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By Electronic Filing and By E-mail

August 13, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto ON M4P 1E4

Dear Ms Walli,

Enbridge Gas Distribution Inc. ("EGD")
2010 Natural Gas Demand Side Management ("DSM") Plans
Board File No.: EB-2009-0154
Our File No.: 339583-000047

I am writing on behalf of Canadian Manufacturers & Exporters ("CME") to provide comments on EGD's 2010 Demand Side Management ("DSM") Plan.

Background and Context

EGD is currently operating within a three-year DSM Plan that will expire on December 31, 2009. That three year DSM Plan was filed pursuant to the Board's 2006 DSM Generic Decision (EB-2006-0021), which formed the existing "DSM framework" for gas distributors. When the Board issued its 2006 DSM Generic Decision, it was anticipated that the resulting DSM framework would be reconsidered for 2010.

By letter dated April 14, 2009, the Board determined that it would not be appropriate to consider a new multi-year DSM framework to commence in 2010 because of the uncertainties relating to the introduction of Bill 150, *An Act to enact the Green Energy Act, 2009, and to Build a Green Economy, to repeal the Energy Conservation Leadership Act, 2006, and the Energy Efficiency Act and to Amend Other Statutes.* Subsequently, on May 14, 2009 the *Green Energy* and *Green Economy Act, 2009* (the "Green Energy Act") received Royal Assent.

In its correspondence of April 14, 2009, the Board directed EGD to file a one-year DSM Plan for 2010 in order to provide time to assess the impacts of the Green Energy Act on DSM. In so doing, the Board acknowledged that EGD's 2010 plan is intended to be a "stop gap measure". The Board also directed that EGD's 2010 Plan be filed under the DSM framework established in the 2006 DSM Generic Decision, including increases based on established budget escalators.

Within this context, CME has addressed two issues. The first issue is whether the Board should approve the 2010 DSM Plan filed by EGD. In light of the Board's April 14, 2009 correspondence, CME has focussed its assessment of this first issue on whether EGD's 2010

DSM Plan is consistent with the existing DSM framework. The second issue addressed is the need to reassess the existing DSM framework for 2011 and beyond.

Should the Board Approve EGD's 2010 DSM Plan?

In CME's view, EGD's 2010 DSM Plan is generally consistent with the existing DSM framework. CME's comments on EGD's 2010 DSM Plan are limited to:

- EGD's "intention" to continue to apply the rules applicable to the Lost Revenue Adjustment Mechanism ("LRAM"), the DSM Variance Account ("DSMVA") and the Evaluation and Audit Committee ("EAC") as established in the 2006 DSM Generic Decision;

- EGD's proposed Market Transformation Metrics; and

- The availability of Total Resource Cost net benefits ("TRC") and Shared Savings Mechanism rewards ("SSM") from EGD's proposed Industrial Monitoring and Targeting Pilot Program

The Continuation of the Rules Applicable to the LRAM, the DSMVA and the EAC

Through the interrogatory process, CME sought confirmation from EGD that it would continue to apply the rules applicable to the LRAM, the DSMVA and the EAC as established by the Board's 2006 DSM Generic Decision (Exhibit I, Tab 4, Schedules 2, 3 and 7). EGD's response was that it "intends" to continue to apply the rules applicable to LRAM and the DSMVA, and that it "intends" to maintain an EAC for 2010. In light of the nature of this single year extension of the existing DSM framework, as established by the Board's correspondence of April 14, 2009, it should be mandatory that EGD continue to apply the rules applicable to the LRAM and the DSMVA, and continue to maintain an EAC for 2010, in accordance with the rules of the existing DSM framework. CME urges the Board to confirm its expectation that this happen unless, at a future date, the Board orders otherwise.

EGD's Proposed Market Transformation Metrics

In considering the Market Transformation Metrics included in EGD's 2010 DSM Plan, CME was assisted by the capable submissions of GEC. Over the past few years, CME has worked on the EAC for both Union and EGD with GEC's consultant, Chris Neme. CME's experience is that, on matters such as this, Mr. Neme's views are valuable.

CME agrees with GEC that the existing DSM framework imposes a 150% cap on any single market transformation metric. CME notes that Union also agrees with this limit on the shareholder incentives available for exceeding 150% of any single market transformation metric (See EB-2009-0166, Exhibit b3.6, subparagraph (h) page 2 of 2) CME urges the Board to confirm that EGD is not entitled to earn incremental shareholder incentives for exceeding 150% of the target for any single market transformation metric.

CME also agrees with GEC that the performance targets proposed by EGD for the Home Performance Contractor Market Transformation Program are too low. In this regard, CME adopts and relies upon paragraph 5 of page 4 of GEC's written comments.

TRC net benefits and SSM rewards should not be available to EGD from its proposed Industrial Monitoring and Targeting Pilot Program in 2010

As confirmed at Exhibit C, Tab 1, Schedule 4 of EGD's evidence, CME supports EGD's proposed Industrial Monitoring and Targeting Pilot Program. CME's members recognize the economic and environmental benefits of energy efficiency, but often lack the resources to invest in the tools and analysis needed to fully understand their energy use patterns. CME expects that EGD's proposed Metering Support Program will enable its members to access the metering equipment needed to make more informed operational and investment decisions that will ultimately save them money and reduce emissions. The result is that the manufacturing sectors in Ontario will become more competitive and better positioned for economic growth.

