



EB-2005-0507

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

AND IN THE MATTER OF an application by Union Gas
Limited for an Order or Orders amending or varying rates
charged to customers as of January 1, 2006.

ORDER

Union Gas Limited ("Union") filed an application, dated November 1, 2005, with the Ontario Energy Board (the "Board") under the *Ontario Energy Board Act, S.O. 1998, c.15, Schedule B* for an order or orders approving its demand side management ("DSM") plan for the years 2006 through 2008. The Board assigned file number EB-2005-0507 to the application and issued a Notice of Application dated November 17, 2005.

On December 22, 2005, the Board issued a partial decision on Enbridge Gas Distribution Inc.'s 2006 rates application (EB-2005-0001 / EB-2005-0437) which addressed the issue of DSM. In that case, the Board decided to approve only a single year DSM plan pending a generic review of certain issues (the "generic hearing"). Many of these issues are contained within Union's multi-year plan.

By letter dated January 18, 2006, Union outlined a proposed transitional DSM plan for 2006. Union indicated that the transitional DSM plan was submitted in light of the generic hearing which had not been announced at the time Union filed the multi-year DSM plan.

The Board issued Procedural Order number 1 on January 24, 2006 which set the timelines for the hearing and made provisions for a technical and settlement conference. A technical conference was held on February 10, 2006. A settlement conference was held on February 17, 2006. The parties were not able to reach a settlement and no settlement agreement was filed with the Board.

The Board issued Procedural Order number 2 on February 28, 2006 which allowed for intervenor evidence and rescheduled the dates for filing of written argument and oral submissions. The Board heard oral submissions on March 9, 2006.

The Board heard submissions from Union, Green Energy Coalition, Consumers Council of Canada, Industrial Gas Users Association, Canadian Manufacturers and Exporters, School Energy Coalition, Vulnerable Energy Consumers Coalition, Energy Probe, Enbridge Gas Distribution Inc., Low Income Energy Network and Pollution Probe. London Property Management Association made written submissions only.

The Board issued its oral decision on the substantive issues in this matter on March 9, 2005. The Board's decision addressed issues including Union's 2006 DSM budget, program adjustments, savings targets and the incentive amount and framework.

Union's DSM budget for 2006 will be \$13.9 million. This amount is equal to what Union proposed in its original application of November 1, 2005. While the approved budget is \$13.9 million, the Board agrees with Union and the intervenors that spending for market transformation, \$156,000, should not be pursued pending further direction from the generic hearing. The budget for this program should be reallocated within the DSM plan. With respect to low income programs, the Board agrees with some intervenors and concludes that Union should expand its current program to include 100% of the equipment and installation costs for the programmable thermostat and all Energy Savings Kit measures.

Union's original application requested approval of a new set of avoided costs to be used in the calculation of Total Resource Cost ("TRC") tests. The values Union originally proposed were prepared in the context of a three year DSM plan and an expected full testing of the evidence. Union subsequently withdrew its proposal to use its own updated avoided cost values in favour of values approved for Enbridge for 2006. All parties supported the notion that Union's avoided costs should be updated and supported the adoption of Enbridge's values. The Board supports this approach for 2006.

For the purpose of an incentive, the Board will adopt \$217 million as the savings target, based on the TRC test ("TRC target"). The Board finds that the following structure is appropriate:

- For TRC savings between 75 percent and 99.9 percent of the TRC target, an shared savings mechanism ("SSM") amount of 12.4 percent of TRC savings in excess of 75 percent, plus,
- For TRC savings between 100 percent and 109.9 percent of the TRC target, an SSM amount of 9.4 percent of TRC savings in excess of 100 percent, plus,
- For TRC savings between 110 percent up to 120 percent of the TRC target, an SSM amount of 6.4 percent of TRC savings in excess of 110 percent, plus,
- For every subsequent increase of 10 percent over the TRC target, the marginal SSM rate shall decline by a further 3 percent with a minimum of 3 percent.

With respect to the role of the consultative, the Board notes that this issue is on the draft issues list for the generic hearing and feels that the issue is best addressed within that context.

Finally, Union's application also requested approval to continue operating the approved Lost Revenue Adjustment Mechanism ("LRAM"), LRAM Deferral Account, DSM Variance account and SSM Deferral account. No parties objected to this proposal and the Board accepts that continuing these accounts is appropriate.

THE BOARD ORDERS THAT:

1. Union Gas Limited shall operate in 2006 the following deferral and variance accounts in the same manner as approved for 2005; Lost Revenue Adjustment Mechanism Deferral Account (Deferral Account No. 179-75), Demand Side Management Variance Account (Deferral Account No. 179-111), Shared Savings Mechanism Variance Account (Deferral Account No. 179-115).
2. Union Gas Limited's demand side management budget for 2006 shall be \$13.9 million as filed on November 1, 2005.
3. Union Gas Limited shall reallocate the funds from the Market Transformation Program within its demand side management plan for 2006.
4. Union Gas Limited shall expand its low income program to include the full equipment and installation costs for the programmable thermostat and all Energy Savings Kit measures.

5. Union Gas Limited shall provide the Board and the registered intervenors with an update of Table 1 on Page 4 of the 2006 transitional plan to reflect the \$13.9 million dollar budget and any adjustments to achieve the TRC savings target. This update will be filed by April 10, 2006.
6. Union Gas Limited shall pay the Board's costs and the intervenors' costs, as assessed by the Cost Assessment Officer regarding the cost claims submitted by April 17, 2006.

DATED at Toronto, March 29, 2006

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary