



Enbridge 2023-7 DSM Plan EB-2021-0002

Jay Shepherd

Regulatory Co-Counsel, School Energy Coalition

Presentation to OEB

March 24, 2022

Issues to be Highlighted

- **Reducing Combustion of Natural Gas in Ontario**
- **Independence/Conflict**
- **Amortization of DSM Spending**
- **Cost Allocation and Budget “Flexibility”**

What's the Goal?

- **If DSM is successful, result should be**
 - Reduced natural gas combustion
 - Reduced GHG emissions
 - Lower costs for customers
 - Declining rate base
- **How are we doing?**
 - More than \$2.1 billion spent to date on DSM
 - Throughput has not gone down (only residential NAUC has improved)
 - GHG emissions continue to increase
 - Customer bills continue to rise
 - Rate base additions higher every year – \$1.5 billion now being forecast

Independence/Conflict

- **Utility's Natural Conflict of Interest**
 - Grow business by building rate base
 - Income from annual new rate base - +\$70M
 - Annual Income from accum. rate base - +\$660M
 - Income from DSM incentives - \$10-20M
- **Not a New Problem**
- **What is the Solution?**
 - Independent, fuel-neutral delivery of DSM programs?
 - Incentives tied to achieving those goals?
 - Independent oversight?

Amortization of DSM Spending

- Pay now, or pay over time
- Matching principle – well designed amortization matches costs to benefits
- High cost of financing
 - Utility WACC, plus tax gross-up, plus amortization
 - Average annual cost 10.3% over 15 years
 - \$1.00M = \$1.55M
- Allows greater spending today while controlling rate impacts
- Creates future obligation – after ten years of \$1.00M spending per year
 - Annual cost \$1.15M and rising
 - Breakeven year 9 @15 year amort. – shorter if higher WACC
 - Amount still owing on past spending - \$6.33M
- Benefits customers who can migrate off fossil fuels earlier

Cost Allocation and Budget Flexibility

- **Residential programs funded by non-residential customers**
 - Rates M1 and 01 in Union territory
 - Includes small businesses, schools, etc.
 - Volumetric recovery of DSM spending
- **Benefits do not follow costs**
 - Funders do not qualify for most programs
- **Reallocations to Residential Programs**
 - Increase cost to non-beneficiaries without any recourse or oversight
- **Solution?**
 - Rebasing/harmonization may solve this
 - In the interim
 - Residential programs funded in fixed monthly charge, non-residential in volumetric charges
 - Independent supervisory entity reviewing budget transfers and impacts

Enbridge 2023-7 DSM Plan EB-2021-0002

Presentation to OEB
March 24, 2022

Jay Shepherd

Regulatory Co-Counsel, School Energy Coalition

