

**HIGH EFFICIENT FURNACE  
REPLACEMENT PROGRAM  
FOR LOWER INCOME  
MANITOBANS**

## **PROGRAM OVERVIEW AND BACKGROUND**

Manitoba Hydro (or “the Corporation”) launched a province-wide Lower Income Energy Efficiency Program on December 14, 2007. The program is designed to assist lower income Manitobans implement cost-effective energy efficiency measures including basement/attic insulation, furnace upgrades and basic energy efficient upgrades including compact fluorescent lighting. The program works both with individuals as well as with community groups. This is seen as one of the more progressive initiatives in Canada.

Since the launch, Manitoba Hydro has enhanced the design of the furnace component of the program to further assist customers in upgrading their existing conventional natural gas furnace or boiler, which is expected to increase participation substantially.

In July 2007, PUB issued Board Order 99/07 requiring that Centra Gas Manitoba Inc. provide \$2.3 million and \$3.8 million for 2007/08 and 2008/09 respectively (after providing for a minimum of \$3.0 million of net income in each of those years) as funding in support of a program to target the replacement of low efficiency gas furnaces with high efficiency gas furnaces for qualifying low-income households and qualifying fixed-income seniors.

The Corporation has developed the High Efficient Furnace Replacement Program for Lower Income Manitobans (“HEFRP”). Program costs of approximately \$5.3 million<sup>1</sup> have been identified to support the replacement of standard natural gas furnaces and boilers with the installation of high efficiency heating systems for lower income owner-occupied residences. The program is designed to be in effect until March 31, 2011 and is planned to provide:

- Installed furnaces at a cost to the customer of \$19 per month for 5 years (\$1,140). The installation includes the cost of housing stock infrastructure upgrades in order to convert from a standard efficiency natural gas furnace to a high efficiency natural gas furnace, and
- An increase in program rebates to \$2,500 for customers whose residences are heated by conventional natural gas boilers.

## **PROGRAM OBJECTIVES**

Manitoba Hydro’s objective in offering the High Efficient Furnace Replacement Program for Lower Income Manitobans (HEFRP) is to make it easier for these customers to participate in energy efficient upgrades which will result in reduced energy burden and increased comfort.

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<sup>1</sup> For further information, please see the Program Budget on Page 5 of this report.

## **MARKET ENVIRONMENT**

There are approximately 64,000 lower income<sup>2</sup> owner-occupied dwellings in Manitoba. Of all Manitobans, approximately 59% heat their home with natural gas and approximately 57% of these furnaces are conventional standard efficiency appliances. Applying these appliance installation percentages to the lower income market, it is estimated that approximately 22,000 customers have a conventional natural gas furnace or boiler. With increased incentives, it is forecasted that participation in the furnace/boiler portion of the program will result in a total of 1,900 customers. As this number is a forecast, it will be re-assessed as the program evolves. In the event that the customer response turns out to be higher than the forecasted estimate, they will be adjusted accordingly.

## **OPPORTUNITIES & CHALLENGES**

### **Challenges:**

The target market for the HEFRP program is difficult to reach for the following reasons:

- energy efficiency is not top-of-mind;
- there may be language and education barriers;
- mass media is not an effective promotional tool;
- customers may be confused by the difference in appliance options and by the range of pricing associated with each option; and
- there may be structural limitations within the existing housing stock which may restrict the ability to convert from a standard efficiency furnace to a high efficiency furnace, or significantly increase the cost of doing so.

### **Opportunities:**

- community groups are established within many low income neighborhoods and can be leveraged to provide assistance; and
- many lower income customers reside in older homes where there are increased opportunities for energy savings.

## **MARKETING PLAN**

Manitoba Hydro has established many relationships with neighborhood-based groups that provide housing support to lower income families. This has allowed for a grass roots approach to marketing the program which is key to the success of this initiative. In order to overcome some of the challenges associated with the program, and increase customer awareness and participation, Manitoba Hydro will further engage in marketing and outreach activities as follows:

- leverage current relationships and develop new relationships with community groups and not-for-profit agencies by providing hands-on support in promoting the program within their communities;

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<sup>2</sup> “Lower Income” is defined as an income level represented by 125% of the Low Income Cut Off or LICO.

