ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by EGDI Gas Distribution Inc. for approval of its 2010 Natural Gas Demand Side Management Plan.

REPLY SUBMISSIONS OF ENBRIDGE GAS DISTRIBUTION INC.

Introduction

1. This Reply responds to the submissions made by the following intervenors in this application:

   Building Owners and Managers Association ("BOMA")
   Canadian Manufacturers Exporters ("CME")
   Consumers Council of Canada ("CCC")
   Green Energy Coalition ("GEC")
   Industrial Gas Users Association ("IGUA")
   Low Income Energy Network ("LIEN")

2. Enbridge Gas Distribution Inc. ("EGDI" or the "Company") will respond in the first sections of this Reply with general comments on the Nature of the Application and the Intervenor Submissions. The Reply will then deal with issues specific to individual programs.

Nature of Application

3. On May 29, 2009 EGDI filed its 2010 DSM Plan as requested by the Board. This proceeding is the final component in a series of activities that began October 31, 2008 when Board Staff started stakeholder consultations for 2010. Recent milestones that have had an impact for the 2010 DSM Plan are identified below.

Date	EB-2009-0103	EB 2008-0346 and EB 2009-0154
February 11		Draft Report on 2010 Assumptions released by the Board
March 13		Utility and intervenor comments on Draft Assumptions for 2010 submitted as per Board schedule
March 30	Utilities circulate full 2009 assumption package and back-up substantiation to EAC	
April 1	Utilities submitted 2009 Assumption Update to OEB	
April 14		Board letter released related to 2010 program year
April 29		Board Decision released related to input assumptions for 2010
May 4	Procedural order released by OEB and circulation to interested parties for 2009 proceeding	
May 19	Intervenor Comments due to Board	
May 26	Utility response due to Board	
May 29		EGDI filed 2010 DSM Plan
June 29	Board Decision	
July 30		Intervenor Interrogatories Due
August 6		EGDI Responses Due
August 13		Intervenor Submissions Due
August 20		EGDI Reply Submission Due
Q4 2009		Prepare for launch of 2010 DSM Plan, subject to receiving Board Decision in Fall 2009.

4. EGDI has worked diligently to meet the timelines prescribed by the Board to enable a decision in time for implementation beginning January 1, 2010. The regulatory process related to the activities above has resulted in significant regulatory overview of elements that relate to EGDI's 2010 DSM Plan. The elements and assumptions for 2010 DSM Plan are largely based on the same material presented and tested in the proceedings outlined in the table above.

General Comments on Intervenor Submissions

5. Overall, intervenors have not raised a significant number of issues related to EGDI's 2010 DSM Plan. This is partially due to the fact that this is a one year

extension, but also reflects the fact that so much time and resources have already been spent on elements that relate to this plan as noted earlier. Intervenors directed much of their submissions to what should occur after 2010, which EGDI understands is not within the scope of this proceeding. EGDI therefore does not respond to such comments. However, EGDI should highlight the large administrative, regulatory, and cost burden that would occur should intervenor suggestions relating to 2011 and beyond be adopted. Even prior to this proceeding, EGDI has begun evaluating how the recent developments identified in the intervenor submissions will affect its customers and what actions by EGDI will be needed to meet customer needs. There are many framework elements of DSM that have withstood the test of time, but there will be some program enhancements that EGDI will need to make based on developments such as the Green Energy Act. EGDI submits that it remains in the best position to assess its customer's needs and respond with appropriate DSM programs. EGDI would be pleased to discuss with the Board how to proceed with these opportunities in the future once the 2010 DSM proceeding has concluded.

6. EGDI notes that with the partial exception of GEC, no intervenor provided any evidence in their submissions nor did they retain any experts to support their comments. In the more detailed discussion of issues raised, it appears that some of the comments are not based on a sound understanding of key DSM concepts (e.g., the TRC test).

7. Some intervenors have decided to simply adopt the evidence of Mr. Neme of the Vermont Energy Investment Corporation, of Burlington, Vermont. Many of Mr. Neme's comments related to measures are to a large extent, similar to those previously submitted by GEC in the recent EB-2009-0103 proceeding.

8. EGDI has not resubmitted the material already filed in its March 13, 2009. EB-2009-0103 submission. However, EGDI can confirm that the 2010 Plan is built on the same evidentiary foundation detailed in that proceeding.

