MICHAEL R. BUONAGURO

Barrister and Solicitor

24 HUMBER TRAIL
TORONTO, ONTARIO, M6S 4C1
P: (416) 767-1666
F: (416) 767-1666
EMAIL: mrb@mrb-law.com

October 2, 2015

DELIVERED BY EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli,

RE: EB-20125-0029/0049

Please find enclosed the final submissions of the Ontario Greenhouse Vegetable Growers in the above noted proceeding.

Yours very truly,

Michael R. Buonaguro

CC: All Participants

ONTARIO ENERGY BOARD IN THE MATTER OF

the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF Applications by Enbridge Gas Distribution Inc. and Union Gas Limited pursuant to the *Ontario Energy Board Act* for Orders approving their demand side management plans for the years 2015 through 2020

FINAL SUBMISSIONS OF THE ONTARIO GREENHOUSE VEGETABLE GROWERS

October 2, 2015

Michael Buonaguro
Counsel
Ontario Greenhouse Vegetable Growers
24 Humber Trail
Toronto, Ontario
M6S 4C1

Phone 416-767-1666

Email: mrb@mrb-law.com

INTRODUCTION AND SCOPE OF ARGUMENT

1. These are the final submissions of the Ontario Greenhouse Vegetable Growers ("OGVG") with respect to the Demand Side Management ("DSM") Plan filed by Union Gas Limited ("Union Gas").

2. OGVG's current members are located predominantly within Union Gas' service territory; accordingly OGVG has refrained from material participation with respect to the DSM Plan filed by Enbridge Gas Distribution Inc. ("EGDI"), and has no submissions to make with respect to the EGDI DSM Plan. OGVG is confident that other intervenors with members in EGDI's service territory will have examined EGDI's Plans and will make submissions with respect to the appropriateness of those plans.

3. Similarly OGVG notes that it does not currently have members that would take part in or be allocated costs with respect to the Residential Resource Acquisition Program or the Large Volume Program, such that OGVG has refrained from material participation with respect to those issues and has no submissions with respect to the details of those program proposals. Again, OGVG is confident that other intervenors with a direct interest in the design of and costs associated with those programs will make submissions with respect to the appropriateness of those Programs.

4. Lastly, to the extent that OGVG does not specifically make a submissions in support of or in opposition to some aspect of Union Gas' DSM Plan, OGVG respectfully asks that the Board not take OGVG's silence on such issues as necessarily representing tacit approval of Union Gas' proposal with respect to that aspect of the plan. OGVG is acutely aware that there are a number of registered intervenors that will be making detailed submissions addressing all of the issues in the proceeding, including intervenors that have had a direct hand in the review of Union Gas' DSM activity over the years, and does not wish OGVG's silence on an issue to prejudice the submissions others may make.

ORGANIZATION OF SUBMISSIONS

5. Where feasible OGVG has organized its submissions to generally follow Union Gas' oral argument, with submissions on issues not specifically addressed by Union Gas included where appropriate.

ROLLOVER OF 2014 PARAMETERS INTO 2015

6. OGVG has reviewed the proposed rollover of Union's 2014 DSM Plan parameters into 2015, pursuant to the Board's direction, and has no objections to the manner in which those parameters have been rolled over.

EMBEDDING 100% OF TARGET INCENTIVE IN BASE RATES

7. Union Gas has proposed to embed the shareholder incentive that it will earn if it hits its 100% Target into base rates going forward, rather than recovering the shareholder incentive in its entirety through the DSMVA.

8. As noted in more detail below, one of OGVG's main concerns with respect to the recovery of DSM related costs from ratepayers is the potential volatility of that recovery as a result of variations between the DSM amounts embedded in base rates the amounts to be recovered through the DSMVA. In OGVG's view embedding the shareholder incentive earned at the 100% Target level is a sensible measure to help mitigate the risk of unusually high variations in DSM amounts to be recovered through the DSMVA. Accordingly OGVG supports Union Gas' proposal to embed the shareholder incentive that will be earned if Union meets its 100% Target level in base rates.

COMMITMENT TO COORDINATE WITH CONSERVATION AND DEMAND MANAGEMENT EFFORTS

9. Union Gas asserts that it is and will continue to coordinate its DSM efforts with the Conservation and Demand Management ("CDM") efforts being put forward by the electricity sector within its franchise area. OGVG remains concerned, however, despite Union Gas' apparent commitment to coordination, that there appears to be very little evidence of actual coordination resulting in materially more efficient use of ratepayer funding allocated to DSM and CDM spending.

