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Enbridge Gas Inc.
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VIA RESS and EMAIL

June 10, 2022

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

Dear Nancy 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)
Reply Argument

In accordance with the OEB's Procedural Order #6 enclosed please find the Reply Argument 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: 2022.06.10 15:36:06 -04'00'

Asha Patel
Technical Manager, Regulatory Applications

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

EB-2021-0002

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. pursuant to Section 36(1) of the Act, for an order or orders approving its Demand Side Management Plan for 2023-2027 (the **Application**).

REPLY SUBMISSION OF ENBRIDGE GAS INC

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INTRODUCTION

1. Pursuant to Procedural Order ("**P.O.**") #6 dated December 14, 2021, this is the Reply Submission of Enbridge Gas Inc. (**"Enbridge Gas"** or **"Company"**) to the submissions made by nineteen intervening parties to this proceeding including OEB Staff.

2. The Company notes that intervenors filed close to 440 pages of submissions. This of course makes it impossible to specifically identify and respond to each and every submission made. Some of the submissions made in the Company's Argument in Chief (**"AIC"**) respond to some of the intervenor submissions. In the interests of brevity, the Company has attempted to avoid unnecessary repetition of submissions made in its AIC. Accordingly, the Company adopts and relies upon its AIC submissions that respond to the submissions of intervenors. This being said and for clarity, if a specific submission of a party has not been addressed in either the AIC or this Reply and the intervenor submission is contrary to or inconsistent with the provisions of the 2022-2027 Multi-Year DSM Plan filed in this proceeding (the "**DSM Plan**"), it should be understood that the Company continues to submit that the provisions of the DSM Plan should be approved and it relies on the evidence adduced supporting its position.

3. In terms of the organization of this Reply, while the Company has attempted to group together like submissions of parties to address them in the aggregate, it is simply not feasible to specifically identify each and every party that may have made or contributed to a particular position. The response notwithstanding is intended

to apply to all related submissions. It should also be noted that there is a degree of overlap between the Issues approved by the OEB in P.O. #3. As such, the Company relies upon all of its Reply submissions regardless of where in the Reply they are found. For example, submissions under Issue 10 which deal with program offerings at times refer to budget and target setting matters and factors. These submissions also apply to Issues 6 and 9 (budgets and targets).

4. This Reply begins with Overview and Context submissions which Enbridge Gas believes are important for the OEB and all parties to recognize and acknowledge as playing a role in this filing. The Company will then address the submissions of parties which are out of scope and are not before the OEB in this proceeding. The Reply will then respond to the submissions of parties by the issues approved by the OEB in P.O. #3.

5. Finally, the Company will provide concluding comments and a summary of the relief sought.

OVERVIEW AND CONTEXT

6. Enbridge Gas believes it is important that all parties take stock of where we were three years ago and where we are now given that much of the DSM Plan which has been filed in this proceeding (hereinafter the "**Application**") was informed by direction given to the Company and decisions made by the OEB.

7. This journey began with the Company participating in the DSM Framework consultation that began over three years ago on May 21, 2019.[1] The Company reasonably believed that this consultation would ultimately lead to the OEB approving an updated Framework and budget envelope, in the same way that the OEB did in respect of the DSM Framework and multi-year plan which is currently in place. This did not occur.

8. The Company was directed to file a comprehensive DSM Plan by the OEB's letter dated December 1, 2020 (the "**OEB DSM Letter**"). Importantly, this letter contained a number of directions to the Company including that it file a plan with a three to six year term and with the clear expectation that a new framework would be filed for consideration in this proceeding (the "**Proposed Framework**").

9. Enbridge Gas filed the Application on May 3, 2021 with a proposed DSM Plan that was intended to allow for broad, transparent input but which also insured that the ultimate policy goal which was the implementation of gas utility led conservation programs would be undertaken in a timely fashion.

10. There has been much intervenor interest in this proceeding resulting in an enormous body of evidence, transcripts and submissions, all of which, the OEB will note, demonstrate a disparity of positions taken by the various parties to this proceeding many of which are wholly incompatible with positions taken by others. The Company submits that many of the positions taken by certain parties are not actually directed at this Application but are promotional pieces advocating for

[1] EB-2019-0003.

policies and/or direction that differ from those that were originally sent by the Ontario Government to the OEB and in turn from the OEB to the Company.

11. The Company wishes to state that its intention, from the outset, has been to generate and file a DSM Plan which would provide a reasonable path forward and which responded to both the direction given by the OEB and at the same time attempting to navigate the anticipated disparate views of the parties to this proceeding. Enbridge Gas trusts that the evidence, both oral and written, will lead the OEB panel to conclude that the Company has been thoughtful and balanced in its development of the DSM Plan and has made all reasonable efforts to address key objectives set by the OEB. The Company has also carefully considered the submissions of parties and it has identified in this Reply Submission a number of accommodations, i.e., changes to what it originally proposed, to reflect the views of certain stakeholders.

12. Finally, Enbridge Gas acknowledges the OEB was clearly focused on the broader public interests of Ontario ratepayers in its determination of the primary and secondary objectives for DSM and based on the OEB's budget guidance provided in the OEB DSM Letter. The Company believes it is important to remind the OEB of the importance of maintaining this perspective in its consideration of the positions taken by certain parties. It is important to keep the broader public interest paramount and ground determinations in current environmental policies and marketplace realities. The Company is particularly concerned with, for example, those positions that advocate for the complete removal of new construction programming for reasons none other than environmental dogma. As will be

identified in this Reply, this position is advocated even where it is acknowledged that such programming is a good thing.

13. Given the voluminous materials that exists, the OEB panel may find it helpful to access the Company's March 24, 2022 Presentation Day materials. These can be used as an executive summary which provides concise explanations for the genesis of this Application and how the Company thoughtfully addressed the current realities of the Ontario marketplace, the policies of the Government of Ontario and the OEB's directions.

14. Turning now to the submissions made in this proceeding, there seems to be a failure by certain parties, including OEB Staff and SEC to acknowledge that overall gas usage in the province has not declined over recent years for one very good and unavoidable reason: growth. At least counsel to SEC admits that the root of his concern is not DSM results but rather that the Company is forecasting customer and economic growth.[2] As noted in the evidence,[3] the legacy utilities and now Enbridge Gas have been adding on average about forty thousand additional new natural gas customers every year. To the benefit of everyone living in the province, the economy has also grown and expanded and this has resulted in a demand for natural gas for process and space heating by commercial and industrial operations. One need only look at the growth of high-rise buildings in Toronto to realize that natural gas usage has increased because of the increasing population

[2] Transcript Vol. 3, p.135-137.
[3] Exhibit I.10.EGI.ED.24 Attachment 1, p. 1.

and the overall growth of the economy. This growth does not suggest any failure whatsoever on the part of the Company's DSM activities and any suggestion to this effect is simply disingenuous and wrong. Overall gas usage should not be a measure for the success of DSM as every party to this proceeding supports increased population and economic growth.

15. SEC and OEB Staff fail to identify the fact that average natural gas usage by residential customers is forecast to decline over the term of the Plan (2,314m^3 in 2023 vs. 2,269m^3 in 2027).[4] This decline is over and above the decline in average usage since 2015 (2,383m^3 in 2015 and 2,329m^3 in 2022).[5] As well the average annual use per customer of the commercial and small industrial customers combined is forecast to drop from 118,485m^3 in 2023 to 116,642m^3 in 2027.[6] Yes gas volumes have increased because there are more customers but these customers, on average, are using less gas and have lower energy bills as a result. Accordingly, SEC's submission that average use per customer has increased in all classes except residential is in error.[7]

16. There are also submissions that the parties have made to the effect that the impact of climate change and the need to undertake additional steps to reduce the release of greenhouse gases ("**GHG**") is something relatively new or recent which justifies, in effect, requiring Enbridge Gas to go back to square one, prepare a new plan and start all over. Contrary to what is suggested by OEB Staff, the energy

[4] Exhibit I.10.EGI.ED.24 Attachment 1, p. 1.
[5] Ibid.
[6] Ibid.
[7] SEC Final Argument, p. 5.

landscape has not changed since the OEB issued its OEB DSM Letter in December 2020. But even if it had, is OEB Staff encouraging the Company to disregard the direction received from the OEB and Government of Ontario?

17. The fact is that climate change and GHG emission reduction government policies and initiatives, while evolving over the years, are not new. The province had a cap and trade regime in place only five years ago and now we are operating under the federal government's *Greenhouse Gas Pollution Pricing Act* ("**GGPPA**"). As everyone is aware, the GGPPA imposes a carbon price per tonne on consumers that increases annually. As noted in undertaking response to ED[8], during the proposed years of the DSM Plan, the aggregate of GGPPA carbon costs will almost double from $2.2B in 2023 to $4.3B in 2027. Rather than suggesting that the Company's DSM activities and its budget should be doubled or more in response to recent climate change initiatives, it is important to recognize that the DSM Plan costs are incremental to costs imposed on consumers from the GGPPA and all other climate change initiatives including those undertaken by the IESO.

