October 7, 2015

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

Dear Ms. Walli:

Re: EB-2015-0049/2015-0029 – Union Gas Limited and Enbridge Gas Distribution Inc. – 2015-2020 Demand Side Management Plans

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-referenced proceeding.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: Enbridge, Regulatory Affairs
Dennis O'Leary, Aird & Berlis
Union Gas, Regulatory Affairs
Alex Smith, Torys
All Parties

FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA

EB-2015-0049/EB-2015-0029

Enbridge Gas Distribution Inc. and Union Gas Limited
2015-2020 Demand Side Management Plans

INTRODUCTION:

On April 1, 2015, Enbridge Gas Distribution Inc. ("Enbridge") filed an application seeking approval from the Ontario Energy Board ("OEB" or "Board") of its 2015-2020 Multi-Year Demand Side Management Plan ("DSM"). On April 1, 2015, Union Gas Limited ("Union") filed its application for approval by the OEB of its Multi-Year DSM Plan for the period 2015-2020. These applications were filed in response to the OEB's "Report of the Board: Demand Side Management Framework for Natural Gas Distributors" dated December 22, 2014 (the "Framework"). The applications were also developed pursuant to the OEB's "Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors" issued on December 22, 2015 ("Guidelines"). By Procedural Order No. 1, dated May 12, 2015, the Board indicated its intent to hear these applications through a combined proceeding.

These are the final submissions of the Consumers Council of Canada ("Council") regarding the applications filed by Union and Enbridge (the "Utilities"). The Council's submissions will primarily focus on the key issues relevant to the specific residential programs, targets and budgets proposed by the Utilities. In addition, the Council will address some of the more general elements of each of the proposed plans. The Council will not make submissions on all of the topics and issues that are being considered in this proceeding. To the extent the Council does not address specific issues that is not meant to indicate support for the Utilities' proposals. There are certain issues we have simply chosen not to address.

The Council's submissions will be structured in following way:

I. Overview
II. Guiding Principles and Priorities
III. Transition Year – 2015
IV. DSM Targets
V. DSM Budgets
VI. Shareholder Incentives
VII. Residential Programs
VIII. Gas/Electric Coordination
IX. Avoided Costs
X. Infrastructure Planning

XI. Mid-Term review

I. Overview

Background:

The genesis of this proceeding was the Minister of Energy's Directive to the OEB dated March 26, 2014, which required the Board to establish a DSM policy framework ("DSM Framework") for the natural gas utilities it regulates. In that directive the Minister set out a number of objectives that should guide the development of the DSM Framework. Among those objectives was a requirement for a six-year term and a mid-term review. In addition, the Board was directed to enable the development of all cost-effective DSM and more closely align DSM efforts with the electric Conservation and Demand Management ("CDM") efforts, to the extent that was appropriate and reasonable. The directive also promoted coordination and integration with CDM programs in order to achieve efficiencies and integrated programs. Many elements of the Directive regarding the natural gas framework were intended to mirror those of the CDM framework.

In response to the directive the OEB established a consultation process that began with a working group. The OEB then produced a draft Board Report and draft DSM Guidelines for stakeholder comment. On December 22, 2014, the final Framework and Guidelines were issued by the Board. Both Enbridge and Union have filed plans that they believe meet the expectations and requirements of the Board as set out in the Framework and the Guidelines.

There was evidence presented in this proceeding by the Green Energy Coalition ("GEC"), the Ontario Sustainable Energy Association ("OSEA") and Synapse Energy Economics Inc. GEC and Synapse have provided extensive critiques of the Utilities' plans and have provided recommendations for improvement and in some cases substantial changes to the proposed plans.

Context:

The Council has, for many years, been supportive of natural gas DSM. The Council's primary focus has been to ensure that in delivering DSM the Utilities do so in a way that provides clear value to their ratepayers. The Council has repeatedly stressed that DSM must be truly cost-effective and deliver real and sustainable bill savings for natural gas customers.

At the end of the day it is the ratepayers that fund every aspect of DSM: program costs; administrative costs; costs for monitoring, evaluation and audit; shareholder incentives; and lost revenue associated with DSM savings. There are risks to ratepayers that savings will not materialize as expected, that the programs are not delivered in the most cost effective way possible, and that the shareholder incentives are paid out based on savings that are not real.

