INTRODUCTION

The Board's statutory objectives and government policy provides a framework for the development of Board policies and guiding principles for determination of issues in the utilities DSM applications. In moving the evaluation of utility performance from the Total Resource Cost driven metrics to scorecards with emphasis on cubic meters saved, utilities were financially incented to seek efficacy in driving savings of cubic meters. This focus resulted in large volume customers (M7/T1) receiving significant one-time deferral account dispositions in the subsequent year. The fallout from these customers' concerns drove large customer intervenor representatives to seek protection for their constituents from this type of retroactivity.

In EB-2011-0327, the utility and parties reached agreement on a cap to the DSMVA of 15% for the M7/T1 class. No such protection was provided to other rate classes as the risk to those classes were not evident.

Seeking the additional autonomy to determine their own levels of DSM investment, some of the large customer groups sought an opt-out provision in EB-2012-0337. In its argument[1], Union emphasized the importance of rate predictability and stability as an important objective in defending its proposed approach. The Board ultimately cited the importance of this objective in approving Union's application[2] and denying the opt out provision. However, in the most recently produced Report, the Board did not mandate the continuation of ratepayer funded DSM programs for these large volume customers[3].

ISSUE

No Protection Enabling Rate Predictability and Stability for M4 and M5 Customers

Given the above background, as Union has evolved its approach with Large Volume customers, the Medium Volume customers (M4/M5 for simplicity) have become the new target for incremental spending to try to achieve cubic metres saving. In fact, the M4 rate class saw approximately 70% additional DSM spending over and above what was budgeted in rates[4]. This level of spending results in these customers getting an additional bill, sometimes referred to as the thirteenth monthly bill, representing an additional 12-13% of their previous year's annual bill for distribution services[5]. By simple percentages, that incremental bill equates to about 150% of the

[1] EB-2012-0337 Union Reply Argument 20130212, pages 7-9
[2] EB-2012-0337 Decision and Order 20130319, page 8
[3] EB-2014-0134 Demand Side Management Framework for Natural Gas Distributors (2015-2020), page 27
[4] Exhibit A, Tab 4, Schedule 3, line 3.
[5] Exhibit B.OGVG.1 Attachment 2. Calculated excluding the commodity cost to focus on the distribution bill impact.

average monthly bill. In our respectful submission, this level of retroactivity does not constitute rate predictability nor stability. OGVG's members operate their businesses on thin margins in a highly competitive global marketplace. Such large unexpected costs, at a time in the year when produce sales are inherently low, places our members at a competitive disadvantage when compared to neighbouring jurisdictions.

Incremental spending on Interruptible Medium Volume customers was not as excessive, only about 3%[6] over budget. However, when the aforementioned thirteenth monthly bill arrives, it would still be greater than an average monthly distribution bill at approximately 10% of the annual distribution cost[7]. While the evidence is not clear as to the drivers of this level of impact, it appears to be tied to the fact that for M5 interruptible customers almost 100% of the recovery of distribution cost is through volumetric rates. Given the limited discovery in this proceeding, we are unable to clarify the reasons behind this level of impact since it is not driven by incremental spending in the class.

CONCLUSION

Given the nature of this application, we respect that we will not be requesting changes in the underlying policy drivers that have created these issues in this proceeding. However, we wanted to highlight for the Board's awareness that, in our view, the evolution of performance measures, incentives and program constraints are resulting in significant levels of retroactive recovery from Medium Volume customers.

We respect that we will all have more opportunity to understand these implications in Union's 2015-2020 DSM application. However, in our initial read of that application, we note that Union has applied to merge M7 and T1 customers with M4/M5. This proposal would only increase our concern about these issues especially given that we did not see a proposal to cap DSMVA transfers to 15% as was formerly agreed to by Union for M7 and T1.

All of Which is Respectfully Submitted on Behalf of OGVG,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

[6] Exhibit A, Tab 4, Schedule 3, line 4.
[7] Exhibit B.OGVG.1 Attachment 2. Calculated excluding the commodity cost to focus on the distribution bill impact.