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April 6, 2016

VIA RESS, EMAIL and COURIER

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Re: Enbridge Gas Distribution Inc. (the "Company" or "Enbridge")
Ontario Energy Board (the "Board") File: EB-2015-0267
2014 Demand Side Management ("DSM") Deferral and Variance Accounts
Application - Reply Submission**

Enclosed please find Enbridge's Reply Submission for the above noted proceeding.

The submission has been filed through the Board's Regulatory Electronic Submission System ("RESS") and will be available on the Company's website under the "Other Regulatory Proceedings" tab at www.enbridgegas.com/ratecase.

Yours truly,

(Original Signed)

Stephanie Allman
Regulatory Coordinator

Encl.

cc: Mr. Dennis O'Leary, Aird & Berlis
EB-2015-0267 Intervenors

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.

REPLY OF ENBRIDGE GAS DISTRIBUTION INC.

APRIL 6, 2016

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TABLE OF CONTENTS

REPLY TO BOARD STAFF	3
BOILER BASELINE STUDY	3
OTHER SUBMISSIONS BY BOARD STAFF	13
PAYBACK PERIODS	14
BASE CASE	15
TREATMENT OF CUSTOM BOILER PROJECTS	17
REPLY TO IGUA	18
REQUESTED DIRECTION	18
REDACTIONS	19
INFORMATION MISSING IN CPSV REPORTS	19
FREERIDERSHIP	20
FREERIDERSHIP RATE	20

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REPLY OF ENBRIDGE GAS DISTRIBUTION INC.

1. This is the reply of Enbridge Gas Distribution Inc. ("Enbridge" or "Company") to the submissions of Board Staff and Industrial Gas Users Association ("IGUA") dated March 23, 2016.

REPLY TO BOARD STAFF

Boiler Baseline Study

2. Enbridge submits that the recommendation by Board Staff that Enbridge's 2014 DSM results be approved only on an interim basis until the completion of the boiler baseline study, which may or may not result in recommendations that impact some of Enbridge's base case assumptions, either up or down, should be rejected for the following reasons:
 - (i) Consistent with the 2012 to 2014 DSM Guidelines, the best available information has been used by the Company, the CPSV contractors, the Audit Committee ("AC"), and the Independent Auditor, Optimal Energy, Inc. ("Optimal") for the purposes of auditing Enbridge's 2014 DSM results. Indeed, in light of the Board's support for the completion of the boiler baseline study, upon review of the 2013 Clearance Decision, and with the understanding that the boiler baseline study could not be completed and its resulting recommendations could not be incorporated into the verification and audit process which was already underway, the Auditor worked with the CPSV firm to adopt an approach to make adjustments to baseline assumptions that in its expert opinion were considered to be the most reasonable. This approach was agreed to and instituted by the CPSV reviewer, endorsed by the AC and subsequently audited by Optimal.

This agreed upon approach resulted in adjustments to some projects which culminated in an increase to the average base case used in sampled projects and a reduction on the whole in the gas savings calculations of sampled projects. As stated in the audit report, Optimal explained “this action caused the base case seasonal efficiency to be higher... thereby producing savings estimates that were lower than Enbridge’s.”¹ Ultimately, consistent with the CPSV realization rate adjustment process, the results claimed across the entire population of commercial and low income custom projects (not just boiler projects) were reduced on whole, as reflected in the audited results.

- (ii) The fact that the boiler baseline study could not be completed in time for the audit of Enbridge’s 2014 DSM results is due to the timing of the Board’s Decisions in respect of the clearance of the 2013 DSM accounts of both natural gas utilities, the transition of the evaluation, measurement and verification process (“EM&V”) to the Board and the Evaluation and Advisory Committee (“EAC”), and the uncertainty of the future of the joint Technical Evaluation Committee (“TEC”). These changing circumstances delayed the steps necessary to be taken by the TEC and the two natural gas utilities in developing terms of reference (“ToR”) and retaining the preferred consultant to complete the study. In the meantime, neither utility was relieved of its obligations to undertake the annual review and audit process of their respective 2014 DSM results. The Board’s *Reporting & Record Keeping Requirements Rule for Natural Gas Utilities* (“RRR”) provides that:

“A utility shall provide ... annually, by the last day of the sixth month after the financial year end, an audited report of actual results compared to the Board approved demand side management plan with explanations of variances.”

The June 30, 2011 DSM Guidelines confirm the above requirement at Section 15.3 where it provides that the independent third party audit is to be filed by June 30 of each year.”²

¹ Optimal, *Independent Audit of Enbridge 2013 DSM Results, Final Report*, June 24, 2014, EB-2014-0277, Ex. B/T2/S1, p. 18

² Demand Side Management Guidelines for Natural Gas Utilities (EB-2008-0346), June 30, 2011, p. 41

- (iii) Input assumptions and values used for savings calculations are consistently the subject of review, study and updating. As DSM continues to evolve, there are routinely new reports or studies in other jurisdictions that are on the horizon which could influence results. It is simply impractical to always await completion of that further report or study for purposes of proceeding with the evaluation of a prior year's results.
 - (iv) Board Staff's suggestion will result in either unaudited results being put forward to the Board or Enbridge being required to, once again, engage their respective CPSV contractors and Independent Auditor for the purposes of redoing their work in respect of commercial boilers based specifically on the results of the boiler baseline study. Enbridge notes that given the steps taken by the CPSV reviewer and Optimal to address concerns about the boiler base case as part of its audit, and with the resulting impact on 2014 DSM audited results, there is no evidence that the boiler baseline study will generate results which are materially different or more accurate than those approved by the Independent Auditor and endorsed by the AC.
3. This submission now addresses each of the above points in greater detail below.
4. Because the boiler baseline study could not be completed for use with the audit of Enbridge's 2014 DSM results, and given the Board's support for the study, the CPSV and Optimal developed and supported a considered alternative approach to verify the appropriateness of the results claimed by making the assumptions specifically identified on pages 18 and 19 of Optimal's Final Report.³ Specifically, Optimal stated the following:

"In boiler replacement cases where the existing boilers had controls that are not currently required by code, the CPSV TE carried these controls forward and applied them to the base case boiler. This action caused the base case seasonal efficiency to be higher than a minimally code compliant boiler, thereby producing savings estimates that were lower than Enbridge's. During the audit process, there was extensive AC discussion on how to best handle these cases, with some suggesting that the base case should be the minimal boiler required by code.

³ EB-2015-0267, Ex. B/T2/S1, pp. 18/19 (pps 21/22 of 74)

It is the auditor's opinion that, on average, the actual baseline is almost certainly higher than the minimum required by code. By raising the base case boiler for facilities that had controls and/or other efficiency features in the existing case, it brings the average base case boiler of the entire population of projects closer to the auditor's reasoned opinion that some of the facilities would have installed controls and/or other efficiency features even in the absence of program intervention. Further, it does this in a fairly logical way – the customers that installed non-code required controls on their boilers 15 to 25 years ago would be more likely to install new boilers that also had these same controls. Thus, while it obviously would have been preferable to adjust assumptions based on data from a new boiler baseline study, Optimal believes that its adjustments to baseline assumptions are the most reasonable it could make in the absence of such a study.”

5. The above confirms that Optimal took all reasonable steps to arrive at the appropriate base case for commercial boilers in the absence of the boiler baseline study. If the Board accepts Board Staff's recommendation that 2014 DSM results be approved on an interim basis, it is important to note that it is only the difference in results between Optimal's audited DSM 2014 results and any changes resulting from the boiler baseline Study, which might increase or decrease the base case. The issue in a second 2014 DSM clearance application would not be the difference between Enbridge's claimed results but rather Optimal's audited results which, as confirmed by Optimal, were at a higher level of efficiency than Enbridge's assumed base case, thus producing a lower level of savings.⁴
6. There is, therefore, no evidence that there will be any material difference in results, either up or down. Optimal relied upon and used the best available information to confirm the appropriate base case as part of its verification of commercial boiler DSM results.
7. Enbridge notes that Optimal was also the independent auditor which undertook the review and verification of Enbridge's 2013 DSM results. The Board found in its Decision and Order in respect of Enbridge's 2013 DSM clearance application that “Enbridge followed a comprehensive process, including independent review and verification to support its base case assumptions.”⁵ The process followed by Optimal in 2014 was

⁴ EB-2015-0267, Ex. B/T2/S1, p. 19 (22 of 74)

⁵ EB-2014-0277, Decision and Order dated February 26, 2015, p. 5

further enhanced. It specifically undertook a more rigorous analysis of boiler base cases given the Board's 2013 Clearance Decision and the unavailability of the boiler baseline study. As a result, Enbridge submits that the process employed in 2014 similarly followed a comprehensive process including thorough consideration for appropriate base case assumptions.

8. Further specifics of the approach taken by the CPSV verifier and the Independent Auditor is found in the following paragraphs from the Optimal Final Report

"For boiler replacement projects completed early in 2014 that had at least 12 months of post installation consumption data available, the commercial CPSV TE was able to develop independent savings calculations by performing a regression analysis using pre and post installation gas consumption data.