It was CME's understanding, based on EGD's evidence at Exhibit B, Tab 4, Schedule 1, page 1 of 8, paragraph 2, that this pilot program would not have any impact on EGD's TRC target or resulting SSM. That said, in its response to GEC Interrogatory No. 12, EGD wrote that: "it is not expected to directly result in savings for 2010, but could have long-term benefits for building Ontario's conservation culture".

As a matter of principle, pilot programs should not be included in the calculation of TRC net benefits and the resulting SSM. This is particularly the case where the budget for the pilot program is approved outside of EGD's DSM budget. CME urges the Board to confirm that savings which result from EGD's pilot program in 2010, if any, will not be included in the calculation of EGD's TRC or SSM.

The Board Needs to Reassess the Existing DSM Framework for 2011 and Beyond

In CME's view, steps need to be taken in the near future to ensure that there is a fulsome reassessment of the appropriateness of the existing DSM framework well in advance of 2011. The landscape of conservation and energy efficiency in Ontario has changed dramatically since the Board's 2006 DSM Generic Decision. While the Green Energy Act is currently the most obvious change, there have been other material changes that need to be considered in determining the most appropriate DSM framework for 2011 and beyond.

First, there has been an increase in the number of parties that deliver energy efficiency initiatives or other conservation activities, some of which overlap with natural gas distributor sponsored DSM programs. The Federal Government, the Ontario Government and many Ontario municipalities now offer conservation and energy efficiency programs. The Ontario Power Authority has undertaken a variety of energy efficiency initiatives. Electricity LDCs deliver CDM.

CME itself now administers funding, provided by the Government of Ontario, through its "SMART Program", to help small and medium sized manufacturers improve their productivity so that they can compete more effectively in the global economy. CME's SMART Program assists manufacturers in improving their energy efficiency by providing 50% funding for approved upgrades up to $50,000. In addition, CME offers resources to review manufacturing operations in order to identify areas where energy efficiency improvement is possible. CME's SMART Program also integrates another CME initiative, referred to as the Energy Benchmark Study or "Advancing Opportunities in Energy Management", that provides companies with energy management benchmarks that will guide the identification of energy efficiency improvement opportunities. EGD has, in fact, partnered with CME on this initiative. The industry wide benchmarks, which are currently under development, will also help CME, government and utilities develop programs that align with the needs of Ontario industry. Both the SMART Program and the Energy Benchmark Study use the same online diagnostic tool to record and compare energy use, and to assist with the implementation of energy efficiency best practices.

Second, the economic environment has changed dramatically since 2006. The current economy has posed significant challenges for Ontario's manufacturing and exporting sectors. Companies are finding it more difficult to access the financing they require to invest in new products and new technologies, grow their business, and in some cases simply stay in business. CME believes that, if DSM is delivered strategically and cost effectively, then it can assist the manufacturing and exporting sectors to emerge from the recession in a stronger competitive position. EGD's Industrial Monitoring and Targeting Pilot Program, if successful, would be an example of this type of DSM. CME believes that the existing DSM framework can be improved to better achieve this goal.

Finally, as a result of the 2006 DSM Generic Decision, the DSM costs incurred by EGD's ratepayers have dramatically increased. The historic increases are set out EGD's answer to CME interrogatory #4 (Exhibit I, Tab 4, Schedule 4). For instance, EGD's DSM budget has increased from $18.9 million in 2006 to $24.3 million in 2009. This represents a percentage increase of almost 29%. Such a budget increase was contemplated and approved by the Board's 2006 DSM Generic Decision. That said, in light of the changing landscape of conservation and energy efficiency in Ontario, CME questions whether continuance of such budget increases would be appropriate for 2011 and beyond.

CME believes that the current DSM Framework needs to be reconsidered for 2011 and beyond. As set out in the recent Board Staff Discussion Paper entitled "Draft Demand Side Management Guidelines for Natural Gas Distributors", which was filed in EB-2008-346, the current DSM framework has certain disadvantages including that:

(i) It requires an enormous amount of time, effort and money on the calculation of, and debating of numbers;

(ii) It is quite complex and the complexity promotes game playing on the part of the utility and stakeholders;

(iii) It can, under certain circumstances, create unnecessary distrust or animosity between utilities and stakeholders; and

(iv) At certain times, it may make ratepayers cynical about DSM activities.

These disadvantages will take time to address. CME urges the Board to begin developing a long-term strategy on how to reconsider the existing DSM framework in advance of 2011. This reconsideration should be informed by the changes that have occurred since 2006, including the Green Energy Act, the increase of parties that are involved with energy efficiency and conservation, the increase of DSM-related costs for ratepayers and the changes in the economy. Further, in assessing how DSM should be measured, what constitutes appropriate shareholder financial incentives and the role of gas distribution companies in program development, delivery and evaluation, the Board should also consider the extent to which gas distribution companies can integrate their DSM programs with other energy efficiency activities conducted by government, other utilities, municipalities or industry associations such as CME.

Costs

CME requests that it be awarded 100% of its reasonably incurred costs of participating in this proceeding. If you have any questions or concerns, do not hesitate to contact me directly.

Yours very truly,

for Vincent J. DeRose
VJD/kt

c. Intervenors – EB-2009-0154
Paul Clipsham (CME)

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