



Ontario | Commission
Energy | de l'énergie
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DECISION AND ORDER

EB-2022-0007

ENBRIDGE GAS INC.

Application to dispose of balances in certain deferral and variance accounts related to the delivery of conservation programs in 2020

**BEFORE: Michael Janigan
Presiding Commissioner**

**David Sword
Commissioner**

May 5, 2022

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1 OVERVIEW

Enbridge Gas Inc. (Enbridge Gas) requested that the Ontario Energy Board (OEB) approve the recovery of amounts related to its 2020 natural gas Demand Side Management (DSM) conservation programs in its Enbridge Gas Distribution Inc. (EGD) and Union rate zones.

The approval sought in these applications are as follows:

For the EGD Rate Zone:

- \$3.209M to be returned to rate payers as the program cost spent in 2020 were less than that recovered in rates.
- \$3.586M to be recovered from rate payers for its shareholder incentive earned for meeting its 2020 targets.
- \$0.009M to be recovered from rate payers for lost revenues as the forecast DSM savings were less than actual DSM savings in 2020.

For the Union Rate Zones:

- \$9.861M to be returned to rate payers as the program costs spent in 2020 were less than that recovered in rates.
- \$2.726M to be recovered from rate payers for its shareholder incentive earned for meeting its 2020 targets.
- \$1.130M to be recovered from rate payers for lost revenues as the forecast DSM savings were less than actual DSM savings in 2020.

The 2015-2020 DSM Decision provides the context for the review of the 2020 DSM Deferral and Variance accounts.

For a typical residential customer in the EGD rate zone with annual consumption of 2,400 m³, the estimated one-time billing adjustment charge is \$4.28. For a typical residential customer in the Union South rate zone with annual consumption of 2,200 m³, the estimated one-time billing adjustment charge is \$1.11. For a typical residential customer in the Union North rate zone with annual consumption of 2,200 m³, the estimated one-time billing adjustment is a refund of \$5.20.

The OEB approves Enbridge Gas's requested DSM shareholder incentive account balances of \$3.586M for the EGD rate zone and \$2.726M for the Union rate zones.

The OEB approves the disposition of the lost revenue account balances as requested by Enbridge Gas. Enbridge Gas will recover \$0.009M from rate payers in the EGD rate zone and recover \$1.130M from rate payers in the Union rate zones.

The OEB approves the DSMVA account balances as requested. Enbridge Gas will return \$3.209M to rate payers in the EGD rate zone and return \$9.861M to rate payers in the Union rate zones.

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

The total approved balances for disposition are as follows:

Table 1 – Summary of Requested 2020 Enbridge Gas DSM DVA Balances

Account	2020	
	EGD Rate Zone	Union Rate Zones
Demand Side Management Variance Account (DSMVA)	(\$3,209,223)	(\$9,860,959)
Demand Side Management Incentive Deferral Account (DSMIDA)	\$3,586,470	\$2,726,196
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$9,404	\$1,130,027
Total Amount Recoverable	\$386,651	(\$6,004,736)

Note: Positive amounts collected from ratepayers, and negative amounts are to be returned to rate payers.

2 CONTEXT AND PROCESS

Enbridge Gas filed an application (Application) with the OEB to clear through rates a shareholder incentive, lost revenues, and DSM program costs related to 2020 DSM activities. Under the *Ontario Energy Board Act, 1998* (the OEB Act), natural gas distributors must apply to the OEB to change the rates they charge customers.

Effective January 1, 2019, Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union Gas) amalgamated to become Enbridge Gas Inc. (Enbridge Gas). Enbridge Gas has maintained the previously existing EGD and Union rate zones for the purposes of delivering its OEB-approved natural gas demand side management (DSM) programs.

The OEB issued the 2015 to 2020 DSM Framework on December 22, 2014 (the DSM Framework).¹ The DSM Framework provided guidance to the utilities on the key areas the OEB expected to see included within its 2015-2020 DSM plans, including guidance related to the evaluation of annual DSM program results.

