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Enbridge Gas Inc.
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VIA RESS and EMAIL

April 29, 2022

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

Dear Ms. Marconi:

Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2021-0002
Multi-Year Demand Side Management Plan (2022 to 2027)
Argument-in-Chief

In accordance with the OEB's Procedural Order #6 enclosed please find the Argument-In-Chief of Enbridge Gas for the above noted proceeding.

Should you have any questions on this matter please contact the undersigned at 416-495-5642.

Sincerely,

Asha Patel
Digitally signed by Asha Patel
Date: 2022.04.29 13:48:50 -04'00'

Asha Patel
Technical Manager, Regulatory Applications

cc: D. O'Leary, Aird & Berlis
EB-2021-0002 Intervenors

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended (the **Act**);

AND IN THE MATTER OF an application by Enbridge Gas Inc. (**Enbridge Gas**) pursuant to Section 36(1) of the Act, for an order or orders approving its Demand Side Management Plan for 2023-2027 (the **Application**).

ARGUMENT-IN-CHIEF OF ENBRIDGE GAS INC.

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INTRODUCTION

1. This is the Argument-in-Chief ("**Argument**") of Enbridge Gas Inc. ("**Enbridge Gas**") or the (the "**Company**"). Given the volume of evidence and number of issues, it is simply not possible for the Company to deal with all of the issues identified in the OEB's Procedural Order No. 3 ("**PO.3**") dated September 9, 2021 and PO.6 dated December 14, 2021. The Company will attempt to highlight key features of its Application and address a number of the issues including those identified in the OEB's letter of April 11, 2022. The issues addressed generally appear in the numerical order set out in PO.3. It should also be noted that as there is some overlap between the OEB's April 11, 2022 letter and several of the PO.3 issues, the response to the questions asked may appear under more than one heading.

2. Enbridge Gas notes that the examinations of the Company's witnesses during the oral hearing did not touch on all aspects of the case. In this Argument Enbridge Gas will therefore focus on areas of the case that received attention during the oral hearing. It will not attempt to anticipate issues or positions in other areas.

BACKGROUND AND CONTEXT (ISSUE 1)

3. This Application was filed on May 3, 2021 in response to the OEB's Letter of Direction dated December 1, 2020 (which for consistency with the evidence is hereinafter referred to as the "**OEB DSM Letter**"). As noted in the OEB DSM Letter, this Application is the result of several years of work beginning with the staged policy consultation, which the OEB established by its letter dated

May 21, 2019.[1] Following a stakeholder meeting on June 13, 2019 which invited input from intervenors on the scope of the consultation and the goals and objectives, the OEB advised that it would undertake a comprehensive review of the current framework for the purposes of establishing a new framework. In a letter dated December 19, 2019, the OEB initiated Phase 2 of the consultation and provided a draft consultation plan. The OEB held a Phase 2 stakeholder meeting on January 28, 2020 to seek input on the consultation plan and general framework ideas. On July 16, 2020, the OEB approved a one-year extension for Enbridge Gas to continue delivering DSM programs under the current existing Framework[2] throughout 2021. In December 2020 the OEB issued the OEB DSM Letter requiring the Company to file a multi-year DSM Plan Application in May 2021.

4. It should be recalled that the Existing Framework, was the result of a lengthy OEB proceeding. This was followed by the development and filing of the 2015-2020 Multi-year DSM Plans, which was the subject of a lengthy oral hearing.[3] The Existing Multi-Year Plans and the Existing Framework were both informed by the historic results of the programs delivered by the legacy utilities Enbridge Gas Distribution Inc. ("**EGD**") and Union Gas Limited ("**Union**"), over many years.

5. The Company therefore believes it is important to stress the fact that this Application is the result of much more than the three years of hard work and regulatory proceedings beginning with the OEB's May 21, 2019 letter. This

[1] OEB DSM Letter, December 1, 2020, p. 1.
[2] EB-2014-0134, Report of the OEB, DSM Framework for Natural Gas Distributors (2015-2020), December 22, 2014 and Guidelines (**Existing Framework**).
[3] EB-2015-0029/0049, Decision and Order, January 20, 2016; Revised Decision and Order, February 24, 2016 (the "**Existing Multi-Year Plans**").

Application has also been informed by the Existing Framework, the Mid-Term Review and Report,[4] the many years of the Company undertaking the delivery of DSM programming including the years 2015-2021, and the annual clearance proceedings. Indeed having regard to the aforementioned decisions, history and consultations is precisely what Enbridge Gas was directed by the OEB to do in the OEB DSM Letter.[5] .

6. It should also be noted that the legacy utilities amalgamated effective January 1, 2019. This is therefore the first application to the OEB where the Company has proposed the merger and integration of existing programming with appropriate revisions and enhancements as well as new program offerings.

7. This Application was also to a significant degree informed by the OEB's DSM Letter. This letter specifically provided the following:[6]

> "**Objectives and Costs of Ratepayer-Funded Natural Gas DSM**
>
> As part of Phase 1 of the OEB's consultation, the OEB received written comments from 25 stakeholders regarding the goals and objectives of ratepayer-funded DSM. Following its review and consideration of the submissions, <u>the OEB is of the view that the primary objective of ratepayer-funded natural gas DSM is assisting customers in making their homes and businesses more efficient</u> to help better manage their energy bills.
>
> In working towards the primary objective, Enbridge Gas's <u>future ratepayer-funded DSM plan</u> should also consider the following secondary objectives:

[4] 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**").
[5] OEB DSM Letter, December 1, 2020, p. 2.
[6] Ibid p. 2.

> - Help lower overall average annual natural gas usage
> - Play a role in meeting Ontario's greenhouse gas reductions goals
> - Create opportunities to defer and/or avoid future natural gas infrastructure projects
>
> These secondary objectives balance input received from stakeholders and refine the objectives included in the former 2015-2020 DSM framework. The OEB is of the view that these secondary objectives are important considerations that a well-planned and effectively implemented DSM plan can help achieve.
>
> Over the course of the 2015-2020 term, annual OEB-approved natural gas conservation budgets have doubled from the previous levels approved for the 2012-2014 term, up to approximately $140 million per year by the end of the current term. With COVID-19 creating many financial hardships, energy conservation has a role in helping to reduce energy costs and assist customers in managing their energy bills. The OEB anticipates modest budget increases to be proposed by Enbridge Gas in the near-term in order to increase natural gas savings, and expects Enbridge Gas to seek to improve the cost-effectiveness of programs. However, the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts. **[Emphasis Added]**.

8. The Company fairly interpreted the above language as directing it to focus its DSM program offerings on natural gas customers and to propose modest budget increases in the near term. The OEB DSM Letter also provided direction and encouragement in respect of the development of program offerings and requested evidence of the collaboration with the IESO's new framework.[7]

9. The OEB DSM Letter stated that the OEB was supportive of continuing the use of a utility shareholder incentive as a reward for meeting or exceeding performance targets. This letter further provided that additional metrics should also be proposed

[7] OEB DSM Letter, December 1, 2020, p. 4.

to ensure segments of the market are reached and small volume, low-income customers and on reserve First Nations are well served. It also directed Enbridge Gas to develop a longer-term natural gas savings reduction target, separate from the annual targets that it will work to achieve by the end of the next Multi-Year DSM Term.[8]

10. Finally, the OEB DSM Letter provided that the OEB expects that Enbridge Gas' new Multi-Year DSM Plan will be for a minimum term of three years up to a maximum of six years.[9]

11. While certain parties have interpreted some of the language in the OEB DSM Letter in a fashion favourable to their position, no party has questioned the appropriateness of Enbridge Gas developing its Application in accordance with the OEB's directives. The Company notes that these directives were responsive to the mandate letter to the OEB dated November 27, 2020 from the Associate Minister of Energy ("**MOE**") and the Minister of the Environment, Conservation and Parks ("**MECP**") regarding the Ontario Government's current policy objectives related to DSM.[10]

12. Enbridge Gas further notes that the Minister of Energy, issued a renewed mandate letter to the OEB dated November 15, 2021 ("**Renewed Mandate Letter**"). In this letter, the Minister stated that he expects to see the establishment of multi-year

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[8] OEB DSM Letter, December 1, 2020, p. 5.
[9] Ibid p. 5; It should be recalled that the OEB ordered that 2021 program activities and budgets be rolled over into 2022, Decision and Order dated August 26, 2021.
[10] Letter from Minister Bill Walker, associate to Minister of Energy, and Jeff Yurek, Minister of the Environment, Conservation and Parks to the OEB, November 27, 2020.

natural gas DSM programming. He also indicated that it was important for the new DSM framework to be implemented in a way that enables customers to lower energy bills and for customers to make the right choices regardless of whether that is through more efficient gas or electric equipment. Minister Smith expressed the need to foster integration between natural gas and electricity conservation programs but stated that he was pleased to see the continued collaboration between the IESO and DSM programs in the low-income space. The Minister also indicated support for a streamlining process to reduce regulatory burden.[11] Finally, the Minister expressed encouragement for the collaboration between DSM and the New Canada Greener Homes Program.[12]

13. While Minister Smith's November 15, 2021 Renewed Mandate Letter post dates this Application, the Company is of the view that the multi-year plan it has proposed is completely consistent with this letter, the prior November 27, 2020 mandate letter and the OEB DSM Letter.

