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April 22, 2022

VIA RESS AND EMAIL

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

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2022-0007
2020 Demand Side Management (DSM) Deferral and Variance Account
Disposition Application – Reply Submission**

In accordance with the OEB's Procedural Order No. 1, enclosed please find the Reply Submission of Enbridge Gas.

If you have any questions, please contact the undersigned.

Sincerely,

Asha Patel
Technical Manager, Regulatory Applications

cc.: D. O'Leary (Aird & Berlis)
EB-2022-0007 - 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 concerning disposition of 2020 Demand Side Management Deferral and Variance Accounts

**REPLY SUBMISSION OF
ENBRIDGE GAS INC.**

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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. As noted by the OEB in Procedural Order #1 ("**PO.1**") dated February 25, 2022 at page 2:

With respect to the scope of this proceeding, the OEB will not consider any issues related to future DSM programs or plans as they are being addressed as part of Enbridge Gas's application for Multi-Year Natural Gas Demand Side Management Plan 2022 to 2027, EB-2021-0002. The OEB will not consider any matters related to the 2015-2020 DSM Guidelines that are not directly related to the determination of the disposition and allocation of the 2020 account balances. 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.

3. The Company notes that several of the submissions made relate to matters which are more properly the subject of the current Framework and 2023-2027 DSM Multi-Year Plan Application (EB-2021-0002) (the "**Multi-Year Application**") and are out of scope for this proceeding being comments about evaluation, monitoring and verification ("**EM&V**") protocols. Submissions about what matters the evaluation contractor ("**EC**") should or should not render opinions about is something that should be raised in the Multi-Year Application. The work by the EC in this proceeding is complete and its report has been filed and is the basis upon which Enbridge Gas and all parties to this proceeding, including OEB Staff, have supported the clearance through to rates of the proposed amounts. This being said, the Company feels compelled to respond to the several comments made by

certain parties about the lack of the EC rendering an opinion in respect of the DSMVA.

4. This proceeding involves an Application for the approval of the amounts recorded in the three 2020 DSM Deferral and Variance Accounts established by the OEB for the Enbridge Gas Distribution (“**EGD**”) and Union Gas (“**Union**”) rate zones and the clearance of same through to rates.
5. The Company notes that the EM&V process was once again led by OEB Staff. They had the assistance of Mr. Chris Neme, Energy Futures Group, and Jay Shepherd, Shepherd Rubenstein Professional Corporation. As well, two independent experts were appointed to the Evaluation and Audit Committee (“**EAC**”), Ted Kesik, Knowledge Mapping Inc. and Robert Wirtshafter, Wirtshafter Associates Inc.¹ The EAC also included representatives from the Independent Electricity System Operator (“**IESO**”) and the Ministry of Energy, as an observer². Together with representation from the Company, these parties made up the EAC.
6. Enbridge Gas submits that two of the objectives sought by the OEB with its establishment of this formalized EM&V process, which is overseen by OEB Staff, includes 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. It is for this reason that the OEB made the statement which was identified above in PO.1.

¹ Ex. A, Tab 3, Schedule 1, page 3, para 5.

² OEB Staff submission, April 8, 2022, page 1.

7. As noted in the pre-filed evidence³, the methodologies used by Enbridge Gas to determine the amounts recorded in the applicable accounts for the 2020 DSM Program Year for each of the EGD and Union rate zones were guided by the DSM Framework and Guidelines⁴, the OEB's Decision and Order and Revised Decision and Order on the EGD and Union 2015-2020 DSM Plans⁵, the OEB Mid-Term Review of the DSM Framework⁶ 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 EC.

8. For the purposes of the EM&V process, OEB Staff selected DNV (DNV GL Energy Insights USA, Inc. f/k/a KEMA Inc.) as the independent EC. The EC prepared the 2020 Verification Report which provided the EC's opinions and conclusions regarding the amounts of energy savings, lost revenue, shareholder incentive amounts and cost effectiveness for the DSM programs offered by Enbridge Gas in 2020.⁷ The Report also included several findings and recommendations for future consideration.⁸

³ Ex. A, Tab 3, Schedule 1, pages 4 & 5

⁴ EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020) (December 2022, 2014 and Guidelines) ("**DSM Framework**").

⁵ EB-2015-0029/0049, Decision and Order, January 20, 2016 and Revised Decision and Order, February 24, 2016.

⁶ 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 ("**Mid-Term Review**").

