INTRODUCTION

Demand Side Management ("DSM") has been in place for almost a quarter century. In that time, the role of natural gas has evolved from a more economic alternative than electricity, to a more benign alternative than oil, to now a bridge fuel to less carbon intensive energy choices. In this process, natural gas has provided and continues to provide significant economic environmental benefits to Ontario.

DSM has really been focused on reducing consumption as opposed to peak demand. It has only been in the last several years that discussions began focusing on the peak demand component and how Enbridge Gas Inc. ("EGI") and its predecessor companies may be able to defer or reduce infrastructure costs. This focus on peak demand has been separated into the Integrated Resource Planning ("IRP") program. Eventually, DSM and demand side IRP have been linked through the government's and the OEB's interest in avoiding the cost of infrastructure which risk being stranded. However, there is a real risk; if EGI, stakeholders and ultimately the Board, are not intentional about the scoping of proceedings where there is overlap of DSM and IRP, then opportunities for real change may be overlooked or otherwise missed.

This proceeding occurs at a very important time for Ontario's energy future where it is important that we count the costs of conversion as opposed to rushing to subsidize reductions without due consideration of more economically and environmentally effective solutions. Having the benefit of reviewing draft and final submissions of a number of non-utility parties, we are satisfied that our general concerns over lack of efficacy of the continuing programs and lack of significant proposed structural programming changes by EGI have been well identified and argued. As a result, FRPO will now focus on more limited submissions on the topics highlighted in the Board's letter of April 11th, the narrower issues of our members, and select issues that we believe our submissions will be helpful to the Board. We have also tried to group some issues for efficiency and clarity

BOARD'S LETTER OF DIRECTION PROVIDING FOCUS

Given the amount of information, perspectives and disagreements on the record in this proceeding, we respect that there are numerous vested parties voicing their concerns and interests. This makes it a challenging assignment to sift through arguments in discerning important direction to the utility. As such, we appreciate the Panel's guidance in providing areas of focus for submissions from parties and Staff; thus, we will start there with our submissions. Since many higher-level general issues have overlap with more specifically defined issues on the issues list, we will try to list the sub-issues where our concerns and submissions have overlap.

As an additional preface, we will note that we have reviewed draft and now final submissions from the School Energy Coalition, and we support their call for more significant intervention by the Board, because in the current times with amount of ratepayer funding being requested good is not "good enough."[1]

Issue 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?*

No. Below we submit that EGI has not had regard to consumers' economic circumstances and have varied from what should be their expertise to choose harmonization over consumers' ability to pay.

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

No. Given the lack of engagement as well as many other flaws noted below and in other intervenor submissions, we believe the maximum term of the DSM should be

[1] EB-2021-0002 SEC Final Argument 20220522 with Appendix, pg. 6

limited to three years.

Issue 9 c) *Is Enbridge Gas's proposed Low Income Program Scorecard, including targets and performance metrics appropriate?*

No. Conceivably, EGI could meet its Low Income Program Scorecard without distributing the benefits of Low-income DSM to any resident in a privately-owned multi-unit residential building in spite of the facts below which indicate, at least for the city of Toronto, that is where Low-income customers reside.

FRPO is very concerned about the recent change in Low-income eligibility criteria for privately-owned multi-unit residential buildings invoked by EGI in its December 16, 2021 letter to the Board.[2] In the letter, EGI describes its change to CMHC criteria and update to its evidence in respect of eligibility criteria for Low-income starting in 2022. This change could impose barriers that restrict access for low-income residents in privately-owned multi-unit residential buildings. As outlined below, FRPO is seeking the impact of these changes be tracked by EGI and reported robustly to allow the Board the earliest opportunity to make appropriate adjustments.

<u>Access to Low-income DSM Benefits for Residents in Private Apartments</u>

In the oral hearing, EGI witnesses confirmed that while each legacy utility had different Low-income eligibility criteria, neither Union nor Enbridge used the newly implemented CMHC criteria.[3] Further, EGI noted that FRPO had expressed concerns about implementing the new criteria prior to the Board's formal process in this hearing.

