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March 10, 2010

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

Dear Ms Walli,

**Application by Enbridge Gas Distribution Inc. ("EGD")
to Establish DSM Deferral Accounts for the Years 2010-2014**

Board File No.: EB-2010-0029

Our File No.: 339583-000062

We are writing on behalf of Canadian Manufacturers & Exporters ("CME") to provide comments on EGD's application for an accounting order to establish DSM deferral accounts for the years 2010 to 2014 inclusive.

As the Board is aware, CME supports conservation and related green energy initiatives. CME is in favour of government sponsored projects that facilitate and promote, on a cost-effective basis, green technologies. To the extent that these types of projects assist Ontario manufacturers in becoming more competitive, they should be encouraged.

That said, CME has significant concerns about the application currently before the Board.

First, this application is inconsistent with the current Board-approved "DSM Framework" which is in operation until the end of 2010. As a matter of principle, utilities should not be permitted to operate outside of the Board-approved DSM Framework unless they demonstrate exceptional circumstances.

Second, the pilot program which is the subject of this application shares many of the same shortcomings identified by the Board in EB-2009-0154 with respect to EGD's previously proposed "Solar Thermal Water Heater Program". CME fails to see how the Board could approve the pilot program in this case in light of its recent rejection of the Solar Thermal Water Heater Program in EB-2009-0154.

Finally, EGD's evidence lacks the level of detail needed for intervenors and the Board to adequately assess whether the pilot project should be approved. CME is concerned by EGD's inability or unwillingness to identify the "potential partners" that might reduce the maximum worst-case cost estimate for ratepayers. Of even more concern, however, is EGD's inability to provide an estimate of how the maximum cost to ratepayers would be allocated between the rate classes. EGD cannot even provide certainty on which rate classes will, or will not, be affected by the Board approval sought.

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For these reasons, CME cannot support EGD's application.

Background and Context

EGD is currently operating within a one (1) year extension of the three (3) year DSM Plan that was originally filed pursuant to the Board's 2006 DSM Generic Decision (EB-2006-0021). That Decision formed the current "DSM Framework" for gas distributors. When the Board originally issued its 2006 DSM Generic Decision, it was anticipated that the resulting DSM Framework would be re-considered 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 *Green Energy and Green Economy Act, 2009* (the "GEA"). In its correspondence of April 14, 2009, the Board requested that EGD file a one year extension for its 2010 DSM Plan, and directed that the 2010 DSM plan be consistent with the existing DSM Framework.

In a Decision and Order dated September 30, 2009, the Board concluded that EGD's DSM proposal for its one (1) year 2010 DSM Plan was generally consistent with the approved DSM Framework established in the 2006 DSM Generic proceeding. In this regard, EGD was granted approval of its one (1) year updated 2010 DSM Plan filed on August 12, 2009, subject to some minor changes imposed by the Board which, for the purpose of this submission, are not material.

EGD subsequently proposed a 2010 low income DSM Plan to the Board. As part of that plan, EGD proposed the "Solar Thermal Water Heater Program" (EB-2009-0154). In a Decision and Order dated December 14, 2009, the Board rejected EGD's proposal to include the solar thermal water heater program in its 2010 low income DSM Plan. In coming to that conclusion, the Board made the following observations:

- (a) A properly structured pilot program should provide an opportunity to gain experience in business processes, installation procedures, logistics, deployment, integration issues, customer communications and customer impact; and
- (b) Where a pilot program involves a non-cost effective technology, the onus is on the applicant to prove the usefulness of the program.

The proposed pilot project is not consistent with the existing DSM Framework

EGD seeks approval for an accounting order to establish DSM deferral accounts for each of the years 2010 to 2014 in respect of a solar thermal space heating pilot project. EGD is seeking these deferral accounts in order to accommodate an application which it submitted to Natural Resources Canada ("NRCan") in September 2009 for funding to support a five (5) year pilot technology evaluation project to fund a proposed pilot project to field test and evaluate different solar thermal collector types and storage technologies and different configurations.

This pilot project is clearly outside of the scope of the DSM Framework originally approved in the 2006 DSM Generic Decision, which was recently extended for 2010. If it was within the scope of the DSM Framework, this application would be unnecessary.

One of the goals of the DSM Framework was to permit EGD and Union to operate their respective DSM programs with formulaic budgets, TRC targets and SSM incentive payouts over a multi-year period. This DSM Framework, when respected, allows EGD to operate without the necessity for annual applications to the Board.

EGD should be permitted to depart from the provisions of the DSM Framework in only exceptional circumstances. EGD has not filed any evidence to establish that the circumstances of this pilot program constitute exceptional circumstances. For this reason alone, the Board would be entitled to reject EGD's application.

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As was the case with EGD's proposal in EB-2009-0154, EGD has not provided detailed evidence addressing how the pilot program will provide the opportunity to gain experience in business processes, installation procedures, logistics, deployment, integration issues, customer communications and customer impact. CME believes that all of these factors should be the subject of evidence in order to allow the Board to fully assess whether it should approve a pilot program funded by ratepayers.

Furthermore, at Exhibit B, Tab 5, Schedule 6, EGD confirms that it has not done a cost effectiveness analysis of the technologies. Without this type of analysis, CME submits that the Board should presume that this pilot program involves non-cost effective technology. The Board in EB-2009-0154 recognized that where a pilot program involves a non-cost effective technology, the onus is on the applicant to prove the usefulness of the program. CME submits that EGD has failed to demonstrate the usefulness of the program to its ratepayers.

