

Demande de renseignements no 1 d'Option consommateurs à la Société en commandite Gaz Métro

Demande du Distributeur relative à l'intégration des programmes du FEÉ au PGEÉ à la suite de la décision D-2010-116

Dossier R-3790-2012

PART 1: OC QUESTIONS SPECIFIC TO ACCOUNTING INFORMATION FOR LOW- INCOME ("MFR") PARTICIPATION IN FEÉ PROGRAMS.

1. References: i) GM-1, Doc. 2, pp. 1-2, Tables I.1, I.2, I.3, I.4
- ii) GM-1, Doc. 2, pp. 3-4, Tables II and III
- iii) GM-1, Doc. 2, pp. 8-11, Tables VI.1-VI.4

Preamble

Given the ongoing challenges faced by SCGM in regard to MFR energy efficiency programs and participation, OC is seeking to clarify the specific accounting for the level of MFR participation under the new MFR approach, as well as the costs and benefits for this participation. We are thus requesting more specific information in order to properly account for the MFR participation in these new programs.

Questions:

- 1.1. Please update the tables in Reference (i) to include a row for each program with corresponding data specific to MFR participation (i.e. *Participants nets, Économies, Coûts directs du programme, Subventions, TNT* and the 5 other cost-benefit tests).
- 1.2. Please update the tables in Reference (ii) to include a row for each program with corresponding data with corresponding data specific to MFR participation for *Économies prévues* for each year of the plan, the Total Plan

and the Cumulative lifetime of the program.

1.3. Please update the tables in Reference (iii) to include a row for each program with corresponding data specific to MFR participation (i.e. *Mise de fonds unitaire, m³ unitaire, développement et formation, subventions, etc.*).

2. Reference: i) Question 1.1 and GM-1, Doc. 2, pp. 1-2, Tables I.1, I.2, I.3, I.4

Preamble

OC is seeking to identify the type of participants in each MFR program (e.g. Residential landlords, individually-metered MFR tenants in Residential buildings, bulk-metered MFR tenants in Residential buildings, Residential MFR home-owners, CII landlords, bulk-metered tenants in CII buildings, individually-metered tenants in CII buildings).

Questions:

2.1. For each new row provided in response to Q 1.1 with data specific to MFR participation, please further break down the MFR data (relative to *Participants nets, Économies, Coûts directs du programme, Subventions* columns) to account for each type of participant (e.g. Residential landlords, individually-metered MFR tenants in Residential buildings, bulk-metered MFR tenants in Residential buildings, Residential MFR home-owners, CII landlords, bulk-metered tenants in CII buildings, individually-metered tenants in CII buildings).

PART 2: MFR CREDIT (“BONIFICATION”) PROGRAM FOR RESIDENTIAL AND CII MARKETS

3. Reference: i) GM-1, Doc. 1, p. 29
ii) GM-1, Doc. 1, p. 33, lines 10-11

Questions:

3.1. Please confirm our understanding (as per Reference (i), lines 4-10) that landlords are never classified as *participants-bénéficiaires*.

- 3.2. Please confirm our understanding that in the accounting of participants in the new MFR *Bonification* programs (set out in Reference (i)), landlords of individually-metered buildings are never counted as participants in the regular programs, or as *participants-bénéficiaires*.
- 3.3. Given that landlords of individually-metered buildings are in fact participating and benefiting from these new MFR *Bonification* programs, how is their participation accounted for?
- 3.4. Please clarify what is meant by *marginalelement gratuites* in Reference (ii) ("*la volonté de Gaz Métro d'encourager les énergies renouvelables et marginalelement gratuites*").

4. References:
- i) GM-1, Doc. 1, p.28, line 21– p. 29, line 3
 - ii) GM-1, Doc. 1, p. 34, line 22 –p. 35, line 5
 - iii) R-3662-2008, GM-10, Doc 1, p. 25, lines 3-8

Preamble

References (i) and (ii) indicate that budgetary envelopes will be available for the supplementary financial aid (*aide financière bonifiée*) for the MFR *Bonification* Program in both Residential and CII Markets. And the methods by which they supplementary aid will be disbursed varies according to each program. OC wishes to clarify in a concrete manner how these envelopes will be disbursed. OC also wishes to evaluate whether the supplementary financial aid will be sufficient to encourage landlords to participate in the programs. According to Reference (iii), in a 2008 MFR study conducted by SCGM, almost half of all landlords would be interested in participating in a financial aid program for major renovations if the program covered at least 50% of the renovation costs. This proportion of interested landlords decreased to 11% when the financial aid program covered 25%-49% of the renovation work. For assistance of less than 25% of the renovation costs, landlords showed no interest.

Questions:

- 4.1. In the design of the *Bonification Résidentielle* and *Bonification CII* programs, to what extent did SCGM review MFR programs in other jurisdictions to determine best practices? In particular, to what extent did SCGM consider experience from other jurisdictions in terms of identifying and attracting MFR participants and landlords to such programs, as well as establishing adequate financial aid levels

in order to provide the incentive for higher levels of participation? Please explain.

- 4.2. In the design of the *Bonification Résidentielle* and *Bonification CII* programs, to what extent did SCGM review MFR programs at other Quebec distributors (i.e. Gazifère and HQD)? In particular, to what extent did SCGM consider experience from other Quebec distributors in terms of identifying and attracting MFR participants and landlords to such programs, as well as establishing adequate financial aid levels in order to provide the incentive for higher levels of participation? Please explain.
- 4.3. What other factors influenced the design of SCGM's new MFR approach? Please explain.
- 4.4. According to Reference (i), the *Bonification Résidentielle* program will provide supplementary financial aid to MFR participants for residential market programs. For PR 330 and PR 340, "*la bonification additionnelle offerte représentera 100% de l'aide financière de ces programmes.*"
 - 4.4.1. Please explain, using a concrete numerical example for each program (PR330 and PR340), what is meant by "*la bonification additionnelle offerte représentera 100% de l'aide financière de ces programmes.*"
 - 4.4.2. Does this imply that the supplementary aid is equivalent to the existing financial aid available in PR 330 and PR 340 for non-MFR participants? So in effect, would MFR participants receive twice the aid available to non-MFR participants? If not, please explain.
 - 4.4.3. Alternatively, does "*la bonification additionnelle offerte représentera 100% de l'aide financière de ces programmes*" imply that the *Bonification Résidentielle* program would cover (i) 100% of the cost of the whole energy efficiency measure (high efficiency vs. status quo) or (ii) 100% of the incremental cost of the measure (high efficiency vs. standard efficiency)? Please explain.
- 4.5. According to Reference (ii), the *Bonification CII* program will provide supplementary financial aid to MFR participants for CII programs, PC 410, PC 420 and PC 440 with varying methods of disbursement according to each program.
 - 4.5.1. Does Reference (ii) imply that the supplementary aid is disbursed in addition to the existing financial aid available for PC 410, PC 420, and PC 440 for non-MFR participants? Please explain, using a concrete numerical example for each program, how the additional financial aid described in

Reference (ii) would be disbursed with the existing financial aid available for PC 410, PC 420, and PC 440.

- 4.6. According to Reference (iii), landlords will only be interested in participating in a financial aid program for major renovations if a significant portion of their costs are covered.
- 4.6.1. To what extent has SCGM recently consulted with any landlords (in either the Residential or CII market) to validate the results of the 2008 study (cited in Reference (iii))? Please explain.
- 4.6.2. To what extent has SCGM recently consulted with any landlords (in either the Residential or CII market) during the design of the *Bonification Résidentielle* and *Bonification CII* programs to test the landlords' interest and to determine what level of supplementary financial assistance is sufficient? Please explain.
- 4.6.3. In practical terms, for PR 330 and PR 340, please estimate whether the *Bonification Résidentielle* program will provide at least 50% of the landlord's costs for these renovations in MFR units (as per Reference (iii))? If not, please estimate what proportion of the landlord's costs would be covered for these renovations in MFR units?
- 4.6.4. Given the financial incentives that will be provided, please explain how Gaz Métro plans to attract sufficient landlord participation. In particular, please explain how sufficient landlord participation will be achieved if the *Bonification Résidentielle* program does not cover at least 50% of the investment cost for landlords for these renovations in MFR units (as per Reference (iii)).
- 4.6.5. In practical terms, for PR 330, please estimate what proportion of an MFR homeowner's renovation costs would be covered by the *Bonification Résidentielle* program?
- 4.6.6. Given the significant investment costs required from participants in PR 330 and PR 340, is SCGM forecasting any MFR homeowner participation in the *Bonification Résidentielle* program? In other words, is most if not all of the participation in this program expected to come from Residential landlords? Please explain.
- 4.6.7. In practical terms, for PC 410, PC 420 and PC 440, please estimate whether the *Bonification CII* program will provide at least 50% of the

landlord's costs for these renovations in MFR units (as per Reference (iii))?
If not, please estimate what proportion of the landlord's costs would be covered for these renovations in MFR units?

4.6.8. Given the financial incentives that will be provided, please explain how Gaz Métro plans to attract sufficient landlord participation. In particular, please explain how sufficient landlord participation will be achieved if *Bonification CII* program does not cover at least 50% of the landlord's costs for these renovations in MFR units (as per Reference (iii)).

5. References: i) GM-1, Doc. 1, p.35, line 24– p. 36, line 2

Preamble

According to Reference (i), MFR tenants be protected from rent increases resulting from the *Bonification CII* program in the following manner:

L'aide financière bonifiée serait versée au propriétaire de l'immeuble en présentant une demande d'admissibilité conjointe signée par le propriétaire et les locataires admissibles, où le propriétaire déclarerait s'engager à limiter la révision du montant du loyer conformément aux règles de la Régie du logement et les MFR-locataires s'engageraient à fournir la documentation nécessaire à la validation de leur admissibilité.

- 5.1. Please confirm that the same tenant protection described in Reference (i) will be available to MFR renters benefitting from the *Bonification Résidentielle* program.
- 5.2. Please elaborate further (using concrete examples) regarding how MFR tenants will be protected from rental increases as a result of significant renovation projects undertaken in these programs. For example, can landlords claim their renovation costs (net of any financial incentives from Gaz Métro) as capital or operating costs in order to justify a rental price increase before the *Régie du logement*? Please provide any related documentation related to the protection of MFR tenants from rate increases.
- 5.3. Please explain how and if bulk-metered MFR tenants (i.e. *utilisateurs non-clients MFR*) will receive any benefits in terms of decreased energy costs for their participation in the program. Please provide any related documentation related to the compensation of bulk-metered MFR tenants.

5.4. To what extent has SCGM reviewed any similar examples for protecting MFR tenants from rent increases or compensating bulk-metered MFR tenants for reduced energy costs in other jurisdictions? Please explain.

6. References:
- i) GM-1, Doc. 1, p. 4, lines 16-18
 - ii) GM-1, Doc. 1, p. 26, lines 27-28
 - iii) Mécanisme incitatif convenu par le groupe de travail à la phase 2 du PEN, 19 avril 2007, en Annexe de la décision D-2007-47, article 3.3.4, page 34, lines 13 à 17
 - iv) R-3662-2008, GM-10, Doc 1, p. 19, lines 1-2

Preamble

According to Reference (i), the FEÉ programs by customer market (i.e. Residential, CII) are financed in a way that is proportional to the contributions from each group. Reference (ii) indicates that under the new MFR approach for the integrated FEÉ programs, the supplemental financial aid is equivalent to the financial aid currently disbursed to the targeted clients. According to Reference (iii), under the last incentive mechanism, a percentage of at least 13% of the overall annual budget of the PGEÉ and FEÉ, attributed to residential customers, was to be reserved for programs targeting MFR clients.

Questions:

6.1. Under the new MFR approach will SCGM continue to reserve a percentage of at least 13% of residential budget for MFR programs (as indicated in Reference (iii))?

6.1.1. If so, will this 13% be reserved for the *Bonification Résidentielle* or for both the *Bonification Résidentielle* and *Bonification CII* programs?

6.1.2. If not, what percentage of the overall Residential budgets will be reserved for MFR programs?

6.2. What percentage of the overall CII budgets will be reserved for the *Bonification CII* program?

- 6.3. Confirm that the *Bonification Résidentielle* program will be funded entirely from the overall Residential budget and the *Bonification CII* program will be funded entirely from the overall CII budget. If not, please explain how these programs are funded.
- 6.4. Please confirm our understanding is that bulk-metered tenants form the vast majority of tenants in CII buildings (as per Reference (iv) which confirms that 87% of MFR tenants have heat included in their rent, and according to our sense that this percentage may be even higher for MFR renters in CII buildings).
- 6.5. For SCGM's CII buildings, provide the best information available for the number of bulk-metered tenants (i.e. *utilisateurs non-clients*) and the number of individually-metered tenants. Please provide your best estimate in absence of the actual data. If absolute numbers are unavailable, please provide a percentage estimate.
- 6.6. For SCGM's Residential buildings (UDT), provide the best available information for the number of bulk-metered tenants (i.e. *utilisateurs non-clients*) and the number of individually-metered tenants? Please provide your best estimate in absence of the actual data. If absolute numbers are unavailable, please provide a percentage estimate.
- 6.7. Are individually-metered tenants in CII buildings considered to be CII customers?

PART 3: BONIFICATION RÉSIDENIELLE PROGRAM

7. References: i) GM-1, Doc. 1, p. 30 lines 10-11
 ii) GM-1, Doc. 2, pp. 8-11, Tables VI.1-VI.4

Preamble

One of the key ongoing challenges that SCGM and the FEÉ have faced in the development of effective MFR programs has been the identification of MFR clients. Partly as a result of these identification problems, MFR Residential programs in both the FEÉ and PGEÉ have had very low levels of participation.

Questions:

- 7.1. What strategies does SCGM plan to pursue in order to increase participation in the *Bonification Résidentielle* program? How will these strategies differ from SCGM's promotion of MFR programs in the PGEÉ?
- 7.2. How does SCGM plan to market this program? Please explain in detail, including any involvement of the SCGM sales force.
- 7.3. To what extent will SCGM focus its marketing efforts on landlords of Residential buildings with MFR tenants? Please explain.
- 7.4. According to Reference (i), SCGM is planning to use an external firm in order to qualify MFR clients in the *Bonification Résidentielle* program.
 - 7.4.1. Will the firm be a private firm or a non-profit community organization? Please explain why.
 - 7.4.2. Has SCGM selected this external firm? If so, please identify the firm and describe its capabilities to qualify MFR clients.
 - 7.4.3. Will the firm be involved in the identification of MFR program participants (including Residential MFR homeowners, tenants in Residential MFR buildings and landlords of MFR buildings), or only in the qualification of pre-identified MFR clients for lower-income eligibility? Please explain.
 - 7.4.4. Please explain the process by which the firm will qualify the MFR clients.
 - 7.4.5. Please describe how the firm will work with SCGM to identify MFR program participants (if applicable) and qualify MFR clients.
 - 7.4.6. Please confirm whether the \$20,000 in marketing (*commercialisation*) costs for the *Bonification Résidentielle* program in 2012-2013 and \$15,000 for each subsequent year of the program (as per Reference (v)) are earmarked for the external firm. If not, please provide the approximate amounts of marketing costs that will be disbursed to the external firm for each year of the program.
- 7.5. In Reference (ii), SCGM reports that the *Bonification Résidentielle* program will receive \$10,590 of subsidies in 2012-2013 with \$20,000 in marketing (*commercialisation*) costs. In the subsequent years of the program, the marketing costs drop to \$15,000 per year, whereas the subsidies remain at \$10,590 per year. Please justify the high level of marketing (*commercialisation*) costs relative to program subsidies for the *Bonification Résidentielle* program for 2012-2013, 2013-2014 and 2014-2015.
- 7.6. Given the very high marketing overhead for the program over a three-year period, please provide SCGM's justification for implementation of the *Bonification Résidentielle* program.

7.7. To what extent is SCGM open to the consideration of potentially more effective alternatives to the *Bonification Résidentielle* program including the integration of FEÉ sums for MFR Residential programs into an existing MFR PGEÉ program with greater potential for broader Residential MFR participation? For example: the PGEÉ's "new approach for MFR clients" involves landlord participation in the PE 141 efficient furnace program and already has identified a potential landlord with hundreds of MFR tenants. Has SCGM considered such alternatives? Please explain.

PART 4: BONIFICATION CII PROGRAM

8. References: i) GM-1, Doc. 1, p. 36 lines 1-2

Preamble

Given the key ongoing challenges that SCGM and the FEÉ have faced in the development of effective MFR programs, OC wishes to clarify how participants for the CII program will be identified.

Questions:

- 8.1. What strategies does SCGM plan to pursue in order to increase participation in the *Bonification CII* program?
- 8.2. How does SCGM plan to market this program? Please explain in detail, including any involvement of the SCGM sales force.
- 8.3. To what extent will SCGM focus its marketing efforts on landlords of CII buildings containing a high proportion of MFR tenants? Please explain how SCGM plans to reach these landlords.
- 8.4. According to Reference (i), SCGM is planning to use the same process to qualify MFR participants in private multi-unit buildings as it does in the Residential market. Given that SCGM has indicated that it will engage the services of an external firm in order to qualify MFR clients in the *Bonification Résidentielle* program, confirm our understanding that SCGM also plans to engage the services of an external firm in order to qualify MFR clients in the *Bonification CII* program.

- 8.4.1. Will the firm be a private firm or a non-profit community organization?
Please explain why.
 - 8.4.2. Will SCGM use the same firm to qualify MFR clients in both the *Bonification Résidentielle* program and the *Bonification CII* program?
 - 8.4.3. Has SCGM selected this external firm? If so, please identify the firm and describe its capabilities to qualify MFR clients.
 - 8.4.4. Will the firm be involved the identification of CII landlords or only in the qualification of pre-identified MFR clients (i.e. tenants) for lower-income eligibility? Please explain.
 - 8.4.5. Please explain the process by which the firm will qualify the MFR clients for the *Bonification CII* program.
 - 8.4.6. Please describe how the firm will work with SCGM to identify (if applicable) and qualify MFR clients (i.e. tenants).
- 8.5. Please describe the specific measures that would be involved in PC410 and PC420 as part of the *Bonification CII* Program. If the exact same measures have been described elsewhere in prior descriptions of these FEÉ programs, please provide a reference to the program descriptions.