

ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an order granting approval of its 2010 Natural Gas Demand Side Management ("DSM") plan

**RESPONSE BY
ENBRIDGE GAS DISTRIBUTION INC.**

INTRODUCTION

1. The comments of Intervenor addressed several aspects of Enbridge Gas Distribution Inc.'s ("EGDI" or the "Company") proposed Low-Income DSM Plan for 2010. The majority focused on the proposed Solar Thermal Water Heater Program. EGDI will respond to these comments first and will deal with the several other comments at the conclusion of this response under the heading "Other Issues".
2. EGDI is pleased to note that with the exception of the Solar Thermal Water Heater Program, intervenors are generally supportive of the Company's Low-Income DSM Plan.

LOW-INCOME SOLAR THERMAL WATER HEATING PROGRAM

(A) Description of the Program

3. As recognized by LIEN, Pollution Probe and VECC, the Company is seeking approval of a one-year pilot program that will install solar thermal water heaters in 200 social housing buildings. Similar to other pilot programs, EGDI will not be adding any total resource cost ("TRC") benefits generated to its DSM program totals for the purposes of generating a shared savings mechanism ("SSM") incentive payment. The Company will not be earning any SSM as a result of this program, and the program will not impact TRC targets or results.

4. The Company will be working with the Social Housing Services Corporation (“SHSC”), which is a not-for-profit corporation led by social housing representatives who are committed to providing Ontario’s housing providers and municipal service managers with programs that add significant value.¹ The SHSC was established by the *Social Housing Reform Act, 2000*. It is important to understand that the proposed Low-Income Solar Thermal Water Heater Program is targeted at a sector of the low-income residential market, namely, social housing, which is not targeted specifically under the Company’s Weatherization Program. Most of the Weatherization Program participants have been privately owned low income single detached and townhouse buildings. The main reason for this is that the Weatherization Program targets low income residents that pay their own utility bills. This type of tenant arrangement is less common in social housing situations. A significant reason why the Company focuses the proposed Low-Income Solar Thermal Water Heater Program at social housing specifically is because they have the property management infrastructure and SHSC oversight to facilitate equipment training and maintenance issues.
5. It is also important to understand that some social housing buildings are neither eligible for nor appropriate to participate in the Company’s low-income Weatherization Program because of the vintage, style, and/or air-tightness of the building(s). Yet the owners and some tenants of such buildings are ratepayers. It stands to reason that they should be eligible to participate in one of the Company’s low-income DSM programs.
6. In short, the Low-Income Solar Thermal Water Heater Program will extend to participants that may not otherwise be capable of or eligible to participate in an existing low-income DSM program.

¹ Social Housing Services Corporation Website “About Us” page

(B) Relevant Context

7. Intervenor groups have expressed concern historically about the ability of low-income individuals and families to participate in DSM programs. In respect of prescriptive programs that provide an incentive to acquire and install energy savings equipment, the concern expressed was that low-income individuals and families did not often have the financial ability to make a contribution to any energy-conservation acquisition. As such, low-income ratepayers were, as a practical matter, excluded from benefitting from DSM programs, even though low-income individuals and families are, either directly or indirectly through their landlord, ratepayers.
8. These concerns were specifically raised during the DSM Generic Proceeding ², in response to which the DSM framework now includes a requirement for expenditures on low-income DSM programs of 14 percent of the residential DSM program budget. One of the purposes of providing for such a requirement was to entrench the principle that the Company's portfolio of DSM programs should provide customers in all rate classes and sectors with equitable access. This principle surely applies equally within each rate class, such that one sector or segment of a rate class should not be excluded, and another segment overly represented. The Low-Income Solar Thermal Water Heater Program will ensure that a broader range of low-income ratepayers will benefit from DSM expenditures.
9. The Board also considered in the Generic Proceeding the question of whether a TRC threshold of 1.0 should be adopted for the purposes of determining if a program is cost effective. In its Decision³, the Board first acknowledged that the TRC Test does not reflect the positive aspects of mitigating negative externalities that are inherent in gas-consuming activities. These externalities include the

² EB-2006-0021

³ EB-2006-0021, Decision with Reason, August 25, 2006, p. 37

benefits of reduced emissions and corresponding improvements in health and the environment. The valuation of such benefits would certainly positively impact the benefit cost ratio.