EGD's evidence is insufficient

In CME's view, the evidence necessary for intervenors and the Board to fully assess the value of this pilot project has not been provided by EGD.

EGD has confirmed that the maximum its ratepayers could pay for this project is \$4.502 over the next five years. EGD goes on, however, to say that its expectation and intent is that yet to be identified partners will financially contribute to the pilot program, and as such, the cost to ratepayers will be reduced. When asked to specifically identify the parties that have agreed to partner with EGD, or the potential partners, EGD is unable to provide any particulars. EGD has merely stated as follows in Exhibit B, Tab 1, Schedule 2, page 2 of 2:

"EGD currently has relationships with third parties such as home builders, solar thermal technology providers, contractors, condominium builders, property managers, energy and building consultants, municipal planning groups and energy service providers that can be leveraged to identify suitable partners and participants. Each party could provide pilot sites, solar thermal collection or storage equipment or work "in kind" such as

engineering, computer model simulation and equipment installation.

EGD has had discussions with parties to gauge interest in such a pilot research project; however, no formal arrangements/commitments have been made with any party for this project to date. EGD is not willing to provide the names of any prospective partners/participants without first receiving their consent, as this may negatively impact the prospects of their and other prospective partners further involvement."

CME is concerned that the Board is being asked to approve a plan where the funding to be provided by ratepayers may be reduced by EGD's existing or potential partnerships, but that EGD refuses, or is unable to provide, any particulars of those existing or potential partnerships. The result, in effect, is that EGD is asking for approval to undertake a project that might cost ratepayers up to \$4.502M. In CME's view, the Board is entitled to better specificity on estimated costs before approving a multi-year project.

This is exacerbated by the fact that EGD is unable to provide any cost allocation estimates of its proposed solar thermal pilot program. As confirmed in Exhibit B, Tab 4, Schedule 3, page 1 of 1:

"Enbridge cannot provide a plan on how costs will be allocated."

Similarly, EGD writes at Exhibit B, Tab 4, Schedule 3, page 1 of 1:

"At present, the partners and pilot sites have not been finalized. As such, Enbridge can not provide a plan on how costs will be allocated. However it is foreseen that as with other DSM programs, the rate class that enjoys the benefit of the program will incur the costs. This is aligned with the principles found in EB-2006-0021."

The consequence of this uncertainty is that intervenors, such as CME, that represent certain rate classes, do not know with any level of certainty whether their members will or will not be affected by the proposed pilot program. CME urges the Board to conclude that it is not appropriate to approve funding for a five (5) year program when EGD is unable to estimate how the budget for that multi-year plan will be generally allocated between the various rate classes.

Will EGD continue with the project without Board approval?

CME notes that at Exhibit B, Tab 1, Schedule 2 page 2 of 2, EGD states that it is "highly unlikely" that it will proceed with this project if it does not receive Board approval of this application. This statement is inconsistent with representations made by EGD in its application to NRCan. At page 19 of that application, which is located at Exhibit B, Tab 2, Schedule 1, EGD states as follows:

"The project will be funded out of capital provided by Enbridge Gas Distribution. Enbridge Gas Distribution is Canada's largest natural gas distributor with 1.9 million customers, and

assets of \$6.2 Billion, and is a wholly owned subsidiary of Enbridge Inc. which is the owner and operator of the world's longest crude oil and liquids pipeline system. It is anticipated that cash for this project will be from operating and investment capital budgets. Enbridge Gas Distribution and Enbridge Inc. have sufficient cash reserves, credit facilities and the ability to raise equity to fund this project."

EGD did not premise its application to NRCan on the basis that it would only proceed if it obtained Board approval to have Ontario ratepayers fund this program. To the contrary, the application confirms that EGD and its parent Enbridge Inc. have sufficient cash reserves, credit facilities and the ability to raise equity to fund the project.

The lack of timely consultation

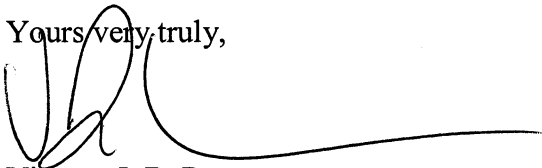
On a final note, CME notes that EGD did not consult with either its DSM Evaluation and Audit Committee ("EAC"), or with its DSM Consultative, until approximately four (4) months after it applied to NRCan (Exhibit B, Tab 4, Schedule 7, page 1 of 1). CME urges the Board to reinforce the importance of on-going Stakeholder Consultation through both the DSM EAC and the DSM Consultative. In CME's view, the importance of these types of consultations is heightened when a utility intends to bring forward projects or programs which are outside of the existing Board approved DSM Framework. It was inappropriate for EGD to secretly submit its application to NRCan and then request, at the 11th hour, Board approval on an urgent basis.

Conclusion and request for costs

CME submits that for the reasons set out above, the Board should reject EGD's application.

CME request 100% of its reasonable costs incurred in this proceeding

Yours very truly,



Vincent J. DeRose

VJD

c. Norm Ryckman (EGD)
Paul Clipsham (CME)

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