Ontario

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2018-0300
(Enbridge Gas Inc. operating as Union Gas)

EB-2018-0301
(Enbridge Gas Inc. operating as Enbridge Gas Distribution)

ENBRIDGE GAS INC.

Application for approval of shareholder incentives, lost revenues, and program expenditures related to 2016 natural gas demand side management programs.

BEFORE: **Michael Janigan**
Presiding Member

Susan Frank
Member

Lynne Anderson
Member

April 11, 2019

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1 INTRODUCTION AND SUMMARY

Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union)) requested that the Ontario Energy Board (OEB) approve the recovery of amounts related to their respective 2016 natural gas Demand Side Management (DSM) conservation programs. The OEB approved separate 6-year DSM plans for each of EGD and Union on January 20, 2016 (the 2015-2020 DSM Decision).[1]

Effective January 1, 2019 EGD and Union amalgamated to become Enbridge Gas Inc. (Enbridge Gas). Following the amalgamation, Enbridge Gas Inc. will maintain the existing rate zones of EGD and Union.

The approval sought in these applications are as follows:

For the EGD Rate Zone:

- $6.366M to be recovered from rate payers for its shareholder incentive earned for meeting its 2016 targets
- $(95,625) to be refunded to rate payers for lost revenues as the forecast DSM savings were greater than actual DSM savings in 2016
- $(712,832) to be refunded to rate payers for program costs which were recovered in rates but were not spent in 2016

For the Union Rate Zone:

- $4.121M to be recovered from rate payers for its shareholder incentive earned for meeting its 2016 targets
- $487,559 to be recovered from rate payers for lost revenues as the actual DSM savings were greater than forecast savings in 2016
- $(6,155,723) to be refunded to rate payers for program costs which were recovered in rates but were not spent in 2016

The 2015-2020 DSM Decision provides the context for the review of the 2016 DSM Deferral and Variance accounts.

[1] EB-2015-0029/0049, Decision and Order, January 20, 2016

The applications were based on the Final 2016 Annual Verification Report prepared for the OEB by the OEB's Evaluation Contractor, consulting firm DNV GL.[2] However, for calculating the shareholder incentive and lost revenue amounts, Enbridge Gas adjusted the 2016 program year targets based on the updated net-to-gross factors from the 2015 evaluation study for each of the EGD and Union rate zones.

The OEB approves Enbridge Gas' requested DSM shareholder incentive account balances of $6.366M for the EGD rate zone and $4.121M for the Union rate zones. As noted in the 2015-2020 DSM Decision, the OEB directed the utilities to use updated assumptions and net-to-gross factors in setting targets.[3]

The OEB approves the disposition of the lost revenues account as requested by Enbridge Gas. Enbridge Gas will refund $0.096M to rate payers in the EGD rate zone and recover $0.488M from rate payers in the Union rate zone.

The OEB approves the DSMVA account balances as requested by Enbridge Gas. Therefore, Enbridge Gas will refund $0.713M to rate payers in the EGD rate zone and $6.156M to rate payers in the Union rate zone. The OEB also approves the request to roll forward $2.822M of the 2016 DSM budget in the Union rate zone for tracking and reporting upgrade costs in 2017 and 2018 to reflect actual spending in those years.

The total approved balances for disposition are as follows:

2016 DSM Deferral and Variance Account Balances ($ millions)	**EGD**	**Union**
Demand Side Management Variance Account (DSMVA)	$(0.713)	$(6.156)
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	$(0.096)	$0.488
Demand Side Management Incentive Deferral Account (DSMIDA)	$6.366	$4.121
TOTAL	**$5.557**	**$(1.547)**

* Note: Negative amounts are to be returned to rate payers

[2] 2016 Natural Gas Demand Side Management Annual Verification Report, October 30, 2018
[3] EB-2015-0029 / EB-2015-0049, Decision and Order, January 20, 2016, Section 9.5, Page 75

2 BACKGROUND

EGD and Union each filed applications with the OEB to recover through rates: a shareholder incentive, lost revenues, and DSM program costs related to 2016 DSM activities. Under the *Ontario Energy Board Act, 1998* (the OEB Act), natural gas distributors must apply to the OEB to change the rates they charge customers.

EGD and Union amalgamated effective January 1, 2019 becoming Enbridge Gas. Enbridge Gas is a natural gas storage, transmission and distribution company based in Ontario. Enbridge Gas serves approximately 3.4 million customers in more than 500 communities across Ontario. Enbridge Gas provides service in three main rate zones: EGD rate zone located in central, eastern and the Niagara regions; Union North rate zone located in northern Ontario; and, Union South rate zone located in southwestern Ontario.

The OEB issued the 2015 to 2020 DSM Framework on December 22, 2014 (the DSM Framework).[4] The 2015-2020 DSM Framework provided guidance to the utilities on the key areas the OEB expected to see included within new multi-year DSM plans, including guidance related to the evaluation of annual DSM program results.

In response to the OEB’s 2015-2020 DSM Framework, EGD and Union each filed applications for the OEB to approve separate six-year DSM plans.[5] On January 20, 2016, the OEB issued its Decision and Order on the utilities’ 2015-2020 DSM Plans. The OEB approved natural gas DSM programs for residential, commercial, and industrial customers.

The applications were based on the final 2016 DSM program results within the 2016 Annual Verification Report prepared by the OEB’s Evaluation Contractor. However, for calculating the shareholder incentive, Enbridge Gas has adjusted the 2016 program year targets to account for the net-to-gross factors determined as part of the 2015 DSM program evaluation.

[4] Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), EB-2014-0134, December 22, 2014
[5] EGD: EB-2015-0049, Union: EB-2015-0029

3 PROCESS

Union filed its application with the OEB on November 30, 2018. EGD filed its application with the OEB on December 10, 2018. The utilities requested approval and clearance of the 2016 DSM deferral and variance accounts. The applications were filed in accordance with the OEB's 2015-2020 DSM Framework and Filing Guidelines, and the 2015-2020 DSM Decision.

On December 21, 2018 the OEB issued a Notice of Hearing (Notice) to review the utilities' applications. Also as part of the Notice, pursuant to section 21(5) of the OEB Act, the OEB indicated that it would review the applications as part of one combined proceeding.

On January 21, 2019 the OEB issued Procedural Order No. 1. Within Procedural Order No. 1 the OEB set out the process for interrogatories and submissions. The OEB also granted intervenor status and cost eligibility to the following parties:

- Building Owners and Managers Association, Greater Toronto (BOMA)
- Canadian Manufacturers and Exporters (CME)
- Green Energy Coalition (GEC)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Ontario Greenhouse Vegetable Growers (OGVG)
- Ontario Sustainable Energy Association (OSEA)
- School Energy Coalition (SEC)

On February 4, 2019 parties filed written interrogatories on the utilities applications. Enbridge Gas filed responses on February 19, 2019.

On February 27, 2019 Enbridge Gas filed its argument-in-chief.

On March 5, 2019 intervenors and OEB staff filed written submissions.

On March 19, 2019 Enbridge Gas filed its written reply submission.

4 DECISION

The OEB approves Enbridge Gas' requested 2016 DSM deferral and variance account balances for the EGD and Union rate zones.

These applications concern the clearance of balances for Enbridge Gas' 2016 DSM deferral and variance accounts. This decision does not extend to the resolution of potential ongoing issues or complaints concerning the operation of the current processes associated with the DSM Framework. The OEB confines the ambit of its decision to the requisite dispositions required of the 2016 balances of these accounts.

Concerns expressed about the Evaluation Contractor's process or timeliness will not be considered as part of this review. The DSM Framework established by the OEB in the 2015-2020 Decision continues to apply. Any changes or improvements to the operation of the DSM Framework were addressed in the Mid-Term Review or deferred to after 2020.

The panel also approves the disposition methodology proposed by Enbridge Gas.

4.1 Shareholder Incentive - DSM Incentive Deferral Account (DSMIDA)

Enbridge Gas requested approval of its shareholder incentive amount of $6.366M in the EGD rate zone and $4.121M in the Union rate zones. Enbridge Gas was able to earn a shareholder incentive based on how well it performed relative to its 2016 program targets that were approved by the OEB. The shareholder incentive is tracked within the DSM Incentive Deferral Account (DSMIDA).

Enbridge Gas argued that the 2016 targets included within the 2016 Annual Verification Report were not appropriate as they were not updated to reflect the new net-to-gross factors determined as part of the 2015 evaluation process. Enbridge Gas argued that its proposed adjustments to the 2016 targets are consistent with the OEB's prior guidance in the OEB's Decisions on the 2015-2020 DSM Plans as well as the 2015 DSM deferral and variance account applications. Enbridge Gas argued that it is not appropriate to use the outdated net-to-gross values used to develop the 2016 targets as it does not allow for an accurate comparison to the results that were achieved in 2016. The 2016 results were measured using the updated net-to-gross values from the 2015 evaluation process.

BOMA, LPMA and OSEA supported Enbridge Gas' requested DSMIDA amount.

GEC submitted that savings should be based on the best estimates whether or not those estimates were the same as those used to develop savings goals. GEC urged the OEB to insist on an approach going forward that incentivizes the reduction of free ridership.

CME noted its concern with Enbridge Gas' proposed adjustments to the 2016 targets and how the adjustments may negate the impact of Enbridge Gas not effectively screening out free riders.

OEB staff and SEC objected to Enbridge Gas' requested DSMIDA amount and adjusted 2016 program year targets. OEB staff and SEC argued that the OEB approved fixed targets for 2016 as part of the 2015-2020 DSM Decision. Further, OEB staff and SEC argued that approving the adjusted targets would create a disincentive for Enbridge Gas to continue improving on eliminating free riders from its custom programs.

Findings

The OEB approves Enbridge Gas' 2016 shareholder incentive amount as requested. The OEB accepts the adjustments made to the Evaluation Contractor's 2016 Annual Verification Report to update 2016 program year targets based upon updated assumptions and net-to-gross factors from the 2015 evaluation process. As noted in the 2015-2020 DSM Decision, the OEB directed the utilities to use updated assumptions and net to gross factors in setting targets.[6] Similarly, the DSM Mid-Term Report continued to support the annual formulaic adjustment to targets based on the information included in the prior year's performance.[7] The OEB expects that the 2016 targets provided in the 2015-2020 DSM Decision would have reflected the 2015 evaluation results and the results of 2015 net-to-gross study had this information been available for the 2015-2020 DSM Decision. The OEB does not interpret the 2015-2020 DSM Decision to mean that an update to targets for the best available information only applies to prescriptive programs.

[6] EB-2015-0029 / EB-2015-0049, Decision and Order, January 20, 2016, Section 9.5, Page 75
[7] EB-2017-0127 / EB-2017-0128, Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management Framework for Natural Gas Distributors (2015-2020)

With respect to the issue of diminishment of incentives to reduce free ridership, it is noted that DSM activities for 2016, 2017 and 2018 are complete. Updating the targets for these years can have no bearing on Enbridge Gas' behaviour for these historical years.

Furthermore, while this Decision relates only to 2016, the OEB notes Enbridge Gas' argument that there continues to be an incentive to reduce free ridership. If free ridership is reduced in a given year relative to the previous year, Enbridge Gas' performance against its targets improves, and this would result in an increased incentive payment for that year. This would also result in an increase in the targets for the next year given the formulaic adjustment process. If free ridership continues to decrease, performance relative to targets improves accordingly.

4.2 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Enbridge Gas requested approval of its LRAMVA in the amount of $95,625 to be returned to rate payers in the EGD rate zone and $487,559 to be recovered from rate payers in the Union rate zones. Enbridge Gas calculated the LRAMVA balance using the verified 2016 natural gas savings from the 2016 Annual Verification Report.

No parties objected to the approval of the LRAMVA balances.

Findings

The OEB approves Enbridge Gas' 2016 LRAMVA balances as requested. The forecast DSM savings were greater than actual DSM savings in the EGD rate zone in 2016. Therefore, the EGD rate zone LRAMVA is a refund to rate payers of $95,625. The Union rate zones LRAMVA of $487,559 is recoverable from rate payers as the actual DSM savings were greater than forecast.

4.3 Demand Side Management Variance Account (DSMVA)

In addition to the DSMVA account balances, the OEB is also providing findings on the DSMVA accounting order modifications and budget reallocations.

4.3.1 DSMVA Account Balances

Enbridge Gas requested the approval of its DSMVA in the amount of $712,832 to be returned to rate payers in the EGD rate zone and $6,155,723 to be returned to rate payers in the Union rate zones.

Enbridge Gas proposed that the 2016 DSMVA total balance for the Union rate zones of $8,977,526 be adjusted by $2,821,803 to roll-forward a portion of the 2016 budget into 2017 and 2018 to correspond with the actual spending that has occurred in those years ($2.614M in 2017 and $0.208M in 2018). Enbridge Gas also proposed to refund the accumulated interest on the rolled-forward balance as part of the 2016 DSMVA.

BOMA, OSEA and LPMA supported Enbridge Gas' proposal to roll-forward the tracking and reporting system underspending. LPMA qualified its support on the basis that interest credit be returned to rate payers as part of this proceeding.

SEC did not support Enbridge Gas' proposal to roll-forward the 2016 underspending. SEC argued that all of the underspending should be returned with direction that Enbridge Gas reapply in 2017 and 2018 to collect any overspend as long as they are within the DSMVA limits (15% maximum overspend in any program year).

Findings

The OEB approves Enbridge Gas' requested disposition of DSMVA account balances for each of the EGD and Union rate zones as a refund to rate payers. This includes the rolling forward of the $ 2.822M of the 2016 DSM budget for the tracking and reporting upgrade costs into 2017 and 2018 to reflect actual spending in those years.

The OEB is satisfied that the expense was a budget item in the OEB approved budget for the Union rate zones and matches expenses actually incurred. As noted by LPMA, rebating the underspending in 2016 would lead to unnecessary variability to rates. The OEB does not share the concerns expressed that the roll-forward of this amount is a way to go beyond the allowed 15% overspend for DSM programs.

4.3.2 Modifications to the DSMVA Accounting Orders

Enbridge Gas proposed modifications to the existing DSMVA accounting orders for the EGD rate zone and Union rate zones in response to the OEB's DSM Mid-Term Report. In the DSM Mid-Term Report, the OEB instructed EGD to track future financial commitments for programs with deferred customer incentives. The OEB indicated that EGD ought to file a draft accounting order as part of its 2016 DSM deferral and variance account application to capture this change.

OEB staff, BOMA and OSEA supported Enbridge Gas' proposed modifications to the DSMVA accounting orders.

SEC argued that Enbridge Gas' proposed revisions are not consistent with the OEB's DSM Mid-Term Report. SEC argued that the intent of the OEB's direction in the DSM Mid-Term Report is to track future financial commitments made within the 2015-2020 DSM plan period in a sub-account of the DSMVA with recovery taking place in a future year if those commitments are fulfilled outside of the 2015-2020 period. In its reply, Enbridge Gas noted that it would be inconsistent to treat accrued program costs as committed for the purposes of the target adjustment but then treat them differently for the purposes of recording the related amounts in the DSMVA.

SEC also cautioned that Enbridge Gas' proposed accounting order modifications appears to include all forecasts of future incentive payments, irrespective of program. SEC argued that this goes beyond the OEB's DSM Mid-Term guidance and that any updates to the accounting order should be limited to the specific multi-year programs discussed as part of the Mid-Term Review. As part of its reply submission, Enbridge Gas confirmed its intent is to only use the updated accounting order treatment for the DSM programs outlined in the DSM Mid-Term Report and the potential requirement to access program funding outside of the current term due to deferred customer incentives for which it is obligated beyond 2020.

Findings

The OEB agrees with Enbridge Gas' proposed treatment of future year program amounts and the updated DSMVA Accounting order as in Appendix A. These amounts are to be carried forward as accrued program costs that are recorded in the DSMVA as committed expenditures. The adoption of the alternative accounting treatment suggested by SEC (sub-account of the DSMVA coupled with a recovery from customers when payment is due) would result in potentially refunding and then re-collecting these costs in a future year. This would not be advancing the objective of rate stability.

Enbridge Gas has confirmed that its intent is to only use this accounting treatment for programs associated with the DSM Mid-Term Review. The OEB confirms that the use of this accounting treatment is limited to the DSM programs outlined in the DSM Mid-term Report.[8]

4.3.3 Budget Reallocation and the Funding Transfer Policy

OEB staff and SEC raised concerns regarding Enbridge Gas' 2016 budget reallocations across program offerings. OEB staff indicated that the OEB's funding transfer policy[9] should be applied at the offering level not at the program level. SEC indicated that the budget reallocations were inconsistent with the OEB's guidelines.

Enbridge Gas disagreed with OEB staff and SEC and argued that these parties have mischaracterized "offerings" as "programs" and have then incorrectly concluded that Enbridge Gas has reallocated funds inappropriately. Enbridge Gas submitted that its approach to budget reallocations is consistent with the OEB's guidelines and its historical practice. Enbridge Gas cautioned that a more rigid interpretation of the budget reallocation guidelines may hamper its ability to pursue increased savings opportunities which would contradict the guiding principle of achieving all cost-effective DSM that result in a reasonable rate impact.

Findings

The OEB agrees with Enbridge Gas that the budget reallocation guidelines apply at a program level and that offerings within a program should not attract sanction where budget increases exceeded 30% have occurred. The direction of the OEB has been to encourage maximum energy savings while maintaining an appropriate level of oversight. The OEB sees no benefit in micro-managing the utility DSM offerings and would expect a significant increase in costs and delay in program delivery if it attempted to do so. Budget reallocations for offerings within a program may exceed 30% but the gas utility must inform the OEB and their stakeholders of reallocations between programs in excess of 30%.

[8] EB-2017-0127 / EB-2017-0128, Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management Framework for Natural Gas Distributors (2015-2020), Page 15
[9] Filing Guidelines to the DSM Framework, EB-2014-0134, pp. 14-15

The OEB, however, does not agree with Enbridge Gas that negative variances (i.e. underspending) in excess of 30% at the program level would not be captured by the OEB's policy.[10] The underspending would be captured in the DSM variance account or by the offsetting overspend in other programs. The OEB's policy does not require reporting in the case of underspending.

4.4 Other Requests

Some parties included suggestions and recommendations related to changes to the OEB's evaluation process as well as the introduction of new programs.

Findings

The OEB repeats the direction provided in the 2015 DSM deferral and variance account Decisions[11] that it is out of scope of this proceeding to determine the appropriateness and applicability of the OEB's process to review and assess programs and their performance.

[10] Enbridge Gas Reply submission March 19, 2019 p.14
[11] EB-2017-0323 / EB-2017-0324

5 IMPLEMENTATION

Enbridge Gas proposed the following allocation methodology for the 2016 DSM deferral and variances account balances:[12,13]

- **DSMIDA** – amounts are allocated to rate classes in proportion to the actual DSM spending by rate class in 2016.

- **LRAMVA** – for the Union rate zones, amounts are allocated to contract rate classes in proportion to the margin reduction attributable to DSM activities. For the EGD rate zone, the LRAM amount is recovered in rates on the same basis as the lost revenues were experienced so that LRAM ends up being a true-up by rate class.

- **DSMVA** – for the EGD and Union rate zones, amounts are allocated to rate classes in proportion to the variance between budgeted and actual DSM spending by rate class in 2016.

Enbridge Gas requested that the amounts be cleared in the following manner:

- EGD rate zone – as a one-time adjustment in rates within the next available QRAM following the OEB’s Decision and Order.
- Union rate zones:
    - Dispose of the balances prospectively over a six-month period beginning with the first available QRAM following the OEB’s Decision and Order for general service Rate M1, Rate M2, Rate 01 and Rate 10 customers.
    - Dispose of approved balances for in-franchise contract rate classes through a one-time adjustment to rates within the next available QRAM following the OEB’s Decision and Order.

Enbridge Gas’ proposed allocation and disposition methodologies are consistent with those previously approved by the OEB for the EGD and Union rate zones.

[12] Union rate zones: EB-2018-0300, Exhibit A, Tab 4, Pages 2-4
[13] EGD rate zone: EB-2018-0301, Exhibit B, Tab 4, Schedule 1

Findings

The OEB approves the allocation of the 2016 DSM deferral and variance account balances by rate class as shown in the table below.

Rate Class		DSMIDA ($)	LRAMVA ($)	DSMVA ($)	Total ($)
EGD Rate Zone	Rate 1	4,351,434	-	8,533,554	12,884,989
	Rate 6	1,745,165	-	(7,697,178)	(5,952,013)
	Rate 9	208	-	(726)	(517)
	Rate 110	127,420	(23,685)	(135,140)	(31,406)
	Rate 115	54,497	(9,862)	(740,365)	(695,731)
	Rate 125	7,815	-	(39,641)	(31,827)
	Rate 135	8,753	298	(222,707)	(213,656)
	Rate 145	8,638	(37,428)	(422,424)	(451,213)
	Rate 170	58,591	(24,947)	23,041	56,685
	Rate 200	2,709	-	(9,433)	(6,723)
	Rate 300	521	-	(1,814)	(1,293)
EGD Sub-total		**6,365,751**	**(95,625)**	**(712,832)**	**5,557,294**
Union North	Rate 01	336,435	-	(3,223,146)	(2,886,711)
	Rate 10	96,305	-	(1,377,623)	(1,281,318)
	Rate 20	48,887	19,180	(1,096,374)	(1,028,307)
	Rate 100	-	4,093	(1,523,240)	(1,519,147)
	Rate 25	-	-	-	-
Union South	M1	2,020,574	-	2,594,963	4,615,537
	M2	706,006	-	(2,875,780)	(2,169,774)
	M4	306,562	179,499	338,131	824,192
	M5	187,060	214,241	(99,876)	301,425
	M7	313,361	66,240	1,405,607	1,785,208
	M9	-	-	-	-
	M10	-	-	-	-
	T1	105,541	3,011	(284,262)	(175,710)
	T2	-	1,295	(14,123)	(12,828)
	T3	-	-	-	-
Union Sub-total		**4,120,731**	**487,559**	**(6,155,723)**	**(1,547,433)**
	TOTAL	**10,486,482**	**391,934**	**(6,868,555)**	**4,009,861**

* Note: Numbers may not add up due to rounding

The OEB agrees with LMPA that a common approach to disposition of deferral and variance account balances should be developed by Enbridge Gas. This harmonization of methodologies should be accomplished when Enbridge Gas integrates its customer information systems across the EGD and Union rate zones.

6 ORDER

THE ONTARIO ENEGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.’s DSM deferral and variance account balances are approved.

2. Enbridge Gas Inc.’s allocation of the 2016 DSM deferral and variance account balances by rate class allocated is approved.

3. Enbridge Gas Inc. shall file a draft rate order consistent with this Decision showing all unit rates for each rate class. The draft rate order must be filed by **April 18, 2019**.

4. OEB staff may file comments on the draft rate order by **April 26, 2019** and copy Enbridge Gas Inc.

5. The allocated amounts to customers in the EGD rate zone shall be recovered as a one-time adjustment to rates in Enbridge Gas Inc.’s July 1, 2018 QRAM application.

6. The allocated amounts to general service Rate M1, Rate M2, Rate 01, and Rate 10 customers in the Union rate zones shall be recovered over a six-month period beginning with Enbridge Gas Inc.’s July 1, 2019 QRAM application.

7. The allocated amounts to in-franchise contract rate classes in the Union rate zones shall be recovered through a one-time adjustment to rates in Enbridge Gas Inc.’s July 1, 2019 QRAM application.

8. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their respective cost claims by **April 26, 2019**.

9. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **May 3, 2019**.

10. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by **May 10, 2019**.

11. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto April 11, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

EB-2018-0300
EB-2018-0301

Final Accounting Order
Demand Side Management Variance Account (DSMVA)

EGD Rate Zone
Deferral Account No. 179.06_
Deferral Account No. 179.07_

Appendix A – EGD Rate Zone

ACCOUNTING TREATMENT FOR A DEMAND SIDE MANAGEMENT VARIANCE ACCOUNT ("DSMVA")

The purpose of the DSMVA is to record the difference between the actual DSM spending for the fiscal year and the budgeted amount included within rates. Amounts determined to be over or under the budget included within Allowed Revenue will be recorded in the DSMVA, subject to the DSMCEIDA. In addition, any further variance in DSM spending and results, beyond the budget included within rates, which occur as a result of OEB decisions in ongoing or upcoming DSM proceedings, will be included within the DSMVA.

A portion of the variance captured in the DSMVA will reflect forecast commitments in customer incentive payments for future periods. Customer incentive payments are a component of the annual DSM budget recovered through rates. However, due to the multi-year aspect of several of the Company's programs, incentive amounts recovered in the current year, may not be payable until they become due in future years. In accordance with the Report of the Ontario Energy Board: Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015 – 2020), the DSMVA will be used to track and carry forward the forecasted cumulative customer incentive commitments net of payments made (in relation to incentive commitments made in the current year, or in relation to incentives paid that became due in the current year in relation to commitments made in prior years). Each incentive amount not paid out will be returned to ratepayers in the year following its last potential commitment date, or at such other time as directed by the OEB.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the OEB in a future rate hearing.

<u>Accounting Entries</u>

1. To record variance in relation to appropriate DSM program costs only:

Debit/Credit:	DSMVA	(Account 179. 06_)
Credit/Debit:	Operating & Maintenance	(Various accounts)

   To record the difference between actual and approved Demand Side Management operating expenditures, both debits and credits.

2. Interest accrual:

Debit/Credit:	Interest on DSMVA	(Account 179. 07_)
Credit/Debit:	Interest expense	(Account 323. 000)

   To record simple interest on the opening monthly balance of the DMSVA using the OEB approved EB-2006-0117 interest rate methodology.

Appendix B

EB-2018-0300
EB-2018-0301

Final Accounting Order
Demand Side Management Variance Account (DSMVA)

Union Rate Zones
Deferral Account No. 179.111

Appendix B – Union Rate Zones

ACCOUNTING TREATMENT FOR A DEMAND SIDE MANAGEMENT VARIANCE ACCOUNT ("DSMVA")

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-111
Demand Side Management Variance Account

Credit - Account No. 728 General
Expense

To record as a debit (credit) in Deferral Account No. 179-111, the difference between actual and the approved direct DSM expenditure budget currently approved for recovery in rates, provided that any excess over the approved direct DSM expenditure budget does not exceed 15% of the direct DSM expenditure budget. Any excess over the approved direct DSM expenditure budget for the year must be for incremental DSM volume savings that are cost effective as determined by the Total Resource Cost Test.

A portion of the variance captured in the DSMVA may reflect forecast commitments in customer incentive payments for future periods. Customer incentive payments are a component of the annual DSM budget recovered through rates. However, due to the multi-year aspect of several of the Company's programs, incentive amounts recovered in the current year may not be payable until they become due in future years. In accordance with the Report of the Ontario Energy Board: Mid-Term Review of Demand Side Management ("DSM") Framework for Natural Gas Distributors (2015-2020), the DSMVA may be used to track and carry forward the forecasted cumulative customer incentive commitments net of payments made (in relation to incentive commitments made in the current year, or in relation to incentive paid that became due in the current year in relation to commitments made in prior years). Each incentive amount not paid out will be returned to ratepayers in the year following its last potential commitment date, or at such other time as directed by the OEB.

Debit - Account No.179-111
Other Deferred Charges – Demand Side Management Variance Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-111, interest expense on the balance in Deferral Account No. 179-111. Simple interest will be computed monthly upon finalization of the year-end balance in the said account in accordance with the methodology approved by the EB-2006-0117.