

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an Order or Orders approving the 2012 to 2014 Demand Side Management Plan.

Submission of the Building Owners and Managers Association - Toronto

Introduction

This is the submission of the Building Owners and Managers Association - Toronto ("BOMA") related to the Union Gas Limited ("Union") application seeking approval of its 2013-2014 Large Volume Demand Side Management Plan). Although this program only impacts customers in rate classes 100, T1 and T2, BOMA is making these submissions on matters of general principles.

BOMA is headquartered in Toronto, but it represents members across Ontario except for those Ottawa building owners and managers who are members of BOMA Ottawa. BOMA members who are customers of Union are served primarily through rates M1, M2 and M4. This program is not expected to have any direct rate impact on BOMA members. However, BOMA is seriously concerned about the "slippery slope" that would be created if suggestions by some intervenors such as the Association of Power Producers of Ontario ("APPrO") and the Industrial Gas Users Association ("IGUA") are acted upon by the Board.

The slippery slope in question is that these suggestions would undermine Natural Gas Demand Side Management ("DSM"), Electricity Conservation and Demand Management ("CDM"), and contradict the Ontario government's policy with respect Greenhouse Gas Emission Reductions. These are areas of great interest to BOMA members who participate in DSM and CDM and take pride in their efforts to reduce Greenhouse Gas Emissions through the BOMA BESt Program a national program launched in 2005 by BOMA Canada to address an industry need for *realistic standards for energy and environmental performance of existing buildings based on accurate, independently verified information*.

It is BOMA's strong belief that utility DSM and CDM programs and its own BOMA BESt program are complementary and work best in harmony. Even though energy and environmental management are increasingly important to our members, DSM and CDM programs are important spurs to actions and serve to keep the consideration of efficiency improvements top of mind for

our *building managers* and often utility staff help them make the business case which change our *owners'* decisions. It was for this reason that BOMA Toronto stepped up to the plate to deliver CDM to its members on contract to the Ontario Power Authority in advance of the *CDM Code for Electricity Distributors* issued by the Board in 2011.

BOMA's Submission: Union's application should be approved as filed.

- Union has listened well to its large industrial customers with respect to the need for predictability in rates, a matter that BOMA firmly supports. Union has developed an innovative approach to respond to these concerns that is fully consistent with the Board's Guidelines and will address the problems experienced with the significant rate impacts of the Shareholder Incentive for stellar performance in 2011.
- While GEC's suggestion for a two year approach may ultimately be a step in the right direction, Union should have the opportunity to work through the program logistics as it has currently planned for this year given that the year has already begun. BOMA accepts the scheduling impacts noted in Mr. Smith's Argument in Chief. Union may then wish to find a more sustainable approach to the "use it or lose it" deadline once both Union and its customers get accustomed to the new energy management planning framework. BOMA is concerned about the integrity of internal management practices, but also recognized that time limited offers can spur action and move conservation projects up higher in a list of priorities.
- BOMA's experience also recognizes that good conservation practices involve continuous improvement, benchmarking, equipment replacement and third party verification of results. To date, DSM has predominantly focused on equipment replacement and third party verification of engineering estimates of savings. Increasingly, both Union and Enbridge are broadening their approach. To this end, Union may want to build in more flexibility for customers in the future, with longer term approaches – such as 5 year energy management plans with annual benchmarking and increased certainty on levels of funding for the programs generally and for customer incentives specifically.

BOMA does not support opt out provisions

- Clearly large industrial DSM yields the biggest bang for the buck among the various sectoral DSM programs. With an 8.1 to 1 ratio of benefits to costs, it is critical to remember that these benefits are total societal benefits even before environmental externalities are factored in. Ontario would lose these net benefits which already include an assessment of free riders.
- Union's increasingly higher participation rates among its largest customers clearly point to the value of the programs – all elements of the programs, not just incentives.

- Even the Navigant survey indicated support for opting out diminished significantly when a requirement for third party reporting, measurement and verification was included. Note that BOMA BEST includes third party verification in addition to BOMA members supporting individual utility monitoring and verification. Again, third party verification was a must have element for BOMA's electric CDM program delivery.
- An element of government policy recognized by the Board's own renewed regulatory approach is that distributed generation will increase in importance in Ontario. BOMA asserts that combined heat and power (CHP) is in fact both a distributed source of generation, but also a significant improvement in generation efficiency, and therefore a conservation initiative of its own. The evidence in this case notes in numerous instances that state of the art stand-alone gas generators are about 35% efficient. CHP can improve that number to 80 to 90%. Any opting out provision based on the fact that the customer is also a generator could result in significant rate burden on the remaining non-generating customers, particularly as policy and regulatory direction will make it easier for customers to become generators.
- BOMA is concerned that the APPrO witness supporting an opting out provision does not have a formal energy management plan:

MR. POCH: Have you done a formal study or had -- of energy efficiency options at different -- with different paybacks? Or is this just something you do on a kind of an ad hoc basis?

