



ONTARIO ENERGY BOARD

STAFF SUBMISSION

DSM Deferral Account – Solar Thermal Pilot Program

Enbridge Gas Distribution Inc.
Board File Number EB-2010-0029

March 10, 2010

BOARD STAFF SUBMISSION

Enbridge Gas Distribution Inc. (the “Applicant” or “Enbridge”) filed an application dated February 4, 2010 for an order or orders establishing certain Demand Side Management (“DSM”) Deferral Accounts for the years 2010-2014. In Enbridge’s application, it has indicated that these DSM Deferral Accounts would be established to track spending in relation to its proposed solar thermal pilot program, which will be partially funded by Natural Resources Canada (“NRCan”) under the Clean Energy Fund.

In terms of program merit and the informational gains that may be visible after the completion of this solar thermal pilot project, Staff believes that Enbridge has brought forward a laudable and useful application. The increased insight into the solar technologies that Enbridge is proposing to study will help the larger community as a whole and aid in the development of a more self sufficient and clean energy system. Staff also feels that this application is consistent with the government’s support of green house gas reductions, the development of renewable energy technologies which has been promoted by the government of Ontario through the *Green Energy and Green Economy Act, 2009*, and the Board’s new mandate to promote the development of renewable energy projects.

Staff also notes that the pilot project in which Enbridge is proposing to undertake meets the criteria of a DSM program and that it would serve as a good basis for future DSM program development.

While Board staff believes there is merit in the program proposed by Enbridge and that it has the potential to contribute to the development of renewable energy technologies, Board Staff’s review of the pre-filed evidence, interrogatories and subsequent interrogatory responses has identified some issues.

Staff notes that a company of Enbridge’s size and expertise is well positioned to execute and develop new technologies in a developing market unlike a smaller upstart company. Although advantageous to the development of the sector for smaller participants, Staff notes that the renewable energy industry is not one that operates under a monopoly regime similar to the natural gas or electricity distribution sectors. It appears to staff that Enbridge may be positioning itself to take advantage of its position as a large scale, regulated utility and enter into the renewable energy market without risk to its shareholders. On this point, however, the Board has already ruled, on

December 22, 2009, and found in its Decision on a Preliminary Motion¹ of Enbridge's 2010 Rates Proceeding that "[the Board] will not allow these costs to be included in rate base...." Nevertheless, given that this is a DSM pilot project, Board Staff takes no issue for including the proposed solar thermal program in Enbridge's DSM plan in this instance.

This does not imply that future renewable energy investments would similarly be considered as DSM programs and Staff submits that each new application should be reviewed and decided on a case by case basis. The issue then is why this program was not included in Enbridge's filing of its 2010 DSM Plan. Staff accepts that the timing of the NRCan Clean Energy Fund grant precluded inclusion of this program in Enbridge's 2010 filing.

Any information gained by Enbridge through the process of the solar thermal pilot project may offer Enbridge advantages that others in the sector may not experience. Although Enbridge notes in its interrogatory response² that the "research, data, findings, conclusions and recommendations will be made public and available to all parties," it is unclear how this information will be shared and at what stages of the project this will take place. If the Board approves Enbridge's request in this application, staff suggests that Enbridge should be required to include all detailed project results and any related information in its annual DSM Report and to make this publicly available on its website as soon as the information is made available to Enbridge.

Enbridge has indicated it will be looking to secure private investors and project partners. Staff notes that although Enbridge has indicated that it will not own and/or maintain the capital assets³ related to this project, Enbridge has also indicated that at this time, it has no contractual agreements for project partners.⁴ Given that it is unclear whether Enbridge will be able to secure project partners, and therefore what the total cost to ratepayers will ultimately be, Staff suggests that a deferral account is appropriate. If the Board grants this application, Staff also suggests that Enbridge should be required to provide documentation showing that it has taken reasonable steps in securing project partners, in order to reduce ratepayer costs, at the time Enbridge comes to the Board for clearance of the requested DSM Deferral Accounts.

¹ EB-2009-0172 – Decision on a Preliminary Motion

² Exhibit B, Tab 1, Schedule 1, Page 3 of 3 – Board Staff IRR 1(a)

³ Exhibit B, Tab 1, Schedule 3, Page 2 of 2, Paragraph 1 - Board Staff IRR 3(b)

⁴ Exhibit B, Tab 1, Schedule 2, Page 2 of 2, Paragraph 5 - Board Staff IRR 2(c)

In summary, Staff submits that the project that forms the basis of the application is one that could yield valuable information in the development of renewable energy alternatives, is consistent with DSM program criteria, and that the approval of the requested DSM Deferral Accounts is appropriate.

All of which is respectfully submitted