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May 19, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi,

**RE: EB-2021-0002 – Enbridge Gas Inc. 2022 – 2027 Natural Gas Demand Side Management Plan and Framework – Submissions of London Property Management Association**

## I. INTRODUCTION

These are the submissions of the London Property Management Association ("LPMA") related to 2022 - 2027 Natural Gas Demand Side Management Plan and Framework ("DSM") proposals of Enbridge Gas Inc. ("EGI").

These submissions are based on the Ontario Energy Board ("Board") letter of December 1, 2020 related to Post-2020 Natural Gas Demand Side Management Framework (EB-2019-000), which required EGI to file a multi-year DSM application in May of 2021. LPMA further notes that the directives in the OEB's DSM letter were in response to the mandate letter to the Board dated November 27, 2020 from the Associate Minister of Energy and the Minister of the Environment, Conservation and Parks related to the Ontario Government's then current policy objectives related to DSM.

LPMA also notes that the Minister of Energy issued a renewed mandate letter to the Board, dated November 15, 2021, in which the Minister stated his expectation to see the establishment of multi-year DSM programming.

As part of the December 1, 2020 letter the Board set out its views on the objectives of ratepayer-funded natural gas DSM at pages 2-3:

> *"As part of Phase 1 of the OEB's consultation, the OEB received written comments from 25 stakeholders regarding the goals and objectives of ratepayer-funded DSM. Following its review and consideration of the submissions, the OEB is of the view*

*that* ***the primary objective of ratepayer-funded natural gas DSM is assisting customers in making their homes and businesses more efficient in order to help better manage their energy bills****.*

*In working towards the primary objective, Enbridge Gas's future ratepayer-funded DSM plan should also consider the following* **secondary objectives***:*

- ***Help lower overall average annual natural gas usage***
- ***Play a role in meeting Ontario's greenhouse gas reductions goals***
- ***Create opportunities to defer and/or avoid future natural gas infrastructure projects***

*These secondary objectives balance input received from stakeholders and refine the objectives included in the former 2015-2020 DSM framework.* ***The OEB is of the view that these secondary objectives are important considerations that a well-planned and effectively implemented DSM plan can help achieve****."*

The submissions of LPMA are focused on the primary and secondary objectives of the rate-payer funded DSM plan as proposed by EGI. LPMA submits that for DSM to be successful, it must meet the primary and secondary objectives as described by the Board above.

The following section provides the LPMA position on the proposed plan and on possible options for the Board. Submissions on the General Issues and on the Specific Issues follow the Summary.

## II. LPMA SUBMISSIONS ON OBJECTIVES AND OPTIONS

LPMA submits that the Board should not approve the EGI proposed plan as filed. It should, however, approve a modified version of the plan that contains a number of adjustments to that filed by EGI.

### 1. The Proposed Plan Fails to Meet the Primary and Secondary Objectives as Set Out by the Board

LPMA submits that the EGI proposal as filed fails to adequately meet the primary objective as set out by the Board and fails to meet any of the three secondary objectives.

With regards to the primary objective of using rate-payer funded DSM to assist customers in making their homes and businesses more efficient in order to help better manage their energy bills, LPMA submits that EGI is only partially successful. This is because the number of customers that are assisted is a small fraction of the overall total number of customers served by EGI. At the same time, the vast majority of these customers will continue to see increases in their natural gas bills as they pay more than $780 million in DSM budget costs between 2023 and 2027 (Ex. D, Tab 1, Sch. 1, Table

1). LPMA notes that this cumulative total is based on a 2% inflation which, given current inflationary pressures, is likely low and could have a significant impact on the overall cumulative DSM budget. In addition, LPMA notes that the total maximum shareholder incentive over this same period is more than $110 million (Ex. D, Tab 1, Sch. 2, Table 1 & 2). In aggregate, the costs to all ratepayers could easily exceed more than $900 million over a five-year period.

LPMA submits that the EGI proposal is not appropriately designed to deliver at least some benefits to a large number of customers but rather focuses on benefits for a small number of customers.

LPMA further submits that the EGI proposal fails to properly assist customers in making their homes and businesses more efficient in order to help better manage their **energy** bills. This is because EGI does not propose to assist current customers to stop using natural gas completely by switching to electricity (or other fuels or combination of fuels). In other words, EGI only proposes to assist natural gas customers with their natural gas bills and if they no longer get a natural gas bill, there is no assistance to help them manage their energy bills.

LPMA provides further submissions related to the issue of assisting current customers to stop using natural gas completely under Issue 2 below.

Turning to the secondary objectives established by the Board, LPMA submits that EGI's proposed plan fails to meet all three of them.

The first secondary objective is to help lower overall average annual natural gas usage. EGI's plan does not do this. EGI's plan slows the growth in natural gas usage, but does not reduce natural gas consumption or even keep it at current levels. This continuing growth has been acknowledged by EGI in the EB-2022-0072 Consultation to Review Enbridge Gas Inc.'s 2022 Annual Update to Natural Gas Supply Plan, where the following table illustrates the continued growth in natural gas usage over the next five years.

**Table 2 - Annual Demand Forecast**

| Line No. | Particulars (TJ) | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|---|
| | EGD | | | | | |
| 1 | General Service | 381,835 | 383,278 | 386,810 | 387,561 | 390,588 |
| 2 | Contract | 70,000 | 72,767 | 72,643 | 71,980 | 71,696 |
| 3 | Total EGD | 451,835 | 456,045 | 459,453 | 459,542 | 462,284 |
| | Union North West | | | | | |
| 4 | General Service | 14,579 | 14,621 | 14,743 | 14,722 | 14,778 |
| 5 | Contract | 1,441 | 1,436 | 1,432 | 1,427 | 1,422 |
| 6 | Total Union North West | 16,020 | 16,057 | 16,175 | 16,149 | 16,200 |
| | Union North East | | | | | |
| 7 | General Service | 39,107 | 39,221 | 39,537 | 39,485 | 39,624 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 8 | Contract | 3,554 | 3,556 | 3,532 | 3,519 | 3,507 |
| 9 | Total Union North East | 42,660 | 42,778 | 43,069 | 43,005 | 43,131 |
| | Union South | | | | | |
| 10 | General Service | 173,820 | 174,324 | 175,562 | 175,142 | 175,511 |
| 11 | Contract | 55,729 | 57,249 | 58,182 | 58,943 | 59,705 |
| 12 | Total Union South | 229,549 | 231,573 | 233,745 | 234,086 | 235,216 |
| 13 | Total Demand Forecast | 740,065 | 746,453 | 752,443 | 752,781 | 756,831 |

As shown in the above table, total forecast demand increases by more than 16,700 TJ by the 2025/2026 gas year compared to the current 2021/2022 gas year. Clearly EGI is forecasting that this secondary objective will not be met.

The second secondary objective of playing a role in meeting Ontario's greenhouse gas reductions goals is also not being met by the EGI plan. As illustrated above, natural gas consumption by EGI customers is forecast to continue rising. This means that natural gas emissions from these customers will also rise. So not only does the EGI plan not assist in the secondary objective of meeting Ontario's greenhouse gas reduction goals, it actually is working against it, making it more difficult to accomplish that objective, and increasing the burden on other sectors of the economy, such as transportation and agriculture, to reduce their emissions.

The third secondary objective is to create opportunities to defer and/or avoid future natural gas infrastructure projects. While the EGI plan does create some opportunities to reduce peak demand, which is usually the driver behind the need for new natural gas infrastructure, it does not maximize these opportunities and, therefore, in the view of LPMA fails to meet this secondary objective of the DSM plan.

As noted above, EGI does not propose to assist current customers to stop using natural gas completely by switching to electricity (or other fuels or combination of fuels). They would, as an example, promote and assist with the cost of the replacement of a gas furnace and a gas water heater with a hybrid electric/gas heat pump. This hybrid gas heat pump would still add to the peak demand, although at a lower level than a gas furnace. EGI would not, however, promote or assist with the cost of the replacement of the same gas water heater and furnace with an electric only heat pump or where the hybrid electric/gas heat pump is based on propane rather than natural gas and where the customer ceased to be a natural gas customer. In this scenario the peak demand from this customer is totally eliminated, yet EGI does not propose to do this to the full extent possible. This is a failure to embrace the full opportunity to defer and/or avoid future natural gas infrastructure.

As noted above, LPMA believes that for DSM to be successful, it must meet all of the secondary objectives set out by the Board. The Board has stated that it is of the view that the secondary objectives are important and that a well-planned and effective DSM plan can help achieve these objectives. LPMA submits that the proposed plan fails to do this.

**2. Proposed Options for the Board**

LPMA submits that the Board should first determine the appropriate term of the DSM plan. The term approved by the Board, in the submission of LPMA, is either for three years or for five years with a mid-point assessment review in 2024 (Exhibit I.4.EGI.CME.6). This review would look at a limited number of potential changes for 2025 through 2027.

LPMA notes that this mid-point review could also be held if the Board determined that a three-year term was appropriate, with the mid-point review highlighting a limited number of potential changes for 2025.

LPMA submits that the Board should approve a three-year term for the DSM plan. The LPMA submissions in support of this are included in Issue 4 below.

If the Board determines that a five-year term is appropriate, then LPMA submits that the Board should consider a cost recovery mechanism that includes the "rate basing" or amortization of some DSM costs. This approach is described in more detail in Issue 7 below.

## III. GENERAL ISSUES

***1.*** *Does Enbridge Gas's 2023-2027 DSM Framework and DSM Plan adequately respond to previous OEB direction and guidance on future DSM activities (e.g., DSM Mid-Term Review Report, 2021 DSM Decision, OEB's post-2021 DSM guidance letter)?*

LPMA believes that EGI's 2023-2027 DSM Framework and DSM Plan adequately responds to previous OEB direction and guidance on future DSM activities. However, this does not mean that the framework and plan are adequate.

Conservation activities are rapidly changing and expanding and utility-based DSM plans are only a portion of the activity that is now taking place. All levels of government have become heavily involved in efforts to reduce greenhouse gas emissions. This level of activity ranges from the federal carbon charge and the federal Greener Homes Program, to provincial emission reduction targets to individual municipalities creating or implementing Climate Change Action Plans or Municipal Energy Plans. EGI states that about 100 municipalities are doing this (Exhibit E, Tab 4, Sch. 1, pg. 3).

This emphasis on conservation is not limited to governments. Many businesses are incorporating changes to reduce their carbon footprint as part of their business plans and corporate strategies.

***2.*** *Does Enbridge Gas's 2023-2027 DSM Framework and DSM Plan adequately support energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to consumers' economic circumstances?*

As noted above, it is LPMA's submission that the EGI proposal fails to properly assist customers in making their homes and businesses more efficient in order to help better manage their **<u>energy</u>** bills. This is because EGI does not propose to assist current customers to stop using natural gas completely by switching to electricity (or other fuels or combination of fuels). In other words, EGI only proposes to assist natural gas customers with their natural gas bills and if they no longer get a natural gas bill, there is no assistance to help them manage their energy bills.

This violates the Board's primary objective as is illustrated in the following example. If an existing natural gas customer uses natural gas for space heating, water heating and cooking, they can receive incentives from EGI to electrify their space and water heating needs. However, if they want to replace their gas stove with an electric stove at the same time, EGI will not provide them with an incentive to do so. This results in the customer remaining on natural gas at a low volume for only their stove. However, the fixed monthly charge will be collected from them as well. This means that their energy bill will actually be higher than it would be if they switched the gas stove to electric and avoid fixed charges of more than $250 a year (for a residential customer in Union South).

The EGI approach also violates the three secondary objectives set out by the Board. By keeping the customer on natural gas for only the stove in the above example, overall average annual natural gas usage is being kept higher than necessary; it does not help reduce Ontario's greenhouse gas reductions to the extent possible; and it does defer or avoid future natural gas infrastructure to the extent possible.

In the above example, if EGI tells the customer that they are not eligible for incentives to reduce their gas use if they stop using gas, but that if they keep their gas stove, they will receive incentives to replace their other gas equipment and for other conservation measures, what would a savvy customer do? They would tell EGI that they are keeping their gas stove and get the incentives. The day after they receive the incentives and the measures are completed, they would replace the gas stove with an electric one and call EGI to disconnect them. Is this really a scenario that EGI and the Board want played out as a result of EGI's refusal to provide incentives to customers that get entirely off of gas? LPMA thinks not.

As part of the renewed Mandate Letter to the Board dated November 15, 2021, the Minister of Energy stated at page 3:

> *"It is also important that the DSM Framework be implemented in a way that enables customers to lower energy bills in the most cost-effective way possible, and help customers make the right choices regardless of whether that is through more efficient gas or electric equipment."*

EGI's DSM plan is focused on natural gas rather than energy conservation and efficiency. It has an inherent bias to retain customers because of the fixed revenue that flows from them to the utility. It fails to recognize the value to customers of disconnecting from the gas system and not having to pay fixed monthly charges to both the gas and electric utility.

***3.*** *Is Enbridge Gas's 2023-2027 DSM plan consistent with energy conservation industry best practices in Ontario and other relevant Canadian and U.S. jurisdictions?*

LPMA submits that energy conservation industry best practices involve the elimination, where physically and economically viable, of greenhouse gas emissions through the burning of fossil fuels.