⁷ 2020 Natural Gas Demand-Side Management Annual Verification Report, Ontario Energy Board (December 2, 2021) <https://www.oeb.ca/sites/default/files/2020-Natural-Gas-Demand-SideManagement-Annual-Verification-Report.pdf> (the "**Report**")

⁸ Report, section 10.A

9. The 2020 DSM-Related Deferral and Variance Account Balances, which are the subject of this Application, and which are 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 sub-heading "Relief Sought" below. It should be noted that these account balances as presented do not include interest calculated to the date of disposition. Interest will be 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 OEB's decision in this proceeding.
10. The specifics of Enbridge Gas' proposed allocation of 2020 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, Tabs 1-3 for the EGD rate zone and at Exhibit C, Tabs 1-3 for the Union rate zones. As noted by OEB Staff, the allocation of amounts proposed for disposition are consistent with the DSM Framework and past practices⁹.

SUPPORTING SUBMISSIONS OF PARTIES

11. Given the extensive review of the Company's DSM activities and results in 2020 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

⁹ OEB Staff Submission April 8, 2022, page 5.

appropriate, Enbridge Gas submits that it is not surprising that OEB Staff stated the following at page 5 of their April 8, 2022 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 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. 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”.

12. In addition to OEB Staff, none of the intervenors which have filed submissions oppose the acceptance by the OEB of the amounts recorded in the various DSM deferral and variance accounts and none oppose these amounts being cleared through to rates as proposed by Enbridge Gas. CME stated that it takes no issue

with EGI's application or its requested relief.¹⁰ Energy Probe stated in its submission that it accepts the amounts set out in the various deferral and variance accounts and the proposed disposition.¹¹ IGUA stated that it takes no objection to clearance of the DSM related balances proposed by Enbridge Gas herein.¹² Pollution Probe recommended that the OEB approve the amounts requested by Enbridge Gas and that it would be unfair to hold up the clearance of these accounts while additional verification was conducted [specifically with reference to the DSMVA].¹³ Finally, SEC proposes that the OEB approve the clearance of the balances as proposed, but on an interim basis.¹⁴ Enbridge Gas responds to this specific submission under a separate heading below.

13. The Company therefore notes that there is no opposition to the OEB accepting the amounts set out in the various DSM deferral and variance accounts and for the clearance of same through to rates as proposed by Enbridge Gas.

RESPONSE TO SPECIFIC SUBMISSIONS

The DSMVA

14. Two parties, Pollution Probe and IGUA, express concern about the extent to which the EC undertook a review of the amounts recorded in the DSMVA. Enbridge Gas notes that no party identified any specific issue of concern and that there is no evidence nor any suggestion that the amounts recorded are inaccurate or

¹⁰ CME Submission, April 13, 2022, page 2.

¹¹ Energy Probe Submission, April 8, 2022, page 3.

¹² IGUA Submission, April 13, 2022, page 2.

¹³ Pollution Probe Submission, April 13, 2022, page 6.

¹⁴ SEC Submission, April 13, 2022, page 3.

inappropriate. The one difference between the budget underspend set out in Table 1-3 on page 6 of the Report (i.e. the DMV Annual Verification Report) of \$11,360,959 and the underspend set out in Table 9-9 of the Enbridge Annual Report of \$9,860,959, as both SEC and OEB Staff noted, is due to the fact that the OEB approved budget for legacy Union DSM programs did not include funding for residential adaptive thermostats. This program offering was directed by the OEB in the Mid-Term Review and was therefore not included in the original budget. Monies for this program offering were therefore never added to rates. It is therefore appropriate to account for this at this time. SEC requested that Enbridge Gas confirm this in their reply submission. The Company confirms that this is in fact the case.

15. To the suggestion by Pollution Probe that there is a lack of transparency in stakeholder engagement during the audit and evaluation process, the Company submits that this is most unfair. The EM&V process is already a costly and time consuming exercise which involves numerous parties and oversight by OEB Staff. The Company questions the value of including more stakeholder representatives specifically on the EAC as this will only make the process that much more complicated, costly and time consuming. The Company notes that few of the stakeholder groups have the appropriate experience and expertise to add value to the EAC. Enbridge Gas submits that with its annual report, the EC's verification report and the involvement of the EAC, there is full and complete transparency.
16. In terms of those submissions that noted that the EC did not render an opinion in respect of the DSMVA in 2020. The amounts recorded in the DSMVA are strictly

mathematical being the difference between the amounts recovered in rates and the amounts actually spent by the Company, with the exception of the adaptive thermostat program offering in the legacy Union rate zones. The Company agrees with the submission by SEC at page 2 which notes that as a result of the books of the Company being subject to financial audit by recognized accounting firms, SEC agrees with the EAC that an opinion from the EC on the DSMVA balance is not required.

17. In the 2019 DSM Deferral and Variance Account Clearance Application (EB-2021-0072), similar concerns were raised about the extent of review by the EC of the DSMVA balances. The Company notes that in that proceeding the OEB Decision found the following: “The OEB selected the EC and determined the scope of the review with input from the OEB’s Evaluation Advisory Committee. At this juncture, the OEB will not require an audit of Enbridge Gas’s DSMVA balances as part of the EC’s scope of work.”¹⁵
18. It should be recalled that the review by the EC is undertaken on a completely independent basis. Enbridge Gas does not direct the EC about precisely what matters it will review in detail and opine upon. The EC and OEB Staff make the decisions, with input from the Company, 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. Whether stakeholders should have the ability to ask the independent EC interrogatories on its report is a matter

¹⁵ EB-2021-0072, OEB Decision and Order June 24, 2021, page 6

that is beyond the control of the Company given that the EM&V process is chaired and overseen by OEB Staff. This being said, the fact that some parties believe that the EC did not undertake what is in effect an audit review of the DSMVA balances does not mean that the EC's work was inadequate nor that the amounts that were recorded are in any way unreliable.

SEC's Proposal that Approval be Granted on an Interim Basis

19. SEC has proposed that the OEB approve the balances in the various deferral and variance accounts but that the OEB order their clearance on an interim rather than a final basis. SEC points to a December 29, 2021 report by the EC which involved a review of the E-Tools Calculator. SEC notes that this report has not yet been made public. SEC states that the report concluded that the E-Tools model estimates for savings are in some instances higher than the actual savings observed through a "rigorous billing analysis".¹⁶ SEC further notes that the EC was unable to identify the reasons for this overestimation and therefore a Phase 2 study has commenced.

20. Enbridge Gas submits that the amounts recorded in the various deferral and variance accounts in this Application should be approved and cleared through to rates on a final, not an interim basis. There are a number of reasons for this. First, there is no evidence in this proceeding which supports what SEC has submitted. Not only are the findings of this report not mentioned anywhere in evidence, there is not even any reference to this study in the evidence. Second, Enbridge Gas has

¹⁶ SEC Submission, April 13, 2022, page 2.

concern about making comparisons between the E-Tools Calculator which, as SEC notes is a complex spreadsheet based model that has been used for many years, and a “rigorous billing analysis”. The Company has on numerous occasions expressed concern about the reliability of billing analysis given that many independent factors can impact gas usage beyond DSM program offerings.

21. As the report in question is not in evidence, the Company will avoid the temptation of referencing language from the report at this time. However, what is clear from the submissions of SEC is that SEC acknowledges that the results of DNV’s work are preliminary and thus the need for a further phase to the work. Intuitively, the additional work could make the actual performance of the E-Tools model better or worse than the preliminary numbers. The findings in the Phase 2 study may therefore determine that the prior report was in error and/or that more study is required. It is also possible that the Company will have concerns with the reports and seek an opportunity to object and/or respond.
22. Further, procedurally what SEC proposes is problematic. It appears that SEC is suggesting that the OEB should, in effect, hold a second hearing to receive and consider the EC’s further reports. As there is no evidence as to when the further report will be completed, the OEB cannot even issue a procedural order with timelines to deal with matters. Presumably the EAC and EC would need to reconvene to consider the impact of these reports and any proposed changes to savings verification amounts. Certainly Enbridge Gas should have an opportunity to respond and, possibly, file a report/study of its own responding to the EC’s reports. This would lead to further EAC involvement and it is likely that other parties

will request being involved. Enbridge Gas believes that what SEC is proposing would essentially require the 2020 Program Year to be completely re-evaluated, reverified and reconsidered, first by the EC and EAC, and then again by the OEB for the purposes of issuing a final order at some distant time.

23. Enbridge Gas notes that if 2020 results are treated as interim, then the targets which have been generated for 2021 would also be treated as interim until the issues raised are possibly litigated and resolved, the timing of which is unknown.
24. Importantly, the Company questions the materiality of SEC's concern. There is of course no evidence of the impact, if any, on the amounts recorded in the DSMIDA and LRAMVA which could be the result of the preliminary work completed by the EC. SEC does not even try to justify the figure used in its argument; it has simply thrown out a figure that is completely unsupported. Enbridge Gas submits that SEC should have asked interrogatories on this subject on March 17, 2022, in accordance with the OEB's Procedural Order dated February 25, 2022. At a minimum, SEC should have asked about the extent to which the Company uses E-Tools to calculate the savings generated and thus its materiality.
25. The Company submits that as there is no evidentiary basis in this application to support what SEC proposes, something which SEC itself acknowledges at page 3 of its submission. What a party states in its argument is not evidence and cannot be relied upon for the purposes of making decisions and orders. SEC is in effect asking for the OEB to restart this proceeding, and potentially leave future proceedings in limbo, all without an evidentiary basis. The Company notes that

the work of DNV in respect of E-Tools was also known by OEB Staff and yet it has submitted that the amounts reviewed and approved by the EC (which is also DNV) should be approved and cleared through to rates. The Company therefore submits that there is no evidentiary nor legal basis for the OEB to approve this Application on an interim basis. The approval and clearance order should be final.

IGUA Concern

26. IGUA at page 2 of its submission, expressed concern in respect of the Union Rate T2 and Union Rate 100 Direct Access Large Volume Customer DSM Program (“**LV Program**”) where approximately 20% of the amounts recovered from these customers in rates is consumed in evaluation and administrative activities and not returned to customers for investment in energy efficiency. IGUA submits that this is the case despite the fact that in 2020 there were no LV Program evaluation costs allocated to these rate classes. IGUA comes to this conclusion as a result of the response given by the Company to IGUA interrogatory 2¹⁷ which included the following table:

Program Cost Elements	Rate T2		Rate 100		Total	
	Budget	Actual	Budget	Actual	Budget	Actual
LV Program Incentives/ Promotion	\$ 2,545,247	\$ 2,159,336	\$ 604,753	\$ 762,312	\$ 3,150,000	\$ 2,921,648
LV Program Evaluation	\$ 50,905	\$ -	\$ 12,095	\$ -	\$ 63,000	\$ -
LV Program Administration	\$ 635,908	\$ 308,087	\$ 151,092	\$ 108,764	\$ 787,000	\$ 416,851
DSM Portfolio Overhead (1)	\$ 310,612	\$ 236,395	\$ 73,802	\$ 83,455	\$ 384,414	\$ 319,850
Total Costs (Excluding Low Income)	\$ 3,542,673	\$ 2,703,818	\$ 841,741	\$ 954,531	\$ 4,384,414	\$ 3,658,349

(1) - Inclusive of allocation of portfolio evaluation costs

¹⁷ Ex. I.IGUA.2

27. The Company submits that IGUA's comment on there being "no LV Program evaluation costs" is erroneous. As noted in the above table there were actual LV portfolio overhead costs incurred for the LV Program. However, as the audit costs were not provided broken out by program, the LV program evaluation costs were included in the portfolio budget. These costs were then allocated out similar to other portfolio level costs.
28. Part of the annual evaluation activities undertaken by the Company included the evaluation of the LV program. This is confirmed in the Report by DNV in Tables 11-3 and 11-4.¹⁸ These costs were included in the portfolio overheads budget and the allocation of a share of such portfolio overhead costs is justified in the same way that other portfolio overheads are allocated to the various programs.

CONCLUSION

29. Enbridge Gas submits that based upon the pre-filed evidence, its responses to various interrogatories and the generally supportive submissions of parties, that this application should be approved as filed. There is no evidentiary basis to accept SEC's proposal that the application be approved on an interim basis.

¹⁸ 2020 Natural Gas Demand-Side Management Annual Verification Report, Ontario Energy Board (December 2, 2021) <https://www.oeb.ca/sites/default/files/2020-Natural-Gas-Demand-Side-Management-Annual-Verification-Report.pdf>

RELIEF SOUGHT

30. Enbridge Gas respectfully seeks approval for the amounts recorded in the following 2020 DSM accounts and for the allocation and disposition of same as proposed.

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 ¹⁹

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)

¹⁹ Ex.A, Tab 3, Schedule 1, page 5, Tables 1 & 2.

All of which is respectfully submitted April 22, 2022

A handwritten signature in blue ink, appearing to be 'Dennis M. O'Leary', written in a cursive style.

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

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