Jay Shepherd
Professional Corporation
2300 Yonge Street,
Suite 806
Toronto, Ontario M4P 1E4

BY EMAIL and RESS

May 15, 2014
Our File No. EB-2013-0352

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2013-0352 – Enbridge DSM Clearances

We are counsel for the School Energy Coalition. We have reviewed Enbridge's calculations of the impact of the Board's decision. It would appear to us that those calculations are incorrect. Enbridge proposes a reduction of $208,288 to the DSMIDA. In our submission, the correct calculation produces a $655,049 reduction.

The error arises because the DSMIDA is a non-linear calculation. The Board ordered that the DSMIDA applicable to large industrials be reduced by 20% because the savings claimed were overstated. In the Appendix 2, Table 1 to their May 15th letter, Enbridge has allocated $1,041,441 to the Large Industrials, on the assumption that the total volume-based incentive of $5,498,484 should be allocated rateably to all resource acquisition volumes. The six Large Industrial projects listed were 193.18 million m³ out of a total of 1000.86 m³, or 19.3%, so that percentage of the volume incentive is applicable to Large Industrials.

That calculation is incorrect. Incremental volume earns incentives at a different rate than base volumes. The first 615.30 million m³ earn no incentive at all, because they are below the lower bound[1]. The next 205.1 m³ earns an incentive of $2,370,238[2]. This works out to 1.1556 cents

[1] All figures in these calculations from SEC Interrogatory #1, which sets out the calculation of the DSMIDA for resource acquisition projects.
[2] 92% of $2,576,346.

Tel: (416) 483-3300 Cell: (416) 804-2767 Fax: (416) 483-3305
jay.shepherd@canadianenergylawyers.com
www.canadianenergylawyers.com

per cumulative cubic meter. The next 205.1 m^3 earns an incentive of $3,555,358[3]. This works out to be 1.7335 cents per cumulative cubic meter.

The correct way to calculate the DSMIDA applicable to Large Industrials is to calculate the total DSMIDA with and without the Large Industrials. With Large Industrials included, the DSMIDA is $5,498,484 on volumes of 1000.86 m^3 , as calculated by Enbridge. Without Large Industrials, the volumes would be 807.68 m^3, which is below the target level for total volumes. The incentive on volumes of 807.68 m^3 would be $2,223,239[4]. The difference, $3,375,245, is entirely due to the volumes from Large Industrials.

If the Board's reduction of 20% is applied to that corrected figure, in our submission the correct amount of the reduction is $655,049.

This is not merely a matter of semantics. The reason this is the correct result lies in the Board's underlying rationale. The Board recognized that Enbridge did not provide sufficient support for its volume claim in Large Industrials. Without that volume claim, the DSMIDA would be $3,375,245 less. Rather than deny 100% of the volume-related DSMIDA claim for Industrials, as proposed by SEC, the Board only reduced the claim by 20%, and only for the Large Industrials. The reduction in dollars is clearly based on volumes, and therefore the reduction should reflect the actual impact of reducing those volumes.

The alternative proposed by Enbridge assumes that their Large Industrial volumes are reduced by only 6.2% relative to their claim[5]. This does not appear to us to have been the Board's intent.

In our submission, the DSMIDA should therefore be reduced by $655,049 to comply with the Board's decision.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties

[3] 92% of $6,440,865=$5,925,596, minus $2,370,238= $3,555,358.
[4] (807.68-615.30) x .011556 x 1,000,000.
[5] At a 6.2% Large industrials reduction, the total volumes for Resource Acquisition are 988.84 m^3, and the total volume incentive is $5,290,195, as Enbridge claims. This represents a total reduction in volumes of 12.02 m^3, which is a 6.2% reduction in the Large Industrials claim.