The Utilities on the other hand are subjected to very little risk, if any, with respect to DSM. The costs are treated as a pass-through and ring-fenced from other aspects of the distribution business. Overspending can, subject to some conditions be recovered. Budget amounts of up to 30% for one program can be shifted to other programs. Money (up to 15%) is available beyond the approved budgets to achieve the targets. To the extent targets are achieved, unspent funds can be rolled forward. In addition, there is no real assessment done as to whether the utilities are delivering the programs in the most efficient and effective way possible. Productivity is not built into the budgets. As Enbridge's witnesses noted in the hearing, the only real risk to the utility is that it will not receive the full incentive amount.

The Utilities also have information that the Board and other stakeholders do not. They are in a better position to assess what is achievable and not achievable with respect to DSM. They have, in many cases, a good sense as to what the ultimate customer take-up of a particular program might be. This is particularly important in developing targets.

It is in within this context that the Board must consider the proposals of the Utilities. DSM is entirely funded by ratepayer money. Ratepayers bear the risk that the money will not be spent cost-effectively and the goals and objectives of DSM will not be achieved. Ratepayers are also the ones that benefit from DSM, particularly those that participate in the programs. However, the Board must assess whether the benefits arising from DSM clearly outweigh the costs.

The Board has, in recent years, placed an increased emphasis on "value for money". This has been one of the primary objectives of the Renewed Regulatory Framework for Electricity. The protection of consumer interests and the promotion of economic efficiency and cost effectiveness are the foundation of that Framework. The Council submits that these principles and objectives should also guide the Board's decision-making with respect to these applications.

The Board has, in the Framework, allowed for a significant ramping up of DSM programs and budgets relative to historical levels. The Utilities' proposals reflect this. The plans envision DSM spending and shareholder incentives over the 6-year term that could exceed $1 billion. This is at a time when electricity ratepayers are funding approximately $2.4 billion in CDM programs and initiatives. The critical question for the OEB, in this case, is whether the proposals being advanced are bringing real value for money for the utility ratepayers. The Council recognizes that one of the statutory objectives for the OEB is to promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, but that is to be done "including having regard to the consumer's economic circumstances" (OEB Act, 1998, S.O. 1998).

As will be described below the Utilities are significantly increasing their DSM budgets, particularly with respect to the residential sector. The Council recognizes this is consistent with the Framework and Guidelines. However, it is notable to look at the amount of DSM funded by the residential customers relative to the number of participants. This is particularly striking when you take out the number of customers deemed to be participating in the two residential behavioural offerings. For example, for Union the amount of DSM potentially funded by Rates 01 and M1, which is primarily residential consumers for 2015 is $24 million. The target for program participants in the year are 1,245 in the Home Reno rebate Program and 14,000 in the Energy Savings Kit program (Tr. Vol. 2, pp. 107-109). Throughout the plan, beginning in 2016 the budgets will be increasing each year. However, the number of residential participants (excluding those included in the Home Energy Report behavioural program) continue to be a small number in both the Home Reno Rebate offering and the ESK Program (Ex. B.T5.Union.VECC10). The Council questions the extent to which this is consistent with the principle of ensuring value for money for utility customers.

The Council recognizes there are broad based benefits that arise from the pursuit of DSM including a healthier environment through a reduction in emissions, the introduction of efficient technologies and market transformation. We question, however, whether the Enbridge and Union DSM plans, as structured are the best way to achieve these benefits. There well may well be a better way to promote a healthier environment, use less gas, facilitate the introduction of more efficient technologies and more market transformation, likely though government regulations including changes to codes and standards. It may also make sense to start to look at private, non-utility service providers to develop and deliver DSM. Having said that, we still see value in the Utilities continuing to deliver DSM, but not necessarily in the same scale and format as proposed in the applications. Our specific proposals and concerns regarding the plans are set out in the individual topic sections set out below.

This proceeding presented the Board with a wide range of differing perspectives regarding DSM. Some groups like, like the large industrial representatives, want to be excluded from paying for and participating in DSM programs which is consistent with the OEB Framework. The environmental groups want to implement wholesale changes to the DSM plans and significantly accelerate some programs and spending levels. Other stakeholders and ratepayer groups, including OEB Staff, are advancing a whole spectrum of changes and new proposals for the Board to consider.