EGI's DSM plan is designed to keep customers using natural gas, albeit lower amounts of natural gas. This can be seen in the submissions in Issue 6 related to the advertising for a DSM employee to "*Advocate for the continued use of natural gas and its role as a low carbon option in the development of Municipal Energy Plans".*

This bias to maintaining gas use by customers is also shown in the fact that EGI does not propose to offer incentives to customers if the end result is that they cease to be customers of the natural gas utility. The silliness of this was discussed in Issue 2 above.

Perhaps the issue should have been worded differently. Instead of consistent with energy conservation industry best practices in Ontario and other relevant Canadian or U.S. jurisdictions, the real question is it consistent with energy conservation industry best practices in an evolving industry and society.

***4.*** *Is Enbridge Gas's proposed DSM Plan term of 2023-2027 appropriate?*

No. As indicated earlier in this submission, LPMA believes that the term of the proposed DSM plan should be limited to three years, i.e. 2023-2025.

The DSM landscape is changing rapidly. Governments at all levels have or are introducing greenhouse gas emission reduction targets and programs to aid individuals and companies to achieve these targets. Some of these government initiatives are noted under Issue 1 above. It is highly unlikely that governments will not do more in the near term to help achieve these targets.

Municipal governments, which it can be argued, are closest to the issue of climate change and to the customers that consume energy, are becoming more and more active in this area. As noted above in Issue 1, approximately 100 municipalities are implementing Climate Change Action Plans or Municipal Energy Plans. As EGI states (Exhibit E, Tab 4, Sch. 1, pg. 3):

> *"In addition to being key customers themselves, municipalities play the critical roles of "Influencer", "Promoter", "Enabler" and "Enforcer" of strategies, policies and programs seeking to reduce the GHG emissions of their constituent residents, businesses and institutions, also our customers."*

How this municipal call to action evolves is unknown at this time, but it has the potential to be a significant game changer in the short term.

Another contributor to the changing DSM landscape is technology. This is true with such things as cold climate heat pumps, solar energy, batteries and other energy storage technologies.

A major contributor to the DSM landscape is the economy. Higher costs for fossil fuels, including natural gas, has accelerated the economic viability of renewable energy to the point individuals, companies and governments are looking at obtaining these resources by the end of this year rather than several years down the road.

Skyrocketing inflation that has not been seen for decades and rising interest rates are also affecting the DSM landscape. Given that low-income customers are those that are most adversely impacted by these changing economic conditions, LPMA submits that more emphasis should be placed on delivering programs to low-income customers. Elsewhere in these submissions, LPMA has advocated for the transfer of budgets from other programs to the low-income program in order to reach more customers that need assistance.

All of the factors noted above lead to one thing – uncertainty. This is uncertainty that exists today. The further one peers into the future, the greater the level of uncertainty. LPMA submits that five years is simply too long to set things in stone. Three years is also a long time and a lot can happen. Just think what has happened in the last three years and, indeed, in the last three months. The three-year time horizon provides a balance between the uncertainty that lies ahead with the stability and continuation of a DSM plan based on what is known and expected today.

## IV. SPECIFIC ISSUES

***5.*** *Is Enbridge Gas's proposed DSM policy framework, including guiding principles and guidance related to budgets, targets, programs, evaluation, and accounting treatment appropriate?*

LPMA's submission with respect to this issue are limited to the proposed escalation factors to be used for the DSM budget increases in 2024 through 2027.

EGI proposes that the program budget be increased each year by a factor equal to the sum of the CPI inflation factor plus 3% policy growth, while the portfolio administration, evaluation, research & development budgets increase by the CPI inflation rate. This is illustrated in Table 1 of Exhibit D, Tab 1, Sch. 1, assuming a CPI inflation rate of 2%.

As illustrated in Table 4 of Exhibit D, Tab 1, Schedule 1, the program costs for 2023, which total $123,900,00 is comprised of $89,415,951 in incentive costs, $10,031,205 in promotion costs, $12,652,224 in delivery costs and $11,800,620 in administration costs.

Assuming that the incentives would increase by the same CPI inflation rate, LPMA accepts that the incentive costs should be increased by the inflation rate plus the 3% policy growth factor. However, if the incentives do not increase each year based on the inflation factor, then LPMA submits the incentive costs should not increase by the inflation rate.

LPMA accepts that the promotion costs and delivery costs should be increased by the rate of inflation, as these costs will likely increase at a pace consistent with inflation.

With respect to the administration costs of $11.8 million included in the program costs, LPMA accepts that these costs should also increase by the inflation rate. However, LPMA submits that the incremental increase of 3% for policy growth should not apply to these costs. EGI is not applying the 3% policy growth to any of the other administration costs, evaluation and regulatory costs and research and development costs shown in Table 4 that total $18.36 million. EGI has not provided any justification of why the administration costs included in program costs should attract a higher year over year increase than the administration costs not included in the program subtotal.

LPMA is also concerned with the potential for significant budget increases based on high CPI inflation rates. EGI assumed a 2% inflation rate for illustration purposes, which was a reasonable assumption at the time the evidence was prepared. However, as the Board is aware, the current CPI inflation rate is approaching 7%.

As an indication of the impact this could have on the DSM budget and the costs paid by ratepayers, if the CPI inflation rate was 7%, in place of the 2% used in Table 1 of Exhibit D, Tab 1, Sch. 1, the program budget for 2024 would increase by an incremental $6.2 million and the administration costs would increase by $0.9 million. Instead of increasing by 4.6% ($142,260,000 to $148,822,200), the total budget envelope would increase by 9.6%.

LPMA believes that the Board should be concerned with the potential for significant cost increases due to inflation rates that have not been experienced by ratepayers in decades. LPMA proposes that the Board limit the impact of CPI increases to the CPI rate or 4% per year, whichever is less, with a carryover provision to following years for any inflation above 4%. The following is an illustrative example of how the cap of 4% would work.

Assume a CPI inflation rate of 7% for 2023, 3% for 2024, 2% for 2025 and 3% for 2026. The allowed inflation rate for 2024 would be capped at 4%, with a 3% carryover. The rate for 2025 would be capped at 4% (3% for 2024 CPI + 3% for 2023 carryover = 6%, capped at 4%) with a 2% carryover. For 2026, the rate would be 4% (2% for 2025 + 2% carryover) with a 0% carryover. For 2027, the rate would be 3%, since it less than the cap of 4% and there is no more carryover. The 3% policy growth would be in addition to these figures for the program budget, and would be the increases applicable to the administration costs.

This approach allows for catch up for inflationary increases, but provides for more stable funding increases, and ratepayer cost increases on a year-to-year basis. Stability in budget increases would provide EGI with more certainty than would increases based on CPI increases that could vary significantly from year to year, as this year has shown us.

