



Asha Patel
Technical Manager
Regulatory Applications

tel 416-495-5642
Asha.Patel@enbridge.com
EGIRegulatoryProceedings@enbridge.com

Enbridge Gas Inc.
500 Consumers Road
North York, Ontario M2J 1P8
Canada

June 7, 2021

VIA RESS AND EMAIL

Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Christine Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2021-0072
2019 Demand Side Management (DSM) Deferral and Variance Account
Disposition Application - Reply Submission**

In accordance with the OEB Procedural Order No. 1 dated April 20, 2021, enclosed please find Reply Submission of Enbridge Gas in the above noted proceeding.

If you have any questions, please contact the undersigned.

Sincerely,

Asha Patel
Technical Manager, Regulatory Applications

cc.: D. O'Leary (Aird & Berlis)
EB-2021-0072 (Intervenors)

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15,
Schedule. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an Order
or Orders approving the balances and clearance of certain non-commodity
2019 Demand Side Management Deferral and Variance Accounts into
rates, within the next available, QRAM.

ENBRIDGE GAS INC.

REPLY SUBMISSION

Aird & Berlis LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, Ontario
M5J 2T9

Dennis M. O'Leary
Tel: 416-863-1500
Fax: 416-863-1515
Email: doleary@airdberlis.com

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INTRODUCTION

1. This is the reply submission of Enbridge Gas Inc. ("**Enbridge Gas**" or the "**Company**") to the submissions made by the various parties in this proceeding.
2. Enbridge Gas notes that a number of the submissions made relate to matters which are properly the subject of the 2022-2027 DSM Multi Year Plan proceeding (EB-20221-002) (the "**2022-2027 DSM Plan**") and are out of scope for this proceeding being comments about program offerings and other matters that would require an adjustment to future DSM activities. While Enbridge Gas will make note of these comments, as this proceeding relates to DSM activities that were undertaken in 2019, the Company will not respond in detail to most. The Company has however responded to certain matters which are out of scope where it believes that this might be of assistance to the OEB and ratepayers in future proceedings.
3. This proceeding involves an Application for approval of the amounts recorded in the three 2019 DSM variance and deferral accounts established by the OEB for Enbridge Gas Distribution ("**EGD**") and Union Gas ("**Union**") rate zones and the clearance of the same through to rates. As noted by the OEB in its Procedural Order No. 1 ("**PO.1**") dated April 20, 2021:

"The OEB notes that shareholder incentive and lost revenue adjustment mechanism balances that are proposed for disposition have been reviewed by the Evaluation Contractor as part of the OEB-coordinated evaluation, measurement and verification process and as such, the OEB expects its review of this application to be a fairly mechanistic process. Intervenors should focus their interrogatories on material issues and in keeping with the scope of the OEB's review".

4. The Company further notes that the evaluation, measurement and verification (“**EM&V**”) process is led by OEB Staff and has the input and involvement of certain intervenors. These include Chris Neme, of the Energy Futures Group and Jay Shepherd, counsel to SEC.¹ As well, two independent experts were appointed to the EAC by OEB Staff: Ted Kesik, Knowledge Mapping Inc. and Robert Wirtshafter, Wirtshafter Associates Inc.² Together with representatives of the Company, these parties made up the Evaluation and Audit Committee (“**EAC**”).
5. Enbridge Gas submits that two of the objectives sought by the OEB by the establishment of this formalized EM&V process overseen by OEB Staff included ensuring that there is a thorough independent review of DSM results and to resolve questions and issues as much as possible prior to a clearance application. In the submission by counsel to SEC, Mr. Shepherd acknowledged that he was engaged throughout this process as a member of the EAC and he attested to thoroughness of it³.
6. As noted in the pre-filed evidence⁴, the methodologies used by Enbridge Gas to determine the amounts recorded in the applicable accounts for the 2019 DSM program year for each of the EGD and Union rate zones were guided by the DSM Framework and Guidelines⁵, the Board’s Decision and Order and revised Decision

¹ Exhibit A, Tab 3, Schedule 1

² Exhibit A, Tab 3, Schedule 1

³ SEC Submission, May 31, 2021, p.2

⁴ Exhibit A, Tab 3, Schedule 1, page 3

⁵ EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020), December 22, 2014 and Guidelines (“**DSM Framework**”).

and Order on the EGD and Union 2015- 2020 DSM plans⁶, the OEB mid-term review of the Framework⁷ and prior clearance application Decisions. The Company's DSM results and supporting information was then subject to the OEB mandated EM&V process overseen by OEB Staff with the direct involvement of the EAC and the independent evaluation contractor.