10. The Board went on in its Decision to approve a TRC threshold of 1.0, but specifically created an exception from this requirement in the case of pilot programs. As noted further below, the Board recognized another exception to the threshold by acknowledging in its Report in respect of the Low-Income Energy Assistance Program (EB-2006-0150) dated March 10, 2009 that low-income programs may not be able to deliver positive TRC benefits.
11. In addition to the fact that the Low-Income Solar Thermal Water Heater Program falls within the pilot program and low income exceptions, there are other compelling reasons to support applying the exception. These include the fact that the program is directed at a sector of the low-income market which the Company believes has been under-represented. It is also expected that, over time, solar thermal will become more cost effective as equipment costs come down due to a greater number of initiatives such as this one. There is also no question that there are externality benefits which are neither valued nor tracked by the TRC Test. As well, as noted below, this program is consistent with the 2010 framework for low-income DSM adopted by the Ontario Energy Board's Low-income Energy Assistance Program Conservation Working Group ("CWG"). Indeed, it was specifically considered and positively identified in the CWG's Final Report⁴ ("CWG Report"), as discussed below.
12. Subsequent to the DSM Generic Proceeding, the Board approved a Low-Income Energy Assistance Program ("LEAP") and established various working groups, including the CWG, whose members along with EGDI included the City of Toronto ("City"), GEC, LIEN and VECC. Board Staff attended every meeting of

⁴ *Report on the Proposed Short Term (2010) Framework for the Natural Gas Low-Income DSM Final Report*, IndEco, August 12, 2009

the CWG and generally supported the direction of the recommendations made by it.

13. The CWG was tasked by the Board with developing both a short term (2010) and long term framework for DSM by natural gas distributors as it relates to low-income energy consumers.⁵ The CWG consulted over a seven-week period in the summer of 2009, following which the CWG facilitator, IndEco, prepared a final Report dated August 12, 2009, stating that the Report “presents the consensus of the CWG regarding the elements of the low-income DSM framework...” The CWG consensus is presented in Chapters 2 and 3.
14. Chapter 2 sets out the guiding principles for the low-income DSM framework. It should be noted that the Low-Income Solar Thermal Water Heater Program is consistent with guiding principles, including:
 - that the program be accessible to low-income natural gas consumers (which includes persons living in residences who pay their energy costs directly, or through rent);
 - require no up-front costs to the low-income energy consumer;
 - provide a turnkey solution from the perspective of the participant;
 - emphasize deep measures that may include energy efficiency and renewable energy;
 - capture potential lost opportunities for energy savings;
 - help program participants to understand the benefits of participating in low-income DSM; and
 - help channel partners obtain necessary skills.
15. Chapter 3 of the CWG Report deals with the short term framework (2010) for low-income DSM. Under Subsection 3.1, “Program Description”, the CWG set out a number of characteristics for the 2010 DSM Program, including:

⁵ CWG Report, p. 2

- the program be a direct install program comprised of measures that are purchased and installed free of charge for the low-income consumer;
- the program will consist of basic and extended (deep) measures with emphasis on providing deep measures, where appropriate;
- integrated co-ordinated delivery with provincial and municipal agencies, including social service agencies; and
- the program will attempt to leverage the incentives of the federal ecoENERGY program and the Ontario Home Energy Savings Program, and any other relevant programs. This will involve establishing new contractual relationships with NRCan.

The Low-Income Solar Thermal Water Heater Program has each of the above characteristics.

16. Under Subsection 3.4, the consensus of the CWG turned to program measures.⁶ The CWG Report notes that extended measures are more expensive measures with greater energy savings that are more complex to install. The CWG Report then goes on to state that:

“There may be unique opportunities in one particular geographic area not offered elsewhere in 2010 (e.g. opportunities in Toronto to leverage a range of incentives for solar hot water.)”

17. In other words, the CWG consensus specifically identifies the Low-Income Solar Thermal Water Heater Program as an opportunity unique to EGDI. It should therefore be no surprise that Union Gas is not proposing a similar program. The fact is that Union Gas has a significantly different low-income social housing consumer profile relative to EGDI’s given the extent and number of social housing buildings in Toronto.
18. In short, the parties that were tasked by the Board to consult and develop a short term (2010) framework for low-income DSM specifically identified the Low-

⁶ CWG Report, p. 12

Income Solar Thermal Water Heater Program as an opportunity for 2010. The Company submits that if the objections of intervenors who did not participate in the CWG are accepted, then the role and purpose of the CWG will have been frustrated. It should be recognized that there is a good reason why BOMA was not part of the CWG. Its members, by and large, do not include social housing and low-income buildings.

(C) Intervenor Comments

19. Each of LIEN, Pollution Probe and VECC supports the Low-Income Solar Thermal Water Heater Program. CME and IGUA advised that they are not opposed. The position of these parties may, in part, be influenced by the support for the program expressed by the City. In its submission in this proceeding the City confirmed that the Solar Thermal Water Heater Program is “consistent with the recommendations of the [CWG], which City staff support.”
20. The City’s submission then went on to note that the City is a “Service Manager” under the *Social Housing Reform Act*, with responsibility for the administration of social housing programs and the payment of operating subsidies to non-profit housing providers. It added that as a Service Manager, “the City believes the Low-Income Solar Thermal Water Heating Program will benefit low-income consumers, either directly in terms of household savings and the cost of gas, or indirectly by reducing the operating costs of the housing project where they reside.” Those tenants that pay their own gas bills will receive a direct benefit. Where the City pays a subsidy to cover operating costs for social housing providers, the City submission notes that its subsidies are benchmarked and capped at a certain amount in respect of what can be spent on utilities. The City noted that:

“To the extent that this cost can be reduced, there will be a realized subsidy surplus, some portion of which can be re-invested in other projects to offset rising utility costs and provide necessary capital upgrades to the housing stock. Without the

support of utilities for renewable energy conservation measures, low income consumers and social housing providers may not have access to these opportunities to reduce energy bills and play an important role in meeting provincial energy conservation.”

21. Two important consequences of the City’s intention to re-invest savings should be highlighted. First, it is important to recognize that the TRC Test will not value and track any of the monies re-invested by the City in its role as Service Manager. Not only would the actual dollars re-invested not be tracked, the benefits flowing from the re-investment would also not be valued. For example, where the re-invested monies are used to improve a social housing building’s envelope, none of the energy savings that will be generated by this re-investment would be included in the TRC Test. The City’s unique position as Service Manager and willingness to re-invest savings is a unique and welcome trickle-down effect which should be acknowledged.
22. Second, by this re-investment, social housing residents are guaranteed to receive a benefit, either directly in the form of lower gas bills, or indirectly by reason of the re-investment of dollars to offset utility bills or improve the social housing stock.
23. The Low-Income Solar Thermal Water Heater Program proposes to subsidize the acquisition and installation of solar water heater equipment in social housing buildings. This equipment will utilize a renewable energy source (solar) to assist in the heating of water thereby reducing natural gas consumption. It is a pilot program, and approval is sought for one year. The Low-income Solar Thermal Water Heater Program is intended to reach out and assist low-income social housing residents, a group which the Company believes has been under-represented as participants to date in its DSM activities.
24. It should be recalled that the Company’s annual DSM Plan is the subject of a framework and approval process which is separate and apart from the Company’s annual rate adjustment. DSM expenditures are recovered through a

Y factor under the existing IRM formula. The Company does not believe that the Board's decision in respect of the Green Energy Initiatives jurisdiction motion heard on November 24, 2009 (EB-2009-0172) will be relevant to the approval required for the Low-Income Solar Thermal Water Heater Program which, unlike the Company's proposed Green Energy Initiatives, is a typical "rebate" type of DSM program.

25. It is noteworthy that none of the intervenors that oppose the program because it does not generate positive TRC provide any explanation as to why the threshold of 1.0 should be applied, despite the Board approving exceptions in the case of pilot programs and/or low-income programs. The fact is that if an exception did not exist, pilot programs would not occur, and many current successful programs would simply not exist. To those intervenors that suggest programs that produce greater benefits should be pursued in place of the Low-Income Solar Thermal Water Heater Program, the Company submits that if this was the driving factor, then low-income programs like the Weatherization Program might not exist.
26. The Company notes that the Board specifically addressed this issue in its Report in respect of the Low-Income Energy Assistance Program (EB-2006-0150) dated March 10, 2009. Specifically, the Board stated in relation to DSM and CDM programs targeted at low income consumers that:

Many of these programs may not be consistent with the general principle that CDM and DSM programs deliver positive total resource cost ("TRC") benefits. Failure to meet the test should not necessarily result in disqualification for the overall CDM or DSM portfolio⁷.

27. The fact is that the Low-Income Solar Thermal Water Heater Program is intended to reduce consumption of the resource which the Company delivers: natural gas. There can be no more appropriate a subject for a DSM program by a gas utility

⁷ Report of the Board, Low-Income Energy Assistance Program, (EB-2006-0150) March 10, 2009, p.13.

than the reduction of natural gas consumption. This has been the objective of EGDI's DSM Department for years, long before the government proclaimed the *Green Energy Act, 2009* in force.

28. Low-income residential ratepayers will benefit from the Low-Income Solar Thermal Water Heater Program. It is therefore appropriate that the costs be allocated to the residential rate class.
29. Finally, intervenors opposing the Low-Income Solar Thermal Water Heater Program fail to justify the resulting lost opportunity. As noted in the Company's pre-filed evidence,⁸ the availability of rebates from the Governments of Canada and Ontario may not exist beyond 2010. The recovery of rebates could total as much as \$1 million⁹. Depending upon when monies are received, these rebates will either reduce budgetary expenditures or be recorded in the DSMVA as a credit to ratepayers.

OTHER ISSUES

30. VECC in its submission suggests that the Board should "consider" requiring EGDI to spend 18 percent¹⁰ of the residential budget on low-income recipients, or increase the participants in its TAPS program to 3,300. It should be recalled that the Board directed the Company to develop its 2010 Plan consistent with the framework approved in the Generic Proceeding. This set a requirement of 14 percent of the residential DSM program budget. There is no suggestion in the VECC submission that this requirement has not been met.

⁸ Phase II, Ex. D/T1/S1, pp. 2 – 4

⁹ Through Natural Resources Canada's ecoENERGY for Renewable Heat program, EGDI has access to the first \$2500 per building in incentive dollars (or \$500,000 in total for 200 buildings). This amount is secured so the proposed budget is net of this rebate. The other \$2500 per building may come from the ecoENERGY Retrofit - Homes (Federal) and Home Energy Savings (Provincial) programs, amounting to an additional \$500,000 in rebates.

¹⁰ This amount was taken from the Company's response to VECC IR #1 which has been revised to correct some errors. The revised figure correctly notes that the 2009 low income budget was 24% of the residential program budget, and the 2010 low income budget is 21.5% of the residential program budget.

31. The Company is in fact proposing an expenditure of \$1.526 million on low income programs which is 21.5% of the 2010 Residential DSM program budget¹¹. This amount in gross dollars is also higher than the 2009 budget. Accordingly, EGDI has complied with the DSM low-income framework for 2010. In addition, the Low-Income Solar Thermal Water Heater Program is incremental to the above amounts. Not surprisingly, LIEN states in its submission that it is pleased with and supports the Company's proposed low-income budget.
32. On a different issue, LIEN urges the Board to require the Company to expand the Weatherization Program to at least one additional community in its franchise area in 2010. While the Company does not, in principle, oppose expansion into other communities, the current geographic limitations on the Weatherization Program are simply a reflection of the dollars available and operational limitations. Expansion into a new community will require the Company to spend the time and incur the costs necessary to become acquainted with the local market and its key players. These costs will reduce the monies that would otherwise be spent on actual weatherization upgrades at other buildings. The time will come for expansion into other communities, like Barrie, but for reasons of efficacy, the Company states that it is not in a position to do so in 2010.
33. While VECC supports the Low-Income Solar Thermal Water Heater Program, it suggests that the program's eligibility for rebates should be determined with certainty, in advance. As noted in its pre-filed evidence,¹² EGDI has received verbal indication from government staff, at both the federal and provincial levels, that the rebates are available. Accordingly, the Company has every reason to expect that the rebates will be recovered, thereby reducing the program's cost. The Company is concerned by VECC's proposal, in that the roll out of the program will undoubtedly be delayed if it cannot proceed before all legal

¹¹ EGD IR Response to VECC #1 (Revised), Ex. I/TX/S1, p. 2

¹² Ex. D/T1/S1, p. 4

agreements securing the rebates are executed. The Company submits that the benefits of proceeding with the program merit rolling out the Low-Income Solar Thermal Water Heater Program as soon as possible, even if there is no contractual commitment to the recovery of the rebates.

34. Finally, VECC expresses concern about EGDI's ability to ramp up its 2010 low-income DSM program in response to the potential Government of Ontario's low-income directive. While it is not possible to forecast the directive that will be handed down by the government, EGDI assures intervenors that it will comply with the directive and devote the resources necessary to meet its obligations under the directive. The existence of the Low-Income Solar Thermal Water Heater Program will not negatively impact the Company's abilities in this respect. To the contrary, it is expected that the Minister's directive will not require gas utilities to do less low income DSM. Accordingly, it is submitted that the Low-Income Solar Thermal Water Heating Program is consistent with the anticipated direction of the Minister's directive.

All of which is respectfully submitted.

Date: November 27, 2009

ENBRIDGE GAS DISTRIBUTION INC.

Per:



Norm Ryckman, Director, Regulatory Affairs