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April 27, 2018

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

DELIVERED BY EMAIL

Dear Ms. Walli,

RE: EB-2017-0323 - 2015 DSM Deferrals-Union Gas Ltd.

Please find enclosed the final submissions submitted on behalf of the Ontario Greenhouse Vegetable Growers.

If any further information is required please do not hesitate to contact the undersigned.

Yours very truly,



Michael R. Buonaguro
Encl.

EB-2017-323

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

**FINAL SUBMISSIONS OF THE ONTARIO GREENHOUSE
VEGETABLE GROWERS**

April 27, 2018

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INTRODUCTION AND SCOPE OF ARGUMENT

1. This is the final argument of the Ontario Greenhouse Vegetable Growers (“OGVG”) with respect to Union Gas Ltd.’s (“Union”) request to clear Demand Side Management (“DSM”) related accounts for the year 2015.
2. OGVG is cognizant of the Board’s direction with respect the scope of this proceeding, and accordingly OGVG has confined its argument to issues directly related to the appropriate amounts to be cleared from the relevant DSM related accounts.
3. OGVG notes that it was not a member of the Evaluation and Audit Committee (the “EAC”) that participated in the development of the Final 2015 Natural Gas Demand Side Management Annual Verification Report (“Final Verification Report”) that forms the basis of the claimed amounts in the relevant deferral accounts. Accordingly OGVG’s knowledge of the process that led to the issuance of the Final Verification Report is restricted to the contents of the record in this proceeding.
4. At a high level Union’s claim in this proceeding, as well as the dispute between Union and the results of the Final Verification Report, are summarized in Exhibit A, Tab 1, page 7, Table 2:

Table 2
2015 DSM Results (\$ Millions)

	2015 Pre-Audit Results⁹	2015 Audited Results	2015 Audit Adjusted Results
LRAM	\$0.613	\$0.602	\$0.617
DSMVA	(\$0.195)	(\$0.195)	(\$0.195)
DSMIDA	\$7.548	\$7.040	\$7.472
TOTAL	\$7.966	\$7.447	\$7.895

5. As can be seen from Table 2:
 - a) Union is asserting that the LRAM amount to be cleared in its favour should be increased by approximately \$15,000.00;
 - b) Neither The Final Verification Report nor Union raise any issues with respect to the amount to be cleared from the DSMVA; and

- c) Union claims that the DSMIDA amount to be cleared in its favour should be increased by approximately \$432,000.00.
- 6. In OGVG's respectful submission the Board should reject Union's assertions to the effect that the LRAM amount is understated by approximately \$15,000.00 and that the DSMIDA amount is understated by approximately \$432,000. In OGVG's submission Union has materially misinterpreted the Board's previous decisions with respect to the application of the Final Verification Report results to the claimed amounts.

Union Misinterprets the Board's Previous Decisions with respect to the Role of the Final Verification Report

- 7. The main thrust of Union's argument in favour of its claimed LRAM and DSMIDA amounts is that for 2015 related DSM activities all input assumptions and net-to-gross adjustments were to be based on the 2014 audited results and "locked in", making any changes in input assumptions and net-to-gross adjustments described in the Final Verification Report applicable only on a prospective basis. In making this assertion Union refers to the Board's Decision and Order in EB-2015-0029 dated January 20, 2016 pages 73-75 (the "Original Decision"), as well as the Board's subsequent revised Decision and Order dated February 24, 2016, page 3 (the "Revised Decision").
- 8. In reviewing Union's submissions and the relevant Board Decisions it is apparent, OGVG respectfully submits, that Union has failed to recognize the difference between "prescriptive programs and measures" and "custom projects", and has also failed to recognize the Board's very different treatment of these two types of DSM activity when calculating the savings from each for the purposes of calculating the appropriate shareholder incentive.
- 9. With respect to "custom projects", it is clear from the relevant Board decisions that the Board's practice was and would continue to be to evaluate the results of "custom projects" *ex post facto*, without relying on pre-determined input assumptions and net-to-gross factors as is the case with "prescriptive programs".
- 10. In OGVG's respectful view, Union's position has been developed on the basis of a piecemeal reading of the relevant Board Decisions, with the result that the distinction between "prescriptive programs and measures" and "custom projects" is obscured.
- 11. For the sake of clarity OGVG has produced the entire text from the Original Decision in Appendix A, with highlights added to emphasize the fact that the Board did, in fact, intend that "prescriptive programs and measures" be treated differently from "custom projects" when calculating the savings from each for the purposes of calculating the shareholders incentive.
- 12. More specifically, the Board highlights the following with respect to "custom projects":

Input assumptions are not used to evaluate gross cumulative natural gas savings for custom programs and measures, except for effective useful life for measure listed in the

annual input assumptions filings.