Issues Specific to Individual Programs

(A) Supplemental Pilot Program

9. EGDI Exhibit I, Tab 1, Schedule 1, indicates that this proposed pilot initiative is supplementary to the other initiatives proposed in the 2010 DSM Plan. The evidence also outlines benefits that will result from undertaking this pilot initiative. If the Board does not approve the supplementary budget associated with this initiative, EGDI will not be in a position to deliver this initiative. This initiative was developed based on a recent market assessment which includes direct customer input and feedback. EGDI also believes that this pilot initiative aligns with the desire to increase conservation opportunities in Ontario. EGDI believes that the outcomes of this pilot will be of value not only to EGDI and its customers, but also to other LDCs and their customers as well.

10. CME supports EGDI's proposed Industrial Monitoring and Targeting Pilot Program. In its submission, CME states that its 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 EGDI'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.

This assessment confirms the direct customer feedback that EGDI has received.

11. All intervenors either support or take no issue with the proposed pilot program on the basis of the evidence that EGDI has provided, except for IGUA. IGUA is alone in its opposition. IGUA does not provide any evidence or customer feedback in support of their opposition. In fact to EGDI’s knowledge, all IGUA member companies in the EGDI franchise have accessed the types of programs that EGDI

has offered them to save energy. The premise of IGUA's objection appears to be purely based on the rate impact to any customers that do not participate. IGUA provides no actual evidence to support this.

12. IGUA also suggest that this initiative could impact customer efficiency. If a customer chooses not to embrace energy efficiency, then it is possible that their competitor may be in a better competitive position given that they can recognize efficiencies and bill savings through their energy efficiency initiative. This argument in fact supports why IGUA should encourage all their members to embrace these energy efficiency programs. If energy efficiency programs were geared to customers that represent the lowest common denominator (e.g., that oppose investment in energy efficiency), then energy efficiency across Ontario is doomed to fail. IGUA should be a proactive champion of this energy efficiency initiative so that their members will have the ability to realize the competitive advantages that have been identified. It would be a shame to miss this opportunity at a time when it is needed most. Based on a successful outcome of the pilot, future expansion of this concept would bring even more benefits to customers.

13. As outlined in EGDI's evidence, EGDI is not including TRC from this pilot program in 2010. The budgets and any TRC that results directly from this pilot are going to be treated separately from the rest of the 2010 DSM Plan results.

14. At paragraph 16 of IGUA's submissions, it requests that if the Board approves the Industrial Pilot Program, EGDI should be required to provide a report on the program's performance and the basis for its continuation prior to program approval being granted beyond 2010. EGDI will provide a report on the program's performance, which it always intended to do for the purposes of seeking approval for its continuation and/or expansion beyond 2010. Specifically, EGDI will include a summary of the results and "learning" from the Pilot Program in its 2010 DSM Annual Report.

15. CCC in its submission suggests that supplementary funding should not be approved and that it should be dealt with within the base 2010 DSM budget. There is already tremendous cost pressure within the base DSM budget given the additional effort it requires to implement energy efficiency projects in the current environment. Using a portion of these funds would result in a decrease in customer energy efficiency projects and the benefits that flow from these traditional programs. Secondly, since the target escalator is tied to the budget, it would affect (decrease) the TRC target for the 2010 Plan, since it would effectively reduce funds used for delivery of TRC related projects. Thirdly, TRC is impacted by any change in fixed costs. Any change to the base budget for the 2010 Plan can have an impact on its related TRC. There is consensus between all parties that this pilot should not affect TRC for 2010. Therefore, the only way to achieve this is to approve the budget as supplementary to the base DSM budget.

16. While EGDI notes that the Board ordered a one-year continuation of the multi-year framework approved in the Generic Proceeding (EB-2006-0021), the purpose of the extension was the result of the introduction of the *Green Energy Act.* EGDI submits that this extension was not intended to delay the commencement of a valid and supportable pilot program nor prohibit EGDI requesting recovery for such a program. As noted above, to finance such a program out of the budget generated by the Generic Proceeding framework would have a negative impact on many of its ongoing successful ongoing programs. EGDI submits that this is a proposition that should not be welcomed by any intervenor.

(B) Market Transformation Programs

17. With respect to the Company's proposed Market Transformation programs for 2010, intervenors have identified in their submissions concerns in two areas:

a) the question of whether a 150% cap is appropriate for individual Market Transformation metrics, and
b) the appropriateness of various metrics and targets

150% Cap on Market Transformation Metrics

18. It is never EGDI's position that the incentive attributable to any one Market Transformation metric should be capped at 150%. In its "Market Transformation Update" in the Generic Proceeding for the 2007-2009 DSM Plan (EB-2006-0021, Exhibit B, Tab 1, Schedule 1, filed 2007-02-26), EGDI acknowledged a total annual Market Transformation maximum incentive of $500,000, but the Board approved framework does not reference a cap on any individual performance metrics.

19. Similarly, the Board in its EB-2006-0021 Decision with Reasons (August 25, 2006), makes clear reference to a maximum SSM incentive of $8.5 million and a maximum Market Transformation incentive of $0.5 million. It does not put limitations on the contributions of the component parts of the plan to either of those maximums. In its Decision and Order (April 30, 2007), in response to the Company's Market Transformation Update, the Board, once again, did not approve any such restrictions on how the maximum Market Transformation incentive might be achieved.

20. The concept of "overachievement" on any given performance metric is endorsed by all parties in accepting an achievement level of 150%. Where possible, through budget efficiencies and program success, it makes sense to continue to deliver program results above target, budget permitting, to maximize program results. This continuation of program delivery should not be capped arbitrarily at 150% of an individual performance metric target. This would quite simply suggest that activity should stop once this arbitrary level of performance was reached. This would not be of value to EGDI, its customers, business partners, or to the overall conservation culture in Ontario.

21. In the resource acquisition DSM portfolio, the $8.5 million SSM cap does not specify how and where the TRC results should be achieved; it is left to the

Company's discretion to maximize results where possible. Some programs could triple forecast performance where others could fall far short. The SSM formula does not restrict eligibility of the outperforming programs for the SSM. In fact, the purpose of the DSMVA is to allow the Company to continue to achieve additional results in its DSM programs that are outperforming expectations, and avoid premature or unnecessary disruption to program delivery. The Market Transformation incentive is structured the same way.

22. EGDI submits that intervenors agreed to the certainty of a fixed maximum incentive of $500,000 in Phase 1 of the Generic Proceeding. They are now looking to reduce this aggregate cap incrementally by placing artificial restrictions and disincentives to performance on a metric-by-metric basis.

<u>Appropriateness of Market Transformation Metrics</u>

23. In reference to the Company's filed plans for the Home Performance Contractor and the Drainwater Heat Recovery Market Transformation Programs, intervenors submitted a number of recommendations for changes to specific metrics and target performance levels. In particular, EGDI has considered the feedback from the intervenors, as well as from previous auditors, and concluded that the issues identified on the Home Performance Contractor program have raised sufficient concern to warrant a cancellation of this program for 2010, while the Company reviews how to more effectively influence the renovation market to improve weatherization practices. EGDI still believes that this effort is a valuable, worthwhile contribution to the conservation culture in our franchise area. It will take time in 2010 to reconsider, in consultation with Union Gas and industry experts, how to redesign this initiative for future years.

24. With respect to the Drainwater Heat Recovery Program, EGDI proposes to proceed with this program in 2010, and that the $80,000 budget and $150,000 SSM that was originally assigned to the Home Performance Contractor program be

allocated to the Drainwater Heat Recovery Program, to enable a more streamlined and focused approach for 2010. This re-allocation of resources brings EGDI's Drainwater Heat Recovery program even more closely in line with Union Gas in year two of their program (2008), when the Board approved the entire Market Transformation budget and SSM to this initiative.

25. In response to GEC's concern that the "installed units" target of 1800 for 2010 is low, EGDI submits that this target is indeed appropriate, for several reasons: First, the launch of the Drainwater Heat Recovery program will only happen in the latter half of 2009, and as such the program will still be in "ramp-up" mode in 2010. Therefore, it is inappropriate to compare EGDI's planned market penetration for 2010 to Union's planned market penetration for year four of their program. Second, EGDI's franchise territory hosts a greater number of residential low-rise builders than Union Gas' territory, and this adds a further challenge to achieving a comparable market penetration to Union Gas.

26. GEC's concern about the lack of baseline information points to a reality of new program implementation, for a technology that has had negligible market penetration to date. EGDI did not have any 2009 program results to refer to at the time of the 2010 filing, nor does it have any results to date. Despite this, EGDI has still proposed a very aggressive increase over 2009 targeted units installed, from 650 to 1800. EGDI has also targeted to increase its Builder Knowledge metric from 50% to 60% in 2010, and hold its Service Provider Promotion activity metric constant. EGDI submits that these targeted performance levels reflect a challenging increase over 2009, considering the newness of this technology to the EGDI franchise territory.

