

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

April 13, 2022

**EB-2022-0007 – 2020 DSM Deferral and Variance Account Disposition Application
Pollution Probe Submission**

Dear Ms. Marconi:

In accordance with Procedural Order No. 1 for the above-noted proceeding, please find attached a submission on behalf of Pollution Probe.

Respectfully submitted on behalf of Pollution Probe.



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ONTARIO ENERGY BOARD

Enbridge 2020 DSM Deferral and Variance Accounts

POLLUTION PROBE SUBMISSION

April 13, 2022

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Background

Enbridge Gas Inc. (Enbridge) filed an application with the Ontario Energy Board (OEB) on January 14, 2022, under section 36 of the *Ontario Energy Board Act* seeking approval to clear 2020 deferral and variance account balances in three Demand Side Management (DSM) deferral and variance accounts, related to the delivery of natural gas conservation and energy efficiency programs.

In accordance with Procedural Order No. 1, the following is the written submission from Pollution Probe.

Overview

Enbridge filed an application on January 14, 2022 to clear 2020 DSM Deferral and Variance Account Balances, more specifically requesting OEB approval related to the following amounts.

Table 1
2020 DSM Deferral and Variance Account Balances - EGD Rate Zone

Account	2020
DSM Variance Account	(\$3,209,223)
DSM Incentive Deferral Account	\$3,586,470
LRAM Variance Account	\$9,404
Total Balance	\$386,651

Table 2
2020 DSM Deferral and Variance Account Balances - Union Rate Zones

Account	2020
DSM Variance Account	(\$9,860,959)
DSM Incentive Deferral Account	\$2,726,196
LRAM Variance Account ²	\$1,130,027
Total Balance	(\$6,004,736)

Although clearance of the accounts highlighted in the tables above are the direct approvals requested by the Enbridge, there are other implied approvals that an OEB Decision for this proceeding provides. In order for the OEB to approve the amounts above, it is required to review all the inputs to these amounts, including the program savings, cost effectiveness and alignment with the current OEB DSM Framework and OEB DSM Guidelines. Governments, consumers and other stakeholders rely on the outcome of the processes established by the OEB to ensure that all the DSM results are

thoroughly reviewed, accurate and reasonable. For example, Ontario uses the OEB approved values as a basis for setting policy (e.g. Ontario Environmental Plan and recent OEB Mandate letter) and reporting internationally, for comparison progress against the Ontario Environment Plan or climate goals and to reference net benefits and emissions reductions at large. More specifically, the recent OEB Mandate Letter indicated:

“I would like to express my strong interest in a framework that delivers increased natural gas conservation savings and reduces greenhouse gas emissions. Conservation is a strong driver for cost savings for ratepayers, and with the introduction of carbon pricing, conservation can also transform homes and help protect ratepayers from the impact of the carbon tax. Natural gas conservation programs have delivered continued value for money for ratepayers – based on OEB-verified results for 2019, every dollar spent on natural gas DSM has resulted in up to \$3 in participant and social benefits.”¹

It is clear that DSM can bring significant benefits to Ontarians and that maximizing DSM is the optimal goal. Enbridge also uses this information to publish cost-effectiveness, energy and emissions savings and for public relations and investor reports.

The OEB conducted an audit related to portions of information underlying some of the accounts² and leveraged a small group of industry experts and intervenor stakeholders via the Evaluation and Audit Committee (EAC) to oversee audit and evaluation activities. This proceeding represents the only public consultation, review or input into the DSM results, account clearance and the related DSM portfolio information (e.g. cost-effectiveness, energy and emissions reductions. As outlined below, the largest portion of accounts in this proceeding were not included in the OEB audit or EAC review. It is unclear why the OEB process did not include the DSMVA which is the DSM account with the largest potential impact for Ratepayers and is a direct contributor to the OEB Mandate letter goals of maximizing cost-effective DSM.

2020 was not a typical DSM program year. It is important to note that COVID directly and indirectly impacted the spending and results of many programs. Most of the programs were negatively impacted and some like residential thermostats were positively impacted³. On balance, COVID led to a significant underspend which is not typical or the trend due to the increasing demand for energy and emission reduction programs across sectors in Ontario⁴. Impacts to results affect every account included in this proceeding, but is most visible for the DSMVA. Without the DSMVA impact, the DSM account balances equate to a request for recovery from Ratepayers of

¹ mandate-letter-from-the-Minister-of-Energy-20211115-en, page 3.

² EB-2022-0007 Exhibit I.PP.4, Attachment 1.

³ EB-2022-0007 Exhibit I.EP.1 and EB-2022-0007 Exhibit I.PP.3

⁴ EB-2022-0007 Exhibit I.PP.2 and EB-2022-0007 Exhibit I.PP.5

\$7,452,097⁵, approximately \$1.7 million more than with the DSMVA underspend impact included. This highlights the significant overall impact that the DSMVA can have in any given year.

DSMVA Assessment & Impacts

The OEB indicated in Procedural Order No. 1, the following:

“The OEB also notes that the balances in the DSM Incentive Deferral Account and the LRAM Variance Account have been reviewed by the Evaluation Contractor as part of OEB-coordinated evaluation, measurement and verification process and as such, the OEB expects its review of these accounts to be a mechanistic process.”

Pollution Probe notes that the OEB has flagged only two of the accounts and the largest account (DSMVA) is not included. It is confusing why all accounts would not be treated in a similar manner and it is not practical to assess the DSMVA in a silo from the broader DSM portfolio. The streamlined written hearing process outlined in Procedural Order No. 1 would be more applicable had previous audit and evaluation had been applied to the elements impacting all DSM accounts, including DSMVA. The DSMVA is the mechanism the OEB uses to manage spending variance, specifically against the 2020 combined budget of \$132.1 million (consisting of EGD = \$67.8 million and Union = \$64.3 million). It also manages potential overspending of 15% based on conditions outlined by the OEB. When applying the overspending potential, the potential amount of spending to be assessed could be as large as \$ 151.9 million which dwarfs all other accounts. Although budget and spending is in scope for the OEB audit and EAC, it is unclear why the OEB or EAC has not provided an opinion when publishing the report for 2020. Pollution Probe recommends that the OEB consider options to address that issue and/or update the mandate of the EAC to bridge that gap.

2020 Audit & Evaluation

Enbridge filed evidence to support clearance of the accounts including Enbridge’s 2020 Demand Side Management Annual Report and references to the 2020 Natural Gas Demand-Side Management Annual Verification report completed by the OEB’s Evaluation Contractor (DNV GL and Dunskey).

It appears that there was no scope of work published to guide the EAC in assessing 2020 results and there was no documentation filed indicating that the EAC supported or

⁵ EB-2022-0007 Exhibit I.PP.1

rejected the 2020 DSM savings or if they assessed any of the 2020 DSM account elements not covered by the OEB's Evaluation Contractor. Pollution Probe has assumed that the EAC members have signed off on the 2020 DSM Audit report and to the extent they did not, those parties will include specific issues in their submissions⁶.

Overall, there is a lack of transparency and stakeholder engagement during the audit and evaluation process. Enbridge and interested parties do not have visibility into the audit and evaluation plan, related costs or what is conducted⁷. Greater transparency would have the potential to enhance areas of focus, evaluation synergies and ensure that activities leverage the budgets available. It is clear from Procedural Order No. 1 that the OEB is putting a lot of weight behind the OEB audit and evaluation activities and more transparency and accountability from that process would help ensure efficiency in proceedings like this one. It is not practical or desirable to replicate all the activities conducted by the EAC and auditor in this proceeding. To the extent that there are gaps or issues in what the EAC and auditor reviewed, those could be flagged and examined in more detail in this proceeding.

Procedural Order No. 1 suggests that the OEB is planning to rely on the audit and evaluation process and to that goal Pollution Probe has attempted to avoid duplicating issues that were intended to be in scope for the OEB audit and evaluation process. Pollution Probe has highlighted some of the issues that are evident based on the materials on the public record and would be willing to provide more detailed assessment and feedback should the OEB find it is required. Many of these issues can be adopted in the process of continuous improvement and even if they impact the accounts in this proceeding, the impact is estimated to be small for 2020 based on Pollution Probe's assessment.

From a review of the 2020 DSM Audit, it is clear that the DSMVA was not reviewed or audited through the OEB process⁸. The DSMVA represents the largest accounts amounts proposed to be cleared (more than double the size of the other account amounts included in Enbridge's application. It is unclear why DSMVA was excluded from the audit given that the OEB Guideline defines it to be in scope.

According to the DSM Guidelines the DSM audit should include the following⁹:

"At a minimum the independent third party auditor should be asked to:

- Provide an audit opinion on the DSMVA, LRAM and incentive amounts proposed by the natural gas utilities and any amendment thereto;
- Verify the financial results in the Draft Evaluation Report to the extent necessary to express an audit opinion;

⁶ All intervenor members of the EAC are also intervenors in this proceeding.

⁷ EB-2022-0007 Exhibit I.PP.6

⁸ <https://www.oeb.ca/sites/default/files/2020-Natural-Gas-Demand-Side-Management-Annual-Verification-Report.pdf>, Page 25 and EB-2022-0007 Exhibit I.PP.4

⁹ Demand Side Management Guidelines for Natural Gas Utilities (EB-2008-0346) page 41.

- Review the reasonableness of any input assumptions material to the provision of that audit opinion; and
- Recommend any forward-looking evaluation work to be considered.”

Conclusions and Recommendations

Pollution Probe recommends that the OEB approve the amounts requested by Enbridge. Although several elements were not included in the Evaluation Report or EAC review, there appears to be no basis to suggest additional adjustments unless the OEB conducts additional audit and evaluation related to the DSMVA. The process that would be required to undertake that review exceeds the scope of this proceeding as defined by Procedural Order No. 1. Based on current information available and in Pollution Probe’s view, it would be unfair to hold up the clearance of these accounts while additional verification was conducted since it was expected that this assessment would have been done through the EAC and audit process. This gaps should be closed for future years when the OEB and EAC conduct the audit and evaluation activities. There are certainly lots of areas for improvement related to that process and in alignment with Procedural Order No. 1 Pollution Probe will reserve the more detailed list of improvements for its submission for EB-2021-0002.

To improve audit and evaluation process for future years it is recommended that a scope of work or workplan be created for the EAC for each year going forward and that a memo from the EAC be published when the audit for each future year is published. The EAC memo should include a summary of their review and recommendations that can be used to assess the reasonableness of the Enbridge DSM accounts in the future and an explanation on why some accounts or audit and evaluation activity were excluded in that specific year.