**EB-2008-0346**

**IN THE MATTER** of the *Ontario Energy Board Act 1998*, S.O. 1998, c.15, Sch. B;

**AND IN THE MATTER OF** a consultation commenced by the Ontario Energy Board on its own motion to consider the appropriate framework for DSM by gas distributors in 2011 and beyond.

**QUESTIONS for CONCENTRIC**

**from the SCHOOL ENERGY COALITION**

**General**

1. Who are the authors of the Report? Could you please provide their CVs, including lists of publications and speaking engagements, and representative consulting assignments?
2. Note 4 on page 12 discusses the choice of the US sample group. To what extent should the averages of data from that sample be discounted because of the selection criteria? Where in the Report you have provided averages, can you also provide averages for all utilities, not just those in your sample group?
3. In a number of places throughout the Report Concentric appears to propose more involvement by the OEB in the DSM process, including plan approval, target-setting, and evaluation and audit, etc. Could you provide a summary of how you are proposing to change the role of the OEB, including the specific changes in responsibility, the additional resources required, and any other implications?
4. Is any of the data contained in the survey results (e.g. “savings of 9% of total natural gas usage”) on page 26 based on empirical data, or are they in all cases a summary of the estimates provided by survey participants?

**Cost Effectiveness Test**

1. Please expand on why Concentric is proposing one test, the Societal Cost Test, for “cost effectiveness”, but another test, called in some places the Program Administrator Test and in other places Modified TRC, to prioritize programs. How is this supposed to work in practice? Why are two tests that will produce quite different results being employed? How will conflicts between the two tests be dealt with? What other jurisdictions use the two tests in the way Concentric is proposing to use them?
2. Elsewhere in the Report, Concentric discusses “cream skimming” and expresses concern about the lack of programs with deep savings. Please confirm that the Program Administrator Test generally motivates distributors to “cream skim”. What steps, if any, should be taken to prevent the use of this test from causing excessive cream skimming?
3. What is the basis for the adders in Iowa and Colorado to replace externalities, as discussed on page 44 of the Report? What externalities are covered by those percentages?
4. What is the impact of including environmental externalities in the calculation of cost effectiveness? Based on the Report, the 51.4 megatonnes of carbon caused by natural gas use in Ontario would, at only $20 per tonne, total over a billion of theoretically potential externalities annually. A 2% reduction in use would be more than $20 million of GHG savings. How much of this does Concentric expect would be included in the benefits from DSM programs if the Societal Cost Test is employed? What other major externalities would be expected to increase the calculated benefits using this test?
5. Can you walk us through the calculations you used to propose a .60 to .75 SCT threshold for low-income tests, and compare that to what that would likely mean in TRC or PAC terms?
6. Please explain how the use of cost effectiveness testing on a program basis “limits the flexibility of the Board to approve specific DSM programs as new technologies emerge”.
7. Can you describe the Minnesota “special funding”, and how Concentric believes it should be applied in Ontario?
8. Can you estimate the impact of Concentric’s proposed change to the discount rate on the TRC for each of Enbridge and Union, using their audited 2008 Evaluation Reports as the baseline?

**Avoided Gas Costs**

1. The Report discusses, at pages 53 – 55, the possibilities of reducing the discount rate, or using the avoided costs of renewable electricity options. It also refers to “extending the effective useful life of certain DSM measures…”, but does not explain that suggestion. Please expand on what is meant in that sentence on page 53.

**Input Assumptions and Parameters**

1. Please confirm that Concentric’s proposal on page 61 to allow gas distributors to propose different input assumptions would be symmetrical, i.e. either distributors or intervenors could propose different input assumptions to the Board and provide evidence in support.

