

SMALL BUSINESS UTILITY ALLIANCE (SBUA)

Answers to Interrogatories from
Environmental Defence

6-ED-1-SBUA.1

Reference: Exhibit L.SBUA.1, p. 1

Question:

- (a) Please provide a high-level estimate of the additional gas savings (m3) that could be achieved by each of the recommendations made. A best-efforts rough estimate with caveats is sufficient. Please also estimate the incremental DSM budget necessary to achieve these savings.

Response:

GEEG does not have enough information at this time to provide the requested estimates. However, we are not recommending any additional spending that would decrease the portfolio's cost effectiveness, but only that which would produce additional net benefits.

Provided by: Francis Wyatt, Theodore Love (GEEG)

8-ED-2-SBUA.1

Reference: Exhibit L.SBUA.1, p. 31

Questions:

- (a) You recommend fewer shareholder incentives. If the maximum shareholder incentive envelope were tied to the lifetime gas savings targeted by the DSM plan (\$/m3, where m3 is the total plan 100% target gas savings), what ratio do you believe would be appropriate?
- (b) If the maximum shareholder incentive envelope were tied to the lifetime net benefits targeted by the DSM plan (i.e. \$X for every \$Y in net benefits), what ratio do you believe would be appropriate?

Response:

- (a) The maximum shareholder incentive should not exceed 8% of the efficiency portfolio budget. A partial shareholder incentive could start at around 75% of the projected lifetime m3 natural gas savings and reach the maximum shareholder incentive at around 150% of the projected lifetime m3 natural gas savings.
- (b) Similar to the recommendation above, the maximum shareholder incentive should not exceed 8% of the efficiency portfolio budget. A partial shareholder incentive could start at around 75% of the projected net benefits and reach the maximum shareholder incentive at around 150% of the projected net benefits.

Provided by: Francis Wyatt, Theodore Love (GEEG)

10(j)-ED-3-SBUA.1

Reference: Exhibit L.SBUA.1, p. 25

Preamble:

As part of the Enbridge Gas Low Carbon Transition Program, Enbridge is planning on including a Commercial Heat Pump Program Offering that promotes the adoption of natural gas heat pumps. While perhaps a gas heat pump would reduce carbon emissions compared to a natural gas furnace or boiler, an electric heat pump would likely reduce carbon emissions further. Instead of only promoting gas heat pumps that still have carbon emissions, Enbridge should also be educating its customers about electric heat pumps. This program should be fuel neutral and provide information on the most appropriate, economically feasible option with the lowest carbon emissions options.

Questions:

- (a) In response to the above comments about gas heat pumps, Enbridge may cite the Canadian Gas Association's (CGA) report entitled "Potential Gas Pathways to Support Net-Zero Buildings in Canada."¹ Do the points made in this report change the recommendations and comments regarding gas heat pumps, and if not why not?
- (b) The CGA report describes a net zero pathway for buildings on page 4 that involves "significant adoption of gas heat pumps" (see pathway 1). Could you please comment at a high-level on the cost-effectiveness of this in comparison to a pathway relying instead on high-efficiency electric heat pumps? If it is possible to provide an order of magnitude difference in cost between those pathways, please do.
- (c) Market transformation programs are inherently forward-looking. In this light, please comment on the prudence of developing a market in more efficient gas heating (i.e. gas heat pumps and hybrid systems) versus electric cold climate heat pumps.

Response:

- (a) No. GEEG's comments were merely that the selection of a heating system should be fuel neutral and selection based on the current cost effectiveness and net emissions reductions. Those choices could change over time along with technology advancements.
- (b) There are many steps that need to occur in pathway 1, other than just increasing gas heat pumps – such as bringing on renewable natural gas and methanated hydrogen. GEEG is not familiar with the costs associated with these other steps at this time.
- (c) Efforts to transform a market to a particular technology should not occur until the technology can demonstrate that it can lower greenhouse emissions more cost effectively than a competing technology. GEEG is not aware of any analysis that shows gas heat pumps lowering greenhouse gas emissions as much as electric heat pumps or

¹ <https://www.cga.ca/wp-content/uploads/2021/11/Potential-Gas-Pathways-to-Support-Net-Zero-Buildings-in-Canada-CGA-October-2021.pdf>.

more cost effectively. That could possibly change as the gas heat pump technology matures and conventional natural gas supply is replaced with renewable natural gas and methanated hydrogen.

Provided by: Francis Wyatt, Theodore Love (GEEG)

16-ED-4-SBUA.1

L.SBUA.1, p. 25

Questions:

- (a) Please comment on the possibility of achieving full integration of electric and gas programs by having Enbridge contract with the IESO to design and/or deliver gas ratepayer funded demand-side management programs to gas customers.
- (b) Please comment on these potential benefits of fully integrating efficiency programs by having them designed and delivered under IESO via a contract with Enbridge:
 - i. Avoiding the conflict of interest of a utility that profits from pipelines being responsible for programming that would reduce or eliminate the need for pipelines;
 - ii. Enabling a fuel-neutral approach;
 - iii. Enabling the benefits of a fuel-neutral approach, such as economic efficiency, rationality, and cost-effectiveness;
 - iv. Access to low-cost government financing for program cost amortization;
 - v. Avoiding the cost of shareholder incentives;
 - vi. Administrative savings;
 - vii. Ease of access for customers;
 - viii. Maintaining access to Enbridge data and customer communications channels; and
 - ix. Greater consideration of electrical system impacts; and
 - x. Balanced and accurate technical assistance, awareness building, training etc.
- (c) Please comment on any potential conflict of interest for Enbridge with respect to DSM relating to: (a) Enbridge earning profits from pipeline capital projects, and (b) Enbridge's interest in upstream transportation revenue on pipelines it owns outside of Ontario that serve Ontario. Please confirm that the LRAM does not address these two conflicts.

Response:

- (a) Having a single entity deliver both electric and gas efficiency programs would be ideal.
- (b) The following are potential benefits of fully integrating efficiency programs by having them designed and delivered under IESO via a contract with Enbridge:
 - i. The delivery of gas efficiency programs by IESO would remove the conflict of interest of the gas utility profiting from pipelines which could reduce or eliminate the need for pipelines;
 - ii. The delivery of gas efficiency programs by IESO would enable a fuel-neutral approach by allowing for the optimal technology choice in a fuel-agnostic manner.
 - iii. The delivery of gas efficiency programs by IESO would reduce administrative costs since there would be one entity delivering efficiency programs rather than two separate entities. It would also allow for treating customers holistically for both gas and electric usage simultaneously, reducing customer interaction costs and accounting for the interactive effects of both. A fuel-neutral approach would allow for choosing the most cost-effective technology, regardless of the fuel. All

- of these cost advantages would likely lead to a more cost-effective efficiency portfolio than if delivered by two separate administrators.
- iv. GEEG is not knowledgeable about the government financing options available to both IESO and Enbridge. But, assuming that IESO has access to lower-cost funding than Enbridge, this would allow for lower-cost program cost amortization;
 - v. The delivery of gas efficiency programs by IESO would avoid the cost of shareholder incentives;
 - vi. The delivery of gas efficiency programs by IESO would reduce administrative costs since there would be one entity delivering efficiency programs rather than two separate entities. It would also allow for treating customers holistically for both gas and electric usage simultaneously and reduce customer interaction costs.
 - vii. The delivery of gas efficiency programs by IESO would simplify the customer's interactions regarding efficiency programs. The customer would not need to refer to separate program offerings, but would only need to learn about and coordinate with one program.
 - viii. If IESO were to deliver the gas efficiency programs, then its access to Enbridge data and customer communications channels would facilitate a fuel-neutral approach by having access to both gas and electric customer usage and contact information. Duplicative marketing could also be avoided.
 - ix. The delivery of gas efficiency programs by IESO would inform IESO of potential electrical system impacts and allow for an integration of the impacts from reductions or increases in both gas and electric systems.
 - x. If IESO were to deliver both gas and electric efficiency programs, then it would be able to assess gas and electric efficiency options simultaneously and compare the relative cost effectiveness of all options. The interactive effects of both gas and electric could be integrated into any technical analyses so that the customer would be aware of the impacts on all of its energy systems.
- (c) GEEG is not knowledgeable about how Enbridge profits from pipeline capital projects or upstream transportation revenue on pipelines it owns outside of Ontario that serve Ontario or if these revenue reductions are treated through the LRAM. If indeed these revenue streams would be impacted by a lower gas throughput and not accounted for in LRAM, then this would present a disincentive for Enbridge to reduce its gas consumption.

Provided by: Francis Wyatt, Theodore Love (GEEG)