



September 28, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2017-0127 - Union Gas Limited – DSM Mid-Term Review – Written Comments**

Enclosed are Union Gas Limited's final written comments regarding the Mid-Term Review of the 2015-2020 Demand Side Management Framework for Natural Gas Distributors.

If you have any questions concerning this submission, please contact me at (519) 436-4558.

Yours truly,

*[Original Signed by]*

Adam Stiers  
Specialist, Regulatory Initiatives

c.c.: Myriam Seers (Torys)  
Josh Wasyluk (OEB Staff)

1 **DSM MID-TERM REVIEW**

2 **UNION GAS LIMITED - WRITTEN COMMENTS**

3

4 On June 20, 2017 the Ontario Energy Board (the “OEB” or “Board”) issued a letter outlining the  
5 consultation process by which it would undertake the Mid-Term Review of the 2015-2020  
6 Demand Side Management (“DSM”) Framework for Natural Gas Distributors (the “DSM  
7 Framework”). The letter stated that the Mid-Term Review would be separated into two parts. In  
8 the first part, the OEB would undertake a review of the OEB-approved 2015-2020 DSM  
9 Framework in the context of the Cap-and-Trade program. Union Gas Limited (“Union”) filed its  
10 submission to part one on September 1, 2017. The second part required submissions, by Union  
11 and Enbridge Gas Distribution Inc. (“Enbridge”) (together the “Utilities”), of studies and reports  
12 as set out in the OEB’s DSM Decision and Order on the Utilities’ respective 2015-2020 DSM  
13 Plans (the “OEB Decision and Order”).<sup>1</sup> Union filed its submissions to the second part on  
14 October 2, 2017 and January 15, 2018 respectively. The letter went on to explain that the OEB  
15 would hold a Stakeholder Meeting in Spring/Summer of 2018 for the Utilities “*to provide an*  
16 *overview of the various studies and reports that were submitted, and answer any questions that*  
17 *interested parties may have*”.<sup>2</sup> The OEB indicated that interested parties would also have an  
18 opportunity to submit written comments following the Stakeholder Meeting.<sup>3</sup>

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20 On August 15, 2018 the OEB issued a letter outlining the scope and agenda of the Stakeholder  
21 Meeting. The letter explained that,

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<sup>1</sup> EB-2015-0029/EB-2015-0049, Decision and Order, Mid-Term Review Requirements, Schedule D.

<sup>2</sup> EB-2017-0127/EB-2017-0128, OEB Letter DSM Mid-Term Review (dated June 20, 2017), p. 5.

<sup>3</sup> EB-2017-0127/EB-2017-0128, OEB Letter DSM Mid-Term Review (dated June 20, 2017), p. 5.

1           *“As the cap and trade regime is winding down, the Stakeholder Meeting will focus on the*  
2           *reports and studies submitted by Enbridge Gas and Union Gas in accordance with the*  
3           *OEB’s Decision and Order on the 2015 to 2020 DSM Plans, and not on cap and trade.*  
4           *Enbridge Gas and Union Gas will provide an overview of the various reports and studies*  
5           *submitted, and answer questions from interested parties. Interested parties will also have*  
6           *an opportunity to submit written comments following the Stakeholder Meeting.”*<sup>4</sup>

7 Union filed its presentation materials for the Stakeholder Meeting, which summarize its written  
8 submissions, on August 31, 2018. The Stakeholder Meeting was held on September 6-7, 2018.

9 This submission contains Union’s written comments following the Stakeholder Meeting.

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11 This submission is organized as follows:

- 12 1. Union’s Requests for OEB Approval
- 13 2. Submissions and Presentations
- 14 3. Development of the Next DSM Framework

15  
16 **1. UNION’S REQUESTS FOR OEB APPROVAL**

17 In its January 15, 2018 submission Union included a summary of all requests for OEB approval  
18 made through the DSM Mid-Term Review (see Figure 1 below).<sup>5</sup> Union confirms that its  
19 requested approvals have not changed.

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<sup>4</sup> EB-2017-0127/EB-2017-0128, OEB Letter DSM Mid-Term Review (dated June 20, 2017), p. 5.

<sup>5</sup> EB-2017-0127, Union Submission: Part Two Requirement Two, Appendix F.