14. The purpose of identifying all of the history and mandate letters to the OEB as set out above is to make clear the time and effort that has been invested in the development of this Application and proposed multi-year DSM plan and to highlight the Company's focus on being fully responsive to government and OEB direction. To those parties that may advocate that this Application should be rejected and the Company directed to start again either immediately or in the next year or two,

[11] Renewed Mandate Letter, November 15, 2021, p. 3.
[12] Ibid, p. 3.

Enbridge Gas submits that such a request would be extremely wasteful, contrary to the Minister of Energy's Renewed Mandate Letter and the OEB DSM Letter.

CONSISTENCY WITH THE POLICIES OF THE GOVERNMENT OF ONTARIO AND BEST PRACTICES (ISSUES 2 AND 3)

15. Issue 2 asks if the Proposed Framework and Proposed DSM Plan adequately supports energy conservation in accordance with the policies of the Government of Ontario. Issue 3 asks if the Proposed DSM Plan is consistent with best practices in Ontario and other jurisdictions. In its April 11, 2022 letter the OEB asked for submissions in respect of related topics including electrification through natural gas programs and incentives for non-gas fired equipment and incentives to non-gas customers.

16. As noted in the pre-filed evidence and oral testimony, Enbridge Gas met with representatives of the MOE & MECP on a number of occasions prior to filing the Application for the purposes of determining the Government's views on the level of natural gas DSM which it anticipated for the purposes of achieving its GHG emission goals. The details of the seven communications which includes four meetings are set out in the Company's interrogatory response to Exhibit I.2.EGI.CCC.4 and were dealt with by Company witness Mr. Fernandes under cross examination.[13]

17. The Company attempted at these meetings to get clarity in respect of government policy and in particular, the draft Made-In-Ontario Environment Plan

[13] TR. Vol 1 pp. 183-186.

("**Environment Plan**"). As explained by Mr. Fernandes, the Company was desirous of understanding the intentions of the Government in respect of the language in the Environment Plan which referred to the inclusion of natural gas conservation contributions to the province meeting its 2030 emission reduction target but added: "This case assumes a gradual expansion of programs delivered by utilities…".[14] "Gradual increase" is the language from the Environmental Plan which the Company believes informed the "modest budget increases" language in the OEB DSM Letter.[15] Mr. Fernandes noted that at these meetings, the Company presented several scenarios. One was to continue with a $2 per month residential rate impact ceiling. Another was the option of increasing the budget at 5% a year over 10 years which would increase the bill impact from $2 to $3 per month. The Company noted that if the budget increased by 10% per year, it would increase the bill impact from $2 to $4 per month. The Company was not attempting to set policy, it was attempting to understand the government's position and thus it presented these bill impact scenarios.[16]

18. The Company ultimately interpreted Government policy and the OEB DSM Letter for the purposes of setting the base budget for 2023 and the formulaic budget increases thereafter.

19. On March 25, 2022, the province issued a press release including modelling for its 2030 emissions reduction target and the principles to align with the federal

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[14] Exhibit I.2.EGI.CCC.4, attachment 1 p. 6. TR.v.1 pp. 183-184.
[15] TR.v.1, pp. 183-184; TR.v.2, p. 96; TR. V. 3, pp. 35 and 126.
[16] TR.v.1, p. 185.

benchmark for 2023-2030. This release only became publicly known subsequent to the oral hearing. As it is a Government of Ontario release, it is a public document to which the OEB can take administrative notice. A link to this document is provided in this submission[17] (referred to hereafter as the: "March 25, 2022 Government Release") and is also referenced in the response to undertaking J2.1.

20. What is notable from the graph depicting Ontario's emissions forecast in the March 25, 2022 Government Release is that the Government has used a conservative illustrative scenario, assuming a 10% real increase in DSM funding by 2030 (which amounts to a 1.2% real annual increase for the duration of the 2023-2030 period).[18] By comparison, the Company has proposed a $142 million DSM budget for 2023 and beginning in 2024, a formulaic increase equal to the inflation rate for administration and portfolio costs and the inflation rate plus a further 3% for program costs only including customer/participant incentives.[19] Accordingly, the proposed DSM plan contemplates a higher budget and potentially greater DSM natural gas savings than those forecast by the government based upon the annual real budget increase of 1.2% used in the March 25, 2022 Government Release.

21. In terms of the consistency of the DSM plan with industry best practices in Canada and the United States, the Company notes that its legacy DSM program offerings have many times been considered best practices by other jurisdictions. Mr. Wasylyk, on behalf of OEB Staff, in his summary on Presentation Day of the

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[17] Ministry of the Environment, Conservation and Parks, Ontario Emissions Scenario (March 25, 2022), https://prod-environmental-registry.s3.amazonaws.com/202204/Ontario%20Emissions%20Scenario%20as%20of%20March%2025_1.pdf
[18] Ibid p. 3.
[19] Exhibit D, Tab 1, Schedule 1, p. 8.

determinations made by OEB Staff's expert, Optimal Energy, noted that Optimal Energy found that Enbridge Gas' programs have been reasonably well designed and to do an adequate job in addressing a number of different policy objectives.[20] While Optimal made a number of recommendations primarily to increase program offering measures and incentives, the Company submits that the program offerings that it has included in the Application compare favourably to other program offerings undertaken in leading jurisdictions.

22. In response to the OEB's April 11, 2022 letter asking for submissions in respect of electrification related matters, the Company notes that, as confirmed by Enbridge Gas' witness Mr. Grochmal, the low carbon transition program pays incentives to gas customers who decide to install electric heat pumps.[21] Mr. Grochmal further noted that the low carbon transition program budget is split 50-50 between gas heat pumps and electric heat pumps. .[22] The Company submits that to offer both electric and gas options is wholly consistent with Minister Smith's Renewed Mandate Letter.[23]

23. The Company understood from the OEB DSM Letter that its program offerings should be directed at natural gas customers. This would not include incentivizing current gas customers to leave the system entirely and/or incenting potential new customers to not become natural gas customers. Enbridge Gas submits that there is no direction from the Government of Ontario which supports natural gas

[20] Presentation Day Transcript, p. 56.
[21] TR. Vol. 1 pp. 153-154.
[22] TR.Vol.1 pp. 150 and 153.
[23] Renewed Mandate Letter, November 15, 2021, p. 3.

customers paying incentives towards customers leaving the system or potential new customers never joining the system. The fact that the IESO in its 2021-2024 CDM plan does not include any incentives for residential electric heat pumps is in the Company's view telling[24]. As a matter of ratepayer equity, it seems unfair to require natural gas ratepayers to subsidize customers to leave the system or prospective customers to never join it particularly when electric ratepayers are not similarly providing such incentives.

TERM OF THE PLAN (ISSUE 4)

24. The OEB's letter of April 11, 2022 asks for submissions in respect of the proposed term of the plan. Enbridge Gas submits that any reduction to the proposed term of the plan which extends to 2027, would be inconsistent with the OEB DSM Letter and the Renewed Mandate Letter supporting regulatory efficiency. As noted earlier, there has been far too much time, effort and cost incurred by the OEB, the Company and interested stakeholders for a shorter term to be approved that would then require the Company to generate a new multi-year plan for presentation and review by the OEB in two or three years time. It should be recalled that with the OEB's anticipated decision on this Application in August 2022, it will be more than three years since the original consultative on a new framework and multi-year plan was initiated in May 2019. Enbridge Gas submits that it would be unreasonable and inefficient to repeat this process again all at a great cost to ratepayers.

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[24] Exhibit K5.2, Ministerial Directives to the IESO, pp. 3-9 & IESO 2021-2024 CDM Framework Program Plan, pp. 10-14.

25. It should be recalled that in the application filed in May 2021, Enbridge Gas requested early approval of the budget envelope. By its Decision and Procedural Order dated June 22, 2021, the OEB determined that the Company's request for approval of its proposed DSM budget envelope as a first step was premature. The request by the Company for this approval was so that the question of the level of financial resources and rate impacts could be determined upfront. Developing program offerings and making decisions about measures included, incentives payable, and marketing and promotional matters is very much dependent on the overall budget.

26. If the OEB determined that the base budget proposed by the Company was materially too much or too little, the Company had hoped it would learn this early so that it could begin revisions to its plan right away. The situation now is that after completing a lengthy hearing and generating a record of thousands of pages of transcripts and evidence some may argue for the process to repeat itself. This is not efficient and appears contrary to the term expected by the OEB in the OEB DSM Letter.

