

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

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

COMMENT OF THE INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

Introduction.

1. IGUA has previously expressed concern¹ that following some experience with the DSM framework set by the generic gas DSM proceeding (EB-006-0021, the *Generic Review*), and in light of the current economic circumstances and a significantly evolved state of energy efficiency in both the public and private sector, a comprehensive rethink of the gas utility DSM framework in Ontario is warranted. Review of both whether, and if so how, DSM should be undertaken by regulated gas distributors in Ontario, and how gas distributor DSM initiatives should be evaluated and incented, would be timely.
2. IGUA submitted² that such a review should include:
 - (a) A more complete consideration of the continued role for regulated gas distributors in delivering DSM on behalf of, and funded by, ratepayers, in an increasingly crowded and quickly evolving field of public and private sector DSM/CDM proponents. A focussed set of gas distributor DSM objectives might be determined.
 - (b) Consideration of the appropriate principles upon which to incent, and compensate, gas distributors to achieve the DSM objectives determined to be appropriate for them to pursue.
 - (c) Review of alternatives to the TRC, LRAM and SSM program parameters and calculations against the determined incentive and compensation principles. Such review should include consideration of DSM planning and evaluation in other jurisdictions.

¹ EB-2008-0346, Comments of the Industrial Gas Users Association, February 20, 2009, paras. 7 and 12.

² Ibid, para. 12.

- (d) Consideration in particular of the appropriate role for regulated gas distributors in today's DSM/CDM context in development and delivery of market transformation programs, and consideration of the principles appropriate to guide, evaluate and compensate for such programming.
- 3. IGUA recognizes that the Board has directed, as an interim measure, the filing of this one year proposed DSM plan by Enbridge Gas Distribution (EGD), and the contemporaneous filing of a similar plan by Union Gas Limited. As have other parties whose submissions IGUA has had the benefit of reviewing (i.e. GEC and BOMA), IGUA has limited its review, and will limit its comments herein, in light of the transitional nature of the plan underlying this application. IGUA does wish to note, however, that its concerns regarding the continued veracity of the current gas distributor DSM framework remain. To some extent, those concerns inform the comments provided herein.

Summary of IGUA Position on EGD's 2010 DSM Plan Proposal.

- 4. In respect of EGD's 2010 DSM Plan proposal in particular:
 - (a) IGUA accepts the 2010 budget for industrial DSM programming as set out at lines 12 and 19 (in respect of the latter as to the industrial allocation anticipated) of Ex. B/1/1/2.
 - (b) IGUA also accepts, subject to point 3(c) below, the industrial program proposals and assumptions as set out at pages 9 and 15 of Ex. B/2/1.
 - (c) IGUA submits that, based on EGD's 2008 DSM Audit Report recommendations, the assumed measure life for industrial stream traps (see Ex. B/3/5) should be reduced from 13 years to 6 years. This reduction may have an impact on the average measure life assumed in respect of the industrial Custom Resource Acquisition Program outlined at Ex. B/2/1, page 15.
 - (d) IGUA opposes EGD's proposed pilot industrial sector support program, as outlined at Ex. B/4/1, and urges the Board to disallow recovery by EGD of an incremental \$1.25 million from industrial customers in support of such proposed program.
 - (e) IGUA submits that the contribution of any single market transformation program evaluation metric to EGD's SSM incentive should be capped at 150%.
 - (f) IGUA submits that, contrary to EGD's position (see Ex. B/1/1, para. 3 and Ex. I/6/1), any material change in DSM programming would require Board approval.

Additional comment on points 3(b) through 3(f) is provided below.

Capital Financing Program (Ex. B/2/1, p.9).

5. Other than the industrial pilot program proposed by EGD for 2010, there are two specific DSM programs that are targeted at industrial customers; i) the Capital Financing Program (Ex. B/2/1, p.9) and the Industrial Custom Resource Acquisition Program (Ex. B/2/1, p. 15). EGD has clarified in an interrogatory response (Ex. I/6/4) that the financing program would be offered to qualifying industrial customers as an alternative to a cash incentive under the Industrial Custom Resource Acquisition Program, and no incremental costs are anticipated to be associated with the incentive program. According to the financing program description, the financing alternative to incentives would be used where it is more effective than traditional incentives.
6. On the basis of this evidence, IGUA accepts as appropriate for 2010 the two industrial programs as described in the evidence, subject to IGUA's comments on the industrial steam trap measure life assumption.

