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May 19, 2022

VIA E-MAIL

Ms. Ms. Nancy Marconi
Registrar Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2021-0002 Enbridge Gas Inc. Natural Gas DSM Plan (2022-2027)
Final Submissions of the Vulnerable Energy Consumers Coalition (VECC)

Attached please find the final submissions of VECC in the above proceeding.

Yours truly,

Original Signed By

John Lawford

Counsel for VECC

Copy to: Asha Patel Technical Manager Enbridge Gas Inc. – EGIRegulatoryProceedings.com
Counsel Dennis O'Leary Aird & Berlis LLP-doleary@airdberlis.com

EB-2021-0002

Enbridge Gas Inc.
Application for Multi-Year Natural Gas Demand Side Management Plan (2022 to 2027)

Final Submissions of VECC May 19, 2022

Enbridge Gas Inc. (Enbridge Gas) filed a multi-year natural gas demand side management (DSM) plan application with the Ontario Energy Board (OEB) on May 3, 2021 under section 36(1) of the Ontario Energy Board Act, 1998. Enbridge Gas sought approval of a new natural gas DSM policy framework, effective January 1, 2022 in addition to approval of a new multi-year DSM plan, inclusive of budgets, programs and targets from January 1, 2022 to December 31, 2027.

Background:

<u>2015-2020</u>

For the 2015 to 2020 multi-year natural gas demand side management (DSM) period, the OEB approved a total 6-year DSM budget of $699,020,493[1] for Union Gas Limited (Union) and Enbridge Gas Distribution Inc. (EGD) to deliver natural gas conservation and energy efficiency programs to customers. The approved amount represents a 7% decrease compared to Union and Enbridge's total requested DSM budget amount of $754,830,911. The variance reflects the OEB's decisions to accept, reject, reduce, expand and introduce program spending consistent with the targeted cost outlined in the 2015-2020 DSM Framework of approximately $2.00/month for a typical residential customer.

The objective of the 2015-2020 DSM Framework was to provide a significant financial increase to allow the gas utilities to expand their programs, allow broader participation and achieve greater natural gas savings.[2] Beginning in 2016, the DSM portfolio included an aggressive ramp-up of holistic programs.[3] The OEB does not expect the same significant budget increases beginning in year one of the 2023-2027 DSM Plan.[4]

<u>2021</u>

For 2021, the OEB extended the 2015-2020 Framework by one year and approved Enbridge Gas Inc.'s (Enbridge Gas) request for a one-year extension of its 2020 OEB-approved DSM plans. The OEB approved a 2021 DSM budget of $132,106,917, $67,757,376 for the EGD rate zone and

[1] Excludes annual shareholder incentive of $10.45 million/utility/year
[2] DECISION AND ORDER EB-2015-0029 / EB-2015-0049 UNION GAS LIMITED AND ENBRIDGE GAS DISTRIBUTION INC. Applications for approval of 2015-2020 demand side management plans January 20, 2016 P1, 7-8
[3] EB-2015-0049 B-1-4 P2
[4] OEB DSM Letter December 1, 2020 P3

$64,349,541 for the Union rate zones, including maintaining the provisions for budget flexibility. The OEB also approved the continuation of the performance scorecards, annual shareholder incentive structure and cost-effectiveness screening test.[5]

2022

Enbridge Gas' original application proposed a 2022 DSM budget of $136 million as part of its multi-year 2022-2027 DSM Plan, which represents an increase of approximately 3% from the OEB-approved 2021 DSM budget. The 2022 budget was structured as the "base budget envelope" with an escalation methodology applied to set the budget for subsequent years to 2027.

Enbridge Gas sought early approval of the 2022 budget envelope which the OEB determined was premature. The OEB approved the legacy utility 2021 DSM plans into 2022 with no increases.[6]

2023 to 2027 DSM Plan

Effective January 1, 2019 EGD and Union amalgamated to become Enbridge Gas Inc. (Enbridge Gas). 2023 is the first year that DSM program offerings will be consistent across the entirety of Enbridge Gas' rate zones.

Enbridge Gas updated its application on September 29, 2021 to exclude 2022, reflecting the OEB's Decision to continue the 2015-2020 DSM Framework into 2022.

Enbridge proposes to spend $142.3 million on its DSM programs in 2023, increasing to $170.5 million by 2027.

Enbridge seeks the OEB's approval for the budget envelope for 2023 and the formula it has proposed to increase the budget in subsequent years. Enbridge Gas proposes a 2023 base year budget envelope of $142.26 million, which represents an increase of approximately 7.7% over the OEB approved 2020/2021/2022 budget levels.

For the balance of the 5-year budget term, Enbridge is proposing that all costs be escalated annually by inflation and the program budget be escalated annually by an additional 3% to reflect government policy and to support the growth of energy conservation and GHG reduction initiatives. This formula approach was not used in the 2015-2020 DSM term.

[5] As initially approved in the 2015-2020 DSM Decision and as updated in the DSM Mid-Term Review Report

[6] DECISION AND ORDER RELATED TO 2022 NATURAL GAS DEMAND SIDE MANAGEMENT ACTIVITIES EB-2021-0002 ENBRIDGE GAS INC. Application for Multi-Year Natural Gas Demand Side Management Plan (2022 to 2027) August 26, 2021 P4

Using a placeholder inflation factor of 2%, Enbridge Gas' proposed 2023-2027 DSM budget totals $780.17 million, a 34% increase in annual average spending compared to the 2015 to 2019 period.[7]

Table 1: Enbridge Gas Proposed 2023-2027 DSM Budget[8]

2023-2027 DSM Budget	2023	2024	2025	2026	2027	Total 2023-27
Program Budget	$123,900,000	$130,095,000	$136,599,750	$143,429,738	$150,601,224	$684,625,712
Portfolio Admin, Evaluation, Research & Development	$18,360,000	$18,727,200	$19,101,744	$19,483,779	$19,873,454	$95,546,177
TOTAL DSM Programs	**$142,260,000**	**$148,822,200**	**$155,701,494**	**$162,913,516**	**$170,474,679**	**$780,171,889**

In its original application filed May 3, 2021 which included 2022 as the base year, Enbridge Gas proposed an increase of approximately 3% over 2020/2021 budget levels to set the base year budget which Enbridge Gas believed was a modest but appropriate increase based on the guidance from the OEB on budget expectations: as follows.[9]

> the OEB anticipates modest budget increases to be proposed by Enbridge Gas in the near-term in order to increase natural gas savings."[20] The OEB further detailed that "the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts.[21]

If the 2023 base year budget is set on the same terms, i.e., at 3% instead of 7.7% over the previous years' budget level, all else being equal, the 2023-2027 DSM budget totals $745.7 million, a 28% increase in annual average spending compared to the 2015-2020 OEB approved spending envelope[10], based on a 2% inflation factor placeholder.

[7] ($780/5)/(699/6) = 34%
[8] EGI_APPL_09092021 P9
[9] EGI_APPL_20210503 B-1-1 P10
[10] ($745/5)/(699/6) = 28%

Table 2: Revised Budget Based on VECC Proposed Adjustment to Base Year Budget

2023-2027 DSM Budget	2023	2024	2025	2026	2027	Total 2023-27
Program Budget	$118,000,000	$123,900,000	$130,095,000	$136,599,750	$143,429,738	$652,024,488
		Formulaic Increase (3% Policy Growth + CPI Inflation) over prior year				
Portfolio Admin, Evaluation, Research & Development	$18,000,000	$18,360,000	$18,727,200	$19,101,744	$19,483,779	$93,672,723
		Formulaic Increaseof CPI Inflation over prior year				
TOTAL DSM Programs	**$136,000,000**	**$142,260,000**	**$148,822,200**	**$155,701,494**	**$162,913,516**	**$745,697,210**

Note: Based on a placeholder 2% figure for inflation

In VECC's view, a 3% increase instead of a 7.7% is a more appropriate and modest starting point for the base year, consistent with the expectations in the OEB's DSM for modest budget increases.[11]

In providing this guidance, the OEB noted that over the course of the 2015-2020 term, annual OEB-approved natural gas conservation budgets have doubled from the previous levels approved for the 2012-2014 term, up to approximately $140 million per year by the end of the current term (2020). 2014 and 2015 actuals were $66.2 million and $71.7 million, respectively.[12]

Enbridge Gas' proposed spending by 2027 is $170.5 million. The OEB indicates the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts. As noted above the objective of the 2015-2020 DSM Framework was to provide a significant financial increase whereas for this DSM Term, the OEB anticipates modest budget increases. VECC's interpretation of this guidance is that the DSM cost of approximately $2.00/month for a typical residential customer (inclusive of budget and shareholder incentive amounts) should not be significantly exceeded.

In considering the above factors, VECC submits the OEB should set the base year budget at $136 million (a 3% increase over 2022) instead of the $142.26 million as proposed by Enbridge Gas.[13]

Proposed Formula

If inflation continues to increase, then Enbridge Gas' proposed formula adjusts for this automatically by using the current inflation rate for the purposes of adjusting the annual budgetary envelope beyond 2023.[14]

[11] OEB DSM Letter December 1, 2020 P3

[12] DECISION AND ORDER EB-2015-0029 / EB-2015-0049 UNION GAS LIMITED AND ENBRIDGE GAS DISTRIBUTION INC. Applications for approval of 2015-2020 demand side management plans January 20, 2016 P1

[13] EGD_APPL_05032021 Exhibit D Tab 1 Schedule 1 Page 10 Table 3

[14] AIC P16

VECC has concerns regarding Enbridge Gas' proposed formula and the impact inflation could have on DSM budgets and customer bill impacts in subsequent years given that inflation levels far exceed Enbridge Gas' 2% placeholder and continue to climb.

The current inflation number is 6.8%. For illustrative purposes, if the current level of CPI (6.8%) is used in the formula, the 5-year DSM budget increases to $860 million, an additional 10.25% or $80 million above what the placeholder 2% inflation factor yields. This amount may exceed the OEB's budget expectations.

Table 2: Revised DSM Budget Based on 6.8% Inflation

DSM Budget	2023	2024	2025	2026	2027	Total 2023-27
Program Budget	$123,900,000	$136,042,200	$149,374,336	$164,013,020	$180,086,296	$753,415,853
	Formulaic Increase (3% Policy Growth + CPI Inflation) over prior year					
Portfolio Admin, Evaluation, Research & Development	$18,360,000	$19,608,480	$20,941,857	$22,365,903	$23,886,784	$105,163,024
	Formulaic Increaseof CPI Inflation over prior year					
TOTAL DSM Programs	**$142,260,000**	**$155,650,680**	**$170,316,192**	**$186,378,923**	**$203,973,081**	**$858,578,876**

Note: Based on a CPI of 6.8%

Given the OEB's desire for modest budget increases balanced with the need to recognize the increase in efforts required by Enbridge Gas each and every year of the DSM Plan to meet its savings targets, VECC submits that a fixed annual increase in DSM funding beyond 2023 may be more appropriate and provides better stability with respect to future budget amounts and customer bill impacts than tying the formula to inflation during these unprecedented times. The OEB could consider setting the annual increase at 5% for the Program Budget and 2% for other costs if it determines that $780 million for the 2023-2037 DSM term is appropriate.

Length of Term

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

In the OEB DSM Letter, the OEB stated it expects that Enbridge Gas' new Multi-Year DSM Plan will be for a minimum term of three years up to a maximum of six years.[15] Enbridge Gas proposes a five-year DSM term ending in 2027.

VECC agrees with Enbridge Gas that a great deal of time and effort has been invested by Enbridge Gas, the OEB, the government and other interested stakeholders in the development of this proposed multi-year DSM plan[16] and this application should not be rejected. However, for the reasons discussed below, VECC's view is that the appropriate timeframe for the DSM Plan is three years, not five, with a review after two years as proposed as proposed, primarily

[15] OEB DSM Letter December 1, 2020 P5
[16] AIC P8

due to the evolving environmental and climate policy objectives which could significantly impact the DSM strategy, objectives, programs and targets in the near term.

Ontario's Environmental Plan released in 2018 commits Ontario to reduce emissions to 30 per cent below 2005 levels by 2030, a target that aligns with the Federal Government's Paris commitments.

On November 27, 2020 the OEB received a letter from the Associate Minister of Energy and the Minister of the Environment, Conservation and Parks regarding the government's current policy objectives related to DSM referencing an action in the Environmental Plan to work with the OEB and natural gas utilities to increase the cost-effective conservation of natural gas to simultaneously reduce emissions and lower energy bills.[17]

On November 15, 2021, the OEB received a mandate letter from the Minister of Energy that stressed the importance 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.[18]

The government's policies and commitments in the Environment Plan continue to evolve. Ontario is currently developing a its' first-ever low-carbon hydrogen strategy. Low-carbon hydrogen can be used to replace fossil fuels. Uses for hydrogen include as a feedstock and fuel in industry, in fuel cell vehicles for transportation, for storage or grid balancing for electricity, and as a fuel for buildings and communities.[19]

In response to Ontario's emission reduction target, many partners of the government (such as OPG and municipal governments) are developing climate change action plans that include advancing electrification initiatives critical to a net zero future.

Enbridge Gas presented government with several scenarios in an attempt to understand the government's position with respect to DSM budget levels. One was to continue with a $2 per month residential rate impact ceiling. Another was the option of increasing the budget at 5% a year over 10 years which would increase the bill impact from $2 to $3 per month. If the budget increased by 10% per year, it would increase the bill impact from $2 to $4 per month.[20] Previously the OEB viewed the $2.00/month threshold as a balance between ensuring all cost-effective DSM is pursued and protecting the interests of customers.

[17] November 27, 2020 Associate Minister of Energy and the Minister of the Environment, Conservation and Parks Letter to OEB

[18] November 15, 2021 Ministry of Energy Mandate Letter P3

[19] https://www.ontario.ca/page/low-carbon-hydrogen

[20] AIC P10

The most recent communication from the Ministry of the Environment, Conservation and Parks (MECP) in its recent Ontario Emissions Scenario as of March 25, 2022, used a conservative illustrative scenario for DSM, assuming a 10% real increase in funding in 2030 (1.2% real/year in 2023-2030).[21] Enbridge Gas' proposed DSM plan contemplates a higher budget than this conservative forecast put forward by the government.

In light of all of the climate change initiatives underway, evolving strategies and government policy, VECC submits locking in a DSM Plan for five years is not sustainable. VECC submits a three-year term is more appropriate.

Enbridge Gas has proposed a mid-point assessment at the end of the first two years of the plan to ensure the plan continues to be aligned with the market and evolving policy in Ontario. The assessment would take the form of an application made by the Company to be filed in 2024.[22] VECC supports a review at the end of 2024 as planned to ensure the Plan is on track and any corrective action can be taken at that time if required.

For the same reasons why the DSM term should be three years, VECC submits the lifespan of the proposed DSM Framework should be three years consistent with the DSM Plan given the evolving environmental policy and climate objectives, uncertainty around inflation, and only eight years left to meet Ontario's emission target.

Cost Recovery

Issue 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?

As part of the OEB's Decision in the DSM Mid-Term Review dated November 29, 2018, the OEB agreed that amortizing DSM costs over the lifetime of the energy efficiency programs should be explored during the post-2020 DSM framework development.[23]

Enbridge Gas proposes to recover DSM program costs in rates on an annual basis.

Experts filed evidence as part of the proceeding on amortizing DSM costs where costs are financed and recovered over several years. In its April 11, 2022 letter, the OEB asked for parties to provide their submission on (i) whether there should be amortization of DSM costs; and (ii) if so, the various components of an amortization approach, such as term of recovery, return for the utility shareholders and what interest rate should be applied.