18. This said, Enbridge Gas is fully cognizant of the concerns of its customers with the prospect and impact of climate change and thus it has proposed a comprehensive DSM Plan which will assist customers in every sector to reduce their gas usage and realize energy bill savings. No party adduced evidence or referenced any jurisdiction that has implemented some "magic bullet" program. As acknowledged by Optimal Energy, the experts retained by OEB Staff, the suite of program

[8] Exhibit JT1.6, Attachment 2.

offerings included in the DSM Plan compare well and are often better than those of leading jurisdictions.[9]

19. A central debate in this proceeding has been about money, primarily the level of incentives that would be paid to various program offering participants. Increasing incentives requires enhanced budgets which increase rates for customers. Yes, participants will realize savings but as noted in the CCC submission,[10] the majority of customers do not and have not participated in DSM and thus it is necessary and appropriate to remain mindful of the rate impacts to all gas customers. The Company believes that this concern was the foundation for the OEB's direction to Enbridge Gas requiring it to propose modest budget increases in the near term.[11] The OEB's direction, it is important to note, is wholly consistent with the mandate given to the OEB in the Joint Letter of November 27, 2020 from the Ministers of Energy, Northern Development and Mines and the Environment Conservation and Parks which stated that "the OEB must balance ratepayer interests regarding bill impacts with the level of natural gas savings pursued".[12]

20. It is abundantly clear that there is a disparate set of views about what is appropriate in the DSM Plan by the many ratepayer and stakeholder groups that have been involved in this proceeding. Certain ratepayer groups want to see either a decrease in the budget, that it be held level or that the budget as filed be approved. Energy Probe submits the 2023 budget should be the 2022 budget plus 2%,

[9] Exhibit L.OEB Staff.2, pp. 10, 16, 19, 23 and 29.
[10] CCC Final Argument, pp. 7-8.
[11] OEB directive dated December 1,2020 (the "**OEB DSM Letter**").
[12] Joint Letter from the Ministers of Energy, Northern Development and Mines and the Environment Conservation and Park (November 27, 2020), p. 2 (the "**Mandate Letter**").

approximately 5% lower than that proposed.[13] VECC supports a 3% increase over 2022.[14] Then there are numerous stakeholders that either support the DSM Plan[15] or expressed concern about the impact of increasing inflation on the budget.[16]

21. On the extreme other end of the budgetary spectrum are the environmental groups (GEC, ED, Pollution Probe, OEB Staff). Each call for a doubling or better of the budget envelope within a few years or at least a budget that will capture all cost-effective bill reductions[17], and in the case of GEC and ED, both call for the refiling of a new DSM Plan. It is noteworthy that OEB Staff have fallen into this camp and effectively call for the same but realizing that this will take time, they propose the generation of an "enhanced plan" to be filed for the mid-point review.[18]

22. It therefore must be obvious to everyone that no consensus could ever be reached in respect of a key issue like budget. Indeed, Enbridge Gas believes that the wide gap in the views of parties means that it is equally unlikely that a consensus could be reached on the many sub-issues that exist like incentive levels for measures and measure types. The Company submits that the OEB was wise to not direct that the parties participate in settlement conference in this proceeding. No doubt it would have failed. The point being made is that DSM programming should not

[13] EP Final Argument, p. 12.
[14] VECC Final Argument, p. 4.
[15] OSEA Final Argument, p. 2; LIEN Final Argument, p. 2; OGVG Final Argument in Industrial/Contract Date Clause, p. 3.
[16] CME Final Argument, p. 12; LPMA Final Argument, p. 3.
[17] ED Final Argument, p. 11.
[18] OEB Staff Final Argument, p. 19.

be delivered by a "committee" where every member of the committee has different views some of which are diametrically opposed and irreconcilable.

OUT OF SCOPE SUBMISSIONS

23. There are two types of matters which are out of scope in this proceeding. The first is a matter which relates to subjects which are not currently before the OEB panel in this proceeding. This would include Integrated Resources Plan ("**IRP**") issues being activities that belong in an application seeking approval for IRP Alternatives ("**IRPA")**. Thus, comments by intervenors like SEC about the level of capital spending,[19] something that is not related to the DSM proceeding, are out of scope.

24. Another obvious example are submissions about delegating the delivery of DSM to some unnamed third party entity.[20] It should be recalled that the OEB invited Enbridge Gas to develop and file a comprehensive DSM Plan.[21] Not only is this a matter which is not on the issues list and is devoid of any evidence (including naming a possible candidate for the job), even SEC acknowledges that there is question about whether the OEB has legal jurisdiction to order such a thing.

25. Another example are matters relating to a future application that is anticipated such as the Rebasing Application that Enbridge Gas plans to file later this year for application beginning in 2024. The current application before the OEB is to approve a DSM Plan commencing 2023 including a budget envelope for each year

[19] SEC Final Argument, p. 5.
[20] SEC Final Argument, p. 7-8.
[21] OEB DSM Letter, December 1, 2020, p. 1.

of the DSM Plan and a portfolio of program offerings. Speculation expressed in argument about what may or may not be included in the Rebasing Application is simply that, speculation and irrelevant. There is no evidence and therefore nothing that should have any impact on the OEB's consideration of the Application that is currently before it.

26. The second type of matter which is out of scope are those proposals by various parties including OEB Staff that were raised for the first time in argument and were at no time put to the Company and other participants to this proceeding for comment on the appropriateness of what is being proposed. Examples of this include: (i) OEB Staff's proposal for a stakeholder advisory group ("**SAG**");[22] (ii) SEC's suggestion that DSM be governed by a board of directors;[23] and (iii) SEC's proposal for a shareholder incentive holdback and the aggregation of targets for all five years of the plan.[24] None of these proposals, including, importantly, the working details of such proposals, have been entered on the record. They exist only in argument and are completely unsubstantiated.

27. The OEB has previously noted that making unsubstantiated assertions or proposals is inappropriate. This occurred recently in the Decision of the OEB in respect of the St. Laurent application (EB-2020-0293) where the OEB held that limitations first raised in argument about a methodology which was the subject of the evidentiary portion of the proceeding did not give parties the ability to challenge

[22] OEB Staff Final Argument, pp. 47-49 (and numerous other places).
[23] SEC Final Argument, pp. 9-10, 16-17; FRPO Final Argument, p. 8.
[24] SEC Final Argument, pp. 10-11.

the limitations claimed about the methodology and should therefore not be accepted.

28. OEB Staff it should be noted retained an expert witness, Optimal Energy, who was asked to do a comparison between the DSM Plan proposed by the Company and DSM activities undertaken by leading jurisdictions elsewhere. OEB Staff therefore had an opportunity to not only raise the proposal earlier for the creation of this SAG, OEB Staff could have asked Optimal Energy to provide its views on the proposal and a summary and advice about whether anything similar has been put into effect in other leading jurisdictions by stand-alone gas distributors.

29. While more will be stated on these matters under relevant issue subheadings later in this Reply, it is important to state at the outset that where an adjudicative body, such as the OEB, is required by statute to issue a Decision and Order, that Decision and Order must be based on the evidentiary record which demonstrates to its satisfaction that what is proposed is just and reasonable and in the public interest. Because these proposals were not raised during hearing and consist solely of often only partly explained and inadequately detailed ideas raised in argument, it is submitted that the OEB cannot entertain such proposals.

30. Similarly, OEB Staff's proposed change to the primary objective for DSM which, it is important to note, is different than the primary objective articulated by OEB Staff's employer in the OEB DSM Letter, is out of scope.[25] OEB Staff are not

[25] OEB Staff, Final Argument, p. 8 and Appendix A, Table A1. The OEB DSM Letter states at page 2 that the "primary objective of ratepayer funded natural gas DSM is assisting customers in making their homes

suggesting a change to a dated and tired primary objective. The OEB stated in the OEB DSM Letter that as part of Phase I of the OEB's consultation it received comments from 25 stakeholders regarding the goals and objectives of ratepayer funded DSM. Following its review and consideration of these submissions, the OEB stated: "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 in order to help better manage their energy bills."[26] In other words, the OEB set the primary objective with the deliberate intent of having it apply to this Application.

31. Even if one finds it acceptable for OEB Staff to advocate something other than what the OEB itself has recently stated is the primary objective that should be followed (after broad consultation), OEB Staff should have raised this as an issue in the proceeding by formally presenting its proposal and evidence in support of same. This may or may not have included asking Optimal Energy for its views on the subject, but the fact remains that so fundamental a shift in the OEB's primary objective for DSM cannot be approved absent the matter being raised and considered as part of the hearing. Again, argument is not evidence and, in any event, the evidence supports a determination that overall natural gas usage is not a useful measure of DSM success as noted earlier.

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and businesses more efficient in order to help better manage their energy bills". OEB Staff have argued that the primary objective of DSM should be "tangible reductions in natural gas usage".

[26] OEB DSM Letter, December 1, 2020, p. 2.

32. SEC in its submission recommends that the OEB order that the cost of residential programs in the Union Gas M1 and 01 rate zones be recovered in the fixed monthly charge and that the cost of non-residential programs in those rate zones continue to be recovered in the volumetric charge.[27] The Company opposes this proposal given the lack of evidence on the record. Affected residential ratepayers in the Union Gas rate zones have not had a chance to even understand how this would work and the impact on rates let alone respond to same. How much such a change would cost in terms of required changes to the Company's billing system is unknown. The Company and the OEB do not even know if such a change is warranted.

33. OEB Staff have included a summary of its recommendations at Table 3 on page 8 of its submission. These recommendations fall under the headings: "Good", "Better", "Best". The "Good" recommendations relate mostly to the DSM Plan as filed with recommendations for certain changes as proposed by OEB Staff. These recommendations are responded to in this Reply. The "Better" and "Best" recommendations are however what OEB Staff refer to as aspirational.[28] They are not in evidence (budget amounts, staffing levels that would be required to reasonably utilize such funding, appropriate targets and whether they are even feasible or appropriate as a metric etc.). Much of the "Better" and "Best" recommendations would be dependent on the decisions of the SAG, which neither exists, nor has it been shown to be operating similarly and effectively in any other

[27] SEC Final Argument, p. 32.
[28] OEB Staff Final Argument, p. 13.

jurisdictions. The Company does not believe the SAG is functionally workable. The important point is that such recommendations are not grounded in the record and most were not even put to the Company in an interrogatory or oral question. There is therefore no evidentiary basis for the OEB to determine if these proposals are consistent with OEB policy objectives and in the public interest they are, for the most part, out of scope.

34. This Reply now turns to the issues approved by the OEB in P.O. #3.

1. DOES ENBRIDGE GAS'S 2023-2027 DSM FRAMEWORK AND DSM PLAN ADEQUATELY RESPOND TO PREVIOUS OEB DIRECTION AND GUIDANCE ON FUTURE DSM ACTIVITIES (E.G., DSM MID-TERM REVIEW REPORT, 2021 DSM DECISION, OEB'S POST-2021 DSM GUIDANCE LETTER)?

35. The LPMA stated that the Proposed Framework and DSM Plan "adequately respond to previous OEB direction and guidance on future DSM activities."[29] Energy Probe in its submission stated that despite criticism to the contrary, Enbridge Gas has attempted to seek direction from the OEB and Ontario Government and has attempted to follow that government direction diligently in its evidence.[30] LIEN is overall supportive of the 2022-2027 DSM Plan.[31] OSEA recognizes that Enbridge Gas has done significant work to develop the DSM Plan, and requests that the OEB approve the Company's Application, but asks that the Company reassess the` DSM Plan budget and program offerings using a "bottom up approach" at the mid-point assessment.[32]

[29] LPMA Final Argument, p. 5.
[30] Energy Probe Final Argument, p. 8.
[31] LIEN Final Argument, p. 2.
[32] OSEA Final Argument, p. 6.

36. Other than the unsubstantiated statement by SEC that Enbridge Gas is in a conflict[33] by reason of the fact that, just like every other gas utility in North America delivering DSM programming, it offers incentives to gas customers for installing more efficient gas equipment than what would otherwise be the case, there is no suggestion that the Company has not successfully delivered DSM program offers to its customers during the most recent multi-year plan and in the two decades before that. Interveners like GEC and ED regularly point to the enormous net benefits delivered to ratepayers and the years of gas savings that DSM participants will enjoy which in the aggregate total into the billions of dollars.

37. Parties are not saying that the Company did not respond to explicit OEB direction and guidance on future DSM activities. But some Parties, and this includes OEB Staff, GEC, ED, and Pollution Probe are taking the position that the proposed DSM Plan should be rejected and one with a materially higher budget should be approved despite the OEB's direction in the OEB DSM Letter.

38. While certain parties place a somewhat different interpretation on the direction that the OEB gave the Company, there is no credible submission which points to any failure by Enbridge Gas to respond to the OEB's direction. OEB Staff specifically stated that "Enbridge has been thoughtful, thorough and has tried to be as responsive as it can be to the direction it received."[34]

[33] SEC Final Argument, pp. 6-8, 17, 20, and 22.
[34] OEB Staff Final Argument, p. 5.

39. Parties will recall that Enbridge Gas originally requested as a preliminary matter a decision from the OEB in respect of whether its budget envelope for the 2022 - 2027 term was appropriate before we spent a further year undertaking all of the steps necessary to consider the details of the DSM Plan. Contrary to the suggestion by SEC that the Company didn't want a more aggressive plan,[35] the fact is that the Company filed a plan responsive to the OEB DSM Letter and asked for further direction as to whether something more or less was appropriate. Had further direction been provided, the Company could then have responded with an appropriately revised plan.

2. DOES ENBRIDGE GAS'S 2023-2027 DSM FRAMEWORK AND DSM PLAN ADEQUATELY SUPPORT ENERGY CONSERVATION AND ENERGY EFFICIENCY IN ACCORDANCE WITH THE POLICIES OF THE GOVERNMENT OF ONTARIO, INCLUDING HAVING REGARD TO CONSUMERS' ECONOMIC CIRCUMSTANCES?

40. This issue requires not only consideration of the policies of the Government of Ontario but also to have regard to consumers' economic circumstances. Enbridge Gas will therefore discuss both.

41. In Enbridge Gas's AIC, it identified the efforts it made to determine from the Government of Ontario the general level of DSM spending it supported. The evidence is clear that the government did not provide clear direction to the Company.

[35] SEC Final Argument, p. 13.

42. The Company was aware of the language contained in the province's environment plan that specifically noted the following:

> "the Environment Plan outlined the provincial government's intention to work with the OEB and the gas utilities to **gradually expand natural gas conservation programs** to simultaneously reduce GHG emissions and lower customer bills".[36] [Emphasis Added]

43. The Ontario Government then issued a mandate letter ("**Mandate Letter**") to the OEB dated November 27, 2020.[37] The Company believes that these government releases, and others, prompted the OEB to issue the OEB DSM Letter.

44. The Minister of Energy subsequently issued a renewed mandate letter ("**Renewed Mandate Letter**") dated November 15, 2021.[38] The minister stated the following:

> "I expect to see the establishment of multi-year natural gas demand side management (DSM) programming <u>and the implementation of the OEB's Integrated Resource Planning framework for assessing demand side and supply side alternatives to pipeline infrastructure</u> in meeting natural gas needs. I would like express my strong interest in a framework that delivers increased natural gas conservation savings and reduces greenhouse gas submissions."

45. Parties, including OEB Staff, view this renewed mandate as changing the government's earlier directives. While such parties are welcome to their interpretation, the fact is that the above quotation refers to both DSM programming <u>and</u> the IRP framework. The Renewed Mandate Letter is clearly referring to both

[36] SEC Final Argument, p. 14; EB 2019-0003, Enbridge Gas Comments DSM Framework (June 27, 2019), pp. 13-14; Exhibit KP 1.2; Presentation Day, Enbridge Gas's Presentation; and Presentation Day Transcript, p 10.
[37] Mandate Letter, November 27, 2020.
[38] Letter to OEB from Minister of Energy, November 15, 2021, ("**Renewed Mandate Letter**").

the DSM & IRP frameworks for the purposes of the Minister's support for increased gas conservation. The Renewed Mandate Letter does not reference DSM programming alone.

46. As referenced in the Company's AIC and as highlighted by Energy Probe,[39] the Ministry of the Environment, Conservation and Parks very recently issued a document entitled Ontario Emissions Scenario dated March 25, 2022.[40] In its depiction of an updated emissions forecasts for the province, this government release incorporated an illustrative scenario which assumed a conservative ten percent real (above inflation) increase in DSM funding by 2030, which amounts to a very modest 1.2% percent real annual increase for the duration of the 2023-2030 period.[41]

47. OEB Staff neglect to identify the fact that the expectations communicated in the Renewed Mandate Letter were referencing the impacts of both DSM and the IRP. OEB Staff also did not reference the March 25, 2022 Government of Ontario updated 2030 emissions press release, yet OEB Staff have taken the position that the energy landscape has changed since the OEB DSM Letter. Such is clearly not the case.

48. The Company submits that on a plain reading of the above noted Ministry letters and the recent Government of Ontario release, increasing the DSM budget by

[39] Energy Probe Final Argument, p. 5.
[40] Ministry of the Environment, Conservation and Parks, Ontario Emissions Scenario (March 25, 2022). https://prod-environmental-registry.s3.amazonaws.com/2022-04/Ontario%20Emissions%20Scenario%20as%20of%20March%2025_1.pdf
[41] Ibid, p. 3.

material amounts would be inconsistent with the policies of the Government of Ontario.

49. Turning to the need to have regard to consumers' economic circumstances, we are still suffering from the economic impact of the COVID-19 lockdowns and supply chain disruptions which are, at least in part, responsible for the record inflation levels we are all experiencing. This includes the significant increase in the commodity price for natural gas.

50. While certain parties will point to lifetime net benefits as a justification for materially increasing the DSM budget, the fact remains that a material increase to budgets in each of the years 2023 through 2027 will add to each gas consumers' rates and this would be over and above all of the other energy costs, including the GGPPA price of carbon, which consumers will face.

51. Enbridge Gas therefore questions whether materially increasing its DSM budget during the term of the plan would be appropriate having regard to consumers economic circumstances.

Electrification

52. Questions about whether it is appropriate for natural gas ratepayer funding to pay incentives to non-natural gas customers to purchase electrical equipment or to incent current natural gas customers to leave the system with the installation of the electric-only options were raised in this proceeding. While it is arguable that questions about natural gas ratepayer funding being used to incent non-natural

gas customers are out of scope and inconsistent with the OEB DSM Letter which specifically directs the Company to deliver DSM to “assist customers”, it is acknowledged that the OEB has asked in its April 11, 2022 Letter for submissions including about advancing electrification through natural gas DSM Programs. While Enbridge Gas is desirous of fully hearing from the OEB and receiving the OEB’s specific direction on this matter and its impact on the utility’s gas customers, it agrees with CME that all of the related issues would benefit from a dedicated process where all parties can provide their full views on the issue.[42] Such was not the case in this proceeding.

53. A number of intervenors have commented on the subject. SEC’s comments were the most extensive and they can be briefly summarized by stating that SEC believes that it is premature for the OEB to be making any decisions on electrification because issues about its jurisdiction under the *OEB Act*, 1998 and whether such activity would be consistent with the policies of the Government of Ontario are yet to determined. SEC therefore submits that the OEB should not require Enbridge Gas to include incentives for full electrification in its DSM Plan.[43] Enbridge Gas and key other ratepayer groups agree.[44]

54. There is no comprehensive or even draft electrification proposal on the record for consideration and comment. While there have been submissions about prohibiting incentives for gas appliances and calls by some parties for incentives for an electric

[42] CME Final Argument, p. 8.
[43] SEC Final Argument, pp. 22-23.
[44] CCC Final Argument, pp. 11; CME Final Argument, p. 8; OGVG Final Argument, pp. 3-4.

option, there is no proposal for providing incentives for an all-electric option and therefore no evidence to support what the incentive amount should be and how many participants might be attracted. We also have no evidence about the policy of the Government of Ontario in respect of electrification, nor the role that a natural gas utility might have in implementing any such policy.