What has also come to light throughout this proceeding is that there are a number of significant variables and pending studies that will ultimately impact natural gas DSM over the 6-year term. These include:

- The Net to Gross Study;

- The Achievable Potential Study (to be completed by June 2016);
- The Infrastructure Planning Studies;
- The Government of Ontario's intent to introduce carbon pricing;
- The evolution of avoided costs; and
- The evolution of other input assumptions (which do change over time).

In addition, many other factors could potentially change and impact the cost-effectiveness of programs and measures, participation levels and the viability of programs. This would include technological advances, the experience of the electric utilities with respect to CDM, code and standard changes, among other things. Six years is a long time in the world of conservation, energy efficiency and DSM.

All of this presents the OEB with a difficult decision regarding the applications by Union and Enbridge. Does the Board approve 6-year plans knowing the lay of the land may well change significantly during that period? Does the Board send the Utilities back to redesign their programs, budgets and targets based on the submission of various parties? What are the implications for the delivery of the plans if further approvals are delayed?

The Board has, in the Framework, established budget guidelines for the Utilities based on its view of acceptable rate impacts. In large measure the Utilities have developed their plans based on those budgets. The Council submits that given so much uncertainty going forward the Board should approve budgets, targets and programs for the years 2015, 2016, and 2017 now. In 2017 there should be a comprehensive mid-term review that allows for full discovery and an oral hearing phase, to determine the budgets, targets and programs for the period 2018, 2019 and 2020. The existing programs can be assessed at that time in terms of whether they should be continued, ramped up, redesigned etc. The many uncertainties and variables discussed above will undoubtedly be less certain at that time, providing a good basis for assessing the plans for the future period. The Utilities acknowledged at the hearing that most, if not all, issues should be subject to review at a mid-term review (Tr. Vol. 2, p. 104).

The Council recognizes that the Minister's Directive referred to a 6-year term. This was in large measure to be consistent with the electricity CDM Framework. The Council does not believe that it is necessary to mirror all aspects of the CDM and DSM Frameworks. The Council submits that it would be more appropriate for the Board to approve a 3-year term that can be reviewed and used to inform the second 3-year period, 2018-2020. From the Council's perspective this would represent a prudent approach to DSM, allowing for the interests of ratepayers to sufficiently protected, and ensuring that the balanced objectives of DSM can be pursued appropriately. It is common sense to take a measured approach knowing the context in which DSM is developed and delivered will be constantly changing. Given that the Ontario natural gas ratepayers are the ones taking on the risks inherent in DSM, it would be appropriate, from the Council's perspective for the Board to stop and assess all of the elements of the plans in 2017.

The Council has a number of concerns about the specific proposals presented by Enbridge and Union and each of those concerns will be addressed in the sections below. To the extent we agree with the approaches advanced by the Utilities we will set that out as well.

II. Guiding Principles and Priorities

In its Framework the Board established a number of guiding principles. These are:

1. Invest in DSM where the cost is equal to or lower than capital investments and/or the purchase of natural gas;
2. Achieve all cost-effective DSM that results in a reasonable rate impact;
3. Where appropriate, coordinate and integrate DSM and electricity CDM efforts to achieve efficiencies;
4. Gas utilities will be able to recover lost revenue from DSM programs;
5. Design programs so that they achieve high customer participation levels;
6. Minimize lost opportunities when implementing energy efficient upgrades;
7. Ensure low-income programs are accessible across the Province;
8. Programs should be designed to pursue long-term energy savings;
9. Shareholder incentives will be commensurate with performance and the efficient use of funds;
10. Ensure DSM is considered in gas utility infrastructure planning at local and regional levels. (EB-2014-0134, Report of the Board, pp. 7-9).

The Council agrees that these are all important guiding principles. The Utilities have attempted to develop their plans based on these principles. We question to some extent whether they have done so sufficiently.

The Council, like other parties to the proceeding, is not sure what is meant by, "all cost-effective DSM", as set out by the Minister in the Directive. We are in large measure agreeable that Enbridge and Union should be pursuing cost-effective DSM, which as the Board has determined results in a reasonable rate impacts. Although we do not agree with all of the programs and expenditures being proposed by Enbridge and Union, we agree that the budget caps set out by the Board are appropriate, in order to ensure reasonable rate impacts, particularly for the non-participating customers.