Optimal Energy concluded the amortization of program expenses could be a way to increase overall spending on gas efficiency programs so that a greater level of overall natural gas savings can be achieved in Ontario while avoiding sudden, large rate increases by aligning the timing of

[21] AIC P 11 Footnote 17
[22] AIC P25
[23] K5.7

the costs and benefits of the programs.24 However, Optimal Energy clarified that it would not recommend amortization without an accompanying expansion in the efficiency program goals and costs that is contingent on a desire to expand the programs.[25]

First Tracks Consulting Service, Inc. agreed with Optimal Energy that amortization could allow the OEB to achieve higher DSM budgets while maintaining the OEB's historic guidan ce on rate increases, but only in the short term. In the longer term, amortization drives higher rates, and also creates new concerns around regulatory asset balances.[26]

VECC does not support the amortization of DSM costs. Firstly, the OEB does not appear to have a desire to significantly increase spending on DSM programs in the near term in a way that would warrant the amortization of costs. Secondly, the government's recent Emissions Scenario does not contemplate large budget increases. Lastly, VECC shares the concerns of First Tracks Consulting Service, Inc. that higher income customers could drive early electrification, leaving low income or other disadvantaged groups to shoulder ongoing costs.[27]

VECC submits the OEB should approve Enbridge Gas' proposed annual cost recovery proposal. This will avoid generating outstanding future ratepayer liabilities that are created through amortization that could possibly burden low-income customers.

Scorecards & Shareholder Incentives

Issue 8. Are Enbridge Gas's proposed shareholder incentives appropriate? Are there any other incentive that should be included in addition to or to replace those proposed by Enbridge Gas?

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

Enbridge Gas seeks approval of the scorecards that have been proposed and the metrics associated with each including the performance incentives that it is eligible to earn under each scorecard. The Company seeks approval for the 100% targets proposed for the purposes of its annual scorecard.

<u>Metrics</u>

Enbridge Gas proposes 21 different scorecard metrics on the annual scorecard.[28] For the Low Income Program, Enbridge Gas proposes two metrics on the scorecard weighted 50% each:

[24] Exhibit L.OEB STAFF.1 P16
[25] Exhibit L.OEB STAFF.1 P16 Footnote 24
[26] EGI Reply Evidence P4
[27] EGI Reply Evidence P17
[28] Exhibit L.GEC/ED.1 P22

Single Family Net Annual Gas Savings (m3) for Home Winterproofing and Multi-Residential Net Annual Gas Savings (m3) for Affordable Housing Multi-Residential.[29]

VECC supports Enbridge Gas' proposed equal weightings for its metrics as it drives Enbridge Gas to focus equally on single family and multi-residential low-income customers.

As part of its DSM Plan, Enbridge Gas has shifted from a lifetime savings metric to an annual savings metric for many of its offerings including low income. VECC supports the analysis and key points made by Future Energy Group who arrived at the conclusion that a lifetime savings metric is much better aligned with energy efficiency program goals than a first-year savings metric.[30] VECC agrees that the historic focus on lifetime savings provided an incentive for the Company to prioritize longer-lived savings. VECC submits the OEB should determine that lifetime savings metrics (Cumulative Natural Gas Savings (m3)) is more appropriate and should be used consistent with the previous 2015-2020 DSM Plan.

Weightings

For the annual scorecard, Enbridge Gas proposes that each of the residential, low-income, commercial and industrial programs be given a 22% weighting towards the Shareholder Incentive (DSMI). VECC supports equal weights for the four customer segments as it incents Enbridge Gas to focus equally on all customers, thereby addressing concerns of inequity. Low-income markets are more expensive. An equal weighting drives Enbridge Gas to focus on performing as well in this program as other programs.

Shareholder Targets

The annual scorecard includes targets at the 50%, 100% and 150% levels.

