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BY EMAIL

April 8, 2022

Nancy Marconi  
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Ontario Energy Board  
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Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Enbridge Gas Inc.  
2020 Demand Side Management Deferral and Variance Account Disposition  
Application  
OEB File Number: EB-2022-0007**

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

Yours truly,

Michael Bell  
Senior Advisor, Application Policy & Conservation

Encl.

cc: All parties in EB-2022-0007



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Enbridge Gas Inc.**

**2020 Demand Side Management Deferral and Variance Account  
Disposition Application**

**EB-2022-0007**

**April 8, 2022**

## Background

Enbridge Gas Inc. filed an application with the Ontario Energy Board (OEB) on January 14, 2022 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 2020 deferral and variance accounts related to its delivery of natural gas conservation and energy efficiency programs for the 2020 program year.

A Notice of Hearing was issued on January 31, 2022. Procedural Order No. 1 was issued on February 25, 2022. The OEB indicated that OEB staff and intervenors may file submissions on the application by April 8, 2022 and April 13, 2022 respectively.

These are the submissions of OEB staff.

## DSM Framework

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, and that the results of this evaluation would 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 Inc. (then operating separately as Enbridge Gas Distribution Inc. and Union Gas Limited) on January 20, 2016 (the 2015-2020 DSM Decision).<sup>2</sup>

## Evaluation, Measurement and Verification (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

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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

independent review and verification of Enbridge Gas's DSM program results for the 2020 program year. As part of its evaluation activities, the EC has sought input and advice from the EAC as required.

## Application Summary

Enbridge Gas has requested approval of the 2020 DSM Deferral and Variance Account (DVA) balances shown in Table 1 below. Enbridge Gas indicated that it has relied on the EC's 2020 final results included within the 2020 Annual Verification Report.

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 2020 Enbridge Gas DSM DVA Balances**

Account	2020	
	EGD Rate Zone	Union Rate Zones
Demand Side Management Variance Account (DSMVA)	-\$3,209,223	-\$9,860,959
Demand Side Management Incentive Deferral Account (DSMIDA)	\$3,586,470	\$2,726,196
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$9,404	\$1,130,027
<b>Total Amount Recoverable</b>	<b>\$386,651</b>	<b>-\$6,004,736</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 difference between actual spending relative to the amount budgeted for each rate class is allocated to that rate class for DSMVA disposition purposes. The DSMVA balance includes adaptive thermostat program expenditures of \$983,916 in the legacy Union rate zone not initially included in the 2020 DSM budget in the 2015-2020 DSM Decision but is consistent with the OEB's guidance in the DSM Mid-Term Review Report.

Enbridge Gas is seeking approval of a credit to customers of \$3,209,223 in the EGD Rate Zone and a credit to customers of \$9,860,959 in the Union Rate Zones for 2020. Enbridge Gas noted that the COVID-19 pandemic had a significant impact on 2020 program spending. It required Enbridge to adapt its program design and implementation practices to the evolving situation. The COVID-19 pandemic also had a larger impact on Commercial and Industrial programs which made up a larger portion of the Union Gas 2020 DSM budget. As a result, this is reflected in the lower relative spending in the Union Gas rate zone.

## DSMIDA

The purpose of the DSM Incentive Deferral Account (DSMIDA) is to record the shareholder incentive amount earned by a natural gas utility as a result of its DSM programs. 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 2020.

Enbridge Gas is seeking approval to recover \$3,586,470 for the EGD Rate Zone and \$2,726,196 for the Union Rate Zones for 2020.

## 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 impacts included in distribution rates. 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 for a debit of \$9,404 in the EGD Rate Zone and a debit of \$1,130,027 in the Union Rate Zones for 2020.

## Disposition

Enbridge Gas proposes that disposition of the 2020 DSM deferral and variance account balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as July 1, 2022, with a common disposition methodology for Enbridge Gas Distribution (EGD) and Union Gas rate zones.

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 \$4.28. 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 \$1.11. 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 is a refund of \$5.20.

## 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 2020 Annual Verification report.

OEB staff notes that there are credit balances in the DSMVA account for both EGD and Union Gas rate zones in 2020. Enbridge Gas experienced several challenges in 2020, a primary driver being the COVID-19 pandemic which required Enbridge Gas to adapt its program design and implementation practices to stay current with the evolving situation. This ultimately impacted overall participation in DSM programs and led to Enbridge Gas spending below OEB-approved budgeted amounts.

OEB staff supports the request to dispose of the DSMVA balance, including the underspend noted above and the adaptive thermostat program expenditures of \$983,916 in the legacy Union rate zone, consistent with the OEB's guidance in the DSM Mid-Term Review Report.<sup>3</sup> The adaptive thermostat program was approved by the OEB as part of the Mid-Term Report to transition from a pilot to a full program commencing with the 2019 program year. As the direction to transition to a full program was provided as part of the OEB's Mid-Term Report and not through a Decision and Order the program budgets are not currently included in rates. OEB staff notes that this is the second application in which Enbridge Gas is seeking recovery for these incremental program costs. As part of last year's DSM DVA application, Enbridge Gas received approval of the 2019 program year costs of \$550,816 as it ramped up the program and adjusted the design as it gained experience. The 2020 program costs and results reflect the program maturing closer to its fully effective state as Enbridge Gas has built on lessons learned. OEB staff has no concerns with the costs incurred in 2020.

OEB staff submits that the allocation and disposition methodologies are appropriate and supports the common disposition methodology proposed for the EGD and Union Gas rate zones, consistent with the approach used by the OEB in the last DSMVA clearance proceeding.

~All of which is respectfully submitted~

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<sup>3</sup> EB-2017-0127, DSM Mid-Term Review Report