27. In its submission, GEC suggests that EGDI "consult with the EAC in the 4th Quarter of 2009 to develop a finalized consensus scorecard," as Union has proposed in its separate proceeding. EGDI recognizes the value of industry stakeholder input and welcomes the opportunity to consult on potential refinements to the metrics and

targets for the Drainwater Heat Recovery program. EGDI however takes issue with the proposal by GEC. Given that a decision in this proceeding is not likely to be available until the 4th Quarter, the proposal by GEC to delay approval on the MT scorecard and try to achieve consensus is impractical and unreasonable based on several factors. Firstly, the timing suggested by GEC will simply not work given the need to have programs ready to launch January 1, 2010. Secondly, there is no certainty that a consensus can be reached, which would require yet another application to be submitted to and heard by the Board. In reality, GEC is asking the Board to bifurcate this proceeding. This would delay delivering these programs until well into the 2010 year. Thirdly, a previous attempt to get full consensus with the EAC for 2008 input assumptions failed and resulted in 2008 assumptions not being Board approved until January 27, 2009 (a delay of over a year from the start of the program year). In the end EGDI can work in good faith, but ultimately has no authority or certainty to ensure that this will result in a consensus.

28. Finally, the EB-2006-0021 Generic Hearing Framework indicates that:

> when required or useful, the utility will engage and seek advice from a variety of stakeholders and experts in the development and operation of its DSM program. As the utility is ultimately responsible and accountable for its actions, consultative activities shall be undertaken at its discretion[1].

A change from “advisory” to a consensus or decision making authority would fundamentally change the existing DSM Framework.

29. EGDI is supportive of proactive input from all stakeholders, but ultimately EGDI is accountable for acting on best available information. In order to resolve this issue EGDI requests that the Board approve its 2010 DSM Plan as filed, subject to the modifications outlined in this section and EGDI will meet with the EAC following the decision to discuss opportunities to enhance its Market Transformation programs. If a consensus is reached in a timeline that allows EGDI to deliver by 2010, EGDI

[1] EB-2006-0021 Decision with Reasons dated August 25, 2006 Page 14.

agrees to file this with the Board as an update to the Plan, but approval for the plan should not be dependent on the advent of an uncertain event.

30. This solution resolves the issues identified above, and enables an opportunity for intervenors to provide any additional advice that they may have.

(C) Prescriptive Boilers

31. GEC, in their submission, oppose the prescriptive approach for commercial boilers. GEC comments rely on the same arguments that GEC has previously used to oppose the prescriptive boiler approach. These were previously addressed in EGDI's reply submission dated December 19, 2008 in EB-2008-0384, page 11. A prescriptive approach to boilers was also recently supported by the Board's third party consultant Navigant Consulting and approved for 2010[2]. EGDI notes that the 2008 Auditor did not find any issue with the savings with the prescriptive boiler approach. This is consistent with the recent Navigant Consulting findings. The issue is not one of technical accuracy, but relates to program design and meeting customer needs.

32. The Board approved prescriptive boiler program for school streamlined the application process and received positive feedback from customers. The same positive result is anticipated with the commercial prescriptive boiler program. Just because more time and resources can be spent to calculate savings in a custom approach does not suggest that this is the correct approach. Similarly, EGDI could not support the wasted resources, costs and administrative burden of using a custom approach for other measures that more adequately fit into a prescriptive approach (e.g. showerheads, thermostats, infrared heaters, prescriptive water heaters, etc.) In fact, the prescriptive approach not only saves time and ratepayer costs, it is a more customer-centric approach since it reduces administrative burden for both the customer as well as the utility.

[2] Most recently approved in EB-2009-0103. Reference quoted in EGDI Reply Argument dated May 26, 2009 Appendix A, page 6, items 55a and b.

33. EGDI submits that the prescriptive boiler approach is based on best available information and should be approved for 2010. Agviro Inc. who conducted the third party engineering study for prescriptive school boilers that was ultimately endorsed by Navigant and the Board, used the same approach for the prescriptive commercial boiler approach. It should be noted that the range of boilers included in the prescriptive commercial boiler program go up to 1500 MBH. This still allows a custom approach for larger boilers that are more appropriate for a custom application.

(D) Thermostats

34. GEC in their submission opposes the clerical correction to the programmable thermostat savings value. GEC suggests that the EGDI disagrees with the Navigant findings. This is in fact not correct. EGDI provided information as an input to the Navigant value and does in fact agree with Navigant's methodology. However, as noted on Exhibit B, Tab 3, Schedule 1, Page 7, EGDI proposed that the clerical error be corrected so that behavioral based impacts are not double counted for the gas savings. This would align the natural gas savings of 146 m3 with those recently approved by the Board in EB-2009-0103 and currently used for 2009.

(E) Industrial Steam Trap Measure Life

35. GEC takes issue with the recently Board approved[3] measure life for industrial steam traps of thirteen years. Due to the minor nature of this assumption in EGDI's portfolio, there was little time spent during the audit reviewing steam trap information and the audit recommended this to be a focus of future research.

36. EGDI is supportive of including this on the research list so that additional assessment can be done on this assumption. However, in the interim, EGDI is faced with a decision to either support the current 13 year assumption supported

[3] EB-2009-0103 Decision and EB-2008-0384 Decision

by real customer data in EGDI's franchise area, or to make a change from the current Board approved value to a six year value referenced in a prescriptive database (DEER Database) for use in California. It is EGDI's understanding that the DEER Database itself is currently being updated. EGDI has reviewed some of the value in this database and it cannot be assumed that they represent best available information for use in Ontario. This has been supported by expert evidence from Summit Blue Consulting[4], which suggests that the showerhead savings that are currently in the DEER Database do not in fact represent best available information for use in Ontario. This was supported by the conclusions of Navigant Consulting and reflected in the Board's EB-2008-0346 Decision.

37. EGDI submits that based on experience, it is not appropriate to simply adopt a number from the DEER Database without first being able to undertake due diligence on that value. Therefore, EGDI suggests that the current 2009 Board approved value of 13 years be used for 2010 until it can be researched sufficiently.

(F) Showerhead Savings

38. GEC takes issue with the recently Board approved[5] savings for residential low flow showerheads which are based on load research in the EGDI franchise area. The 2007 Auditor recommended against using the values proposed by GEC since behavioral adjustment that they are based on are not supported by any evidence. The 2008 Auditor does recommend that the load research be updated to provide a greater timeline and control group. EGDI is investigating this and agrees that this will make the load research report even better.

39. Until better information is available, EGDI needed to decide what represents best available information for the 2010 year. EGDI forwarded the load research study to Summit Blue and asked for an opinion on whether it thought that the values from their previous study represented best available information, or if the current load

[4] EB-2008-0346 EGDI submission dated March 13, 2009. Appendix D, pages 5-6.
[5] EB-2009-0103 Decision and EB-2008-0384 Decision

research study should be used. Summit Blue has recommended to EGDI, that EGDI use the values obtained from the field data collection and analysis to estimate low-flow showerhead savings for this prescriptive DSM measure, rather than the previous values recommended in the June 2008 Summit Blue report, which were based on secondary data sources. This conclusion aligns with the methodology endorsed by Navigant Consulting and aligns with what the Board has recently approved for residential showerhead savings in both the EB-2008-0346 Decision and the EB-2009-0103 Decision.

(G) Energy Star Homes

40. GEC takes issue with the recently Board approved[6] free ridership rate for the Energy Star Home program. The existing free ridership rate is 5% and GEC is proposing that it be arbitrarily revised to 95%. EGDI has found no evidence or references to support GEC's proposed value of 95%. EGDI has received strong industry support for its role in this program and is a significant contributor to program results.

41. EGDI recommends that the current 2009 approved value of 5% be used for 2010. EGDI intends to investigate program options for the new housing sector post 2010 beyond a simple review of free ridership for the current program. If better research becomes available, EGDI will bring it forward for application in those subsequent program years.

Conclusion

42. In conclusion, EGDI submits that:

(a) The 2010 DSM Plan has been submitted in alignment with the EB-2006-0021 framework decision, with the exceptions of removing targeted low income components and the request for supplemental funding for an incremental pilot initiative needed to inform future plan activities;

[6] EB-2009-0103 Decision and EB-2008-0384 Decision

(b) There is no basis to accept intervenor submissions in respect of specific input assumptions for several programs. The assumptions proposed by EGDI in this proceeding align with those recently approved by the Board in EB-2009-0103. 2010 specific assumptions are noted in EGDI's evidence.

(c) The evidence provided in this submission reflects best available information. The Plan will create significant net benefits for EGDI customers. EGDI requests approval of its 2010 DSM Plan so that it may prepare for launching it January 1, 2010.

All of which is respectfully submitted.

Dated: August 20, 2009

per Robert Bourke

Enbridge Gas Distribution Inc.,