With respect to high customer participation levels, the Council does not agree that Union and Enbridge have done a good job in this regard with respect to residential consumers. Union is claiming that by 2016 24% of its residential consumer base will be participants (Ex. B.T5.Union.VECC.10). They have included 300,000 participants that they attribute to the Home Energy Report behavioural program. With that program, simply being sent a letter deems someone as a participant regardless whether or not they do anything to adjust their gas consumption. The other 18,000 participants in 2016 are those participating in the Home Reno Rebate program and those receiving the ESKs. Given the significant budget amounts being funded by Rate 1/M1 customers, Union is not achieving broad participation. Enbridge, like Union, has relatively low participation on the residential side relative to the overall amount of DSM funding coming from the residential rate class. The Council recognizes that the opportunities to achieve DSM savings in the residential market is somewhat limited. Much of what has, in the past, been considered "low-hanging fruit" is no longer there. However, that does not justify the high cost, low-participation rates programs being advanced by Union and Enbridge.

Although the Utilities are attempting to coordinate with the electric utilities, there is very little activity proposed during the term plan. The Council believes there is significant potential with respect to coordination and integration with the electric LDCs. This should be more rigorously explored by the Utilities over the next several years in order to avoid duplication and overlap between the delivery of natural gas DSM and electric CDM.

At one point during the proceeding Enbridge indicated that with respect to some of its programs it is actually competing with the electric utilities to attract customers, by offering greater incentives. This should be avoided, as it simply increases the costs to ratepayers. The importance of coordination and integration should be highlighted as a fundamental priority by the Board, and more coordination and integration pursued by the Utilities.

The Council submits that the Utilities should also be encouraged to pursue greater coordination with each other. In some cases, like with respect to their home retrofit program Union and Enbridge are providing very different incentive levels to customers. In other cases, one utility is ending a program whereas the other utility is not. Union and Enbridge should be collaborating to the extent possible in order to land on the most cost-effective suite of programs and program designs. Coordination should also reduce the overall administration burden of DSM.

With respect to Infrastructure Planning the evidence in this proceeding is that DSM has not, to date contributed to the avoidance of distribution and transmission infrastructure. In addition, it is not something that is being pursued in other jurisdictions. The Utilities have agreed to undertake studies, but the potential outcome of those studies is not clear. Avoiding infrastructure in the natural gas sector involves significantly reducing the peak. This may not be possible. Accordingly, unless the Board is presented with clear evidence that DSM can be used to avoid infrastructure, the Utilities should not be required to undertake further studies and analyses. If the Board is convinced that this is a meaningful pursuit, the Council submits that the Board itself should initiate a consultation with external consultant to explore how the integration of DSM and infrastructure planning should be done.

III. Transition Year – 2015

Enbridge:

Enbridge has proposed budgets and targets for 2015 based on its interpretation of the Board's guidance set out in the Framework. Section 15.1 of the Framework document states that the gas utilities should "roll-forward" their 2014 DSM plans, including all programs and parameters (i.e., budget, targets, incentive structure) into 2015.

Enbridge has proposed a budget of $32.8 million for 2015. In addition, Enbridge has proposed an incremental budget of $4.92 million. Enbridge's view is that this incremental amount is consistent with the Board's guidance which allows for the use of up to 15% of the roll-over budget to incorporate and address the guiding principles and key priorities outlined in the DSM Framework (Ex. B/T1/S3/p. 13).

That incremental budget consists of:

1. My Home Health Record Residential Behavioural Program - $2.65 million
2. Integrated Resource Planning ("IRP") Study - $300,000
3. Potential Study Update $50,000
4. Green Button Initiative - $300,000
5. Comprehensive Energy Management - $370,000
6. Low Income New Construction - -$250,000
7. Collaboration and Innovation Fund - $1.0 million

Enbridge is also requesting that these are budget estimates for each of the items and the Company seeks the flexibility to be able to move funds between individual budget items (Ex. B/T1/S3/p. 17).

By the time the Decision in this proceeding will be issued 2015 will be almost complete. We already know that Enbridge's actual spending and targets for the residential Home Energy Conservation Program are well beyond the proposed targets and budget for which it is seeking approval. It has created an unusual position for the Board to be. The Board is being asked for approval of the budgets and targets it knows are wrong. However, the timing of the filing and this proceeding have created this unusual issue. Enbridge's proposals for 2015 are consistent, in large measure with the Framework and the Guidelines.

