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February 05, 2013

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Union Gas Ltd.
EB-2012-0337

Please find enclosed the submissions of VECC with respect to Union's proposed 2013- 2014 Large Volume Demand Side Management Plan.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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.

**SUBMISSIONS OF THE
VULNERABLE ENERGY CONSUMERS COALITION
("VECC")**

1. It is VECC's understanding that the plan before the Board in this proceeding deals exclusively with Demand Side Management ("DSM") programs to be delivered to customers utilizing rates 100, T1, T2, and that the costs associated with the proposed programs are to be allocated to those same rate classes, including the associated allocation of DSM overhead costs.
2. Accordingly, assuming the Board either approves the Large Volume DSM Plan as proposed, or limits changes to the plan to the DSM Program details, as opposed to allowing changes to the overall DSM framework within which this application is being made, VECC has no submissions to make with respect to the application.
3. VECC's direct interest in this application arises specifically with respect to the proposition by APPRO that certain customers within a rate class should have the option to opt-out of DSM altogether; in VECC's view that proposition constitutes an attempt to change the overall DSM framework under which Union is currently operating.
4. The current DSM framework collects funding from all ratepayers in a rate class, and then re-allocates that funding to a subset of that class (participants) through DSM programs. By its nature the framework allows Union to provide to that subset of the class a subsidy; ratepayers that are the recipients of DSM program funding generally receive DSM funding in excess of what they pay into rates with respect to DSM.
5. Under the existing DSM framework any customer can opt-out of DSM programming; there is no requirement that customers participate in OEB sanctioned DSM Programs. Any customer, within any rate class, can opt out of DSM programming, simply by refusing to participate.

6. APPRO's proposal goes further, seeking to allow certain customers to not only opt-out of DSM programming, but also allow them to opt out of providing DSM funding as a component of their rates.
7. With respect, the rationale for allowing utilities such as Union to provide DSM programming to only a subset of its customers within a rate class while at the same time recovering the costs of those programs from all customers in that same rate class, whether they receive program funding or not, is that reduced natural gas consumption by any customer, beyond the direct benefit that customer enjoys, is a benefit to all customers.
8. So long as the DSM programming that is funded by a particular rate class is, at some level, available to all the members of that rate class (even though not all members will receive that programming) the DSM framework allows for recovery of the costs of that program from that rate class.
9. APPRO's evidence complains that many of its members have already undertaken projects under the programming that is offered by Union, or would have done so in the near term whether the programming had been offered or not. With respect, assuming that is the case, such facts are properly considered in the evaluation of the proposed DSM programs, not as a stand alone rationale for excluding certain rate class members from providing DSM funding in their rates. If Union is delivering programs that customers are already implementing, that is reason to examine, for example, the free rider rates used when evaluating the program. It is not, in VECC's view, a generic reason to allow certain customers to enjoy the indirect benefits of DSM programming while at the same time allow them to refuse to pay into the DSM framework.
10. VECC notes that Union's proposed Plan in this proceeding provides what appears to be an unprecedented opportunity for rate class members to access the funding they provide to Union in rates to implement their own customer specific DSM programming.¹ While VECC has no submissions one way or the other with respect to the appropriateness or effectiveness of such a program design, or the manner in which such a program should attract incentives for Union, VECC does note that such a program appears to provide individual rate payers within the affected class with an opportunity to redirect a material amount of the funding for DSM programming that they pay in rates towards the energy efficiency measures they claim they are already (or are contemplating) implementing on their own.

¹ Exhibit A Tab 1, page 7.

² Transcript, Volume 2, page 51.

11. VECC notes that APPRO's position does not include opting out of providing funding for the Low Income DSM Program; accordingly it is VECC's understanding that no party is seeking to disrupt the Low Income DSM Program funding model, and no submissions in opposition of such a suggestion are necessary.²

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 5th DAY OF
FEBRUARY 2013**

² Transcript, Volume 2, page 51.