**6.** *Does Enbridge Gas's proposed budget, including program costs and portfolio costs result in reasonable rate impacts while addressing the OEB's stated DSM objectives in its letter issued on December 1, 2020, including having regard to consumers' economic circumstances?*

With respect to what is in the 2023 DSM budget, LPMA is concerned that a portion of the Municipal Engagement budget is being spent to encourage municipalities to continue to use natural gas. This issue was raised in the April 21, 2022 letter to the Board from Mr. Elson on behalf of Environmental Defence which included a job description that included the following statement:

> *"Advocate for the continued use of natural gas and its role as a low carbon option in the development of Municipal Energy Plans."*

LPMA submits that this position, which apparently is included in the Municipal Engagement budget of $1.66 million (Exhibit E, Tab 4, Sch. 1, Table 2) appears to be at cross purposes with the intent of DSM. It also highlights the inherent conflict of interest within EGI. DSM plans are designed to reduce gas consumption, but this DSM employee is required to advocate for the continued use of natural gas.

EGI is well within its rights to advocate for the continued use of gas with municipalities, and any and all other customer groups. However, this advocacy should be through its regular operating budget that exists under IRM rates and should not be funded through DSM.

LPMA submits that the Board should reduce the Municipal Engagement budget by 50% to $0.83 million to reflect the dual purpose of the municipal engagement – to assist with conservation measures but to also maintain gas load.

LPMA further submits that the reduction of $0.83 million from this administration budget should be re-allocated to the low-income program in order to expand the number of low-income customers that can benefit from conservation measures.

**7.** *Is Enbridge Gas's proposed cost recovery approach appropriate while addressing the OEB's stated objectives in its letter issued on December 1, 2020?*

a) Amortization Option

If the Board approves either a five-year term or a significant increase in DSM costs, LPMA submits that it should consider amortization of some of those DSM related costs, in effect a "rate basing" option.

This amortization option is often provided in the context of amortizing all of the costs or none of the costs (i.e. expensing all costs as is the current proposal). LPMA submits that there is a better option for the Board to consider. That option is to continue to expense some costs and to amortize the remaining costs.

One option would be to expense the administration costs, evaluation and regulatory costs and research and development costs, which total $18.36 million (Table 4 of Exhibit D, Tab 1, Sch. 1) and amortize the total program costs of $123.9 million. This would reflect the fact that administration costs are expensed for other utility services, while acknowledging the more permanent impact of the total program spend.

A second option, which LPMA prefers, would be to only amortize the incentive cost portion of the total program costs, which in 2023 total about $89.4 million. The remainder of the program costs (i.e. promotion costs, delivery costs and administration costs) would be expensed. In total this would mean about $52.8 million would be expensed (including the aforementioned $18.36 million).

This approach recognizes that incentive costs are somewhat similar to aid to construction payments. When a utility makes an aid to construction payment to another utility, it is included in rate base for the utility that is making the payment and it is removed from rate base for the utility that is receiving the payment.

In the case of the incentive costs, EGI is making a payment to a party that would be deemed to be rate based, or amortized.

The amortization approach and the ability of EGI to earn a return on the equity portion of the amount "rate based" puts DSM spending on an equal footing with traditional assets in terms of being able to earn a return for the shareholder.

There are various components to the amortization approach that need to be addressed. LPMA submits the following with respect to these components:

Term of Recovery – amortization period of 5 years. This minimizes the added cost of capital associated with the amortization period and is within the range used in other jurisdictions that use the amortization methodology. This short period also reduces the risk to EGI of future stranded assets and the magnitude of any unamortized balances.

Cost of Capital – weighted average cost of capital would reflect current debt/equity split of 64% debt and 36% equity for EGI. Allowed return on equity would be equal to allowed return on equity on existing rate base. Cost of debt would be equal to five year cost of debt for EGI. This follows the matching principle where the average length of debt should approximate the average remaining life of the asset, or in this case, the average remaining life of the unamortized balances.

Income Tax – the difference between the regulatory income tax based on the amortization methodology and the income tax based on the expense methodology should be tracked in a deferral account.

Shareholder Incentives – Because the utility can earn a return on the "rate base" portion of the DSM spending, it is on an equal footing with traditional utility assets. There is no longer a need to incent the company to pursue DSM activities. The shareholder incentive could be reviewed in the future to determine if an addition or subtraction from the allowed return on equity should be considered based on some measure or combination of measures of performance.

b) Recovery of Residential Costs

LPMA submits that the Board should direct EGI to address the current problem related to residential programs being partially funded by non-residential customers for those customers in rates M1 (Union South) and 01 (Union North). Compounding this problem is that the commercial (and industrial) customers included in these rate classes do not qualify for most of the residential programs. Hence, the benefits are not following the costs.

When asked to confirm that increases to commercial, industrial, large volume or energy performance programs would not have an impact on the total cost of DSM to residential customers, EGI replied as follows in Exhibit I.7.EGI.STAFF.17, part (c):

> *"Not confirmed. In the Union rate zones, the Rate M1 and Rate 01 rate classes contain all customers with annual consumption equal to or less than 50,000 m3/year. Therefore, the total DSM cost allocation to these rate classes is impacted by the DSM participation of all residential, commercial, and industrial customers within the Rate M1 and Rate 01 rate classes."*

The problem is not that the costs allocated to rates M1 and 01 are a combination of residential, commercial and industrial program costs. The problem is that the DSM related costs allocated to these two rate classes are recovered through a volumetric charge only. Commercial and industrial customers in these rate classes consume larger annual volumes of gas than do residential customers. In particular, rates M2 and 01 contain all general service customers that consume up to 50,000 $m^3$ per year, while residential customers are much smaller with an average around 2,200 $m^3$ per year.

At the same time, the number of residential customers in these rate classes is significantly greater than the number of non-residential customers.

LPMA notes that rate harmonization in the upcoming EGI rebasing application for 2024 rates may impact this issue in 2024 and subsequent years; however, there is no guarantee that this will be the case, as there is no information on the type and extent of rate harmonization that may be proposed and/or approved. The rebasing application would also have no impact on 2023.

LPMA submits that the Board should direct EGI to recover the residential program costs through the fixed monthly charge. This would result in the vast majority of the residential program costs being recovered from residential customers. The non-residential program costs allocated to rates M1 and 01 would then be recovered through the volumetric charges. This ensures that the majority of the non-residential costs are recovered through the higher volumes associated with the commercial and industrial customers.

LPMA submits that while not perfect, this would result in a more equitable recovery of costs and would represent an improvement in the principle that benefits should follow costs.

**8.** *Are Enbridge Gas's proposed shareholder incentives appropriate?*

LPMA has had the opportunity to review the submissions of the Green Energy Coalition ("GEC") with respect to Issue 8 and supports those submissions with one exception and one additional concern, both of which are discussed in part (a) below.

a. *Is Enbridge Gas's proposed annual maximum shareholder incentive, including structure, and amount appropriate?*

While LPMA agrees with GEC that incentives should not be available starting at 50% of the target, LPMA believes that having incentives available at 75% of the target is still too of a threshold. LPMA agrees with the statement in Exhibit L.GEC/ED, at page 26, that achieving half of the planned savings would be a miserable failure. LPMA believes that achieving only three-quarters of the planned savings would also be a miserable failure.