10. OGVG members are particularly concerned that the opportunity for the most efficient use of ratepayer funding for energy efficiency improvements may be missed within its own sector.

11. OGVG members are greenhouse operators, a sector that presents an opportunity for energy efficiency opportunities through the implementation of Combined Heat and Power ("CHP") technology in order to harness the gas used by greenhouse operators for the purposes of heating to, at the same time, generate electricity, either for use by the operator's own operations "behind the meter", or for introduction into the grid as an embedded distributor.

12. Currently, it appears to OGVG, Union Gas' role as a provider of DSM programming is limited to either a) providing opportunities for greenhouse operators to reduce their gas consumption, without regard for the possibly more efficient use of gas to generate both heat and power, or b) possibly assist greenhouse operators that happen to have already implemented CHP technology or are about to implement CHP technology to reduce their CHP related gas consumption.[1]

13. Scenario a), where Union Gas simply assists a greenhouse operator in increasing the efficiency of its gas use for heating purposes only, should never, in OGVG's submission, happen without the participation of CDM providers to consider whether the total conversion of the facility to CHP technology would be more appropriate, making the DSM only adjustments available through Union Gas obsolete. OGVG does not want, for example, Union Gas to be in the position of helping a greenhouse operator spend material amounts of money on gas efficiency measures for its heating requirements as a DSM program, only to have a CDM program provider approach the greenhouse operator after the fact and propose a CHP solution that makes all of the Union Gas related improvements moot.

14. In OGVG's view such wasteful scenarios would be avoided through proper coordination, wherein customers interacting with either their Gas Distributor or their Electricity Distributor would have access to a holistic view of their energy efficiency opportunities, without a necessary prejudice in favour of either CDM or DSM solutions, a situation OGVG believes was contemplated by the Minister when providing its Directive to the OPA (now part of the IESO) with respect to CDM efforts in the Province:

> The OPA shall require Distributors, where appropriate, to coordinate and integrate Province-Wide Distributor CDM Programs and Local Distributor CDM Programs with natural gas distributors ("Gas Distributors") conservation programs to achieve efficiencies and convenient integrated programs for electricity and natural gas customers.[2]

TOTAL BUDGET

15. OGVG does not object to the total budget proposed by Union Gas, nor the allocation of that budget across the rate classes as forecast.[3]

16. OGVG agrees with Union Gas' interpretation of the Board's Guidelines with respect to the rate impact limit to be imposed on a rate class by rate class basis.

---

[1] EB-2015-029/0049, Oral Hearing Transcript Volume 1, pages 149-153.
[2] March 31, 2014 Conservation First Framework Directive MC-2014-856, paragraph 3.5 xi.
[3] OGVG does, however, have concerns about the potential for material deviation from the proposed budget and, more importantly, material variation in the amounts allocated to the classes, which are discussed in a later section.

17. OGVG expects that some other intervenors may argue that, either immediately or in the future, the Board should not consider the rate impact of proposed DSM spending as a cap on DSM spending in and of itself, suggesting that the total net societal savings related to DSM justify rate impacts far in excess of what is proposed by Union and as required by the Board.

18. In OGVG's respectful submission it would be a mistake to abandon the rate impact of DSM spending as a material consideration as to the appropriate level of DSM spending to be borne by ratepayers in a particular year.

19. While it may be true that, in theory, a distributor could generate net societal benefits as a result of levels of DSM spending in excess of what is being proposed in Union Gas' Plans for 2015-2020, in OGVG's submission both Union Gas and the OEB need to remain concerned about the immediate impact of that spending on individual ratepayers through distribution rates.

20. In any year there will be ratepayers that do not participate in DSM Programs, yet still have to pay for DSM programming in their distribution rates, including having to pay a share of the cost of clearing the DSMVA with respect to DSM spending in previous years. Accordingly they are directly experiencing increased distribution costs without experiencing direct reductions in gas consumption; in fact, they have to pay even more in distribution costs to compensate the utility for lost revenue caused by the savings other customers have experienced. For some ratepayers the experience of these added direct costs without offsetting direct benefits may be a hardship.

21. Others may argue that despite the lack of direct saving, the indirect savings, such as savings related to avoided costs and Demand Reduction Induced Price Reductions (referred to as DRIPE), are distributed to all consumers.[4]

22. With respect, while that may be true, eventually, that is not necessarily true at the point in time where ratepayers are paying for DSM in rates. By way of example, while it may the case that DSM programming can, over time, drive down the cost of purchasing natural gas, that is of no immediate assistance to consumers who pay commodity costs based on long term contracts; such customers may not experience any benefit related to the DSM impact on gas costs for months or years, while still having the bear the direct increases in distribution costs related to DSM.

