ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc.

Application for approval of final balances and for clearance of certain Demand Side Management deferral and variance accounts into rates.

FINAL SUBMISSIONS

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. IGUA represents gas customers in Enbridge Gas Distribution Inc. (EGD) rate classes 110, 115 and 170, and will focus in these submissions on EGD's clearance proposals related to these rate classes.

Declining Value of Industrial DSM Programs

2. The record in this proceeding reflects a declining value to rate payer funded industrial DSM programs.

3. While this observation does not lead IGUA to any objection to the dispositions applied for, it does stand in stark contrast to the contentions advanced by conservation advocates in the recently completed 2015-20 DSM Plan Approval proceedings, which contentions in turn led the Board to reverse its policy that rate payer funded DSM programs for large industrial customers be discontinued.

4. The evidence in this application indicates that:

a. EGD spending on industrial DSM programs in 2014 was about 52% of budget (spending of $2,214,856 on a budget of $4,234,020).[1]

b. This despite spending only 32% of the available spending cap in respect of the largest industrial gas customers (Rates 110, 115 and 170).[2]

c. EGD achieved only 46% of its CCM savings target for these programs (achieving 185,261,718 CCM against a target of 346,554,000).[3]

5. EGD has explained that these figures reflect *"a distinct pattern of declining CCM"* from DSM for its largest industrial gas customers.

6. Further insight in respect of these trends is provided in the DSM Annual Report [ExB/T1/S1] at page 57:

> *Ontario's industrial/manufacturing sector continues to face numerous challenges in the face of global competition which include the high cost of electricity. Enbridge expects electricity energy efficiency considerations will continue to be higher priority to customers relative to gas savings.*

7. Between 2012 and 2014, actual EGD industrial DSM program cumulative cubic meter savings have declined by approximately 40%.[4], despite <u>growth</u> in the number of industrial DSM projects year over year during this period.[5]

8. This data supports EGD's decision to focus its resources and budget during 2014 to aggressively pursue successful programs. *"As a result, Enbridge was able to help more than 5,000 residential customers improve their energy performance. Redirecting the budget from the Commercial and Industrial segments to the Residential segment resulted in a budget that better aligned with marketplace opportunities."*[6]

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[1] ExB/T1/S1/p.7
[2] ExB/T1/S1/p.53
[3] ExB/T1/S1/p.8
[4] ExB/T1/S1/p.51; ExI.EGDI.OSEA.2
[5] ExB/T1/S1,p.52
[6] EXI.EGDI.BOMA.1

Importance of Assessing Variance Dispositions in Context

9. EGD's application presents DSM account clearances that are, on a net basis, credits to rate classes 110, 115 and 170.[7]

10. These net credits are actually composed of LRAM and DSMVA customer credits, and DSM incentive deferral account (DSMIDA) customer charges.

11. EGD has not presented the DSM costs included in rates by rate class, and thus the record does not reveal the final 2014 program year DSM costs for EGD's customers by rate class.

12. The record does include estimated annual percentage bill impacts by rate class.[8] This data indicates negligible impacts on Rate 110 and Rate 115 customers, and small beneficial (i.e. bill reduction) impacts on Rate 170 customers.

13. In order to gain a complete picture of net DSM costs, by rate class, once all deferral and variance dispositions are determined, the Board should direct that in future DSM final balance and clearance applications EGD should provide a table which includes not only the variances and deferral amounts, but also the dollars included in rates by rate class (i.e. the base on which the deferrals are to be applied). Greater clarity of DSM costs and benefits will result from consideration of total DSM expenditures and recoveries, rather than isolating for presentation only variances and deferrals to be cleared.

Industrial CPSV Report: Exhibit B/Tab 5/Schedule 2

14. IGUA offers a number of observations regarding the format and content of the industrial CPSV report relied on by EGD to validate the gas savings, and associated shareholder incentive, claimed on account of industrial ratepayer

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[7] ExB/T1/S1/p.108, Table 44, Rate Allocation
[8] ExB/T1/S1/p.109, Table 45

funded DSM programs. It is hoped that these observations will assist the Board as it assumes more direct control over the DSM program evaluation process going forward.

Appropriate Redactions

15. EGD has taken an appropriately measured approach to redactions for confidentiality in the publicly filed version of the industrial CPSV report. As emphasized in the CPSV terms of reference[9], confidentiality in the context of this report should be focussed on protecting the identification of the customer, while maximizing the quality of the information provided regarding the DSM measure and its impact on the customer's gas consumption.

