

August 4, 2015

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

RE: EB-2015-0029 – Union Gas Limited (“Union”) – 2015-2020 DSM Plan – Interrogatories on Intervenor Evidence

Dear Ms. Walli,

Please find attached Interrogatories on behalf of Union Gas Limited on the evidence prepared by Synapse Energy Economics Inc. submitted on behalf of the Ontario Energy Board Staff.

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[original signed by]

Vanessa Innis
Manager, Regulatory Initiatives

Encl.

cc: Lawrie Gluck, Board Staff
Alex Smith, Torys
All Intervenors (EB-2015-0029)

UNION GAS LIMITED
INTERROGATORIES ON EVIDENCE PREPARED BY SYNAPSE ENERGY ECONOMICS INC.
SUBMITTED ON BEHALF OF ONTARIO ENERGY BOARD STAFF

1. *Reference:* L.OEBStaff.1, Page 9

Preamble: At Section 3.1.2, Synapse states “Enbridge has significantly greater net benefits (\$664 million) than Union (\$140 million).”

Question:

Please confirm that Synapse is comparing Enbridge’s 5-year TRC benefits to only one-year of TRC benefits for Union.

2. *Reference:* L.OEBStaff.1, Page 9

Preamble: At Section 3.1.2, Synapse states “Enbridge has significantly greater net benefits (\$852 million) than Union (\$176 million).”

Question:

Please confirm that Synapse is comparing Enbridge’s 5-year PAC benefits to only one-year of PAC benefits for Union.

3. *Reference:* L.OEBStaff.1, Page 10

Preamble: “Therefore, the average Union C&I customer uses over twice as much gas (91,013 m³ per year) as the average Enbridge C&I customer (40,761 m³ per year).”

Question:

Please confirm that Synapse understands that Large Volume customers are included in Page 10, Section 3.2, however they are not eligible for customer incentives.

4. *Reference:* L.OEBStaff.1, Page 25; EB-2015-0029, Exhibit A, Tab 3, Page 6, Table 2

Preamble: “Both Enbridge and Union plans to spend about 2 percent of their total program budget on EM&V activities (Enbridge Gas Distribution, 2015a, Exh. B, Tab 1, Sch. 4, p. 3-5; Union Gas Limited, 2015a, Exh. A, Tab 3, p. 6). This level of proposed budget on evaluation may be insufficient. SEE Action (2012) notes that the 3 to 6 percent range is only a rough guideline because evaluation needs and the relative EM&V roles of program administrators and independent third-party evaluators vary significantly between different jurisdictions and program administrators. Nevertheless, in light of our findings

of evaluation plan gaps over the next five years, Enbridge and Union may need more budget on their evaluation activities.”

Question:

Union’s proposed evaluation budget for 2016 equates to \$2.302 million, out of a total \$57.254 million budget, or 4.0% (EB-2015-0029, Exhibit A, Tab 3, Page 6). Please provide the calculations to show how Synapse calculated the 2% figure noted in the evidence.

5. *Reference:* L.OEBStaff.1, Page 30

Preamble: “A typical products program provides cash incentives to homeowners, or takes a mid-to-upstream approach by providing incentives directly to retailers, distributors or manufacturers of the equipment so that customers ultimately pay a lower price. This type of program is essential for homeowners just looking to replace their old space heating and hot water equipment, especially when the homeowners’ HVAC equipment has failed or broken and they need to replace the equipment immediately. Without such a program, homeowners are more likely to purchase lower cost, standard efficiency equipment. This type of products program is typically offered in other jurisdictions, and should be included as part of the utilities’ portfolio of programs.”

“Both utilities should develop a residential products offering to promote the installation of high efficiency space heating and water heating equipment. This type of program is essential especially when the homeowners’ HVAC equipment has failed or broken and they need to replace the equipment immediately.”

Question:

In making this recommendation, please provide Synapse’s understanding of the measure cost effectiveness which are most comparable in relation to Ontario’s code, climate, 2016 filed avoided costs, discount rate and TRC methodology for the following stand-alone measures on a prescriptive basis. Please include the relevant findings from Synapse’s comprehensive literature review of best practices and discussion papers.

- Furnaces
- Boilers
- Condensing water heaters
- Tankless water heaters
- HRVs

6. *Reference:* L.OEBStaff.1, Page 31

Preamble: “Union’s program description does not specify whether a customer is required to install two measures in order to participate in the program.”

Question:

Please confirm at Exhibit A, Tab 3, Appendix C, Page 5, Union states that in Union's Home Reno Rebate Offering, participants must complete at least two eligible energy efficiency upgrades.

