TORONTO

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February 14, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 2300 Yonge Street, Suite 2700
Toronto, ON, M4P 1E4

Dear Ms. Walli:

Re: Staff Discussion Paper on Revised Draft Demand Side Guidelines for Natural Gas Utilities (File # EB-2008-0346)

We support the Board's efforts to encourage energy conservation through Demand Side Management (DSM) guidelines for Natural Gas Distributors. We are pleased to see an increased emphasis on co-ordination with local electricity distribution companies (LDCs) to deliver multi-fuel programs, the inclusion of greenhouse gas emissions as an element to be considered in program evaluation and a proposed expansion of the DSM budgets to move beyond the focus on simple measures and enable deeper energy retrofits.

Below, we have provided comments to identify aspects of the draft guidelines that could be strengthened. Page numbers refer to the staff discussion paper.

P.15, Low-Income Utility Bill Payment: "Only natural gas heated homes will be eligible for building envelope measures." On the principle of equity and ensuring co-operation with LDCs, the Board should consider making building envelope measures for electrically heated homes eligible and then establish a mechanism for the gas utilities to be reimbursed from the Ontario Power Authority's new low-income program that will launch in 2011. If the Board is not willing to directly fund these measures, at a minimum it should establish basic requirements around program co-ordination for low-income customers. For example, the Board could require that a referral mechanism be established between gas utilities and LDCs. Outreach to this community is challenging because low-income residents do not typically self identify. Requirements that there be some level of co-ordination between the utilities will ensure that outreach efforts by either party are more cost effective.

P.15, Low-Income Landlord Consent: As a measure of security for low-income residents, the Board should add a requirement to the landlord consent that they specifically acknowledge that funding for the retrofit measures is from the DSM program and not funded by the landlord. There is a risk that DSM funding could contribute to the erosion of the affordable housing stock if a landlord tries to raise rents based upon the improved property value. These retrofit measures should not form the basis of an above-guideline rent increase application to the Landlord and Tenant Board since they were not funded by the landlord. A clear declaration on a landlord consent form could serve as valuable evidence should a tenant need to defend themselves against an unjustified rent increase in a case before the Tribunal.

P.19, S.3.4.2, Screening: We encourage the use of the "scorecard approach" instead of the lowered TRC threshold because this would enable a wider range of potential retrofit measures and ensure that deep savings are achieved. If unsure of the complexity or adverse consequences, the Board may wish to encourage utilities to measure programs with a scorecard on a pilot basis in 2012 to test if this approach would be effective for the remaining DSM term. The added complexity of this approach should not be a deterrent to use a scorecard that more adequately captures the societal costs and benefits. As evidence of the limitation of the lowered TRC threshold approach, Enbridge's 2011 submission for the Low-Income Weatherization program was based on the TRC threshold of 0.70 but this does not allow it to fund certain building envelope measures that have the potential to achieve deep energy savings. In Toronto, we have temporarily addressed this barrier in a 300 home pilot program, *Home Energy Help,* which we deliver in collaboration with Enbridge. On average, we are achieving energy savings of 35% for low-income residences due to additional funding from the City to enable deep energy retrofits not possible under Enbridge's currently approved program.

P.26, Costs of CO2 emissions: The Board proposes that the value of carbon be initially established at $15 / tonne. However, this cost reflects only the current market trading value which does not presently capture all of the externalities of greenhouse gas emissions (for example the massive infrastructure costs that will be borne by cities in adapting to a changing climate). The Board should use a much higher cost for carbon to be consistent with Ontario's policy direction to reduce emissions by 20% by 2020. We suggest a minimum of $25 in 2012, climbing to $50 in 2014. Numerous experts we have consulted with estimate that the price of carbon eventually needs to get up to $200 / tonne to adequately capture its externalities.

Green Jobs: In addition to adding greenhouse gas reductions as a consideration in the program evaluation, a green jobs multiplier should also be used to capture the economic and societal benefits and to be consistent with the policy direction in Ontario's Green Energy and Economy Act. For example, if DSM funding were to enable the deep retrofit of 2500 low-rise residences in Toronto a year, the City's Economic Development staff estimate that this could help to create and / or support at least 380 person years of employment among trades people and other skilled professionals.

P.28, Discount Rates: The Board should use a lower discount rate so that the long-term societal benefits from deep energy savings are adequately reflected. For consistency, we would suggest using the Ontario Power Authority's rate.

P.30, Attribution: We would like to ensure that we are able to claim CO2 savings for measures that we have funded when delivering a program in collaboration with utilities. As was done in our collaborative agreement with Enbridge for the Low-Income *Home Energy Help* program, we are also willing to exchange rights to claim reductions in cubic metres of natural gas for the rights to claim greenhouse gas emissions and any associated carbon credits. We agree with the proposed approach that attribution should be according to any agreements between the parties. We do not agree with the Ontario Power Authority's current "centrality" principal because this discourages collaboration by allowing the OPA to claim all environmental attributes associated with a program, regardless of which partner has contributed funding.