- leverage internal resources through the staff such as Energy Service Advisors, District Office personnel, Aboriginal Relations staff, Credit and Collections representatives and the Neighbors Helping Neighbors Program where there may be current relationships which have already been established with low income individuals and community groups;
- advertise in local community newspapers. The target market for the Lower Income Energy Efficiency Program is difficult to reach through mass market media. Many community groups, churches and related social groups have local papers and newsletters which will be used to reach this marketplace;
- work with an Advisory Group made up of stakeholders which has been set up to provide support and feedback for the program;
- leverage Manitoba Legislative Assembly newsletters; and
- work alongside social assistance and social services to reach people who are benefiting from these programs. Example: Workers' Compensation, Employment and Income Assistance, Disability, etc.

### **Implementation Plan:**

Manitoba Hydro issued an Expression of Interest (EOI) in September 2008, inviting submissions of information packages by parties who may have an interest in participating as a contractor in the program. Several submissions of interest were received and currently Manitoba Hydro is in the process of reviewing and evaluating those submissions. The Corporation intends to meet with short-listed contractors to negotiate and finalize contractual terms and conditions by the end of November 2008.

This process is expected to result in an average cost of approximately \$3,500 to install a high efficiency natural gas furnace, where no additional in-home upgrades are required to accommodate the installation. The Federal ecoENERGY grant for High Efficiency Natural Gas Furnaces is currently \$300 to \$500 and the customer contribution will be \$1,140 to be paid back over a 5 year period. The residual cost of installing a high efficiency furnace will be funded through incentives provided by the Corporation at approximately \$1,860 per installation. Energy savings resulting from the upgrade are expected to more than cover the \$19 monthly payment, making this a relatively simple decision for homeowners.

In some homes there is a requirement to upgrade household infrastructure in order to convert from a conventional natural gas furnace to a high efficiency gas furnace. Such upgrades are required to meet ventilation and other safety specifications. For many lower income customers, these costs can be prohibitive and therefore, these costs will be covered by the program. It is estimated that the cost for such an upgrade may be approximately \$620 per home.

Under the new customer-friendly streamlined process whereby furnace installations will be coordinated by Manitoba Hydro for customers from participating contractors, it is anticipated that furnace installations will commence in November 2008, although Lower Income Program participants since December 2007 will be eligible to retroactively participate. Marketing and outreach is currently taking place and will be augmented to further promote the program and increase participation.

**Program Budget:**

Overall program costs for the HEFRP are forecast to be:

<b>PROGRAM COMPONENTS</b>	<b>COST</b>
<b>Funding as per PUB Order 99/07, directive 2.b. (p. 139)</b>	
Incentives <sup>1</sup>	\$3,400 000
Financing <sup>2</sup>	\$440 000
Household upgrades	\$1,200 000
Marketing & Outreach	\$260 000
<b>Sub-Total</b>	<b>\$5,300 000</b>
<b>Contingency<sup>3</sup></b>	<b>\$800 000</b>
<b>TOTAL<sup>4</sup></b>	<b>\$6,100 000</b>
<b>Funding as provided by the Affordable Energy Fund</b>	
ecoENERGY costs <sup>5</sup>	\$350 000
<b>Total</b>	<b>\$350 000</b>

<sup>1</sup> Incentive costs are net of existing Power Smart Incentives.

<sup>2</sup> Cost to finance customer portion (\$1,140) over 5 years.

<sup>3</sup> Additional costs related to participation above forecast and unforeseen household upgrades

<sup>4</sup> The funding total of \$6,100,000 assumes that \$3,800,000 will be available over-and-above Centra Gas Manitoba Inc.'s minimum net income of \$3,000,000 in 2008/09.

<sup>5</sup> The Affordable Energy Fund will support the costs for ecoENERGY audits and some portion of general administration cost.