1 Figure 1

2 Summary of Union's Requests for OEB Approval

Item	Submission	Reference
Modification of Net-to-Gross adjustment methodology	Part One	pp. 9-13
Modification of shareholder incentive mechanism	Part One	pp. 16-20
Modification of 2018 targets or budgets	Part One	pp. 16-20
Energy Literacy program	Part Two Requirement One	pp. 16-19
Residential Adaptive Thermostat offering	Part Two Requirement Two	pp. 4-6
2018 DSM Scorecards	Part Two Requirement Two	pp. 16-23 and Appendix D
2019-2020 DSM scorecards	Part Two Requirement Two	pp. 30-48 and Appendix E
DSM budget and shareholder incentive reallocation procedure	Part Two Requirement Two	pp. 49-50

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4  
5 Union offers the following two clarifications regarding its requests for OEB approval:

- 6 1. Union's requests for OEB approval of its proposed modified 2018 DSM Scorecards and  
7 new 2019-2020 DSM Scorecards are of particular importance. Approval of Union's  
8 modified 2018 DSM Scorecards will ensure that the target adjustment mechanisms  
9 related to the Performance-Based Scorecard and the Low-Income Scorecard, as detailed  
10 by Union within its January 15, 2018 submission,<sup>6</sup> are corrected. Further, Union currently  
11 has no OEB-approved 2019-2020 DSM Scorecards.<sup>7</sup> The absence of OEB-approved  
12 2019-2020 DSM Scorecards in advance of the 2019 DSM program year will make  
13 execution and evaluation of Union's DSM programs extremely problematic, as Union  
14 and its customers will not know the metrics that Union's performance will be evaluated

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<sup>6</sup> EB-2017-0127, Union Submission: Part Two Requirement Two, pp. 16-23 & Appendix D.

<sup>7</sup> EB-2017-0127, Union Submission: Part Two Requirement Two, pp. 30-48 & Appendix E.

1 against. This threatens to add incremental uncertainty and delay to the annual evaluation  
2 and audit process further burdening Union's customers with delayed disposition of DSM  
3 deferral account balances in the future.<sup>8</sup>

- 4 2. Certain requests for OEB approval made by Union in its submissions reference  
5 uncertainty in the energy conservation landscape and the impact of government-funded  
6 energy conservation programs (including the Climate Change Action Plan, GreenON and  
7 federal programs) competing directly with the Utilities' existing and proven DSM  
8 programs.<sup>9</sup> While there have been changes to the nature of government funding for  
9 energy conservation since Union filed its submissions, Union wishes to reiterate that both  
10 the provincial and the federal government maintain that mitigating climate change is a  
11 priority.<sup>10</sup> Because of this ongoing commitment to addressing climate change Union  
12 expects that provincial and federal funding will be made available for energy  
13 conservation programs in Ontario in the future and thus the risk that these programs  
14 compete directly with the Utilities' existing DSM programs remains real. Uncertainty in  
15 Ontario's energy conservation landscape persists. For these reasons Union's requests for  
16 OEB approval, related to uncertainty in the energy conservation landscape and competing  
17 government-funded energy conservation programs, remain relevant.

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<sup>8</sup> A result of delayed evaluation and deferral account disposition is that the customers impacted by clearance of Union's DSM deferral account balances are less likely to be the same as those customers that benefitted from the same DSM programs.

<sup>9</sup> Modification of Shareholder Incentive Mechanism, Union Submission Part One, pp. 16-20; and, DSM Budget and Shareholder Incentive Reallocation Procedure, Union Submission Part Two Requirement Two, pp. 49-50.

<sup>10</sup> Under the Greenhouse Gas Pollution Pricing Act a federal carbon pricing backstop applies in any province or territory that requests it or that does not have a carbon pricing system in place by January 1, 2019, <https://www.fin.gc.ca/drleg-apl/2018/ggpp-tpcges-1-bil.pdf>; On September 24, 2018 Ontario's Minister of the Environment, Conservation and Parks discussed Ontario's ongoing leadership on climate change and vision for a more balanced approach to address environmental challenges as step towards a comprehensive environmental plan, <https://news.ontario.ca/ene/en/2018/09/ontario-committed-to-fighting-climate-change-saving-taxpayers-money.html>.

1 **2. SUBMISSIONS AND PRESENTATIONS**

2 Union appreciates the submissions and presentations put forth by parties as part of the DSM  
3 Mid-Term Review. Union will pursue continued engagement and dialogue with stakeholders in  
4 the interest of balancing the availability of energy conservation opportunities with cost and rate  
5 impacts to Union's ratepayers going forward.