Custom measures do not have pre-determined energy savings associated with their implementation, and are more common in industrial and commercial facilities where equipment is more specialized and operational characteristics are more variable. Custom project savings are calculated on a case-by-case basis, although measure life may be assumed based on typical lifetimes of that type of equipment.

Mr. Neme explained that it may be appropriate to lock in the input assumptions and net-to-gross factors for prescriptive programs and not update these values based on evaluation and audit results. On the other hand, Mr. Neme noted that utilities have more control over the measures installed and free ridership rates in custom programs, where projects are developed on a case-by-case basis.

The OEB finds that any updates to existing input assumptions, or new input assumptions identified during a year, should be applied prospectively when evaluating savings from prescriptive measures.

The OEB does not expect the gas utilities to rely on predetermined net-to-gross adjustment factors when calculating savings for custom projects.¹

13. In OGVG's submission a plain reading of the Original Decision reveals that the Board acknowledged that, while it may be appropriate to "lock in" input assumptions and net-to-gross factors for "prescriptive programs", it was not appropriate to rely on predetermined net-to-gross adjustment factors for "custom projects". Custom projects, the Board acknowledged, do not have pre-determined energy savings associated with their implementation, and utilities have more control over the measures installed and free ridership rates in custom programs. For all these reasons OGVG respectfully submits that the results of the Final Verification Report, which factors in the actual 2015 net-to-gross adjustments for custom projects rather than relying on pre-determined net-to-gross factors, should be accepted and Union's request for adjustments to the audit should be denied.

LRAM Claims are to be Calculated on the Basis of the Best Available Information, in this case Information in the Final Verification Report

14. With respect to the LRAM claim, OGVG is aware that the difference between the amount in the original audit and the amount claimed by Union is, relatively speaking, immaterial. However, OGVG would like to point out that the Board specifically directed that the calculation of lost revenues, as a calculation distinct from the calculation of savings for the purposes of determining the shareholder incentive, was to be based on information available as a result of the annual evaluation process:

To calculate lost revenues, the OEB directs the utilities to use the final natural gas savings amounts calculated from the use of the best available information that are the

¹ EB-2015-0029 Decision and Order dated January 20, 2016 pages 73-75.

*result of the annual evaluation process. It is appropriate to use the best available information when determining lost revenues that are the result of DSM programs as this will provide the best indication of the actual effect of the programs and is needed when comparing this amount with the load reduction amounts included in the gas utilities' load forecast. (emphasis added)*²

15. Simply put, the calculation of lost revenues should be done on the most up to date information as possible, as it is an amount which is purely compensatory with respect to the utilities actual lost revenues.

Union is Incorrect in Asserting that Secondary Attribution was in Scope for the Final Verification Report

16. It appears that Union has asserted a possible alternative argument, that the Final Verification Report is “incomplete”, in that it is supposed to include Secondary Attribution impacts in its results. Union makes the unqualified assertion in its argument in chief that:

*The original NTG Study scope of work provided that Secondary Attribution would be included.*³

17. There is no cite to the evidence in support of this assertion in Union’s argument in chief. There is, however, in the application, a similar assertion, which is ostensibly supported by a cite from the evidence:

*Further, as per the Scope of Work, Secondary Attribution was also supposed to be included.*⁴

18. This statement is supported, Union asserts, by a reference Exhibit A, Tab 1, Appendix D, pages 90-92. The cited Exhibit is the Scope of Work for Ontario Energy Board dated December 14, 2016 (the “2016 Scope of Work”) and the cited pages do refer to Secondary Attribution, but only in the context of setting out the single question that the Evaluation Contractor would ask in an attempt to crudely quantify Secondary Attribution; the cite does not discuss the concerns raised with respect to the issue of Secondary Attribution, or the ultimate resolution with respect to the issue in the context of the Final Verification Report.
19. At Exhibit A, Tab 2, Appendix D, pages 44-45 of the same 2016 Scope of Work the Evaluation Contractor sets out the concerns raised in the context of the Technical Evaluation Committee:

² EB-2015-0029 Decision and Order dated January 20, 2016 page 75.

³ Union AIC, page 7, paragraph 21.

⁴ Exhibit A, Tab 2, page 14.