Ratepayers should not have to pay for failure and EGI should not be rewarded for it. If EGI achieved a return on equity of 50% or 75% of its allowed return, would its parent company consider that a success or a failure?

LPMA submits that the Board should set the minimum threshold at 90% of the target. Only at this level is there significant enough ratepayer benefits for ratepayers to start paying the shareholder a bonus. The incentive would be 0 for achievement for each scorecard less than or equal to 90%; it would be 50% of the maximum shareholder incentive at 100% achievement and it would 100% of the maximum shareholder incentive at 125%. This structure would encourage EGI to hit at least 100% of the target and reward them for pushing past that level.

LPMA supports the GEC proposal that the upper limit should be reduced from 150% to 125%. While this allows EGI to hit its maximum shareholder incentive quicker than the EGI proposal of 150%, it also reduces the impact of targets being set too low and EGI moving money from one program to another in order to maximize an incentive payment by reducing the maximum available.

LPMA has one additional concern and that is the EGI proposal to increase the maximum shareholder incentive by the rate of the CPI inflation. Unlike the budget proposal for increases related to the CPI inflation rate, LPMA sees no need for the maximum shareholder incentive to be escalated. EGI has not provided any evidence to support why this increase is needed and LPMA submits that the Board should not approve the increase.

If the Board does determine that the maximum shareholder incentive should be increased annually, LPMA submits that the same inflation cap mechanism should be applied as is proposed by LPMA for the DSM budget, as described in Issue 5 above.

b. *Is Enbridge Gas's proposed Long Term shareholder incentives appropriate?*

See above.

c. *Is Enbridge Gas's Annual Net Benefits Shared Savings proposal appropriate?*

See above.

d. *Are there any other incentive mechanisms that should be included in addition to or to replace those proposed by Enbridge Gas?*

See above.

**9.** *Are Enbridge Gas's proposed scorecards, including performance metrics, metric weightings, and targets appropriate?*

With the exception of the target adjustment mechanism (part a) and other scorecards (part k), LPMA is not making any submissions with respect to individual scorecards.

LPMA is aware that other parties that will provide detailed submissions on some or all of the scorecards, including targets, performance metrics and metric weightings. While these submissions may vary, LPMA expects that these submissions will ensure that the scorecards are focused on value for customers.

LPMA does submit that the targets for all of the program scorecards should be increased by a minimum of 10% without any increase in budgets in order to push EGI to achieve more favourable outcomes for ratepayers and encourage more co-operation with the IESO, government programs such as the Greener Homes Program and other conservation providers.

a. *Is Enbridge Gas's proposed annual target adjustment mechanism appropriate?*

LPMA submits that the proposed formulaic annual target adjustment mechanism ("TAM"), as corrected in Exhibit I.9a.EGI.LPMA.12, has the potential to lead to unintended outcomes.

The response provided in Exhibit I.9a.EGI.EP.9 on page 2 shows that if the 2023 results achieve 100% of the 2023 target and the 2023 spend is 100% of the 2023 budget, the cost effectiveness (result/spend) is 0.38. This is then multiplied by he 2024 budget, increased by the productivity factor and decreased by the inflation factor to arrive at the 2024 OEB 100% target of 15,105,763 $m^3$. The second table in the response shows that if both the

2023 results and 2023 spend are 90% of the target/budget, the 2024 target remains unchanged, as would be expected based on the formula.

What the interrogatory response does not show, however, is what happens to the 2024 target if the change in the 2023 spend is not proportional to the 2023 results. The following table adds to the interrogatory response noted above by using the same 2023 results, but based on 100% and 80% levels of spend of the 2023 budget, in addition to the 90% spend.

| | 2023 Results: Achieve 90% of 2023 Target | 2023 Spend: Spend x% of 2023 Budget | Cost Effectiveness (result/spend) | 2024 Budget | Productivity Factor | Inflation Factor | 2024 OEB 100% Target |
|---|---|---|---|---|---|---|---|
| Spend 90% of 2023 Budget | 13,281,546 | 35,302,119 | 0.38 | 40,150,856 | 1.02 | 1.02 | 15,105,763 |
| Spend 100% of 2023 Budget | 13,281,546 | 39,224,577 | 0.34 | 40,150,856 | 1.02 | 1.02 | 13,595,187 |
| Spend 80% of 2023 Budget | 13,281,546 | 31,379,662 | 0.42 | 40,150,856 | 1.02 | 1.02 | 16,993,983 |

The above table illustrates that a significant impact on the 2024 target will result from changes in the 2023 cost effectiveness result per spend. LPMA submits that the 100% and 80% spend scenarios illustrate two potential problems with the TAM.

The 100% scenario suggests that spending more money in 2023 without a proportional increase in the 2023 results leads to a lower 2024 target. In other words, EGI may be incented to spend unnecessarily or inefficiently in 2023 in order to lower the 2024 target and increase the level of incentive received for 2024.

The 80% scenario, which is of even more concern to LPMA, illustrates that EGI has a disincentive to manage its budgets and spend efficiently and effectively. The less EGI spends of the 2023 budget, the higher the 2024 target becomes. In this case, EGI may again be incented to spend more than necessary in 2023 in order to lower the 2024 target and increase the level of the incentive received in that year.

LPMA submits that in order to mitigate this risk, the cost effectiveness calculation (result/spend) used to calculate the 2024 target in the above table should be based on the average of the target and the budget spend and the actual results and the actual spend. Mathematically, this reduces the change in the cost effectiveness calculation based on the actual result and spend from that based on the targeted result and budget by 50%, which in turn reduces the change in the 2024 target by the same degree. This would reduce any benefit of trying to adjust the 2024 target by spending more than necessary in 2023.

The main benefit of this approach is that is reduces the potential variance in year to year targets by 50%, providing for a more stable approach to achieving 100% of the targets.

b. *Is Enbridge Gas's proposed Residential Program Scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*c. Is Enbridge Gas's proposed Low Income Program Scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*d. Is Enbridge Gas's proposed Commercial Program Scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*e. Is Enbridge Gas's proposed Industrial Program Scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*f. Is Enbridge Gas's proposed Large Volume Program Scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*g. Is Enbridge Gas's proposed Energy Performance Program scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*h. Is Enbridge Gas's proposed Building Beyond Code Program scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*i. Is Enbridge Gas's proposed Low Carbon Transition Program scorecard, including targets and performance metrics appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*j. Is Enbridge Gas's proposed Long Term Greenhouse Gas Reduction target appropriate?*

LPMA makes no submissions with respect to the appropriateness of this scorecard.

