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

DECISION AND ORDER

EB-2020-0067

ENBRIDGE GAS INC.

Application to dispose of balances in certain deferral and variance accounts related to the delivery of conservation programs in 2017 and 2018

BEFORE: Michael Janigan
Presiding Commissioner

Cathy Spoel
Commissioner

January 28, 2021

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1 INTRODUCTION AND SUMMARY

Enbridge Gas Inc. (EGI) requested that the Ontario Energy Board (OEB) approve the recovery of amounts related to its 2017 and 2018 natural gas Demand Side Management (DSM) conservation programs in its Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) rate zones.

The approval sought in these applications are as follows:

For the EGD Rate Zone:

- $6.103M to be recovered from rate payers for its shareholder incentive earned for meeting its 2017 and 2018 targets.
- $25,484 to be refunded to rate payers for lost revenues as the forecast DSM savings were greater than actual DSM savings in 2017 and 2018.
- $1.426M to be refunded to rate payers for program costs which were recovered in rates but were not spent in 2017 and 2018.

For the Union Rate Zone:

- $11.885M to be recovered from rate payers for its shareholder incentive earned for meeting its 2017 and 2018 targets.
- $0.870M to be recovered from rate payers for lost revenues as the forecast DSM savings were less than actual DSM savings in 2017 and 2018.
- $11.862M to be recovered from rate payers for program costs spent in 2017 and 2018 in excess of that recovered in rates.

The 2015-2020 DSM Decision provides the context for the review of the 2017 and 2018 DSM Deferral and Variance accounts.

The OEB approves Enbridge Gas' requested DSM shareholder incentive account balances of $6.103M for the EGD rate zone and $11.885M for the Union rate zones.

The OEB approves the disposition of the lost revenues accounts as requested by Enbridge Gas. Enbridge Gas will refund $25,484 to rate payers in the EGD rate zone and recover $870,450 from rate payers in the Union rate zones.

The OEB approves the DSMVA account balances less $543,550 relating to the cost overrun associated with the EGD rate zone DSM Tracking and Reporting System.

Enbridge Gas will refund $1.970M to rate payers in the EGD rate zone and recover $11.861M from rate payers in the Union rate zones.

The total approved balances for disposition are as follows:

Account	**Enbridge Gas Distribution**			**Union**		
	2017	**2018**	**Rate Zone Total**	**2017**	**2018**	**Rate Zone Total**
Demand Side Management Variance Account (DSMVA)	($570,405)	($1,399,621)	**($1,970,026)**	$6,011,037	$5,850,616	**$11,861,653**
Demand Side Management Incentive Deferral Account (DSMIDA)	$2,120,130	$3,982,872	**$6,103,002**	$5,519,140	$6,366,226	**$11,885,366**
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	($10,377)	($15,107)	**($25,484)**	$468,352	$402,098	**$870,450**

- Note: Negative amounts are to be returned to rate payers, and positive amounts collected from ratepayers.

2 BACKGROUND

EGI filed an application (Application) with the OEB to recover through rates a shareholder incentive, lost revenues, and DSM program costs related to 2017 and 2018 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.

Effective January 1, 2019, EGD and Union amalgamated to become EGI. EGI has maintained the previously existing EGD and Union rate zones. EGI is a natural gas storage, transmission and distribution company based in Ontario. EGI serves approximately 3.4 million customers in more than 500 communities across Ontario. EGI 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).[1] The DSM Framework provided guidance to the utilities on the key areas the OEB expected to see included within its 2015-2020 DSM plans, including guidance related to the evaluation of annual DSM program results.

In response to the DSM Framework, EGD and Union each filed applications for the OEB to approve separate six-year DSM plans.[2] The OEB approved the separate 6-year DSM plans for each of EGD and Union on January 20, 2016 (the 2015-2020 DSM Decision).[3] The OEB approved natural gas DSM programs for residential, commercial, and industrial customers. The DSM Framework allows EGD and Union to apply to the OEB annually to dispose of several natural gas DSM program deferral and variance accounts for the 2015-2020 DSM program years.

The Application was based on the Final 2017 and 2018 Annual Verification Reports prepared for the OEB by the OEB's Evaluation Contractor, consulting firm DNV GL.[4,5] EGI is requesting the disposition of additional amounts pertaining to a cost overrun, in excess of the $5M approved in the EGD 2015-2020 DSM Decision, incurred in the development of the EGD rate zone DSM Tracking System.