---

[4] GEC, for example, at EB-2015-029/0049, Oral Hearing Transcript Volume 1, page 17.

23. Accordingly OGVG agrees with Union Gas and the Board that the actual rate impact of DSM spending is and should remain an important consideration when setting the total amount of DSM spending to be borne in distribution rates. To the extent the Board is interested in exploring the appropriateness of the rate impact cap on DSM spending in the future, OGVG respectfully submits that the Board should remain mindful of the experience of individual ratepayers who may not benefit either directly or indirectly from DSM spending contemporaneously with the burden imposed on them to fund DSM programming.

RESTRICTIONS ON THE REALLOCATION OF THE PROPOSED BUDGET

24. OGVG is concerned that, despite its general agreement with the appropriateness of the level of budget proposed by Union Gas given the Board's Guidelines and the general allocation of the budget across rate classes on, there are no actual restrictions on the shifting of material amounts of that budget, both from Program to Program, and again within Programs between rate classes. Without such limits it is possible that some rate classes may, upon the clearance of the DSMVA, experience massive rate impacts as a result of the freedom Union Gas has to shift funding around within the proposed framework.

25. This concern is supported by the fact that the Board dictated that the budget be developed with specific reference to the impact of DSM spending on rates. In OGVG's view, allowing Union Gas essentially unfettered discretion to shift funds between Programs and rate classes would make the Board's guidance to the utility with respect to the appropriate rate impact of DSM spending moot.

26. As was demonstrated during the course of the oral hearing,[5] Union Gas' proposed DSM Plans includes the discretion to:

    a) shift as much as 30% of the Program budget amounts between Programs,
    b) shift as much of a particular Program budget between rate classes participating in that Program as it sees fit,
    c) allocate the inflationary amounts[6] included in its budget to any Program, and therefore any rate class, and
    d) increase its Program spending by as much as 15%, with that spending being allocated to whichever rate class Union Gas targets for the increased program activity.

27. In addition, the amounts actually collected from a particular rate class will go up even more as a result of any increase in program spending being allocated to the class, as

[5] EB-2015-029/0049, Oral Hearing Transcript Volume 1, pages 156-164.
[6] OGVG is aware that SEC, for example, is opposing the inclusion of inflationary amounts at all; if this argument is accepted then, obviously, the risk of those amounts being applied disproportionately to some rate classes is obviated.

they will attract more of the shareholder incentive, as well as more of the LRAM amounts resulting from DSM savings being attributed to their members.

28. OGVG has not tried to calculate the maximum increase in the DSM amounts allocated to a particular rate class as a result of the potential shifts in spending outlined above. In OGVG's view it is clear that whatever the maximum amount, the potential to have rate classes experiences rate impacts several multiples higher than the percentages forecast by Union Gas is clear.

29. OGVG asked Union Gas what constrained them in terms of their allocation of DSM spending across classes; Union Gas responded that the structure of their scorecard, used for the purpose of earning the Shareholder Incentive, would constrain them. OGVG asked Union Gas for an undertaking to explain exactly how the scorecard provided that constraint.

30. The response, at UT J 1.6, sets out how, assuming that relationship between dollars spent and resulting DSM savings earned remained the same as what was forecast, there was no or little benefit for Union to shift spending from, for example, the Residential Resource Acquisition Program to the Commercial/Industrial Program.

31. With respect, OGVG believes that Union Gas has made an incorrect assumption in undertaking its response.

32. OGVG suggests that the motivation for shifting spending between programs would likely be the ability to earn additional shareholder incentive. OGVG also suggests that if the relationship between program spending and DSM savings achieved remain consistent with what Union Gas has forecast, it may be the case that there is no benefit to shifting money from one program to another.

33. However, in OGVG's view, the rationale for allowing even the prospect of shifting spending between Programs is that during the course of implementing its plan Union may discover that, for example, the ratio of spending to savings in the Commercial/Industrial Resource Acquisition Program is much better than forecast, such that it can more easily exceed the 100% threshold in that program than meet the threshold in the Residential Resource Acquisition Program. In such a scenario the additional savings available as a result of the improved ratio of dollars spend to savings realized (and therefore incentive earned) may motivate Union Gas to materially shift its spending between Programs.