P.35 – 50, DSM Budget: We agree with the comment that the Board should be "more concerned with customer bills, not the rates" with the underlying implication that taking a long term view to help customers lower their bills through conservation efforts is preferable to a short-term view that is focused on a small escalation in rates.

We support the move to expand DSM budgets and would encourage the Board to consider Option 2. In general, the budget increases are justified because residents will have the option to participate in the programs and reduce their energy bills by a much more substantial amount than the $20 - $40 rate-based increase. Further, the proposed increases are a relatively small proportion of current energy bills and likely less than the current inflation rate. This is a small price to pay in view of the potential to reduce future DSM budgets because of the savings that are achieved in the short-term (DSM budgets do not represent permanent increases to the rate base. Rather, they are investments).

We would also encourage the Board to request the Ministry of Energy and/or the Ministry of Municipal Affairs and Housing to consider contributing directly to the DSM programs to expand the budgets in future years as a cost effective way to deliver programs that achieve its climate change and sustainable energy goals. For example, funding earmarked by the Ministry of Energy for the Ontario Home Energy Savings Program could be allocated to the DSM budgets in order to save on any administrative costs. Similarly, funding from the Ministry of Municipal Affairs and Housing for climate change mitigation activities could be allocated directly to the Board for DSM programs as the most cost effective way to achieve the Province's climate change targets.

Consideration should be given to increase Enbridge's budget relative to Union Gas' in recognition that Enbridge's service area (in particular Toronto) is comprised of an older building stock. The budget should relate to the average age of homes in the service area because greater gas savings are possible in older homes while the initial up front retrofit costs may be higher. Currently, Enbridge's spending per customer is much lower than Union's, which also falls short of the equity principal.

P.38, Ontario Home Energy Savings Program: This description could be clearer to advise that the program terminates as of March 31st, 2011. This is the date that post retrofit evaluations have to be completed. The current wording implies that participants would be able to complete their retrofit work after this date. This clarification is important because as of March 31st, 2011, there will be no retrofit program in the Province until any DSM programs are up and running in 2012.

Loan Programs for Deep Energy Retrofits: The Board should consider making a portion of the DSM budgets available to serve as security in a loan program (i.e. a loan loss reserve fund) or to serve as a grant towards an interest rate buy down should municipalities wish to establish a property attached loan program for deep energy retrofits. For example, a municipality such as Toronto would raise funds to loan at low interested rates, secured by a reserve fund from the DSM budget in the event of loan default. Default rates would typically be low if the program was property attached and designed on a pay as you save model, with residents paying back the loan through their utility bill out of their expected savings from the energy retrofits. The DSM guidelines could provide some enabling provisions that would clarify that this as an acceptable collaborative arrangement between a utility and a municipality. This would allow the municipality to encourage more expensive conservation measures that may not qualify for direct funding through the DSM program screening process.

P.52, Budget for Low-Income Program: Enbridge should be encouraged to increase its low-income budget to support deep energy retrofits of a minimum of 500 homes per year in Toronto. Research in the City of Toronto indicates that there may be upwards of 70,000 low rise homes occupied by low-income residents in Toronto, many of whom are seniors on fixed incomes. In the interests of equity, it is important that a substantial portion of the DSM budget address this segment of the population since they are unable to make the necessary investments in energy efficiency and will otherwise not be able to capture the benefits of reduced energy bills and improved home comfort.

P.64, Program Evaluation and Audit: The Board should provide direction to gas utilities requiring them to share monitoring data and audit results with program partners, in accordance with any agreements between the parties that protect participants' privacy. The City of Toronto's Auditor General has identified this as a priority in future collaborative arrangement because it will allow us to more effectively measure success and report on program results.

P.66, Filing and Reporting: We support this direction to allow mid-term filings since this will encourage collaboration with program partners operating under different approval timelines.

P.68, Co-ordination and Integration of DSM and CDM: We are supportive of the Board's move to encourage collaboration between gas utilities and LDCs in delivering conservation programs. We also appreciate the need to ensure flexibility in program design. However, we believe that the Province's interests and the policy goals articulated in the Green Energy and Economy Act would be better served by some level of mandatory program integration, particular in denser urban areas where significant cost savings (economies of scale, avoidance of duplication, shared administrative costs) are possible through neighbourhood retrofit approaches.

Thank you for the opportunity to comment on this important initiative and for your consideration of these matters.

Yours truly,

Lawson Oates

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