**Adjustment Factors**

1. The Report discusses free riders, spillover, and attribution, all aspects of causation. In Concentric’s view should the Board retain the principle that gas distributors should only be incented in respect of savings that they caused through their programs? In Concentric’s view, where there is an unintended impact of a program (e.g. spillover), should it in principle be included in the calculation of the savings?
2. Please comment on the use by New York and Washington of a fixed .90 ratio of gross to net to deal with both free riders and spillover. What steps, if any, has New York or Washington taken to prevent distributors from gaming this system by choosing programs that are easy to roll out because of the high numbers of free riders?
3. As with question 14 above, please confirm that Concentric’s proposal on page 69 to allow gas distributors to propose higher attribution percentages is intended to be symmetrical, i.e. either distributors or intervenors could propose an attribution percentage different than the default rule, and provide evidence in support.

**Program Design**

1. Should market transformation programs include customer or channel rebates or incentives? In Ontario, the most successful “market transformation” program was actually a resource acquisition program for high efficiency water heaters, that eventually transformed the market. Does Concentric believe that programs that combine some aspects of resource acquisition and some aspects of market transformation should be permitted? If so, how should they be handled within the proposed framework, in terms of budget, targets, and incentives? How would the introduction of combined programs integrate with Concentric’s proposal to use market penetration as the primary measure of program success?
2. How would program design change, in Concentric’s view, with the move from TRC to SCT, and in particular the addition of externalities?
3. Can Concentric summarize how the VeSM program described on page 80 differs from the activities by Union and Enbridge today in working with their manufacturing customers?
4. The Report discusses, at page 80, the use by municipalities of low rate financing to incent DSM measures. Does Concentric have any knowledge of utilities that have used this technique (as opposed to governments)?

**Budget**

1. Can Concentric comment on the reasons why it is appropriate for program budgets for DSM be recovered from ratepayers separately from recovery of incentives? To what extent have other jurisdictions considered combining the budget and incentives, so that the incentive is sufficiently large that the distributor will put its own money at risk to achieve program targets? What are the pros and cons of considering such an approach?
2. On page 19 you note that currently gas utility DSM budgets are 3% of distribution revenues. Can you please provide the source of that figure, and reconcile that figure with data later in the report suggesting something closer to 2% of distribution revenues?
3. On page 91 there is a discussion of budget-setting in Mass., designed to achieve 2% gas use savings per year. Can Concentric comment on the suitability of allowing gas distributors to keep any GHG credits earned from their DSM efforts (which at 2% would be about $20 million total per year in Ontario) in lieu of some percentage of the budget they currently recover from ratepayers? What would be the implications of such a change?
4. Does Concentric’s proposed EMV budget of 3% to 5% of total DSM budget include costs of the Ontario Energy Board for its expanded involvement in these processes?

**Metrics and Targets**

1. Please comment on the top-down gas use reduction targets described on page 104 in light of the conclusion by Pacific Economics Group that there is insufficient data in Ontario to develop top-down measurement of the impact of utility conservation programs. Please comment on the data on pages 106 and 107 on gas consumption reductions due to DSM programs, in light of that Report.
2. Can Concentric comment on the suitability of the Board implementing a system of emissions targets similar to those in Great Britain in place of the TRC or SCT target approach?
3. How does Concentric propose the Board can ensure that only market penetration results directly caused by activities of the distributor be counted in targets and results? If market penetration results not caused by distributors are intended to be counted, please describe how the impacts of changed regulations, price elasticity, and similar factors should be dealt with.
4. Please describe how the use of market penetration metrics in the manner proposed by Concentric can be expected to affect program design.
5. How should metrics and targets be structured to incent “deep savings”, as proposed on page 118?

**Incentive Mechanism**

1. Please provide an update of the status of the review of SSM in California you have described in footnote 23 on Page 28.
2. Please describe in more detail the structure of the incentive mechanism that is being proposed. While we understand the recommendation to have no incentive until 100% of the target is reached, is it intended that the incentive be all or nothing? Is a program by program incentive being proposed? How would this be established? What, in Concentric’s view, is the appropriate level of incentive, and should that level be calculated by reference to SCT or TRC benefits, DSM budget, or some other criterion?