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February 12, 2018

DELIVERED VIA E-MAIL

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

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. ("Enbridge" or "Company")
EB-2017-0128
DSM Mid-Term Review

We are writing as counsel to Enbridge to request that the Ontario Energy Board ("**Board**") consider and render, if appropriate, an early decision in respect of two of the proposals made by Enbridge in its January 15, 2018 filing in this proceeding (the "**January Filing**"). This request is made so that Enbridge can plan and undertake its 2018 DSM Program with the benefit of the Board's determination in respect of these matters as the Board's decision will have a material impact on how the Company can undertake its 2018 DSM Program year.

Enbridge acknowledges that the Board's letter dated June 20, 2017 ("**Letter**"), which outlined the process under which the Board intends to undertake its Mid-Term Review of the 2015-2020 DSM Framework, contemplates a decision by the Board by December 1, 2018. Unfortunately, if a determination in respect of the 2 matters discussed below is left to this date, Enbridge's 2018 program offerings and results will be negatively affected.

In its decision dated January 20, 2016 in respect of Enbridge's 2015-2020 Multi-Year DSM Plan (EB-2015-0049) ("**Decision**") and in the Letter, the Board states that one of the purposes of the Mid-Term Review is to assess the annual metrics and budget levels that were set by the Decision. Enbridge notes that if it is the Board's intention that its assessment of metrics and budget levels and any decision made as a result of this assessment is intended to have an impact on the 2018 Program year, a decision in respect of the following two matters is required by no later than the middle of Q2.

Enbridge noted in its January Filing at page 17 that because the Decision required the gas utilities to increase targets across the board by 10% without a corresponding increase in the budget approved to pay customer incentives, a fundamental mismatch developed between the budget for customer incentives required to support the higher targets and the budgets approved for each of the years of the Multi-Year Plan. Enbridge provided an example in its January Filing of the HEC program offer where customers can receive up to $2,100 in incentives for energy audits and upgrades. The Decision and the requirement to increase targets by 10% resulted in an increase to the target for this program offering of 751 participants. The cost in respect to this program offering alone to pay these 751 additional customers such an incentive is an additional $1.57 million over the budget approved by the Decision.

This lack of budget for customer incentives is compounded when one looks at the entire portfolio of DSM program offerings. As the Company has noted, without a budget to support the additional participants, the unavoidable negative options that it must consider are either lowering the customer incentive (which will make the program materially less attractive and therefore less successful) or cannibalizing monies from other programs by greatly curtailing or ending such programs. Either way, there will be a reduction in natural gas savings that otherwise could have been achieved.

To support the Company's efforts in 2018 to achieve targets, Enbridge has proposed an increase in its DSM program budgets for each of the years 2018 through 2020 of 10%. Enbridge refers to this additional budget as the Customer Incentive Fund. As noted at Appendix C, page 1 in the January Filing, for 2018, the Customer Incentive Fund requested is approximately $5.4 million. Importantly, Enbridge confirms that if this additional budget is approved, it will be used solely for the purposes of paying customer incentives.

Enbridge notes that no rate or accounting order is required at this time to give effect to the requested Customer Incentive Fund. With Board approval for the Customer Incentive Fund, the accounting treatment of the additional funds can be dealt with by the DSMVA. The draft accounting order for the 2018 DSMVA is currently before the Board for approval (EB-2017-0086). The wording of the 2018 DSMVA is in material respects identical to the 2017 DSMVA both of which proved that:

> "In addition, any further variance in DSM spending and results, beyond the budget included within rates, which occurs as a result of Board decisions in ongoing or upcoming DSM proceedings, will be included within the DSMVA".

Enbridge submits that should the Board approve the Customer Incentive Fund, the DSMVA is available to recover or clear amounts spent on customer incentives up to the 10% limit.

As an alternative, Enbridge noted in its January Filing that a decrease in targets by 10% would achieve the same result, namely that the Company would have sufficient budget for customer incentives to meet target.

The other request by the Company which will have a material impact on 2018 and future program years relates to the DSM Participant Incentive Deferral Account ("DSMPIDA"). As noted in the January Filing at page 47, this deferral account would be used to record the variance between the approved budget in one year and the future incentive payments forecasted for those participants that enrolled in the first year. Simply stated, this account would provide an accounting mechanism which would allow current year budgeted amounts for customer incentives to be rolled forward into the years in which the incentives become due and payable. The need for this account is based simply on the fact that Enbridge operates several multi-year program offerings which allow participants to earn incentives over three to five years. Currently, there is no accounting mechanism which allows the company to roll forward the budget which exists for such incentives in year one into the years when the incentives are earned and become payable.

Without the DSMPIDA, Enbridge will have no alternative but to consider eliminating or retiring early programs like the Savings by Design Residential, Commercial and/or Low Income Programs. Without the proposed deferral account, Enbridge will have no certainty of being able to pay incentives to program participants in the years following the end of the current Multi-Year DSM Plan on December 31, 2020. Enbridge may have to change its multi-year programs so that incentives will only be paid out until the end of 2020. This would, of course, fundamentally undermine the objective of the Savings by Design Programs which encourage builders to be construct buildings to higher standards with the incentive being paid upon completion. It is simply not feasible that a builder can enroll and complete all of the projects contemplated in the same calendar year so as to receive the incentive promised.

Enbridge is therefore requesting an early decision by the Board in respect of its requests for: (1) approval of the 10% Customer Incentive Fund for 2018 (or to reduce targets by 10%); and, (2) approval for the establishment of the DSMPIDA. In respect to the latter, Enbridge proposes that upon receipt of Board approval, it will share with all parties a draft accounting order for review and comment. The Board would then be in a position to issue an accounting order approving the DSMPIDA. Again, the company does not believe that a rate or accounting order is required in respect of the 10% Customer Incentive Fund as the DSMVA is available for such purposes.

Enbridge appreciates the Board's consideration of the above.

Yours truly,

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