ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B) (the "Act");

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders clearing certain non-commodity related deferral accounts;

SUBMISSIONS

OF

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. IGUA represents members in the following Union Gas Limited (Union) rate classes; 20, 25, 100, M4, M5, M7, T1, and T2.

2. In DSM parlance, customers in the 100, T1 and T2 classes are often referred to as "large volume customers" (LVCs).

3. IGUA acknowledges that, in respect of LVCs:

   (a) Union under spent its DSM budget (and thus is proposing to refund customers) for rate classes T1 and 100;

   (b) Union is not claiming any DSM incentive payment (as Union's targets for these rate classes were not met)[1]; and

   (c) Union's <u>total</u> 2014 LRAM claim for these rate classes combined is relatively small; approximately $42,000.[2] (IGUA's understanding is that Union is also seeking in this application recovery of 2013 LRAM amounts for contract customer DSM activities, which for rate classes T1, T2 and 100 total $58,000[3], for a total proposed LRAM recovery in this application from these rate classes of approximately $100,000.)

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[1] Exhibit A, Tab 3, page 7, Table 2.
[2] Exhibit A, Tab 3, Schedule 2, page 1.
[3] Exhibit A, Tab 3, Schedule 2, page 1, column (a).

4. It should also be noted, however, that:

(a) In respect of Rate T2, Union is seeking additional DSM cost recovery of $230,530 (an 8% variance from budget).[4]

(b) Union has still recovered, in 2014 rates paid by LVC customers, net of the refunds proposed in this application for customers in rate classes T1 and 100, a total of $5.43 million.

Reduction of 2014 LVC LRAM Claim

5. OEB Staff has proposed that Union's LVC LRAM claim should be adjusted downward. OEB Staff has proposed that an additional 30% reduction to claimed gas savings (in addition to the already proposed free ridership adjustment by way of a 54% reduction of gas savings) should be applied on account of Union's LVC DSM program. This additional 30% reduction is calculated by OEB Staff based on elimination of the savings claimed in respect of very short payback LVC DSM projects (many of which are steam leak related projects) and very long payback DSM projects.

6. SEC has endorsed Staff's proposal, based on its own analysis.

7. IGUA also endorses Staff's proposal.

8. The record in this application has raised issues regarding treatment of very short payback DSM initiatives, in reference to the Board's EB-2015-0029 Decision. In that Decision, the Board rejected proposals to impose a minimum payback period requirement for projects to qualify for DSM programs *ab initio*.

9. Such finding should not be considered determinative of whether any particular project with a very short payback period should be validated after the fact.

[4] Exhibit A, Tab 3, Schedule 3.

10. In this case, Union has offered no evidence whatsoever that these obviously inexpensive, very short payback period projects should qualify for DSM incentives and DSM driven gas savings claims.

11. In respect of the steam leak projects which exhibit very short payback periods, IGUA refers the Board to the Diamond Report documentation of pre-existing customer protocols regarding regular steam system maintenance and replacement practices.

12. When asked about the rationale for assuming that money or other assistance from Union was a necessary cause of these steam leak repairs, despite the existence of customer steam system maintenance and replacement protocols, Union merely referred in response to its "judgement".[5] No evidence that Union's DSM offers drove these very short payback, relatively inexpensive interventions has been offered.

Value of Union's LVC "Self-Direct" Program

13. Review of Exhibits C.IGUA.11 and C.Staff.12 indicates that:

(a) Custom projects 2014-IND-0608 and 0622 were both for the same customer, with payback periods of 0.63 and 0.11 years, respectively, and despite short paybacks the customer received a total of $100,000 in incentives. (Neither of these projects were related to steam leaks.)

Even if one accepts the argument that an incentive payment is required to get a LVC's attention for energy efficiency initiatives (an argument which IGUA rejects), it is obvious that payment for <u>two</u> such clearly economic projects is redundant.

(b) Custom projects 2014-IND-0649, 0452 and 0675 were all for the same customer, with payback periods of 0.1, 5.04 and 0.16 years, respectively, and the customer received a total of approximately $16,000 in incentives for the two short payback period projects, in addition to having received

[5] See Exhibits C.SEC.16, 17, 19 through 21 and 26, all of which refer back to Exhibit C.SEC.15, part b. in response to this question.

$65,000 for the longer payback project. (Only the first of these projects was a steam leak repair.)

Again, even if one accepts the argument that an incentive for the 5 year payback project is required, additional incentives for additional projects which pay back within a month or two would be wholly unnecessary.

14. IGUA has also reviewed, and commends, SEC's much more comprehensive analysis of the 22 projects which are the evaluated in the Diamond Report.

15. Most of the LVC DSM projects reviewed in the Diamond Report are projects the savings from which offset their costs within months. Even budget constrained customers whom Union asserts require incentive payments to allocate scarce resources to energy efficiency would proceed with such projects without the need for incentives, as such projects would lower the customer's expenditures relative to budget <u>in the budget year</u>. That is, funds <u>already</u> budgeted for the year would be saved through implementation of these projects. No further persuasion or associated incentive would be required to entice such an investment.

16. The fact that Union pays multiple incentives to customers for more than one very short payback project underscores the redundancy of Union's LVC self-direct DSM program.

17. IGUA appreciates that the projects considered were all undertaken within a customer's "self-directed" DSM plan, which Union must approve in order to return to customers their rate contributed DSM money.

18. The analyses presented by OEB Staff, SEC and above illustrate that there is cost effective LVC DSM which is part of the customer's regular operations, and a mandated ratepayer funded LVC DSM program is redundant.

19. The redundancy of Union's LVC DSM initiatives also indicates that the more than $800,000 of administration costs related to the 2014 LVC DSM self-direct program[6] are a largely unnecessary drain of funds that would be better used by the customer

[6] Exhibit C.SEC.4, Attachment 1.

for its own energy efficiency measures or to otherwise add economic value to Ontario's economy.

Expectation of Thorough Review of Net to Gross Study

20. IGUA also notes the evidence in this proceeding that Union's LVC DSM programs were strikingly ineffective in 2014. Despite essentially flat DSM budgets and targets from 2012 through 2014, Union's LVCs completed fewer projects with lower total volume saved in 2014 relative to 2013.[7]

21. These facts, together with the concerns raised in this proceeding regarding LVC and other contract customer free ridership, underscore the importance of prompt completion of the ongoing net to gross study, and a full and critical review and consideration by the Board and all affected stakeholders of the results of that study and their implications for future LVC DSM programming and analysis.

22. IGUA urges a full inquiry into, and review of, the results of that work either prior to or in conjunction with the 2015 program year DSM VA applications of both Union and Enbridge Gas Distribution.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

Cathy Saller

GOWLING WLG (CANADA) LLP, per:
for: Ian A. Mondrow
Counsel to IGUA

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[7] Exhibit C.IGUA.5.