Secondary Attribution

*Optimization, operational and maintenance projects (Actions) will be separated from equipment installation in the sample design and require special consideration for data collection as well. Maintenance projects in particular are by their nature recurring, while equipment optimization and operational improvements are behavioural and can be undone. The question of how to credit the program for maintenance this year when the customer participated in the past is complex. **DNV GL and the TEC considered this issue while finalizing the contract and decided that the primary objective of the free ridership estimation will be to capture the effect of the program(s) on the current project.** The effect on the current project of prior and indirect program experience will be captured in a secondary, less rigorous question sequence. (emphasis added)*

The primary attribution questions will be framed by questions that ask about decision making for the current project alone so that the scored attribution sequence will capture the effect of the program on the current project. After the scored section of the survey is complete we will capture the indirect, longer term attribution effect by asking:

“Now, without any utility assistance for any projects in the past, what is the percent likelihood that you would have <taken this EE Action>?”

*The maximum of the primary attribution and this score will provide us with **an idea of how much higher attribution would be if a longer term view were taken.** (emphasis added)*

To limit customer burden and ensure the validity of our spillover analysis we will limit the investigation of secondary attribution to:

Measures with less than 100 percent primary attribution: if primary attribution is 100 percent, then secondary attribution is as well. Put another way, the long term effect of the program (secondary attribution) is inclusive of short term (primary attribution), so by definition, the long term effect cannot be less than the short term and it is unnecessary to ask the secondary attribution question.

2015 participants: 2015 participants are the only participants that will be asked attribution questions comprehensively. 2013/14 participants will be asked the attribution questions only if they indicate potential spillover has occurred (potential spillover is a project that the participant reports as possibly reducing gas usage, not-incentivized and attributable to previous program participation.

Secondary attribution will be captured for all measure types, but was a specific concern for maintenance and other “Action” measures.

20. Accordingly, it appears to OGVG, the agreed Scope of Work focussed on the effect of programs on current projects or “Primary Attribution”, as opposed to the effect of prior and indirect program experience on the current programs or “Secondary Attribution”. The secondary, “less rigorous” question sequence with respect to Secondary Attribution was never intended to actually impact on the audit results; it was intended to provide an

“idea” of how much higher attribution “would be if a longer term view were taken”.

21. This view of the actual scope of work is reinforced by a review of Appendix I to the 2016 Scope of Work, which “. . . sets out the discussion history of methodological decisions that were left unresolved following the initial project kickoff meeting in 2014.”⁵ The issue of Secondary Attribution was discussed multiple times and, it appears to OGVG, ultimately left unresolved, with the only recommendation being that the Scope of Work focus on capturing the effect of the current program(s) on the current project.
22. As previously noted, OGVG was not a participant in the evaluation and audit process, and so, without oral testimony from any of the participants, is left only with the written record with respect to such issues. In that context, OGVG suggests that the record, on its face, is clear that the appropriateness of including Secondary Attribution in the Final Verification Report (beyond reporting on the theoretical impacts they may have on the audit results) was at best left unresolved, with the effect that it was not to be included in the final audit results, which, it appears to OGVG, was an understanding shared by the evaluation contractor.
23. OGVG notes that the inclusion of Secondary Attribution in the final results, based on the purposefully “less rigorous question sequence”, would theoretically have the effect of increasing the total shareholder incentive claim by approximately \$1,000,000 or 13.65%. In OGVG’s respectful submission, in the absence of prior OEB approval to include the effects of Secondary Attribution when evaluating the savings from Custom Projects, the rudimentary nature of the Secondary Attribution aspect of the evaluation contractor’s study compared to the primary objective of the Scope of Work, and in view of the fact that the notion of Secondary Attribution was not incorporated into the target setting exercise for the 2015 DSM plan (whereas Free Ridership was included)⁶, it would be inappropriate for the Board to include the effects of Secondary Attribution in the 2015 Audit Results.

CONCLUSION

24. OGVG respectfully submits that the Board should accept the audited amounts based on the Final Verification Report, resulting in a total net disposition of \$7.447.
25. In OGVG’s view it was always the Board’s intention that with respect to the evaluation of Custom Projects for the purpose of determining the appropriate shareholder incentive the results of the *ex post facto* evaluation of the Custom Projects would be utilized.
26. Further, in OGVG’s view, it was always the Board’s intention that LRAM claims would always be evaluated on the basis of the ex post evaluation of the total gas savings in the subject year, rather than on the basis of input assumptions and net-to-gross factors determined prior to the subject year.

⁵ Exhibit A, Tab 2, Appendix D, page 125.

⁶ Exhibit B.SEC.26

27. Lastly, in OGVG's view, the incorporation of Secondary Attribution into the final audit results would be inappropriate.

COSTS

28. OGVG respectfully submits it has conducted its intervention in an efficient and responsibly manner. Accordingly, OGVG respectfully requests an award of 100% of its legitimately Incurred costs.

29.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 27th DAY OF APRIL, 2018