

Undertaking JT4.4

Reference: Last page of Exhibit K1.2, the IGUA Compendium for Panel 1

Mr. Neme to consider and comment on the APPRO opt-out program and the list of factors for their uniqueness, to point out those that would be problematic, or that would preclude an opt-out mechanism; to point out anything he might consider prohibitive.

Response:

EFG does not support the premise of the APPRO question referenced in the undertaking (Exhibit I.103.EGI.APPRO.5) – that gas-fired generators should be allowed to opt out because they are “subject to more, stacked, and multiple carbon-related costs than any other sector of the economy.” The fact that such generators are subject to other carbon-related regulatory costs does not mean that requiring them to participate in efficiency programs is not in the public interest. Indeed, the fact that they are subject to carbon regulations means that the benefits of efficiency investments are greater than they otherwise would be. In other words, this isn’t a case of compounding costs for no added benefit. Instead, if efficiency programs are well designed so that they result in cost-effective investments that otherwise would not occur, efficiency program participation requirements will result in a lowering of the costs of other regulations.

That said, as stated in the hearing on March 31st, EFG believes it would be reasonable to allow large industrial customers such as those in Union rate classes T2 and T100 – including but not limited to natural gas generators – to opt out of Enbridge efficiency programs if they can demonstrate that they have addressed all cost-effective efficiency measures. A payback of 7 or 8 years could be used as a simplifying metric for such a demonstration. Further, any such demonstration should have to be made through an audit by an expert that is hired by the Enbridge rather than by the individual businesses who have a vested stake in the outcome of the audit.

EFG is not familiar enough with Enbridge’s billing system to be able to directly address each of the administrative challenges the Company has identified with implementing such an opt out option. That said, as stated in the hearing on March 31st, numerous other jurisdictions appear to have successfully implemented opt out programs. In Illinois, the electric utilities just began implemented a new opt out option for very large customers (those with maximum demands in excess of 10 megawatts). That provision went into effect in January 2022, within months of the passage of a new law (in September 2021) that created the opt out program. Our understanding is that the Illinois utilities have essentially created a “toggle” for each large customer eligible to opt out, which results in each customer either paying the energy efficiency surcharge used to fund efficiency programs (if they choose not to opt out) or not paying it (if they choose to opt out). To the extent that Enbridge does not have an efficiency charge and instead embeds efficiency costs in distribution rates, it could presumably create the functional equivalent of a negative efficiency surcharge (or credit) for customers who are eligible and choose to opt out.

As also stated in the March 31st hearing, we would expect very few customers to meet our proposed criteria for opting out. Thus, bill credits could presumably be addressed manually if necessary, with modest effort, until a more formal system can be programmed.