Industrial Steam Trap Measure Life (Ex. B/3/5).

7. EGD proposes an industrial steam trap measure life assumption of 13 years, based on an internal study done in November of 2007.³ Prior to completion of that internal study, the measure life assumption in respect of industrial steam traps was 4 years (for the 2006 and 2007 program years). A copy of the internal study has been filed at Ex. I/6/10. These measure life assumptions have not been reviewed by Navigant, and are not included in the Board approved 2010 assumptions.
8. The June 26, 2009 Report of the Independent Audit of 2008 DSM Program Results for EGD, recently filed with the Board, recommended changing the measure life assumption for steam traps to six years.⁴ The auditor's recommendation was based on the most recent

³ Ex. B/3/5.

⁴ Page 18 of referenced report.

update to the California DEER database, and the auditor's concerns with the statistical methodology employed by the internal EGD study. In particular, the auditor noted concerns with EGD's use of analysis for only four sites, and the use of a straight line projection rather than the industry-standard logistic curve for survival functions.

9. IGUA submits that EGD's proposal for industrial steam trap measure life should be rejected, and that 6 years should be used for this measure life assumption as recommended by the 2008 EGD DSM program auditor.
10. Adjustment of this measure life assumption may also require adjustment to the average measure life assumption of 15 years for the Industrial Custom Resource Acquisition Program as a whole (Ex. B/2/1, p.15).

Pilot Industrial Sector Programs (Ex. B/4/1).

11. EGD has proposed to increase DSM spending in the industrial sector by \$1.25 million. This is an increase of roughly 35% over and above the increased for 2010 industrial DSM budget derived in accord with the Board's EB-2006-0021 decision. The incremental \$1.25 million of funding from industrial ratepayers is requested in order to institute an industrial sector "pilot" program.
12. The proposed pilot program would have 2 components:
 - (a) \$1 million would be spent on significant subsidies for the costs of metering and data collection equipment for 20 qualifying industrial customers.
 - (b) \$250,000 would be spent to maintain 5 energy manager positions for qualifying industrial customers.
13. The program is proposed as a "pilot", and justified as akin to a market transformation program (though notably not called that), as the lack of directly ascribable TRC benefits, in the short term⁵. However, it would have no SSM or target impacts.
14. IGUA opposes this proposal, and urges the Board to reject it, for a number of reasons:

⁵ See paragraph 8 of the referenced exhibit.

- (a) As Ontario's industrial base continues to stagger under dire economic circumstances, this is an inappropriate time to levy additional charges on industrial gas consumers, and in particular on those who will not, or cannot, avail themselves of this program.
- (b) The Board has directed the gas distributors to bring forward one year interim DSM proposals, as a bridge between the expiring initial 3 year approved DSM framework and proper consideration and approval of a new multi-year framework in the context of a changed energy efficiency landscape. Such a significant industrial DSM budget increase is inappropriate in such a transitional year, and in particular without further analysis of the need for, and utility of, such a program.
- (c) EGD's proposal is premature, in that it has not been discussed with either EGD's EAC or DSM Consultative. EGD has not consulted with IGUA in respect of this program (though IGUA does acknowledge a passing conversation with an EGD employee in respect of this program, which has not to date been followed-up on).
- (d) IGUA has previously⁶ asserted the need for a more rigorous analysis of proposed market transformation programs and metrics. In particular, IGUA has suggested the need for clear demonstration of the long-term strategic role of any such programs within both the utility's DSM portfolio as a whole and the target market in general. The auditors of EGD's 2008 and 2007 DSM reports have made similar recommendations.⁷ The evidence filed by EGD in support of its request for this significant increase in industrial DSM program funding for 2010 has provided very little evidence of the market failures and longer-term objectives informing this proposal.
- (e) In respect of the metering component of this program, Union Gas already delivers a similar program as part of its existing DSM program portfolio (see EB-2009-0166, Union 2010 DSM Program, page 25), and Enbridge's own existing programs also contain a metering component (for which \$624,000 is budgeted for 2010 - see Exs. B/2/1, p.15 and I/6/6).
- (f) In respect of the energy manager subsidy portion of this program, IGUA is concerned that EGD is proposing to levy additional charges on non-participating industrial customers to fund 5 energy manager positions for participating industrial customers. The non-participating customers which would be required to fund these subsidies may themselves have shed such an internal resource as a result of budget constraints, and to now require them to subsidize other industrial customers, and perhaps even their competitors, in this respect would be inappropriate. Alternatively, non-participating customers may be continuing to commit strained internal resources to fund such resources for themselves, and would under EGD's proposal be required by order of this Board to contribute additional funds to fund other industrials, perhaps including their competitors who

⁶ EB-2008-0346, Comments of the Industrial Gas Users Association, February 20, 2009, para. 22.

⁷ June 26, 2009 Report of Independent Audit of 2008 DSM Program Results, page 20, second last paragraph.

have themselves cut these funds, to do so. While no doubt not intended as such, this seems to IGUA to be undue interference through utility DSM programming in decisions regarding strategic allocation of fiscal resources consciously made by industrial customers. IGUA notes that Union's 2010 DSM Plan evidence has identified a trend among its "contract class" customers towards reduction in overhead costs associated with "in-house" energy efficiency experts, but rather than subsidizing retention of such overheads Union's focus is to broaden/deepen DSM relationships within the corporate organization.⁸

15. IGUA urges the Board to reject this proposal, at this time, and to disallow recovery by EGD of an incremental \$1.25 million from industrial customers in support of the proposed program.
16. However, should the Board nonetheless be inclined to accept EGD's industrial pilot program proposal, IGUA submits that:
 - (a) EGD should be required to provide a full report on both the program's performance and the basis for its continuation for consideration prior to program approval being granted beyond 2010.
 - (b) The evaluation metrics accepted by the Board for the program be accepted only for 2010, and pending proper consideration and direction regarding the appropriate structure for market transformation DSM programming.
 - (c) The first two metrics proposed by EGD for evaluation of this program (Ex. B/4/1, p.6) - ultimate outcomes and market effects - could be endorsed on an interim basis. However, the last three metrics proposed should be recast by the Board as minimum requirements for the program, rather than metrics the achievement of which would merit incremental SSM reward in future years.

Capping of Individual Market Transformation Program Evaluation Metrics.

17. IGUA has had the benefit of reviewing the submissions herein of GEC and BOMA, and agrees with those submissions in respect of the proposition that the impact of any individual market transformation program evaluation metric should be capped at 150%. IGUA endorses the reasoning provided by each of these two intervenors in support of this proposition.

⁸ Union 2010 DSM Plan as filed in EB-2009-0166, at page 25, bottom paragraph.

Approval Requirements for Program Changes.

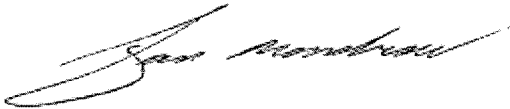
18. Before concluding these comments, IGUA would like to express concern with the position taken by EGD to the effect that EGD is free to adjust its DSM Plan over time as may be required to respond to changes in the marketplace, new barriers or new opportunities, without Board approval of such changes (see Ex. B/1/1, para. 3 and Ex. I/6/1).
19. EGD relies on a cited passage from the Board's EB-2006-0021 *Generic Review* decision in support of this assertion. The cited passage (from page 10 of the Phase I decision) states:

***Program Design and Implementation.** The Utilities agree to the principle that their DSM programs should be managed with regard to the best available information known to them from time to time. Normal commercial practice requires that a Company should react through changes to program design, implementation and/or mix, to material changes in base data as soon as is feasible given relevant operational considerations.*
20. This passage is taken from a section of the Board's *Generic Decision* that is framed under the issue: *What certainty is required that the assumptions are set for the duration of the DSM plan?* The balance of the section addresses the distinction in the current DSM framework between assumptions for LRAM calculation purposes, which are to be "best available at the time of the audit", and assumptions for SSM calculation purposes, which are to be set at the beginning of the program year and be assumed to be those in existence in the immediately prior year adjusted for any changes as a result of the DSM program audit of that prior year.
21. In no way is the cited passage support for the proposition that EGD is at liberty to change its DSM programming without Board approval.

Costs.

22. IGUA submits that it has participated responsibly in this proceeding and hopes that its comments provide some assistance to the Board in its review of EGD's application herein.
23. In particular, IGUA has been mindful of the scope of this application, as a "bridge" between the current gas DSM framework and a new framework to be developed for implementation by 2011. IGUA has focussed its review and comment accordingly.
24. IGUA has also been mindful of which aspects of EGD's proposal directly affect industrial gas customers, and has generally limited its review and comment to those aspects.
25. On this basis IGUA requests recovery of 100% of its costs reasonably incurred in the course of its intervention herein.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:
Macleod Dixon LLP, per:



Ian A. Mondrow
August 12, 2009