*k. Should there be any other scorecards, targets and/or metrics included in addition to or to replace those proposed by Enbridge Gas?*

Instead of adding scorecards, targets, metric weightings and performance metrics, LPMA submits that the Board may want to investigate ways to reduce the number of scorecards. Adding scorecards adds to costs, all of which are paid for by ratepayers. These costs include added regulatory burden in setting more targets and deciding on additional weightings. It also adds to the administrative and evaluation costs as more results need to be verified.

The tying of incentives to normalized actual volume reductions would eliminate the need for all of these scorecards and the costs associated with them. This is an approach that LPMA believes the Board should investigate through a consultative approach before the filing of the next DSM plan.

***10.*** *Has Enbridge Gas proposed an optimal suite of program offerings that will maximize natural gas savings and provide the best value for rate payer funding?*

*a. Are Enbridge Gas's proposed program offers for residential customers appropriate?*

LPMA's submissions with respect to the proposed program offers for residential customers – which many LPMA members would qualify for – are focused on the Whole Home program and on rebates for gas space heating and gas water heating equipment.

LPMA submits that the Board should not approve the proposed residential Whole Home program at this time because it simply does not have enough information to do so. This is because of the lack of information related to the federal government's Greener Homes Program and how that program would or could be integrated with the EGI program.

LPMA submits that the EGI program should be harmonized with the federal program to ensure no duplication or competition between the programs. This would be inefficient and waste both ratepayer and taxpayer money. This harmonization would also simplify communications and marketing messages to customers and trade allies and streamline customer participation.

However, with the current lack of information on how or when any such harmonization could take place, LPMA submits that the Board should not approve the Whole Home program or the associated budget, targets, incentives, etc. at this time.

LPMA submits that the Board should direct EGI to file a separate application for the Whole Home program once an agreement has been reached with the federal Greener Homes Program. Only then can the Board and interested parties determine the degree of overlap and duplication of administration that has been avoided or the degree to which there is still unnecessary duplication.

LPMA believes that the EGI program should adapt to and work with the Greener Homes Program rather than having the federal program adapt to the EGI program. The latter approach, which EGI appears to favour, could end up reducing the federal funds that go to Ontario ratepayers/taxpayers. The former approach has the potential to receive the maximum federal funds available and either reduce the funds required from EGI ratepayers to fund the Whole Home program, or extend the reach of this program through higher incentives or through more customer participation. As noted earlier in this submission, one of the failures of the current program, in the view of LPMA, is that it does help enough customers.

At a cost of $30.6 million in 2023, the Whole Home program represents more than 75% of the total residential program and nearly 25% of the total program costs of $123.9 million (Exhibit D, Tab 1, Sch. 1, Table 4). LPMA submits that the Board should defer any determination with respect to this large program until EGI files complete and comprehensive evidence in support of whatever agreement has been completed with the federal government.

With respect to the rebates for gas space heating and gas water heating equipment in the Whole Home program, LPMA submits the Board should deny this request.

It is LPMA's understanding that the federal Greener Homes Program provides rebates for efficient electric heat pumps and heat pump water heaters but does not provide any incentives for any gas consuming equipment, with only a few exceptions for homes in northern or off-grid communities (Exhibit L.GEC/ED.1, page 35).

Based on the GEC/ED evidence noted above, a $250 rebate for installing a 96% AFUE furnace (as compared to a 95% AFUE federal efficiency standard for new gas furnaces) would save a customer only $110 over the average 18-year life of a gas furnace in avoided gas costs and avoided carbon tax costs. Indeed, the $250 rebate is greater than the estimated incremental cost of a 97% AFUE furnace.

Similar to the above, energy star water heaters are not cost-effective based on the GEC/ED evidence, providing only $360 in avoided gas and carbon tax benefits over the 16-year life of a water heater, while coming with an incremental cost of $545.

LPMA notes that EGI recognizes that these incentives are not cost effective. In fact, EGI only offers these rebates only if a customer completes other measures. Indeed, EGI's witness stated that these rebates were a loss leader marketing tool:

> *"So the furnace really is, you know, a loss leader marketing tool to attract customers into the offer and to continue to keep contractors engaged to provide those referrals to ultimately seek to optimize our energy savings results within our budget envelope."* (Tr. Vol. 2, pg. 32)

LPMA submits that ratepayers should not be funding loss leaders. Indeed, with some sort of harmonization with the federal Greener Homes Program there would be no need for a specific marketing tool to attract customers that is not cost effective. Customers will be attracted to a joint federal/EGI program that covers all aspects of energy conservation that are cost effective.

*b. Are Enbridge Gas's proposed program offerings for low-income customers appropriate?*

LPMA supports the proposed program offerings for low-income customers as being appropriate. However, LPMA submits that the budget in support of this program should be increased so that more participants can take part in the program offerings.

The costs related to DSM spending and shareholder incentives for ratepayers are more than $900 million over the next five years. This will result in higher costs for customers who do not or can not participate in DSM programs or are unable to make their own investments in reducing natural gas consumption. Low-income customers will be disproportionately affected by the higher gas rates and lower participation rates.

In order to mitigate this negative impact on the customers least able to help themselves, LPMA submits that the Board should direct EGI to increase the low-income program budget in 2023 by $5.6 million or two-thirds of the Building Beyond Code Program budget of $8.4 million (Exhibit D, Tab 1, Sch. 1, Table 1). The low-income program budget would then increase by the same formulaic increase as approved by the Board for all program budgets. The $5.6 million increase in 2023 represents a nearly 25% increase in the budget and should represent a similarly significant increase in the number of low-income customers that can benefit from the program.

c. *Are Enbridge Gas's proposed program offerings for commercial customers appropriate?*

LPMA supports the proposed program offerings for commercial customers as being appropriate. However, LPMA submits that the budget in support of this program should be increased and that this increase should be targeted to small commercial customers.

LPMA submits that the Board should direct EGI to increase the budget targeted to small commercial customers in 2023 by $2.8 million or one-third of the Building Beyond Code Program budget of $8.4 million (Exhibit D, Tab 1, Sch. 1, Table 1). This program budget would then increase by the same formulaic increase as approved by the Board for all program budgets. The $2.8 million increase in 2023 represents more than 10% increase in the commercial budget. LPMA further submits that this increased should be targeted to the commercial programs that are most likely to assist small commercial customers such as the direct install and prescriptive downstream programs.

d. *Are Enbridge Gas's proposed program offerings for industrial customers appropriate?*

LPMA is not making any specific submissions related to EGI's proposed program offerings for industrial customers, as LPMA members are not eligible for such programs.