The Council submits that the Board should approve the 2015 DSM Budget plus the 15% overspend that actually occurred to expand the Home Energy Conservation program. The Council does not believe it is appropriate to approve the full amount of the incremental budget, $3.63 million of which is being recovered through Rate 1 (Ex. J6.4). As noted below, the Council is not supportive of rolling out the My Home Health Record/OPower program on the scale that EGD is proposing. In addition, the Council is of the view that the Board should take the lead on any Infrastructure

Planning/IRP studies and not the Utilities. Enbridge provide no specific details regarding the $300,000 amount for the Green Button Initiative, other than it is being asked to participate. These aspects of the incremental budget should not be approved. To the extent these requirements arise in future years Enbridge should have sufficient room in its proposed budgets to accommodate these activities. To the extent they are being collected in rates, they should be returned to ratepayers.

The Council notes that the potential cost to Rate 1 ratepayers (assuming 150% of targets are met) is $31 million. This includes the low-income allocation the allocation of the incremental budget and the 15% overspend, which was actually spent. Again, at a high level Rate 1 ratepayers are funding this level of DSM costs. The number of participants are those customers that have enrolled in the Home Energy Conservation program, which for 2015 was approximately 5000. The other residential programs for 2015 are the Residential Savings By Design Market Transformation Program, and the Home Labeling Program, both bringing minimal direct benefits to Enbridge's residential customers at this time. As noted above, the OEB needs to consider carefully whether the actual benefits to Enbridge's customers outweigh the costs.

Enbridge is seeking a Shareholder Incentive amount of $11.2 million for 2015. Union has interpreted the Boards' roll-over proposal to mean that for 2015 that level of incentive is appropriate. However, it is clear that the Board's Framework has capped the incentive at $10.45 million. The Council submits that Enbridge's proposal be rejected. With respect to its residential Hone Energy Conservation program any additional incentive beyond historical levels was not required to exceed the targets. It appears that Enbridge is simply taking an opportunity to increase it shareholder incentive beyond what is required.

Union:

Union's proposal for 2015 is a budget of $32.5 million. $14.5 million of that budget is being funded by the Rate 01 and Rate M1 classes. Union is also seeking approval of incremental budget requirements of $1.4 million for the Achievable Potential Study ($200,000), Infrastructure Planning Study ($200,000) and for a portion of the DSM tracking and reporting system upgrades ($1.0 million). Union's witnesses indicated at the hearing that the Rate 01 and Rate M1 classes, which are primarily residential may be responsible for approximately $24 million of the overall costs, including Union's maximum shareholder incentive amount (Tr. Vol. 2, p. 109).

In terms of programs offered in 2015 Union has its Home Reno Rebate Program with 1245 customers targeted. In addition, it is continuing to offer its ESK program, delivering kits to 15,000 customers. The other program offered in 2015 is the Optimum Build program, which incents builders to build homes 20% beyond the building code requirements.

The Council accepts that Union has complied with the Board's prescribed roll-over approach for 2015. It is late into 2015 and it would not be fair to revisit the targets and budgets as Union has been operating under those assumptions. We note, however, that in 2015 Union's Rate 01 and M1 classes have approximately 16,000 program participants (Tr. Vol. 2, p. 110). Overall, our observation is that Union's programs budgets are significant, with very few customers experiencing meaningful direct benefits. Again, it is the Council's view that the Board must consider this type of its analysis when assessing the overall ratepayer value of Union's DSM initiatives.

With respect to the incremental budget, the Council does not see the need for the full amount. The Council has argued that the Infrastructure Planning study should be undertaken by the Board. In addition, Union will not incur systems costs related to its DSM tracking and reporting system upgrades in 2015. The Council is not opposed to the Achievable Potential Study funding as it a requirement of the Board and the Minister's Directive.

Like Enbridge Union is proposing a shareholder incentive amount for 2015 of $11.2 million. For the reasons cited above this should be rejected and the 2015 amount capped at $10.45 million.

IV. DSM Targets

The Board's Framework states that in order to earn the maximum incentive amount, the Utilities must meet 150% of their targets. Union has proposed that the maximum incentive be available at 125% of target. Union's position is that it does not have sufficient funds available to pursue the higher target (Tr. Vol. 2, p. 166). In order to achieve these targets Union will have its approved budgets and a further 15% available through the DSMVA. In addition, there is flexibility to move money around from program (up to 30%). To the extent Union is more efficient at delivering programs, further money would be available. The Council sees no reason why Union should not be required to adhere to the 75%/100%/ scorecard approach in terms of obtaining its shareholder incentive amounts. Obtaining the shareholder incentive should not be an expectation on the part of the utility, it should be awarded to the utility for exceptional performance.