In response to the DSM Framework, EGD and Union Gas each filed applications for the OEB to approve separate six-year DSM plans.² The OEB approved the separate 6-year DSM plans for each of EGD and Union Gas on January 20, 2016 (the 2015-2020 DSM Decision).³ The OEB approved natural gas DSM programs for residential, commercial, and industrial customers. The DSM Framework allows Enbridge Gas to apply to the OEB annually to dispose of several natural gas DSM program deferral and variance accounts for the 2015-2020 DSM program years.

Enbridge Gas filed its application for approval and clearance of the 2020 DSM deferral and variance accounts with the OEB on January 14, 2022. The application was filed in accordance with the DSM Framework and Filing Guidelines, and the 2015-2020 DSM Decision.

On January 31, 2022, the OEB issued a Notice of Application (Notice) to review Enbridge Gas's application.

On February 25, 2022, the OEB issued Procedural Order No. 1. Within Procedural Order No. 1, the OEB set out the process for interrogatories and submissions. The OEB also granted intervenor status and cost eligibility to the following parties:

¹ Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), EB-2014-0134, December 22, 2014

² EGD: EB-2015-0049, Union: EB-2015-0029

³ EB-2015-0029 / 0049, Decision and Order, January 20, 2016

- Canadian Manufacturers & Exporters
- Energy Probe Research Foundation
- Industrial Gas Users Association (IGUA)
- Pollution Probe
- School Energy Coalition (SEC)
- Small Business Utility Alliance

On March 10, 2022, OEB staff filed written interrogatories on Enbridge Gas's application. On March 17, 2022, intervenors filed written interrogatories on Enbridge Gas's application. Enbridge Gas filed responses on March 29, 2022.

On April 8, 2022, OEB staff filed written submissions. On April 13, 2022, intervenors filed written submissions.

On April 22, 2022, Enbridge Gas filed its written reply submission.

3 DECISION

The OEB approves Enbridge Gas's requested 2020 DSM deferral and variance account balances for the EGD rate zone and Union rate zones. The OEB also approves the common disposition methodology proposed by Enbridge Gas for the EGD rate zone and Union rate zones.

The balances requested for disposition in this Application were based on the Final 2020 Annual Verification Reports prepared for the OEB by the OEB's Evaluation Contractor, consulting firm DNV GL.⁴

The OEB confines the ambit of its decision to matters specifically required to determine the dispositions of the 2020 DSMVA account balances.

3.1 Demand Side Management Variance Account (DSMVA)

In addition to the DSMVA account balances below, the OEB is also providing findings on the allocation and disposition methodologies for DSMVA accounts.

3.1.1 DSMVA Account Balances

Enbridge Gas requested approval of its 2020 DSMVA balance in the amount of \$3.209M to be returned to rate payers in the EGD rate zone, and \$9.861M to be returned to rate payers in the Union rate zones. The amounts to be returned to customers is largely due to lower program activity as a result of the COVID-19 pandemic which could not have been anticipated at the time of the OEB's 2015-2020 DSM Decision. The DSMVA balance in the legacy Union rate zone also includes \$983,916 of adaptive thermostat program expenditures in 2020 which is consistent with OEB's guidance in the DSM Mid-Term Review Report to transition to a full program. This is the second application Enbridge Gas is seeking recovery for these incremental program costs. Enbridge Gas received approval of 2019 adaptive thermostat program year costs of \$550,816 as it ramped up the program and adjusted the design through lessons learned. The increase in 2020 program costs reflects the adaptive thermostat program maturing closer to its fully effective state.

Generally, parties supported the clearance of the DSMVA.