7. *Reference:* L.OEBStaff.1, Page 34

Preamble: "If the audits are required for participation, then the full cost of the audits should be covered by the utility incentive." ... "As another example, some states require the participant to cover part of the audit costs, but will waive the audit costs if the customer installs at least one of the major measures recommended through the audit. This provides additional motivation to customers to install more comprehensive measures."

Question:

Please confirm in Union's response to Exhibit B.T5.Union.LPMA.29 part a) that Union states the typical cost of the D and E assessments is \$500. The rebate is provided if the customer installs at least two of the major measures recommended. Union has structured its \$500 assessment rebate to cover the cost of the assessments.

8. *Reference:* L.OEBStaff.1, Page 63; EB-2011-0327, Union Gas Limited Settlement Agreement, January, 31, 2012; Exhibit A, Tab 3, Appendix A, Pages 83-87

Preamble: At Section 5.5.4, Synapse states "Union describes its Low Income Multi-Family offering as a demonstration. Although this program is a new program and will be ramping up, this program should be rolled out as a full program rather than piloted".

Question:

- a. The Low Income Multi-Family Offering has two eligible markets: Social and Assisted Housing and Market Rate (Private Market). Given that Union has had a Low Income Multi-Family Offering available to the Social and Assisted Housing market since 2012, please confirm that the statement above is incorrect.
 - b. Please confirm that Synapse understands that the Market Rate sector within Union's Low Income Multi-Family Offering is new and will undergo a demonstration project in 2015, with a program launch starting in 2016.
9. *Reference:* L.OEBStaff.1, Page 64; EB-2015-0029, Exhibit A, Tab 3, Appendix A, Page 84; EB-2015-0049, Exhibit B, Tab 2, Schedule 1, Page 40

Preamble: At Section 5.5.4, Synapse states that "the difference in incentives between Enbridge and Union is significant and the drivers of this difference are not explained".

Question:

Please confirm that the difference between incentives is that Union's incentive structure is based on lifetime natural gas savings whereas Enbridge's incentive structure is based on first year natural gas savings.

10. *Reference:* L.OEBStaff.1, Page 67; EB-2015-0029, Exhibit A, Tab 3, Appendix A, Pages 73-74

Preamble: At Section 5.5.6, Synapse states that "Union is offering this measure as a stand-alone program, rather than within its core low income programs". At Exhibit A, Tab 3, Appendix A, Pages 73-74, Union states that "during the initial audit an assessment of the furnace will be made to determine if it's at end-of-life and if it qualifies for an incentive under the Furnace End-of-Life Upgrade offering".

Question:

Please confirm that Synapse understands that Union is providing this offering within the Home Weatherization offering as well as a standalone offering.

11. *Reference:* L.OEBStaff.1, Page 69

Preamble: "Union should not turn away builders that are not already enrolled in the program, as doing so would create lost opportunities". As outlined at Exhibit A, Tab 3, Appendix A, Section 1.5, the Optimum Home program is a multi-phased process over multiple years which is reflected in the design and evolution of the targets for the program. Union would like to understand Synapse's recommendation in this context.

Question:

Given that the Optimum Home offering is a multi-year process with each participating builder, and the next scheduled update for the Ontario Building Code is January 1, 2017, please provide more detail for how Synapse is recommending the program structure would be condensed to fit within the 2016 calendar year.

12. *Reference:* L.OEBStaff.1, Pages 71-72

Preamble: "Both Enbridge and Union expect to spend a sizable portion of their portfolio budgets on this offering. Enbridge expects to spend on average 8 percent of its annual budget on this offering (about \$6.4 million), while Union expect to spend about 6 percent of its annual budget on average each year (about \$2.9 million). Comparatively, all of the gas program administrators in Massachusetts expect to spend about \$3.9 million CAD (\$3.1 million USD) each year of their 2016-2018 efficiency plans, which is about 1.5

percent of the annual budget. Enbridge and Union should assess the offering budget to determine whether it can be reduced, or should at least justify the seemingly high amount budgeted for this new offering.”

Union would like to understand the findings from Synapse’s review of leading jurisdictions.

Question:

Please provide the following data for each behavioural gas-only offering identified for the most recent available calendar year:

- Year offering was initiated
- Annual budget
- Number of residential single family¹ customers
- Number of Home Energy Report recipients
- Number of Home Energy Reports delivered per calendar year
- Inclusion of Online Portal (yes/no)
- Breakdown of vendor cost per customer (fixed/variable) including all components such as licensing fee, postage, etc.