34. Additionally, and perhaps more critically, there is nothing in the design of the scorecard that inhibits Union Gas from shifting spending between rate classes within a Program. For example, Union Gas may discover that it can earn a better ratio of incentive dollars spent to gas savings earned within the Commercial/Industrial Resource Acquisition Program if it shifts dollars spent from the general service classes to the contract classes. OGVG expects this scenario is entirely possible, since the proposed incentives, for example, for the Custom Projects Program are capped at a

maximum dollar value even though the related claimed DSM savings are not, such that the same incentive level paid to a larger (contract) consumer of natural gas may produce more claimed savings then when paid to a smaller (general service) consumer.

35. Lastly, the impact of allocating the inflationary amounts, the available 15% in DSM overspend, and the related increased incentive and LRAM amounts that will be associated with increased program spending within a rate class, all lead to the conclusion that without a hard rate class by rate class cap on DSM spending there is the potential for massive deviation from the Board's DSM related rate impact limits.

36. Union Gas has set out what it believes are the appropriate rate class by rate class impacts resulting from DSM spending.[7] In OGVG's view it would be appropriate for the Board to impose a rate class by rate class limit on the increase in that number of 50%. So, for example, the M5 class is forecast to have a 4% related impact of DSM spending; OGVG would suggest that the effect of shifting funds between programs and otherwise allocating spending to that rate class should be limited to a maximum impact of 6%, in order to properly constrain the impacts of DSM on rates.

37. In submitting the proposal for a cap OGVG is aware that there is a disconnect between the spending in a particular year and when ratepayers pay that amount. While part of the amount is embedded in rates and paid within the year it is spent, to the extent there is additional spending allocated to that rate class for that year it is paid in a subsequent year either as a rate rider or a one time payment or series of payments. However, since the embedded amount remains (relatively) constant over the period of the plan, OGVG believes it is appropriate, for simplicity's sake, to maintain the cap in relation to the total spend notionally associated with a year, even though part of that spend is recovered in a subsequent year.

CLEARANCE OF DSMVA FOR CONTRACT CLASSES

38. As noted earlier, OGVG is concerned about the impact of DSM spending in rates, both in terms of the total amount customers are being asked to pay, as well as the manner in which they pay those amounts. To that end it is important to OGVG's members that, to the extent base rates are augmented at any time by the need to clear amounts in the DSMVA, the clearance been done in a way that minimizes the impact. Union explained at the hearing that while, for contract customers, clearance of deferral and variance accounts are usually, in the first instance, charged as one time amounts, contract customers can, "essentially" as of right, ask to have their amounts owing for clearance paid out over the same term as what is provided to general service customers through a rider.[8]

[7] EB-2015-0029, Exhibit A, Tab 3, Appendix E, Schedule 3
[8] EB-2015-029/0049, Oral Hearing Transcript Volume 1, pages 165-167.

39. Accordingly OGVG would ask Union Gas to confirm that, when paying amounts owing to Union Gas for clearance of deferral and variance accounts, contract customers have the option of paying amounts owing over a reasonable period, consistent with the period that would be afforded to general service customers, and to confirm that this option is explained to contract customers when billed for such clearance items. In the absence of such confirmation we would ask the Board to direct Union Gas to provide such options and the relevant information to its customers at the time of billing.

40. In making this request OGVG is also concerned that it is possible that Union Gas may, at certain times of a particular year, be collecting DSM related revenue from ratepayers related to multiple years, causing even more volatility. By way of example, it is possible that, in 2017, ratepayers will be paying not only for 2017 related DSM expenses in base rates, but also both 2015 and 2016 DSM related expenses through possibly overlapping DSMVA related rate riders or, in the case of the contract classes, charges recovered over time.

41. To that end OGVG respectfully submits that the Board should require that Union Gas avoid overlapping recoveries with respect to DSMVA amounts; so, in relation to the example given, 2016 DSMVA riders or charges would not be eligible for recovery until 2015 related charges have been recovered. In this way ratepayers' experience of DSM related charge would be smoothed, allowing ratepayers that are sensitive to material fluctuations in their expenses to more readily absorb the impact of these charges.

DETERMINATION OF TARGET FOR MAXIMUM INCENTIVE

42. Union Gas is seeking to specifically deviate from the Board's framework with respect to the calculation of the target amount of savings to be achieved to earn the maximum allowable shareholder incentive, claiming that it should earn the maximum incentive if it exceeds its target amount by 25%, rather than the Board's mandated 50%.

43. OGVG opposes Union Gas' proposed change to the Board's established guidelines. In OGVG's view, the Board's 50% over-target requirement to earn the maximum shareholder incentive is designed to incent Union Gas for materially increasing the efficiency of its spending in terms of producing gas savings, a design which is fundamentally undermined by Union Gas's proposed change when viewed in the context of the rest of the Board's guidelines.

44. As Union Gas notes, it has available to it an additional 15% in spending to apply towards Resource Acquisition Programs in the pursuit of savings beyond the 100% target.

45. In OGVG's view this means that Union Gas should be able to reach approximately 115% of its forecast target without actually improving its forecast spending efficiency; in effect, the availability of that additional 15% in funding means that Union Gas' effective target without achieving any material efficiencies is 15% higher than the 100% target.

46. As a result, the apparent 150% Target is really only a 130.5% target, relative to the amount of natural gas savings Union Gas should be able to achieve based on its forecast ratio of Program Spending to gas savings.[9] Put another way, Union Gas has to produce 30.5% more savings per Program dollar then what is included in the dollars to savings ratio in its forecast, assuming it accesses its approved overspend amounts, to achieve the maximum shareholder incentive.

47. Were the Board to accept Union Gas' reformulation of the stretch target, Union Gas would only have to produce approximately 8.7% in additional savings relative to what it forecast it could achieve with its 115% total budget, cutting the efficiency requirements embedded in the Board's Guidelines by over 70%.[10]

48. In OGVG's view, providing $6.2M in additional incentive for providing only an 8.7% increase in savings efficiency is clearly not what was contemplated by the Board's guidelines. Accordingly OGVG respectfully submits that the 150% Target requirement for the recovery of the maximum shareholder incentive should be maintained.

CUSTOM PROJECTS-INCENTIVES AND PAYBACK PERIODS

49. With respect to the Commercial/Industrial Resource Acquisition Program, OGVG is concerned with the lack of any screening mechanism to differentiate between Custom Projects that genuinely require Union Gas' intervention and the availability of substantial incentives to make them viable for customers, and those Custom Projects which, when presented properly, any rational customer in the general service or contract classes would undertake on their own, without the need for incentives.

50. We are aware that the School Energy Coalition is proposing that any Custom Project with less than a 2 year payback period be considered a "free rider", be ineligible for an incentive payment, and be ineligible as a contributor towards Union Gas' target savings, with the caveat that this consideration be a "rebuttable presumption" such that Union Gas would be given the opportunity to demonstrate that any such proposed project would not have been carried out but for the combination of an incentive payment and Union Gas' efforts.

---

[9] The 100% Target assumes only the Base Budget; accordingly, adding 15% to the Base Budget increases the notional 100% Target by 15%. Because the Maximum Shareholder Incentive Target of 150% does not increase when the Base Budget is increased, it is necessary, in OGVG's view, to recalculate the ratio of the Maximum Target (150%) to the updated notional Target (115%), with the result that Union Gas needs to produce only 130.5% more savings than what it forecasts it should be able to do through the combination of its base budget plus approved overspending.

[10] Under the Board's Guidelines, Union Gas has to produce 30.5% more in savings then what it presumes it can achieve using its base budget plus the allowed overspend; under Union Gas' formulation it only has to produce 8.7% more savings per dollar, a reduction from 30.5% of more than 70%.

51. OGVG generally supports SEC's proposal. In OGVG's view, while it is reasonable to exclude Custom Projects that, on their face, any rational customer would undertake (keeping in mind that in this instance we are concerned with businesses and other non-residential customers that would be expected to act with a level of rational economic-related self- interest), it is also reasonable to expect that in some instances Union Gas' influence, including its ability to provide some incentive payments to enable the project, would be critical to getting the project implemented.

TEMPORARY PROPOSAL TO POOL CONTRACT CLASSES

52. OGVG has no objection to the proposal to pool the contract classes for the 2016-2018 period as a way to account for the migration of customers between classes that has not yet been accounted for in base rates, understanding that the pooling proposal will terminate once rates have been rebased.

COSTS

53. OGVG respectfully submits that it has acted efficiently and responsibly in this proceeding as a registered, cost eligible intervenor. Accordingly OGVG respectfully requests that it be awarded 100% of its reasonably incurred costs in relation to its participation.

ALL OF WHICH IS RESPECTFULLY SUBMITED THIS 2nd DAY OF OCTOBER 2015