

VIA E-MAIL, RESS & COURIER TO THE BOARD

April 21, 2011

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

Re: EB-2008-0346 Demand Side Management Guidelines for Natural Gas Distributors

Please find attached the submissions of the Federation of Rental-housing Providers of Ontario (FRPO) in the above-noted proceeding.

Respectfully Submitted on Behalf of FRPO,



Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. V. Brescia, M. Chopwick (FRPO)

Introduction

The Federation of Rental-housing Providers of Ontario (FRPO) has received the Board letter informing participants of the Board's views and considerations for Demand Side Management (DSM) for Natural Gas Distributors. We appreciate and respect the Board's communication of its views that reflect a considered application of the history with guidance for the issues of today. The letter provided significant insight into the Board's considerations at a high level to provide distributors and stakeholders with some guidance on evolving DSM programs to recognize those that have reached maturity and others that have more potential.

We were also encouraged to note the Board's recognition of growing issues of cross-subsidization. FRPO had expressed concerns regarding our view of the growing risks of cross-subsidization especially as it pertained to eligibility criteria. We trust that the interim nature of the letter creates an expectation of further direction on other areas communicated in the staff report. Therefore FRPO will respond to the Board's questions eliciting further input and will respectfully request that the Board provide direction to the utilities on eligibility criteria prior to closing our comments.

Issues for Further Comment

1. How should the low-income DSM budget be set? Should the low-income budget stay at the same level or increase? Should the current low-income budget funding from the residential class be maintained or should the funding be recovered from all rate classes? Is there a different set of programs that are appropriate for low income consumers e.g. should "deep" measures be promoted for this group of customers to a greater extent? What approach should be used to coordinate gas DSM programs with electricity CDM programs for low-income consumers?

In our February submissions to this consultation, FRPO expressed concerns about the use of DSM budgets being tied to revenues as an arbitrary metric. Similarly, we would be concerned

about establishing a low-income budget on a fixed percentage. We submit that the potential for low-income DSM programs be examined after the utility has considered the market barriers and determined strategies to overcome those barriers. For the purposes of efficiency, we provide the views of the Massachusetts Department of Utilities as provided in our submissions to this consultation in February¹:

According to the DPU, "a company must have an adequate information base to determine the potential for [conservation] within each customer class.". To meet the directive that each utility must "take into account and compensate for market barriers that affect any customer group's participation in Company [conservation] programs," each utility in Massachusetts must now engage in a "systematic analysis" and must "document consideration of program design to provide direct benefits to all customers including low-income and other residential customers."

Given the Board's acknowledgement that some programs may have reached saturation, we submit that the time has come to review opportunities for addressing historic barriers that have precluded customer participation. Concentric Energy Advisors recommended, in its report commissioned by the Board², that "Low income programs represent a significant portion of potential conservation benefits". We would respectfully submit that the utilities be directed to study and document their analysis for consideration and evolution of their program designs to identify and overcome market barriers, especially as they pertain to multi-family residential. We accept that this intentional study would take some time and therefore would accept that the low-income budget funding could stay at the current levels until such time as the opportunity for

¹ EB-2008-0346 FRPO Submissions dated February 14, 2011 page 5 citing Re. Eastern Edison Company, 100 P.U.R.4th 379 (Mass.DPU 1988)

² Concentric Energy Advisors, Ontario Energy Board - DSM Framework Review, page 47

prudent spending is increased by the results of this work. Opportunities for "deep measures" should form part of this study. Also, this work can extend to consultations with electric representatives to determine where previous untapped potential may be better addressed in a collaborative effort with stakeholders. Having been accomplished on the Commercial Side by "Energy Into Action"³, we believe it can be available to multi-residential low-income customers.

Consistent with our previous submissions and echoing the Board's letter of March 29th, FRPO supports sound regulatory policy in establishing funding. While it may be considered a boost to the program in having funding available from all rate classes, we respectfully submit that the funding for low income residential DSM ought to be borne by the residential rate class. But, to the extent that eligibility criteria can be evolved and multi-unit residential low income DSM can be available under the commercial category, we believe that funding ought to be provided from the appropriate rate commercial rate classes that would include commercial multi-unit DSM.

2. Do industrial and commercial DSM programs with significant incentives create competitive advantages for the participants of the programs relative to their competitors? What programs, if any, are appropriate for these sectors? Should there be a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes? Should DSM programs in these sectors focus more on energy audits and efficiency training or case studies to highlight best practices and new technologies, rather than financing equipment and installation costs for specific DSM projects?

In our view, industrial and commercial DSM programs are not only environmentally conscious, but also good business. While advantages can be gained by one competitor over another by participating in a DSM program, that is part of business in achieving superior access to resources as it would be with acquisition of other goods and services. With a recognition of competition for access, it is incumbent on the programs to ensure fair and equitable access across commercial

³ <http://www.energyintoaction.com/>

and industrial sectors. Further, there should be a requirement for pre- and post-DSM monitoring and reporting to demonstrate intervention efficacy and to ripple the value of conservation through the organization, especially in industrials where measurement is likely more prevalent.

3. What should be the natural gas utilities' role, if any, in providing natural gas DSM education and training programs funded through distribution rates? Should they focus on targeting contractors, trades and professional associations to ensure DSM messages reach end-users?

Natural gas utilities are uniquely positioned to be the source of education, training and facilitation. From the grassroots knowledge of the commodity and its uses and through to its connection to manufacturers, trades and contractors, the utility can design, communicate and coordinate programs resulting in economic efficiency for the benefit of all stakeholders. In our submission, absent a properly equipped, knowledgeable and authorized program administrator, the utilities should maintain the central role in DSM delivery.

4. What should be the natural gas utilities' role, if any, in undertaking R&D and pilot programs funded through distribution rates? Should utilities work with key industry leaders to encourage further changes in building codes and improve standards in heating equipment?

To the extent that the R&D and pilot program is focused on program delivery, the natural gas utilities should have a central role and we accept the involvement can be funded through distribution rates. This role would allow coordination, measurement and comparison with past programs and potentially competing technologies.

However, while utilities can be a voice of conservation, they are neither properly positioned nor incented to promote building code changes and improved standards in heating equipment. One only needs to consider the anaemic increase in water heater efficiency over the decades where,

until recent developments, most water heater efficiencies for residential use had efficiencies of less than 65%.⁴

Cross-subsidization

As mentioned above, FRPO was encouraged by the Board's recognition of the risks of cross-subsidization in the DSM programs. We will not reiterate our previous submissions but respectfully recommend to the Board that there is a risk of increasing cross-subsidizations if eligibility criteria preclude the access of privately-owned, multi-family residential buildings with bulk metering. In addressing the program designs as called for above, we believe more suitable, equitable criteria can be developed allowing low income apartment and townhouse dwellers equal opportunity to benefit from the low income programs.

We would like to thank the Board for the opportunity to contribute to this consultation and remain available to assist with solutions for the benefit of Ontario.

All of which is Respectfully Submitted on Behalf of FRPO,



Dwayne Quinn P.Eng, MBA

PRINCIPAL

DR QUINN & ASSOCIATES LTD.

⁴ NR Can <http://oee.nrcan.gc.ca/residential/personal/water-heater-types.cfm?attr=4>