16. EGD's approach is in sharp contrast to that of Union in its DSM deferral and variance disposition application. IGUA highlights this as endorsement of EGD's approach in this respect.

17. EGD has been able to isolate redactions (of words or phrases, rather than longer passages or paragraphs as in Union's case) to protect its customers' identities, while still publically providing a significant amount of information on the type of business and gas consuming processes which the customer is engaged in, and nature and type of equipment and process engaged by the subject DSM project.

18. However, one type of redaction which EGD has made, the basis for which is not clear to IGUA, is of the identity of other evaluators/external consultants engaged by the customer related to the DSM project. IGUA invites EGD to clarify the purpose of this type of redaction in its reply submissions.

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[9] Ex.B/T1/S1/p.130

Information Missing

19. EGD's industrial CPSV report is missing some very important information which Union's report includes. EGD should be directed, in future, to provide:

    a. Customer rate class

    b. Incentive paid

    c. Project cost

    (IGUA acknowledges that the incentive paid and the gross incremental efficiency project cost was provided in response to an interrogatory from Board Staff.)

20. EGD's industrial CPSV report also lacks any description of EGD's involvement in the DSM project described. There is no evidence of whose idea the project was, or the nature of EGD's contribution to identification and planning of the project. It is thus difficult to understand, or evaluate, EGD's role in the particular project.

Free Ridership

21. There are, however, a number of examples in which the industrial CPSV evaluator noted customers notably and broadly engaged with energy efficiency, or uniquely and independently engaged with efficiency related to the specific project being evaluated. Examples include the following (the project and page numbers are taken from Ex.B/T5/S2, the payback period and incentive paid information is taken from Exhibit I.EGDI.Staff.12, Attachment 2):

    a. *Project RA.IND.RT.007.14 [pages 33-37]*

       The project was to install air handling equipment to utilize waste heat from machinery in a nearby building in an adjacent warehouse.

       Cole Engineering noted:

Customer is proactive in energy management as demonstrated by recognition and corporate commitment plaques and energy management champion articles displayed in their foyer.

Facility is very well maintained with constant discussion of energy and sustainability. Discussions of additional energy projects upcoming.

The project had a 1.2 year pre-incentive payback, but EGD nonetheless paid the customer an incentive equal to 50% of the gross incremental project cost of $18,469.

b. *Project RA.IND.AGR.RT.001.14. [pages 46-49]*

The customer <u>expanded</u> their greenhouse "<u>portfolio</u>", and installed a double layer of energy curtains to reduce heat loss.

Cole Engineering noted:

The customer is very proactive in benchmarking its operations with its local peers and its overseas heritage.

The payback period prior to incentive for this project was 3 years, and the total cost was approximately $1.355 million. The incentive paid to the customer was $100,000 (or about 7% of the project cost).

c. *Project RA.IND.NRT.034.14 [pages 51-64]*

The customer replaced a wet fire sprinkler system with a dry system, which allowed the customer to lower the temperature of the unutilized wing of its building.

Cole Engineering noted:

In addition to [sic] EGD measure, customer is making substantial modifications to its operations.

The pre-incentive payback on the project was 0.7 years. EGD paid the customer an incentive of just under $30,000, or about 36%.

d. *RA.IND.NRT.035.14 [pages 65-68]*

The project entailed a number of modifications to a highly specialized and complex paper machine.

The customer engaged *"a paper machine specialist"*. Cole Engineering noted:

> *In isolation, each measure can not [sic] be assessed for individual performance without being a specialist in the sector and with specific knowledge of the complex operations of a paper machine.* [emphasis added]

EGD reports a payback period on the pre-incentive investment of 0.6 years. EGD paid the customer an incentive equal to approximately 48% of the gross incremental cost of $166,000, and claims gross annual gas savings of approximately 1.5 million m^3.

22. IGUA acknowledges that the CPSV terms of reference stipulate that the evaluator is not to make an assessment of free ridership.[10] However, it is not clear to IGUA where such an assessment is to be made, or validated, in respect of particular projects. This is a concern that should be considered as part of the "net to gross" study which, IGUA understands from recent filings, has now re-started after some delay.

23. We were unable to locate in EGD's filing how it discounted its industrial DSM gas savings claim for free ridership.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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[10] Ex.B/T1/S1/p.128