EB-2012-0337

ONTARIO ENERGY BOARD

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 for an Order or Orders granting approval of 2013-2014 Demand Side Management Plan for Large Volume Customers.

SUBMISSION
OF LOW-INCOME ENERGY NETWORK

OVERVIEW OF LIEN'S POSITION

1 LIEN represents 90 member groups across Ontario. As a network representing the intersection of interests related to low-income consumers and energy and sustainability, LIEN's focus is on reducing the energy bills of all low-income consumers and providing low-income consumers the opportunity to better manage their energy bills. This helps to ensure that all low-income consumers across Ontario have access to demand-side management ("DSM") programs, technologies and services as well as DSM education, and realize the environmental, energy and economic benefits associated with the more efficient use of energy.

2 LIEN believes that giving all consumers access to DSM programs is important for at least three reasons: (1) DSM programs reduce consumer energy bills and promote environmental sustainability, (2) providing broad access to DSM programs reduces non-participants, and (3) providing DSM programs to all consumers allows for sharing (by all consumers) of portfolio costs (research, evaluation, administration), which are necessary to ensure the effectiveness of these programs and the portfolio.

3 LIEN's objective is to ensure that Union's Large Volume DSM Plan for 2013 and 2014 ("Union's DSM Plan")[1] is structured to maximize cost-effective energy efficiency for the sector within the budgetary constraints and not prejudice or negatively impact Union's low-income consumers across Ontario.

4 LIEN is supportive of Union's DSM Plan and does not object to the suggested modifications proposed by Mr. Chris Neme. LIEN submits that Union's DSM Plan meets all requirements under the Demand Side Management Guidelines for Natural Gas Utilities dated June 30, 2011 (the "Guidelines").

5 LIEN's main concern in this proceeding is that if large volume customers are permitted to and do opt-out of the Union's DSM Plan, all customers, including low-income customers, will have to pay more in portfolio costs to support DSM,

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[1] We note that Union's application states that, at the time of Union's submission of its updated evidence (October 25, 2012), Union was waiting for the Board's approval of Union's proposed T2 rate structure in EB-2011-0210. On January 17, 2013, the Board granted Union's proposed T2 rate structure and ordered, effective January 1, 2013, that the current Rate T1 rate class be split into new Rate T1 and Rate T2 rate classes.

See Board's Decision and Rate Order dated January 17, 2013, page 24 (ordered item no. 26).

and this will increase the energy burden of consumers that already have difficulty with their energy costs.

6 LIEN respectfully requests that the Board not approve an opt-out option for large volume customers.

I. <u>LIEN'S ARGUMENT</u>

A. LIEN SUPPORTS UNION'S DSM PLAN

7 LIEN submits that Union's DSM Plan includes a comprehensive suite of offerings to its large volume customers, which meets the Guideline's requirements and is consistent with Union's 2012 DSM program. Union's DSM Plan will increase the number of projects and natural gas savings amongst Union's large volume customers in 2013 and 2014.

8 Union states that "within an environment of competing production demands, limited resources and low commodity prices for natural gas, it is important to continually ensure energy-efficiency remains a priority for large volume customers."

> **Union's Updated Evidence, Exhibit A, Tab 1, p. 8, lines 20 to 22.**

9 Union also states that large volume customers generate the "most cost-effective natural gas savings within Union's program portfolio", and that "significant economically feasible efficiency opportunities remain in the province that large volume customers [such as power producers] have not undertaken to-date."

Union's Updated Evidence, Exhibit A, Tab 1, p. 8, lines 22 to 26.

10 Union identifies examples of energy deficiencies common to natural gas power producers, and ways that Union's DSM programs have and will continue to address those deficiencies.

Transcript #1, dated January 31, 2013, at page 10, line 6 to page 11, line 11.

11 LIEN supports Union's positions, above. LIEN submits that Union's summary of its historical Rate T1 and Rate 100 cumulative natural gas savings from 2008 to 2011 support Union's forecast that growth in projects and savings will continue in 2013 and 2014 under Union's DSM Plan as proposed and will directly result in bill reductions for customers. LIEN submits that Union is fully capable to continue to support its large volume customers, including power producers, to realize energy savings and bill reductions, and that Union's DSM Plan enables this.

Union's Updated Evidence, Exhibit A, Tab 1, p. 9, lines 1 to 6 and Table 1.