As noted above, both Union and Enbridge have more internal information regarding the potential achievement of targets. Enbridge, for example, ended its Home Energy Conservation program in 2015 because there was so much demand. Have those customers been told that funds will be available in 2016? Does Enbridge have a good understanding of the potential number of participants in 2016?

This has been an ongoing issue with respect to the development of DSM plans and the setting of targets. The utility has the upper hand and the knowledge as to what is achievable. Generally, the Utilities have exceeded their targets.

The Council submits that for 2016 and 2017 the Board should increase the target levels proposed for each of the residential programs. This is primarily to reflect that Union and Enbridge have historically exceeded their targets and that targets should take some effort to achieve. The Council acknowledges that several other intervenors have proposed acceptable approaches to increasing each of the program target levels for both Enbridge and Union. Targets beyond 2017 can be set at the Mid-term review, which the Council proposes to take place in June 2017.

V. DSM Budgets

The OEB has established budget guidelines for the period 2015 to 2020 for both Union and Enbridge. Like others, the Council does not see this an opportunity to revisit the Guidelines that the Board has established. The Board determined:

> To reach the annual budget levels of $75 million for EGD and $60 million for Union (exclusive of the annual shareholder incentive), utilities will need to propose cost-effective DSM plans with results in savings, benefits to customers, program participation and implementation of key priorities (outlined in Section 6.2 below) commensurate with the proposed spending. The Board expects that the multi-year DSM plan applications will propose a plan to phase in increases to the annual budget amounts. While the program mix going forward has not been prescribed, the Board is of the view that a bill impact of $2.00 per month for a typical residential customer, combined with the total budget amounts discussed above, provide a reasonable guideline for the gas utilities to prepare their DSM plans. The Board notes this is a guideline, and the utilities can propose alternative budgets for approval of the Board, appropriately supported by evidence (EB-2014-0134 Report of the Board, p. 18)

The Council views this as guideline and the Utilities have provided budgets along these lines. That is not to say the Board must accept the full budgets proposed by Union and Enbridge. The Board must assess each budget on its merits and whether it is appropriate in light of the overall objectives and priorities related to DSM.

Enbridge:

The Enbridge Residential Program Budget is as follows:

Program Cost	**2016**	**2017**	**2018**	**2019**	**2020**
Home Energy Conservation	$12.15	$15.18	$18.0	$18.36	$18.73
Adaptable Thermostats	$0.88	$1.53	$2.18	$2.22	$2.26
Home Health Record	$3.91	$6.91	$6.91	$7.06	$7.21
Residential SBD	$3.25	$3.25	$3.25	$3.32	$3.39
Home Rating	$1.10	$1.10	$1.10	$1.10	$1.10
TOTAL	**$21.29**	**$27.97**	**$31.44**	**$32.06**	**$32.69**

(Exhibit B/T1/S4)

For 2016 and 2017 the Council is prepared to accept Enbridge's residential program budget with the following exceptions. The Council does not support the Home Heath Record behavioural program at this time. The program is not cost-effective and the benefits to Enbridge's customers are not clear. It is also unclear whether savings generated through this program would be sustainable. The cost of delivering this program far outweighs the costs of delivering any of the other residential 9Ex. J8.14) Enbridge is seeking approval to spend over $32 million in the period 2015-2020 on this program. The Council submits that this program offering should be rejected. One of the additional concerns the Council has with this program is that OPower helped design the program and is also the chose service provider. Enbridge did not use an RFP process for this program, which would have provided a competitive basis for the service provider selection.

The Council submits that Enbridge be required to collaborate with Union to further assess whether a behavioural program should proceed in the period beyond 2017.

The Council is prepared to support the introduction of the Adaptable Thermostat program for 2016 and 2017. This program should be assessed at the time of the mid-term review.

