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January 22, 2015

BY EMAIL & COURIER

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms Walli:

**Board File No. EB-2014-0277 – Enbridge Gas Distribution Inc.
DSM Variance Account Disposition
Energy Probe – Submissions**

Pursuant to Procedural Order No. 2, issued on January 8, 2015, attached please find the Submissions of Energy Probe Research Foundation (Energy Probe) in the EB-2014-0277 proceeding for the consideration of the Board.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Andrew Mandyam, Enbridge Gas Distribution Inc. (By email)
Dennis O'Leary, Aird & Berlis LLP (By email)
Roger Higgin, Consultant to Energy Probe (By email)
Interested parties (By email)

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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 the clearance of certain Demand Side Management
Variance Accounts into rates, within the next available QRAM
following the Board's approval.

Submissions of Energy Probe Research Foundation

January 22, 2015

How this Matter Came Before the Board

1. Enbridge Gas Distribution Inc. (“Enbridge” or “EGD”) filed an application with the Ontario Energy Board (the “Board”) dated October 2, 2014 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, (Schedule B), for an order or orders approving the final balances in certain 2013 Demand Side Management (“DSM”) Deferral and Variance Accounts.
2. Enbridge is also seeking the disposition of the balances in these accounts, and inclusion into rates, within the next available Quarterly Rate Adjustment Mechanism following the Board’s approval.
3. The Board has assigned file number EB-2014-0277 to the Application.
4. The Accounts which are the subject of the application and the balances recorded are as follows:
 - DSM Incentive Deferral Account (DSMIDA) \$4,538,188 (to shareholder)
 - Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) \$50,317 (to ratepayers)
 - DSM Variance Account (DSMVA) \$3,601,806 (to ratepayers)

The net balance of DSM Accounts is \$886,065 to be collected from ratepayers.

5. On November 19, 2014, the Board issued Procedural Order No. 1 which, among other matters, established the timelines for intervenors and Board staff to request from Enbridge through written interrogatories any relevant information and documentation that is in addition to the evidence already filed.
6. Board Staff and Energy Probe filed Interrogatories on December 2 and 4, 2014.
7. EGD’s responses to Interrogatories were filed on December 16, 2014.

Submissions of Energy Probe

8. Energy Probe has previously indicated to EGD that it accepted the 2013 Audit Committee Report regarding the 2013 Audit. The consequence of that is that Energy Probe has no dispute with the claimed DSMIDA, LRAMVA and DSMVA amounts.
9. Energy Probe’s concerns relate to 2013 Program Achievement (CCM) vs Target and with CCM/\$ unit cost of savings for certain programs.

10. While it can be argued these concerns are not relevant to disposition of the 2013 DSM Accounts, Energy Probe believes they **are** relevant, given that the Board's DSM framework for 2015-2019 carries forward the 2014 Programs and Scorecards, with a higher Budget for 2015.
11. We do not have the 2014 Results available, but if the 2013 Results are not improved in 2014, with significant improvements in Achievement and Unit Cost, then there is a major concern about carrying forward the RA Programs into 2015.
12. To illustrate the specific concerns, we draw attention to Energy Probe IRRs #2 and #3:

IRR#2

Program Sector	2013 CCM per \$	2012 CCM per \$
<u>Resource Acquisition</u>		
Residential	16.40	12.44
<u>Low Income</u>		
Single Family (Part 9)	7.09	4.29
Multi-Residential (Part 3)	37.74	31.73
Total Low Income	11.23	9.56

The response shows that for Residential Programs Cost Effectiveness measured as CCM/\$ is dramatically reducing (unit cost Increasing relative to 2012).

The response also shows that EGD has ramped up the Residential Program and has an over-achievement of 339% for the Program. Obviously the Target is too low.

EGD notes that

for the purposes of the resource acquisition scorecard which is presented at Exhibit B, Tab 1, Schedule 1, Table 10 of the prefiled evidence, it should be noted that the actual CCM results for 2013 are the aggregate of each of the residential, commercial and industrial sectors

This aggregate relates to the Cumulative Savings (million m3) metric included on the Company's Resource Acquisition scorecard. While the favourable results from the residential sector contributed to the actual CCM achieved for the purposes of the aggregate figure used, it is the weighted aggregate figure relative to the targets which was used for the purposes of determining the DSMIDA. It is

therefore inaccurate to suggest that the as filed actual result was 339% as the IR appears to indicate.

IRR#3

Resource Aquisition Program Sector	CCM Target (100%)	Actual CCM	% Target Achieved	\$/CCM	Participants/ Units Installed*
Residential	11,500,013	38,980,521	339%	\$0.0680	1,649
Commercial	621,254,179	505,133,591	81%	\$0.0128	17,796
Industrial	339,889,500	222,575,355	65%	\$0.0117	142
Total/Average	972,643,692	766,689,466	79%	\$0.0153	19,587

*Participants/Units installed includes the # of unique addresses for custom offerings, and the # of units for prescriptive offerings.

The response shows that the Commercial and Industrial RA Programs significantly under-performed in 2013 and since these are more cost-effective Programs; the Total **RA Scorecard achievement fell short by 206 million CCM**.

13. Accordingly, since the Commercial and Industrial RA programs are 5x more cost effective than Residential, EGD ratepayers are paying too much for too few savings and also compensating the Shareholder for that result.
14. Energy Probe's concern is that if these trends in RA Program continue, noting RA has the largest Budget, there is no basis to carry forward these programs as currently structured into 2015.
15. There are two approaches to address these concerns

First, the unaudited 2014 RA Program results should be filed as soon as possible and together with a comparison to the proposed 2015 carry forward/roll over programs.

Second, if the 2014 RA results do not show improvement in Achievement and Cost-Effectiveness, EGD should modify the 2015 Scorecard based on historic achievement and unit savings.

Other Matters

16. Energy Probe agrees with Board Staff that a Persistence study with respect to EGD's large custom commercial and industrial DSM should be completed ASAP. We also suggest that a review of persistence for other RA programs should be done and inform the 2015 and beyond results, including Weatherization and Multi-Residential Custom Low Income offerings.

Costs

17. Energy Probe has participated actively in this proceeding and requests an award of 100% of its legitimately incurred costs.

Respectfully Submitted at Toronto on the 22nd of January 2015

Roger Higgin SPA Inc.

Consultants to Energy Probe Research Foundation