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Sept. 28, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2017-0127/EB-2017-0128 – Written Comments of London Property Management Association

Please find attached the written comments of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken

Randy Aiken
Aiken & Associates

**WRITTEN COMMENTS
OF
LONDON PROPERTY MANAGEMENT ASSOCIATION**

A. INTRODUCTION

The Ontario Energy Board ("OEB") issued a letter on June 20, 2017 outlining a consultation process by which it would undertake the Mid-Term Review of the 2015-2020 Demand Side Management ("DSM") Framework for Natural Gas Distributors.

The process included filing of information and reports by Union Gas ("Union") and Enbridge Gas Distribution ("EGD") and a two-phase review. The first phase dealt with a review of the overall DSM Framework in the context of the cap and trade program. The termination of the provincial cap and trade program through Ontario Regulation 386/18, Prohibition Against the Purchase, Sale and Other Dealings with Emission Allowances and Credits resulted in the OEB withdrawing this portion of the review by letter dated August 15, 2018.

The second phase, which included specific issues and a review of the information and reports filed by Union and EGD continued. Both utilities filed a number of reports and submissions on September 1, 2017, October 2, 2017 and January 15, 2018. In addition, both utilities made oral submissions, accompanied by presentation materials at the Stakeholder Conference that began on September 6, 2018.

This proceeding was a consultation and not a hearing. There was no oral hearing, no discovery and no transcript of the Stakeholder Conference. The result is that there is no evidentiary record on which the OEB can make informed binding decisions. There is no evidence in this consultation, only untested information.

These are the written comments of the London Property Management Association ("LPMA") with respect to a number of the issues that were discussed in the material provided by the utilities and in the Stakeholder Conference.

B. BACKGROUND AND EVOLVING ISSUES

In the June 20, 2017 letter, the OEB specifically excluded from the scope of the Mid-Term Review the appropriateness of continuing ratepayer-funded DSM, the inclusion of a shareholder incentive for the gas utilities, and the general makeup of the DSM portfolios. The OEB stated that these were topics that would be more appropriately assessed and reconsidered as part of any post-2020 DSM Framework.

As noted by the OEB in the June 20, 2017 letter, the scope of the DSM Mid-Term Review was to be limited because of the uncertainties with respect to the new cap and trade program and the lack of experience to date with the 2015-2020 DSM programs.

LPMA submits that the degree of uncertainty present today is as great as, or larger, than it was when the OEB wrote that letter. The new cap and trade program referred to in that letter has come and gone. There is little information available related to a potential federal cap and trade program. The new provincial government, aside from cancelling the cap and trade program, has signaled a significant change in provincial policy with respect to conservation. At this time, however, there is little information as to what the new policy will entail. The termination of the Green Investment Fund and other similar programs, which Union and EGD have used to augment their DSM budgets means there is greater uncertainty as to what the utilities will do in the absence of this funding.

Public support for conservation has been damaged by the sloppy implementation of the cap and trade program and the lack of transparency to customers on their bills as to what they were actually paying for the cap and trade program. This discontent has now grown to include what customers are paying to fund conservation programs, including budgets, payments made to a limited number of customers and shareholder incentives. This lack of transparency harms the reputation of both the utilities and the OEB. For example, a residential customer of Union has their bill broken down to show the costs related to the gas consumed, storage, delivery and a monthly charge. Costs related to DSM do not fall into any of those categories, yet are included in the delivery costs in rates. Just like the hidden cap and trade costs, customers are awakening to the fact that they are paying hidden costs not associated with the delivery of gas to them. If the utilities and the OEB want customers to support DSM, they need to be transparent with the costs. Hiding them in delivery rates is no longer acceptable to ratepayers. If ratepayers are receiving value for their money, they need to be aware of both the benefits and costs so they can form their own opinions of the value for money.

In addition to the changes noted above related to government policy and public support for transparency, LPMA notes that Union and EGD have been given approval to merge as early as January 1, 2019. Such a merger should have a significant impact on the delivery of DSM programs, including administration cost reductions as two sets of administrators is replaced by one. The economies of operating a single DSM program that covers virtually all natural gas customers in the province should be substantial and sustainable.

