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BY EMAIL

May 31, 2021

Ms. Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission  
Enbridge Gas Inc.  
2019 Demand Side Management Deferral and Variance Account Disposition  
Application  
OEB File Number: EB-2021-0072**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

*Original Signed By*

Michael Bell  
Project Advisor, Application Policy & Conservation

Encl.

cc: All parties in EB-2021-0072



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Enbridge Gas Inc.**

**2019 Demand Side Management Deferral and Variance Account  
Disposition Application**

**EB-2021-0072**

**May 31, 2021**

## Background

Enbridge Gas Inc. filed an application with the Ontario Energy Board (OEB) on March 10, 2021 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) seeking approval to clear amounts recorded in certain 2019 deferral and variance accounts related to its delivery of natural gas conservation and energy efficiency programs.

A Notice of Hearing was issued on March 23, 2021. Procedural Order No. 1 was issued on April 20, 2021. The OEB indicated that OEB staff and intervenors may file submissions on the applications by May 31, 2021. These are the submissions of OEB staff.

## DSM Framework

As outlined in Section 7 of the OEB's *Report of the Board – Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*<sup>1</sup> (the DSM Framework) issued on December 22, 2014, the OEB indicated that it would be taking a central role in the evaluation process of DSM program results. The OEB further indicated that DSM results will be evaluated on an annual basis, with results issued by the OEB to be used by the gas utilities when they file applications for recovery of amounts related to DSM activities.

## 2015-2020 DSM Plans

The OEB approved 6-year DSM plans for Enbridge Gas (then operating as Enbridge Gas Distribution Inc. and Union Gas Limited) on January 20, 2016 (the 2015-2020 DSM Decision).<sup>2</sup>

## Evaluation, Verification and Measurement (EM&V) of DSM Results

On August 21, 2015, the OEB announced the formation of an Evaluation Advisory Committee (EAC) to provide input and advice as required throughout the DSM evaluation process. In OEB staff's role of leading the DSM evaluation process, OEB staff chairs all EAC meetings. The EAC is comprised of four independent experts, representatives from Enbridge Gas, the Independent Electricity System Operator (IESO), and the Ministry of Energy as an observer.

The OEB's Evaluation Contractor (EC), consulting firm DNV, has completed an independent review and verification of Enbridge Gas's DSM program results for the

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<sup>1</sup> EB-2014-0134, Report of the Board: Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)

<sup>2</sup> EB-2015-0029/0049, Decision and Order, January 20, 2016

2019 program year. As part of its evaluation activities, the EC has sought input and advice from the EAC as required.

This requested disposition is for the fifth program year that has been evaluated by the EC with input from the EAC.

## Application Summary

Enbridge Gas has requested approval of the 2019 DSM Deferral and Variance Account (DVA) balances shown in the Table 1 below. Enbridge Gas indicated that it has relied on the EC's 2019 final results included within the 2019 Annual Verification Reports.

Table 1 summarizes the amounts that Enbridge Gas has requested approval to dispose of through a natural gas rate change.

**Table 1 – Summary of Requested 2019 Enbridge Gas DSM DVA Balances**

Account	2019	
	EGD Rate Zone	Union Rate Zones
Demand Side Management Variance Account (DSMVA)	\$6,421,667	\$2,335,533
Demand Side Management Incentive Deferral Account (DSMIDA)	\$6,717,372	\$5,950,363
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$9,082	\$928,440
<b>Total Amount Recoverable</b>	<b>\$13,148,121</b>	<b>\$9,214,336</b>

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

### DSMVA

The DSMVA is used to track the variance between actual DSM spending by rate class versus the budgeted amount included in rates by rate class. The actual DSMVA pending variance amount relative to the amount budgeted for each rate class is allocated to that rate class for disposition purposes.

Enbridge Gas is seeking approval of \$6,421,667 in the EGD Rate Zone and \$2,335,533 in the Union Rate Zones for 2019.

As outlined in the DSM Framework, Enbridge Gas is eligible to spend up to an additional 15% for incremental program expenses (not overheads or administrative costs) above its annual OEB-approved DSM budget to allow the natural gas utility to aggressively pursue programs which prove to be very successful. The OEB indicated that the natural gas utility will be permitted to recover from ratepayers up to 15% above its approved DSM budget provided that:

- a) it has achieved its weighted scorecard target(s) (i.e., 100%) on a pre-audited basis for the program(s) prior to additional spending being made on those programs; and

- b) The DSMVA funds were used to produce results in excess of those targets (i.e., in excess of 100%) on a pre-audited basis.<sup>3</sup>

Enbridge Gas indicated that it utilized the DSMVA mechanism to overspend on the Resource Acquisition, Low Income and Market Transformation scorecards in the EGD rate zone and the Resource Acquisition scorecard in the Union rate zone during the 2019 DSM program year. Each of these scorecards achieved pre-audit results above the weighted scorecard targets required for the 15% overspend to be accessed.

## **DSMIDA**

The purpose of the DSMIDA is to record the shareholder incentive amount earned by a natural gas utility as a result of its DSM programs.<sup>9</sup> DSM shareholder incentive amounts are earned by achieving the OEB-approved scorecard targets. Any eligible shareholder incentive amounts are allocated to the rate classes in proportion to the actual DSM spending by rate class in 2019.

Enbridge Gas is seeking approval of \$6,717,372 in the EGD Rate Zone and \$5,950,363 in the Union Rate Zones for 2019.

## **LRAMVA**

The LRAMVA is used to track, at the rate class level, the variance between the actual impact of DSM activities (volume savings) undertaken by the natural gas utility and the forecasted impact included in distribution rates.<sup>10</sup> The LRAMVA balance is allocated to rate classes on the same basis as lost revenues were experienced such that the LRAMVA provides a true-up by rate class.

Enbridge Gas is seeking approval of \$9,082 in the EGD Rate Zone and \$928,440 in the Union Rate Zones for 2019.

## **Disposition**

Enbridge Gas proposes that disposition of the 2019 deferral and variance account balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as October 1, 2021, with a common disposition methodology for Enbridge Gas Distribution (EGD) and Union Gas rate zones.

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<sup>3</sup> DSM Guidelines, pp.36-38

For a typical residential customer in the EGD rate zone with annual consumption of 2,400 m<sup>3</sup>, the estimated one-time billing adjustment charge is \$7.40. For a typical residential customer in the Union South rate zone with annual consumption of 2,200 m<sup>3</sup>, the estimated one-time billing adjustment charge is \$7.99. For a typical residential customer in the Union North rate zone with annual consumption of 2,200 m<sup>3</sup>, the estimated one-time billing adjustment charge is \$0.80.

**OEB Staff Submission**

OEB staff submits that the proposed DSMVA, DSMIDA, and LRAMVA account balances have been calculated consistent with the OEB's 2015-2020 DSM Guidelines and the EC's Verification reports.

OEB staff notes that the DSMIDA balances are largely driven by high verified levels of natural gas savings and participation targets for residential programs.

OEB staff submits that the allocation and disposition methodologies are appropriate and supports a common disposition methodology for the EGD and Union Gas rate zones, as OEB staff had suggested in its submissions<sup>4</sup> in the 2017-2018 DSMVA proceeding.

OEB staff supports the recovery of these balances in the manner proposed by Enbridge Gas.

~All of which is respectfully submitted~

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<sup>4</sup> EB-2020-0067, OEB Staff Submission, October 28, 2020