MR. RUSSELL: It's on a continuous, ongoing basis. We have not undertaken a formal energy audit.

MR. POCH: All right. And nor have you had an independent audit, I take it?

MR. RUSSELL: No.

MR. POCH: It goes without saying.

- BOMA suggests that if the Board wishes to consider allowing natural gas generators to opt out of DSM programs that they have been participating in since 1997, it may need to include conservation planning, reporting and benchmarking requirements as a condition of a generator's license. However, this might require additional oversight by the Board in ensuring compliance and duplication of resources and competencies with natural gas utilities at significant cost.

BOMA does not support arbitrary changes in DSM Budgets.

- BOMA did not support the apparent freeze on DSM budgets implied by the guideline. While the legal impact of the guidelines on this matter has been clarified by Board Counsel, for the same reason, BOMA does not support a Board driven increase in Union's submitted budget.

Union's long standing experience in delivery of DSM has informed its current budget request. However, the Board must clearly signal to all natural gas utilities that reasonable increases in DSM budgets are acceptable. The reason for this is evident in the following dialogue beginning on Page 83 of the transcript for January 31, 2013 between Mr. Wanless and Ms. Lynch:

MR. WANLESS: *And then I want to do a brief comparison with other conservation programs. I would direct you to tab 2. This tab contains excerpts from the Environmental Commissioner of Ontario's year 2011 report on energy conservation. The title is "Restoring Balance: Results Annual Energy Conservation Progress Report 2011." I would direct you to page 12, which at the top has a table showing the portfolio of OPA programs and outlines their cost-effectiveness. And according to table 13, OPA's industrial energy conservation program has a TRC benefit-cost ratio of 2.98 to 1.0; is that correct?*

MS. LYNCH: *I see that on the page in front of me.*

MR. WANLESS: *So therefore you would agree that Union's industrial DSM programs are 2.7 times more cost-effective than OPA's industrial energy conservation program? Would that be fair?*

MS. LYNCH: *Based on the numbers in front of me.*

MR. WANLESS: *And according to that same table, the average TRC benefit-cost ratio of all of Ontario's electric conservation programs is 1.23 to 1.0, is that correct, according to that table?*

MS. LYNCH: *I see that number on this table.*

MR. WANLESS: *Okay. So doing quick math again, Union's industrial DSM programs are 6.7 times more cost-effective than the average electric conservation program; is that correct?*

MS. LYNCH: *Based on the numbers that have been presented here.*

MR. WANLESS: *Okay, thank you. I would direct you to page 13 under that same tab and specifically to figure 5. And according to this figure, natural gas provides Ontario consumers with 35 percent of their energy needs, whereas electricity provides them with 19 percent; is that correct?*

MS. LYNCH: *Yes, based on the numbers in this report.*

MR. WANLESS: *Okay. And what that means is natural gas is providing us with almost twice as many petajoules of energy as electricity; correct?*

MS. LYNCH: *According to this table.*

MR. WANLESS: *And, again, I would ask you to turn back to page 10. Again, according to this report, in 2011 Ontario's total electric and gas utility conservation budgets were 270 million and 55 million, respectively; is that correct?*

MS. LYNCH: *Yes, based on this report.*

MR. WANLESS: *And, again, doing quick math, the electric utilities' conservation budgets were almost five times greater than the combined conservation budgets of Enbridge and Union Gas; is that correct?*

MS. LYNCH: *Yes, based on the numbers here.*

BOMA submits that some evidence submitted by APPrO is somewhat misleading:

- BOMA shares the sentiments of some intervenors about the validity of the survey given that its scope dealt primarily with opting out rather than ascertaining the degree of acceptance of its members with respect to the Union plan. The survey response rate does not support APPrO's contention that this of great concern to its members. In fact, the Board should note the large number of projects submitted by APPrO members to the program.

MR. POCH: *All right. We heard at page 12 of yesterday's transcript, in Union's chief, that they have in the last three years provided incentives for some 60 projects amongst energy generators worth -- \$700,000 worth of incentives.*

- BOMA would also like to draw attention to a potentially misleading analysis with respect to comparing incentives to total capital costs – a more instructive analytic would be comparing the incentive to the incremental cost of the project associated with higher efficiency equipment which would be much less than the total capital cost of the project.

MR. ZARUMBA: *...Looking at this in round numbers, we were talking \$1 million of capital investments with roughly a 3 percent incentive.*

- BOMA suggests that good DSM programs may not influence the timing of major projects, but can definitely influence the efficiency aspects of such major projects, a tenet that even APPrO's witness holds to be true. (Page 43, February 1, 2013)

MR. POCH: *That in the real world, companies have capital stock turnover occasions. They have maintenance schedules, as you have said, minor ones, major ones, and that an effective DSM program is one that tries to intervene on a timely basis, timely in light of what the customer's activities are, because if you miss the window of opportunity like that, you might have missed the opportunity for efficiency for many years until that capital item gets changed over again or gets maintained again, what have you?*

MR. ZARUMBA: *That I would agree with.*