VECC supports the analysis and finding from Energy Futures Group that "The proposed performance bands of 50% to 150% are too wide. At the low end, they would start to reward shareholder for what could only be considered poor levels of performance. At the high end, they allow for maximum incentives at levels generally unachievable within budgetary limitations. Performance bands of 75% to 125% would be more appropriate.[31] Enbridge Gas confirms that there is simply insufficient budget for it to be able to approach reaching the 150% target.[32] Further, Enbridge Gas has not been able to achieve savings such that it has been able to earn the maximum shareholder incentive during any year of the current DSM multi-year plan.[33]

VECC submits the OEB should approve scorecard targets of 75%, 100% and 125%.

[29] D-1-2 P7
[30] Exhibit L.GEC/ED.1 P23-24
[31] Exhibit L.GEC/ED.1 P19
[32] AIC P31
[33] AIC P46

Shareholder Incentive

The OEB DSM Letter states that the OEB was supportive of continuing the use of a utility shareholder incentive as a reward for meeting or exceeding performance targets.[34]

Enbridge Gas' proposed maximum annual shareholder incentive of $20.9 million in 2023 is consistent with the 2015-2020 DSM Framework where $10.45 million was allocated annually to legacy EGD and Union.

In 2023, the $20.9 million is divided between annual shareholder incentives ($19.89 million) and long-term shareholder incentives related to the Low Carbon Transition Scorecard and long term GHG reduction target ($1.4 million).[35]

Enbridge Gas proposes that the annual shareholder incentive portion ($19.89 million) be escalated for inflation over the course of the five-year term resulting in a total maximum shareholder incentive of $103.5 million (inflation assumed at 2%).[36] This amount is on top of Enbridge Gas' proposed $780.2 million 2023-2027 DSM budget.

Enbridge Gas's rationale for the escalation of the maximum shareholder incentive is that it has not increased since it was approved by the OEB for the legacy utilities 2015–2020 DSM plans and it has been eroded by inflation over the past seven years. Enbridge Gas believes it is reasonable to increase the annual amounts by inflation while holding the two longer term scorecard amounts flat over the balance of the term of the plan.[37]

As part of the previous DSM Framework, the OEB determined it was appropriate to make an annual shareholder incentive available and each gas utility was eligible to receive a total annual maximum shareholder incentive of $10.45 million, similar to the shareholder incentive at the start of 2012. In its Decision on the 2015-2020 DSM Plans the OEB determined the shareholder incentive is not part of the gas utilities' DSM budget and the incentive available to the gas utilities will not increase or decrease relative to approved DSM budgets and is not increased annually for inflation.[38]

VECC does not support Enbridge Gas' proposal to escalate the shareholder incentive annually by inflation. Inflation is currently at 6.8% and expected to climb. This level of escalation is not reasonable. VECC submits the current approach should continue, i.e., the current maximum shareholder incentive amount should be a fixed amount and not increased annually for inflation or relative to DSM budgets, consistent with the 2015-2020 DSM Decision.

[34] OEB DSM Letter
[35] D-1-2 P3-4
[36] D-1-2 P3
[37] AIC P35
[38] EB-2015-0029/EB-2015-0049 Decision and Order 7 January 20, 2016 P7

Proposed 2023-2027 DSM Programs

Issue 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?

VECC's submissions on Enbridge Gas' proposed DSM plans are primarily focused on Enbridge's Low-income Program.

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

Low Income Programs

Enbridge Gas' Low Income Program has two offerings: Home Winterproofing and Affordable Housing Multi-Residential. All the measures are free for low-income participants as individuals.[39]

The objective of the Home Winterproofing offering is to reduce energy costs for residents of single-family households by improving the energy efficiency of their homes.

The objective of the Affordable Housing Multi-Residential ("AHMR") offering is to reduce natural gas consumption and improve the energy efficiency of multi-residential buildings in the affordable housing market.

The low-income customer segment has unique challenges and special needs. Low-income customers, particularly seniors, can be hard to reach and are extremely vulnerable to increases in energy prices. There are two different measures of poverty and housing need, and each suggest about 15% of people in Ontario fall below the threshold for each measure.[40] The impact of COVID-19 and climbing inflation has created many financial hardships for vulnerable customers. It's probable that the percentage of people in Ontario that fall below the threshold for poverty and housing need is now greater than 15% and Enbridge Gas agreed that it is likely that the number of constituents in Enbridge Gas' franchise area that are low-income has increased as well.[41] Now more than ever low-income customers require DSM opportunities to reduce their energy costs.

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

With this in mind, VECC supports Enbridge Gas' Home Winterproofing and Affordable Multi-Family Housing offerings as designed by Enbridge Gas. VECC submits low-income customers

[39] Oral Hearing Transcript Volume 1 P
[40] E-1-3 P1
[41] Oral Hearing Transcript Volume 1 P121

(homeowners and tenants who pay their natural gas bill) participating in the Home Winterproofing offering will benefit through reduced energy costs and improved indoor home comfort as these programs offer critical energy efficiency opportunities. This is especially true for low-income seniors and other vulnerable customers represented by VECC.

However, on a percentage basis, the budget allocated to Low Income Programs is declining.

Table 5 below shows that the Low Income Program budget represents 19% of the total DSM Program budget in 2021 and 2022.[42] Then in 2023 and 2024, the percentage of the total DSM budget allocated to Low Income Programs decreases to 16% and for the years 2025, 2026 and 2027 the percentage decreases further to 15%.

Table 4: Percentage of Total DSM Budget Allocated to Low Income Programs

	2021	2022	2023	2024	2025	2026	2027
Low Income Program	**$25,491,045**	**$25,421,780**	**$22,987,685**	**$23,447,439**	**$23,916,388**	**$24,394,716**	**$24,882,610**
Home Winterproofing	$16,643,900	$15,110,859	$14,375,115	$14,662,617	$14,955,869	$15,254,987	$15,560,086
Affordable Housing Multi-Residential	$6,752,797	$7,540,353	$7,138,928	$7,281,707	$7,427,341	$7,575,888	$7,727,406
TOTAL DSM Programs	**$135,015,071**	**$133,606,917**	**$142,260,000**	**$148,822,200**	**$155,701,494**	**$162,913,517**	**$170,474,680**
% Budget Allocated to Low Income	**19%**	**19%**	**16%**	**16%**	**15%**	**15%**	**15%**

Enbridge Gas proposes to spend approximately $23 million in 2023 on Low Income Programs increasing to $24.9 million by 2027. Although the proposed low income budget is increasing over time, it takes the full five years to get close to historical spending levels. The forecast spend for 2023 is approximately $2.5 million below the average spend for 2021 and 2022 ($25.46 million).[43]

Energy Future Group states "Enbridge's proposed low income program budget is lower (in inflation-adjusted terms) than in recent years, and lower as a percent of total program spending than most leading gas DSM portfolios. It should be increased to the point where it represents at least 20% of total DSM program spending."[44]

VECC submits the proposed spending level for the base year envelope for Low Income customers should be set at a minimum of 19% of the DSM Program budget approved by the OEB, consistent with the percentages in 2021 and 2022. Under VECC's proposal that the base year budget for 2023 be set at 3% above 2022 OEB-approved levels, the low income budget for the base year envelope would be $25.84 million,[45] consistent with historical spending. At 20% of the DSM budget, the low income budget would be $27.2 million.

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[42] The 2020 OEB Approved Low Income Program Budget = $12,160,772 ($13,849,850 including overhead)
[43] Exhibit 1.6.EGI.Staff.13f.Attachment 1
[44] Exhibit L.GEC/ED.1 P36
[45] 19% of $136 million

As part of the 2015-2020 Natural Gas DSM Framework, the OEB noted that all stakeholders agreed that the DSM budget for low-income programs should not be reduced from its current levels, and most parties supported the continued expansion of low-income offerings to allow a greater number of participants in the program.[46] VECC does not support a decrease in budget for the base year, 2023, compared to 2021 and 2022.

