EB-2005-0523

ONTARIO ENERGY BOARD

Notice of Proceeding and Hearing
Generic CDM Proceeding

IN THE MATTER OF the *Ontario Energy Board Act, 1998* S.O. 1998, B (the “Act”);

AND IN THE MATTER OF a proceeding initiated by the Ontario Energy make certain determinations respecting conservation and demand management by Local Distribution Companies (“LDC”) activities as described in the Distribution Rates (“EDR”) Handbook and Total Resource Cost (“TRC”) to subsection 19(4) and 78 of the *Ontario Energy Board Act, 1998*

MOTION RECORD AND SUBMISSIONS OF THE INTERVENOR

The Vulnerable Energy Consumers’ Coalition (“VECC”)

December 20, 2005

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Introduction

1. The Vulnerable Energy Consumers' Coalition represents the interests of low income ratepayers in energy matters. Its interest in this proceeding is to ensure that Conservation and Demand Management (CDM) initiatives carried out by local electricity distributors (LDCs) do not add to the already rapidly escalating energy burden for low income families and, secondly, to address the historical imbalance of CDM programs that have the potential to result in a regressive cross-subsidization of the system by low income users in favour of other users.

2. In its Notice of Proceeding and Hearing, the Ontario Energy Board posed the following three questions:

   i.) Whether the Board should order a LDC to spend money on CDM propgrams in an amount that is different from the amount proposed by an LDC in a test year and, if so, under what circumstances?

   ii.) With respect to section 2.1 of the TRC Guidelines, whether the Board should require LDC's to demonstrate freeridership levels for all CDM programs on a program by program basis;

   iii.) With respect to section 2.2 of the TRC Guidelines, whether the Board should order that an LDC should only be entitled to claim incremental benefits associated with its participation in a CDM program with a non-rate regulated third party.

3. VECC addresses each of these three issues below.

Issue 1: LDC Spending In Addition to Amount Proposed by LDC

4. The nature of CDM programs is that the costs of the programs are spread among all ratepayers as a result of their inclusion in rates, whereas the benefit is realised entirely by those ratepayers who have the information and financial resources to take advantage of them. In VECC's submission, experience in other jurisdictions as well as to date in Ontario indicated that low-income ratepayers have historically been under-represented with respect to participation in CDM initiatives. To the extent that the costs of CDM initiatives are included in rates charged to all ratepayers, low income ratepayers in effect subsidize other ratepayers, whether industrial and commercial users or higher income residential users.

5. In VECC's submission, this will exacerbate the already increasing energy burden on low income ratepayers.In VECC's submission, in order to address this regressive cross-subsidization, it is imperative that CDM spending by LDC be specifically targeted at low-income ratepayers. In this respect, VECC supports the evidence of LIEN which states:

> Where an LDC proposes no or inadequate CDM programs for low-income customers…the Board should order the utility to spend money on CDM programs in an amount that is different from the amount proposed by the LDC in the test year.[1]

6. In addition, as discussed below, VECC is also recommending that the freeridership levels for targeted low income programs reflect the fact that low income ratepayers are unlikely to be in a position to participate in such programs but for the participation of the utility.

7. VECC is informed in its submissions on this issue by the following background:

   - The current lack of universality (geographic and customer reach) of LDC CDM programs
   - The overall level of spending on first generation CDM
   - The lack of targeting of vulnerable customers
   - The inadequate response from utilities to requests from VECC and others to rebalance their CDM programs to target vulnerable customers
   - The Response to Information requests from VECC and others to questions about current activities and future plans that reveal little intention to address the needs of vulnerable customers.
   - The lack of clarity regarding the role and intentions of the OPA in addressing the needs of low income customers.

8. To this point in the evolution of CDM in Ontario VECC has supported the CDM initiatives undertaken by certain utilities in response to the Minister of Energy and at the same time advocated for increased emphasis in targeting vulnerable customers.

9. VECC has repeatedly taken the position in proceedings before the Board that the overall level of CDM spending was less important than ensuring that the programs are properly balanced and reach <u>all</u> customers.

[1] Affidavit of David Heeney, Exhibit "A", pg. 6.

