

October 8, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0127/0128 - Union Gas Limited/ Enbridge Gas Distribution Inc. – Ontario Energy Board – DSM Mid-Term Review

We are representing the Consumers Council of Canada in the above-referenced consultation process. Please find, attached, our final submissions. We apologize for the late filing of these submissions, but hope they are helpful to the Board.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: EGD, Regulatory Affairs
Union Gas Limited, Regulatory Affairs
OEB Staff

ONTARIO ENERGY BOARD

DEMAND SIDE MANAGEMENT MID-TERM REVIEW

EB-2017-0127/0128

SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

INTRODUCTION:

On January 20, 2016, the OEB approved the DSM plans for Union Gas Limited (Union) and Enbridge Gas Distribution Inc. (EGD) for the period 2015-2020. Pursuant to a Directive from the Minister of Energy, dated March 26, 2014, the Ontario Energy Board (OEB or Board) was required to undertake a Mid-Term Review of the 2015-2020 DSM Framework. On June 20, 2017 the OEB initiated the Mid-Term Review, which included the following steps:

- The OEB indicated that the scope of the review, “will be limited because of the uncertainties with respect to the new C&T (Cap and Trade) program and the lack of experience to date with the 2015-2020 DSM programs. The appropriateness of continuing rate-payer funded DSM, the inclusion of a shareholder incentive for the gas utilities, and the general makeup of the DSM portfolios are more appropriately assessed and reconsidered as part of any post-2020 DSM Framework.”;
- The OEB requested input from parties on issues related to the interplay between the DSM programs and the C&T Program;
- The OEB requested that Union and EGD file studies and reports on a number of topics by October 1, 2017;
- The OEB requested that Union and EGD file further studies and report by January 15, 2018;
- The OEB indicated that it would hold a Stakeholder Meeting for Union and EGD to provide an overview of the various studies and reports that were submitted.¹

On August 15, 2018, the OEB scheduled a Stakeholder Meeting to discuss the reports and studies submitted by EGD and Union. With the end of the C&T Program, there is no further need to deal with the interplay of DSM and C&T. The meeting was held

¹ OEB Letter re: DSM Mid-Term Review, dated June 20, 2017

on September 6 and 7, 2018. The OEB also made provisions for parties to submit written comments regarding the issues addressed at the Stakeholder Meeting.

These are the submissions of the Consumers Council of Canada regarding the OEB's Demand Side Management (DSM) Mid-Term Review.

SUBMISSIONS:

The Council submits that no material changes should be made at this time to the DSM Plans of either EGD and Union. There are only two years left in the plan, with OEB approved programs, budgets and targets. The time to consider changes should be when the OEB considers the DSM Framework for the period beyond 2020. Consideration of future plans should be undertaken through a comprehensive adjudicative process. This will allow for a thorough exploration of the issues and the testing of evidence provided by all parties. From the Council's perspective it will be critical for the OEB to initiate this process as soon as possible, providing sufficient lead time for Union and EGD (or the newly merged entity) to ultimately develop programs and initiatives consistent with the new DSM Framework.

With respect to the specific changes being proposed by EGD and Union at this time the Council makes the following observations:

- Union and EGD are proposing changes to the currently approved budgets. They have not justified any budget increases in the absence of any increases in their targets. In any event, increases in the budget should not be approved through a process that did not allow for thorough testing of the proposals. Budget increases should not be considered in the absence of a review of areas where budget reductions might be justified. EGD and Union have a combined budget of over \$120 million for each of the remaining years of the DSM Plan. In addition, the fact that they are now affiliates and in the process of merging means should be expected to generate efficiencies through collaboration and an overall reduction in their administration costs. Under the current plan they have the ability to move money between programs. This flexibility should be sufficient for the remaining two years of the plans. In addition, the DSMV also provides for a level of increased spending as long as it can be justified to increase savings. The currently approved budgets should remain in place;
- The utilities are proposing changes to approved scorecards. Again, in the absence of a thorough review, to alter some of the scorecards, while leaving the others in place is not appropriate. If the reason for the adjustments is to increase the shareholder incentives this is not fair to ratepayers. The Council does not believe the purpose of this Mid-Term Review is to tinker with select elements of the plans;

- The utilities are proposing to fix the net to gross ratio. The Council does not believe that the utilities have justified this approach. The most appropriate approach is to consider measured results where possible. To fix the ratio now will not be consistent with the principle of using the best available information. We urge the OEB to reject the proposal to fix the net to gross ratio at a level that has not been justified;
- The Council does not support any changes to the way in which shareholder incentives are derived. All parties, ratepayers and the utilities should be required to live with the rules that were established by the Board. Again, to make select changes at this time in the absence of a comprehensive review of the overall incentive structures, is not appropriate nor fair;
- EGD is seeking approval of a Customer Incentive Fund, which is, in effect, a budget increase. The Council does not support this additional budget amount for the reasons noted above;
- With respect to Administrative Costs the Council is of the view that how administrative costs are calculated, and allocated, should be a critical issue for consideration by the OEB during the next formal framework review.

As a matter of principle the Board should make no changes, or very limited ones, to the DSM Plans of Union and EGD for 2019 and 2020. The 2015-2020 DSM Plans were approved following a comprehensive adjudicative process that allowed all parties an opportunity to provide evidence and have that evidence tested. The utilities have flexibility built into their plans through the DSMVA and other mechanisms. To adjust certain elements of those plans at this time in the absence of a comprehensive review would be inappropriate. The focus of the OEB should now be on establishing a robust process to determine the DSM Framework for the period 2021 and beyond.

All of which is respectfully submitted.