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May 19, 2017

Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary

Dear Ms Walli:

**Re: Low Income Energy Network  
Reply Written Submission  
File Numbers: EB-2016-0296 (Union Gas Limited) / EB-2016-0300 (Enbridge Gas  
Distribution Inc.) / EB-2016-0330 / (Natural Resource Gas Ltd.)**

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Please find enclosed Low Income Energy Network's Reply Submission for the above noted files.

Yours truly,



Matt Gardner

Encl.

Document #: 1205994

## **ONTARIO ENERGY BOARD**

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

**IN THE MATTER OF** an Application by Enbridge Gas Distribution Inc, Union Gas Limited and Natural Resource Gas Limited seeking approval from the Ontario Energy Board for their 2017 Cap and Trade Compliance Plans.

### **WRITTEN SUBMISSION OF THE LOW INCOME ENERGY NETWORK**

May 19, 2017

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#### **I. INTRODUCTION**

1 Enbridge Gas Distribution Inc. (“Enbridge”), Union Gas Limited (“Union”), and Natural Resource Gas Limited (“NRG”) (together, the “Utilities”) brought applications seeking approval from the Ontario Energy Board (the “Board”) for their 2017 Cap and Trade Compliance Plans in accordance with the Board’s Regulatory Framework for the Assessment of Costs of Natural Gas Utilities’ Cap and Trade Activities dated September 26, 2016 (the “Framework”).

2 The Low Income Energy Network (“LIEN”)’s primary objective is to ensure affordable energy for low-income residents of Ontario while encouraging sustainable and renewable energy initiatives and conservation of energy use.

3 LIEN is supportive of the Cap and Trade program in Ontario to reduce greenhouse gas emissions, but submits that the Utilities' compliance plans for 2017 and beyond should strike a reasonable balance between greenhouse gas reduction and the impacts that increased rates will have on low-income natural gas consumers. In particular, LIEN is concerned that the Utilities have not proposed greenhouse gas ("GHG") abatement activities in their 2017 Compliance Plans, and may not do so in their 2018 Compliance Plans or beyond.

4 The Framework issued by the Board in September 2016 sets out guiding principles for the Board to assess the Utilities' Compliance Plans. These principles include cost-effectiveness, rate predictability, cost recovery, transparency, flexibility and continuous improvement.

5 LIEN submits that the Utilities' 2017 Compliance Plans are not reasonable or appropriate because they do not meet the guiding principles of the Framework. The Utilities' Compliance Plans do not ensure rate predictability or continuous improvement. The Utilities' Compliance Plans do not ensure just and reasonable rates arising from the Utilities' cap and trade activities and provide little assurance of adequate protection from price increases to Ontario's low-income consumers, in particular given that the Utilities have not proposed any GHG abatement activities (other than the already-implemented programs funded through the Green Investment Fund ("GIF")). The Utilities' Compliance Plans also do not ensure transparency, as the plans do not specify precisely how and when the Utilities will apply their customer deferral account balances to customers.

## II. ISSUE 1.10 - GHG ABATEMENT ACTIVITIES

6 GHG abatement activities, like DSM and all conservation measures, are of particular importance to low-income customers, as such measures serve to not only decrease energy use but also mitigate bill impacts. As Enbridge's Ipsos Public Affairs Study suggests, low-income customers in Ontario may be more concerned about reducing the quantity of GHG emissions their households produce than non-low-income customers.<sup>1</sup> The study also confirms that Enbridge's low-income customers have less awareness of Ontario's Cap and Trade program than non-low-income customers.<sup>2</sup>

7 LIEN is concerned that other than continuing with existing residential home retrofit programs funded through the GIF, the Utilities have not identified any GHG abatement activities in their 2017 Compliance Plans. LIEN acknowledges that the Utilities require sufficient time to properly plan for and implement GHG abatement activities that are incremental to their DSM programs, as required by the Framework.<sup>3</sup>

8 In its application, Enbridge states that Enbridge plans to create a "*diverse portfolio of compliance options which will in due course include both customer and facility related abatement initiatives*" and "*where appropriate included in future Compliance Plans... under separate applications or within leave to construct applications.*"<sup>4</sup>

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<sup>1</sup> Ipsos Public Affairs Study, slide 9 at Ex J2.3.

