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May 10, 2010

VIA E-MAIL/RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor; 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: Demand Side Management Guidelines for Natural Gas Distributors
(EB-2008-0346)
Questions to Concentric Energy Advisors (CEA) from the
Vulnerable Energy Consumers Coalition (VECC)**

As Counsel to the Vulnerable Energy Consumer's Coalition (VECC), I hereby provide follow up questions to CEA on behalf of my clients.

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC

Demand Side Management Guidelines for Natural Gas Distributors (EB-2008-0346)

Vulnerable Energy Consumers Coalition (VECC)

Follow up Questions to CEA

Question 1: TRC/SCT Alternatives

- a) Is there a standardized method(s)/software for Prescriptive programs (e.g. California Manual. If so cite source(s)
- b) Are there standard input assumptions e.g. discount rates, or do these vary from jurisdiction to jurisdiction?
- c) How do Ontario's current input assumptions and those recommended by CEA for TRC/SCT calculations rank with other jurisdictions.
- d) Has CEA assessed how changes recommended to input assumptions for TRC/SCT calculation affect the following:
 - i. Gross/Net TRC
 - ii. Targets
 - iii. Incentives
- e) Please provide an opinion whether monetization of GG emissions at \$15/tonne or higher based is appropriate for Ontario, given the primary energy resource mix (e.g. fossil vs renewable) and/or natural gas use?

Question 2: Low Income Programs

- a) Does CEA agree that deeper measures have inherently low TRC/SCT if classed as Resource Acquisition measures what alternatives are in use e.g. LIPPT
- b) What is the Basis of SCT range 0.6-0.75 did CEA evaluate existing LI programs on that Test?
- c) Does CEA have examples of non-TRC/SCT Scorecards in current use? If so provide sources
- d) Does CEA support Scorecard approach as an alternative to TRC. If so give examples of the types of programs/measures that could be suited to scorecards
- e) How should incentives be structured for scorecard- based programs e.g. to achieve the same level of incentive as RA programs?
- f) Page 75 Low-Income Customer Programs
"Among the five Canadian provinces reviewed in our research sample, only Quebec explicitly requires natural gas distributors to implement DSM programs to address low-income customers. Of the 12 U.S. states surveyed, nearly all require programs that address low-income customers, with the rigor of each program varying from state to state. Among the programs outside North America that were evaluated, the only program with a specific framework for action by utilities is Great Britain's Consumer Energy Savings Programme ("CESP"), which requires utilities to meet performance goals by addressing the challenges of low-income customers."

Manitoba has 3 year Low Income Energy Efficiency Program (gas and electric) funded out of AEF Did CEA examine that program?

Question 3: Low Income DSM Budgets

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“Concentric believes that it is reasonable to establish separate DSM budgets for Resource Acquisition Programs, Market Transformation Programs, and Low-Income Customer Programs. However, we do not have sufficient information to evaluate the reasonableness of the percentages that should be allocated to each segment in Ontario.”

- a) Has CEA an opinion on the current OEB approach of setting LI DSM budgets as a % of residential budgets based on LI demographics?
- b) Does CEA have examples of how LI budgets are set in other jurisdictions?
Please Cite sources.

Question 4: Shareholder Incentives

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“Shared savings incentives measure actual ratepayer benefits and allow the company to earn a percentage of savings received by customers. A major difficulty with the shared savings incentives is that savings are difficult to measure and verify, and some states have developed problems with the measurement and verification activities required to authorize incentive payments. “

Page 109 Finally, Concentric believe that similar metrics could be developed for it DSM programs serving low-income customers. Market penetration and the reduction in gas consumption per customer appear to be equally appropriate for this customer segment. However, the targets might be different for certain programs and measures. For example, the Board may want to establish a higher market penetration standard (perhaps 90%) for home weatherization of low-income properties to ensure that energy savings is maximized.

Page 119 For low income programs, Concentric recommends that the Board develop a separate financial incentive mechanism that is contingent on market penetration, reductions in gas consumption, and efforts to reduce customer bills through education and awareness programs for low income consumers.

- a) Please provide examples of such scorecard/incentive schemes, or alternatively expand on the incentive mechanism(s) using Low Income Weatherization as an example.
- b) Should Incentives for Low income programs be higher/lower than for other residential programs based on public good and other non-tangible factors?
Please discuss.

Question 5: LRAM/Revenue Decoupling

Page 124 Concentric recommends that the Board consider providing gas distributors with the opportunity to request revenue decoupling. This sends the signal that regulators recognize the risks associated with cost recovery due to declining average use per customer, and are willing to provide utilities with the opportunity to recover all reasonable and prudent costs regardless of customer usage. Allowing gas distributors revenue stability through revenue decoupling removes any financial disincentive to propose energy efficiency programs that might result in significant reductions in consumption.

Page 125 If revenue decoupling is not adopted by the Board, or until such time as it is implemented, Concentric believes that the necessary information is available to calculate the LRAM based on energy savings (which is contained within the Societal Cost test and Program Administrator Cost test) and market penetration (which is the primary metric we recommend for measuring program success). Further, if the Board continues to rely on the LRAM, Concentric recommends that the calculation should be based on updated input assumptions. However, we agree with Enbridge that it is reasonable to establish a date by which information used to calculate LRAM must be submitted.

- a) What should be the adjustment to the allowed ROE for revenue decoupling?
Cite any examples where ROE has been reduced to reflect lower utility/shareholder risk

Question 6: Market Transformation

- a) What is/should be the definition of MT

Page 83 “Concentric recommends that the Board utilize a combination of customer and vendor surveys to estimate the effectiveness of these (MT) programs, with the understanding that precise estimates of savings from market transformation programs are not attainable.”

- b) How should success of MT programs be measured? E.g. scorecards
- c) How should SSM be tied to MT Achievement

Question 7: Program Integration-Union and Enbridge:

- a) Does CEA agree that both Union and EGD should offer a standard set of mass market Residential Programs (like OPA) unless compelling reasons for doing things differently in each service territory are offered.
- b) Does CEA agree that Union and EGD should also offer a base set of Low Income Measures/programs across their service territories unless compelling reasons for doing things differently in each service territory are offered.

Question 8: Evaluation

Page 132 "Concentric anticipates that the Board would be responsible for selecting the program evaluator(s) and the program auditor, for defining the parameters of the evaluation and the audit, and for reviewing the results. Concentric believes the Board should consider assigning one or two OEB staff members to oversee the DSM program and evaluation audit process, thereby minimizing the impact of this recommendation on the Board's limited resources"

- a) Does this recommendation result in elimination of the EACs? If so how utility and Stakeholder input to be engaged/provided?
- b) Cite examples of regulator-centered/controlled evaluations and indicate how ratepayers are engaged/protected in these jurisdictions.
- c) Is CEA aware that independent evaluation of electric utility CDM has resulted in most LRAM/SSM claims (Post evaluation) being modified after critical review by ratepayers and the Board?