7. For the purpose of the EM&V process, OEB Staff selected DNV GL Energy Insight USA, Inc., f/k/a KEMA, Inc. as the Evaluation Contractor ("**EC**"). The EC prepared the 2019 Verification Report which provided the EC's conclusions regarding the amounts of energy savings, lost revenue, shareholder incentive amounts and cost effectiveness for the DSM programs offered by Enbridge Gas in 2019.⁸ The report also included the EC's findings and recommendations regarding cost reduction, improvement of savings accuracy and risk reduction related to Enbridge Gas's DSM programs⁹.
8. The 2019 DSM-related Deferral and Variance Account balances, which are the subject of this Application and proposed for disposition are consistent with the EC's opinion on energy savings, lost revenue, shareholder incentive amounts and cost effectiveness. The amounts sought for recovery by Enbridge Gas are specifically repeated under the subheading "Relief Sought" below. It should be noted that these account balances as presented do not include interest. Interest will be

⁶ EB-2015-0029/0049, Decision and Order, January 20, 2016; EB-2015-0029/0049, Revised Decision and Order, February 24, 2016.

⁷ EB-2017-0127/0128, Report of the Ontario Energy Board – Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020), November 29, 2018.

⁸ Exhibit A, Tab 3, Schedule 1, page 4

⁹ ditto

accrued up to the disposition date in accordance with the applicable accounting orders. This will be reflected in the draft rate order filed following the Board's Decision in this proceeding.¹⁰

9. The specifics of Enbridge Gas' proposed allocation of 2019 DSM-related deferral and variance account balances to rate classes, disposition methodology and unit rates for disposition were set out in the pre-filed evidence at Exhibit B, Tab 3, Schedule 1 for the EGD rate zone and at Exhibit C, Tab 3, Schedule 1 for the Union rate zones. The allocation and disposition methodologies proposed are consistent with the DSM Framework and past practices.

SUPPORTING SUBMISSIONS OF PARTIES

10. Given the extensive review of the Company's DSM activities and results in 2019 by the EC and EAC and with the Company accepting the conclusions of the EC and proposing the clearance of the amounts accepted by the EC as being appropriate, Enbridge Gas submits that it is not surprising that OEB Staff made the following submissions in their May 31, 2021 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 submits that the allocation and disposition methodologies are appropriate...

OEB Staff supports the recovery of these balances in the manner proposed by Enbridge Gas."¹¹

¹⁰ Ex. A, T3, S1, P. 5, footnote 12

¹¹ OEB Staff Submission, May 31, 2021, page 6

11. In addition to OEB Staff, in their submissions, VECC stated it supports the Company's request to clear its 2019 deferral and variance accounts,¹² and BOMA stated that it trusts that the 2019 Verification reports were done with sufficient rigour and that it therefore had no concerns with the applicable account balances¹³. CME does not oppose the relief sought in this Application¹⁴ and IGUA raised no objections to it¹⁵.
12. It is therefore safe to say that there is fairly broad support amongst ratepayer groups in addition to OEB Staff for the Application to be approved as filed. The Company notes that the concerns raised by several parties are relatively limited in scope and in many instances relate to matters not currently before the OEB in this proceeding. The Company submits that based upon the record and the submission of parties, that the Application should be granted as filed.

RESPONSE TO SPECIFIC SUBMISSIONS

The DSMVA

13. Pollution Probe ("PP"), SEC, EP and to some extent IGUA expressed concern about the extent to which the EC undertook a review of the amounts recorded in the DSMVA. While none of these parties identified any specific issue of concern and there is no evidence that the EC felt that its engagement was inadequate and that further review of results was in order, these parties generally believe that the

¹² VECC Submission dated May 31, 2021. Page 2

¹³ BOMA Submission dated May 31, 2021. Page 2

¹⁴ CME Submission dated June 1, 2021. Page 1

¹⁵ IGUA Submission dated June 1, 2021. Page 2

amounts recorded in the DSMVA were not subject to the same level of review by the EC as it performed in respect of the other deferral and variance accounts. There is of course no evidence that the Company did not appropriately respond to reasonable requests for disclosure to the EC and EAC in respect of the amounts recorded and the basis for same.