Our concern, expressed in the discussions of late 2021, were that these criteria were untested and therefore, we recommended that the existing eligibility criteria remain in place to be monitored in 2022 and compared with the proposed criteria. The only

[2] EGI_Ltr_AHMR_EligibilityUpdates_20211216eSigned
[3] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg. 88, line 24 to pg. 89, line 14

data provided[4] to test its efficacy showed that less than 50% of the privately-owned multi-unit residential buildings that previously qualified under the legacy Union criteria would qualify under the new criteria. This was confirmed by the EGI witness.[5] Moreover, the legacy Union territory has not been as successful implementing Low-income DSM in privately-owned multi-unit residential buildings. As the data shows, the legacy Union territory generated only about 30% of the savings as legacy Enbridge Gas over recent years.[6] While the witness tried to provide updated figures, it was clear that these figures were not on the record and that we would not be able to test the data even if requested through undertaking.[7] Instead, the witness provided that in the interest of harmonization, they proceeded after a cursory look at the data.[8]

What seems to be forgotten by the utility is the history of Low-income programs being available to residents in privately-owned multi-unit residential buildings.[9] We believe it is timely and important to the interests of Low-income residents to remind the utility and provide evidence to the Board of the genesis of Low-income DSM to privately-owned multi-unit residential buildings.

Evolution of Access for Residents in Private Apartments

Up until about 10 years ago, Low-income DSM for multi-unit residential buildings in Ontario was only available to social housing buildings. This created a cross-subsidy situation where privately-owned multi-unit residential buildings paid for recovery of DSM costs through rates yet were unable to receive the benefits. The practical effect of this distributional inequity would be that the low-income tenants of a private building with bulk metering would bear the cost of these low-income DSM programs in their rents while being precluded access to the benefits that could be realized. In our view, this is an income transfer in the wrong direction. We submit that there are regulatory

[4] Exhibit K1.5 FRPO Compendium, Oral Hearing, EGI Panel 1, pg. 6-7
[5] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg.91, line 12
[6] Exhibit I.EGI.FRPO.19
[7] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg. 91, line 18 to pg. 93, line 20
[8] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg. 93, line 21 to pg. 95, line 1
[9] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg. 96, line 20 to pg. 97, line 10

precedents that have ruled on the appropriateness of such a design.

The jurisdiction of Massachusetts has been a leader in developing energy management initiatives targeting low-income consumers. The initiation of their programs date back more than 30 years. However, some of their original designs had unintended cross-subsidizations that were challenged successfully by the disenfranchised customer groups. This situation is captured in a document for the National Consumer Law Center, Inc. of Boston by the firm of Fisher, Sheehan & Colton, Public Finance & General Economics:[10]

> ***The seminal case is Re. Western Massachusetts Electric Company.[11] In that case, the Hampshire Community Action Commission (HCAC), a local community action agency, challenged both the overall conservation planning of Western Mass Electric Company (WMECO) and the design of specific conservation programs. Both the planning and design components, HCAC argued, were marred by assumptions which, though perhaps unwittingly, nevertheless resulted in the effect of excluding low-income households from conservation programs.[12] This exclusion, HCAC said, not only denied the opportunity for the poor to reduce their bills by reducing their consumption,[13] but also resulted in the poor paying the costs of the conservation measures while receiving none of the benefits.[14]***

[10] Energy Efficiency and the Low-Income Consumer: Planning, Designing and Financing, Fisher, Sheehan & Colton, Public Finance & General Economics, 1994, http://www.fsconline.com/downloads/Papers/1994%2010%20LI-ENEFF.pdf

[11] Re. Western Massachusetts Electric Company 87 P.U.R.4th 306 (Mass. DPU 1987); see also, Re. Cambridge Electric Light Co., DPU-87-221-A, at 173 (Mass. DPU 1988).

[12] "Although WMECO asserts that its programs are designed to be income neutral, HCAC contends that the effect of WMECO's programs, intended or unintended, is to exclude low-income customers." Ibid., at 404.

[13] Ibid., at 417.

[14] Ibid., at 405. "It is HCAC's position that the exclusivity of the Company's programs has two undesirable results. First, it excludes low-income customers from the direct benefits of energy savings."

This unintended discriminatory practice has additional commercial implications. In a hypothetical situation, there could be two identical, energy inefficient apartment buildings occupied by 100 percent low-income residents with bulk metering that are situated on the same street, and their only distinction is the ownership of the units. The energy costs are paid by the ownership and contribute to the establishment of monthly rent. One, with social housing ownership, could have access to all of the benefits of the targeted low-income programs. The other, owned privately, would not. Not only would the consumer effects described above materialize, but over time, the private building may be at a chronic, competitive disadvantage to attracting tenants.