Stakeholder Consultation

VECC participated in Enbridge Gas' Low Income Program Stakeholder consultation held in March 2021. The purpose of the meetings was to provide key updates on proposed changes contemplated in the new DSM Plan, as well as seek feedback from interested stakeholders ahead of the application submission date. VECC provided feedback on Enbridge Gas' proposed Low Income Programs.

VECC also participated in meetings in November and December 2021 on Enbridge Gas' proposed updates to the eligibility criteria for multi-family market rate buildings. VECC supported the proposed updates to the eligibility criteria. VECC continues to meet with Enbridge Gas to discuss opportunities to reach vulnerable customers. Enbridge Gas acknowledges this ongoing consultation.[47]

Enbridge Gas does not envision charging low-income tenants or homeowners costs for the programs. However, should Enbridge Gas discover a new measure to bring to market Enbridge Gas committed to consulting with low-income stakeholders on the best way to bring the measure to market. VECC supports Enbridge Gas' commitment to this specific stakeholder consultation.[48]

Coordination with the IESO

Enbridge Gas coordinates with the IESO in the delivery of DSM programs with electricity CDM programs where possible, including modifying the participant eligibility requirements of its current low-income program in order to be consistent with the electricity income-tested CDM program eligibility requirements.

VECC supports Enbridge Gas' ongoing coordination with the IESO and requests that Enbridge Gas provide an update on its coordination with respect to Low Income Programs at the mid-term assessment.

Transfer of Low Income Funds to Other Programs

For each of the years 2015 to 2021, funds from the low income budget were transferred out, resulting in reduced low income budgets in each year for both the EGD and Union rate zones, except 2018 for Union.[49]

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47 Oral Hearing Transcript Volume 1 P117

48 Oral Hearing Transcript Volume 1 P112

49 JT2.15

In its DSM Plan, Enbridge Gas proposes that the Low Income program budgets be ring fenced and no program funds budgeted for the low income program will be transferred to any other program.[50]

VECC supports this proposal and submits the OEB should approve this feature of the DSM Plan so there will no longer be transfers out of the low-income budget to other programs.

Conclusion

VECC supports Enbridge Gas' Low Income Programs on the basis that these programs offer critical energy efficiency opportunities that benefit vulnerable customers through reduced energy costs and improved indoor home comfort.

VECC's key submissions on Enbridge's Proposed 2023-2027 DSM Plan are summarized as follows:

- The OEB should set the base year budget for 2023 at $136 million (a 3% increase over 2022).
- The OEB should set a fixed percentage increase to determine budget levels beyond 2023 instead of applying a formula tied to inflation due to the uncertainty and volatility around inflation levels.
- The appropriate timeframe for the DSM Plan is three years, not five given evolving environmental policy and climate objectives and uncertainty with respect to inflation.
- The lifespan of the proposed DSM Framework should be three years consistent with the DSM Plan given the evolving environmental policy and climate objectives.
- VECC supports a review at the end of 2025 as planned to ensure the DSM Plan is on track and any corrective action can be taken if required.
- VECC does not support the amortization of DSM costs.
- VECC supports equal weights of 22% on the scorecard for the four customer segments as it incents Enbridge Gas to focus equally on all customers.
- Lifetime savings metrics are more appropriate than annual savings metrics and should be used, consistent with the previous 2015-2020 DSM Plan.
- The OEB should approve scorecard targets of 75%, 100% and 125%.

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- Escalation of the annual shareholder incentive for inflation over the course of the five-year term should not be approved.

- The proposed spending level for the base year envelope for Low Income customers should be set at a minimum of 19% of the DSM Program budget approved by the OEB, consistent with the low income percentages in 2021 and 2022.

- VECC supports ongoing consultation with Enbridge Gas.

- VECC supports Enbridge Gas' ongoing consultation with the IESO and requests that Enbridge Gas provide a status update at the mid-term review.

- VECC supports ring fencing the budget for the Low Income Programs so there will no longer be transfers out of the low-income budget to other programs.

All of which is respectfully submitted.
Vulnerable Energy Consumers Coalition