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VIA RESS, EMAIL and COURIER

May 29, 2014

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

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc. ("Enbridge") – Reply Submission
Clearance of DSM Variance Accounts
Ontario Energy Board ("Board") File Number: EB-2013-0352**

In accordance with the Decision and Order, dated May 1, 2014, please see the attached Submission provided by Enbridge Gas Distribution.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Stephanie Allman
Regulatory Coordinator

Attachment

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

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an order or orders approving the balances and clearance of certain Demand Side Management Variance Accounts into rates, within the next available QRAM following the Board's approval.

**RESPONSE OF
ENBRIDGE GAS DISTRIBUTION INC.**

1. This is the response of Enbridge Gas Distribution Inc. ("Enbridge" or "Company") to the submissions of School Energy Coalition ("SEC") and Board Staff to the response of Enbridge dated May 15, 2014 ("Response") to the Decision and Order of the Board dated May 1, 2014 ("Order"). In its response, Enbridge explained how it identified the large industrial custom projects which would be the subject of the Board ordered 20% reduction of the DSMIDA amount attributable to these projects and the dollar impact of the reduction on the total DSMIDA claim. The Company continues to believe that its response was not only consistent with the language of the Order but also balanced, transparent and appropriate in light of the nature of the proceeding.
2. The Company remains of the view that the process followed with the involvement of the stakeholders' Audit Committee ("AC") and the use of an Independent Auditor to review the Company's DSM results and the findings of the third-party Custom Projects Savings Verification (CPSV) contractors was robust and consistent with the DSM Framework Guidelines.
3. As noted by the Company in its Final Argument, the fact that the Landry Report did not specify each and every step undertaken by Mr. Landry in his review of the various projects or contain an outline of each of the input assumptions which were evaluated does not mean that these steps were not taken. The Company submitted that all necessary review and investigations were completed by Mr. Landry; however the written hearing process did not allow for the introduction of evidence in response to SEC's

argument. The Company does acknowledge the Board finding that the supporting rationale for the Landry Report's conclusions regarding the appropriateness of the assumed baselines and measure lives was somewhat lacking. This deficiency is a matter that the Company is currently addressing in respect of future reports, but it is for this reason, a lack of sufficient details documented in the Landry Report, that the 20% reduction was ordered. The Company's calculations for the required 20% reduction were informed by the fact that SEC had argued specifically for the removal of 320.8 million m³ from the commercial and industrial custom project savings claim total of 870.7 million m³. SEC requested that the Board order Enbridge to then add this reduced volumetric amount to the other volumetric claims for resource acquisition projects and adjust the total DSMIDA to reflect the lower overall savings generated. In other words, SEC specifically requested that the Board order that Enbridge make a volumetric adjustment to the total of the industrial and custom project savings claims. Despite this, the Order did not specifically require this to be done.

4. The Board stated that it did not consider it possible to make an adjustment to the large industrial custom projects with any kind of precision given that this would involve an attempt to re-assess each project retroactively. The Order then went on to state that it was appropriate to disallow 20% of the DSMIDA amount attributable to the large industrial custom projects. Enbridge interprets the Board's use of the word "amount" as referring to a dollar claim.
5. For the convenience of the Board, Enbridge discusses below, the two alternatives which arise based upon the submissions of the parties and Board Staff.

(i) Large Industrial Custom Projects Dollar DSMIDA Reduction Approach

Under this approach, Enbridge's 2012 DSMIDA claim would be reduced by \$208,288 based upon a 20% reduction in the DSMIDA generated by the six large industrial projects identified in Appendix 1 of the Response (by the CPSV sampling methodology, not by rate class definitions). The Response contains the calculations in support of this reduction in Appendix 2 and Appendix 3 (allocation by rate class).

(ii) Large Industrial Custom Projects Volume DSMIDA Reduction Approach

Under this approach, the reduction in DSMIDA would be based upon a revision to the total of the volumetric savings claim. The Company has undertaken the calculations using this approach and sets out the results in Table 1 and 2 of Appendix 1. Table 3 to Appendix 1 sets out the allocation of the reduction to the various Enbridge rate classes. The end result would be a reduction to the Company's DSMIDA claim of \$657,223 which would bring the new total DSMIDA claim to \$8,160,306.

6. The Company notes that the Board Staff submission indicated that they would like to treat Enbridge in the same manner as Union Gas for the purposes of this issue. In trying to achieve that aim, the Company notes that by using the volumetric, statistically determined large industrial stratum approach, there are several inconsistencies with the Union Gas treatment as outlined below:
 - (a) This proceeding was a written proceeding where none of the assertions made by SEC were actually put to any of the CPSV contractors. None of the allegations made by SEC in respect of the alleged problems with the CPSV reports and the savings calculations were specifically raised in an interrogatory, nor were the CPSV contractors afforded a chance to respond to SEC's allegations and explain how they were incorrect. The Union Order followed an oral hearing and cross-examination of expert witnesses about specific projects, how savings claimed were calculated and the processes followed. The significant difference procedurally between the two proceedings, in Enbridge's view, lends support to its interpretation of the Order and the Board's apparent intent to not require it to undertake the same type of reduction as Union.
 - (b) Contrary to the statement made by SEC in its May 15, 2014 submission that the Board ordered reduction was due to an overstatement of volumetric natural gas savings¹, the Board did not make a finding of fact that the savings generated by the large custom industrial projects were overstated. This contrasts with the Union Order where the Board did make certain factual findings.