Union:

The Union Residential Program Budget (exclusive of administrative and evaluation costs) is as follows:

($000)

Program Cost	2016	2017	2018	2018	2020
Start-up	$1,850	$0	$0	$0	$0
Incentives/promotion					
Home Reno Rebate	$7,233	$9,880	$12,226	$12,226	$12,226
Behavioural	$1,124	$3,303	$3,303	$3,303	$3,303
ESK	$389	$387	$386	$386	$386
Total	$8,745	$13,569	$15,916	$15,916	$13,916
Evaluation	$559	$709	$859	$859	$859
Administrative Costs	$991	$1,071	$1,071	$1,071	$1,071
Total:	**$12,145**	**$15,349**	**$17,845**	**$17,845**	**$17,825**

(Ex. A/T3/Appendix A/p. 14)

The Council is prepared to accept Union's 2016 and 2017 budget with the exceptions noted below in the section regarding programs. The Council does not, at this time support the introduction of Union's Home Energy Reports Program and Enbridge's My Home Health Record Program. The costs of these programs are significant and the benefits to the Ontario natural gas consumers are unclear.

With respect to the ESK program the Council is of the view that despite the fact this program is cost-effective, it has largely become outdated. The evidence is that the benefits arising from programmable thermostats are questionable. In addition, we are of the view that handing out showerheads and aerators is not the best use of DSM resources. We encourage Union to look for other ways to reach its residential customers, ways that are more innovative.

VI. Shareholder Incentives

The Council has a number of submissions related to the Shareholder Incentives. First and foremost it is imperative that the utility shareholder only receive incentives based on actual savings (to the extent possible). Shareholders should not be rewarded for savings that have not been achieved.

Both Union and Enbridge (through its Target Adjustment Factor) are proposing that the best available information arising from audits not be applied in assessing audit results. Adjusting targets retroactively should not be permitted. SEC has provided a comprehensive argument regarding the use of best available information and the Council supports those arguments. This issue was debated and decided when the Board was establishing the 2012-204 Framework. It is unclear why the Utilities are now seeking to overturn a long-standing policy of applying the best available information as appropriate. Both Union and Enbridge have been operating along these lines for many years. To change the policy now would be unfair to ratepayers. In addition, it will result in shareholder incentives that do not reflect true savings.

The Council supports the proposal put forward by many parties to cap the incentive at 150% for each metric within a given scorecard. In the past the Utilities have been able to achieve maximum incentive levels within a scorecard even when they have not achieved 75% in one of more of the metrics (Tr. Vol. 2, pp. 126-127). In the absence of this provision, the utilities could shift resources away from important metrics. The whole point of the scorecards with multiple metrics is to focus utility efforts on areas that will not only produce long-term savings, but will also address other key priorities.

Union is proposing to set the upper band within its scorecards to 125%. Union's argument for this approach is that they do not believe that they can achieve 150% with only 15% additional funding (Tr. Vol. 1, pp. 117-123). This is contrary to the Board's Guidelines. From the Council's perspective this proposal should be rejected. Reaching the maximum target and receiving the maximum shareholder incentive should be not be a given. Union has a great deal of flexibility within its plan and should use that flexibility to maximize its results. If Union is productive, it should free up resources to become as cost-effective as possible. The Council sees no reason to essentially relax the ability of Union to meet its targets.

VII. Residential Programs

Enbridge:

For the period 2016-2020 Enbridge is proposing the following residential programs:

1. Home Energy Conservation (HEC): thermal envelope improvements, water saving devices, high efficiency furnaces and water heaters.
2. Residential Adaptive Thermostats: offering rebates for proof of purchase and installation;
3. My Home Health Record (MHHR): home energy consumption reports and a web portal comparing usage over time, benchmarking against like customers, energy savings tips and cross marketing.
4. Residential Savings By Design: an offer that seeks to enable residential developers to construct more efficient than required by the building code through a design process and financial incentives.
5. Home Rating: an offer seeking to achieve voluntary adoption of a home rating system as standard practice in the home resale market, similar to home inspections. (Ex. B1/T1/S4, pp. 8, 26)

With respect to Enbridge's residential offering the Council supports the continuation of the Home Energy Conservation program. This program is consistent with the Board's desire for the Utilities to pursue deep savings. The design of the program has attracted a large number of participants, so many in 2015, that the program was halted. With respect to the recommendations by Synapse that the incentive levels for Enbridge should be the same as Union the Council disagrees. Enbridge has had a great deal of success with the program at the current incentive levels. The Council encourages Union and Enbridge to collaborate in this regard to determine what might be an ideal program design going forward, maximizing the amount of savings achieved and the number of participants.