Pollution Probe, and to some extent, IGUA, expressed concern about the extent the review Evaluation Contractor (EC) undertook review of the amounts recorded in the

⁴ 2020 Natural Gas Demand Side Management Annual Verification Report, December 2, 2021

DSMVA. More specifically, the parties were concerned that the EC did not conduct an audit of the amounts recorded in the DSMVA, in contrast to the evaluation performed of natural gas savings levels that determined the balances in the other deferral and variance accounts. Pollution Probe is particularly concerned that not all DSM accounts are treated in a similar manner, especially when the DSMVA accounts represent the largest accounts proposed for clearance, yet they were not reviewed or audited.

Enbridge agreed with the EAC and SEC that an opinion from the EC on the DSMVA balances is not required since Enbridge Gas is subject to an annual independent financial audit by a reputable accounting firm. Auditing or verifying the DSMVA balances is fundamentally different from verifying claims of savings or other impacts which are typically calculated using engineering assumptions. Therefore, to get an audit opinion on the DSMVA would require a different set of skills and likely a different evaluation contractor which would significantly increase the cost and timing to complete this work. Further, Enbridge Gas noted that there is no evidence nor any suggestion that the amounts recorded are inaccurate, unreliable, or inappropriate.

Findings

The OEB approves the recovery of the 2020 DSMVA balances from Enbridge Gas' customers in the amount of \$0.387M in the EGD rate zone and a return of \$6.005M in the Union rate zones as proposed.

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. Adding an audit function to the EC's scope of work is best considered in the evaluation, measurement, and verification process which includes OEB staff and the involvement of certain intervenors prior to a clearance application.

3.1.2 Allocation and Disposition Methodologies for DSMVA Accounts

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

Enbridge Gas proposed to dispose of the 2020 DSM-related deferral and variance account balances as a one-time billing adjustment. The billing adjustment will be derived for each customer individually by applying the disposition unit rates to each customer's actual consumption volume for the period January 1, 2020 to

December 31, 2020. OEB staff submitted that the allocation and disposition methodologies are appropriate.

Findings

The OEB approves Enbridge Gas's disposition of the 2020 deferral and variance account balances to be implemented using one-time billing adjustment for the EGD and Union rate zones through the QRAM, effective as early as July 1, 2022.

3.2 Shareholder Incentive – DSM Incentive Deferral Account (DSMIDA)

Enbridge Gas requested approval of its 2020 shareholder incentive amounts of \$3.586M in the EGD rate zone, and \$2.726M in the Union rate zones. Enbridge Gas was able to earn a shareholder incentive based on how well it performed relative to its 2020 program targets. The shareholder incentive is tracked within the DSMIDA.

No parties objected to the approval of the DSMIDA balances.

Findings

The OEB approves the 2020 shareholder incentive amounts for the EGD rate zone and the Union rate zones as requested by Enbridge Gas. The shareholder incentive amounts requested reflect the verified results in the 2020 Annual Verification report.

3.3 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Enbridge Gas requested approval of its 2020 LRAMVA in the amount of \$0.009M to be recovered from rate payers in the EGD rate zone, and \$1.130M to be recovered from rate payers in the Union rate zones. Enbridge Gas calculated the LRAMVA balances using the verified 2020 natural gas savings from 2020 Annual Verification Report.

Findings

The OEB approves the 2020 LRAMVA balance for the EGD rate zone and the Union rate zone as requested by Enbridge Gas. The LRAMVA balances sought for clearance reflect the verified results in the 2020 Annual Verification reports.

3.4 Other Requests

SEC proposed that the approval to clear balances in the deferral and variance accounts be on an interim rather than final basis. SEC referred to an on-going evaluation study

that is assessing the accuracy of the energy modelling tool that Enbridge Gas uses to estimate gas savings from custom efficiency projects undertaken by commercial and industrial customers. SEC noted that the EC's current Phase 1 findings cannot reconcile the savings levels claimed by Enbridge based on e-Tools model with the actual consumption levels of participating customers found through a billing analysis. Enbridge Gas noted that the EC has not finalized its study, a final report is not yet public, and the Phase 1 report is not in evidence and therefore has not been reviewed or filed in this proceeding. Moreover, Enbridge Gas noted that the current Phase 1 report is preliminary, and more work is underway.

