

2020-2023 Efficiency Plan

Efficiency Manitoba Undertaking #7

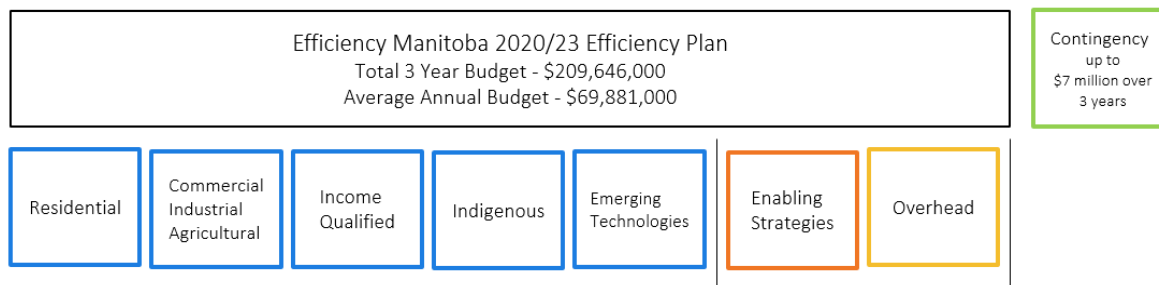
Efficiency Manitoba to produce a document that outlines for during the three (3) plan years, how variances in the budget contained within the plan will be addressed, including on a step-by-step basis.

Response:

This Undertaking arose from a request for clarification concerning Efficiency Manitoba's budget and funds and how variances in the budget contained within the 2020/23 Efficiency Plan ("the Plan") will be addressed, both of which are set out below.

A. Efficiency Manitoba Budget and Funds

As set out in the Plan, Efficiency Manitoba has established both a **general budget** and a separate **Contingency Fund**.



(I) **General budget categories**

The Efficiency Manitoba general budget is comprised of dollars allocated to each of the following general budget categories: (i) **Residential** customer segment; (ii) **Commercial, Industrial, Agricultural** customer segment, (iii) **Income Qualified** customer segment, (iv) **Indigenous** customer segment, (v) **Emerging Technologies**, (vi) **Enabling Strategies** and (vii) **Overhead**.

Actual general budget amounts are detailed in Plan Attachment 3 (PDF page 515 for the annual electric costs and PDF page 508 for the annual natural gas costs respectively) and summarized below.

1. Customer Segment Budgets

Regarding each of the general budget categories for customer segments, namely the **Residential, Commercial, Industrial, Agricultural, Income Qualified, and Indigenous** segments, the budget allocations are broken down as follows with additional details provided in COALITION/EM I-39a-d:

- customer incentives;
- program costs for external delivery and implementation; and
- Efficiency Manitoba labour costs at the programming level.

2. Emerging Technologies

The **Emerging Technologies** general budget category is described in Appendix – Section A8 of the Plan (starting at PDF page 403) and covers specific selected technologies that have defined savings and that have successfully cleared the pilot project stage. Under the current Plan for 2020/23, the emerging technologies to be funded under this category are specifically set out in the Plan, see PDF page 406.

3. Enabling Strategies

The Enabling Strategies general budget category is described in Plan Appendix A-Section A9 (starting at PDF page 413) and specifically funds activities that support the overall DSM portfolio:

- Engagement – including branding, the CRM/DSM system, and engagement activities including the EEAG and other stakeholders;
- Emerging Technologies (not yet market ready) – including market research, studies and pilot programs using innovation funding (also known as the Innovation Fund); and
- Codes & Standards.

A further detailed breakdown of the Enabling Strategies budget is provided in response to COALITION/EM I-44a.

4. Overhead

The Overhead budget category is described generally in the Plan on PDF pages 119-120. Overhead budget includes: (i) leadership and general administration staff costs in human resources, government relations, finance and accounting and other corporate administrative functions; and (ii) private sector expenses such as legal, regulatory costs, office space rental, furniture, and managed services such as corporate information technology.

(II) The Contingency Fund

Efficiency Manitoba has included a three-year Contingency Fund in its current Plan for the explicit purpose of pursuing emerging opportunities (see PDF page 42, see PDF page 189-192). The Contingency Fund adds flexibility to the Plan to respond to unplanned, and therefore unbudgeted, DSM opportunities that arise during the Plan years. The proposed Contingency Fund budget is for \$7 million dollars over the three years of the Plan, subject to recommendations by the Public Utilities Board, and provides Efficiency Manitoba with the flexibility and nimbleness to pursue cost effective energy savings. An unplanned DSM opportunity could be considered a technology that has become ready for the market earlier than anticipated or the emergence of an energy efficiency opportunity that was not budgeted or planned for such as a new industrial plant expansion, for example.

B. Budget Administration and Variances

Actual spending will be monitored and compared to budgets by Efficiency Manitoba on an ongoing basis during the Plan years. For customer programming, this monitoring will specifically include reporting on program participation at both the measure and bundle level. Variances from forecasted expected expenditures for the Plan may identify the need for changes in marketing, outreach activities or customer programming.

The Efficiency Manitoba Act, at Section 12(5) contemplates that Efficiency Manitoba may adjust the activities to be undertaken during the three-year period of the Efficiency Plan where reasonably required in order to maximize the amount or cost-effectiveness of net savings to be achieved under the Plan, while not exceeding, of course, total costs specified in the Plan.

Efficiency Manitoba has carefully set its Plan to meet its statutory and regulatory requirements and has projected participation levels for its measures. Should participation vary from that anticipated for certain measures, Efficiency Manitoba may determine that adjustments are necessary to its programming and budget. Changes or variances to budget will be made in accordance with the following list of prioritized considerations:

1. If Efficiency Manitoba has unspent budget remaining in a specific program within a Customer Segment, Efficiency Manitoba will examine the use of available unspent budget from the same Plan year within a different program in the same Customer Segment. From a practical perspective, it is anticipated that most variations and resulting adjustments will be accommodated within this option.
2. If Efficiency Manitoba has exhausted a budget within a Customer Segment, Efficiency Manitoba will look to spend budgets from the next Plan year within the same Customer Segment in order to achieve projected or additional energy savings.
3. If neither of the above options is feasible, Efficiency Manitoba may look to re-prioritize unspent budgets within the Enabling Strategies. Enabling Strategies budget is important, however the spending for select components within that budget (such as market or technology research studies) can be considered secondary to program incentives and the acquisition of energy savings, therefore spending can be re-directed should it be required.
4. Finally, in the event all other options have been exhausted, Efficiency Manitoba may look to shift budgets between Customer Segments only where doing so is consistent with Efficiency Manitoba's statutory / regulatory obligations. This will not result in a reduction in budget for Indigenous or Income Qualified customer segments.