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BY EMAIL

July 6, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission on Enbridge's Request for Interim Approval of its 2022 DSM Program Year Enbridge Gas Inc. 2022-2027 Natural Gas Demand Side Management Framework and Plan Application
OEB File Number: EB-2021-0002**

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

Yours truly,

Josh Wasylyk
Project Advisor, Application Policy & Conservation

Encl.

cc: All parties in EB-2021-0002



ONTARIO ENERGY BOARD

OEB Staff Submission on Enbridge Gas Inc.'s Request for Interim Approval of its 2022 Natural Gas Demand Side Management Program Year

Enbridge Gas Inc.

**2022-2027 Natural Gas Demand Side Management Framework and
Plan Application**

EB-2021-0002

July 6, 2021

Background

Enbridge Gas Inc. (Enbridge Gas) filed a multi-year natural gas demand side management (DSM) plan application with the Ontario Energy Board (OEB) on May 3, 2021. Enbridge Gas is seeking approval of a new natural gas DSM policy framework, effective January 1, 2022 in addition to approval of a new multi-year DSM plan, inclusive of budgets, programs and targets from January 1, 2022 to December 31, 2027.

As part of Procedural Order No. 1, the OEB set a schedule for parties to file submissions related to Enbridge Gas's request for interim approval of its 2022 DSM program year. The OEB instructed parties to avoid submissions related to other aspects of the application.

On June 22, 2021 the OEB issued Procedural Order No. 2. As part of Procedural Order No. 2, the OEB denied Enbridge Gas's request for early approval of its proposed DSM budget indicating that a more comprehensive review is required. The OEB further stated that the budget must be considered at the same time as the review of the proposed programs and natural gas savings.

OEB staff's submission below is focused on Enbridge Gas's request for interim approval of its 2022 DSM program year activities. OEB staff has also provided considerations related to transitioning to a new multi-year DSM plan following the OEB's final decision.

Enbridge Gas's Request for Interim Approval

Enbridge Gas has proposed a multi-year DSM plan that will begin on January 1, 2022 and run until December 31, 2027. Enbridge Gas proposes that the 2022 program year act as the starting point, or base year, of the multi-year plan for annual budgets and targets. The remainder of the plan, from 2023 to 2027, builds upon the budgets and targets for 2022. This includes proposed budgets and targets that will be formulaically adjusted each year, with the 2022 year acting as the starting point.

Enbridge Gas has requested the OEB provide interim approval of its 2022 DSM program activities by August 31, 2021 as a final decision from the OEB on this application is not likely until well into 2022. As part of its 2022 program year, Enbridge Gas has proposed to align the two legacy utility DSM programs, scorecards, metrics and budgets and transition to the new multi-year DSM plan.

Enbridge Gas stressed the importance of program continuity as an essential requirement for a successful, sustained energy conservation market. Enbridge Gas

further noted that interim approval of the 2022 DSM activities would allow for customers, project partners and Enbridge Gas to proceed confidently with projects prior to a final decision from the OEB.¹

With respect to potential changes to the 2022 DSM plan, including revised scorecards, targets and metrics, Enbridge Gas stated that it would be assuming the full risk associated with offering its programs prior to a final decision from the OEB, including any impacts the OEB's final decision may have on the shareholder incentive.² However, Enbridge Gas requested that the OEB make it clear in its interim decision that Enbridge Gas will be able to recover all reasonable costs, expenses and commitments that were incurred and made in undertaking activities in 2022, including expenditures of up to 120 days after an OEB final Decision and Order is received. This is the minimum period of time that Enbridge Gas estimates will be required to wind down activities not approved by the OEB.³

Enbridge Gas has proposed a 2022 program year budget of \$136 million. This represents an increase from the OEB-approved 2021 DSM budget of approximately 3%⁴ and is its response to the OEB's direction in its December 1, 2020, letter suggesting modest budget increases in the new multi-year DSM plan.

OEB Staff Submission

OEB staff generally supports Enbridge Gas's request for interim approval of the DSM activities proposed for the 2022 DSM program year. The proposed programs are largely the same as those approved for the 2021 program year, albeit, with some proposed changes that Enbridge Gas believes will improve and enhance its overall suite of programs. Therefore, from the customer's perspective, the 2022 programs will generally appear to be a continuation of the programs they are familiar with and should not see a noticeable change. However, Enbridge Gas has proposed some new programs, including a new program to encourage better building practices in the new construction market,⁵ a whole building pay for performance program,⁶ and a new low carbon transition program.⁷ OEB staff submits that the OEB should not provide interim approval for any new programs. Rather, the OEB should only provide interim approval of the following programs that have been approved by the OEB in a previous proceeding, and

¹ Exhibit B, Tab 1, Schedule 1, p. 15, para. 47

² Exhibit B, Tab 1, Schedule 1, p. 15, para. 48

³ Exhibit B, Tab 1, Schedule 1, p. 16, para. 49

⁴ The 2021 budget of \$132.1 million was approved as part of EB-2019-0271.

⁵ Exhibit E, Tab 2, Schedule 2

⁶ Exhibit E, Tab 2, Schedule 1

⁷ Exhibit E, Tab 3, Schedule 1

which Enbridge Gas has proposed to continue into 2022 without significant changes:

- Residential Program – Whole Home offering, Single Measure offering, Smart Home offering
- Low Income Program – Home Winterproofing offering, Affordable Housing Multi-Residential offering
- Commercial Program – Prescriptive Downstream offering, Commercial Custom offering, Direct Install offering, Prescriptive Midstream offering
- Industrial Program – Industrial Custom offering
- Large Volume Program

Providing interim approval of these programs will ensure that there are no gaps in program availability and provide certainty for customers planning on making energy efficiency upgrades. These programs represent the large majority of Enbridge Gas's DSM plan, so the level of program activity will be similar to recent years. It will also allow the OEB to conduct a full review of the new programs and consider their merits before Enbridge Gas embarks on any new activities, incurs new costs, and makes commitments with customers for programs that may not be ultimately approved.

