

IN THE MATTER OF the *Ontario Energy Board Act, 1998*; and

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. seeking approval of certain demand side management assumptions for the 2008 program year.

**Comments of
Industrial Gas Users Association (IGUA)**

Summary of position.

1. *IGUA endorses the need for a process such as this, separate and apart from the current DSM Consultative/EAC process, for review and approval of changes to DSM input assumptions.*
2. *In respect of the issue of "spillover", IGUA submits that there is no record on the issue, and that it would be premature for the Board to consider the issue in this proceeding.*

Review process.

3. In this application and in Union's companion application, Enbridge Gas Distribution (EGD) and Union Gas Limited (Union) have filed a consolidated set of DSM input assumptions. Some of the assumptions are carried forward from those previously settled and approved by the Board (through acceptance by the Board of a settlement agreement). Others are updated.
4. At the time of acceptance of the current DSM input assumptions, as settled, the Board anticipated a process for updating the assumptions. In its August 25, 2006 Decision with Reasons in EB-2006-0021 (the *Generic DSM Decision*) the Board stated¹:

The Board anticipates that the recommendations that come from the evaluation and audit committee would, in effect, be the substance of the comments process to be employed for the updating of the list and values of the input assumptions. Any suggested updates to the input assumptions guide arising from the evaluation and audit process should be filed with the board within one month of the end of the annual audit and evaluation. The suggested updates will be considered by the Board, and the guide will be updated if the Board decides it is necessary. Further Procedural Orders may be issued regarding updates to the guide.

¹ *Generic DSM Decision*, starting at the bottom of page 56.

5. The *Generic DSM Decision* also contemplated that the process for updating input assumptions "*should be centralized within Board Staff, at least for the first generation of multi-year DSM plans*".
6. Upon receipt of this application the Board has determined to go beyond the process initially contemplated (EAC input to, and Board Staff management of, DSM input updating), and to formally provide interested parties with an opportunity to comment on the input assumptions as filed. IGUA endorses this broader approach.
7. IGUA understands that comments from EGD's DSM Evaluation and Audit Committee (EAC) have informed EGD's input assumption proposals, as contemplated by the Board at the time of the *Generic DSM Decision*. However, it is also clear to IGUA that the proposals put forward in this application are those of EGD alone, and in some cases do not have the endorsement of the EAC nor of the broader Consultative. (A prime example is in respect of the issue of "spillover", which directly affects evaluation and funding of industrial DSM initiatives and which is addressed in the next part of these submissions.)
8. Given the manner in which the DSM Consultative and EAC processes are in fact working, IGUA believes that a separate, formal and public review process for the input assumptions as filed is necessary. The views and recommendations of the EAC and the Consultative should inform this process, and ideally would simplify and expedite it, but it is clear that under the current Consultative and EAC process, they cannot substitute for it.
9. In respect of the scope of this review process, IGUA does not see the need, in this particular application, to itself pursue any discovery from EGD or testing of EGD evidence.
10. Other than in respect of "spillover", which is addressed more fully below, the only assumptions regarding DSM programs for industrial loads (referred to as "custom projects" in the DSM context) relate to the "Measure Life Assumptions" associated with equipment relevant to these programs. (In EGD's application documents, these assumptions are set out on a page immediately following the table of updated input assumptions.) IGUA has no cause, at this time, for concern with these assumed equipment life assumptions. For industrial programs, the balance of evaluation input parameters are determined on a project by project basis.
11. IGUA would like to note, however, a general concern that the lack of discovery and testing of evidence may constrain the degree to which a review process like this can fully inform the Board's consideration of EGD's filed input assumptions.
12. Unlike in the proceeding resulting in the approval of input assumptions for 2007 DSM programs, there has been no settlement process regarding this application, and there is no consensus among interested parties for the Board to consider.
13. If the DSM consultative process is not going to in effect be used as a settlement forum, then there may be future instances in which IGUA will advocate a process for discovery and testing of evidence related to DSM input assumption approval requests.

Spillover.