B. OPT-OUT PROVISION WOULD NEGATIVELY IMPACT LOW-INCOME CUSTOMERS

12 LIEN supports Union's position that it should not provide an option to its large volume customers to opt-out of Union's DSM programming, despite interest in such an option from some large volume customers. Specifically, LIEN submits that allowing customers to opt-out of paying for DSM programming violates the principles of class ratemaking, would be inconsistent with the Board's and

Union's practice, is not in keeping with the Guidelines, and will negatively impact low-income consumers.

Union's Updated Evidence, Exhibit A, Tab 1, pp. 31 to 33.

13 LIEN concurs with the arguments against an "opt-out" option, as expressed by Union and Mr. Chris Neme, namely: (a) feedback from large volume customers suggests a majority prefer continued DSM programming, (b) significant untapped efficiency potential within the large volume rate class remains, (c) very few leading jurisdictions provide an opt-out option, and (d) all customers in a rate class should be treated consistently.[2]

Chris Neme's Evidence, filed December 14, 2012, Exhibit C1, pages 3 and 4.

14 Navigant surveyed neighbouring jurisdictions in the US and found that none provided an opt-out option to large volume customers, with the exception of Ohio, where any customer may opt-out where opting out of energy efficiency programs is economic for the customer. Navigant notes that no customer in Ohio has requested to opt-out to date. LIEN submits that this may be because no customer can show that it is economic to opt-out.

Navigant Evidence, filed December 14, 2012, Exhibit C2, pp. 5 and 6.

15 LIEN submits that the case in Ohio is not unique. ACEEE reported that opt-out options are available in Utah, Wyoming and Oregon where customers can prove they have achieved a certain level of cost-effective energy efficiency

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[2] Union's evidence in Transcript #1, dated January 31, 2013, page 78, lines 2 to 28, is that the customer(s) within a rate class that do not opt-out must pay for those DSM costs that would otherwise have been allocated to those customers who opted out.

on their own. However, to date, no company has opted out under these regimes because “there are always some cost-effective [energy efficiency] projects that could be identified during an energy audit”.

Anna Chittum “Follow the Leaders: Improving Large Customer Self-Direct Programs” at p. 17 (as provided in by GEC in response to CME Interrogatory #1, Exhibit D6.1) and Transcript #2, dated February 1, 2013, p. 47, line 24 to p. 48, line 13.

16 LIEN is pleased that APPrO confirms (in response to LIEN’s interrogatories and during the hearing) that if an opt-out program were to be implemented for T2 and Rate 100 customers, the Board-mandated low-income allocation to T2 and Rate 100 would continue to be paid for by those large volume customers that opt-out.

APPrO’s Response to LIEN Interrogatory #1(b) and #2(b), Exhibit D4 and Transcript #2, dated February 1, 2013, p. 51, lines 14 to 28.

17 LIEN is concerned that if large volume customers opt-out of Union’s DSM Plan, this sets a precedent which strays too far away from the ratemaking principles of “postage-stamp ratemaking” adopted in Ontario.

18 Moreover, LIEN is also concerned that all remaining customers, including low-income customers, will have to pay more in portfolio costs. LIEN submits that providing DSM programs to all customers allows for sharing of portfolio costs (research, evaluation, administration) necessary to ensure the effectiveness of these programs. This has been a fundamental principle of natural gas DSM in Ontario since the inception of DSM in E.B.O. 169-III, and should continue to be preserved.

19 Union proposes a portfolio budget of 9% of the DSM budget, which translates into portfolio allocation costs of $591,000 in 2013 and $604,000 in 2014. These portfolio costs are significant. Where large volume customers opt-out of DSM, as residential customers, low-income customers will be negatively affected by having to pay more than their current allocation of portfolio costs. To low-income customers, such costs may be significant.

Union's Updated Evidence, Exhibit A, Tab 1, pp. 10 (figure 1) and p. 13 (Table 3) and Transcript #1, dated January 31, 2013, p. 138, lines 12 to 19.

20 The Board has a mandate to ensure the objectives under section 2 of the *Ontario Energy Board Act, 1998*[3] are met. Specifically, the Board must (1) protect the interests of consumers with respect to prices and the reliability and quality of gas service, and (2) promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances. If large volume customers are permitted to opt-out of Union's DSM Plan, the economic circumstances of low-income customers will be prejudiced.

21 Accordingly, LIEN respectfully requests that the Board approve Union's DSM Plan, modified as determined by the Board to address Mr. Neme's recommendations, and not approve an opt-out option for large volume customers.

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[3] S.O. 1998, c. 15, Sch. B.