensus on how much direction should be provided by the Board, as some participants felt that prescriptive direction could cause challenges.

8. General Comment

Some members of the working group were opposed to the Board taking a larger role and leading various aspects of the DSM processes as it was not believed that the Board would provide significant incremental value to the current process. Some participants noted that the current process for developing, approving and evaluating DSM programs and their results has resulted in an increased level of understanding and cooperation amongst all the parties and that this has led to positive results and that significant changes are neither warranted, nor appropriate. Other participants noted that, particularly in the last year, the process had displayed flaws in which the desired benefits of thorough but effective oversight were diminished. Some members of the working group also feared that by having the Board manage many elements of the DSM framework, there may be reduced opportunity for stakeholder input, which would adversely affect future DSM developments. With respect to the specific options put forth by Board staff, participants felt that if the Board decides to develop long-term targets, it should rely on the work currently being prepared by the gas utilities as opposed to conducting its own work, as one input to target development. Some participants were of the view that the Board should not pre-determine budget levels or issue parameters within which the gas utilities should operate. Rather, the Board should allow the utilities to propose budgets that enable achievement of the long-term targets, as they have the necessary information to ensure that budgets are appropriate for achieving the natural gas savings targets. Finally, participants advised that incentive levels should be attractive enough to motivate the gas utilities to continue to aggressively pursue DSM. To get a better sense for the appropriateness of the elements of the new DSM Framework, some working group members suggested that it may be beneficial for Board staff to issue a draft report and seek comments from interested stakeholders.

Meeting adjourned at 4:30 p.m.