Given the significant level of uncertainty that has resulted from the change in government policy and the growing need for transparency to ratepayers and the significance of the issues excluded from the Mid-Term Review, LPMA submits that the OEB should only accept a few of the changes proposed by the utilities. Proposed changes that impact budgets, the calculation of incentives and the setting of targets should not be accepted as part of this Mid-Term Review. These are fundamental changes that should be addressed as part of a comprehensive review of the next DSM Framework which is scheduled to begin in 2021. It is expected the process associated with the next DSM Framework will begin in 2019, at which time there may be more concrete provincial and federal government policies with respect to energy conservation.

C. SPECIFIC ISSUES

This section deals with a number of issues that have been raised through the consultation.

a) Targets

Union and Enbridge have requested a number of changes to their targets that effectively reduces the targets with no corresponding reduction in their budgets. The changes include changes to the formula and reductions in the productivity factor. This would make it easier for both utilities to maximize their shareholder incentives. These self-serving proposals should be rejected by the OEB. There is no information to show an increase in ratepayer value for money. In fact, the opposite appears to be true. The utilities want the OEB to approve bigger budgets and higher potential incentives for achieving less.

These are fundamental changes that should be considered as part of the next framework which will encompass a wide range of issues, many of which have been excluded from the Mid-Term Review.

LPMA does not support the changes proposed by Union and EGD with respect to the Target Adjustment Mechanism ("TAM"). These changes should be deferred to the more comprehensive review of the next framework. However, LPMA believes that where a program is designed to include future commitments for customer incentive payments a change is justified now. EGD provided an example that shows the distortions that arise as a result of the future incentive payments can have on targets. LPMA submits that rather than using the current cash expense, the calculations should be on an accrual basis that takes into account today the future incentive payments. This approach should eliminate the issue illustrated in the EGD example.

b) Net to Gross Ratio

The utilities are proposing to fix the net to grass ratio. However, the experience from past audits shows the proper evaluation requires that the net to gross ratio should be measured for custom projects as part of the verification of each year's results. Custom projects are by their very nature, unique. It is also likely that over time, custom projects in aggregate are changing due to the changing mix of customers taking part in them. To assume that the net to gross ratio remains fixed has not been justified.

c) Scorecards

Union and EGD has proposed changes in the scorecards that appear to shift the weight from lifetime cubic meters to activity-based measures. In other words, there would be more weight on appearance than on results. Again, this appears to LPMA to be a self-serving move to increase the potential shareholder incentive while not actually providing any increase in value for money for ratepayers. LPMA submits that the OEB should reject these proposed changes as part of this Mid-Term Review.

The proposed changes are a change in the fundamental way that achievement is measured. Some parties, including LPMA, believe that more weight should be given to actual lifetime cubic meters saved. However, this is an issue that should be part of a comprehensive review which is expected to be part of the next framework review.

d) Shareholder Incentives

LPMA opposes any changes that impact shareholder incentives from what has been in place since the beginning of the current DSM Framework. No information has been provided by any party in this consultation that suggests any changes that increase the maximum incentive available to the utilities provides added value for money for ratepayers. Similarly, there is no information to support the reduction in targets, changes in the formula for calculating targets or any of the other proposed changes that have an impact on the amount of the incentive that is earned has a corresponding increase for ratepayers in the value for their money.

e) Adjustments to Targets and Budgets

Targets and budgets were set for the 2015 through 2020 period in EB-2015-0029/EB-2015-0049 Decision and Order dated January 20, 2016. With the one exception noted in (b) above, LPMA submits that the OEB should only adjust targets and budgets in the context of a hearing with an evidentiary foundation (such as was done in EB-2015-0029/EB-2015-0049) in a comprehensive review of the next DSM framework.

f) Budget Flexibility

Union and EGD want changes to their ability to redistribute their budgets between components of their DSM plans. LPMA notes that if this redistribution was based on a desire to achieve greater lifetime cubic meter savings, then there may be some latitude that should be afforded the utilities. However, LPMA is concerned that the real reason for this requested flexibility is simply to game the system and maximize the shareholder incentive by hitting and/or exceeding the targets that matter most to the incentive calculation. This would be at the expense of some ratepayers and LPMA does not support such a blatant manipulation of the DSM framework.

Unless the utilities can justify the flexibility requested on lifetime cubic meter savings and not shareholder incentives, the OEB should deny this request and/or the recovery of the costs that were moved between components of the DSM plans.

g) Customer Incentive Fund

LPMA is not sure why a Customer Incentive Fund is needed or appropriate. The utilities already have a DSMVA account available to them for what appears to be similar purposes. As noted elsewhere in these comments, there is no evidence in this consultation. Thus there is no evidence to support the need or value for this additional funding. Again, the budgets were set in EB-2015-0029/EB-2015-0049 and LPMA does not believe that any significant changes in the amount to be spent should be made. This does not prevent Union and EGD from bringing forward proposals for such a fund in the comprehensive review for the next DSM framework that will take effect is just over two years.

h) Evaluation and Audit

The OEB Staff-led evaluation and audit process has had some growing pains. However, LPMA believes that the issues that have been encountered were transitional in nature and that the OEB-Staff led process should continue and mature. LPMA continues to support a transparent process that is not controlled by the entities that are eligible to receive incentives.

i) Open Bill

Union Gas currently does not have an Open Bill program, but LPMA understands that EGD does. Some parties may submit that Union should change its billing system to accommodate an Open Bill program.

LPMA does not support Union spending time and money on changing its billing system to accommodate and Open Bill program at this time. This is because with the pending merger of Union and EGD, it likely that their billing systems will be combined at some point in the near future. LPMA submits that it would not be cost effective or efficient for Union to incur the time and costs of changing its billing system to accommodate the Open Bill program, only to turn around and replace its billing system in the near future after it merges with Union.

j) Expansion of DSM Programs

It appears that some parties are proposing increases to the size of the DSM programs. LPMA does not support this expansion at this time. Given the current uncertainty surrounding government policies with respect to conservation (both federally and provincially) and the increasing need to show value for money to ratepayers, LPMA suggests that any change in DSM programs – whether an expansion, contraction or collaboration with other entities – should be reviewed as part of the new framework and based on a full evidentiary basis.

k) Integrated Resource Planning

LPMA is very concerned by the state of the investigation into the potential impacts of targeted DSM on Integrated Resource Planning ("IRP"). IRP has the potential to save ratepayers significant amounts over long periods in situations where pipeline projects can be avoided or delayed through targeted DSM programs.

However, Union and EGD primarily make money for their shareholders by growing rate base. In other words, there is a negative impact on the utilities of IRP. To overcome this resistance to full and comprehensive IRP reports, LPMA submits that the OEB should take direct control of this matter and commission its own reports on the IRP potential associated with targeted DSM programs. This would provide an independent unbiased assessment of the potential impact of DSM on the need for new and upgraded pipelines, compression and storage.

LPMA further submits that the OEB should ensure that these reports are available as soon as possible and certainly as part of the comprehensive review of the next DSM framework.

l) Summary

In summary, LPMA submits that the OEB should maintain the status quo for the last two years of the current DSM Framework that ends in 2020. The Mid-Term Review is a consultation, and not a hearing. This means that there is no evidentiary basis to make significant changes to the current framework either with respect to budgets, the incentive payments, the mix of programs, or any other proposed changes. There has been no analysis as to whether any of the proposed changes provide value for money to ratepayers.

The level of uncertainty with respect to government policy related to conservation is as great as it was during the EB-2015-0029/EB-2015-0049 proceeding. Provincial cap and trade legislation has come… and gone. The Federal cap and trade legislation has not been finalized. New provincial policies with respect to energy and conservation are expected to released and discussed in the coming months.

The OEB explicitly removed a number of key issues from the Mid-Term Review, including the appropriateness of continuing ratepayer-funded DSM, the inclusion of shareholder incentive for the utilities and the general makeup of the DSM portfolios. This was done because the OEB determined that these were topics that would be more appropriately addressed and considered as part of any post-2020 DSM Framework.

LPMA submits that the changes proposed by Union and EGD should not be considered in isolation as part of this consultation review, but rather, like the other topics noted above, as part of a comprehensive review of any post-2020 DSM Framework.

D. COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs. LPMA worked with other intervenors throughout the application and hearing process to ensure its areas of interest were adequately discussed. This limited duplication while ensuring that the discussion was complete.

ALL OF WHICH IS RESPECTFULLY SUBMITTED
September 28, 2018

Randy Aiken
Consultant to London Property Management Association