MICHAEL R. BUONAGURO
Barrister and Solicitor

24 HUMBER TRAIL
TORONTO, ONTARIO, M6S 4C1
P: (416) 767-1666
F: (416) 767-1666
EMAIL: mrb@mrb-law.com

June 27, 2019

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: Post-2020 Natural Gas Demand Side Management Framework Board File Number: EB-2019-0003

Further to the Board's direction in its letter dated June 11, 2019, the Ontario Greenhouse Vegetable Growers (OGVG) are pleased to provide the Board with its comments in relation to the Post-2020 DSM Framework. We have organized our comments in accordance with the three issues set out in the Board's letter.

1. **Principles: Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?**

With respect to the scope of OGVG's comments, OGVG notes that its primary interest, historically speaking, has been with the DSM activities in the Union Gas Franchise area, and that within that area OGVG is primarily interested in the DSM activity and related rate impacts within the contract classes.

Within that context OGVG notes that the number of customers in the Union Franchise area contract classes are relatively low, low enough that it is reasonably easy for the utility to track its penetration into the contract classes with respect to its DSM activity and, conversely, identify customers within those classes that have not participated in any of the offered DSM programs. OGVG attaches to these comments Exhibit C.OGVG.Union.1, an interrogatory response in Union Gas Inc.'s EB-2018-0300 application for the clearance of DSM related deferral and variance account for the 2016 rate year (the most recently "completed" DSM year for the purposes of account clearances). This interrogatory response provides the following information about DSM activity in the Union Gas related contract classes:

a) total participation from the contract classes, including the specific subset of Greenhouse customers, is in excess of 60% in the 2016-2018 period alone; it does not appear to OGVG that the 60% figure includes participants from 2015 or earlier years, in which case the total participation within the 2015-2020 period is likely well above 60%; in OGVG's view this begs the question as to the potential for continued cost-effective DSM in the contract rate classes in the near term absent fundamental changes in available DSM measures,

b) there is an (understandably) steep decline in participation from the contract classes within even the short 3 year period covered by the interrogatory response as the total number of customers that have never participated in DSM programming decreases,

c) as explained in the response, the utility's delivery of DSM programs to the contract classes involves direct communications with the customers in those classes, such that, in OGVG's view, the identification of customers that have not participated in available DSM programming should be relatively simple:

> Year-over-year participation in Union's DSM programs has varied amongst contract rate customers. Union has catered mostly custom energy efficiency solutions to its contract rate customers, focused on project, study and sub- metering incentives, as well as the Strategic Energy Management ("SEM") program. Delivery of these solutions is through a direct sales approach with an Energy Conservation Advisor assigned to each contract rate customer. The Energy Conservation Advisors work directly with each contract rate customer to identify natural gas savings opportunities relevant to their operation on a forward- looking basis, also working with them to document and complete DSM applications on their behalf. The Energy Conservation Advisors are focused on understanding each customer's unique situation through its sales process. Tracking non-participants is also aided by the implementation of a Customer Relationship Management system in 2018. These actions enable Union's Energy Conservation Advisors to improve program participation with non- participating customers.

Although perhaps obvious, OGVG believes it is important to note that non participants in DSM programming receive no direct benefits in terms of avoided gas costs in exchange for the DSM funding they provide to the utility. Although the number of non participants is shrinking over time, there remains a number of customers that are paying, both in their base rates and through one time charges as a result of the clearance of DSM related deferral and variance accounts, material amounts in support of DSM spending for which they are receiving no direct benefits.

While OGVG is certainly aware that there are likely to be issues raised as to the efficiency of the DSM program spending, the level of incentives earned by utilities are and the manner in which those incentives are calculated and paid out, issues which OGVG is certainly interested in, OGVG respectfully submits that from its members' perspective the most important issue in the DSM framework is to ensure that as close to 100% of the customers within each discrete class participate in the DSM programming funded in rates, since it is only through participation that each customer can offset the cost of DSM programming imposed on them through lower gas consumption.

OGVG notes that principle 5 in the existing framework does place an emphasis on designing programs to be as accessible as possible in order to allow as many customers to participate as possible:

5. Design programs so that they achieve high customer participation levels.

Programs should be designed to remove financial, information and other barriers in the market place to increase take-up of DSM programs. Gas utility DSM plans should allow as many natural gas consumers as reasonably possible the opportunity to participate and share in the benefits of DSM.

While OGVG certainly agrees with that principle, OGVG respectfully submits that the following separate and equally, if not more important, principle should be employed in conjunction with principle 5:

Where feasible, Gas utility DSM Programs should target customers that have not yet participated in any rate funded DSM programs, with the goal of achieving 100% customer participation.