13. *Reference:* L.OEBStaff.1, Page 84

Preamble: “To ensure that recommended measures are implemented, Union should (a) collect the costs for the technical assistance from the customer if a customer does not implement the recommendations from the technical assistance, then Union should; (b) require execution of an agreement including customer energy savings commitments, and/or (c) require implementation of all recommended measures that meet certain conditions (e.g., a payback period of 1.5 years or less).”

Question:

- a. Please confirm that Synapse understands that Union's Large Volume customers would already be paying for the cost of the program through their utility distribution rates.
- b. Please confirm that different companies in different market segments are likely to have different capital project hurdle rates (payback period).

14. *Reference:* L.OEBStaff.1, Pages 104-105

Preamble: “Note that Union’s proposed approach is particularly problematic because it accounts not only for input assumption updates, but also changes in implementation. It also proposes annual target updates. Accounting for implementation changes and

¹ Single family defined as residential single-detached, semi-detached, row house unit, and duplex premises

updating the performance incentive annually removes the benefits of applying a multi-year plan. Through a multi-year plan, a utility has the flexibility to achieve the overall multi-year goal at a pace that is suitable for its service territory, customers, and energy markets, which may not be the same pace every year.”

Question:

Please confirm Synapse understands that Union needs to meet annual scorecard targets in order to achieve a shareholder incentive.

15. *Reference:* L.OEBStaff.1, Page 113; EB-2015-0029, Exhibit A, Tab 1, Appendix B, Page 2

Preamble: “Financing can expand energy efficiency efforts while mitigating ratepayer impacts by shifting away from incentives or rebates to greater participant contributions over time.” This is contrary to Union’s understanding given that “rebates and incentives are the most valued program feature by residential, single family, and commercial-industrial mass market customers.”

Question:

Please explain in detail, including examples, where this has been demonstrated to be successful in leading jurisdictions.

16. *Reference:* L.OEBStaff.1, Page 119 and 122

Preamble: At Section 9.2.3, Synapse states, “relevant literature consistently recommends that best practice with regard to regulatory reporting is to maintain the planned input assumptions, at least for the savings on which performance incentives are based.”

And,

At Section 9.2.5 Synapse states, “the precedent in Ontario is to apply updated evaluation results to shareholder incentives and the LRAM. It is important to maintain regulatory precedent on such matters, to provide consistency to the utilities developing and implementing the plan and to participating stakeholders.”

Question:

Would Synapse agree that the Board’s policy regarding the application of best available information to determining shareholder incentive is not in line with best practice? If so, please explain why maintaining consistency with this regulatory precedent is more important than adopting best practices. Is Synapse aware of other jurisdictions where regulatory policies on this issue have evolved?

17. *Reference:* L.OEBStaff.1, Pages 126-127

Preamble: Synapse states that “Ontario’s approach of accounting for savings persistence as part of the EUL is consistent with common practice.” Under Section 9.4.1, recommendation # 2, Synapse then recommends that “The Board could consider accounting for savings persistence using one of a combination of the methods identified above.” (four methods are listed on Page 127).

Question:

If Union is already following common industry practice, how does Synapse justify spending additional ratepayer dollars as per recommendation #2?

18. *Reference:*

- A. L.OEBStaff.1, Page 9, Table 5
- B. L.OEBStaff.1, Page 11, Table 9
- C. L.OEBStaff.1, Page 12, Table 11
- D. L.OEBStaff.1, Page 12, Table 10
- E. L.OEBStaff.1, Page 13

Question:

- a. Please provide the calculations and the data sources used for Reference A (L.OEBStaff.1, Page 9, Table 5).
- b. Please provide the calculations and the data sources used for Reference B (L.OEBStaff.1, Page 11, Table 9).
- c. Please provide the calculations and the data sources used for Reference C (L.OEBStaff.1, Page 12, Table 11).
- d. Please confirm that Reference C (L.OEBStaff.1, Page 12, Table 11) allocates overhead/administration costs to the individual programs as well as the portfolio level, whereas Reference D (L.OEBStaff.1, Page 12, Table 10) allocates all overhead/administration costs at the portfolio level.
- e. On Page 13, Section 3.2, Synapse states “For Union, in 2012, 23% of the budget was spent on residential and low income programs resulting in about 5% of the overall savings, and the C&I program comprised 77% of the budget to obtain 95% of the savings.” Please provide the calculations and the data sources used to generate the percentages.