

### SUMMARY OF APPLICATION

1. Enbridge Gas Distribution Inc. (“Enbridge” or the “Company”) is applying to the Ontario Energy Board (“OEB” or the “Board”) pursuant to Section 36 of the *Ontario Energy Board Act, 1998*, as amended (“Act”) for an Order or Orders approving the final balances in certain 2014 Demand Side Management (“DSM”) Deferral and Variance Accounts. The Company is also seeking approval for the disposition of the balances in these accounts through a one-time adjustment in rates, within the next available QRAM following the Board’s approval. The accounts which are the subject of this Application and the balances recorded are as follows:

DSM Incentive Deferral Account (“DSMIDA”)	\$7,647,242
LRAM Variance Account (Reimbursable to Ratepayers)	(\$65,339)
DSMVA Amount	\$352,502
Total Amount Recoverable	\$7,934,405

### DSM Framework

2. The deferral and variance accounts which are the subject of this proceeding relate to DSM activities in 2014. This was the third year of operation under the June 30, 2011 DSM Guidelines (EB-2008-0346) (“Guidelines”) and the Company’s Multi-Year (2012 to 2014) DSM Plan approved by the Board in EB-2011-0295, which was updated for 2013 and 2014 by the Board’s Decision dated July 4, 2013, in EB-2012-0394 (together the “Updated Multi-Year Plan”). The methodologies used by the Company to determine the amounts recorded in each of the 2014 DSMVA, LRAM and DSMIDA were the subject of the Guidelines and the approved Updated Multi-Year Plan.
3. The Guidelines and Updated Multi-Year Plan also provided for certain stakeholder consultation, monitoring and evaluation steps in respect of a year’s DSM activities. This included the election of an Enbridge Audit Committee (“AC”) and the

continuation of a joint Technical Evaluation Committee ("TEC") with Union Gas Limited. This Application summarizes the actions taken by the Company in compliance with same.

#### Summary of Facts and Events

4. The DSM Consultative elected an AC for 2014 consisting of representatives from Green Energy Coalition ("GEC"), Low Income Energy Network ("LIEN"), and School Energy Coalition ("SEC").
5. For the purposes of calculating and evaluating its 2014 DSM program results, in consultation with the AC, the Company commenced work on its 2014 DSM Draft Evaluation Report and retained two engineering firms, MMM Group Ltd., and Cole Engineering Group Ltd. to each undertake a Custom Project Savings Verification ("CPSV") review of the Company's custom projects ("CPSV Contractors"). Consistent with past practice, prior to retaining the CPSV Contractors, the Company first consulted the TEC about the terms of reference ("ToR") that would be applicable to these retainers. An agreement was ultimately reached between the Company and the TEC in respect of the ToR for the CPSV Contractors. MMM Group Ltd. was retained to review custom Commercial and Low-income projects. Cole Engineering Group Ltd. was retained to undertake an independent review of Industrial custom projects.
6. The reports prepared by the CPSV contractors are attached at Exhibit B, Tab 5, Schedules 1 and 2, respectively. These reports have been redacted as necessary to preserve the privacy and to protect the commercial sensitivity of the program participants.
7. Consistent with Section 15 of the Guidelines, the Company prepared an evaluation report for 2014 titled 2014 DSM Draft Evaluation Report ("Draft Evaluation Report") dated May 8, 2015, which summarized the savings achieved and the amounts

spent. The results of the independent review of custom projects by the CPSV Contractors were included in the Draft Evaluation Report. The Draft Evaluation Report also included calculations for the 2014 DSMIDA and DSMVA.

8. In compliance with the Guidelines at Section 15.3, the Company was responsible for ensuring its DSM results undergo an audit by an independent third party Auditor. The Company consulted the AC on the ToR for the audit, the Audit Work Plan, and the selection of the independent Auditor. After consultation with the AC, it was agreed that Optimal Energy, Inc. ("Optimal") would be the 2014 DSM Auditor. Subsequent to Optimal being retained, with its assistance, the Company undertook additional consultations with the AC in respect of the Audit Work Plan.
9. Optimal, along with the AC, were provided with the Draft Evaluation Report and received copies of all drafts of the CPSV Industrial and Commercial Contractors' reports. Both Optimal and the AC reviewed these drafts and the final versions of the CPSV Contractors' reports and discussed with the CPSV Contractors, items such as baseline, measure life, and persistence appropriateness. Optimal provided extensive recommendations and, with input from the AC, the rigour of the review of custom projects was further improved.
10. In response to the 2012 and 2013 Clearance of Accounts proceedings (EB-2013-0352 and EB-2014-0277), and in response to the OEB decisions in these proceedings, Enbridge and the AC ensured that the key issues raised in the decisions were appropriately addressed throughout the 2014 Audit. This included reviewing the appropriateness of baseline, measure life, and persistence. The written Arguments of Parties and the Board's Decisions in both EB-2013-0352 (the 2012 Clearance) and EB-2014-0277 (the 2013 Clearance) were shared with the Auditor and AC and considered throughout the 2014 Audit.
11. The Board's Decision and Order dated February 26, 2015 in the 2013 Clearance Application (EB-2014-0277) indicated the Board's support for the proposed [boiler]

study which was anticipated to have been completed in 2015. This Decision anticipated that the results of this study would be incorporated in the evaluation of the 2014 results. This issue was specifically raised by the Company with the Auditor and AC for the purposes of the 2014 audit. The AC acknowledged that the study could not be completed prior to June 2015 and thus could not be incorporated into the 2014 audit process and timelines. Work on this study has been underway through the TEC since April, 2015 and it is likely that despite best efforts, the results of the study will not be available until mid-2016.

12. The AC and Optimal ultimately agreed that the Auditor should proceed on its current work plan and schedule with the understanding that the boiler study would not be incorporated into the Final Audit Report. Consequently, the Auditor adopted an approach to make adjustments to baseline assumptions that it considered to be the most reasonable. Where applicable, this action caused the base case seasonal efficiency for boiler projects to be higher, thereby resulting in savings estimates that were lower than those calculated by Enbridge.
13. For prescriptive savings claims, Optimal performed a review of the Company's program-by-program measure level calculations. Optimal also undertook a sampling of individual measures to verify the results. In respect of Market Transformation ("MT") programs, Optimal completed a careful review of the data which supports the MT results. Optimal's review process also included detailed walk-throughs of other Enbridge programs and offers, including the Community Energy Conservation and the Run-it-Right offers.
14. The independent Auditor verified the calculations underlying the proposed DSMIDA, LRAM and DSMVA amounts and made various recommendations. The full details of the extent of Optimal's audit of the Company's 2014 program results are set out in Optimal's Final Report dated June 29, 2015 ("Audit Report"),

filed at Exhibit B, Tab 2, Schedule 1. The filing of this report was supported by the AC.

15. The AC subsequently endorsed the calculations outlined in the Auditor's Report. A copy of the 2014 DSM Audit Summary Report dated October 19, 2015 is filed at Exhibit B, Tab 3, Schedule 1.
16. A copy of the 2014 Final DSM Annual Report dated October 19, 2015, which reflects the post audit results, is filed at Exhibit B, Tab 1, Schedule 1.

Demand Side Management Variance Account

17. The final DSMVA is the amount of \$352,502 recoverable in rates. This is the difference between the 2014 budget and the actual amount expended in 2014. This is the amount which the Company calculated in its Draft Evaluation Report. This figure was verified by the independent Auditor and has been accepted by the AC.

Lost Revenue Adjustment Mechanism Variance Account

18. The final LRAM is the amount of (\$65,339) reimbursable to ratepayers. In the interests of efficiency, the Company and members of prior year ACs concluded that the LRAM calculation should be undertaken after the final audit of savings values becomes available. The Company followed the practice this year, and accordingly, the Draft Evaluation Report did not include a value for the LRAM. Once the Auditor finalized the DSM savings results amounts for 2014, the Company accounted for all adjustments and provided a calculated LRAM amount of (\$65,339) reimbursable to ratepayers to the Auditor for review. This figure was verified by the independent Auditor and has been accepted by the AC.

#### DSM Incentive Deferral Account

19. The Guidelines and the Updated Multi-Year Plan provide the method of calculating the DSMIDA and a cap of \$10.872 million for 2014. The Draft Evaluation Report calculated the DSMIDA at \$7,500,805 including adjustments from the CPSV review. Following its review of the Company's program results, the independent Auditor made recommendations with regard to the following measures, which the Company and the AC accepted:

- (i) Industrial Custom Project Savings
- (ii) Commercial Custom Project Savings
- (iii) Low income (Part 3) Custom Project Savings
- (iv) Custom Project adjustment factor calculation
- (v) Commercial Prescriptive Savings
- (vi) Low income (Part 9) Prescriptive Savings

This resulted in an auditor-recommended DSMIDA of \$7,647,242. The specifics of the recommendations made by Optimal are set out in its Audit Report. This amount was accepted by both the AC and the Company.

#### Recommendations of the Audit Committee

20. Following its review of the Draft Evaluation Report, the Optimal Audit Report, and the CPSV Contractors' reports, the AC made the following recommendations:

- (a) The AC accepted the DSMVA calculation of \$352,502 being recoverable from ratepayers. The Company agrees.
- (b) The AC recommended the LRAM of (\$65,339) being reimbursable to ratepayers. The Company agrees.

- (c) The AC accepted the DSMIDA calculation of \$7,647,242 being recoverable from ratepayers. The Company agrees.

21. The following Table summarizes Enbridge's initial claims, the Draft Evaluation Report amounts (post-CPSV), and the Auditor's recommendations.

	Enbridge Claim (Pre-CPSV/ Pre-Audit)	Draft DSM Annual Report (May 2014)	Audit Report (June 2014)
CCM Savings	781,251,285m <sup>3</sup>	710,354,541m <sup>3</sup>	719,842,637m <sup>3</sup>
DSMIDA (Amount Recoverable)	\$8,584,612	\$7,500,805	\$7,647,242
LRAM (Reimbursable to Ratepayers)	N/A	N/A	(\$65,339)
DSMVA (Amount Recoverable)	\$352,502	\$352,502	\$352,502

#### Proposal for Clearance

22. The net amount which the Company proposes for clearance through a one-time adjustment to rates is \$7,934,405. The Company respectfully requests that this amount be cleared within the next available QRAM following the Board's approval.
23. The allocation methodology applied by the Company was approved by the Guidelines. Specifically, the methodologies applied were:
- The actual DSMVA spending variance amount versus budget targeted to each customer class was allocated to that customer class for rate recovery purposes (Guidelines ss. 13.2).

- The LRAM amount is recovered in rates on the same basis as the lost revenues were experienced so that the LRAM ends up being a full true-up by rate class (Guidelines ss. 13.3).
- DSM shareholder incentive amounts ("DSMIDA") already allocated to the rate classes in proportion to the amount actually spent on each respective rate class (Guidelines ss. 13.4).

A breakdown of these allocations is attached at Exhibit B, Tab 4, Schedule 1.

Benefits to Ratepayers

24. The Company's DSM activities in 2014 generated estimated natural gas savings of approximately 719.8 M CCM. The 2014 DSM activities are estimated to have a TRC value of \$89,622,342 which is the approximate value of bill savings enjoyed by Enbridge's customers.