27. The Company submits that the term of the plan, being five years, as proposed should be approved. Approval of a term of any less than this will require Enbridge Gas to complete the necessary research to determine the appropriateness of allocating increased budget amounts to the various program offerings, undertake further consultations with stakeholders and third-party delivery agents, and all of the necessary steps to generate another formal Application for review by the OEB.

28. In the OEB's letter of April 11, 2022, the OEB asked parties to address issues related to the term of the plan including its impact on: (i) program stability, (ii) the ability to assess results and implement appropriate changes; and (iii) evolving environmental and climate policy objectives. The Company responds to these issues below.

29. The Company submits that it is self-evident that if the program offerings proposed in this Application are not approved for the proposed term, this will generate uncertainty both within the third-party delivery agent community and with prospective program participants. Being able to confidently tell prospective participants, particularly those whose participation will take place over several years, that the program offering will continue, is extremely important.

30. As well, it should be recalled that 2023 will be the first year that DSM program offerings will be consistent across the entirety of Enbridge Gas' rate zones with a number of revised features and new program offerings that will be taken to market. These offerings will require time and promotional effort in the marketplace to gain attention and generate results. The Company believes that approving only a two- or three-year term window will negatively impact its delivery of program offerings. The assessment of results and the adjustment of the delivery of such program offerings in response over time is required. This may include consultation with rate payers and stakeholder groups, for the purposes of enhancing program offerings. Approving a short-term plan is inconsistent with this marketplace reality.

31. Enbridge Gas has proposed a mid-point assessment at the end of the first two years of the plan to ensure the plan continues to be aligned with the market and evolving policy in Ontario. The assessment will provide an opportunity to determine if any additional program offerings merit introduction, or if changing market factors/government policy necessitates some reconsideration in program design or delivery.[25] The Company submits that the existence of a mid-point assessment during its multi-year plan is directly responsive to the question asked by the OEB in its April 11, 2022 letter namely how does the multi-year plan term contemplate and respond to evolving environmental and climate policy objectives. The mid-point assessment offers an opportunity to assess results and consider changes responsive to the evolution of policy objectives.

32. Two further considerations that the OEB in its April 11, 2022 letter asked parties to address which relate to the term of the Plan are changes in commodity costs and inflation. Enbridge Gas submits that such changes, whether hypothetical or real, should have no impact on the term of the plan. Changes in commodity costs are appropriately addressed through the avoided costs component of the TRC Plus Test which determines cost effectiveness. Increasing commodity costs will make program offerings that much more cost effective. If inflation continues to increase, then the Application adjusts for this automatically by using the current inflation rate for the purposes of adjusting the annual budgetary envelope. Increases in commodity costs and inflation will ultimately increase the value of the annual gas savings that are generated. In response to this, it should be recalled that the

[25] Exhibit D, Tab 1, Schedule 1, p. 5.

Company is proposing to retain the DSMVA 15% overspend ability and thus the ability to respond to increased participant demand. Adjusting the term of the plan does nothing to address the impact of commodity costs and inflation.

Proposed DSM Framework (Issue 5)

33. The proposed new DSM Framework ("**Proposed Framework**") is set out at Exhibit C, Tab 1, Schedule 1 of the Application. The Proposed Framework would be effective January 1, 2023. As noted in evidence, the Proposed Framework is based to a significant extent on the Existing Framework but with appropriate revisions based on the feedback of stakeholders and the Company's years of experience delivering DSM programing.[26]

34. The Proposed Framework will support Enbridge Gas in defining the approved parameters upon which it will operate its DSM programs.[27] The Proposed Framework is crucial as it articulates policy objectives and guiding principles and because it details the foundational components upon which Enbridge Gas has built its DSM plan. Unlike the Existing Framework, the Company is proposing that the Proposed Framework have no sunset so that it can serve as a framework for future DSM plans. It is, however, the Company's expectation that appropriate evolutionary changes will be proposed for OEB consideration in future and these will guide future Multi-Year Plan DSM applications.

[26] Exhibit B, Tab 1, Schedule 1, p. 5 and Exhibit KP1.2, p. 6.
[27] Exhibit B, Tab 1, Schedule 1, p. 9.

35. There were few questions asked during the oral hearing about the Proposed Framework aside from those which relate to program offering metrics and the target adjustment mechanism ("**TAM**"). Despite this, the Company believes that it remains appropriate to highlight some of the key features of the Proposed Framework.

36. The Company notes that the objectives of ratepayer funded DSM and guiding principles as set out in the Proposed Framework are all consistent with the Existing Framework.[28] The Proposed Framework continues to identify resource acquisition, low income and market transformation program types. While the labels given to several program offerings do not specifically identify them as market transformation, the Company has proposed multi year offerings that are focused on helping to facilitate fundamental changes that lead to greater market adoption of energy efficient products and services. This has always been and remains an important objective of the Existing Framework and accordingly is an important aspect of the Proposed Framework.[29]

37. In terms of the Low Income program, as noted by Company witness Ms. Van der Paelt in oral testimony, the Company has maintained its focus on designated Low Income program offerings including a focus on serving both on reserve and off reserve indigenous native customers.[30]

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[28] Exhibit C, Tab 1, Schedule 1, p. 5 through, footnotes 1 through 19.
[29] Exhibit C, Tab 1, Schedule 1, p. 16.
[30] TR. Vol.1, pp. 6-8 and 84.
Also see Exhibit E, Tab 4, Schedule 6, Attachment 1, p. 4.

38. The Proposed Framework continues to prioritize the coordination of DSM with Electricity CDM.[31] It also continues to set the rules for attribution between the Company and the IESO or Electric LDCs or as between the Company and other parties. These attribution rules have worked well in the past with the Company collaborating historically with various provincial initiatives and are therefore appropriate for the future.

39. The Proposed Framework deals with input assumptions and adjustment factors at Section 9.[32] Adjustment factors continue to include net to gross adjustments to account for free ridership and spill over. Verification adjustments which account for installation, persistence of measures and savings verification are also continued. Subsection 9.3 deals with changes to input assumptions and adjustment factors with Table 1[33] providing a summary of when updates are applied retroactively versus prospectively.

40. The Company is proposing that the total resource cost-plus ("**TRC-Plus**") test continue as the determination of cost effectiveness. This includes the cost of carbon being included in avoided costs.[34] The TRC-Plus test will continue to include the 15% non-energy benefit adder. The mathematical formula for this test is set out at pages 46 and 47 of the pre-filed evidence.[35] The Proposed Framework contemplates the continued use of a discount rate of 4% (real) consistent with the Existing Framework and the OEB's Filing Guidelines to the DSM Framework

[31] Exhibit C, Tab 1, Schedule 1, p. 21.
[32] Ibid, pp. 31-38.
[33] Ibid, p. 37.
[34] Ibid, pp. 38 and 39.
[35] Ibid.

(2015-2020).[36] The Company is also proposing the continuation of the Existing Frameworks accounting treatment for DSM deferral and variance accounts and disposition methodologies. This includes the DSMVA and the ability of the Company to be reimbursed up to a maximum of 15% of overspending on incremental program expenses pursuing programs which prove to be very successful.[37]

41. The Proposed Framework includes at Appendix 1[38], evaluation governance terms of reference. The Company believes that having terms of reference which set out the roles and responsibilities of OEB staff, the evaluation contractor and members of the Evaluation and Advisory Committee ("**EAC**"), and the processes to be followed, streamlines the regulatory process and provides certainty. On a related topic, as noted in the pre-filed evidence, Enbridge Gas is requesting that the OEB direct OEB Staff to coordinate the development of Ontario DSM evaluation protocols, with engagement from the Company and the EAC, with an initial version to be completed by December 31st, 2022 or such reasonable time thereafter.[39] The Company believes that the protocols discussed in evidence would provide clarity, facilitate and streamline the evaluation process, and ultimately reduce costs.

[36] EB-2014-0134 Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020), p. 35.
[37] Exhibit C, Tab 1, Schedule 1, pp. 50 and 51.
[38] Ibid, pp. 55-56.
[39] Exhibit E, Tab 4, Schedule 1, p. 1.

42. The Company contemplates that the EAC will continue to have representation from OEB Staff, non-utility stakeholders (currently the Energy Futures Group and Mr. Sheppard), independent experts, the IESO, the MOE and the Company.

43. Enbridge Gas submits that because the Proposed Framework is in material respects, a carry over of the Existing Framework, one that has been in operation for approximately seven years and one that has worked effectively, the OEB should take comfort from the operational history of the Existing Framework going forward in the form of the Proposed Framework.

44. Section 7.6 of the Proposed Framework which deals with Integrated Resource Planning issues ("**IRP**") is new. While the OEB made it clear in its IRP Decision and Order dated July 22, 2021[40] that the potential merging of DSM energy efficiency with programs aimed at reducing peak demand to meet system need is premature,[41] the Company notes that geographically targeted IRP plans may be proposed during the term of the Multi-Year DSM Plan and that they may encompass the same measures and aim at the same customer groups. It is likely that staff supporting DSM delivery of energy efficiency measurers may also support the delivery of IRP programming.[42]

45. Accordingly, the Company has proposed threshold and materiality levels to address considerations such as the reallocation of DSM administration overheads and budget. The Company has proposed that any required reallocation of costs

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[40] EB–2020–0091.
[41] EB–2020–0091 Decision and Order, July 22,2022, p. 34.
[42] EB–2020–0091 Exhibit C, Tab 1, Schedule 1, p. 24.

amounting to $1 million or more in a given year will require it to file for an adjustment to the DSM Plan. If the impact of an IRP or multiple IRPs are projected to reduce DSM Plan results of any single DSM scorecard by more than 10%, Enbridge Gas will be required to file an Application to adjust its DSM Plan targets accordingly. In short, these thresholds would trigger an application to the OEB for appropriate adjustments.[43]

46. Avoided costs are identified at section 11 of the Proposed Framework.[44] Under the Proposed Framework, the Company will continue to use the long-term estimates forecasted over the lifetime of DSM measurers of:

(i) Avoided natural gas commodity costs,

(ii) avoided natural gas upstream transportation and third-party services costs;

(iii) Natural gas seasonal storage requirement costs;

(iv) Avoided natural gas downstream infrastructure costs;

(v) Avoided natural gas fuel losses;

(vi) Avoided carbon costs; and

(vii) Avoided electricity, heating fuel oil, propane and/or water costs as are appropriate.

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[43] EB–2020–0091 Exhibit C, Tab 1, Schedule 2.

[44] EB–2020–0091 Exhibit C, Tab 1, Schedule 1, p 48.

In conclusion, the Company submits that the Proposed Framework prioritizes the OEB's objectives for DSM and continues to provide a balanced and clear framework for the delivery of DSM.

BUDGET (ISSUE 6)

47. As stated earlier, Enbridge Gas developed its proposed budget envelope in response to the OEB DSM Letter and the OEB's anticipation of "modest budget increases in the near term" directive. The Company states that the context of this directive is important. The directive immediately follows the OEB's observation that DSM budgets have doubled from the previous levels approved for 2012–2014.[45] Enbridge Gas has accordingly proposed a 2023 base year budget of $142.26 million. This represents an increase of approximately 7.7% over the OEB approved 2020/2021/2022 budget levels.[46] Enbridge Gas believes this is a modest but appropriate increase. For the balance of the 5-year budget term, Enbridge Gas proposes to escalate the entire 2023 base year budget of $142.26 million by an inflation factor. In addition, to support modest budget increases for DSM expansion, the Company is proposing that the portion of the budget directly related to programs be escalated annually by an additional 3% to reflect government policy and to support the growth of energy conservation and GHG reduction initiatives.[47]

48. Using a placeholder 2% figure for inflation, the Company illustrated the impact on its total budget envelope during the 5-year term of the plan at Table 1 of the pre-

[45] OEB DSM Letter, December 1, 2020, p. 3.
[46] Exhibit D, Tab 1, Schedule 1, p. 8.
[47] Exhibit D, Tab 1, Schedule 1, p. 8.

filed evidence.[48] This table indicates that the budget envelope will increase to $170,400,000 by 2027 using a 2% inflation factor. It is important to note that with the use of the 15% overspend in the DSMVA, the actual spending on DSM program offerings could total 15% higher than the budget envelope in a given year. As an example, the 15% overspend could result in a total spend in 2027 of just under $196,000,000.[49] These amounts also do not include the shareholder incentives that the Company is eligible to earn nor the LRAM amounts that may be recoverable from ratepayers.

49. As noted earlier, the budget envelopes estimated by Enbridge Gas are slightly higher than the assumption used in the Government of Ontario's recent March 25, 2022 release with its 2023 – 2030 modelling which included a 1.2% real factor.[50]

50. The administrative costs that the Company will incur directly allocable to program offerings total approximately $11.8M in 2023.[51] Of the additional $18.36M for portfolio costs, just under $3.9M are budgeted for evaluation and regulatory costs, just over $3.2M for research and development costs and approximately $2.7M for system maintenance and improvements and municipal engagement with the balance of about $8.5M being the forecast portfolio administrative costs which are the costs not directly allocable to program offerings. The pre-filed evidence provides detailed support for the required staffing and DSM compensation costs.[52] The pre-filed evidence specifically identifies the additional resources required to

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[48] Exhibit D, Tab 1, Schedule 1, p. 9.
[49] $170,400,000 x 15% x 1.15% = $195,960,000
[50] March 25, 2022 Government Release, p. 3.
[51] Exhibit D, Tab 1, Schedule 1, p. 11, Table 4.
[52] Exhibit D, Tab 1, Schedule 1, pp. 17-26.

comply with DSM guiding principles and to support the various rate classes that the Company serves[53]. The pre-filed evidence at Exhibit E, Tab 4, Schedules 1-3 and 5 explain and provide support for the forecast portfolio costs that will be incurred supporting and delivering the portfolio of programs.

51. As noted in the pre-filed evidence, for those program offerings that have a multi-year focus, Enbridge Gas is proposing that the Building Beyond Code and Low Carbon program budget and metrics be re-evaluated at the mid-point assessment. The Energy Performance program scorecard for 2025-2027 would also be evaluated.[54] Enbridge Gas anticipates that it will propose any changes to these program objectives, updated metrics including budget, scorecards and targets for these programs for consideration at that time.[55] The Company also believes the mid-point assessment will allow it to propose any necessary DSM plan changes required to align with the outcomes of rebasing. The assessment would take the form of an application made by the Company to be filed in 2024.[56]

52. Importantly, the mid-point assessment is not proposed as an opportunity for parties to re-litigate the issues that have arisen in this proceeding. Enbridge Gas submits that the whole point behind the approval of a Framework and Multi-Year Plan is to avoid the multiplicity of proceedings that would otherwise be the case if budgets and/or targets and other metrics were set on an annual basis. Such proceedings

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[53] Ibid.
[54] Exhibit D, Tab 1, Schedule 1, pp. 13-15, Tables 6-8 & Exhibit D, Tab 1, Schedule 3, pp. 8-10, Tables 4-6.
[55] Exhibit D, Tab 1, Schedule 1, pp. 5-6.
[56] Exhibit E, Tab 1, Schedule 1, p. 6.

would have negative impact on the stability of program offerings and the confidence of prospective program participants.

COST RECOVERY (ISSUE 7)

53. The OEB in its April 11, 2022 letter asked for submissions from parties as to whether there should be amortization of DSM costs or the continuation of the current expense treatment. So long as the components of an amortization approach are reasonable, the Company is agnostic as to how DSM costs are recovered and offers the following comments for the assistance of the OEB and parties.

54. The evidence of the several experts that have opined on the subject is consistent in their recommendation that amortization should only be undertaken if the OEB intends to materially increase the DSM budget so that there is less of a short-term rate impact than would be the case under the expense treatment.[57] While this may be the case, Enbridge Gas has concerns about the regulatory efficiency and the impact on its multi-year plan of requiring it to significantly increase its program offering budgets materially in the short term. As noted earlier, the Company requires the ability to fully consider how to cost effectively use additional budgets and how to best roll out and deliver materially enhanced program offerings.

55. The experts are also consistent about the fact that amortization will always reach an inflection point where the annual amount included in rates will exceed the

[57] Optimal Energy Report Exhibit L. OEB Staff.1 p. ii and 16 Footnote 24; First Tracks Report, EGI Reply Evidence, p. 4.

amounts that would have been recovered under the expense treatment. When this occurs and by how much is impacted by the amortization term and by the interest rate applicable to the amortized balance which has also been referred to as a regulatory asset.[58]

56. In respect of the amortization term, a shorter amortization term will result in an increase in rates in the early years relative to a longer term but will shorten the time required to pay off the amortized balance. A longer amortization term will result in lower short term rate impacts but will extend the time over which ratepayers will be required to payoff the amortized debt.[59]

57. The Company and its expert witness, Mr. Weaver of First Tracks, have expressed concern about the risk of recovering the amortized balance and the impact it may have on those investors funding the Company's operations.[60] To the extent that the amortized balance continues longer into the future, the greater the perceived risk.

58. In terms of the interest rate applicable to the amortized balance, both experts, Optimal Energy and First Tracks, have confirmed that every other jurisdiction in North America that amortizes DSM funding uses the weighted average cost of capital with the two adjusting for performance incentives as noted in evidence.[61]

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[58] First Tracks Report, EGI Reply Evidence, p. 4 and 14; Optional Energy Report Exhibit L. OEB Staff.1, p. 6.
[59] First Tracks Report, EGI Reply Evidence, p. 16; Optimal Energy Report, Exhibit L. OEB Staff.1 p.7
[60] First Tracks Report, EGI Reply Evidence, p. 17; Tr. TC2, p. 25.
[61] Optimal, p.13 (corrected Table 8); First Tracks Report, EGI Reply Evidence, p. 19.

59. The interest rate applied to the amortized balance is of course of material interest to those investors which would finance Enbridge Gas' DSM programs. The Company notes that equity thickness is not an issue in this proceeding being a matter that has been the subject of numerous earlier proceedings.[62] As Enbridge Gas is required by the OEB to maintain a 64/36 debt equity ratio[63], the Company would be compelled to maintain this ratio despite parties arguing in this proceeding for interest on the regulatory asset balance being calculated at the cost of debt.

SCORECARDS, TARGETS AND PERFORMANCE INCENTIVES (ISSUES 8 & 9)

60. As noted in the evidence, many of the program offerings are enhancements of existing program offerings appropriately revised to reflect the amalgamation of the legacy utilities.[64] The Company therefore had the benefit of historical results and its experiences in the marketplace for the purposes of generating program offering targets for the base year of 2023. The Company seeks approval for the 100% targets proposed for the purposes of its annual scorecard. These targets will then be adjusted annually using the TAM which, the Company notes, is a methodology that was originally proposed by Union in its 2012-2014 DSM Plan and then again in its 2015–2020 DSM Plan application. The TAM was then approved by the OEB with modifications for use by both EGD and Union. While certain parties have expressed concern about the use of the TAM in future, the fact is that none of the extreme hypotheticals raised by various parties has occurred. The Company

[62] EB-2005-0520, EB-2006-0034, EB-2011-0210, EB-2011-0354.
[63] First Tracks Report, EGI Reply Evidence p. 12.
[64] See Exhibits E, Tab 1, Schedule 2, p. 1 & Schedule 3 and Schedule 4, p. 1.

submits that the reasonableness of the TAM is proven by its usage over the past number of years.

61. If the DSM budget envelope is materially increased, it will be necessary to propose new targets for the base year 2023. Should this occur, it is important to note that an increase in budget will not result in a linear increase in savings generated. This is proven by the Company's response to OEB Staff interrogatory 13.[65] In this response, the Company undertook a sensitivity analysis increasing the budget by 10% and 20% respectively. In both instances, it became clear that a 10% and 20% budget increase would not correspondingly translate into a linear 10% and 20% increase in savings. This non-linear relationship between budget and results was confirmed by the experts put forward by the SBUA, the Green Energy Economics Group while under cross-examination.[66]

62. For the annual scorecard, Enbridge Gas is proposing that each of the residential, low-income, commercial and industrial programs be given a 22% weighting. The Company notes that Mr. Chris Neme of the Energy Futures Group states that this proposal for separate metrics by sector can be defended on the grounds that it supports equitable treatment of all customer groups served by the Company. He went on further to state that through that equity lens, it can be argued that it is reasonable to assign equal weight to savings performance in each of the applicable sectors.[67]

[65] Exhibit I.6.EGI.STAFF.13.
[66] TR.Vol.5, pp. 44-45.
[67] Energy Futures Group Report, December 1, 2021, Exhibit L.GEC/ED.1, pp. 25-26.

63. To ensure that the Company appropriately focuses on certain segments within the low income and commercial program sectors, the Company has included sub-sector weightings. For the Low-Income program, the scorecard provides a 50/50 weighting between single family Home Winterproofing, and the Affordable Housing Multi-Residential offerings. For the commercial program, Enbridge Gas has equally weighted the scorecard such that half of its results must be generated from small commercial customers.[68]

64. For all of the resource acquisition program offers, results are calculated based on annual net gas savings. Enbridge Gas has proposed annual savings as opposed to net lifetime savings given that the latter is much more complex to calculate and is subject to far more debate and controversy. While certain parties have expressed concerns about this change, as noted by the expert witness Mr. Weaver of First Tracks at the Presentation Day, there are problems with attempting to calculate long term costs and environmental benefits. Specifically Mr. Weaver noted that Enbridge Gas has previously experienced such problems. As a result, Mr. Weaver stated that he did an analysis of what would happen if you used annual savings versus life cycle savings and found that they are really tied together. Mr. Weaver concluded that if you measure annual savings you are actually getting the same performance and thus the concerns expressed by some parties are without merit.[69] Mr. Weaver opined that annual savings are a lot

[68] Exhibit D, Tab 1, Schedule 3, p. 4, Table 2.
[69] Presentation Day TR. pp. 88-89.

simpler with a lot less controversy and you get the same management tool so he agrees with what the Company is proposing.[70]

65. The other metrics used for the annual scorecard relate to the Energy Performance and the Building Beyond Code programs. These multi-year programs, similar to the Existing Multi-Year Plan, include participation rates as the proposed metrics. Mr. Weaver of First Tracks noted that the Energy Futures Group agreed with the use of such metrics but that Optimal Energy did not. Mr. Weaver explained that using natural gas savings understates the value to the portfolio of multi-year market transformation activities.[71] These are the long-term benefits and thus participation rates are going to provide a better metric.[72]

66. The annual scorecard includes targets at the 50%, 100% and 150% levels. The Company has noted in evidence that there is simply insufficient budget for it to be able to approach reaching the 150% target.[73] Indeed, the Company applied the methodologies it proposes in this Application (including it should be noted the net benefits shared savings scorecard) to the results generated by the legacy utilities in the years 2016 to 2020. By applying the currently proposed annual scorecard metrics to the historic results of the legacy utilities, Enbridge Gas would have earned in the aggregate a lower incentive than what actually occurred under the prior approved DSM plans.[74]

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[70] Ibid.
[71] Exhibit KP1.4, First Tracks Presentation, p. 22.
[72] Presentation Day TR. p. 89.
[73] Presentation Day TR. p. 19.
[74] Interrogatory Response Exhibit I.8.EGI.STAFF.18.

67. Some attention was given to the 50%, 100% and 150% target levels at the hearing. Mr. Weaver of First Tracks has opined that this split is appropriate given that Enbridge Gas has done something unique and innovative by splitting up the incentive bonus pool by the different programs (i.e. the 22% weighting given to each of the four traditional sector based programs/scorecards). As a result of this, Enbridge Gas has to hit the targets for the individual programs. He noted that this does a number of good things in that it forces the Company to focus on residential and low-income markets which are more expensive. So instead of shifting budgets away from them, it incents the Company to focus on these sectors and perform as well in those areas as others. Mr. Weaver noted that Optimal Energy and Energy Futures Group looked to other jurisdictions where they have a floor of 75% and 125% ceiling. Mr. Weaver noted that there is a key difference. In those other jurisdictions, the utility manages the whole portfolio so it can hit a 75% floor by only getting 50% on some programs but a higher percentage on others so it averages at 75%. Mr. Weaver was of the view that under the scorecard proposed by Enbridge Gas, which is structurally more constrained, having a 50% floor and 150% ceiling is appropriate.[75]

68. Under the annual scorecard, the Company's eligibility to earn a performance incentive will depend upon it achieving not only annual gas savings or participation rates for each program but in some instances, achieving subsector target metrics

[75] Presentation Day TR. pp. 87-88.

as well. The eligible levels of performance incentive allocated by program are set out in Tables 5 through 9 of the pre-filed evidence.[76]

69. The submission will now turn to the three other scorecards and performance incentives. It is however first appropriate to note that the Company believes that by proposing four separate and distinct performance incentive scorecards, it addresses and meets the objectives and priorities indicated by the OEB. The remaining three scorecards are:

(i) An annual net benefits shared savings scorecard;

(ii) A long-term low carbon transition scorecard; and

(iii) A long term GHG reduction scorecard.

70. Each of these scorecards and the metrics associated with each are now discussed individually.

71. In addition to the annual scorecards, the Company is also proposing an annual net benefits scorecard which is in response to stakeholder feedback at the Midterm Review and the Post-2020 DSM Framework Consultation (EB-2019-0003)[77]. This scorecard will allow Enbridge Gas to annually share a small portion of the overall economic benefits produced by its DSM portfolio using the TRC Plus Cost test. The scorecard renders Enbridge Gas ineligible for any benefits where net benefits generated are less than $100M. The percentage of net benefits incentive then begins at 1% and increases in steps as outlined in evidence to a maximum of 2.5%

[76] Exhibit D, Tab 1, Schedule 2, pp. 7-11.
[77] Ibid, p. 12.

at $500M plus in net benefits generated. The incentive is capped at a maximum shared savings incentive of $6.63M.[78]

72. The Company also proposes a long-term scorecard for the low carbon transition program.[79] The scorecard appropriately uses either the number of residential and commercial heat pump installations that occur or the number of contractors and engineers trained. The metric is the number of participants as opposed to natural gas savings. The Company submits that this is appropriate because the Low Carbon Transition program is a market transformation type of program. The proposed participation metrics are indicators of both capacity building and customer uptake and need to happen hand-in-hand to transform the market. The targets that are proposed for the Low Carbon Transition program are set out in pre-filed evidence at Table 7, Exhibit D, Tab 1, Schedule 1, page 11. Mr. Weaver of First Tracks supports using these metrics as noted earlier.

73. Finally, the Company has also proposed a long term GHG reduction scorecard and target.[80] This scorecard is in response to the OEB DSM Letter that Enbridge Gas develop a longer-term natural gas savings reduction target separate from the annual targets.[81]

74. The proposal by the Company for this scorecard is that the 2023 forecast of GHG emissions reductions based on achieving a 100% target be increased by a stretch factor of 15% and multiplied by 5. At the end of the five-year term of the plan, the

[78] Exhibit D, Tab 1, Schedule 1, pp. 12-13.
[79] Exhibit D, Tab 1, Schedule 2, p. 15, Table 12.
[80] Exhibit D, Tab 1, Schedule 3, p. 12.
[81] OEB DSM Letter, December 1, 2020, p. 5.

results would be compared to the five year aggregate stretch target and only if the target has been achieved is the Company eligible to receive the incentive.

75. The maximum shareholder incentive is proposed to equal the current maximum shareholder incentive and be increased annually by inflation. Earning the maximum incentive is dependent upon the Company being extraordinarily successful exceeding targets set on the four scorecards identified earlier. Of the $19.89M maximum annual shareholder incentive for 2023, Enbridge Gas would be eligible to earn $6.63M at the 100% target under the annual scorecard and a further $3.3M under the net benefits shared savings scorecard calculated using forecast 2023 net benefits at 100% of the annual scorecard results. It would also be eligible to earn up to $400,000 per year under the low carbon transition scorecard with the amounts calculated and paid out in 2024 and 2027. Finally, under the long term GHG emission's scorecard, the Company would be eligible to earn $5M only if it exceeds the long term GHG emission stretch target at the end of the 5 year term. This amount would be paid out subsequent to the 2027 program year.

76. As parties are aware, the maximum shareholder incentive has not increased since it was approved by the OEB for the legacy utilities 2015–2020 DSM plans. It has therefore been eroded by inflation over the past seven years. Beginning with this figure Enbridge Gas believes is reasonable. It also believes it is reasonable to increase the annual amounts by inflation while holding the two longer term scorecard amounts flat over the balance of the term of the plan. This results in the total maximum shareholder incentive to increase, but at a rate that is lower than inflation.

77. The Company has confirmed in evidence that it has not been able to achieve savings such that it has been able to earn the maximum shareholder incentive during any year of the current DSM multi-year plan. The aggregate of the incentive amounts earned by the legacy utilities are set out in the response to interrogatory Exhibit I.8.EGI.STAFF.18. Again, the Company submits that the proposed four separate scorecards are appropriate in that they, in the aggregate, address the objectives and priorities identified by the OEB.

PROGRAMS AND PROGRAM OFFERINGS (ISSUE 10)

78. Aside from questions relating to the Company providing very modest incentives for more efficient natural gas furnaces, boilers and water heaters than is required by code and the incentive levels proposed (certain parties would like to see the budget for certain program offerings expanded to increase measure incentives and/or the measures available to participants), there was not a great deal of questioning in respect of the specific resource acquisition program offerings. This is a reflection of the fact that many are an evolved version of the program offerings successfully delivered by the legacy utilities.

79. Optimal Energy in its review and comparison of the company's programs stated: "overall, it appears that Enbridge Gas' proposed programs for the residential sector compare well to those of other jurisdictions".[82] Optimal also stated that Enbridge

[82] Exhibit L.OEB STAFF.2, Optimal Energy, Review and Comparison of Enbridge Gas Inc.'s Proposed 2023-2027 Natural Gas Demand Site Management Programs, December 1, 2021, p. 10.

Gas' low income programs seem to be reasonably designed[83] and the proposed cost to achieve its targeted natural gas savings reductions are very low compared to other jurisdictions.[84] Optimal further noted that Enbridge Gas's commercial/industrial programs are largely in line with those of similar jurisdictions[85] and that its self direct program for large customers are relatively common in North America.[86] The Company will therefore reserve making further comments in respect of most of the resource acquisition program offerings until it has received the submissions of parties.

80. The OEB has asked in its April 11, 2022 letter for submissions relating to the approvals sought in respect of the Company's proposed residential program and in particular, the residential whole home program offering in light of the negotiations with NRCan. This will be dealt with specifically under a separate subheading below. The April 11, 2022 letter however also invited parties to address:

(a) The mix of measures and technologies offered, whether financial incentives should be available for gas fired measures or fuel switching measures;

(b) Whether Enbridge Gas' incentive should be combinable with incentives from other programs; and

[83] Ibid p. 16.
[84] Ibid p. 13.
[85] Ibid p. 27.
[86] Ibid p. 29.

(c) If any programs fail to meet the objectives outlined in the OEB's Letter of Direction and Minister's mandate.

81. We first deal with each of these issues below before turning to the discussions with NRCan regarding the delivery of the Greener Homes program.

82. As noted in evidence, the list of measures offered is a reflection of the Company's market experience with the predecessor program offerings delivered by the legacy utilities. For example, the Company has stated in evidence that it uses the modest incentive available for natural gas furnaces, boilers and water heaters as a means of attracting and marketing the whole home program offering to HVAC Contractors.[87] As stated on numerous occasions, the objective of this program offering is not to incent the installation of slightly more efficient gas fired residential equipment, but rather to incent the homeowner through the HVAC contractor to undertake additional measures including the costly measures associated with upgrading the home's envelope.[88] It is the experience of the Company that having the modest incentive available for residential gas fired equipment has been a key marketing tool that has resulted in the program offering being as successful as it has.

83. The Company submits that it, as the Program Administrator, should have the flexibility to determine what measures to include in a particular program and the level of incentives that are offered for such measures so long as such decisions

[87] TR. Vol 2, pp. 30-32.
[88] TR. Vol 2, pp. 30-32.

are consistent with the Proposed Framework. Some parties may argue that the OEB should prohibit Enbridge Gas from including space and water heating residential (and perhaps commercial/industrial) measures. Aside from the Company being of the view that this type of micromanagement is inappropriate, it is also of the view that it makes no sense to prohibit the use of this incentive as a marketing tool when it is clear that the natural gas savings that are generated are substantially generated as a result of the measures undertaken involving non-gas fired equipment.

84. Enbridge Gas interprets the second question asked by the OEB above to relate to the question of whether program offerings are "stackable" primarily from the perspective of residential and commercial customers. The Company gave a detailed response to this question at Exhibit JT 2.8 where it compared the measures available by residential and commercial offerings. This undertaking response also stated: "Eligibility in the Residential program is based on the type of account held with Enbridge Gas as well as the type of dwelling. If for example a yoga studio or other small business is operating out of a home in the residential account class, it would be eligible to participate in the Smart Home, Whole Home or Single Measure offering where the offering criteria is met. If the Enbridge Gas account is identified as a commercial account, the facility would not qualify for the Residential program". The response then went on to identify the other commercial program offerings in which such customers could participate.

85. Enbridge adds further that where a customer eligible to participate in different but similar program offerings (e.g. a low income customer may be eligible to participate

in low income or residential program offerings), the Company will direct the customer to the offering that most favours the customer which usually means the one that has the highest available incentives.

86. In respect of the Large Volume program, Enbridge Gas notes that this program has been the subject of debate by some large volume gas users for many years. As noted in evidence, despite many customers having communicated their support for the program, a select few customers have suggested that the program should be discontinued.[89] Enbridge Gas details its engagement with large volume stakeholders at Exhibit E, Tab 4, Schedule 6. Notwithstanding that the program has been curtailed in size significantly over the years in response to those large volume users which are less supportive, in an effort to appeal to all interests, Enbridge Gas has made two changes to the program as identified in evidence.[90] As always, Enbridge Gas would have concern about a large volume user that participated previously and benefitted from the program of deciding in future to opt out and no longer contribute to the program. This appears to resemble cross-subsidization and is something that the OEB needs to consider. The Company will respond further to the topic of large volume customers having the option of opting out in its Reply Argument once it has reviewed all of the submissions on this subject.

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89 Exhibit E, Tab 1, Schedule 6, p.3.
90 Ibid.

Whole Home Program Offering And Greener Homes (Issue 10(A))

87. The Company has from the outset identified the Greener Homes program as something it should be coordinating with and jointly delivering with its Whole Homes Program offering. Enbridge Gas provided an update prior to the technical conference[91] which noted that negotiations at that time had not reached the stage where specific details could be provided. The Company did make it clear that it intended to deliver the combined program to all areas of the province including those outside its franchise areas and to non-natural gas customers. The Company has stated that by combining the programs, there should be modest administrative savings but a material increase in the number of program participants in the combined program.[92]

88. It had been the Company's hope that it would be in a position to provide further details of the negotiations with NRCan and the agreement that will govern the Company delivering the combined program, likely subject to a confidentiality request, either before or contemporaneously with this Argument. While it is probably fair to say that the parties are close to being in such a position, we are not there and Enbridge Gas is not at liberty at this time to provide further details. What it can express are the Company's expectations in terms of what this means from the perspective of this proceeding.

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[91] Canada Greener Homes Grant Partnership, Status of Partnership Agreement, February 23, 2022.
[92] Technical Conference TR. pp. 151-152.

89. First, the Company continues to look for approval of its budget envelope for 2023 which includes a budget specific to the residential Whole Home Program which totals $30.6 million plus its share of portfolio costs. This will not change. The Company will manage this program offering with the tools available under the Proposed Framework. There is no need to alter the Proposed Framework nor the multi-year plan proposed in this Application other than as noted below possibly in terms of the target for this program offering in 2023.

90. In terms of who is entitled to claim the energy savings, Enbridge Gas will only claim savings based on the agreed upon attribution rules established in conjunction with NRCan, consistent with both the Existing Framework and the Proposed Framework.[93] The Company will not claim any savings in respect of non-natural gas customers.

91. Enbridge submits that the only question which will arise is whether or not the 100% target for the Whole Home Program should be adjusted to reflect the fact that Enbridge Gas will be delivering a combined program. In this regard, the Company proposes that an update be filed with the OEB once a final agreement has been reached, which would include any proposed adjustments at that point in time.

Building Beyond Code Program (Issue 10 (G))

92. This program is by its nature a market transformation type program. It is focused on incenting early change in the new construction residential and commercial

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[93] Exhibit C, Tab 1, Schedule 1, p. 22.

markets. The program is designed to support the new construction community in overcoming many of the key barriers to the adoption of anticipated higher efficiency standards.[94] One of the key barriers is the ability of the new construction community interpreting, understanding and adapting to the new standards.[95] Given that it takes many years for a new construction project to advance from design to completion, the earlier that builders understand and begin to adapt to the higher efficiency standards, the sooner that projects will actually be developed to the higher standards. Each of the program offerings has the following enabling elements:

(i) A visioning session for participants to meet and discuss project requirements and priorities to incorporate as part of the IDP workshop;

(ii) A collaborative IDP workshop will utilize live modelling to demonstrate impacts of various design options; amongst others, building envelope, construction materials, mechanical systems and water management; and

(iii) The generation of a project design report which summarizes the findings of the workshop and the modelling. Further details in respect of each of the program offerings is set out in Table 1 of the evidence.[96]

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[94] Exhibit E, Tab 2, Schedule 2, p. 3.
[95] Exhibit E, Tab 2, Schedule 2, pp. 3-4.
[96] Exhibit E, Tab 2, Schedule 2, pp. 8-9, Table 1.

93. Optimal Energy discusses the new construction program offerings in its comparison review report. Rather than suggest that the program should not be offered, Optimal Energy noted that the new construction program seems less generous and comprehensive than in certain U.S. jurisdictions.[97] Optimal Energy seemed to be a little confused at first about the details of the savings by design residential offering suggesting that a builder was only entitled to receive incentives in respect of one home per year. The proposal is that under the Energy Star Path, a builder can receive up to $1,650 per home to a maximum of 50 homes and under the NZER Home Path, the incentive is up to $15,000 per home plus a $1,500 NZER evaluation incentive.[98] This said, Optimal Energy appears to support the Building Beyond Program and with higher incentives.

94. Optimal Energy does note that the OEB needs to make a policy decision about whether committing a builder to use natural gas is appropriate. As discussed earlier, Enbridge Gas has concern about the equity of requiring natural gas customers to provide incentives to builders and homeowners to discourage them from ever becoming natural gas customers who will in turn never contribute to the incentives they have received. As noted by Mr. Weaver of First Tracks in his oral Evidence-in-Chief, he is not aware of any natural gas utilities in the United States that are subject to such a prohibition.[99]

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[97] Exhibit L.OEB STAFF.2, Optimal Energy, Review and Comparison of Enbridge Gas Inc.'s Proposed 2023-2027 Natural Gas Demand Site Management Programs, December 1, 2021, p. 33.
[98] Exhibit E, Tab 2, Schedule 2, pp. 12-16.
[99] TR. Vol. 4, p. 170.

Low Carbon Transition (Issue 10(J))

95. This is another market transformation program that looks to encourage the development and capability of the heat pump market in Ontario both electric and natural gas. While the former is more developed, it also went through an infancy stage and has and will continue to require incentives for owners, residential and commercial, to incur the costs of installing electric air source heat pumps. As stated in evidence, Enbridge Gas believes that the natural gas heat pump market will also develop and mature and it is looking to assist in the development of this market.[100] Enbridge Gas submits that it should be the prerogative of its customers to decide whether to select a natural gas or electric air source heat pump consistent with the Renewed Mandate Letter of the Minister of Energy. The Company is concerned that if the incentives for natural gas heat pumps are prohibited, it will lose many potential program participants as they will simply continue with a more traditional space and water heating appliance and many savings opportunities will be lost.

96. To be clear, the program offers hybrid heating with smart controls which incentivizes the replacement of the central air conditioner with an electric air source heat pump and upgrades the thermostat. This solution could include an electric cold climate heat pump.[101] Hybrid heating, as noted by expert witness Dr. McDiarmid, is more efficient than conventional gas systems and could help

[100] Exhibit E, Tab 3, Schedule 1, pp.1-9.
[101] Exhibit I.10(h) EGI.STAFF.77 p. 2.

address some of the barriers to greater adoption of cold climate heat pumps.[102] Dr. McDiarmid added that they could have a role in the net zero transition and "are currently the most cost effective heat pump system for homes that are already connected to the gas supply".[103]

97. The comparison of the cost effectiveness of an all electric heating system (which requires electrical resistance heating as back-up) versus a hybrid system is complicated and dependent to a large degree on the home owner/commercial building's existing configuration. Requiring the upgrading and replacement of a building's electrical service and panel and the addition of electric resistance heating and/or new duct work adds a great deal of cost, complexity and inconvenience from the owner's perspective. Only when all of these costs are known can a proper comparison be made. Therefore, the Company does not believe that all-electric heating solutions provide any benefit over a hybrid solution at the present time for most existing natural gas customers and could in fact increase the homeowner's energy costs.[104]

98. The Company believes that the choice between an electric air source heat pump or natural gas heat pump should remain that of the customer.

[102] Exhibit L.ED.1, p. 9
[103] Ibid, pp. 9 and 19.
[104] Exhibit I.10h.EGI.STAFF.77, pp. 3-8.

99. From a policy perspective, it is important to recognize that the hybrid solution, unlike the all electric, does not add to Ontario's winter peak electric load thereby avoiding the need for the costly expansion of electric infrastructure at scale.[105]

100. Turning specifically to residential natural gas heat pumps, the Federal Government calls out natural gas heat pumps as a key next generation technology as part of its market transformation road map in support of the Pan Canadian Framework on climate change. In British Columbia, Clean BC recently released the road map to 2030 addressing the province's goals to mandate the highest efficiency standards for new space and water heating equipment. The road map states that "hybrid electric heat pump gas systems and high efficiency gas heat pumps" are included in the mix of technologies that will meet the greater than 100% efficiency goal by 2030.[106] The evidence clearly points to the conclusion that natural gas heat pumps will provide significant efficiency improvements over existing natural gas heating equipment, are accessible to a broad range of homes and reduces demand on existing gas infrastructure.[107] Indeed, the Canadian government, which is coordinating the overall transformation of space and water heating in the Canadian marketplace is specifically asking utilities like Enbridge Gas to step up and support more efficient gas and electric equipment.[108]

[105] Exhibit I.10h.EGI.STAFF.77, p.7.
[106] Exhibit I.10h.EGI.STAFF.77 p. 8.
[107] Exhibit I.10h.EGI.STAFF. 77 p. 12.
[108] TR. Vol.1, pp. 152-153.

COLLABORATION WITH CDM (ISSUE 16)

101. Issue 16 identified in PO #3 is whether the Company has proposed a reasonable approach to ensure DSM is effectively coordinated with electricity CDM. The Company submits that the answer to this question is clearly yes.

102. In its Evidence-in-Chief, the Company spoke to Exhibit K1.1 which identified all of the program offerings that are undertaken jointly or in coordination with the IESO.[109] As noted in the oral proceeding, the IESO does not have residential programs other than low income. In respect of low income, the Minister of Energy has noted in the Renewed Mandate Letter that he is pleased by the coordination in this regard.[110]

103. Enbridge Gas witnesses also noted that there are significant differences between the energy efficiency measures that they can bring to the equation from a gas perspective relative to those that are electricity related with specific reference to custom commercial and industrial customers. The professional engineers which the Company employs to deliver its custom programs are aware of electricity related matters but their expertise is in respect of gas equipment and in particular how to save heat.[111] Accordingly it is difficult to have a formal collaboration with the IESO in respect of certain programs. This said, the Company has and will continue to collaborate or work jointly with the IESO and others wherever it is

[109] Exhibit K1.1, TR.Vol.1, pp. 9 and 10.
[110] Renewed Mandate Letter, November 15, 2021, p. 3.
[111] TR. Vol. 4, p.32.

reasonable to do so. As noted earlier, the Greener Homes program collaboration is a case in point.

104. Another area where the Company is ramping up its collaboration is with municipalities around the province. As noted in Exhibit K1.1 and as explained by Mr. Fernandes, this has already begun.[112] Mr. Fernandes stated in oral evidence that the table with the collaboration summary (Exhibit K1.1) lists many municipalities that the Company has engaged with in their community energy planning efforts with many more planned in the future. Mr. Fernandes further noted that the Company already has relationships with all of the municipalities in the areas that it serves."[113]

105. The Company sets out in its pre-filed evidence its plans for enhanced municipal engagement.[114] Enbridge Gas notes that municipalities play the critical roles of "influencer", "promoter", "enabler and enforcer" of strategies, policies and programs seeking to reduce GHG emissions. In 2021, in an effort to further support municipalities in reaching their emissions targets, Enbridge Gas formed a new Municipal Energy Solutions team to assist with the development and execution of municipal plans and energy plans.[115] These plans could include a variety of DSM measures which include low carbon natural gas options. Where a municipality is considering the launch of a program that is materially similar to an existing DSM offering, the Company will discuss the prospects of jointly delivering

[112] TR.Vol. 1, pp.10-11.
[113] TR.Vol.1 pp. 11 and Exhibit K1.1.
[114] Exhibit E, Tab 4, Schedule 1, pp. 3-5.
[115] Exhibit E, Tab 4, Schedule 1, p. 4.

such programs so as to avoid market confusion and duplication. Offering low carbon options including natural gas options and avoiding the marketplace being saturated with multiple similar programs are two of the job descriptions of the Company's energy solutions staff in their dealings with Municipalities. These are areas that Municipalities have been increasingly requesting assistance from Enbridge Gas, something that should be known by those stakeholders that purport to have contacts with Municipal decision makers. Finally, it should be pointed out that although Enbridge Gas will assist with Municipal Energy plans, it is ultimately the municipality that makes the decision about the measures and steps it will accept and move forward with.

106. The Company has received positive feedback and results and as a result it is proposing to increase support for municipalities by engaging in areas identified in the pre-filed evidence.[116] This Application includes a budget for municipal engagement of $1.6 million in 2023. This amount will increase formulaically in each of the years of the plan up to and including 2027.

STAKEHOLDERING (ISSUE 17)

107. Issue 17 under PO #3 asks whether the Company's stakeholder engagement proposal is reasonable including its engagement with Indigenous communities?

108. Enbridge Gas details the history of its stakeholder engagement leading to the development of this Application and its stakeholder plans during the term of the

[116] Exhibit E, Tab 4, Schedule 1, pp. 5 and 6.

plan in pre-filed evidence.[117] In addition to the OEB directed consultative that began with the OEB's May 21,2019 letter, the evidence identifies the low-income stakeholder consultations that have taken place[118] and the consultations that have been undertaken for the purposes of the Pay 4 Performance ("**P4P**") program offering.[119] The pre-filed evidence also identifies the consultations that have taken place in respect of the large volume program offering.[120] Additional details about the stakeholder engagements that was completed by the Company leading up to the filing of the Application can be found in the response to Pollution Probe 48.[121]

109. The Company proposes in its pre-filed evidence[122] that in respect of future stakeholder consultations, to host an annual DSM stakeholder meeting shortly following the completion of the draft annual DSM report. The goal of these meetings will be to provide ongoing communication, share information and ideas and facilitate meaningful discussions with stakeholders.[123]

110. In addition to DSM stakeholder meetings, the Company intends to regularly engage with its residential stakeholders throughout the DSM plan term and solicit feedback from contractors, municipal partners and service organizations.[124]

111. Turning specifically to the Company's proposal for engaging with Indigenous communities and groups, Ms. Van Der Paelt elaborated on how Enbridge Gas is

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[117] Exhibit E, Tab 4, Schedule 6 plus Attachments
[118] Ibid, pp. 2-5.
[119] Ibid, p. 6.
[120] Ibid, pp. 7-9.
[121] Exhibit I.17. EGI.PP.48 plus Attachments
[122] Exhibit E, Tab 4, Schedule 6, pp. 8-9.
[123] Exhibit I.17.EGI.EP.26.
[124] Exhibit I.17.EGI.PP. 48 plus Attachments.

organized specifically with respect to Indigenous affairs. Ms. Van Der Paelt advised that Enbridge Inc. has a centralized department, "Community and Indigenous Engagement", which works directly with Indigenous communities, organizations and groups. This centralized function supports all of Enbridge and engages regularly with approximately 50 Indigenous communities and groups in Ontario, including those currently being served, prospective service communities, and communities in proximity to operations. The Company works holistically to share information on programming and to talk about how to leverage DSM through the Indigenous affairs team's regular and ongoing engagement with Indigenous groups. Enbridge Gas also employs an Indigenous delivery agent who is an on reserve owned and operated Indigenous business to deliver the Home Winterproofing Program to on reserve communities. It also hires a community lead from each of the communities to assist in the delivery of this program.[125]

112. Finally, as noted in its interrogatory response to Anwaatin 5, there were a number of Indigenous engagement activities that the Company undertook as part of the development of this Application. This includes engaging with the majority of Indigenous on reserve communities through their Band Councils and working with Urban Indigenous Organizations and Indigenous housing entities.[126]

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[125] TR Vol 1, pp. 6-9.
[126] Exhibit I.17.EGI. ANWAATIN.5.

RELIEF SOUGHT

113. The OEB's PO# 6 dated December 14, 2021 stated at page 3 that this argument should clearly describe what the OEB is being asked to approve. The appropriate place to begin this response is to first turn to the Application itself filed at Exhibit A, Tab 2, Schedule 1. The Application at paragraphs 6 and 7 stated:

> Enbridge Gas seeks approval of this updated Application which has two distinct sections:
>
> • Section 1: Proposed DSM Framework effective 2023 ("Proposed Framework")
>
> • Section 2: Proposed 2023-2027 Multi Year DSM Plan ("DSM Plan")
>
> Although there are two separate sections, the Proposed Framework and the proposed DSM Plan need to be reviewed and evaluated together as the Proposed Framework underpins the proposed DSM Plan.

114. The Application was intentionally not more specific about the relief sought given that the various components of the Proposed Framework and the Proposed 2023-2027 Multi Year DSM Plan are extremely numerous and are interconnected. In most instances, changing one element of either will impact other elements within either or both the Proposed Framework and/or the Proposed 2023-2027 Multi Year DSM Plan. As well, in many instances the description and specifics of a particular element are lengthy and complex and are not easily reduced to a single line summary. There is also a possibility that if an attempt was made to distill everything down into a list of specific requests, some part of certain elements will not be included or will only partly be referenced, if only for reasons of brevity, and this would likely lead to regulatory uncertainty in future. Accordingly, the Company

does not believe that a lengthy list the specific items that are the subject of this proceeding is practical.

115. The Company will of course respond to submissions made by parties about the relief they support and oppose in the Company's Reply Argument. This being said, the Company does wish to be helpful to the OEB and all parties and will make best efforts below to describe the approvals sought.

116. First, the Company is seeking approval for the Proposed Framework as a package that will in future guide the delivery and evaluation of DSM programming. Should the OEB be of the view because of the evidence adduced and the submissions of parties that certain elements of the Proposed Framework should not be approved or should be approved with modifications, Enbridge Gas submits that the OEB should render its decision and then direct the Company to modify the framework as filed to reflect the OEB's decision and to then file the modified version for OEB approval in a manner not dissimilar to the review and approval of draft rate orders.

117. Second, in respect of the Proposed 2023-2027 Multi Year DSM Plan, Enbridge Gas is looking for the OEB's approval for the budget envelop for 2023 and the formula it has proposed to increase the budget in subsequent years. It is also looking for approval for the suite of program offerings that have been proposed and the targets for each. Enbridge Gas is therefore looking for an Order under section 36(1) of the *Energy Board Act* approving its plan and a determination that the proposed budget amounts are just and reasonable and should be recovered in rates.

118. While certain parties may have views on the specific types of measures and level of incentives that should be offered, the Company believes that decisions about such matters are the responsibility of the Program Administrator. The actual delivery of approved programs should be left to the Company. The Company would retain the flexibility inherent in the Proposed Framework to operate and manage the various program offerings as permitted thereunder.

119. The Company is also looking for approval of the scorecards that have been proposed and the metrics associated with each including the performance incentives that the Company is eligible to earn under each scorecard.

120. To the extent that the OEB determines that the Proposed 2023-2027 Multi Year DSM Plan should not be approved as filed but rather with modifications, the Company submits that the OEB can direct the Company to make comments in respect of the impact of such modifications and/or to file appropriate revisions to the plan for final review and approval much like the OEB did in respect of its approval of the 2015-2020 Existing Multi Year Plans.

121. Turning specifically to the Greener Homes program and the Company’s joint delivery of it together with its residential program the Company proposes that an update be filed with the OEB once a final agreement has been reached, which would include any proposed adjustments at that point in time to its Whole Home Program offering.

All of which is respectfully submitted April 29, 2022

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