However, for commercial boiler replacement projects that lacked sufficient consumption data, the commercial CPSV TE did not undertake an independent savings calculation. Instead, as per the ETools memo of Dec 15, 2014 issued by Optimal on this subject, the CPSV verified key ETools savings assumptions. If the assumptions used by Enbridge were determined to be incorrect, the commercial CPSV TE had Enbridge re-run ETools based on the correct assumptions. The commercial CPSV TE used these updated ETools calculations as its final recommendation.

The key variable for boiler replacement projects is the boiler's seasonal efficiency.²² The commercial CPSV TE did not develop an independent method to calculate seasonal efficiencies. ETools does provide a rigorous calculation of a boiler's seasonal efficiency. Optimal was given a demonstration of the ETools seasonal efficiency module and reviewed the ETools boiler documentation. Enbridge also noted that ASHRAE has yet to finalize guidelines for determining a boiler's application seasonal efficiency.²³ Given these constraints, Optimal concluded, and the AC accepted, that it was reasonable for the commercial CPSV TE to rely on ETools for this sub-set of projects."⁶

22 Measurements of thermal efficiency are performed at full load with steady-state operation using specific conditions as per testing standards. Seasonal efficiency accounts for operation during various loads, including heat losses when the boiler is off.

23 ASHRAE Standard 155P was created in 1994 to provide a test method to determine the seasonal efficiency of commercial space heating boiler systems. The latest feedback from the 155P committee is for this standard to be released for public review in the summer of 2014. The 155P Standard has been in various stages of development over the past 20 years.

⁶ EB-2015-0267, Ex. B/T2/S1, pp. 17/18 (20/21 of 74)

9. As noted by Enbridge in its response to Board Staff Interrogatory No. 3 (b), the CPSV contractor deviated from boiler baseline assumptions for “specific” boiler projects such that all boiler features on the existing boiler are included in the baseline boiler assumptions. The CPSV contractor made adjustments to the boiler features and related controls based on the review of Enbridge’s documents, their site investigations, interviews with customers, and their opinion of how a base case might be selected. These adjustments resulted in adjustments to the base case seasonal efficiency for the subject boiler(s) which resulted in adjusted CPSV recommended savings.⁷ The above is confirmed by the MMM Group in its report dated April 13, 2015, at pages 8 and 9 which deal with boiler seasonal efficiency where it noted that the MMM Group provided instruction to Enbridge to change the inputs to ETools to better represent actual site conditions for all projects. The MMM Group also noted that while ETools was used to calculate seasonal efficiency for projects that qualify, the savings result determined using seasonal efficiencies was superseded by the result obtained from the post-treatment utility building analysis. The MMM Group ultimately concluded that it had the opportunity to review and in general agreed with the methodology used in developing the seasonal efficiency tool.⁸
10. It therefore appears that Board Staff’s recommended option is based upon an incorrect understanding. Board Staff, at page 3 of its Submission, states that Enbridge used a seasonal efficiency base line from its previous boiler baseline study conducted in 2011. Board Staff further stated that this seasonal efficiency incorporates a thermal efficiency of 80.5% “but only accounts for minimal additional features”. This highlighted statement does not acknowledge the fact, as confirmed above, that adjustments were subsequently made by the CPSV contractor and auditor which ultimately resulted in changes to the base case and reduced results. Board Staff’s understanding is incorrect as additional features were considered in the base cases where the CPSV contractor believed it was appropriate. This approach was endorsed by the AC and the

⁷ EB-2015-0267, Ex. I.EGDI.Staff.3, p. 2

⁸ EB-2015-0267, Ex. B/T5/S1, pp. 8/9 (12/13 of 185)

Independent Auditor as a means of taking into account the Board's guidance in respect of the clearance of the 2013 DSM results, in the absence of the boiler base case study.

11. In terms of the status of the boiler baseline study, it is appropriate to review the history of its development. The recommendation to undertake an updated baseline boiler study was made by Optimal in its Final Report dated June 24, 2014⁹ which was filed as part of Enbridge's application for the clearance of its 2013 DSM accounts (EB-2014-0277). Enbridge responded in its 2013 Audit Summary Report, dated September 24, 2014, saying that it accepted this recommendation and would direct the matter to the joint TEC.¹⁰ This was agreed to by the AC, as there was the potential for such a study's findings to effect both utilities. This was the first appropriate step as it was both advisable to consider undertaking the study jointly with Union and to obtain the input of the TEC in respect of the selection of the appropriate contractor and the development of acceptable terms of reference.
12. Before the Board issued its Decision in Enbridge's 2013 DSM clearance application, the Board issued a new Framework and Filing Guidelines in EB-2014-0134, on December 22, 2014 (collectively "Framework"). The Framework clearly contemplated the Board taking on a larger role in the EM&V process.¹¹ In addition, the Board confirmed in the Framework that it would also increase its role by coordinating the process of annually updating the list of input assumptions.¹² Given that the Board indicated in the Framework that the Board's process going forward would "seek appropriate input, considerations and expertise from key stakeholders to inform future updates" and that this would be "complementary and related to the [Board's] role in leading the evaluation process",¹³ the continuation and future of the TEC and its role in respect of future projects like the boiler baseline study were drawn into question.
13. On February 26, 2015, the Board issued its Decision and Order in respect of Enbridge's 2013 DSM clearance application (EB-2014-0277). In this Decision, at page 9, the Board notes that Board Staff suggested that the results of the boiler baseline study "should be

⁹ Optimal, *Independent Audit of Enbridge 2013 DSM Results, Final Report*, June 24, 2014, EB-2014-0277, Ex. B/T2/S1, pp. 7/8

¹⁰ 2013 Audit Summary Report, September 24, 2014, EB-2014-0277, Ex. B/T3/S1, p. 17

¹¹ Framework, EB-2014-0134, p. 30; Filing Guidelines, pp.15-20

¹² Framework, EB-2014-0134, pp. 31/32; Filing Guidelines, pp. 23-25

¹³ Filing Guidelines, EB-2014-0134, p. 24

applied to the evaluation of the 2014 results and inform the development of the DSM Plans under the new Framework". There was, however, no discussion in this proceeding about the status of the study nor the steps and timelines that would be required and which would be reasonable under the circumstances. While Enbridge indicated in its response of September 24, 2014 to the Independent Auditor's report that the boiler baseline study recommendation would be "directed to the TEC for completion in 2015", with the subsequent issuance of the Framework and the uncertainties of the continued role of the TEC in future in respect of such matters, as of the date of Board's Decision in February 2015, the TEC had not proceeded with the necessary steps required to finalize the terms of reference nor the consultant selection process for the study.

14. As well, as of the date of the Board's Decision, the CPSV and audit were already underway. Further, Enbridge was also in the process of preparing its 2015 to 2020 Multi-Year DSM Plan application, which was filed on April 1, 2015 (EB-2015-0049). It therefore does not appear that Board Staff gave any consideration to timing issues in that even if the boiler baseline study could have been completed towards the end of 2015, it could not have been used to inform the development of Enbridge's 2015 to 2020 Multi-Year DSM Plan filing, nor could it be used for the purposes of the verification and audit of 2014 results which would, by that time, have undergone the required detailed reviews of the CPSV contractor and the Independent Auditor which needed to be completed in time to meet the RRR and June 30, 2011 DSM Guidelines requirements to file an auditor's report by the end of June.
15. Enbridge notes that Union identified in its 2013 DSM clearance application that while the boiler baseline study had recently been deemed a TEC priority and that a process was being put in place to determine scope of work and timelines, it would take up to 12 months to complete and therefore could not be applied to 2014 DSM results.¹⁴ The Board specifically noted this in its Decision and Order in this Union proceeding dated June 4, 2015.
16. Enbridge acknowledges that the Board indicated in its Decision and Order in respect of the 2013 DSM clearance application that it was "supportive" of the proposed boiler

¹⁴ EB-2014-0273, Decision and Order of the Board, June 4, 2015, p. 6

baseline study being undertaken with the findings being incorporated in the evaluation of the 2014 results. The fact that Enbridge was not specifically “directed” or ordered to complete the study in time for incorporation in its 2014 DSM clearance results may be a reflection of the fact that the Board was cognizant of the timing constraints which the Company faced. In any event, following receipt of this Board’s Decision and Order, Enbridge raised the issue at the AC meeting on March 6, 2015. As noted in evidence,¹⁵ the AC had questions regarding who should initiate and oversee the study and whether it should be a joint study with Union. Indeed, the question of whether the study should be undertaken jointly with Union was not answered until the Board’s Decision and Order of June 4, 2015 in Union’s 2013 DSM clearance application.

17. Enbridge’s 2014 AC and Independent Auditor, Optimal, understood that the boiler baseline study could not be completed prior to June 2015, and thus could not be incorporated into the 2014 DSM audit process and timelines. The AC and Optimal, as a result, agreed that Optimal should proceed on its current work plan and schedule, with the understanding that the boiler baseline study would not be incorporated into the final Audit Report, but that the CPSV reviewers and Optimal should adopt an approach in the consideration of base case assumptions that it considered, in its expert opinion to be reasonable in lieu of the study. In other words, recognizing that the boiler baseline study could not be used for the purposes of the evaluation process for 2014, the AC and Optimal adapted the audit and review process to ensure the audit process fully contemplated the Board’s decision and made appropriate adjustments in lieu of the boiler baseline study which could not be completed in time to be considered in the 2014 audit.
18. Enbridge submits that for the reasons given above, it is not surprising that the boiler baseline study was not completed in 2015. Indeed, the Company notes that by letter dated August 21, 2015 (“Notice”), the Board gave notice of its intentions in respect of the establishment of a process to evaluate the results of DSM programs from 2015 to 2020.¹⁶ This Notice confirmed that the Board would be retaining a third party evaluation contractor which would be responsible for auditing each gas utility’s DSM results. The Evaluation Contractor would also be responsible to review and propose updates to

¹⁵ 2014 DSM Audit Summary Report, EB-2015-0267, Ex. B/T3/S1, p. 8

¹⁶ EB-2015-0245, August 21, 2015.

the Technical Reference Manual with this review including proposed updates to input assumptions which might require additional research.

19. It is noteworthy that the Board identified, at page 4 of this Notice, that the current responsibilities of the TEC as of August 21, 2015 included the joint utility boiler baseline study as well as the completion of a commercial and industrial custom Net-to-Gross Study and Persistence Study. While this notice provided some certainty to the TEC as to its future role, the TEC's role up to this point had remained unclear. Certainly as of the date of this August 21, 2015 Notice, it was clear that the study could not be completed for the purposes of using it for the review and verification of 2014 results, as the annual evaluation, verification and audit of Enbridge's 2014 results had already been completed as required to meet RRR requirements.
20. In the most recent notice received from the Board dealing with the transition of DSM evaluation activities from the TEC to the OEB, the Board noted, at page 2, that while the TEC developed a scope of work and issued a Request for Proposals for the boiler baseline study in October 2015, to which consultants have submitted proposals, "the TEC has not proceeded with the evaluation of the proposals as it is awaiting further instructions from the OEB."¹⁷ In the transition plan component of this Notice, the Board gave the following guidance:

"3) *Boiler Baseline Study* This study was the result of OEB decisions for both Enbridge and Union Gas and therefore the utilities are expected to complete it. Once the proposals have been evaluated and a consultant selected for the Boiler Baseline Study, in order to transition to the new framework, input on the study will be provided to the utilities by the EAC and OEB Staff instead of the TEC."¹⁸
21. All of the above leads to the conclusion that it was simply not feasible to have the boiler baseline study completed in 2015. Given the circumstances which have transpired since Enbridge filed its 2013 DSM clearance application, Enbridge submits that the delay in completing the study is not unreasonable, and is not an outcome that Enbridge could have avoided in light of the thorough and inclusive nature of its annual evaluation and audit process.

¹⁷ EB-2015-0245, OEB Memorandum, March 4, 2016, p. 2

¹⁸ EB-2015-0245, OEB Memorandum, March 4, 2016, p. 3

22. DSM programs and results are continually impacted by changes to input assumptions and values which are the result of studies undertaken in numerous jurisdictions. If the clearance of a particular year's DSM accounts was dependent upon the completion of all known studies that could have an impact on the current year's results, then DSM results would never be finalized. Enbridge submits that the clearance of its 2014 DSM accounts should not be treated any differently from prior clearance applications where relevant future studies were pending. If this clearance application is delayed due to the pending boiler baseline study, should its final approval and/or future clearance applications not similarly await the pending Net-to-Gross Study, the Persistence Study, and the Potential Study, all of which are "on the horizon"?
23. What Board Staff are proposing would require a complete redoing of the 2014 CPSV and audit in that the evaluation and audit process in respect of 2014 has already been fully completed. If the results of the boiler baseline study are to be incorporated into 2014 results, custom boiler projects will need to be reassessed and new savings calculations completed. Consequently, the full verification and audit would then need to be repeated. It will also require a further proceeding before the Board to obtain final approval for clearance. This will result in further regulatory costs. Delay in the finalization of DSM results will also mean that there will be a wider gap between the period in which the DSM savings were generated and when the costs associated with same are paid by ratepayers. Board Staff assert that the Board should grant interim approval only until the boiler baseline study is completed on the basis of "the significant magnitude of change that may result from the updated study results". Board Staff offer no evidence in support of this assertion. The auditor explained that an alternative approach was taken to consider boiler base case assumptions and consequently significant reductions were made. To be clear, there is no evidence that the results of the boiler baseline study will have a material impact on 2014 audited results.

Other Submissions by Board Staff

24. Board Staff made several further submissions on other matters. While Board Staff have not recommended any adjustment to the amounts proposed for clearance as result of these submissions, the Company believes that certain statements made are inaccurate or not representative of the process undertaken. As a result, Enbridge offers the following reply submissions.

Payback Periods

25. In spite of the evidence, argument and the determination by the Board in the 2015 to 2020 Multi-Year DSM Plan proceeding that a payback period threshold should not be mandated,¹⁹ Board Staff express concerns with some of the payback periods calculated in respect of Enbridge's Commercial and Industrial Custom Projects. Board Staff express this concern, once again, notwithstanding their explicit acknowledgment at page 7 of their submission "that payback threshold is only one of a number of deciding factors that customers need to consider when making energy efficient choices."²⁰
26. It is appropriate to first acknowledge that Enbridge is cognizant of the Board's direction to improve program design with a view to screening out freeridership. Enbridge will, as required by the Board, report on these efforts or identify the barriers to lowering the freerider rate as part of the mid-term review.²¹
27. While Enbridge will make all reasonable efforts to improve program design to further reduce freeridership, it is important to note that Enbridge believes it has taken reasonable steps to date, including in respect of its 2014 Commercial and Industrial Custom Projects, to screen out freeriders. As noted in evidence during the 2015 to 2020 Multi-Year DSM Plan proceeding, Enbridge's staff are vigilant in their efforts to detect and reject program participants that are freeriders.
28. As was made clear during the 2015 to 2020 Multi-Year DSM Plan proceeding, if a payback threshold period is to be introduced, the applicable freeridership rate will need to be adjusted downwards, perhaps to zero. Implementing a payback period and at the same time imposing a freerider rate would amount to double counting. The Company submits that this fact appears to have been neglected by Board Staff as freerider rates are applied to its custom projects.
29. In the end, Board Staff do not recommend that the Board adjust any of the amounts claimed in respect of the Company's Commercial and Industrial Custom Projects. Board Staff only recommend that the Company improve the design of its Commercial

¹⁹ EB-2015-0049, Decision and Order, January 20, 2016, p. 21

²⁰ Board Staff Submission, March 23, 2016, p. 7

²¹ EB-2015-0049, Decision and Order, January 20, 2016, p. 21

and Industrial Custom Projects as soon as possible, which the Company is already in the process of doing.

Base Case

30. It is appropriate to start this discussion by acknowledging the difference between a custom project's pre-existing case and the base case or "virtual" case, a term introduced by the CPSV contractor, MMM Group. The pre-existing or existing case is the configuration and efficiency of a specific facility's current plant without any improvements or modifications. The base case, or in MMM Group's terminology, the "virtual" case, are the upgrades and energy efficiencies that a facility would have undertaken and implemented in any event without the involvement of Enbridge. While the base case can sometimes be the same as the existing case, in the situation of boilers, given the requirement to use the current thermal efficiency factor of 80.5% for the base case, the existing case is often not equal to the base case.
31. It is a practical reality beyond Enbridge's control that in many instances due to age, design changes over the years, management changes and lack of document retention, actual physical proof of the existing case at a particular plant simply does not exist. Older equipment may not have name plates and there may not be computers to develop screen shots. While Enbridge agrees with MMM Group's recommendation that it would improve the confidence of confirming the existing case by having more physical proof, it is important to note that the MMM Group did not say that its review and calculations should be questioned because such physical evidence of the existing case was not available in some situations. It should be recalled that the MMM Group did undertake a site visit in respect of each project and had the opportunity to interview the operators of each of the facilities to verify the existing case.
32. In respect of the 27 projects which were reviewed by the MMM Group, for 11 of the projects, the MMM Group indicated that there was either incomplete or not enough information available "to validate the existing case". It is important to understand that when the CPSV contractor undertakes its site visit, existing equipment has been replaced or modified and as such, there remains no physical evidence of what previously existed. This is not a phenomenon unique to 2014. This has always been the case, but CPSV contractors can and do, where relevant, verify the existing case by other

means. For example, the existence of various controls on equipment which might impact seasonal efficiencies will be considered and verified by the CPSV contractor.

33. Importantly, the MMM Group did not say that it did not have sufficient base case documentation to substantiate the savings claimed. What the MMM Group recommended was that having additional physical evidence of the pre-existing condition would “improve the confidence of the existing case development”.²²
34. It appears that Board Staff have confused how the existing case and base case are used in savings calculations. Staff submit that using a “virtual base case” is not appropriate for calculating savings and that this could be mitigated by “the collection of adequate base case information in the first place.” Savings, however, are not calculated based on the delta between the existing case and the post-retrofit case (except where the base case and existing case are the same). Savings are calculated based on the delta between what was installed during the custom project and what would have been installed absent Enbridge’s involvement (i.e., the base or “virtual” case). What would have been installed absent Enbridge’s involvement is never physically installed. There is never any physical proof of what would have been installed without Enbridge’s influence on the customer to undertake additional work and achieve greater efficiencies. Accordingly, unless a base case and existing case are the same, a base case is inherently “virtual” because it never actually existed.
35. Where the MMM Group uses the term “virtual”, it is referring to the base case which is what a facility would have done without Enbridge’s involvement. It appears that Board Staff in their submission have confused the MMM Group’s recommendations in respect of the desirability of obtaining additional physical evidence about a facility’s existing case, with the process which is undertaken to develop a *base case*, which is then used to calculate the additional efficiencies that will be realized as a result of Enbridge’s involvement above this base case.
36. This apparent confusion needs to be addressed in the context of the pending boiler baseline study. It is the explicit purpose of this study to evaluate the most appropriate base case or “virtual” base case for commercial custom boiler projects.

²² EB-2015-0267, Ex. B/T5/S1, p. 180 (184 of 185)

Stated differently, the boiler baseline study will not develop calculations as to the efficiencies of boilers actually installed, but rather the base or “virtual” base case of boilers that would be installed absent Enbridge’s involvement. The delta between this base case and what is actually installed as a result of Enbridge’s influence will be used for the purposes of calculating savings. The actual pre-existing efficiency of boilers at a specific project will differ from this calculation. It is the physical evidence of the pre-existing case to which the MMM Group’s recommendation applies – not the base case.

37. In short, MMM Group did not state that it lacked sufficient documentation to substantiate the savings that it verified. Given this and the apparent confusion between the existing case and the MMM Group’s recommendation in regards to it, Enbridge submits that there is no basis for the concerns expressed by Board Staff.

Treatment of Custom Boiler Projects

38. Board Staff have referenced a matter which is not an issue currently before the Board in this proceeding. While no decision or findings by the Board are required in this proceeding, Enbridge feels compelled to address Board Staff’s incorrect interpretation of what Enbridge stated in an earlier interrogatory response.
39. Specifically, Board Staff erroneously concluded that Enbridge proposes that boiler efficiency upgrades for custom projects should be treated as prescriptive measures in the future as opposed to custom projects. This is not what Enbridge was suggesting in its response to Board Staff Interrogatory No. 1.²³ In short, what Enbridge attempted to identify is the fact that a prescriptive input, namely, the thermal efficiency of the fleet of boilers in Ontario as determined by the most recent boiler baseline study, is prescriptively used as part of the calculation of savings for a custom project. It is not a custom input which varies from project to project. Enbridge is simply confirming that, consistent with the Board’s Decision in the 2015-2020 Multi-Year DSM Plan proceeding, prescriptive inputs, like the thermal efficiency factor that will be developed by the forthcoming boiler baseline study, are applied prescriptively and therefore should not be adjusted retroactively for the purposes of calculating the shareholder incentive.

²³ Ex. I.EGDI.Staff.1(c)

40. Enbridge filed its 2015-2020 Multi-Year DSM Plan based upon a prescriptive input for custom boiler projects using a thermal efficiency factor of 80.5%. While the savings calculated for custom projects are based on a number of other factors that are custom to each project, using Enbridge's ETools, the 80.5% factor is a prescriptive input. If, for example, the boiler baseline study determines that the baseline of the fleet of boilers in Enbridge's franchise territories is 82%, it would be inconsistent with the Board's Decision in the 2015-2020 Multi-Year DSM Plan proceeding to evaluate Enbridge's DSM results from prior years using an 82% thermal efficiency factor where an 80.5% prescriptive input was used for the purposes of developing the Plan and its targets.
41. The 80.5% thermal efficiency factor would continue to be used for the purposes of savings calculations to develop the shareholder incentive. All other non-prescriptive adjustments would be based upon the best available information as at the time of the review by the EAC and the Board.

REPLY TO IGUA

42. Enbridge's reply to the submissions made by IGUA appear in the order in which the issues were raised in IGUA's final submission. Enbridge notes that IGUA does not request any change to the amounts proposed to be cleared.

Requested Direction

43. IGUA has asked the Board, at paragraph 13 of its submission, to direct Enbridge in future DSM clearance applications to provide a table which includes not only the variances and deferral accounts, but also the dollars included in rates by rate class. While Enbridge does not object to providing such information, it should be recognized that the full costs of Enbridge's 2014 DSM activities are recovered in part at different times. 2014 rates had embedded within them a placeholder amount for DSM. The objective of this 2014 DSM clearance proceeding is to undertake a true-up, based upon actual spending, relative to those amounts already recovered in rates.
44. The 2014 DSM budget was approved by the Board in the 2013 to 2014 DSM Update (EB-2012-0394). In this proceeding Enbridge filed, at Exhibit B, Tab 2, Schedule 1, evidence regarding System Characteristics and Rate Allocations which included, at Table 2, the allocation by rate class of Enbridge's proposed DSM spending in 2014.

This Table calculated the annual bill impact for typical customers in each of Enbridge's rate classes. Enbridge notes that its DSM Plan Update was the subject of a Settlement Agreement, to which IGUA was a party, and was accepted by the Board pursuant to a Decision and Order dated July 4, 2013.

45. The amounts proposed for clearance in this proceeding are the net adjusted amounts recoverable, recognizing that amounts were already recovered in rates in 2014. The proposed clearance amounts also account for adjustments in spending in the various rate classes and, therefore, adjustments to the DSMVA, LRAM and DSMIDA balances allocated to the various rate classes.
46. Enbridge could prepare a table that sets out the total costs by rate class for its DSM activities in 2014, but it would need to be acknowledged that such amounts will not be added to future rates as the majority of the costs have already been recovered in rates in 2014. Given that the purpose of this 2014 DSM clearance application is to true-up amounts embedded in rates with actual DSM spending and not to reconsider whether the planned level of spending in 2014 was appropriate, Enbridge questions how helpful this additional information would be in the context of a DSM clearance application. Questions surrounding spending levels on particular rate classes are intended for applications such as the 2015-2020 Multi-year DSM Plan filing, which was only recently completed.

Redactions

47. At paragraph 18, IGUA questions why the identity of the evaluators/external consultants engaged by the industrial customers which were the subject of review by the CPSV contractor were redacted. It is Enbridge's experience that in respect of some industries, certain contractors are identifiable as the "go-to" contractors for a particular industry or facility. Identifying the consultant would likely result in the identification of the project participant. This would be contrary to Enbridge's customer confidentiality obligations.

Information Missing in CPSV Reports

48. It is important to recognize that the CPSV contractors are retained and required to complete their work pursuant to Terms of Reference ("ToR") which have been considered and approved by the joint TEC. The methodology of the CPSV contractors'

review and the contents of their report are a reflection of the approved ToR. Some of the information which IGUA suggests as being missing was simply not within the scope of work required of the CPSV contractor. The ToR have been included in this application as Appendix A to Exhibit B, Tab 1, Schedule 1, beginning on page 127.

49. It is apparent that IGUA supports the appropriate redaction of the CPSV contractors' reports given the requirement to maintain customer confidentiality. Enbridge believes that any changes to the existing ToR under which the CPSV contractors operate which requires them to include specific details about the Company's involvement with its industrial customers requires thoughtful consideration as this requirement would likely come into conflict with the commercial confidentiality obligations under which the Company is obliged to operate.

Freeridership

50. At pages 5 through 7, IGUA has pointed to four projects where some of the description of the project IGUA interprets as indicating that project participants were engaged in other energy-efficiency related activities and that this might indicate freeridership. Enbridge disagrees. Enbridge submits that for a large industrial, it would be surprising if they were not pro-active about managing their costs and operations, including those relating to energy use. Enbridge's goal and involvement is to encourage additional and/or different energy-efficiency measures to be implemented by even the more sophisticated and energy-efficiency savvy customers. Any discussion about freeridership must take into consideration, particularly in the case of industrial projects, the complexity and specific nature of a facility's operations and Enbridge's expertise and ability to recognize where additional improvements can be identified and implemented.
51. The assessment of freeridership is a complex and specialized task. Enbridge notes that the issue of freeridership will be considered in the forthcoming Net-to-Gross Study.

Freeridership Rate

52. At paragraph 23 of its submission, IGUA indicated it was unable to locate how Enbridge discounted its industrial DSM gas savings for freeridership. IGUA is directed to Exhibit B, Tab 1, Schedule 2, page 12 in EB-2015-0344, which is the joint application with Union for approval for updated input assumptions. Consistent with previous

proceedings, Enbridge applied for approval of a freeridership rate for industrial projects in this proceeding at the 50% level.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

ENBRIDGE GAS DISTRIBUTION INC.
by it Counsel

(Original Signed)

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