[1] Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), EB-2014-0134, December 22, 2014
[2] EGD: EB-2015-0049, Union: EB-2015-0029
[3] EB-2015-0029 / 0049, Decision and Order, January 20, 2016
[4] 2017 Natural Gas Demand Side Management Annual Verification Report, March 13, 2020
[5] 2018 Natural Gas Demand Side Management Annual Verification Report, March 13, 2020

3 THE PROCESS

EGI filed its Application with the OEB on July 17, 2020. EGI requested approval and clearance of the 2017 and 2018 DSM deferral and variance accounts. The applications were filed in accordance with the DSM Framework and Filing Guidelines, and the 2015-2020 DSM Decision.

On August 4, 2020, the OEB issued a Notice of Application (Notice) to review EGI's application.

On September 3, 2020, 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 (BOMA)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (EP)
- Federation of Rental-Housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- School Energy Coalition (SEC)

On October 13, 2020, the OEB issued correspondence to grant late intervenor status and cost eligibility to the Ontario Greenhouse Vegetable Growers (OGVG).

On September 17, 2020, parties filed written interrogatories on EGI's application. EGI filed responses on October 7, 2020.

On October 28, 2020, intervenors and OEB staff filed written submissions.

On November 12, 2020, EGI filed its written reply submission.

4 DECISION

The OEB approves EGI's requested 2017 and 2018 DSM deferral and variance account balances for the EGD rate zone, except for 50% of the DSM Tracking and Reporting System cost overrun. The OEB approves EGI's requested 2017 and 2018 DSM deferral and variance account balances for the Union rate zones.

This application concerns the clearance of balances for EGI's 2017 and 2018 DSM deferral and variance accounts. The OEB confines the ambit of its decision to matters specifically required to determine the dispositions of the 2017 and 2018 account balances.

The DSM Framework established by the OEB and the 2015-2020 DSM Decision were applied to this Decision.

The OEB approves the disposition methodology proposed by EGI for the Rate M1, Rate M2, Rate 01, and Rate 10 customers in the Union rate zones. The OEB approves a three-month disposition period for all other customers in the Union rate zones and for all customers in the EGD rate zone.

4.1 Shareholder Incentive – DSM Incentive Deferral Account (DSMIDA)

EGI requested approval of its 2017 shareholder incentive amounts of $2.120M in the EGD rate zone, and $5.519M in the Union rate zones. EGI also requested approval of its 2018 shareholder incentive amounts of $3.983M in the EGD rate zone, and $6.366M in the Union rate zones. EGI was able to earn a shareholder incentive based on how well it performed relative to its 2017 and 2018 program targets. The shareholder incentive is tracked within the DSMIDA.

No parties objected to the approval of the DSMIDA balances.

Findings

The OEB approves the 2017 and 2018 shareholder incentive amounts for the EGD rate zone and the Union rate zone as requested by EGI. The shareholder incentive amounts requested reflect the verified results in the Evaluation Contractor's 2017 and 2018 Annual Verification reports.

4.2 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

EGI requested approval of its 2017 LRAMVA in the amount of $10,377 to be returned to rate payers in the EGD rate zone, and $468,352 to be recovered from rate payers in the Union rate zones. EGI requested approval of its 2018 LRAMVA in the amount of $15,107 to be returned to rate payers in the EGD rate zone, and $402,098 to be recovered from rate payers in the Union rate zones. EGI calculated the LRAMVA balances using the verified 2017 and 2018 natural gas savings from 2017 and 2018 Annual Verification Reports.

No parties objected to the approval of the LRAMVA balances.

Findings

The OEB approves the 2017 and 2018 LRAMVA balances for the EGD rate zone and the Union rate zone as requested by EGI. The LRAMVA balances reflect the verified results in the Evaluation Contractor’s 2017 and 2018 Annual Verification reports.

4.3 Demand Side Management Variance Account (DSMVA)

In addition to the DSMVA account balances, the OEB is also providing findings on the DSMVA budget reallocations and funding transfers, and the allocation methodology and disposition period for DSMVA accounts.

4.3.1 DSMVA Account Balances

EGI requested approval of its 2017 DSMVA in the amount of $26,855 to be returned to rate payers in the EGD rate zone, and $6.011M to be recovered from rate payers in the Union rate zones. EGI requested approval of its 2018 DSMVA in the amount of $1.400M to be returned to rate payers in the EGD rate zone, and $5.851M to be recovered from rate payers in the Union rate zones.

Included in the 2017 DSMVA balance for the EGD rate zone is a $1.087M amount to be recovered from rate payers, arising from a cost overrun incurred in the development of a DSM Tracking and Reporting System for the EGD rate zone. This overrun is in addition to the OEB approved $5M budget for the EGD rate zone DSM Tracking and Reporting System.[6]

[6] EB-2020-0029 / EB-2015-0049, Decision and Order, January 20, 2016

SEC submitted that 100% of the DSM Tracking and Reporting System cost overrun should be disallowed. SEC argued that the EGD rate zone DSM Tracking and Reporting System would be of limited to no value upon the amalgamation of the EGD and Union rate zones.

OEB staff, EP, FRPO, and CME submitted that 50% of the DSM Tracking and Reporting System cost overrun should be disallowed. These parties argued that EGI did not take all reasonable actions available to control the costs associated with the development of the EGD rate zone DSM Tracking and Reporting System.

BOMA supported EGI's requested 2017 DSMVA amount for the EGD rate zone including full recovery of the overrun.

Except for the overrun, no parties objected to the approval of the 2017 DSMVA balance for the EGD rate zone. No parties objected to the approval of 2018 DSMVA balance for the EGD rate zone. No parties objected to the approval of the Union rate zone DSMVA balances for 2017 or 2018.

Findings

The OEB notes that an overrun of the estimated cost budget for the DSM Tracking and Reporting System can occur despite prudent project management. The budget estimate was developed at an early scoping level. However, an overrun of 20% of the project budget including contingencies does not appear reasonable. The OEB finds that EGI should bear 50% of the cost of the overrun of $1.087 M.

EGI has submitted that this result is asymmetric with the return of savings to ratepayers when project delivery is under budget. However, budgeting and project execution are not random events and are under the management and control of the utility. Absent extenuating circumstances beyond management's control, EGI must bear some responsibility for a cost overrun of this magnitude.

4.3.2 Budget Reallocation and the Funding Transfers

SEC raised concerns regarding EGI's 2017 and 2018 budget reallocations across program offerings. SEC indicated that the budget reallocations were inconsistent with the OEB's guidelines. SEC argues that EGI is spending too much on residential programs with declining cost-effectiveness and natural gas savings, at the expense of commercial and industrial programs.

EGI disagreed with SEC and argued that there was strong demand for residential programs and the 2015-2020 DSM Framework allows for resources to be allocated to successful programs. EGI submitted that the residential programs referred to by SEC are indeed costly to influence consumer behaviour and implement but achieve material natural gas savings. EGI argued that commercial and industrial programs were not put at a disadvantage by budget reallocations. Instead, commercial and industrial program results were impacted by the difficulty in attracting commercial and industrial customers to DSM programs.

Findings

The OEB finds that while the concerns raised by SEC are relevant to the approval of EGI's suite of DSM programs, they are out of scope in this proceeding which is concerned only with the disposition of amounts arising from the previously approved programs.

4.3.3 Allocation Methodology and Disposition Period for DSMVA Accounts

EGI requested a one-time adjustment to rates to dispose of the account balances in the EGD rate zone. EGI requested a six-month disposition period to dispose of the account balances for Rate M1, Rate M2, Rate 01, and Rate 10 customers in the Union rate zone and a one-time adjustment to rates to dispose of the account balances for all remaining customers.

OEB staff recommended that the OEB should make its final decision on the appropriate disposition period for the DSMVA balances as part of its review of EGI's next QRAM application.

SEC argued that the DSMVA balances allocated to Union rate M1 and rate 01 customers should be calculated on a per customer basis, instead of on a volumetric basis, as EGI had proposed.

EP and CME raised concerns regarding a one-time charge disposition methodology for the EGD rate zone and instead recommended a three-month disposition period.

FRPO argued that some rate class account balances are significant as the accumulated balances in the respective accounts represent two years of program variances. FRPO requested a matrixed table of all EGI proposed, pending, and approved dispositions for each rate class by month to allow the OEB to decide with full consideration of all potential bill impacts.

OGVG raised concerns regarding the proposed one-time balance disposition of approved balances for Union rate zone in-franchise and ex-franchise customers. OGVG was particularly concerned that the size of a one-time billing adjustment may adversely affect customer cash flows. OGVG requested EGI to confirm whether alternative payment arrangements would be made available to contract customers.

EGI submitted that its proposed disposition methodology is in-line with that approved by the OEB during previous account dispositions and altering the approach may introduce an undue precedent and confuse rate payers. EGI disagreed with OEB staff and submitted that the OEB decide on the disposition methodology as part of the current proceeding and not defer it until the next set of QRAM applications. EGI disagreed with SEC regarding allocating DSM balances on a per customer basis, as this approach may favour certain segments of a rate class. EGI was agreeable to the suggestions of intervenors to recover balances over a three-month period in lieu of a one-time billing adjustment. EGI indicated that it would be open to OGVG's request for alternative payment arrangements on a case-by-case basis. In response to a request from FRPO, EGI submitted a matrix of upcoming bill impacts to aid the OEB in making its decision.

Findings

The OEB finds that the decision to allocate DSM balances on a per customer basis and not a volumetric basis is a decision that engages an integral part of the design and execution of DSM programs. It is out of scope of this proceeding which is largely a mechanistic accounting and disposition of DSM balances from approved DSM programs.

The OEB notes that EGI is agreeable to responding to the concerns of some intervenors about smoothing the bill impacts to some classes of customers by way of a recovery of balances over a three month period rather than a one-time billing adjustment. The OEB finds that a three-month disposition period is appropriate for all EGD rate zone customers. A disposition period of six months is approved for general service Rate M1, Rate M2, Rate 01, and Rate 10 customers in the Union Rate Zone. Balances shall be recovered for all remaining Union Rate zone customers over a three-month disposition period.

4.4 Other Requests

Some parties included suggestions and recommendations related to the OEB's evaluation process.

Findings

The OEB repeats the direction provided in the 2015 and 2016 DSM deferral and variance account Decisions[7,8] 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.

[7] EGD: EB-2017-0324, Decision and Order, August 30, 2018, Union: EB-2017-0323, Decision and Order, August 30, 2018

[8] EB-2018-0300 / EB-2018-0301, Decision and Order, April 11, 2019

5 IMPLEMENTATION

EGI proposed the following allocation methodology for the 2017 and 2018 DSM deferral and variance account balances:[9,10]

- **DSMIDA** – amounts are allocated to rate classes in proportion to the actual DSM spending by rate class in 2018.
- **LRAMVA** – amount is recovered in rates on the same basis as the lost revenues were experienced so that the LRAMVA provides a true-up by rate class.
- **DSMVA** – for the EGD rate zone, amounts are allocated to rate classes based on the allocation of customer incentive costs between rate classes in 2017 and 2018, with the exception of Low-Income Program costs, which are allocated based on OEB approved LEAP revenues. For the Union rate zones, amounts are allocated based on the actual DSMVA spending variance amount relative to the amount budgeted for each rate class in 2017 and 2018.

EGI requested that the amounts be cleared in the following manner:

- EGD rate zone – as a one-time adjustment to rates within the next available Quarterly Rate Adjustment Mechanism (QRAM) following the OEB's Decision and Order.
- Union rate zones:
    - Dispose of the balances for general service Rate M1, Rate M2, Rate 01, and Rate 10 customers prospectively over a six-month period beginning with the first available QRAM following the OEB's Decision and Order.
    - Dispose of balances for all remaining customers through a one-time adjustment to rates within the next available QRAM following the OEB's Decision and Order.

[9] EGD rate zone: EB-2020-0067, Exhibit B, Tab 3
[10] Union rate zones: EB-2020-0067, Exhibit C, Tab 3

Findings

The OEB approves EGI’s proposed allocation methodology for the 2017 and 2018 DSM deferral accounts related to Rate M1, Rate M2, Rate 01, and Rate 10 customers. The OEB approves a three-month disposition period for all other customers in the Union rate zones and for all customers in the EGD rate zone, effective with the next available QRAM following the OEB’s Decision and Order. This methodology is consistent with the design and execution of programs undertaken by EGI in accordance with the 2015-2020 OEB DSM Framework.

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.'s DSM Incentive Deferral Account and Lost Revenue Adjustment Mechanism Variance Account balances are approved.

2. Enbridge Gas Inc's DSM Variance Account balances are approved less $543,550 relating to the cost overrun associated with the EGD rate zone DSM Tracking and Reporting System.

3. Enbridge Gas Inc.'s allocation of the 2017 and 2018 DSM deferral and variance account balances by rate class allocated is approved.

4. Enbridge Gas Inc. shall file a draft rate order consistent with this Decision showing all unit rates for each rate class. The draft order must be filed by **February 18, 2021**.

5. OEB staff may file comments on the draft rate order by **February 25, 2021** and copy Enbridge Gas Inc.

6. The allocated amounts to customers in the EGD rate zone shall be recovered over a three-month period in Enbridge Gas Inc.'s next available QRAM application.

7. 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 next available QRAM application.

8. The allocated amounts to all remaining customers in the Union rates zones shall be recovered over a three-month period in Enbridge Gas Inc.'s next available QRAM application.

9. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their respective cost claims by **February 25, 2021**.

10. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **March 4, 2021**.

11. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by **March 11, 2021**.

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

All materials filed with the OEB must quote the file number, **EB-2020-0067**, and be submitted in a searchable/unrestricted PDF format with a digital signature through the OEB’s web portal at https://p-pes.ontarioenergyboard.ca/PivotalUX/. Filings must clearly state the sender’s name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at www.oeb.ca/industry. We encourage the use of RESS; however, parties who have not yet set up an account, may email their documents to registrar@oeb.ca.

All communications should be directed to the attention of the Registrar and be received no later than 4:45 p.m. on the required date.

Email: registrar@oeb.ca
Tel: 1-888-632-6273 (Toll free)
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DATED at Toronto January 28, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar