

500 Consumers Road  
North York, Ontario  
M2J 1P8  
PO Box 650  
Scarborough ON M1K 5E3

**Andrew Mandyam**  
Director Regulatory Affairs & Financial Performance  
Phone: (416) 495-5499  
Fax: (416) 495-6072  
Email: EGDRRegulatoryProceedings@enbridge.com



**VIA RESS, EMAIL and COURIER**

May 15, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**RE: Enbridge Gas Distribution Inc. (the “Company” or “Enbridge”)  
EB-2013-0352 - Clearance of DSM Variance Accounts Application -  
Revised Calculations**

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This is the response of Enbridge Gas Distribution Inc. (“Enbridge” or “Company”) as required by the Board in its Decision and Order dated May 1, 2014 (“Decision”). Specifically, the Board made the following findings at page 7 of its Decision:

Accordingly, the Board agrees with SEC that a reduction of Enbridge’s claim for large industrial custom projects is appropriate. However, the Board finds that SEC’s proposal to deny the entire incentive amount related to volumes on the assumption that Enbridge does not meet the volume threshold is not justified. The Board does not consider it possible to make an adjustment for these projects with any kind of precision, given that this would involve an attempt to re-assess each project retroactively. However, the Board’s findings in this regard have been well informed by Enbridge’s forthright explanations of its approach to the overall management of this program.

Based on the above, the Board considers it appropriate to disallow 20% of the DSMIDA amount attributable to the large industrial custom projects.

The Company understands that the Decision requires a reduction to the Company’s DSMIDA dollar value attributable to the large industrial custom projects and not the associated volumes.

The Company identified the large industrial custom projects as outlined by Ipsos Loyalty (“Ipsos”) which was retained by Enbridge in late 2012 for the purposes of selecting a statistically relevant set of sample projects from Enbridge’s commercial and industrial

custom projects in 2012. The table showing the summary of the characteristics of each stratum and the sample selection is found in Appendix 1 (Note: the cumulative m3 figures are pre-audit values).

In selecting the random sample, Ipsos was required to follow a prescribed methodology, formulated by Navigant Consulting Inc., the Utilities (Enbridge and Union) and the Technical Evaluation Committee. The work completed by Ipsos was audited by ERS (Enbridge's Auditor for 2012 results). To undertake a reliable sampling of projects, it was necessary for Ipsos to categorize projects by size to ensure that representation of each size category was sampled. Ipsos determined that there were a total of six projects within the large industrial stratum. All six of these projects were included in the sample (as highlighted in Appendix 1).

Using these six projects – of which each of the four projects identified in SEC's Final Argument are included - Enbridge aggregated the DSMIDA generated by each project based upon audited results for these six large industrial custom projects. This is identified in Table 1, which is attached to the response as Appendix 2. As can be seen, these large industrial projects were attributable for \$1,041,441 of the DSMIDA. Twenty percent of this figure totals \$208,288. This reduces the 2012 DSMIDA in respect of large industrial custom projects to \$833,153. Table 1 also identifies the 2012 DSMIDA which was generated by all of the Company's DSM activities and the resulting impact on the total audited DSMIDA, which is a reduction from \$8,817,529 to \$8,609,241.

The balances that would be cleared to rates are the following amounts:

DSM Incentive Deferral Account	\$8,609,241 (to shareholder)
Lost Revenue Adjustment Mechanism Variance Account	(\$ 40,652) (to ratepayers)
DSM Variance Account	\$ 2,506,510 (to shareholder)

The revised net balance of the DSM Accounts is therefore \$11,075,099, to be collected from ratepayers.

Finally, attached as Appendix 3 is Table 2 which shows the allocation of the various DSM accounts to the Enbridge rate classes and the impact of the 20% adjustment required by the Board. Upon receiving final approval from the Board, the Company proposes to clear these amounts along with the disposition of the 2013 Deferral and Variance accounts, an application for which will be made shortly.

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Ms. Kirsten Walli  
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Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Andrew Mandyam  
Director Regulatory Affairs & Financial Performance

Attachment

cc: Mr. Dennis O'Leary, Aird & Berlis LLP  
EB-2013-0352 Interested Parties and Enbridge DSM Consultative Members

Row Labels	MARKET_TYPE	MARKET_TYPE2	Cumulative M3	Strata	Phase
RA.HC.NC.001.12	Large New Construction	Commercial	38950862	Large	2
RA.UNIV.EX.007.12	Commercial	Commercial	9921240	Large	2
RA.PRO.NC.001.12	Large New Construction	Commercial	8112150	Large	1
RA.UNIV.NC.004.12	Large New Construction	Commercial	6677975	Large	1
RA.UNIV.NC.005.12	Large New Construction	Commercial	5249075	Medium	1
RA.REC.NC.002.12	Large New Construction	Commercial	5094800	Medium	1
RA.UNIV.NC.001.12	Large New Construction	Commercial	4597975	Medium	2
RA.GOV.EX.006.12	Commercial	Commercial	3847845	Medium	1
RA.PRO.EX.008.12	Commercial	Commercial	3021600	Medium	1
RA.PRO.EX.038.12	Commercial	Commercial	3003750	Medium	2
RA.LOG.EX.002.12	Commercial	Commercial	2841375	Medium	2
RA.MR.EX.274.12	Commercial	Commercial	2460800	Medium	2
RA.GOV.EX.010.12	Commercial	Commercial	2344900	Medium	1
RA.MR.EX.072.12	Commercial	Commercial	1307675	Small	1
RA.PRO.EX.064.12	Commercial	Commercial	899580	Small	2
RA.PRO.EX.006.12	Commercial	Commercial	669075	Small	1
RA.MR.EX.199.12	Commercial	Commercial	668610	Small	2
RA.MR.EX.237.12	Commercial	Commercial	628110	Small	2
RA.RET.EX.089.12	Commercial	Commercial	481125	Small	2
RA.MR.EX.122.12	Commercial	Commercial	473130	Small	1
RA.RET.EX.080.12	Commercial	Commercial	471495	Small	2
RA.MR.EX.090.12	Commercial	Commercial	353205	Small	1
RA.MR.EX.229.12	Commercial	Commercial	314970	Small	2
RA.MR.EX.109.12	Commercial	Commercial	272475	Small	1
RA.COM.NC.002.12	Large New Construction	Commercial	270775	Small	2
RA.MR.EX.095.12	Commercial	Commercial	269070	Small	1
RA.MR.EX.086.12	Commercial	Commercial	163305	Small	1
RA.IND.EX.RT.021.12	Industrial	Industrial	94616775	Large	2
RA.IND.EX.NRT.039.12	Industrial	Industrial	35580480	Large	2
RA.IND.EX.NRT.040.12	Industrial	Industrial	20377470	Large	2
RA.IND.EX.NRT.038.12	Industrial	Industrial	20302050	Large	2
RA.IND.EX.NRT.041.12	Industrial	Industrial	13113700	Large	2
RA.IND.EX.RT.003.12	Industrial	Industrial	9185070	Large	1
RA.IND.EX.RT.012.12	Industrial	Industrial	4966668	Medium	1
RA.IND.EX.RT.024.12	Industrial	Industrial	4291040	Medium	2
RA.IND.EX.RT.018.12	Industrial	Industrial	3412280	Medium	2
RA.IND.EX.NRT.009.12	Industrial	Industrial	2065660	Medium	1
RA.AGR.EX.NRT.001.12	Industrial	Industrial	1815580	Medium	1
RA.IND.EX.RT.033.12	Industrial	Industrial	1098485	Small	2
RA.IND.EX.NRT.012.12	Industrial	Industrial	1021575	Small	1
RA.IND.EX.NRT.028.12	Industrial	Industrial	963200	Small	2
RA.IND.EX.NRT.007.12	Industrial	Industrial	931360	Small	1
RA.IND.EX.RT.001.12	Industrial	Industrial	745470	Small	1
RA.IND.EX.RT.014.12	Industrial	Industrial	507160	Small	1

Program Type	2012 DSMIDA based on Audited Results (1) (2)	2012 DSMIDA Reduction due to Decision (3)	2012 DSMIDA Reflecting Board Decision
<b>Resource Acquisition</b>			
Residential	\$ 198,372	\$ -	\$ 198,372
Commercial	\$ 3,619,487	\$ -	\$ 3,619,487
Large Industrial (per Ipsos Stratum) <sup>1</sup>	\$ 1,041,441	\$ 208,288	\$ 833,153
Small and Medium Industrial <sup>1</sup>	\$ 639,183	\$ -	\$ 639,183
Resource Acquisition Res/Comm/Ind CCM	\$ 5,498,484	\$ 208,288	\$ 5,290,195
Commercial/Industrial Deep Savings	\$ (525,714)	\$ -	\$ (525,714)
Residential deep savings # customers	\$ 292,415	\$ -	\$ 292,415
<b>RA Total DSMIDA</b>	<b>\$ 5,265,185</b>	<b>\$ 208,288</b>	<b>\$ 5,056,897</b>
<b>Low Income</b>			
Low Income Residential Part 9	\$ 1,848,027	\$ -	\$ 1,848,027
Low Income Commercial Part 3	\$ 380,462	\$ -	\$ 380,462
<b>LW Total DSMIDA</b>	<b>\$ 2,228,489</b>	<b>\$ -</b>	<b>\$ 2,228,489</b>
<b>Market Transformation</b>			
Market Transformation DWHR	\$ 735,935	\$ -	\$ 735,935
Market Transformation SBD Res Top 20	\$ 238,584	\$ -	\$ 238,584
Market Transformation SBD Res Top 80	\$ 95,433	\$ -	\$ 95,433
Market Transformation SBD CommI	\$ 158,745	\$ -	\$ 158,745
Market Transformation Home Rating	\$ 95,158	\$ -	\$ 95,158
<b>MT Total DSMIDA</b>	<b>\$ 1,323,855</b>	<b>\$ -</b>	<b>\$ 1,323,855</b>
<b>Total DSMIDA</b>	<b>\$ 8,817,529</b>	<b>\$ 208,288</b>	<b>\$ 8,609,241</b>

<sup>1</sup> Based on the 6 large industrial projects as per the Navigant 2012 Sampling Methodology (Ipsos Report)

Rate Class	2012 DSMIDA - Audited Results	2012 DSMIDA - Reduction due to Board Decision	Updated 2012 DSMIDA - Reflecting Board Decision	LRAM	DSMVA	Original Total	Revised Total due to Board Decision
Rate 1	\$ 4,287,162	\$ (101,271)	\$ 4,185,890		\$ 3,599,494	\$ 7,886,656	\$ 7,785,384
Rate 6	\$ 3,750,234	\$ (88,588)	\$ 3,661,646		\$ (835,707)	\$ 2,914,527	\$ 2,825,939
Rate 9	\$ -	\$ -	\$ -		\$ 562	\$ 562	\$ 562
Rate 110	\$ 162,540	\$ (3,840)	\$ 158,700	\$ (2,692)	\$ (620,416)	\$ (460,569)	\$ (464,408)
Rate 115	\$ 291,672	\$ (6,890)	\$ 284,782	\$ 6,809	\$ 718,588	\$ 1,017,069	\$ 1,010,179
Rate 125	\$ -	\$ -	\$ -		\$ 21,087	\$ 21,087	\$ 21,087
Rate 135	\$ 98,915	\$ (2,337)	\$ 96,579	\$ 1,441	\$ 252,440	\$ 352,796	\$ 350,460
Rate 145	\$ 109,126	\$ (2,578)	\$ 106,548	\$ (28,753)	\$ (324,047)	\$ (243,674)	\$ (246,252)
Rate 170	\$ 117,881	\$ (2,785)	\$ 115,096	\$ (17,457)	\$ (314,206)	\$ (213,783)	\$ (216,567)
Rate 200	\$ -	\$ -	\$ -		\$ 7,310	\$ 7,310	\$ 7,310
Rate 300	\$ -	\$ -	\$ -		\$ 1,406	\$ 1,406	\$ 1,406
<b>Total</b>	<b>\$ 8,817,529</b>	<b>\$ (208,288)</b>	<b>\$ 8,609,241</b>	<b>\$ (40,652)</b>	<b>\$ 2,506,510</b>	<b>\$ 11,283,387</b>	<b>\$ 11,075,099</b>

Reduction in DSMIDA claim affects all gas rates as attribution is based on actual spending.

Reference: EB-2008-0346 Demand Side Management Guidelines for Natural Gas Utilities, page 32, "... incentive amounts paid to the natural gas utilities should be allocated to rate classes in proportion of the amount actually spent on each rate class."