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VIA EMAIL, RESS, AND COURIER

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

Dear Ms. Walli:

**Re: EB-2015-0245 - 2015-2020 Demand Side Management (DSM) Evaluation Process
Boiler Baseline Study - Status Update
Enbridge Gas Distribution Inc. - Union Gas Limited**

The purpose of this letter is to provide a status update on the Boiler Baseline Study the natural gas utilities were directed by the Ontario Energy Board to complete.

Background

In a letter from the Ontario Energy Board (“OEB”) dated August 21, 2015 “2015-2020 Demand Side Management Evaluation Process of Program Results” the Board outlined a new DSM evaluation process which included a transition plan from the previous evaluation process.¹ The new evaluation process included the establishment of an Evaluation Advisory Committee (“EAC”) to provide input and advice to the OEB on the evaluation and audit of DSM results. In a subsequent letter dated March 4, 2016, the Board provided more specifics on the transition of activities to the OEB.²

As part of the transition plan, the natural gas utilities would continue to manage the Boiler Baseline Study with input and advice from a Sub-Committee. The Boiler Baseline Sub-Committee includes representatives from the OEB, Enbridge Gas Distribution, Union Gas and the following members of the EAC: Ted Kesik, Chris Neme and Bob Wirtshafter.

Request for Proposals (RFP) Process and Contract Execution

In November 2015 an RFP was issued with responses received in December 2015. To seek assurance the study outcomes would produce unbiased and statistically valid results, select proponents were requested to address specific questions and submit revised proposals. ICF Consulting Canada Inc. (“ICF”) was chosen as the successful bidder in June 2016.

After gaining input from the Boiler Baseline Sub-Committee in a meeting on August 17, 2016, meaningful changes were made to the scope of work in order to improve the study outcomes. ICF submitted a revised proposal in October 2016 that included changes to the scope of work. A tri-party contract between ICF, Enbridge Gas Distribution and Union Gas was executed in March 2017 and the study commenced.

¹ https://www.oeb.ca/oeb/_Documents/EB-2014-0134/OEB_Ltr_%20DSM_Evaluation_Process_20150821.pdf

² https://www.oeb.ca/oeb/_Documents/EB-2014-0134/letter_TEC_EAC_Transition_20160304.pdf

Study Objective

The primary objective of the study was to determine the thermal efficiency and frequency of boiler features that would be included in a hypothetical baseline boiler - in the absence of a DSM program. To achieve this objective, ICF would identify and collect on-site data on 140 recently upgraded commercial boilers that met specific eligibility criteria from customers that had not participated in a DSM program.

Study Execution and Challenges

To support this study, the utilities supplied contact information on over 11,000 commercial customers that had not participated in a DSM program. To provide further support, the utilities sent out introductory letters in advance of customers being contacted by ICF. The goal was to put the utilities brand and trust behind the study since ICF does not have name awareness with utility customers. ICF utilized their in-house call center to contact and prescreen customer sites.

After contacting customers and following up with site visits for over six months, ICF provided a status update memo to the utilities in October 2017. The memo indicated that from the almost 7,000 customers contacted and 28 sites visited, on-site data was collected from only five sites.

The challenges with successfully completing onsite data collection related to difficulties connecting with the appropriate individual that understood their boiler facilities and a lack of customer motivation to participate in the study. The modest \$20 gift certificate offered as an incentive may have contributed to the lack of customer motivation.

The natural gas utilities together with ICF identified the following enhancements to the study plan:

- Reduce the sample size from collecting on-site data on 140 to 70 commercial boiler sites. This lower number would still achieve statistically valid results.
- Rather than only contacting end-use customers, reach out to boiler contractors that would likely have knowledge on the location of eligible customer sites. Contractors would be limited to five sites each to ensure the study was not biased and were required to obtain permission from the customer prior to being identified as a candidate.
- Provide a \$200 incentive to both the contractor and customer for each successful site. The total financial incentive provided is up to \$400 per site - resulting in a more meaningful incentive than the \$20 gift certificate for each customer in the original plan.
- Increase the pool of eligible boilers by extending the boiler age criteria from those installed on or after January 1, 2014 to on or after July 1, 2013. Minimum energy efficiency changes under the Green Energy Act came into effect on July 1, 2013 as outlined in Ontario Regulation 404/12.³ These changes were superseded by changes which came into effect January 1, 2017.

The objective was to avoid capturing lower energy efficiency boilers in the study that may have been installed prior to July 1, 2013, yet still have access to a meaningful pool of boilers in the field.

³ O. Reg. 404/12: Energy and Water Efficiency - Appliances and Products, under Green Energy Act, 2009, S.O. 2009, c. 12, Sched. A, available at: <https://www.ontario.ca/laws/regulation/120404>

In a meeting with the utilities on December 11, 2017 the Boiler Baseline Sub-Committee supported the above enhancements. ICF began implementation of the enhanced plan in early 2018.

In a June 2018 project update memo, ICF advised the utilities that implementation of the first phase of the enhanced plan yielded only two additional sites. Since commencement of the project over one ago, that included additional outreach to boiler contractors and significantly higher financial incentives, the project only identified seven sites (including five from the original plan) that met the eligibility criteria out of a new target of 70 sites. Below is a key excerpt from the project update memo.

“Based on level of effort ICF has applied to this project and the results to date, we have come to the conclusion that we cannot meet the objective of this study”.

In a meeting on July 19, 2018 the Boiler Baseline Sub-Committee supported the utilities plan to terminate the contract with ICF and reach a settlement on the final cost.

Next Steps

In that same meeting on July 19, 2018, the Boiler Baseline Sub-Committee supported a plan for the utilities to identify and consult with industry experts in an effort to seek input to develop an alternative approach for the determination of an appropriate boiler baseline. The intention is that the utilities will meet with the Boiler Baseline Sub-Committee to seek further input and advice prior to moving forward with an alternative approach.

In the interim and until a new baseline is established, the utilities will modify the input assumptions for the 2018 DSM program year to reflect the current minimum efficiency requirements for commercial boilers outlined in Ontario Regulation 404/12.³

Sincerely,

[original signed]

Daniel Johnson
Manager, DSM Finance, Reporting & Evaluation

cc: Ted Kesik, University of Toronto (via email)
Mark Kitchen, Union Gas Limited (via email)
Chris Neme, Energy Futures Group (via email)
Robert M. Wirtshafter, Wirtshafter Associates, Inc. (via email)
Valerie Bennett, Ontario Energy Board (via email)