Pollution Probe also suggested a lack of transparency in stakeholder engagement during the evaluation process. Enbridge Gas noted that with its annual report, the EC's Annual Verification report and the involvement of the EAC, there is full and complete transparency.

Findings

The OEB accepts the accuracy of the amounts of the DSM related balances and approves the clearance of those balances on a final basis. The OEB declines SEC's request to make the clearances interim as the referenced EC report is not in evidence and has not been reviewed or filed in this proceeding. The Phase 1 report is also preliminary, and the cause of any discrepancy has not been identified. The OEB expects ongoing testing of the results, energy saving measurement methodologies and assumptions related to DSM programs. The fact that preliminary results of an on-going study may produce adjustments to the savings claimed by Enbridge Gas does not necessarily require the OEB to halt final clearance of the accounts for a particular year. The OEB expects there will be a full examination of the final report related to the ongoing e-Tools study identified by SEC in its submission, together with a subsequent analysis of the impact to any savings claimed by Enbridge Gas after the completion of the study. Adjustments on a going forward basis may be necessitated by the review of the final report as part of a future DSM deferral and variance account application.

The OEB acknowledges Pollution Probe's concern about transparency in the process and notes that it is best addressed in the context of the ongoing proceeding reviewing the Enbridge Gas's proposed DSM plan and policy framework for 2023-2027.

4 IMPLEMENTATION

Enbridge Gas proposed the following allocation methodology for the 2020 DSM deferral and variance account balances:

- **DSMIDA** – amounts are allocated to rate classes in proportion to the actual DSM spending by rate class in 2020.
- **LRAMVA** – amounts are recovered in rates on the same basis as the lost revenues were experienced so that the LRAMVA provides a true-up by rate class.
- **DSMVA** – For the EGD rate zone, all DSM costs are allocated to rate classes based on the allocation of customer incentive costs between rate classes, with the exception of Low-Income Program Costs, which are allocated based on OEB approved LEAP revenues. For the Union rate zones, the actual DSMVA spending variance amount relative to the amount budgeted for each rate class is allocated to that rate class for disposition purposes.

Enbridge Gas requested that the amounts be cleared in the manner described below.

Enbridge Gas proposed to dispose of the 2020 DSM deferral and variance account balances as a one-time billing adjustment. The billing adjustment will be derived for each customer individually by applying the disposition unit rates to each customer's actual consumption volume for the period January 1, 2020 to December 31, 2020.

Enbridge Gas proposed to dispose of the approved 2020 DSM deferral and variance account balances with the first available QRAM application following the OEB's approval, as early as July 1, 2022.

Findings

The OEB approves Enbridge Gas's proposed disposition and timing of the 2020 DSM deferral and variance account balances.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.'s DSM Incentive Deferral Account balances and their allocations by rate class are approved.
2. Enbridge Gas Inc.'s Lost Revenue Adjustment Mechanism Variance Account balances and their allocations by rate class are approved.
3. Enbridge Gas Inc.'s DSM Variance Account balances and their allocations by rate class are approved.
4. Enbridge Gas Inc.'s allocation of the 2020 DSM deferral and variance account balances by rate class is approved.
5. Enbridge Gas Inc. shall file a draft rate order consistent with this Decision showing all unit rates for each rate class. The draft order must be filed by **May 16, 2022**.
6. OEB staff may file comments on the draft rate order by **May 23, 2022** and copy Enbridge Gas Inc.
7. The allocated amounts to customers in the EGD rate zone and Union rate zones shall be recovered in Enbridge Gas Inc.'s next available QRAM application.
8. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their respective cost claims by **May 23, 2022**.
9. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **May 30, 2022**.
10. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by June 6, 2022.
11. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

Please quote file number, **EB-2022-0007**, for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address

- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business day, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Michael Bell at Michael.Bell@oeb.ca and OEB Counsel, Michael Millar at Michael.Millar@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto May 5, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar