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BY EMAIL

February 11, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc.
2012 Demand Side Management Variance Accounts
EB-2013-0352**

Please see attached Board staff's submission for the above proceeding.

Yours truly,

Original signed by

Michael Bell
Project Advisor, Applications

BOARD STAFF SUBMISSION

Board Staff Submission on Enbridge Gas Distribution Inc.'s
Application for Clearance of the
2012 Demand Side Management Variance Accounts

EB-2013-0352

February 11, 2014

Background

Enbridge Gas Distribution Inc. (“Enbridge”) filed an application with the Ontario Energy Board (the “Board”) on October 24, 2013 seeking approval of the final balances of its 2012 Demand Side Management (“DSM”) Deferral and Variance Accounts and disposition and inclusion in rates within the next available Quarterly Rate Adjustment Mechanism (“QRAM”).

On January 21, 2014, Enbridge filed a revised application with updated account balances due to a miscalculation in the original application. The revised account balances are:

DSM Incentive Deferral Account (“DSMIDA”)	\$8,817,529 (to shareholder)
Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)	\$(40,652) (to ratepayers)
DSM Variance Account (“DSMVA”)	\$2,506,510 (to shareholder)

The net balance of the DSM Accounts is \$11,283,387 to be collected from ratepayers.

DSM Framework

The deferral and variance accounts for which Enbridge seeks approval and disposition in this application are related to Enbridge’s 2012 DSM activities. The 2012 DSM activities were the activities for the first year of Enbridge’s 2012-2014 multi-year DSM plan (EB-2011-0295) which was premised on the 2011 DSM Guidelines (EB-2008-0346).

The DSM Guidelines and Enbridge’s 2012-2014 DSM Plan outlined the required process Enbridge should undertake with respect to stakeholder consultation, monitoring and evaluation for each year of the plan. Board staff submits that Enbridge has complied with the DSM Guidelines and its approved 2012-2014 DSM Plan throughout the process of evaluating its 2012 DSM results. In Board staff’s submission Enbridge has properly followed the current process outlined in the DSM Guidelines to ensure its results are evaluated and verified in an inclusive manner that allows stakeholder review and verification through an independent audit.

Specifically, the DSM Consultative elected an Enbridge Audit Committee (“AC”) for 2012 which consisted of representatives from the Green Energy Coalition (“GEC”), Low Income Energy Network (“LIEN”) and the Canadian Manufacturers & Exporters (“CME”). Enbridge also jointly established a Technical Evaluation Committee (“TEC”) with Union Gas Limited. Prior to an independent evaluation of its custom projects, Enbridge consulted with the TEC to reach an agreement on the terms of reference for the evaluation. Further, Enbridge prepared its 2012 Draft Evaluation Report as outlined in Section 15 of the DSM Guidelines which included the results of the independent review of custom projects. Consistent with Section 15.3 of the DSM Guidelines, Enbridge consulted with the AC on the terms of reference for the independent audit of its 2012 DSM results. Enbridge consulted with the AC on the audit work plan and the reports prepared by Energy & Resource Solutions Inc. (“ERS”) who acted as the 2012 DSM Auditor. Both ERS and the AC made recommendations on the DSM accounts, which were accepted by Enbridge, subject to one update to the DSMIDA to properly reflect the updated savings amount. The AC agreed with that update. When calculating the 2012 savings, Enbridge used the most up-to-date input assumptions which were approved by the Board on January 31, 2013 in EB-2012-0441. Ultimately, Enbridge and the AC agreed on all the DSM account balances sought for recovery.

Board staff supports the approval and disposition of the DSM account balances as outlined above. Board staff also supports the method of disposition proposed by Enbridge as it is consistent with Section 13 of the DSM Guidelines.

Persistence Adjustment Factors

Although Enbridge notes that through its evaluation and within the audit report a review of the measure lives within each program have been conducted, Board staff was not able to find an explicit statement or discussion about how Enbridge has evaluated persistence in accordance with Section 7.3 of the DSM Guidelines.

Included within the discussion of persistence within Section 7.3 of the DSM Guidelines is the consideration of assessing the persistence of savings in light of potential changes in usage pattern. Usage pattern can be affected if businesses (such as large commercial and industrial customers) operate at lower levels or close down their processes before the expected savings by a DSM project have fully materialized. The DSM Guidelines suggest that given the natural gas utilities’ 15 years of experience delivering DSM programs in Ontario, they should undertake an assessment of the historical persistence of savings of custom DSM projects and commercial and industrial

DSM programs in general. The DSM Guidelines also suggest that these results be provided to the utilities' stakeholders for consultation to determine if any persistence adjustment to the savings of those programs is warranted on a go-forward basis.

Board staff recommends that, as has been done by the natural gas utilities with respect to free ridership and spillover rates, Enbridge, in partnership with Union Gas Limited and the appropriate stakeholders, conduct a persistence study with respect to its large custom commercial and industrial DSM Programs and incorporate the results of the study in its future program evaluations.

- All of which is respectfully submitted -