Enbridge Gas did not explicitly request interim approval of its 2022 budgets. Rather, Enbridge Gas requested early final approval of its budget proposal, which the OEB denied as part of Procedural Order No. 2. As noted above, Enbridge Gas has proposed a 2022 DSM budget of \$136 million, which is an increase of approximately 3% from its 2021 DSM budget.

OEB staff is of the view that, as part of the interim approval of the DSM activities proposed for the 2022 DSM program year, it would be reasonable for the OEB to approve a 2022 program year budget on an interim basis that would correspond only to previously approved programs. This would amount to a budget of approximately \$123.5 million,⁸ or 90% of the requested 2022 budget, subject to changes made in the OEB's final decision on Enbridge Gas's application. Although this is close to the full budget amount requested by Enbridge Gas, limiting interim approval to exclude new programs will ensure that Enbridge Gas is not incurring costs for new programs the OEB has never considered.

Enbridge Gas has indicated that it should be able to recover all costs associated with delivering any programs approved on an interim basis, but not ultimately approved as part of the OEB's final decision, up to a minimum of 120 days following the OEB's final

⁸ Exhibit D, Tab 1, Schedule 1, p. 9, Table 2. Enbridge Gas has only provided administration, evaluation, regulatory, and research and development costs at the portfolio level so OEB staff has estimated these amounts for legacy programs based on their share of overall costs.

decision. Enbridge Gas refers to this as the wind down period.⁹ OEB staff has recommended that no new programs be approved on an interim basis. If the OEB accepts this recommendation, the likelihood of those programs approved on an interim basis not being approved in the final decision are low. However, in the event the OEB finds it reasonable to approve all of Enbridge Gas's proposed 2022 DSM activities on an interim basis, in OEB staff's view, the reasonableness of the length and nature of the wind down period for programs that are not ultimately approved should be examined more thoroughly.

As the proposed 2022 DSM budget is very similar to that which is in place for 2021, overall rate impacts will be generally held constant relative to amounts currently included in rates should all of Enbridge Gas's proposed programs be approved. And with the slightly reduced budget that is reflected by OEB staff's interim proposal, rate impacts should not vary significantly from Enbridge Gas's full proposal for 2022, although Enbridge Gas may want to confirm this in its reply submission.¹⁰

Providing interim approval of the budget will minimize overall rate impacts for customers should a final decision not be available until the middle of 2022 as the entirety of the 2022 DSM budget can be collected over 12 months as opposed to something less. Consistent with Procedural Order No 2, OEB staff submits that no determinations related to Enbridge Gas's proposed budget escalation methodology for the 2023 to 2027 DSM program years should be made at this time. Those issues should be addressed in the OEB's final decision.

OEB staff suggests that it should be made clear that interim approval (either limited to legacy programs based on OEB staff's submission or for the full proposal for 2022 put forth by Enbridge Gas) is not a pre-emptive acceptance of any element of Enbridge Gas's proposed DSM plan for 2022. As a result, OEB staff submits that parties should still be allowed to ask interrogatories and make submissions on all proposals within Enbridge Gas's application. This includes all proposals related to the 2022 program year, including, but not limited to, budgets, programs, performance scorecards (including targets and metrics), and incentive structure as well as all DSM framework proposals.

As noted earlier, OEB staff submits that the OEB's current DSM policy framework should remain in effect until the OEB has issued its final decision on Enbridge Gas's

⁹ Exhibit B, Tab 1, Schedule 1, p. 16, para. 49

¹⁰ For the full 2022 proposal, monthly costs for a typical residential customer in the EGD rate zone will increase by \$0.15, while monthly costs for a typical residential customers in the Union South and Union North rate zones will decrease by \$0.08 and \$0.09 respectively. Final rate impacts will vary depending on the OEB's final decision.

proposed DSM policy framework.

OEB staff supports Enbridge Gas's proposal to assume the risk associated with its proposed new scorecards, targets, metrics and ultimately eligible shareholder incentive amounts with offering programs (either those previously approved by the OEB as supported by OEB staff in this submission, or any other programs potentially approved on an interim basis by the OEB) prior to a final decision from the OEB. After its review and consideration of the evidence in this proceeding, the OEB will make a determination on the final performance scorecards, natural gas savings targets, and any other performance metrics the OEB finds appropriate. OEB staff is of the view that Enbridge Gas's 2022 DSM achievements should be compared against those performance metrics included in the OEB's final decision.

Finally, depending on the timing of the OEB's final decision, OEB staff acknowledges the potential difficulty of using the 2022 program year as the base year for the multi-year DSM plan. It may be that a final decision cannot reasonably be rendered until mid-2022. OEB staff suggests that the OEB be mindful of the need for flexibility and the possibility of various outcomes in transitioning to the next multi-year DSM term. This may include 2022 acting as a transition year, similar to the treatment of the 2015 program year. Under this scenario, and assuming Enbridge Gas's proposed plan structure where the first year acts as a base year that informs the remaining years of the plan is accepted, it may be appropriate that the 2023 program year act as the base year, while 2022 is a standalone transition year. However, there are other possible alternatives that may be directed by the OEB, all of which provides further rationale for approaching the transition to Enbridge Gas's next multi-year DSM plan with flexibility.

~All of which is respectfully submitted~