LPMA does, however, submit that the Board should considering directing EGI to target more funding to program offerings for industrial customers. LPMA submits that these types of customers have the potential to reduce their natural gas consumption in larger quantities than do residential and most commercial customers. Reducing industrial volumes benefits industrial customers through lower energy and carbon costs. This in turn makes the industrial customers more competitive, both in Canada and abroad. This, in turn, provides economic growth and stability which benefits everyone, including residential and commercial customers.

e. *Are Enbridge Gas's proposed program offerings for large volume customers appropriate?*

LPMA members are not eligible for program offerings for large volume customers, so LPMA is not making any submissions with respect to those offerings.

However, one issue that has arisen with respect to large volume customers is the possibility that the Board may allow customers to opt out of DSM program offerings and not pay any DSM related costs going forward. These customers would then be ineligible for current and future DSM program offerings.

LPMA is not making any submissions on whether or not this is appropriate, but is concerned that any such exemption from paying DSM related costs in rates should not be limited to only one class of customers. If any customers can opt out, all customers should be able to opt out on the same terms. This could be achieved by the Board directing EGI to separate out the DSM portion of the distribution rate into a separate item for each rate class that would apply to all customers within that rate class except for those that explicitly tell EGI that they do not want to participate in current and future DSM program offerings. This would be somewhat similar to general service customers having the ability to opt in to the RNG program currently offered by EGI.

LPMA's main concern is that all customers should be treated equally, with all customers having the ability to opt out, or for no customers to have the ability to opt out.

Finally, if the Board were to determine that customers, or some customers, can opt out, LPMA submits that these customers should still be required to pay their allocation of low-income related DSM costs.

f. *Are Enbridge Gas's proposed energy performance program offerings appropriate?*

LPMA is making no submission with respect to the appropriateness of the proposed energy performance program. Submissions with respect to the incentive associated with this program have been included under Issue 8 above.

g. *Are Enbridge Gas's proposed beyond building cost program offerings appropriate?*

LPMA submits that EGI's proposed beyond building cost program is biased towards ensuring that natural gas continues to be used in the new construction market. LPMA submits that this is not appropriate and that this program should be denied by the Board.

As discussed in detail below in Issue 16, EGI has a vested monetary interest in adding new gas customers and retaining existing gas customers, even if their consumption is significantly reduced, but not eliminated.

The Green Energy Coalition/Environmental Defence evidence states that:

> *"Any efficiency program addressing new construction markets needs to be able to approach the question of both what future codes should be and what options builders should consider from a fuel neutral perspective that reflects an understanding of the economic trade-offs – both to customers and to the electric and gas systems – of different fuel choices."* (Exhibit L.GEC/ED.1, pg. 38)

LPMA fully supports this need for a fuel neutral perspective. The EGI program, as proposed, is not, and should be denied approval by the Board.

LPMA further submits that the budget for this program should be re-allocated to both the low-income program and to small commercial customers through the commercial program.

*h. Should there be any other program offerings included in addition to or to replace those proposed by Enbridge Gas?*

As indicated in part (j) below, LPMA submits that EGI should help support increased market penetration of ground-source heat pumps that would eliminate the need for gas space and water heating. Outside of some rural areas, this technology, which is already available and in use in the province, suffers from not being well known. Market deployment initiatives, builder education and overcoming market barriers to early adoption of ground-source heat pump technologies that operate at performance levels beyond 100% efficiency should be given priority by EGI.

*i. Are Enbridge Gas's proposed program offerings appropriate for customers in Indigenous communities?*

LPMA is not making any specific submissions with respect to EGI's proposed program offerings for customers in Indigenous communities, other than what follows.

First, as detailed elsewhere in this submission, LPMA believes that there is merit in offering non-gas customers, including those in Indigenous communities, program offerings for other forms of energy, rather than connecting these customers to natural gas, when it is economic to do so.

Second, LPMA submits that Indigenous communities should have the same access to program offerings as is made available to any other customer or groups of customers, regardless of their location in the province.

*j. Is Enbridge Gas's proposed low carbon transition program appropriate?*

EGI is proposing a low carbon transition program that encompasses a multi-year aggregate target and budget which is intended, through a longer-term focus, to support market deployment initiatives and overcome market barriers to early adoption of heat pump technologies that operate at performance levels beyond 100% efficiency (Exhibit D, Tab 1, Sch. 1, pg. 3). LPMA submits that gas heat pump measures should be removed from this program.

LPMA supports the conclusions found on pages 39-40 of Exhibit L.GEC/ED.1 with respect to the conclusions that gas heat pumps are not cost-effective and not likely commercially available for several years.

If gas heat pumps become commercially available in the future, LPMA submits that EGI could submit a program that includes these heat pumps in a future DSM application. Spending money on them now is premature at best and may be a waste of ratepayer money in the long term.

Rather than spending money on gas heat pumps, LPMA submits that the Board should direct to EGI to direct this money towards promoting ground-source heat pumps. This technology is already available and in use in Ontario. Ground-source heat pumps would benefit the natural gas system through reduced peak demand (by eliminating heating demand completely from the natural gas system) and have a minimal impact on the peak demand on the electricity system relative to any other electrical heating option, including air source heat pumps.

This ground-source technology suffers from not being well known and efforts by EGI could help alleviate this problem and contribute to larger gas reductions. As noted above, this is precisely what the low carbon transition program is designed to do: support market deployment initiatives and overcome market barriers to early adoption of heat pump technologies that operate at performance levels beyond 100% efficiency.

***11.*** *Are Enbridge Gas's proposed research and development activities appropriate?*

Similar to scorecards, LPMA expects that other parties will have detailed submissions with respect to the appropriateness of the proposed research and development activities. As a result, LPMA is making any submissions with respect to this issue.

***12.*** *Are Enbridge Gas's proposed changes to the OEB's evaluation, measurement and verification process appropriate, including the proposed Terms of Reference?*

LPMA makes no submissions with respect to proposed changes to the Board's evaluation, measurement and verification process.

***13.*** *Are Enbridge Gas's proposed updates to the treatment of input assumptions, cost-effectiveness screening, and avoided costs appropriate?*

LPMA submits that the best information available at the time it is used should always be used. This would include the potential for assumptions to change from those used in designing a program and setting a target and that used in evaluating the actual savings from that program.

As an example, if an input assumption that is used in setting a target reduction in gas use is updated as part of the evaluation exercise and results in a change in the actual reduction in gas use, then this new information should be used for the evaluation.

EGI and some parties may argue that this adds risk to the DSM programs. LPMA disagrees. The risk is shifted, but not increased.

If updated information results in lower actual DSM savings than forecast as a result of changes in information, EGI will be at an increased risk of hitting a lower than expected percentage of its target, which in turn, could result in a lower shareholder incentive. Offsetting this risk, however, is the fact that ratepayers would be at a lower risk of paying for a higher shareholder incentive that was based on savings that did not actually occur based on the most recent information available.

This shift in risk is symmetrical. EGI could hit a higher percentage of a target due to updated information that yields higher savings and receive a higher shareholder incentive. This would transfer the risk of higher costs related to the incentive payment to ratepayers.

DSM is not risk-free for either EGI or ratepayers. LPMA submits that the allocation of risk should always be based on the best information available at the time when it is used.

***14.*** *Is Enbridge Gas's proposed accounting treatment, including the function of various deferral and variance accounts appropriate?*

EGI has carried forward and amalgamated the previous deferral and variance accounts of the legacy rate zones. LPMA supports this proposal but believes that until after rebasing, scheduled for 2024 rates, the accounts should continue to reflect each of the existing rate zones.

EGI proposes to continue to use the DSM deferral and variance accounts for the legacy rate zones as established and approved in prior accounting orders for DSM activities up to and including 2022 until all balances relating to DSM plans up to and including 2022 have been cleared, after which the accounts will be discontinued. LPMA supports this approach to the existing DSM accounts.

***15.*** *Does Enbridge Gas's proposed 2023-2027 DSM Plan require any changes to be consistent with the OEB's decision and guidance regarding Enbridge Gas's Integrated Resource Planning proposal (EB-2020-0091)?*

LPMA submits that EGI's proposed plan requires two significant changes to be consistent with the Board's decision and guidance regarding EGI's Integrated Resource Planning ("IRP") proposal.

The first significant change is the requirement to reduce peak demands on the system to the full extent available.

As noted earlier in this submission, EGI does not propose to assist current customers to stop using natural gas completely by switching to electricity (or other fuels or combination of fuels). They would, as an example, promote and assist with the cost of the replacement of a gas furnace and a gas water heater with a hybrid electric/natural gas heat pump. This hybrid gas heat pump would still add to the peak demand, albeit at a lower level than a gas furnace. EGI would not, however, promote or assist with the cost of the replacement of the same gas water heater and furnace with an electric only heat pump or where the hybrid electric/gas heat pump is fueled by propane rather than natural gas and where the customer ceased to be a natural gas customer. In this scenario the peak demand from this customer is totally eliminated, yet EGI does not propose to do this to the full extent possible. This is a failure to embrace the full opportunity to defer and/or avoid future natural gas infrastructure. It fails to free up the maximum capacity using existing assets to serve new gas customers and/or incremental loads from existing customers, and violates the spirit of IRP.

The second significant change is the need for the ability to quickly adjust location specific DSM spending in order to avoid future pipeline expansions and new pipelines. It is not clear to LPMA whether the EGI DSM plan can quickly respond to an IRP that identifies DSM as an option to defer or eliminate the need for physical assets. The Board should direct EGI to include enough flexibility in its DSM programs to respond to IRP needs related to DSM to ensure that DSM can be a viable IRP alternative to physical assets.

***16.*** *Has Enbridge Gas proposed a reasonable approach to ensure natural gas DSM programs are effectively coordinated with electricity conservation programs and other energy conservation and greenhouse gas reduction programs applicable in its service territory?*

LPMA submits that the EGI proposal is naturally biased to keep customers connected to the gas system. This is most obvious with respect to general service customers where the utility would maintain a large percentage of its revenue if it kept customers on its system that consumed very little gas.

As an example, in the Union South rate zone, Rate M1 serves residential, commercial and industrial customers that have an annual consumption of less than 50,000 $m^3$. Based on the evidence filed for the April 1, 2022 QRAM application (EB-2022-0089) at Ex. E, Tab 2, Sch. 5, page 1 of 3, a typical residential customer that consumes 2,220 $m^3$ of gas per year pays about $280 per year for the fixed monthly charge out of a total delivery charge of about $425. In other words, more than 65% of the revenue from this customer that goes to EGI is fixed. If the customer consumed 100 $m^3$ per year, EGI would still get the $280 per year, but if the customer ceased to be a customer, EGI would receive nothing, and would have stranded assets (service line, meter, regulator).

The monthly fixed charges in the other EGI rate zones are at similar levels. With about 3.7 million residential customers, if 1% of these customers ceased to use natural gas, the loss in revenue from the fixed monthly charges alone, would exceed $10 million per year.

Similarly, EGI would face a significant reduction in fixed revenues from customers moving from Rate M2 (general service customers consuming more than 50,000 $m^3$ per year) to Rate M1 if they reduced their annual gas consumption to below the 50,000 $m^3$ threshold. Rate M2 customers have fixed monthly charges that total just under $900 per year and a move to the M1 rate class would cost EGI more than $600 per year per customer.

Clearly, based on the above, it is in EGI's financial interests to keep customers on the system.

LPMA submits that the Board needs towards a fuel-agnostic third-party program administrator in order to remove the inherent bias to maintain customers using natural gas. An effectively coordinated fuel-agnostic third-party program administrator with electricity conservation programs, natural gas DSM programs, fuel switching programs, renewable energy programs, builder programs and other energy conservation and greenhouse gas reduction programs is needed to ensure that ratepayers, regardless of who they are connected to or to what form of energy they are using or how that energy is produced, are receiving the best value for their money and the best unbiased information that they can confidently use to make their decisions.

LPMA submits that the Board should take the first step in this direction in this current application. LPMA supports the submissions of the School Energy Coalition ("SEC") with respect to the stakeholder and expert committee that should be established as a kind of "board of directors" to which DSM management at EGI is required to report on a regular basis, preferably monthly. In addition, LPMA submits that the Board should initiate, as soon as possible, a review of moving to a fuel-agnostic third-party program administrator.

***17.*** *Is Enbridge Gas's stakeholder engagement proposal reasonable, including its engagement with Indigenous communities?*

LPMA believes that the current stakeholder engagement and that proposed by EGI is too narrow. It should be expanded to include more interested parties and potential service providers. At a minimum, it should include federal, provincial and municipal governments and potential energy conservation service providers that may be able to deliver and administer programs on a more cost effective basis than EGI without the need for a shareholder incentive. It should also include residential, commercial and industrial builders, as their input should enhance the value of stakeholder input to EGI and the Board.

LPMA submits that there should be more direct Indigenous engagement by EGI, but makes no submissions with respect to the specifics of that direct engagement.

***18.*** *What transition and implementation steps are appropriate as a result of the OEB's decision on the 2022 DSM Plan and its final decision and order?*

LPMA makes no submissions with respect to this issue.

**<u>V. COSTS</u>**

LPMA requests that it be awarded 100% of its reasonably incurred costs. LPMA co-operated with other stakeholders in the proceeding and was able to eliminate any unnecessary duplication throughout the application process, while at the same time, ensuring that its concerns were covered in the interrogatory process, technical conference and oral hearing. LPMA submits that it has participated responsibly in all aspects of the process, in a manner designed to assist the Board as efficiently as possible.

Yours very truly,

Randy Aiken

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Aiken & Associates

c.c. EGI Regulatory Proceedings (e-mail only)