Further, we add a study commissioned by the United Way Toronto called *Vertical Poverty: In Poverty by Postal Code 2*.[15] By using Statistics Canada Census data over a 25-year period, the study was able to track the proliferation of low-income families and their migration to high rise apartment buildings and the neighbourhoods where they were residing. Some of the high-level determinations made in the report that are pertinent to this issue are:

- 43% of Toronto's low-income families live in high-rise apartment buildings.[16]
- 75% of the stock of Toronto apartment buildings is privately-owned.[17]
- 80% of Toronto's high rise apartment buildings (more than 5 stories) are 30 years old or more.[18]

The provision of the above information created impetus to real stakeholder discussions. Dedicated Enbridge Gas Distribution ("EGD") staff brought together a group of FRPO, VECC, LIEN, BOMA and GEC to look at the barriers in different ways to reach this under-served sector of the Low-income community. After developing a set of consensus criteria with the aforementioned group, EGD convened Toronto Hydro, City of Toronto

[15] Vertical Poverty: In Poverty by Postal Code 2, https://www.unitedwaygt.org/wp-content/uploads/2021/10/Poverty-by-Postal-code-2-Vertical-Poverty.pdf
[16] Ibid, page 26
[17] Ibid, page 28
[18] Ibid, page 30

Tower Renewal and United Way to work toward practical solutions to distribute the benefits of Low-income DSM to the targeted neighbourhoods of the city.

Through these efforts, EGD demonstrated a substantial amount of traction in generating savings in the first year of the rollout of this program as evidenced in the table below.[19]

	2014	2013	2012	3 Year Total
Low Income Multi-Residential Part 3	Gross Gas Savings	Gross Gas Savings	Gross Gas Savings	Gross Gas Savings
Social Assisted Housing	826,526	1,558,408	2,739,985	5,124,920
Private Rental	907,930	0	0	907,930
Total Multi-Residential Part 3	1,734,457	1,558,408	2,739,985	6,032,850

In contrast, legacy Union Gas did not take the same approach and FRPO was unable to obtain a valued seat at the table for their Low-income DSM for privately-owned multi-unit residential buildings. Instead, the legacy company relied on their internal resources to determine the needs and capabilities of our sector with Low-income residents.[20]

The momentum created by intentional engagement of stakeholders by EGD can be clearly seen in the comparison of savings between the legacy utilities.[21] From our perspective, this positive initiative has been lost in recent years as a minimal amount of time was invested by the utility,[22] prior to invoking their desired change driven by harmonization with the reassurance of a cursory review of data. While EGI has offered to report on the results of the eligibility criteria change, our experience informs that, if savings generated from privately-owned multi-unit residential buildings are not measured nor incented separately, the company's proposed limited

[19] EB-2015-0029 Exhibit I.T2.FPRO.1
[20] EB-2015-0029/0049 FRPO_ARG_DSM_20151002, pg.4-6
[21] Exhibit I.EGI.FRPO.19
[22] Transcript_Oral Hearing_EGI DSM_Vol 1_20220328, pg. 89, line 15 to pg. 90, line 14

mid-term review will not afford an opportunity for a significant change.

In summary, to respond to the Issues in the order listed:

Issue 2 We submit that EGI has not had regard for consumers' economic circumstances. As described above, their approach seems to be driven by harmonization and without significant stakeholdering to perform due diligence on the potential effects of invoking new Low-income eligibility criteria.

Issue 4 It is for the above reasons and amongst others described below that we join other intervenors in expressing our deep concerns that the applicant has demonstrated a utility-centric approach to this application without significant stakeholdering. As a result, we support other intervenors, notably London Property Management Association,[23] in seeking a shorter term to seek progressive, stakeholder-informed DSM initiatives after the finalization of the rebasing proceeding. As a result, we submit that the DSM term should not exceed three years.

Further, we believe that the three year time frame would allow for the formation of a governance committee or "board of directors" that is described in the evidence of SEC.[24] This significant change in direction and oversight of the DSM framework and programs would allow for improved program design aligned with policy goals and reduced conflicts of interest. We will address the subject of conflict of interest in more detail below under Issue 10 j) Low Carbon Transition below.

Issue 9 c) EGI has no designated incentive[25] to ensure that the benefits of Low-income DSM are distributed in a way that ensures that the majority of low-income customers in an urban area receive an equitable, or even any, benefit from the costs of energy included in their rent. FRPO would respectfully submit that the company proposed scorecards be amended to split the Low-Income Program, Affordable Housing Multi-Residential Net Annual Natural Gas Savings to 50% for Social Housing

[23] LPMA_ARG_EGI_20220519, pg. 7
[24] EB-2021-0002 SEC Final Argument 20220522 with Appendix, pg.21-22
[25] Exhibit D, Tab 1, Schedule 2, Tables 4-9

Multi-residential and 50% for Privately-owned Multi-Residential.