14. There is one area in which EGD has put forward an assumption directly relevant to evaluation of, and funding for, industrial DSM programs. That is in the area of "spillover".
15. IGUA understands "spillover" to refer to the effect that DSM programs have on adoption of DSM measures outside of any such programs, but on the basis that such adoption was in some fashion influenced by the program. Spillover thus leads to additional gas savings being attributed to a DSM program than would be attributed without recognition of spillover.
16. The proposed incorporation of spillover as an input assumption for EGD's industrial DSM programs is reflected in EGD's reliance in its filing herein on a "*net to gross ratio*" for these programs, in place of the more conventional "free ridership" assumption. The "*net to gross ratio*" includes both free rider and spillover effects.
17. IGUA notes that Union has expressly confirmed that it does not intend to pursue the inclusion of spillover values for its 2008 DSM input assumptions.² Union indicates that it will continue to discuss spillover values with its EAC, for future input assumption updates.
18. EGD, on the other hand, has presented "net to gross" assumptions in place of "free ridership" assumptions in the instance of its "Commercial/Industrial Custom Projects" (as well as in two categories - 19a. and 19b. - under its "Commercial Existing Buildings" projects and related to retrofitting of schools). According to EGD's input assumptions table, these "net to gross" assumptions are based on a study of "attribution" (which term IGUA understands to encompass both free rider effects and spillover effects) by Summit Blue.
19. This study by Summit Blue was jointly commissioned by EGD and Union Gas, and has recently been provided to the members of the respective DSM Consultatives of the two utilities. The study has not been filed in this proceeding, nor has it been filed in any other matter before the Board. Nor has it been substantively discussed in either of the utilities' Consultative meetings since the study was released, both of which meetings IGUA has attended.
20. The inclusion of spillover effect is not endorsed or accepted by Union or EGD's DSM Consultatives or EACs.

² Union letter dated December 9, 2008, as filed in EB-2008-0385,

21. The matter of spillover is addressed in EGD's EAC recommendation 38 in EGD's *2007 DSM Audit Summary Report, July 2008* (filed as Exhibit B-5-1 in EGD's ongoing DSM Variance Account clearance application). The recommendation reads³:

Bring the issue of spillover and net to gross calculation to the DSM Consultative for policy discussion.

22. In its response in the *Audit Summary Report* to this recommendation, EGD undertakes to do so.
23. As noted by IGUA and GEC in submissions filed in the DSM Variance Clearance proceeding, the Consultative policy discussion with EGD's EAC has not yet taken place.
24. Issues of "if" and "how" to include spillover effects promises to be a contentious one.
25. There is no record in this proceeding to support the adoption of any part of the Summit Blue report (which has not been filed), or the inclusion of spillover effects as DSM input assumptions.
26. EGD has not provided any evidence to support a Board order to replace currently approved DSM input assumptions with alternative assumptions which include a spillover effect.
27. IGUA strongly urges the Board to reject those of EGD's proposed input assumptions that include a "net to gross ratio" in place of a "free ridership" assumption. (This would leave the pre-existing input assumptions for these DSM measures in place.)
28. ***Unless and until the matter is brought before the Board on a full and tested record, or otherwise through a proposal endorsed by all parties, it would be premature for the Board to make any comment on the issue of spillover.***

Costs.

29. IGUA has had a longstanding interest in gas DSM issues, and has participated in a number of proceedings on the topic, including the proceeding that resulted in the *Generic DSM Decision* and gave rise to this application.
30. IGUA is eligible for recovery of reasonably incurred costs of interventions in processes before this Board, as a party primarily representing the direct interests of consumers (i.e. industrial ratepayers) in relation to regulated services⁴.

³ EB-2008-0271, Exhibit B-5-1, page 18.

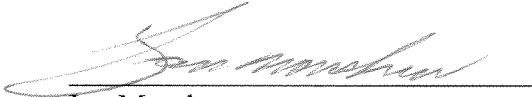
⁴ *Ontario Energy Board Practice Direction on Cost Awards*, section 3.03(a).

31. IGUA hopes that its comments herein will assist the Board in its review of this application, and respectfully requests recovery of 100% of its costs reasonably incurred in the course of its participation herein.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Macleod Dixon, LLP

per:



Ian Mondrow

December 12, 2008

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