¹ SEC Submission, May 15, 2014, 2nd para.

- (c) The stratum of projects Enbridge outlined in its suggested approach on reducing the DSMIDA begins at a lower customer usage level than the T1 and Rate 100 customers impacted in the Union Gas decision. Indeed Enbridge has relatively few customers that would qualify as T1, Rate 100, therefore reducing volumes on Enbridge's identified stratum would be relatively punitive.
7. The Company submits that even SEC, the sole complainant, believed that Enbridge's DSM clearance application should be treated differently than Union's clearance application. Specifically SEC stated at section 4.1.2 of its Argument:

SEC notes at the outset that the level of problems in these results [i.e., Enbridge's claims] does not appear to be as egregious as those we found in EB-2013-0109. While there are still undoubtedly results that do not meet the Board's requirements, there appear to be a larger percentage in which the claims are fair and reasonable, and a smaller percentage in which problems have arisen.

Conclusion

8. In conclusion, the Company submits that its original proposal to reduce the DSMIDA in terms of dollars generated by the large industrial custom projects is consistent with the Order and is fair and reasonable under the circumstances. However should the Board require a reduction on DSMIDA based on volume impacts, the company has provided the supporting calculations. The Company requests confirmation of the appropriate reduction and approval of the resulting DSMIDA claim.

Date: May 29, 2014

Table 1

Project codes	Original Calculated CCM - (with CPSV Adjustment Factor)	Revised CCM using 20% Reduction
RA.IND.EX.NRT.038.12	19,922,930.16	15,938,344.13
RA.IND.EX.NRT.039.12	34,916,051.24	27,932,841.00
RA.IND.EX.NRT.040.12	19,996,934.41	15,997,547.53
RA.IND.EX.NRT.041.12	12,868,805.37	10,295,044.30
RA.IND.EX.RT.003.12	9,013,540.93	7,210,832.75
RA.IND.EX.RT.021.12	92,849,904.34	74,279,923.48
	189,568,166.47	151,654,533.17

Table 2

Program Type	2012 DSMIDA based on Audited Results	2012 DSMIDA Reduction due to Decision ¹	2012 DSMIDA Reflecting Board Decision
Resource Acquisition			
Resource Acquisition Res/Comm/Ind CCM	\$ 5,498,484	\$ 657,223	\$ 4,841,260
Commercial/Industrial Deep Savings	\$ (525,714)	\$ -	\$ (525,714)
Residential deep savings # customers	\$ 292,415	\$ -	\$ 292,415
RA Total DSMIDA	\$ 5,265,185	\$ 657,223	\$ 4,607,962
Low Income			
Low Income Residential Part 9	\$ 1,848,027	\$ -	\$ 1,848,027
Low Income Commercial Part 3	\$ 380,462	\$ -	\$ 380,462
LW Total DSMIDA	\$ 2,228,489	\$ -	\$ 2,228,489
Market Transformation			
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 Comml	\$ 158,745	\$ -	\$ 158,745
Market Transformation Home Rating	\$ 95,158	\$ -	\$ 95,158
MT Total DSMIDA	\$ 1,323,855	\$ -	\$ 1,323,855
Total DSMIDA	\$ 8,817,529	\$ 657,223	\$ 8,160,306
¹ Based on the 6 large industrial projects as per the Navigant 2012 Sampling Methodology			

Table 3

Rate Class	2012 DSMIDA - Audited Results	2012 DSMIDA - Reduction due to Board Decision	Updated 2012 DSMIDA - Board Decision	LRAM	DSMVA	Original Total	Revised Total due to Board Decision
Rate 1	\$ 4,287,162	\$ 319,548	\$ 3,967,614	\$	\$ 3,599,494	\$ 7,886,656	\$ 7,567,108
Rate 6	\$ 3,750,234	\$ 279,527	\$ 3,470,706	\$	\$ (835,707)	\$ 2,914,527	\$ 2,634,999
Rate 9	\$ -	\$ -	\$ -	\$	\$ 562	\$ 562	\$ 562
Rate 110	\$ 162,540	\$ 12,115	\$ 150,425	\$ (2,692)	\$ (620,416)	\$ (460,569)	\$ (472,684)
Rate 115	\$ 291,672	\$ 21,740	\$ 269,932	\$ 6,809	\$ 718,588	\$ 1,017,069	\$ 995,329
Rate 125	\$ -	\$ -	\$ -	\$	\$ 21,087	\$ 21,087	\$ 21,087
Rate 135	\$ 98,915	\$ 7,373	\$ 91,543	\$ 1,441	\$ 252,440	\$ 352,796	\$ 345,423
Rate 145	\$ 109,126	\$ 8,134	\$ 100,992	\$ (28,753)	\$ (324,047)	\$ (243,674)	\$ (251,808)
Rate 170	\$ 117,881	\$ 8,786	\$ 109,094	\$ (17,457)	\$ (314,206)	\$ (213,783)	\$ (222,569)
Rate 200	\$ -	\$ -	\$ -	\$	\$ 7,310	\$ 7,310	\$ 7,310
Rate 300	\$ -	\$ -	\$ -	\$	\$ 1,406	\$ 1,406	\$ 1,406
Total	\$ 8,817,529	\$ 657,223	\$ 8,160,306	\$ (40,652)	\$ 2,506,510	\$ 11,283,387	\$ 10,626,164

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."