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?

A conditional No premised on the original application proposing incremental DSM spending and an on-going expense methodology and amortization of capital assets[26] and their evolved position that they are now agnostic to how DSM costs are recovered.[27]

FRPO does not support any change in the current recovery methodology at this time. We understand that other parties may claim a need for substantial increases in DSM spending. However, notwithstanding our support for wise reductions in carbon emissions, we cannot support increasing the spending on a collection of programs that have demonstrated significant attrition in the amount of gas savings per unit of expenditure. This view is aligned with the Ministers' letter of November 2020 that provided "While we would be supportive of increasing cost-effective ratepayer funding of natural gas conservation in Ontario, it is recognized that the OEB must balance ratepayer interests regarding bill impacts with the level of natural gas savings pursued[28]."

The evidence from the company is crystal clear as shown in interrogatory CCC.3.[29] In the last decade, the level of natural gas savings and resulting cost effectiveness dropped from 3.92 m^3/ratepayer $ spent in 2011 to 0.77 m^3/$. In our respectful submission, this erosion in cost effectiveness does not warrant substantial increases in ratepayer funding especially given that the forecast provided by the company shows a continued declining trend in this metric for the forecasted period of this DSM framework.[30]

[26] Exhibit C, Tab 1, Schedule 1, Page 48
[27] EGI_ARG_20220429, pg. 26
[28] ENDM-MECP-letter-to-OEB-20201127, pg. 2
[29] Exhibit I.1.EGI.CCC.3, pg.1
[30] Ibid, pg. 2

Given the diminishing level of efficacy, we believe the Board ought to restrain the level of budgetary increases until serious improvements are forecast, possibly through new programs or break-through technology. Therefore, without the prospect of significantly increased spending, the potential for the emerging "need" to invoke amortization with investor-interested desire for return on capital to smooth the rate impact is not needed, especially given the participant vs. non-participant perspectives.

Further, in the alternative, if the Board were to consider any form of amortization, we would encourage a thoughtful transition to this impact, including the potential for the shareholder to double-dip by adding return on capital to incentives already embedded in its framework. We believe an example of such a considered transition is contained in the submissions of SEC and would encourage ratepayer input into the process of designing the appropriate transition methodology.[31]

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?

Issue 10 a) Are Enbridge Gas's proposed program offers for residential customers appropriate?

Issue 10 j) Is Enbridge Gas's proposed low carbon transition program appropriate?

No. As noted above in describing our concerns in regard to Issue 7, natural gas savings per dollar have diminished over the previous decade and are projected to continue that decline. However, from our perspective, the company has not offered any significant step change program offerings to maximize natural gas savings and provide the best value for ratepayers' investment.

One of the most significant opportunities for improved program efficacy could be EGI's ability to negotiate an appropriate agreement with the federal government's Greener

[31] EB-2021-0002 SEC Final Argument 20220522 with Appendix, pg.27-31

Homes Grant Program[32] in an effort to combine that initiative with its Home Efficiency Rebate program. While our concerns about incentives will be described later, we believe a well-designed combination of the programs could enhance the value proposition for ratepayers. We respect that the details of the yet to be completed negotiations are not public at this time. As such, we respectfully submit that it would be appropriate to have a limited proceeding focusing on the resulting negotiated agreement to consider impacts of the agreement on program offerings, scorecards and ultimately incentives.

In addition, as referred to above, most parties and experts in this proceeding understand the inherent conflict of interest for a company that makes money from capital projects required by increased throughput and that same company's lead role in reducing that throughput. In pursuit of making submissions on the value of unconflicted, third party providers and their interest in potentially profitable services that their companies could lead and implement, FRPO asked intervenor and staff experts about jurisdictions that had successful models[33]. We had hoped, through considering the experts' answers and further research, FRPO could ask the company for its views on examples.

We initiated our inquiry by trying to establish the economic conflict of interest with EGI to test our ideas. Our exchange with the EGI witness simply rebuffed any acknowledgement of the potential conflict[34] as if the company had a mandated monopoly to lead all DSM programs. We had hoped to generate, for the Board, some concrete examples that included fuel transition, such as electric air-source heat pumps. However, without a good evidentiary basis to create our own construct, we defer and support the submissions of SEC[35] in changing the governance model for DSM to invoke substantive changes in DSM program lead.