6  
7 By design, the Mid-Term Review has not afforded relevant stakeholders an opportunity to  
8 carefully consider and review the fundamental changes proposed by certain parties. As outlined  
9 by the OEB in its June 20, 2017 letter,

10 *"The scope of the review will be limited because of the uncertainties with respect to the*  
11 *new C&T program and the lack of experience to date with the 2015-2020 DSM*  
12 *programs. **The appropriateness of continuing ratepayer-funded DSM, the inclusion of***  
13 ***a shareholder incentive for the gas utilities, and the general makeup of the DSM***  
14 ***portfolios are topics that will be more appropriately assessed and reconsidered as part***  
15 ***of any post-2020 DSM Framework.**"<sup>11</sup>*

16  
17 Despite this direction, a number of the issues brought forward by parties amount to fundamental  
18 changes to both the OEB's 2015-2020 DSM Framework and the Utilities' OEB-approved 2015-  
19 2020 DSM Plans. Union has chosen not to comment on the specific proposals put forward by  
20 parties in their submissions or presentations as it deems it to be inappropriate and premature to  
21 do so at this time. Instead, consistent with the direction received in its June 20, 2017 letter,

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<sup>11</sup> EB-2017-0127/EB-2017-0128, OEB Letter DSM Mid-Term Review (dated June 20, 2017), p. 5.

1 Union requests that the OEB more appropriately defer consideration of such fundamental  
2 changes to the development of the next DSM Framework.

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4 **3. DEVELOPMENT OF THE NEXT DSM FRAMEWORK**

5 Union reiterates that it is eager to commence development of the OEB's next DSM Framework  
6 and Union's next multi-year DSM plan. Development of the 2015-2020 DSM Framework  
7 (outlined in Figure 2 below) lasted nearly two years from the date that the OEB initiated the  
8 consultation process for the 2015-2020 DSM Framework to the date that the OEB issued its final  
9 decision on the Utilities' respective 2015-2020 Plans. An unfortunate consequence of this  
10 extended timeline was that the OEB's decision on the Utilities' 2015-2020 DSM Plans was not  
11 issued until after the 2016 DSM program year had commenced, forcing the Utilities to "*roll-*  
12 *forward their 2014 DSM plans, including all programs and parameters (i.e. budget, targets,*  
13 *incentive structure) into 2015*".<sup>12</sup> The "roll-forward" treatment of the 2015 DSM program year  
14 was a source of confusion for the 2015 DSM evaluation/audit process and contributed to the  
15 delayed disposition of Union's 2015 DSM deferral account balances.

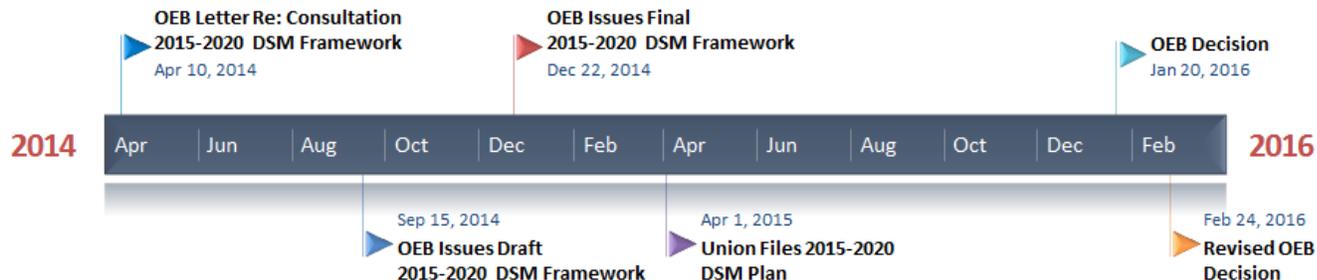
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<sup>12</sup> EB-2014-0134, 2015-2020 DSM Framework, p. 37.

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Figure 2

2015-2020 DSM Framework and Utility DSM Plan Proceeding Timeline



Considering the combined duration of the 2015-2020 DSM Framework and 2015-2020 DSM Plan proceedings Union encourages the OEB to begin formal development of the next DSM Framework no later than Q2 2019 in order to afford adequate time for: (i) all interested parties to contribute to the development and to conduct a comprehensive assessment of the next DSM Framework; (ii) the Utilities to develop new multi-year DSM plans and programs based on the new DSM Framework; and, (iii) the Utilities to commence execution of the new multi-year DSM plans and delivery of measures to customers in a timely manner. As a first step in developing the next DSM Framework Union suggests that the OEB issue a timeline for initiating discussions and invite comments from all parties on how development should proceed as soon as possible.