OGVG recognizes that the feasibility of implementing this principle in the general rate classes may be challenging; in OGVG's view that should not prevent the utilities from striving to follow such a principle particularly within the contract rate classes where the utility has a direct and ongoing relationship with all its customers. In OGVG's view utilities should always be incentivized to seek out new participants rather then revisiting prior participants, particularly given that prior participants are more likely to be considered free riders and will likely have a lower potential for material savings.

2. **Goals and objectives: What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?**

In accordance with OGVG's comments above, OGVG respectively submits that the primary goal and overall objective of the post-2020 DSM Framework should be to deliver direct DSM related benefits to all customers. In OGVG's view it is important to acknowledge that in the absence of an overall objective to implement DSM for all customers the DSM Framework risks becoming a mechanism for the subsidization of benefits for participants at the expense of non participants. OGVG respectfully submits that in the absence of this explicit goal, the DSM Framework risks incentivizing DSM activity that excludes some customers for the sake of maximizing overall consumption reduction, which would result in certain customers paying DSM costs without receiving DSM benefits.

OGVG notes that an alternative approach would be to have only participants fund DSM programming. OGVG respectfully submits that an approach analogous to the one employed by the Board in its Generic Proceeding on Community Expansion (EB-2016-0004) would be theoretically sound. In the EB-2016-0004 decision the Board determined, *inter alia*, that the beneficiaries of expanded gas service (the benefit coming from the reduced cost of natural gas service relative to the displaced existing fuel alternatives) should pay the costs of that expansion of service through the use of a system expansion surcharge or SES, which notionally required new customers in a newly served area to pay for the expansion out of the savings they were going to experience, with that payment being spread out over a term of up to 40 years. OGVG expects that it would not be difficult to construct a similar "DSM" surcharge which allowed DSM participants to fund the costs of the DSM programming they receive out of their gas cost savings, over the lifetime of their gas consumption as presumed for the purpose of determining their forecast savings.

3. **Scope: Should the OEB undertake major revisions to the 2015-2020 DSM Framework or focus on specific updates that are more minor in nature?**

OGVG expects that the OEB will have to at least consider whether there are major revisions that need to be undertaken, even if those revisions are not ultimately implemented. For example, whether the framework has to be modified to accommodate or account for the impact of Carbon Reduction based policies of the Federal and Provincial governments is something OGVG expects the OEB has to at least consider. In OGVG's view, for example, while it might seem natural that the added cost of carbon taxes (should such a tax ultimately be implemented) should increase the TRC benefits of reduced natural gas consumption such that certain program designs that, without the impact of carbon taxes, would not be viable could suddenly become eligible components of a utility's program portfolio, the possibly transient and arguably artificial nature of those carbon tax impacts might require the OEB to account for those impacts differently when determining whether a proposed program should be eligible for funding. OGVG is aware both through this consultative process and through informal consultation with other intervenors that it is likely that at least some parties will propose major revisions to the DSM framework; in OGVG's view it would be inappropriate for the OEB to determine *a priori* that will not consider such major revisions without considering the merit of such proposals to at least some extent.

For its part OGVG would propose, based on the anecdotal experience of its members, that the OEB consider making at least some minor revisions to the framework in terms of how the framework ultimately collects DSM related funding from customers. Currently the framework relies on the sporadic review of deferral and variance account balances relating to program spending, incentives, and, for certain classes, a lost revenue adjustment mechanism, which (usually) leads to the collection of large amounts from customers at seemingly random times of the year. By way of example, the EB-2018-

0300 Proceeding led to the collection of material amounts from certain contract classes in the form of one time payments in mid-2019 in relation to DSM activity dating back to 2016, with the timing of those one time payments being dependent entirely on when the application for clearance was filed and how long it took to process. In OGVG's respectful view the Board should consider the relationship between the DSM amounts embedded in base rates, the deferral and variance accounts that track the differences between the amounts embedded in rates and actual amounts owed by or to customers, and the manner in which those amounts are collected or refunding to customers with a view to more appropriately smooth the rates experienced by customers. By way of simple example, OGVG would respectfully submit that it would be a benefit to contract customers if, like general service customers, deferral and variance account amounts were cleared over time through a rate rider rather than, as is currently the case, through the charge of a one time lump sum.[1]

We thank the Board for the opportunity to provide comments at this preliminary stage of the Board's review of the Post-2020 DSM Framework, and look forward to participating in the phases that follow.

Yours very truly,

Michael R. Buonaguro
Encl.

[1] OGVG recognizes, as set out in Attachment A, that the utility holds out the possibility of a payment plan for contract customers that raise the issue with the utility. It is OGVG's respectful submission that it would be more appropriate to automatically smooth any such payments in the normal course.

ENBRIDGE GAS INC.
(Operating as Union Gas)

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A Tab 4 Pages 3-4

Preamble: For in-franchise contract rate classes, Union is proposing to dispose of the net 2016 DSM-related deferral and variance account balances as a one-time adjustment with the first available QRAM after Board approval.