[32] EGI_Ltr_GHGP_20211028
[33] GEC-ED_IRR_EVD_FRPO_20220119, 3-FRPO-1-OEB Staff.1 and Exhibit JT3.5
[34] Transcript_Oral Hearing_EGI DSM_Vol 3_20220320, pg. 34, line 11 to pg. 37, line 24
[35] EB-2021-0002 SEC Final Argument 20220522 with Appendix, pg.21-22

In the interim though, the company may be missing a simple opportunity to assist its customers and the governments' agenda. If acted on, independently, or by directive of this Board, EGI may still be able to enhance the value proposition by leveraging its work with the federal government.

We recognize that federal funds ultimately come from ratepayers of gas through their carbon tax. However, some of those carbon tax dollars should be utilized to reduce carbon emissions. One of the thorny issues that arose in this proceeding is the issue of the appropriateness of natural gas ratepayers investing in incentives to reduce natural gas consumption through the use of an electric air source heat pump[36]. We understand and have sympathy for that concern. At the same time, in this proceeding, we have come to learn of the improvements in economics of cold climate effectiveness of air source electric heat pumps.[37]

Nevertheless, the company could negotiate with the federal government to use carbon tax dollars to offer the Greener Home Grants available for electric heat pumps in its role as delivery agent. To counter EGI's bias toward continued use of natural gas, FRPO would support EGI including the natural gas savings obtained from the conversions to electric air source heat pumps in its overall residential Net Annual Natural Gas Savings.[38] The company can use the Greener Grants to incent the customers to move to an air source heat pump, thus reducing the need for that incentive to be paid for by gas ratepayers.

While we respect that there may be a need for a limited proceeding to evaluate needed changes in the incentive criteria associated with a successful negotiation, as noted in Issue 9 below, we believe that this approach would eliminate the need for ratepayers to fund "off-gas" initiatives while increasing the efficacy of savings per dollar spent.

[36] EGI_ARG_20220429_eSigned, pg. 12-13, para. 23
[37] ED_Sub_McDiarmidExpertEvidence_20211201, pg.
[38] Exhibit D, Tab 1, Schedule 2, Tables 4-9

OTHER ISSUES

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

Issue 9 a) Is Enbridge Gas's proposed annual target adjustment mechanism appropriate?

Issue 9 c) Is Enbridge Gas's proposed Low Income Program Scorecard, including targets and performance metrics appropriate?

As described previously, we submit that the Low-Income Program Scorecard should be modified to ensure a measurement of Multi-unit Residential Building Net Annual Savings between Social Housing and Privately-Owned. By splitting the measurement and available incentive, the Board ensures "what gets measured (and incented) gets done."

We are also concerned that the annual target mechanism is in need of revamping. As noted by Optimal, the company can perform poorly over an extended period of time and through the ratcheting of targets still obtain a significant incentive payment.[39] We understand that other parties will be providing more detailed proposals for alternative methodologies. While we are not promoting our own, nor support one over another, we are concerned about free ridership in this Framework.

There is no specific issue dealing with free ridership, so we include our concerns under this issue. Our major concern is that with pressures arising from shareholders, boards of directors and customers of organizations, there will be a major impetus to find ways to cut carbon emissions during the term of this Framework. These pressures will be exacerbated by the higher costs of natural gas over term of this Framework than we saw in the previous Framework from 2015-2020. As a result, there will be lagging and potentially unmeasured increases in free ridership that ought to be considered when establishing the target levels for incentives using historic performance. We are concerned that, from what we glean from the company's efforts, their focus is on ensuring they get credit, thus lowering the free ridership measurements and thus

[39] OEB Staff_Expert Evidence Updated_EGI DSM_20220126, pg. 38

increasing the Net to Gross levels.[40] Most importantly, we join a chorus of ratepayer representatives and experts that call for the Board not to establish initial incentives at the low level of 50% of a target. Given these many factors, including free ridership that we believe will increase in a way that will lag measurement, the utility should not be enriched for being the monopoly provider of DSM programs.

CONCLUSION

Over FRPO's 14 years of involvement in DSM proceedings, we have not seen much substantive change in program delivery beyond the inclusion of privately-owned multi-unit residential buildings in the Low-income program. With EGI's implemented change to Low-income criteria, we are concerned even that may be rolled back. In our view, as detailed above, it is time for real change in how to deliver sustainable, long-term solution to Energy Transitions are delivered to gas customers in Ontario by having independent governance to reduce inherent conflicts.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

[40] Exhibit J3.6