<sup>2</sup> Ipsos Public Affairs Study, slide 15 at Ex J2.3.

<sup>3</sup> Framework, p. 23 at footnote 4.

<sup>4</sup> Enbridge Application, Ex C, Tab 2, Schedule 1, page 14.

9 Enbridge anticipates that Enbridge’s GHG abatement activities will not form part of Enbridge’s Compliance Plan for 2018 and will instead be “*a topic area that the Company believes is more appropriately deal with during the DSM Mid-Term Review.*”<sup>5</sup>

10 Union anticipates that Union’s GHG abatement activities “*such as the use of combined heat and power projects and renewable natural gas in the gas supply portfolio*”... will be assessed and “*the outcomes of this analysis will be provided in future compliance plans.*”<sup>6</sup>

11 LIEN appreciates that the measures being implemented by Enbridge’s agents through Enbridge’s home energy efficiency retrofit program funded through the GIF (the “GIF Program”) are both comprehensive<sup>7</sup> and will be made available to Enbridge’s social housing customers that do not qualify for Enbridge’s DSM Low Income Winterproofing program.<sup>8</sup> However, the GIF Program measures are all to be installed by residential customers (self-install) rather than by Enbridge or its agents (direct-install).<sup>9</sup> LIEN is concerned that the percentage of measures that end up being installed (properly or at all) will be significantly less than if Enbridge’s agents directly install these measures, perhaps while already at the customer’s home for other measures / purposes such as DSM measures.

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<sup>5</sup> Enbridge Application, Ex C, Tab 3, Schedule 4 at page 2.

<sup>6</sup> Union Application, Ex 3, page 25.

<sup>7</sup> Ex I.1.EGDI.LIEN.3(a).

<sup>8</sup> Ex I.1.EGDI.LIEN.3(c).

<sup>9</sup> Ex J2.1.

12 Union's equivalent GIF-funded program, the Home Reno Rebate offering, like Enbridge's GIF Program, is self-install<sup>10</sup>, which will reduce the percentage of measures installed by residential customers. Unlike Enbridge, Union does not intend to implement social housing retrofits through its Home Reno Rebate Offering,<sup>11</sup> but intends to direct customers that do not qualify for Union's DSM Low Income Home Weatherization Program to Union's Home Reno Rebate offering.<sup>12</sup>

13 LIEN is concerned that the only GHG abatement activity that Enbridge and Union will implement in 2017 and 2018 is their respective GIF-funded programs, neither of which include direct-install measures, and Union's GIF-funded program may not be delivered to social housing units. These GIF-funded measures may be of little assistance to low-income customers.

14 Further, LIEN expects that mitigation of both residential customers' natural gas usage and bill impacts will be, unfortunately, minimal for at least the next two years. Based on the applications, evidence provided at the hearing and responses to interrogatories as a whole, it appears Enbridge and Union intend to wait until the DSM Mid-Term Review to present their plans for GHG abatement activities to the Board, at the same time as the companies review their 2015-2020 DSM programs. This means that Enbridge and Union are most unlikely to include plans for GHG abatement activities in their 2018 Compliance Plans, which must be filed with the Board by August 1, 2017.

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<sup>10</sup> Ex J2.8.

<sup>11</sup> Ex B.LIEN.1.

<sup>12</sup> Ex J2.8.

Meanwhile, the deadline for the DSM Mid-Term Review to be initiated is not until June 1, 2018.<sup>13</sup> Given that the Utilities' 2019 Compliance Plans will need to be filed by August 1, 2018, LIEN submits that it may be that Enbridge and Union may not even include GHG abatement activities in their *2019 Compliance Plans*, if the DSM Mid-Term Review proceeding has not been completed as of August 1, 2018. Further, if the Utilities file multi-year plans in 2019 (as Union intends to do<sup>14</sup>), the Utilities may not have GHG abatement activities for the Board's assessment until the end of the first Cap and Trade period (2020).