10. An examination of specific CDM programs by various LDC's demonstrates the woefully inadequate level of programs targeted specifically at low income persons. This contrasts sharply with the number of programs targeted as, say, large industrial or commercial users:

	CDM as % of Total Distribution Revenue	**% of Total CDM Budget on Targeted Low-Income Programs**
Electric LDC's		
Brantford Power	2.7%,[2]	18.1%
Hydro One Networks	1.0%	12.66%
Toronto Hydro	3%[3]	2.83%
Ottawa Hydro	3%[4]	3.21%
Newmarket Hydro Ltd.	1.6%[5]	28.97%
Brantford Power Inc.	2.7%[6]	18.11%
Horizon Utilities Corp.	3.7%[7]	4.29% (Hamilton only)
Enersource Hydro Mississauga	3.5%[8]	0.00%[9]
Veridian Connections Inc.	3.4%[10]	0.00%
Hydro One Networks Brampton	2.9%[11]	0.00%
Aurora Hydro Connections Ltd.	8.7%[12]	
Powerstream	2.7%[13]	4.38%
Natural Gas Distributors		
Enbridge Gas Distribution	3.1%[14]	4.23%[15]
Union Gas Limited	1.6%[16]	4.1%[17]

[2] Based on proposed 2006 spending of $415,000. Brantford Power Inc., Tab 1, Schedule 5.
[3] GEC Interrogatory to Toronto Hydro, #5.
[4] GEC Interrogatory to Ottawa Hydro, #5.
[5] GEC Interrogatory to Newmarket Hydro Ltd., #5.
[6] VECC Interrogatory to Brantford Power Inc., #5.
[7] VECC Interrogatory to Verizon , #5.
[8] GEC Interrogatory to Enersource, #5.
[9] Both VECC and LIEN asked interrogatories of the Enersource Mississauga to try and determine its budget for targeted low-income programs. The Company did not provide a response, which indicates it does not have a budget for targeted low-income program. For example, VECC asked (in IR #3a)): "Provide specific details of each of the targeted Low Income and Social Housing Programs including participants, spending and savings for each program to date, and forecast for 2006 and 2007." The response given was: "Please refer to the responses to IR #1 and IR #2 of the Low Income Energy Network and to the response to IR #1 of the Vulnerable Energy Consumers Coalition." None of the three IR responses referred to provide the requested descriptions or specific budgets of targeted low-income programs.
[10] VECC Interrogatory to Veridian Connections Inc., #6.
[11] VECC Interrogatory to Hydro One Networks Brampton, #6.
[12] GEC Interrogatory to Aurora Hydro, #6.
[13] GEC Interrogatory to Powerstream, #6.
[14] Based on proposed 2006 DSM Budget of $18.9 million and proposed distribution revenue requirement (excluding gas costs) of $611.7 million. Both the EGD's DSM Budget and revenue requirement are currently before the Board in proceeding EB-2005-0001.
[15] $600,000 in targeted low-income programs plus approximately $200,000 in social housing programs over a base proposed 2006 DSM [CDM] budget of $18.9 million.

11. What the above table demonstrates is that the LDC's noted have CDM programs that range between 3-4% of their total operating budgets. In VECC's submission, this is a reasonable level of CDM spending overall, particularly when compared to the gas distributors, and does not demonstrate a need for additional CDM spending.

12. However, the table also demonstrates, in VECC's submission, that the level of CDM targeted at low-income programs is far below what is required to alleviate the historic cross-subsidization that results from existing CDM programs.

13. With the exception of Hydro One Networks, Brantford Power and Newmarket Hydro Limited, the majority of the LDC's listed above have targeted a very small proportion of their CDM programs towards initiatives specifically designed to address the needs of low income customers. Furthermore, as the attached Appendix A shows, the overwhelming majority of electric LDC's have no targeted low income programs at all beyond their Social Housing programs. This leaves the remaining 80% of low income families with no programs targeted at overcoming the many barriers to their participation in and ability to benefit from CDM

14. In October 2006, the former Minister of Energy, The Honourable Dwight Duncan, issued a directive to the Ontario Power Authority pursuant to his authority under s. 25.32(4) of the Electricity Act. In it, the Minister directs the OPA to commence a program:

> that will reduce overall electrical energy consumption and demand by residents of low-income and social housing by up to 100 Megawatts ("MW"). It is also expected that the Program will result in longer-term reductions in electricity peak demand, particularly by reducing the use of inefficient appliances by such residents. It is further expected that the Program will include a comprehensive package of energy efficiency measures that are designed to address these goals.[18]

15. Former Minister Duncan's directive to the OPA followed an earlier direction given to electric LDC's to develop "a broad range of programs that support the more efficient use of electricity in Ontario, including…programs and initiatives targeted to low income and other hard to reach consumers."[19]

16. Former Minister Duncan's directive to the OPA, in particular, presents a clear policy agenda to reduce inefficient energy consumption in low income households. Rather than simply articulating a policy, the directive presents clear and attainable benchmarks for achieving that policy. In VECC's submission, Minister Duncan's directive should be applied to all electricity LDC's as well. Without concrete objectives and direction from

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[16] Based on existing distribution revenue requirement of $844.4 million and a proposed 2006 DSM budget of $13.7 million (Exhibit A, Tab 2 of Union Gas Ltd.'s Pre-Filed Evidence in EB-2005-0507). Union's 2006 DSM budget is currently before the Board for consideration.

[17] EB-2005-0507, Exhibit A, Tab 2, page 9 of 30. figure includes $461,000 low income residential program plus $105,000 social housing program divided by a total proposed 2006 budget of $13,743,000.

[18] Direction from the Minister of Energy, The Honourable Dwight Duncan, to the Ontario Power Authority, dated October 6, 2005, provided by Brantford Power Inc. in response to VECC Interrogatory #3.

[19] Letter from the Minister of Energy, Dwight Duncan, to Enersource Hydro Missiassauga Inc. dated May 31, 2004. A similar letter was sent to all electricity LDC's. A copy of the letter is attached.

the Board, electric LDC's will continue with little or no low income programs and those that do exist will continue to suffer from lack of identifiable goals. VECC asked all major utilities a standard set of questions about 2005 CDM spending and the amount allocated to targeting vulnerable energy consumers. A selection of the results is provided in Appendix B to this submission.

17. As noted above, the responses to the interrogatories indicate that in general most of the large utilities have a Social Housing component, but with the exception of Hydro One Networks, the funding allocated to that program is low in percentage terms. Only <u>four</u> of the nine major utilities have <u>targeted</u> low income programs as proposed in the LIEN Report on Electricity Conservation for Low Income households. Apart from Hydro One Networks with a budget of $1.5 million, the funding allocated is less than $500,000 over the 2-3 year CDM programs.

18. In VECC's submission, the majority of LDC's have not followed the Minister's directive to target low income customers and need to be instructed to do so by the Board.

Role of the Ontario Power Authority

19. Several utilities note in their IR responses the direction that the Minister has provided to the OPA on October 5, 2005. At the present time there is no indication of the OPA's future role. For example, whether and under what authority the OPA can direct utilities to undertake enhanced low income and social housing CDM programs. It is clear from the OPA 2006 Business Plan and 2006 Application to the OEB for approval of its revenue requirement, that the OPA does not see its role to be other than catalytic and that it must rely on others to provide funding and deliver CDM. It is reasonable to assume that that will also be the case for enhanced Low Income CDM programs.

<u>Issue 2: Freeridership Rates</u>

20. VECC agrees with GEC and Enbridge Gas Distribution that freeridership rates for CDM programs should be set prospectively. This is in keeping with the principle of prospective rate making.

21. However the generic free ridership rates in the TRC Guide should continue to be a *guide* rather than mandatory and utilities may provide the Board with evidence of different rates at the time that approval of any *new* programs is sought. To that end, VECC supports the evidence of LIEN, which recommends that the OPA or the Board conduct free rider studies to improve the 'rule of thumb' numbers in the TRC Guide.

22. Further, as stated above, VECC believes that any new CDM programs targeted specifically at low income ratepayers should have a freeridership rate of zero. As noted above, LDC's have directed a miniscule proportion of their CDM budgets towards

targeted low income programs. VECC believes that part of the reason for this is that existing freeridership rates do not recognize that low income customers are unlikely to invest in energy efficiency improvements without informational and financial support from the utility.

23. Therefore, a freeridership rate of **zero** on targeted low income programs is required in order to provide enhanced incentive to LDC's to pursue targeted low income programs.

Issue 3: Attribution

24. In the case of programs delivered jointly with non-regulated entities, such as the EnerGuide program, it should be remembered that ratepayers will in all likelihood already have paid the contributing entity's costs of participating in the program. The EnerGuide program, for example, is funded primarily by the federal government. Since all ratepayers are likely taxpayers, the federal government's contribution is in effect already being paid by ratepayers. Allowing regulated LDC's to claim a benefit that is greater than its financial contribution would in effect be rewarding the LDC for the financial contribution made by ratepayers. Such a result would create an undeserved windfall for regulated utilities that would be both economically inefficient and unfair to ratepayers.

25. Therefore, VECC recommends that regulated utilities, including electric LDC's, be allowed to claim only the incremental benefits associated with their participation in a CDM program with a non-rate regulated third party.

All of which is respectfully submitted this 20th day of December, 2005.

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