With respect to the Residential Adaptive Thermostats the Council is prepared to accept the introduction of this program for 2016 and 2017. A full year of results in 2016 will help inform whether this program should be continued beyond 2017.

The Council is opposed to a full roll out of the My Home Health Record Program at this time. OPower has consulted with Enbridge on the development of this program and has been chosen as the service provider (absent an RFP process), subject to approval by the Board of this program. The costs of this program are significant relative to other potential programs. It simply is not cost-effective and is contributing very little to lifetime cubic meter results. The cost is exponentially higher in terms of cost relative to other potential program offerings.

The Council would support a continued pilot with Union Gas to determine if a behavioural is worth pursuing. The Council urges the Board to reject Enbridge's Home Health Record Program until it can demonstrate that the benefits to Ontario customer are clear.

With respect to the Residential Savings By Design the Council is prepared to accept the program until 2017. We note that Union is ending is Optimum Build program in 2017, because the Ontario Building Code is expected to change in 2017. If Enbridge can demonstrate effectiveness with this program, with builders going beyond the new code requirements it makes sense to continue with the program on a longer term basis.

With respect to Home Labeling, the Council is of the view that until legislation requires home labeling, this program should be discontinued. Both Enbridge an Synapse expressed concerns about this program and its design.

Union:

1. Home Reno Rebate: energy assessment, efficiency report, building envelope rebates and energy efficiency product rebates.
2. Home Energy Reports: home energy reports sent to 300,000 of Union's highest consuming residential customers and access to an on-line portal.
3. Energy Savings Kits: targeting 15,000 customers per year who have not received the kits in the past. Showerheads, aerators, pipe wrap, Teflon tape and a $25 programmable thermostat rebate coupon. (Ex. A/T3/Appendix A)

The Council supports the continuation of the Home Reno Rebate program and as noted above recommends that Union collaborate with Enbridge to determine an ideal program design aimed at maximizing gas savings and the number of participants. The Council submits that many of Union's customers might be quite surprised to find out they are funding, in rates, incentives of up to $5000 for other residential consumers. Union should consider whether lower incentives would make the program, overall more cost-effective.

As noted above the Council does not support the Home Energy Reports Program as it is not cost-effective. The benefits to Union's customers are unclear. In addition, we question the extent to which the savings would be sustainable. Absent further study and piloting it is premature to implement a full scale program of this type at this time.

On-Bill Financing:

The Council does support the use of ratepayer funds to support on-bill financing. Customers have access to financing option from banks and other service providers. The Utilities were at one time involved in financing, but those aspects of the business were moved out of the core utility, as they were deemed competitive businesses and not monopolistic. Union's evidence is that there is very little demand for this from its customers. Mandating the utilities to undertake on-bill financing could very well inhibit the competitive market.

Enbridge currently provides access to its bill through its Open Bill program (Tr. Vol. 8, p. 106). This program facilitates financing by third parties and provides net benefit to ratepayer through revenue offsets. The Council would be supportive of Union implementing the same option.

VIII. Gas/Electric Coordination

Union and Enbridge have been actively collaborating and partnering with electric utilities for several years. The intent is to continue to build on this experience and work with electric utilities and the Independent Electricity System Operator to identify opportunities to further collaborate and integrate programs (Ex. A/T1/Appendix C/p. 1). The Council supports efforts to do this to the extent it will reduce the overall delivery costs of CDM and DSM. The Council is proposing a mid-term review for 2017, and would expect the Utilities to report on any progress made in this regard.

IX. Avoided Costs

The Council is not taking a position on avoided costs at this time. We do acknowledge this is a complicated and contentious set of issues. Accordingly, it may be appropriate for the Board to initiate a separate process to consider all of the issues relevant to avoided costs and their applicability to DSM screening and evaluation

X. Infrastructure Planning

The Council has submitted in section above that it should be the Board, not the Utilities that move forward with Infrastructure Planning Studies. The Utilities may go away and undertake studies, at a considerable cost, that conclude that major transmission and distribution facilities cannot be avoided through DSM. Before that happens, the Board should retain an expert to assess whether further study of these issues is warranted.

COSTS:

The Council requests that it be awarded 100% of its prudently incurred costs related to this proceeding. The Council conducted itself responsibly throughout the proceeding.

All of which is respectfully submitted,

CONSUMERS COUNCIL OF CANADA