15 In LIEN's view, this is unfortunate for both mitigating climate change and impacts to the Utilities' customer's bills, particularly low-income customers.

### **III. ISSUE 3 - CUSTOMER OUTREACH**

16 Enbridge's customer outreach communications strategy includes general information for residential customers through Enbridge's website, bill inserts, call centre, media communications, and presentations, as well as direct engagement with "*social agencies delivering programs to low income customers and representatives such as the Low-Income Energy Network (LIEN) and Vulnerable Energy Consumers Coalition (VECC)*".<sup>15</sup>

17 Union has and intends to continue to employ a similar customer communications strategy through Union's website, bill inserts, Union's call centre and other methods<sup>16</sup> but has not proposed in its application to engage directly with social service agencies delivering programs to low-income customers, as Enbridge has. However, Union

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<sup>13</sup> Framework, page 28.

<sup>14</sup> Union Application, Ex 2, page 1.

<sup>15</sup> Enbridge Application, Ex E, Tab 1, Schedule 1 and Appendix A at page 3.

<sup>16</sup> Union Application, Ex 5, Appendix A.

confirmed in the hearing<sup>17</sup> that its customer outreach program will be modified as Union goes forward, and Union will consider engaging directly with social service agencies delivering programs to low-income customers.

18 LIEN submits that both companies should align their customer outreach programs to ensure that they are engaging directly with social service agencies and other groups representing low-income customers, to ensure that outreach is as effective as possible.

#### **IV. ISSUES 4 AND 5 - IMPACTS ON RESIDENTIAL AND LOW-INCOME CUSTOMERS' BILLS**

19 Rising energy costs have an impact on all Ontarians; however, low-income consumers are hit hardest. Low-income consumers often pay a very high percentage of their income on energy costs. LIEN believes that low-income consumers should not be paying more than 6% of their total household income on energy. LIEN uses the term “energy poverty” to describe this disproportionate burden of electricity, natural gas and other utility costs on low-income households that reduce the funds available for food, clothing, medicine and other basic necessities. Inability to pay utilities can lead to disconnection and homelessness.<sup>18</sup>

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<sup>17</sup> Transcript Vol. 2, April 20, 2017 at page 193, line 9.

<sup>18</sup> LIEN’s article titled “Working to End Energy Poverty in Ontario” updated January 2013 and available at [http://www.lowincomeenergy.ca/assets/sitedocs/2013/02/LIEN-energy-poverty-manual\\_Jan-2013.pdf](http://www.lowincomeenergy.ca/assets/sitedocs/2013/02/LIEN-energy-poverty-manual_Jan-2013.pdf) at pages 8, 10, 13 and 18.



20 Communities that currently rely on, as well as those that will soon adopt<sup>19</sup>, natural gas as their sole or primary source of energy represent some of the most vulnerable ratepayers in Ontario. These communities are dispersed across Ontario. Many remote communities, including First Nations, rely or will soon rely on natural gas exclusively for residential energy services. Natural gas infrastructure is a useful transitional technology for remote and low-income communities because many of those communities currently rely on diesel and other environmentally detrimental technologies.

21 Enbridge estimates \$79/year in increased costs on typical residential customer's bills, to be "*adjusted periodically to reflect changes in the cost of GHG allowances that we have to purchase. The cost to you will depend on the actual price of allowances and how much natural gas you use. The Ontario Energy Board will review and approve cap and trade costs.*"<sup>20</sup>

22 Union estimates that "*(i)ncluding the impacts of the customer-related obligation costs of the cap-and-trade program, the bill impact for a typical residential customer consuming 2,200 m3 annually in the Union South and Union North area is an increase of \$74 per year.*"<sup>21</sup>

23 NRG estimates that its customers "*should expect to pay between \$70 and \$80 more per year for their natural gas.*"<sup>22</sup>

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<sup>19</sup> See the Board's Expansion of Natural Gas Distribution (EB-2015-0156) proceeding and <https://www.uniongas.com/about-us/our-projects/community-expansion> about increased funding for natural gas distribution to remote communities in Ontario.

<sup>20</sup> Enbridge Application, Ex E, Tab 1, Schedule 1, Appendix B.

<sup>21</sup> Union Application, Ex 7, page 5.

<sup>22</sup> NRG Application, pages 5 and 26.

24 Enbridge and Union provided average monthly bill amounts for an average residential customer in 2016. Enbridge's residential customers paid (on average) \$33.48 in July 2016 (the lowest monthly payment) to \$127.43 in February 2016 (the highest monthly payment), with the average residential Enbridge customer's bill being \$859.73 per year in 2016.<sup>23</sup> Union's residential customers paid (on average) \$29.83 in August 2016 (the lowest monthly payment – Union South customers) to \$134.56 in January 2016 (the highest monthly payment – Union North Eastern Zone customers), with the residential Union customer's bill being on average \$648.84 per year for Union South customers in 2016 and between \$830.67 to \$920.70 per year for Union North customers in 2016.<sup>24</sup>

25 Based on the above, the annual increase to both Enbridge and Union's residential customers are anticipated to exceed 10% annually, with much greater increases well beyond 10% during the Winter months.

26 LIEN submits that such increases are significant, and trigger the need for the Board and the Utilities to implement measures to pace and prioritize these impacts on low-income customers in particular. GHG abatement activities, including direct-install measures, as discussed above, are one mechanism for doing so. A financial assistance program for low-income customers is another. LIEN asks that the Board to strongly consider this when evaluating the Utilities' 2017 Compliance Plans, and asks the Utilities to do the same when preparing their Compliance Plan for 2018.

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<sup>23</sup> Ex 1.3.EGDI.LIEN.6.

<sup>24</sup> Ex B.LIEN.4.

27 Further, LIEN is concerned that disposition of the Utilities' deferral accounts will add to the bill impacts low-income customers will face as a result of Cap and Trade.

28 Enbridge intends to assess at the time of billing whether a one-time disposal or multiple disposals over time of its deferral balance on customer bills.<sup>25</sup> Enbridge confirmed that there is no threshold for how much additional cost could be added to a single bill as a result of its disposition of its deferral account balances.<sup>26</sup> Further, Enbridge intends to dispose of its deferral account balances by applying same to customers' bills in the Winter, when heating costs will already be at their highest.<sup>27</sup>

29 Union intends to dispose of its 2017 deferral account balances through the 2019 Compliance Plan, with application of the deferral balances over six months likely beginning in January 2019, when customers' natural gas bills are highest.<sup>28</sup>

30 While LIEN appreciates that Union's procedure of spreading out its deferral balance over six months, rather than as a potential one-time disposal as Enbridge proposes, will help to spread out costs for low-income customers. However, LIEN submits that deferral costs should be applied over the warmest six months of the year, if possible, to mitigate the impacts on low-income customers' bills, and submits that Enbridge should follow Union's process of spreading out its deferral balance over six months. This is particularly important, given that cap and trade costs will be considered part of the Utilities' gas charges, and could be the difference between a low-income customer being able or not being able to avoid disconnection of natural gas services due to inability to pay bills or even qualify for an arrears payment plan with the Utility.

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<sup>25</sup> Transcript Vol. 2, pages 16-17.

<sup>26</sup> Transcript Vol. 2, pages 17-18.

<sup>27</sup> Transcript Vol. 2, pages 18-19.

<sup>28</sup> Transcript Vol. 2, April 20, 2017 at pages 191 – 192.

## **V. RECOMMENDATIONS**

31 LIEN recommends that the Board

- (a) require the Utilities to include GHG abatement activities (in addition to the GIF programs already implemented) in their 2018 Compliance Plans
- (b) require the Utilities to propose in their 2018 Compliance Plans, in addition to GHG abatement activities, measures to mitigate the impacts cap and trade will have on low-income customers' bills (such as a financial assistance program that may be triggered at a specific threshold increase to low-income customers' bills)
- (c) require the Utilities to apply their deferral account balances over the warmest six months of the year to mitigate the impacts on low-income customers' bills, and
- (d) require Union to modify its customer outreach programs to ensure that Union is engaging directly with social service agencies and other groups representing low-income customers to ensure that outreach is as effective as possible.