14. The fact is that there is evidence throughout the Application which supports the conclusion that the EC's review of 2019 DSM spending including the DSMVA was undertaken appropriately. As noted in the Company's response to PP interrogatory number 2(c)¹⁶ there are no less than 8 sections in the pre-filed evidence which are responsive to the concerns raised. The implication that the EC did not consider relevant matters which are DSMVA related is simply inaccurate. The cost effectiveness of programs was reviewed by the EC as was the impact on the shareholder incentive by the further operation of successful program offerings using the additional funding made available by the DSMVA. The EC also considered the impact on the LRAM as a result of these additional activities. In short, the EC confirmed that the additional DSMVA spending on certain program offerings generated gas savings and that such results warranted an appropriate shareholder incentive.
15. In the end, it appears that the concern raised by certain parties in this regard does not relate to the impact of using DSMVA funding for successful program offerings as it is intended to be used, but rather they believe that the Company should have

¹⁶ Ex. I.PP.2 part c

produced additional evidence detailing the program expenses that were incurred which were recorded in the DSMVA. It seems that some parties believe that the EC should undertake something more akin to a financial audit to confirm that the Company actually spent monies as reported. Enbridge Gas finds this concern surprising as it is unaware of any party questioning the *bona fides* of its recording of costs incurred.

16. As PP noted at page 7 of its submission, the DSMVA is used, inter-alia, to record incremental program expenses. It does not include amounts for additional overhead, such as DSM compensation, incurred to continue to operate the program offerings with the additional DSMVA funding. It is in this respect a relatively straight forward mathematical exercise where the company includes in the DSMVA the aggregate of all of its spending on eligible program offerings above what was budgeted for in the approved plan. To be clear, the concern raised by certain parties does not relate to the question of whether the spending on such program offerings generated results in excess of the applicable threshold as required under the rules of the DSMVA, as the results were confirmed by the EC, the concern appears limited to a desire for the Company to in effect open its ledgers and show that the monies were actually spent. This the Company submits goes beyond the evidentiary standard required of regulated utilities for the purposes of an application of this nature. Further as stated in response to PP's interrogatory 2¹⁷, as part of EGI's annual financial statement audit, the audit plan would give consideration to all balances, including the DSMVA. This is no different

¹⁷ Ex. I.PP.2 part c

than any other deferral or variance account that EGI seeks clearance for in other proceedings.

17. This being said, it should be recalled that the review by the EC is undertaken independently. Enbridge Gas does not direct the EC about precisely what matters it will review in detail and opine upon. The EC and OEB Staff makes the decision about areas where it will add value and the information and documentation that it needs the Company to produce. The EC then generates a report based upon its judgment. It is patently unfair to be critical of a process where an independent evaluator operates as intended and in the end expresses no concerns about the process and its ability to review the amounts recorded in the DSMVA. The fact that some parties believe that the EC did not undertake as extensive a review of the DSMVA as they would like does not mean that the EC's work was inadequate nor that the amounts that were recorded are in any way unreliable.
18. PP also references the use of the DSMVA in respect of the accounting for future incentives that may be payable to program participants in multi-year programs. PP stated that it was unclear to it what rules were followed in respect of the accounting for the amounts that may be payable in future to eligible multi-year program participants¹⁸. OEB Staff asked an interrogatory about this and the Company responded by further describing the two tables from evidence and specifically provided the accounting calculations and the methodology used¹⁹. There should therefore be no uncertainty about the accounting treatment and none

¹⁸ Pollution Probe's Submission dated May 28, 2021, page 6

¹⁹ Ex. I, Staff 1

was raised by the EC. The use of the DSMVA for this purpose was approved by the OEB and the Company has appropriately used the DSMVA to in effect roll over budget amounts for a multi-year program offering from one year into future years so that funds are available to pay those program participants that become eligible to receive an incentive.

19. PP also made comments about the recording of interest in respect of amounts included in the DSMVA either as a credit to the shareholder or ratepayers. As noted earlier, interest will be determined at the time of the clearance of accounts as is appropriate. This includes any interest that should be credited or debited in respect of the deferred incentives. There is no reason for any adjustment at this time as interest should correctly be calculated at the time of disposition, not as of the date of the OEB's decision.

LRAMVA

20. PP submits that an adjustment to the amounts recorded in the LRAMVA is also required²⁰. The Company notes that PP asked an interrogatory²¹ requesting that the Company confirm that the lost distribution revenue set out in Table ES1 of the 2019 Demand Side Management Annual Report²² is the partially effective 2019 DSM volumetric results minus the partially effective DSM estimate that was applied for 2019 rates. Enbridge Gas responded by **not** confirming the above. In its response to PP interrogatory 3(c), it noted that the lost distribution revenue in Table

²⁰ Pollution Probe's Submission dated May 28, 2021, page 8

²¹ Ex. I, PP.3

²² Exhibit A, Tab 4, Schedule 1, page 8

ES1 is based on the partially effective 2019 DSM volumetric results only consistent with the values in the 2019 Natural Gas Demand Side Management Annual Verification Report. The Company notes that the audited values underpinning the lost distribution revenue figures included at table ES1 are reflected in the calculation of the LRAMVA amounts sought for clearance. No further adjustment is warranted.

21. With the exception of the two adjustments which the Company has addressed above in respect of the DSMVA and LRAMVA, both of which are not appropriate, PP recommended at page 8 of its submission that the OEB approve the balance of the amounts requested by Enbridge Gas.

IT Expenses

22. PP at page 6 of its submission suggests that the Company's treatment of IT system costs as O&M rather than capitalizing same is different than what the OEB approved. Following amalgamation in 2019, it was determined that EGD's DSM IT budget should be treated as O&M and as such all costs related to this have been reflected as such. This was clarified in EGI's 2017/2018 DSM Deferral and Variance Application²³ and confirmed in EGI's interrogatory response to PP 4(a)²⁴.

²³ EB-2020-0067 Exhibit B, Tab 3, Schedule 1 p.4

²⁴ Ex. I.PP.4 part a

Allocation to M1 Customers

23. SEC at pages 3 and 4 of its submission raises as an issue about the manner in which deferral and variance account balances will be allocated to Rate M1 customers in the applicable Union rate zone. Enbridge Gas notes that the proposed disposition methodology is consistent with past practice and that it is proposing a disposition methodology that has been previously approved by the OEB for similar DSM deferral and variance account balances.. In this proceeding, there is no evidence about the impact of what SEC is proposing (charging recovery from Rate M1 customers on a per customer basis or using a rider that only increases volumetric rate blocks) and how these amounts should be specifically calculated. Further, Enbridge Gas's billing system is not designed to dispose of balances in the manner proposed by SEC and Enbridge Gas expects that building this functionality into its billing system would require significant incremental time and resources, the details of which would require extensive investigation exceeding the appropriate scope this proceeding²⁵.
24. As well, certain ratepayer groups may wish an opportunity to comment on these proposals. The Company therefore submits that it would be inappropriate to amend the disposition methodology at this time and that these matters should not be part of a mechanistic deferral and variance account clearing proceeding. It is the intention of Enbridge Gas to ultimately propose rate design changes, as part of its Rebasing Application, in both the EGD and Union rate zones, to harmonize rates

²⁵ Enbridge Gas noted that this was the case in the 2017/2018 Clearance Application, EB-2020-0067, Reply Submission para 28.

to the extent appropriate in the future but this is a matter that will be before a different panel of the OEB.

Other Matters

25. EP expresses concern at page 3 of its submission about the EGD Rate Zone Run it Right and CEM Programs. Enbridge Gas submits that such comments are appropriate for the 2022-2027 DSM Plan proceeding (EB-2021-0002). They are of no relevance in respect of programs which were operated during the 2019 program year and are therefore out of scope in this proceeding. Enbridge Gas however believes it is still necessary to respond to EP's comments to correct the record as EP has referenced in its submissions the wrong table. EP refers to table 3.6 which relates to targets²⁶ believing it related to results. EP should have used the figures from Table 3.9 which shows that actual net cumulative gas savings increased from 807 million m3 to 988 million m3²⁷. Similarly, EP's submissions about the cost effectiveness of future programs appear to have been made relying upon the wrong table. In any event, these submissions all belong in the 2022-2027 multi-year proceeding.

CONCLUSION

26. Enbridge Gas submits that based upon the pre-filed evidence that has been filed, its responses to various interrogatories and the generally supportive submissions of parties, that this Application should be approved as filed. There is no reason

²⁶Ex. A,T4,S1,page 17, table 3.6, referenced at footnote 3 of EP's Submission May 28, 2021

²⁷ Ex. A,T4,S1,page 18, table 3.9

nor any evidentiary basis to make any adjustments to the amounts recorded in the applicable accounts all of which were reviewed by the EAC and confirmed by the EC.

RELIEF SOUGHT

Enbridge Gas respectfully seeks approval for the amounts recorded in the following 2019 DSM accounts and for the allocation and disposition of same as proposed.

Table 1
2019 DSM Deferral and Variance Account Balances - EGD Rate Zone

Account	2019
DSM Variance Account	\$6,717,372
DSM Incentive Deferral Account	\$6,421,667
LRAM Variance Account	\$9,082
Total Balance	\$13,148,121

Table 2 ²⁸
2019 DSM Deferral and Variance Account Balances - Union Rate Zones

Account	2019
DSM Variance Account	\$5,950,363
DSM Incentive Deferral Account	\$2,335,533
LRAM Variance Account ¹⁴	\$928,440
Total Balance	\$9,214,336

²⁸ Exhibit A, Tab 3, Schedule 1, page 5

All of which is respectfully submitted June 7, 2021

A handwritten signature in blue ink, appearing to read 'D. O'Leary', with a stylized flourish at the end.

Dennis M. O'Leary
Counsel to Enbridge Gas Inc.