The disposition approach for general service and contract customers is consistent with how Union disposed of 2015 DSM deferral and variance account balances in the 2015 Disposition of DSM Deferral and Variance Accounts proceeding (EB-2017-0323).

Question:

a) Please provide a table (or tables) that show the following information (for ease of reference a similar IR was asked and answered in EB-2017-0323 at Exhibit B.OGVG.1):

i. the number of customers within each in-franchise contract class that Union forecasts it will charge a one-time adjustment relating to the 2014 LRAM, DSMVA and DSMIDA accounts if this application is approved;
ii. the number of customers within each in-franchise contract class that have not been a participant in a Union DSM program targeting those rate classes; If there are customers that had not been a participant in a Union DSM program targeting the in-franchise contract classes to the end of 2016 but who were participants in years subsequent to 2016 please include that information; please (separate from any table or tables provided) describe any efforts by Union going forward to specifically target and include customers that have yet to be included as participants in a Union DSM program as participants in Union DSM programs in the future;
iii. for each in-franchise contract class please provide the minimum, maximum, average, and median one-time adjustments Union forecasts it will charge if this application is approved on the basis Union's "Audit Adjusted" balances, along with the related % distribution and total bill impact for each representative charge

(namely the % impact of the one time charge in relation to the annual distribution and total bill for the relevant customer);

iv. for each in-franchise contract class please provide the minimum, maximum, average, and median one-time adjustments Union forecasts it will charge if this application is approved on the basis Union's "Audited" balances, along with the related % distribution and total bill impact for each representative charge (namely the % impact of the one time charge in relation to the annual distribution and total bill for the relevant customer);

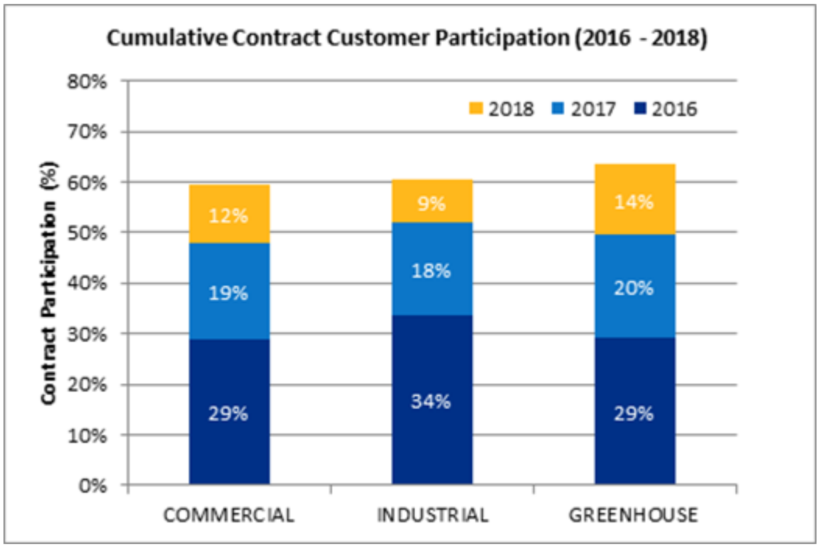
b) Please confirm that in-franchise contract class customers continue to have the option of paying the approved one-time adjustment over time; if so confirmed please provide the process by which customers seeking to make their payment over time may arrange to do so, and explain how the maximum time period available to customers for such payments is determined. If not confirmed, please explain why this option is no longer available to in franchise contract customers.

Response:

a)

i. Please see Attachment 1. Enbridge Gas has answered this interrogatory based on its proposed audit-adjusted 2016 DSM deferral and variance account balances (rather than 2014 as stated in the question).

ii. Please see the graph below for the percentage of Union's in-franchise contract rate customers who participated in a DSM program for the years 2016 to 2018.



Year-over-year participation in Union's DSM programs has varied amongst contract rate customers. Union has catered mostly custom energy efficiency solutions to its contract rate customers, focused on project, study and sub-metering incentives, as well as the Strategic Energy Management ("SEM") program. Delivery of these solutions is through a direct sales approach with an Energy Conservation Advisor assigned to each contract rate customer. The Energy Conservation Advisors work directly with each contract rate customer to identify natural gas savings opportunities relevant to their operation on a forward-looking basis, also working with them to document and complete DSM applications on their behalf. The Energy Conservation Advisors are focused on understanding each customer's unique situation through its sales process. Tracking non-participants is also aided by the implementation of a Customer Relationship Management system in 2018. These actions enable Union's Energy Conservation Advisors to improve program participation with non-participating customers.

iii. Please see Attachment 1, p. 1.

iv. Please see Attachment 1, p. 2.

b) Confirmed.

In-franchise contract class customers' one-time adjustment invoice is payable when the invoice is due and late payment charges will apply for unpaid amounts. Customers may contact their Account Manager to request alternative payment arrangements, for a maximum period of 6 months. These requests will be considered depending on the customers unique circumstances on a case by case basis.

UNION RATE ZONES
Bill Impact of 2016 DSM Deferral Account Disposition
Audit Adjusted One-Time Adjustment for Contract Customers

Line No.	Particulars	Number of Customers	2016 DSM One-Time Adjustment ($)	Percent of Delivery Bill	Percent of Total Sales Bill (1)
		(a)	(b)	(c)	(d)
	Union South				
1	Rate M4	199			
2	Minimum		117	1.9%	0.9%
3	Maximum		27,628	10.3%	1.5%
4	Average		5,859	6.7%	1.4%
5	Median		4,487	4.7%	1.3%
6	Rate M5	87			
7	Minimum		753	1.9%	1.1%
8	Maximum		42,563	14.1%	2.2%
9	Average		7,828	10.5%	2.1%
10	Median		5,997	9.6%	2.0%
11	Rate M7	32			
12	Minimum		1,334	0.4%	0.3%
13	Maximum		109,946	10.0%	1.4%
14	Average		33,251	9.7%	1.4%
15	Median		28,057	11.5%	1.5%
16	Rate T1	38			
17	Minimum		(1,099)	(1.1%)	(0.2%)
18	Maximum		(12,840)	(2.2%)	(0.3%)
19	Average		(4,625)	(1.7%)	(0.2%)
20	Median		(3,833)	(2.0%)	(0.3%)
21	Rate T2	23			
22	Minimum		(14)	(0.0%)	(0.0%)
23	Maximum		(1,852)	(0.0%)	(0.0%)
24	Average		(550)	(0.0%)	(0.0%)
25	Median		(291)	(0.0%)	(0.0%)
	Union North				
26	Rate 20	56			
27	Minimum		(1,511)	(2.2%)	(0.8%)
28	Maximum		(313,783)	(11.3%)	(1.1%)
29	Average		(18,368)	(7.6%)	(1.1%)
30	Median		(9,335)	(1.4%)	(0.7%)
31	Rate 100	15			
32	Minimum		(2,867)	(1.3%)	(0.4%)
33	Maximum		(496,035)	(13.8%)	(0.6%)
34	Average		(101,276)	(12.0%)	(0.6%)
35	Median		(71,789)	(14.2%)	(0.6%)

Notes:
(1) Sales bills were estimated based on the customer's delivery bill and their consumption multiplied by Union's average gas supply charges in 2016.

UNION RATE ZONES
Bill Impact of 2016 DSM Deferral Account Disposition
Audited One-Time Adjustment for Contract Customers

Line No.	Particulars	Number of Customers	2016 DSM One-Time Adjustment ($)	Percent of Delivery Bill	Percent of Total Sales Bill (1)
		(a)	(b)	(c)	(d)
	Union South				
1	Rate M4	199			
2	Minimum		113	1.9%	0.9%
3	Maximum		26,834	10.0%	1.5%
4	Average		5,691	6.5%	1.4%
5	Median		4,358	4.6%	1.3%
6	Rate M5	87			
7	Minimum		732	1.8%	1.1%
8	Maximum		41,338	13.7%	2.1%
9	Average		7,603	10.2%	2.0%
10	Median		5,825	9.3%	2.0%
11	Rate M7	32			
12	Minimum		1,290	0.4%	0.3%
13	Maximum		106,312	9.7%	1.4%
14	Average		32,152	9.3%	1.4%
15	Median		27,130	11.1%	1.4%
16	Rate T1	38			
17	Minimum		(1,172)	(1.2%)	(0.2%)
18	Maximum		(13,689)	(2.4%)	(0.3%)
19	Average		(4,931)	(1.8%)	(0.3%)
20	Median		(4,086)	(2.2%)	(0.3%)
21	Rate T2	23			
22	Minimum		(14)	(0.0%)	(0.0%)
23	Maximum		(1,852)	(0.0%)	(0.0%)
24	Average		(550)	(0.0%)	(0.0%)
25	Median		(291)	(0.0%)	(0.0%)
	Union North				
26	Rate 20	56			
27	Minimum		(1,518)	(2.3%)	(0.8%)
28	Maximum		(315,335)	(11.3%)	(1.2%)
29	Average		(18,459)	(7.7%)	(1.1%)
30	Median		(9,381)	(1.4%)	(0.7%)
31	Rate 100	15			
32	Minimum		(2,866)	(1.3%)	(0.4%)
33	Maximum		(495,817)	(13.8%)	(0.6%)
34	Average		(101,232)	(12.0%)	(0.6%)
35	Median		(71,758)	(14.2%)	(0.6%)

Notes:
(1) Sales bills were estimated based on the customer's delivery bill and their consumption multiplied by Union's average gas supply charges in 2016.