55. As noted by CCC, the Government of Ontario has established an Electrification and Energy Transition Panel that will provide advice to the Minster on various issues relating to long-term energy planning including increased electrification.[45] Surely it is first appropriate to allow this Panel to report to the Government and await Government policy direction in this regard before imposing prohibitions which might run contrary to the eventual policy directions of the Government.

56. Somewhat related to this issue is the position taken by several parties that Enbridge Gas is somehow in a position of conflict in delivering DSM because thousands of customers want to connect to its gas system each year while at the same time, it is unquestionably successfully delivering DSM programs.

57. The fact is that aspects of the Company's program offerings are fuel agnostic. In addition to incentives being available for electric heat pumps as part of the hybrid solution, the Building Beyond Code Net Zero Tier II program option is another example. Under this option, which is intended to incent builders to strive for net zero energy efficiency levels in new projects, a builder may eventually need to

[45] CCC Final Argument, p. 5. CCC confirms in footnote 9 that the Government has issued an Order in counsel 698/2022 dated March 24, 2022, which states that "increased electrification will bring with it wide-ranging consequences that will require careful consideration and coordination".

make a decision about the installation of gas appliances. As noted in oral evidence, there is no practical way for Enbridge Gas to prevent builders utilizing the program offering and subsequently constructing without a gas connection. The Company's proposal in respect of renewable natural gas is another example of it moving away from natural gas to other fuel types.

58. Accordingly, Enbridge Gas's compliance with the directives given by the OEB and in particular to propose modest budget increases is not evidence of a conflict, it is evidence of the regulated entity properly following its regulator's directives.

3. IS ENBRIDGE GAS'S 2023-2027 DSM PLAN CONSISTENT WITH ENERGY CONSERVATION INDUSTRY BEST PRACTICES IN ONTARIO AND OTHER RELEVANT CANADIAN AND U.S. JURISDICTIONS?

59. The Company addressed this issue in its AIC where it noted that Optimal Energy, OEB Staff's Expert, found that the Company's portfolio of offerings compares favourably with other leading jurisdictions.[46] The Company appreciates the recommendations for making specific changes to certain program offerings made by Optimal Energy and others and noted in its technical conference undertaking and response,[47] it is reasonably considering many where applicable to Ontario or appropriate to do so. But it must be recalled that the proposed DSM Plan was created under the budgetary constraints imposed by the OEB DSM Letter (calling for modest budget increases) and based on the Company's firsthand experience with of the evolution of DSM planning in Ontario over the last 25 years. This

[46] Optimal Energy Report Exhibit L.OEB Staff.2, pp. 10, 16, 19, 23 and 29.
[47] Exhibit JT2.10.

includes being cognizant of the advanced codes and standards in place in the province relative to other jurisdictions in North America. This was illustrated and acknowledged by expert witness Ted Weaver of First Tracks Consulting in his oral evidence confirming the existence of materially lower efficiency standards in places like Minnesota.[48]

60. There was a good deal of discussion during the technical conference about the appropriateness of comparing program results in one jurisdiction with those of another. The evidence of Mr. Ted Weaver of First Tracks was that the comparison results included in the Optimal Energy and Energy Futures Group reports were not a reliable and fair comparison without acknowledging and taking into consideration the very different and important circumstances that exist in each of the jurisdictions considered.[49] Under cross-examination, Mr. Neme of Energy Futures Group admitted that in New Jersey for example, the results put forward for comparison were not subject to any net to gross adjustment, and this would account for a doubling of results if the same methodology was applied in Ontario.[50] Mr. Weaver further demonstrated during the oral proceeding that once appropriate adjustments were made for the fact that the minimum code standards in the state of Minnesota are significantly lower than in Ontario, the program results in that jurisdiction would decline significantly under the same standards as applied in this province.[51] The conclusion that can be drawn, and one upon which all experts appear to agree, is

[48] Enbridge Gas Reply Evidence, p. 52; Transcript Vol. 5, pp. 176 – 182.
[49] Technical Conference Transcript, March 1, 2022, pp. 184-185, 191-198, 202; Transcript Vol. 5, pp. 176–182.
[50] Technical Conference Transcript, March 2, 2022, pp. 6–68.
[51] Transcript Vol. 5, pp. 176–182.

that there are material differences in methodologies and circumstances that exist in different jurisdictions and these would need to be considered to make any reasonable comparison. It is therefore not appropriate to make broad overly general statements as GEC did in its submission with respect to comparisons between Ontario DSM outcomes and other jurisdictions.[52]

61. One potential issue raised by certain parties in their submission relates to the question about who should have responsibility for the necessary decision making about the ongoing delivery of DSM. Certain parties, in particular OEB Staff and SEC seek an approach that goes far beyond what could be described as stakeholdering to propose or express favour for a paradigm shift in how DSM programs are delivered in Ontario and by whom. At least SEC notes that changes of this nature likely give rise to numerous legal questions including the jurisdiction of the OEB under the *OEB Act* to delegate decision making about the use of ratepayer's funds away from the regulated utility to others.[53] While as noted earlier, the Company submits these proposals are out of scope, it feels compelled to respond in certain respects.

62. SEC has proposed a form of "board of directors" and OEB Staff a SAG both of which would have some degree of decision making authority. SEC specifically proposed:

> "The OEB in its Decision in this proceeding would assign specific day to day decision-making functions to the

[52] GEC Final Argument, pp. 14-17.
[53] SEC Final Argument, p. 20.

> committee. This could include approvals of budget transfers, new or amended offerings, etc."[54]

63. SEC submits that this proposal is modelled on the approvals process by corporate shareholders at annual meetings dealing with bylaws initially passed by the board of directors.[55] Of course, corporate boards of directors and committees are not subject to the *OEB Act* and are not charged with the statutory responsibility of the OEB to approve just and reasonable rates for rate regulated utilities. The board of directors, committee or SAG, as proposed by OEB Staff are not rate regulated entities and are therefore not subject to the OEB's statutory jurisdiction.

64. OEB Staff throughout its submission recommends the involvement of the SAG in virtually all aspects of the design and delivery of DSM programming. To the extent that the SAG exercises decision making authority as opposed to the Company in respect of matters that involve costs and expenditures, the Company has concerns about the legality of this and the jurisdiction of the OEB to delegate such authority.

65. These matters are raised here under this issue because one would have expected that OEB Staff and/or SEC would adduce evidence about whether similar bodies elsewhere in Ontario and/or in the jurisdictions exist, their composition and decision making authority, if any. As no such evidence was adduced, the OEB is not in a position to consider whether what OEB Staff and SEC propose is even a "practice" let alone a "best practice" elsewhere.

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[54] SEC Final Argument, p. 21.
[55] Ibid.

4. IS ENBRIDGE GAS'S PROPOSED DSM PLAN TERM OF 2023-2027 APPROPRIATE?

66. As noted earlier, a number of intervenors are generally supportive of the DSM Plan. While OEB Staff do not overtly oppose approving a five-year term their preference is for a two-year term followed by a new "enhanced" multi-year plan to be filed for consideration and approval by the OEB in 2024 which would then extend the term from 2025 to 2030.[56]

67. While SEC does not specifically advocate for or against a specific term, it is clear that what it is proposing is a two year term followed by a complete review of all aspects of DSM on the OEB's own motion.[57] This would be a brand new application which would "include substantial increases in budgets and targets as well as other changes to the DSM plan"[58] and for the OEB to direct Enbridge Gas, following the OEB's decision on the Company's Rebasing Application, "to propose a significantly more aggressive DSM plan."[59]

68. GEC wants the OEB to require Enbridge Gas to refile its plan and any subsequent approval be limited to a two- or three-year period.[60] ED more or less takes the same view.[61]

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[56] OEB Staff Final Argument, p. 8.
[57] SEC Final Argument, p. 9.
[58] SEC Final Argument, pp.16, 25, and 35.
[59] SEC Final Argument, p. 16.
[60] GEC Final Argument, p. 45.
[61] ED Final Argument, p. 28. Although ED submits in the alternative to requiring Enbridge Gas to file an updated plan as soon as possible to limit the term to 2 years at most.

69. Multi-Year DSM plans are appropriate as they provide stability, certainty in terms of funding, and consistency for the Company, the industry (including trade allies and business partners), as well as program participants. Mr. Neme spoke of this during the technical conference stressing that continuity in the market for efficiency programs is really important in maintaining customer interest but more importantly program trade ally interests.[62] Multi-Year DSM plans also reduce regulatory burden. That is why the OEB DSM Letter directed the Company to propose a term of three to six years. Had Enbridge Gas proposed a DSM Plan with program incentive levels and supporting budgets consistent with the views of those parties advocating a materially higher budget, it is to be expected they would all support a five-year term. These parties are not supporting a five-year term for the obvious reason that they want the Company to generate a new DSM plan as soon as possible and one consistent with their uncompromising beliefs.

70. From a regulatory perspective, approving a multi-year DSM plan is far more efficient than requiring the utility and intervenors to participate annually or bi-annually in the consideration and approval of shorter-term plans. This is also consistent with the latest OEB Renewed Mandate Letter from the Ontario Government, which states, "...it is important that the regulatory processes are optimized to increase efficiency."[63] Recognizing that the Rebasing Application will be filed later this year and will occupy a significant amount of the OEB and stakeholders time next year, undertaking a review of two large multi-year

[62] Technical Conference Transcripts, March 3, 2022, p. 48.
[63] Renewed Mandate Letter, November 15, 2021, p. 3.

applications simultaneously could exhaust the resources of the OEB, Enbridge Gas and stakeholders. There is no reason why there should be any overlap between DSM plan applications and multi-year rate applications. Requiring Enbridge Gas to file a new comprehensive multi-year DSM plan in 2024 would take place in the middle of the Rebasing Application which everyone knows will be a massive application and hearing. For this reason alone, approving only a two-year term for the DSM Plan should not be approved. As well, it should be recalled that the OEB directed Enbridge Gas to file an application for a minimum term of three years.

71. There appears to be fairly broad support for the Company's proposal for a mid-point assessment (though some parties have called this a mid-term review). While some evidently view this as an opportunity to relitigate many of the issues raised in this proceeding, common sense tells you that there is no need to hold the mid-point assessment unless you have a longer term of five or six years. If the mid-point assessment is however, for all intents and purposes, expected to entail a completely new application for the later years of the term, where everything is on the table, we do not have a multi-year approval beyond the first two years.

72. The Company submits that approving a term of anything less than five years would be inconsistent with the Renewed Mandate Letter from the Minister which stated the Minister's expectation to see the establishment of multi-year natural gas DSM programming. Approval of a term of five years would also be consistent with the

Minister's support in the Renewed Mandates Letter for reducing regulatory burden.[64]

73. The fact is that parties have been at it now for more than three years including the initial Post-2020 DSM stakeholder consultation initiated by the OEB on May 21, 2019. This suggests that if only a three-year term is approved by the OEB it would be appropriate to start working on the next multi-year DSM plan immediately following the OEB's decision in this proceeding as it will likely take another three years or more to complete a review of the next multi-year plan. This is "perpetual" regulation, not a reduction in the regulatory burden, and certainly not regulation "optimized to increase efficiency".

74. This being said, it remains the Company's intention to manage and deliver DSM programming in Ontario in a manner consistent with the policy of the Government of Ontario and the OEB. Enbridge Gas at the same time also wishes to do this in a fashion which is reflective of the views of its customers and in this regard, the Company acknowledges the positions taken by a number of the intervenors to this proceeding about the term of the plan. The Company therefore suggests a compromise which it believes is in the best interest of all parties.

75. The Company is of the view that it remains appropriate and in the best interests of all parties for the term of the DSM Plan to be approved as filed and be applicable for the years 2023-2027. As it is always the Company's goal to be consistent with current Government of Ontario and OEB policy, Enbridge Gas proposes that its

[64] Renewed Mandate Letter, November 15, 2021, p. 3.

mid-point assessment could include consideration of any Government or OEB policy directives which require amendments to the DSM Plan approved in this proceeding where such directives are issued before December 1, 2023 so that any necessary application materials can be generated and filed for consideration as part of the mid-point assessment in 2024.

76. Enbridge Gas makes the commitment to reasonably engage with relevant stakeholder groups for the purposes of considering the need for proposed amendments to the DSM Plan as approved by the OEB in this proceeding at the mid-point assessment. This consultation would take place as part of the stakeholdering process proposed in this Application. The Company would also agree to receive and reasonably consider the submissions of interested parties at an additional stakeholder session which would exclusively deal with possible amendments to the DSM Plan that parties consider necessary to meet new policy from the government of Ontario or explicit direction from the OEB. This session would take place some time after any directive is issued by the OEB. The mid-point assessment would however be limited such that absent a change in Government policy or explicit direction from the OEB, issues such as the budget envelope, scorecard structure, shareholder incentive mechanisms, and DSM Framework wording and methodologies would not be open to review by parties.

77. Finally, it should be noted that the anticipated project completion for the agreement with NRCan is March 31, 2027. If only a two- or three-year term is approved for the DSM Plan, this makes collaboration with NRCan that much harder. The

Company sees these as further reasons why the OEB should approve a five year term for the plan.

5. IS ENBRIDGE GAS'S PROPOSED DSM POLICY FRAMEWORK, INCLUDING GUIDING PRINCIPLES AND GUIDANCE RELATED TO BUDGETS, TARGETS, PROGRAMS, EVALUATION, AND ACCOUNTING TREATMENT APPROPRIATE?

78. Only a few parties made comments and suggestions in respect of the proposed DSM Framework other than OEB Staff. One of the proposed changes by OEB Staff is in the Company's view significant and requires a new fulsome response.

79. The OEB stated at page 2 of the OEB DSM Letter that:

> "Following its review and consideration of the submissions [of Phase 1 of the OEB's consultations], 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 in order to help better manage their energy bills.
>
> In working towards the primary objective, Enbridge Gas's future ratepayer-funded DSM Plan should also consider the following secondary objectives:
>
> - Help lower overall average annual natural gas usage."[65]

80. Instead of OEB Staff commenting on whether the DSM Plan was consistent with the objectives specified by the OEB in the OEB DSM Letter (which were based on the feedback provided in the Phase 1 stakeholder consultation of the Post-2020 DSM framework), rather OEB Staff are asking the OEB to amend its objectives such that the overall objective should be for DSM to generate tangible reductions

[65] OEB DSM Letter, December 1, 2020, pp. 2-3.

in natural gas usage.[66] While OEB Staff may believe that it is appropriate to suggest, to use its own words, “something more aspirational”[67] than was filed, it is most surprising, that the group responsible for offering commentary on whether a regulated utility is or is not in compliance with OEB policy and primary objectives disregards its role.

81. Stated differently, looking at Table 3 of OEB Staff’s submission which is a “summary of the recommendations” it recommends under the column “good” that the Company should maintain objectives as outlined in the OEB DSM Letter. It then goes on to state what is “Better” and “Best” being objectives that are different than those established by the Ontario Energy Board. OEB Staff are in effect trying to reset policy. Enbridge Gas asks how the Company can be responsive to OEB direction, and how can the regulatory burden ever be lessened if compliance with a clearly articulated OEB primary objective is not considered the threshold for determining the standard which should be applied to a utility application. Comparing an application to the standard and objectives set by the regulator should be the role of OEB Staff. Here they have assumed a different role, one of an environmental advocate.

82. As noted earlier in this Reply, overall reductions in natural gas usage should not, and cannot, be the basis to determine whether the Company’s DSM activities have been successful. There are far too many contributing factors that effect overall gas usage that account for increases, e.g., population growth and, in some

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[66] OEB Staff Final Argument, p. 8, Table 3.
[67] OEB Staff Final Argument, p. 13.

instances, decreases such as an economic recession. Aside from there being no evidence in support of this new primary objective, OEB Staff did not bother to explain why this should be the primary objective, how it would be calculated and how this might impact the development of DSM plans in the future. OEB Staff made no effort to justify its proposal to focus on overall gas volumes versus overall average annual natural gas usage which is the secondary objective set by the OEB.[68] Other parties may find OEB Staff including such a recommendation in argument without allowing for their review and response as concerning as the Company.

83. Turning to the Proposed Framework more broadly, OEB Staff agree with the Company that it is important to have a clear policy framework, one that provides direction related to primary objectives and the overall magnitude of ratepayer funded DSM.[69] OEB Staff then went on to attach as Appendix A to its submission, three pages of proposed changes and comments in respect of the Proposed Framework. Enbridge Gas believes the most efficient means of responding to OEB Staff's recommendations and comments is to respond specifically to each using the same table format. Accordingly, attached as Appendix A to this Reply is a table that repeats the comments made by OEB Staff on the Proposed Framework and includes, where appropriate, the Company's Reply. It should be noted that Enbridge Gas has in some instances concurred or agreed with OEB Staff's recommendations.

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[68] OEB DSM Letter, December 1, 2020, p. 3.
[69] OEB Staff Final Argument, p. 12.

84. Several other parties had Framework suggestions. VECC proposed that the framework be tied to the term of the plan.[70] Based on a good suggestion put forth during the Post-2020 DSM Framework consultation, Enbridge Gas has proposed that the Proposed Framework not have a sunset so that it can evolve over time rather than be the subject of a complete review and approval at every multi-year proceeding. It seems more efficient to edit and update elements of the Proposed Framework at appropriate times in the future rather than require that the entire document be reviewed and approved.

85. To those parties advocating changes to the Proposed Framework consistent with their view that the Company should be either prohibited or limited in its ability to provide incentives for gas equipment, Enbridge Gas submits that such changes are completely inappropriate. In the joint ED\GEC written feedback filed June 27, 2019 in respect of Framework Principle 6: "Recognize all Potential Lost Opportunities", ED\GEC wrote:

> Specifically, we recommend that this principle be amended to recognize that energy efficiency opportunities can be lost if not pursued in the process of new construction, renovations and/or at the time of purchasing new gas-consuming equipment. Many energy efficiency measures are only cost-effective during construction or renovation or when new equipment is being purchase.
>
> This change could be achieved by amending the wording: minimized lost opportunities by both targeting time-sensitive opportunities like new construction, renovations, and equipment turnover, and encouraging maximizing of cost-

[70] VECC Final Argument, p. 7.

> effective savings potential whenever efficiency investment decisions are being made.[71]

86. Even if such limitations were placed on its DSM activities as proposed by some in respect of gas appliances, the Proposed Framework currently states: where fuel switching away from natural gas aligns with the OEB stated DSM objectives, Enbridge Gas may pursue these activities.[72] This wording requires no change.

87. Several parties have proposed that the Proposed Framework should include as a primary or secondary objective matters relating to and in support of electrification. It is clear from the submission of parties that the preponderance of ratepayer groups in this proceeding do not support electrification measures being required as part of the OEB's approval of the DSM Plan. As the OEB noted in its IRP decision[73] it remains similarly premature to include electrification as part of the Proposed Framework. There are simply too many outstanding policies and legal questions that must first be considered and settled.

88. LIEN has asked the OEB to amend the Proposed Framework such that it include a prohibition of imposing up front costs on income qualified energy consumers.[74] Enbridge Gas has consistently stated that it has no measures nor are any contemplated that will ask income qualified energy consumers to pay any costs. In respect of the Low Income Program, the Company has previously stated that

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[71] Post-2020 Natural Gas Demand Side Management Framework Consultation (EB-2019-0003), ED and GEC Joint Comments, June 27, 2019, p. 4.
[72] Exhibit C, Tab 1, Schedule 1, p. 15.
[73] OEB Decision and Order (EB-2020-0091), Integrated Resource Planning Proposal, July 22, 2021, pp. 31-36.
[74] LIEN Final Argument, p. 5.

the purpose of allowing for the contribution of upfront costs relates to the situation (consistent with current programming) where it is appropriate that a landlord or a building owner (not an income qualified consumer) contribute to upfront costs. The Company therefore does not believe that such an addition to the Proposed Framework is necessary. The Company can also commit to stakeholdering with parties if and when such a circumstance arise that may merit revisiting the current approach, prior to any implementation. Such outreach is consistent with current practice, such as what was done on the need to update market rate eligibility requirements.

89. Finally, undoubtedly parties advocating changes to certain administrative processes would support changes to the Proposed Framework consistent with their views on how these processes should continue in the future. Enbridge agrees that to the extent that the OEB's final decision in this proceeding requires it to implement changes to processes or methodologies which are currently set out in the Proposed Framework, this will necessitate that the Framework be updated. Enbridge Gas commits to make such changes and to file an updated Framework, if necessary.

6. DOES ENBRIDGE GAS'S PROPOSED BUDGET, INCLUDING PROGRAM COSTS AND PORTFOLIO COSTS RESULT IN REASONABLE RATE IMPACTS WHILE ADDRESSING THE OEB'S STATED DSM OBJECTIVES IN ITS LETTER ISSUED ON DECEMBER 1, 2020, INCLUDING HAVING REGARD TO CONSUMERS' ECONOMIC CIRCUMSTANCES?

90. The breadth of the gap between the positions taken by parties on this issue could not be wider. Energy Probe and VECC both take the position that the 2023 base

year budget is too high and should be reduced.[75] Energy Probe supports the 2022 budget plus 2% (at least for the residential sector).[76] CME and LPMA both expressed concern about the budget increasing by the inflation rate in subsequent years.[77] FRPO is not supportive of increasing the budgets given the impact on customers bills.[78]

91. OSEA, LIEN and OGVG are generally supportive of the DSM Plan as filed.[79] More specifically OGVG generally agrees with the proposed level of DSM funding directed at contract rate customers.[80] Accordingly, it follows the above-noted parties would not support a doubling or more of the budget.

92. CCC seems to question the value to ratepayers of the DSM budget albeit it acknowledges that it would not be practical or cost-effective to reject this Application[81] as proposed. It appears that CCC does not support a substantial increase in the budget beyond that proposed in that DSM Plan particularly in respect of residential ratepayer.

93. At the other end of the spectrum lies GEC, ED, Pollution Probe, SEC and OEB Staff all of whom advocate materially higher (in some cases more than double) DSM budgets and a more aggressive plan (albeit SEC wants either DSM

[75] VECC Final Argument, p. 4. VECC supports an increase of 3% rather than the 7.7% proposed over the 2021-2022 budgets which were held flat.
[76] Energy Probe Final Argument, p. 12.
[77] CME Final Argument, p. 12; LPMA Final Argument, p. 3.
[78] FRPO Final Argument, p. 9.
[79] OSEA Final Argument, p. 2; LIEN Final Argument, p. 2; and OGVG Final Argument, p. 3.
[80] OGVG Final Argument, pp 3, 5-7.
[81] CCC Final Argument, pp. 5-7 and 11.

programming to be delivered by a presently unknown independent third party or its proposed but admittedly legally questionable board of directors).[82]

94. Perhaps most extreme is the position taken by Pollution Probe. While it recommends a doubling of the DSM budget during the 2023/2024 term,[83] it proposes that the 2023-2024 target for the residential heat pump installation metric on the low carbon transition program be increased significantly (93 times the 100% targets proposed by the Company) to 5% of Enridge Gas's customers which based on their math, Pollution Probe suggests is 200,000 customers (of which a minimum of 90% should be electric air source heat pumps). The Company notes that Pollution Probe proposes this 93-fold target increase is to be met without increasing DSM Staffing levels.[84] Pollution Probe further submits that the incentive for cold climate heat pumps should be increased to $7500. While presumably Pollution Probe is not advocating that the OEB approve a budget equal to the $1.5 billion that would be required to incent the installation of 200,000 cold-climate heat pumps, the costs to meet this illusional target clearly do not reside in the mere doubling of the overall DSM budget.

95. Conversely, Enbridge Gas is not surprised by the budget position of many ratepayer groups. Their constituents are telling them that adding additional costs to current rates which themselves are on top of other energy costs and charges (like the costs of carbon under the GGPPA and IESO CDM costs) is a concern.

[82] SEC Final Argument, p. 9.
[83] Pollution Probe Final Argument, p. 14.
[84] Pollution Probe Final Argument, pp. 14 and 20.

While SEC supports some entity undertaking more aggressive DSM programming with materially larger budgets, it is noteworthy that even SECs constituency has expressed concern about their alleged contribution to residential DSM program participant costs in Union Gas M1 and 01 rates. What this tells us is that SEC's constituents are also concerned about rate impacts just like other ratepayer groups.

96. CCC, CME, LIEN, VECC, EP, OSEA, LPMA and OGVG all heard the same evidence of OEB Staff's expert, Optimal Energy and GEC/ED's expert, Energy Futures Group and yet none have advocated the same wholesale material increase to the DSM Plan budget as has been proposed by the several non-ratepayer groups. What this indicates is that by and large, ratepayer groups are concerned about the shorter-term impact of increased spending on rates notwithstanding the generation of net benefits over the life of the measures that are installed. As noted by CCC, the majority of residential ratepayers have not and will not participate in DSM programs.[85] This is not the fault of any of the program offerings, it is simply a reflection of the fact that Enbridge Gas has approximately 3.5 million residential customers and it would take a budget in the billions of dollars per year to materially increase participation rates in all rate classes. A simple illustration involves the $75 rebate for smart thermostats. If every residential customer participated in the program, the budget would need to be over one-quarter of a billion dollars for this program offering alone.

[85] CCC Final Argument, pp. 7-8.

97. There was discussion during the oral hearing about increasing incentives payable in respect of certain measures and the fact this might lower free ridership rates and increase the net to gross. In some instances, this might be true but increasing incentives for certain measures in some program offerings requires trade-offs and means either the reduction of budgets or shutdown of other program offerings or an increase in the overall budget to reflect the higher incentive amounts.

98. For example, the proposals by SBUA for changes to the Company's commercial offerings to support small businesses as proposed by SBUA's expert, the Green Energy Economics Group, come in at approximately $18 million.[86] While SBUA advocates a reduction in the maximum shareholder incentive ("**Maximum DSMI**") level to which the Company might be entitled if it meets the aggressive targets which have been proposed, putting aside the unfairness of this and its impact on the incentive for the Company to aggressively pursue DSM, the change would only potentially account for $1.9 million of the $18 million budgetary increase proposed by SBUA. Since the Company has never come close to earning the Maximum DSMI during the current multi-year plan only a portion of the $1.9 million would actually be available to fund the $18 million proposed increase.

99. The Company notes that SBUA's proposed increases would virtually double the program costs currently budgeted for the commercial program. The costs associated with the additional staff required to support such expanded program offerings would be in addition, and all of these costs would be allocated to impacted

[86] SBUA Undertaking Response, Exhibit JT3.7, pp. 3-4.

rate classes. There is no evidence in this proceeding which supports a finding by the OEB that commercial ratepayers are supportive of such an increased level of spending.

100. Like SBUA, BOMA has not advocated an across the board budgetary increase. It has limited its recommendations for budget increases to the schools and multi-residential sectors. While more will be stated about BOMA's proposal in respect of issues 9f and 10f which relate to the P4P offering, according to BOMA's undertaking response, it forecasts an annual additional program cost of $15.3 million to support its proposal.[87] At least some of these costs, if incurred, would be allocated to some of the same commercial ratepayers that would be responsible for the additional SBUA recommended budget increase of $18 million.

101. Turning specifically to the low income sector, LIEN submits that there should be additional allocation of the total DSM budget (it supports the 2023 year base budget)[88] but wants the Low Income program budget to remain consistent with 2022 levels plus inflation.[89] VECC would like to see the allocation of spending to the Low Income program to be a minimum of 19% of the DSM program budget or $25.8 million.[90] VECC has proposed that the overall DSM budget be reduced from $142.26 million to 136 million in 2023 "given the OEB's desire for modest budget increases."[91]

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[87] BOMA Undertaking Response, Exhibit JT3.6, p. 3.
[88] LIEN Final Argument, p. 6.
[89] LIEN Final Argument, p. 7.
[90] VECC Final Argument, p. 12.
[91] VECC Final Argument, pp 4-5.

102. The Company submits that its DSM plan as filed is materially consistent with the recommendations made by LIEN and VECC. First it is important to note that the Company has said that the money allocated to Low Income program offerings will be ring-fenced.[92] In other words, no monies will be moved from the Low Income program to support other program offerings. Second, the Company has access to an overspend allowance which provides an opportunity to increase spending by 15% of its total budget as outlined in the Proposed Framework. This provides substantial flexibility to the Company to support successful Low Income program offerings. Finally, the proposed budget for the Low Income program in 2023 is approximately $23 million excluding portfolio administration and overhead costs that are attributable to the Low Income program offerings.[93] This brings the total budget close to what LIEN and VECC are requesting.

103. Several parties have suggested that the formulaic budget increase that the Company has proposed (for program costs, inflation plus 3%) should be fixed or subject to a cap. VECC suggests that the increase should be fixed at 5% for program budget and 2% for other costs.[94] LPMA proposes a cap on inflation but a makeup period subsequently as a means to smooth the inflationary impact.[95] The Company is cognizant of the fact that we are currently experiencing inflation levels that have not been seen for several decades. This is one of the competing factors that must be recognized and considered by a program administrator and

[92] Transcript Vol. 1, p. 110.
[93] Exhibit D, Tab 1, Schedule 1, p. 11, Table 4. Please also see the response to Issue 10 b.
[94] VECC Final Argument, p. 5.
[95] LPMA Final Argument, p. 9.

its economic regulator. On the one hand there is a desire to help program participants reduce their energy bills while on the other hand there is concern about rate impacts. The Company submits that recent inflation rates are all the more reason why the OEB was correct in directing that the Company to propose a modest budget increase in this proceeding.

104. The unfortunate reality is that if the incentives made available to natural gas customers do not increase at pace with inflation, the real value of the incentives erode. This becomes all the more pronounced when the incentives relate to, for example, building envelope measures which are already costly, and those costs are reportedly presently increasing faster than the overall CPI basket average. To maintain the attractiveness of a program offering, it is necessary to increase incentives over time, to reflect increases in participant costs. By setting a cap on the budget that is below the inflation rate and by extension capping the incentives payable for program offering measures, it will reduce the attractiveness of effective program offerings and, whereas proposed by LPMA there is a subsequent catch-up, only defer the pain of the increase to a subsequent year. Of course, any “cap” proposal will require methodology and a mechanism so that the amounts deferred are ultimately added to the budget in subsequent years. This places additional regulatory burden on the Company and stakeholders who will need to apply this methodology before each program year and at the eventual clearance application.

7. IS ENBRIDGE GAS'S PROPOSED COST RECOVERY APPROACH APPROPRIATE WHILE ADDRESSING THE OEB'S STATED OBJECTIVES IN ITS LETTER ISSUED ON DECEMBER 1, 2020?

105. Not surprisingly, given the evidence of Optimal Energy and First Tracks that amortization should only be undertaken if the OEB intends to materially increase the DSM budget to lessen the short-term rate impact relative to the situation under the expense treatment,[96] those parties opposing a material increase in budget do not support cost recovery by means of amortizing.

106. Interestingly, while SEC supports increasing the DSM budget it does not believe that there has been sufficient consideration of the amortization model and its impacts for the OEB to approve it at this time.[97] SEC notes two apparent factors in favour of amortization, the matching of cost recovery to benefits and the avoidance of rate shock by a substantial increase in the DSM budget in the short term. SEC then identifies several caveats and drawbacks including intergenerational equity issues, the cost of capital, future ratepayer obligations in respect of paying down the unrecovered debt and possible stranded assets. SEC also noted that the evidence was not clear nor complete as to the impact of taxes on any proposed amortization term.

107. FRPO does not support any change in the current recovery methodology.[98] OGVG generally supports the cost allocation and cost recovery proposal made by the

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[96] Optimal Energy, Exhibit L.OEB Staff.1, pp. 1 and 16, Footnote 24; First Tracks Report, EGI Reply Evidence, p. 4.
[97] SEC Final Argument, pp. 10, 27-30.
[98] FRPO Final Argument, p. 9.

Company.[99] VECC submitted that the OEB should approve the proposed costs recovery proposal submitted by the Company.[100] EP and CCC also do not support cost recovery by means of amortizing expenses.[101]

108. The Application filed by the Company did not propose a change in the current cost recovery approach and submits that SEC is correct in noting that an amortization proposal has not been fully presented for consideration by the OEB in this proceeding. There are a number of considerations and details to any amortization methodology which need to be determined or assessed including the resulting impact on rates over time. These include the amortization term, whether there should be a phase in period and whether the weighted average cost of capital ("**WACC**") should be applied to the portion of the amortized balance that has not been recovered.

109. Enbridge Gas therefore submits that the OEB panel hearing this proceeding does not have an evidentiary basis to approve an amortization model and to make decisions about the interest rate payable on the unrecovered amortized balance. Enbridge Gas further submits that any consideration of using an interest rate other than WACC would require a detailed consideration of the impact on the Company's credit and financial reputation and its standing with various financial institutions. It would also be necessary for the OEB to determine how the required capital to

[99] OGVG Final Argument, pp. 3, 10-11.
[100] VECC Final Argument, p. 8.
[101] EB Final Argument, pp. 14 and 31; CCC Final Argument, pp. 10-13.

undertake DSM programming could be raised without offending the mandate issued by the OEB that the Company maintain a 64/36 debt equity ratio.[102]

8. ARE ENBRIDGE GAS'S PROPOSED SHAREHOLDER INCENTIVES APPROPRIATE?

a. Is Enbridge Gas's proposed annual maximum shareholder incentive, including structure, and amount appropriate?

110. No party submitted that a shareholder incentive should not be made available to incent the Company to undertake DSM activities. The majority of parties accepted that the continuance of the annual Maximum DSMI of $20.9 million is appropriate albeit several suggested that this figure should not increase for inflation over the term of the plan.[103]

111. Looking at the four components of the proposed shareholder incentive structure collectively, the reasonableness of the shareholder incentives that the Company has proposed is demonstrated in its interrogatory response to OEB Staff 18.[104] In this response, the Company applied the proposed shareholder incentive structure to the actual DSM results in the years 2016 – 2020 (2020 were draft results) to calculate what the Company would have earned using the incentive structure it has proposed in this proceeding. In every year but one, Enbridge Gas would have earned less than what it actually earned under the former shareholder incentive structure and in the one year the difference was just over $400,000.[105] This

[102] EB-2005-0520, EB-2006-0034, EB-2011-0210, EB-2011-0354.
[103] LPMA Final Argument, pp. 13-14.
[104] Exhibit I.8.EGI.Staff.18.
[105] Exhibit I.8.EGI.Staff.18, p. 2-3.

confirms that the shareholder incentive structure proposed is just and reasonable. This calculation also notably does not take into account the fact that baselines to which the Company's results are measured have increased over the years, so that even with the exact same activities, the DSM results, and therefore the DSMI, would be lower on a go-forward basis.

112. Enbridge notes that there was no opposition to the Company using an annual scorecard for the purposes of calculating a shareholder incentive. Comments in respect of the metrics proposed to be used under the annual scorecard are dealt with under issue 9.

113. The only party that recommended a decrease of the Maximum DSMI is SBUA, it appears, as a means to partially offset some of the approximate $18 million in additional DSM incentives it wishes the Company to offer as discussed above.

114. Enbridge Gas does not consider such a reduction justified. The Maximum DSMI was held flat for the better part of eight years. This means its value has been eroded by inflation. As well, the DSM Plan as filed contemplates delivering significantly more DSM programming than was delivered by the former utilities combined. In light of the above, Enbridge Gas submits there should be no reduction to the Maximum DSMI.

115. As well, it should be pointed out once again that the Company has not during the entirety of the prior multi-year DSM plan (2015 through 2020) ever come close to

earning the Maximum DSMI.[106] To both allow the Maximum DSMI to erode by not allowing it to increase with inflation and to reduce the Maximum DSMI (which necessarily reduces the amount the Company will earn at the level of achievement it actually reaches) sends the wrong signal and is not supported in evidence.

b. Is Enbridge Gas's proposed Long Term shareholder incentives appropriate?

116. Enbridge Gas has proposed two longer term incentives. The first is a long term scorecard applicable to the Low Carbon Transition Program. The second longer term scorecard is the GHG Emissions Reduction scorecard which would make the Company eligible to receive an all or nothing payment of $5 million if it achieves a stretch target level of GHG Emissions reductions which are in the aggregate 15% higher than the first year targets set for the Company applied across each of the applicable years of the DSM Plan.

117. The Company submits that these longer-term scorecards were proposed in response to the OEB DSM Letter which states at page 5:

> The OEB encourages 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 multi year DSM term.

118. In terms of the Low Carbon Transition program scorecard, while there was some commentary in respect of the measures that will be offered and its metrics, no party has proposed that the scorecard should be rejected as all parties appear in support

[106] Exhibit I.8.EGI.Staff.18, p. 2.

of the low carbon transition program with the caveat that certain parties question the appropriateness of incenting natural gas heat pumps. This will be discussed further below. Accordingly, the Company submits that the Low Carbon Transition program scorecard should be approved as proposed. The Company notes that the total shareholder incentive for this program is a modest $400,000 at the 100% target achievement.

119. Several parties ask the OEB to reject the long term GHG Emissions Reductions incentive.[107] The Company acknowledges that the First Tracks "Compromise Performance Incentive Proposal" contemplated eliminating the longer term GHG reduction scorecard and adding $1 million annually from the $5 million allocated for the five-year term to the Maximum DSMI available under the annual scorecards.[108]

120. In light of the positions taken by many stakeholders to this proceeding who do not support the long term GHG emissions reduction incentives, Enbridge Gas proposes the following change. While the Company believed that it was being responsive to the OEB's directive, it is prepared to withdraw this component of the shareholder incentive proposal. As the Maximum DSMI had allocated $1 million per year to this longer-term incentive, this $1 million should be allocated to the Maximum DSMI that the Company is eligible to earn under its annual scorecards. Once the OEB renders a final decision in this matter, Enbridge Gas will update the

[107] Including: GEC Final Argument, p. 29; Energy Probe Final Argument, p. 16.
[108] Enbridge Gas Reply Evidence, p. 47.

annual scorecards for each of the years of the plan as approved to reflect the reallocation of the Maximum DSMI.

c. Is Enbridge Gas's Annual Net Benefits Shared Savings proposal appropriate?

121. The Company has proposed an annual net benefits shared savings scorecard which would make the Company eligible to earn an incentive depending upon the level of net benefits achieved in a calendar year. The Company submitted in evidence and its AIC that this scorecard was proposed at least in part to be responsive to the recommendations of Mr. Neme of the Energy Futures Group.[109] This earning opportunity most closely aligns the Company and customers interests based on a sharing of net benefits concept.

122. GEC has subsequently taken the position that the Company has misunderstood what Mr. Neme said and they therefore do not support the net benefits scorecard.[110]

123. The Company continues to believe that the net benefits shared savings concept incents it to pursue measures that generate longer term benefits. It also incents the Company to aggressively pursue DSM given that the incentive payable, which is based on a percentage of the net benefits generated, increases at escalating threshold levels. For example, if the Company can generate benefits in excess of

[109] Exhibit D, Tab 1, Schedule 2, p. 12; Enbridge Gas Presentation Day Presentation p. 12; AIC, p. 33.
[110] GEC Final Argument, p. 30.

$400 million, the incentive rate on the portion of net benefits above the $400 million level increases from 1.5% to 2%.[111]

124. The Company does acknowledge that the Compromise Performance Incentive Proposal by First Tracks[112] contemplates the removal of the net benefits scorecard and reallocating the incentives eligible thereunder to the annual scorecards. This being said, it should be noted that OEB Staff's expert Optimal Energy is not opposed to a net benefits incentive scorecard. While it proposes a higher floor before any incentive is earned, Optimal Energy favours increasing its contribution to the performance incentive structure to 70% of the Maximum DSMI[113] as opposed to the one-third weighting proposed by the Company in terms of the annual DSMI opportunities.[114]

125. Enbridge Gas remains of the view that this Net Benefit Shared Savings incentive has value as it is intended to incent the Company to achieve greater overall net benefits that accrue to consumers. It looks at and rewards the Company on a more holistic and balanced basis. This compares to the annual scorecard which rewards performance by program. The Company therefore does not support this portion of Mr. Weaver's compromise. However, should the OEB decide to not approve this Net Benefit Shared Savings incentive, the annual Maximum DSMI

[111] Exhibit KP 1.2, Presentation Day, Enbridge Gas's Presentation Day Presentation p. 12.
[112] EGI Reply Evidence, p. 45.
[113] Exhibit L.OEB Staff,1, p. 39.
[114] Exhibit D, Tab 1, Schedule 2, p. 3, Table 3.

allocated to this component of the shareholder incentive proposal should be reallocated into the annual scorecards Maximum DSMI.

d. Are there any other incentive mechanisms that should be included in addition to or to replace those proposed by Enbridge Gas?

126. While no party has proposed a new incentive mechanism for consideration by the OEB, SEC has proposed, what the Company submits, is a disincentive mechanism which would require a certain percentage of the incentive that the Company would otherwise have been eligible to receive to be the subject of a holdback until the end of the term of the plan. The monies would then only be paid out to Enbridge Gas if two of three previously set threshold levels are achieved relating to a reduction in through-put, a reduction in the average capital budget, and lower GHG omissions.[115] SEC did not raise the concept of a holdback at anytime during the proceeding. SEC did not put its holdback proposal to the Company in an interrogatory and request the Company's views as to its mechanics and appropriateness. SEC did not mention a holdback proposal as part of its presentation day submission to the OEB and it did not ask any Company witnesses, or other experts about such a proposal during the oral hearing. The proposal is not in evidence, has not been the subject of any review by the Company or any party to this proceeding including the OEB. The threshold levels which SEC have proposed have absolutely no evidentiary basis. Whether such threshold levels are even remotely impacted by DSM activities, let alone whether they are at

[115] SEC Final Argument, p. 10-11.

all feasible given continued economic growth in Ontario, remains completely unknown. The holdback proposal must therefore be rejected.

9. ARE ENBRIDGE GAS'S PROPOSED SCORECARDS, INCLUDING PERFORMANCE METRICS, METRIC WEIGHTINGS, AND TARGETS APPROPRIATE?

a. Is Enbridge Gas's proposed annual target adjustment mechanism ["TAM"] appropriate?

127. Enbridge Gas acknowledges that certain intervenors are opposed to the continued use of the TAM.[116] The Company however notes that several parties support approval of the DSM Plan as filed. Enbridge Gas believes that this means they are either supportive of the TAM or not opposed to it.[117] The Company submits that it was reasonable to propose the continued use of the TAM for a number of compelling reasons. First, the OEB for the purposes of the prior multi-year plan directed the legacy utilities to use the TAM and it was then subject to a review and update by the OEB at the mid-term review. It has twice been subject to the rigours of regulatory review and was found to operate appropriately and as intended.

128. Second, no party in their submissions pointed to any instance when the TAM generated results which necessitated the EC, EAC and/or the OEB adjusting or setting aside the change to targets. The TAM has been in operation for six years including 2022 without material issues. All parties, including OEB Staff, the

[116] OEB Staff, CCC, CME, Energy Probe, GEC, OGVG, Pollution Probe, SEC.
[117] LPMA, Anwaatin, APPrO, BOMA, ED, FRPO, IGUA, LIEN, OSEA, SBUA, VECC.

Evaluation Contractor ("**EC**"), the Evaluation Audit Committee ("**EAC**") are familiar with how the TAM works. These are all positive things.

129. Third, the TAM operates as a self-correcting mechanism and one that acts as an incentive for the Company to propose reasonable but challenging targets. Enbridge Gas knows that if it proposes targets in year one that are easily achievable, the TAM will increase targets appropriately in the second year likely to levels that are materially more difficult to achieve. This provides a formulaic check on target settings. A good example of this is the Whole Home Program which has seen increasing target determinations in the early years because of the success of the program offering. Any attempt to forecast and set fixed targets as part of the 2015-2020 DSM plan hearing would not have foreseen the now realized potential for this program offering. The set fixed targets would have undoubtedly been set at levels much lower than those which were determined with the use of the TAM.

130. The Company is surprised by the concerns raised by parties about the TAM because the concerns are 100% hypothetical. The fact is that the TAM has worked and has removed much of the controversy around setting targets given that it systematically adjusts targets to effectively reflect real world realities.

131. Expert witness Mr. Weaver of First Tracks considered the TAM and offered the following:

> "Ontario's TAM process has been in place for many years and, although I'm sure its processes could be improved, it has a successful track record. I support continuing the TAM as defined in Enbridge's proposal DSM plan."[118]

132. Accordingly, the Company submits that the TAM should continue to operate given that: (i) it is a tried and proven methodology; (ii) it has not generated targets to date which any party has criticized as being inappropriate under the circumstances; and (iii) it avoids the difficulty and uncertainty associated with the setting fixed targets for future years of the plan period.

133. If the OEB is of the view that it should entertain appropriate revisions to the TAM even though there have been no demonstrable issues with it, the Company notes the suggestion by OEB Staff that the TAM methodology include an 80% floor which would limit any decrease in targets.[119] The Company submits that should there be a floor there should be a symmetrical ceiling and it proposes 120%. Again, the Company supports the continued use of the TAM but it would accept this methodological change for the purposes of helping address the concerns expressed by various stakeholders.

134. The Company submits that the alternative of setting targets at the beginning of a five-year term for each year of the plan has considerable drawbacks and this is the

[118] Enbridge Gas Reply Evidence, pp. 45 and 55.
[119] OEB Staff Final Argument, p. 9.

reason why the OEB directed the use of TAM in the current DSM plan term. It is fair to say that regardless of the target proposed by the Company for any program offering, some intervenors will allege that the targets are too low. Thus, the call by a couple parties for across the board percentage increases to targets even though the evidence supports a determination that the base targets in 2023 were generated based on careful consideration of all relevant factors.[120] The undisputed fact is that the Company has not experienced a windfall at any time while using the TAM. As shown in an interrogatory response to OEB Staff,[121] the Company's shareholder incentive earnings have illustrated it has not come close to earning the Maximum DSMI in any year and generally land in and around the 100% target.

135. The OEB should reject the hypothetical concerns of several intervenors about the continued use of the TAM. If it does not, the OEB will be left in the situation where it will be necessary to approve targets for each program offering in each of the years of the plan. It is important to note that it is inappropriate and problematic to increase targets by the same percentage that the budget is increased. As noted in evidence, increasing the budget for program offerings does not result in a linear increase in savings.[122] There is, no evidence which supports the conclusion that if you increase the incentives payable to participants in respect of a particular program offering by, say 5%, that it will either increase participants by 5% and/or savings by this amount.

[120] Exhibit I.9.EGI.Staff.22.
[121] Exhibit I.8.EGI.Staff.18, p. 2.
[122] Exhibit I.6.EGI.Staff 13.

136. This lack of a linear relationship between budget increases and increased gas savings is illustrated by the submission of GEC. At page 23 of its submission, GEC estimates that an 8.7% increase in gas savings would be expected to require a 15% increase in budget.

137. GEC is not alone. The SBUA's expert witnesses, Green Energy Economics Group, also confirmed under cross examination that the proposed increase to the commercial program budget of approximately $18.3 million would not generate gas savings on a dollar-for-dollar basis.[123] Indeed, looking closely at Green Energy Economics Group specific proposals for budget increases, a 98% increase to the prospective downstream offering would generate a 13% increase in savings. For the prospective midstream offering, a 571% increase in budget would generate only an additional 25% of savings.[124]

138. However, in the event the OEB does not approve the TAM, and given it is clear that the relationship between budget increases and potential incremental results will be different for each program offering and is dependent on a number of factors that cannot be addressed by a wholesale increase across the portfolio, the Company proposes in the alternative the following process to set targets for each of the applicable program offerings for the years 2024 through 2027. To generate targets for the years 2024-2027 for each of the resource acquisition program offerings, the Company will use the budget sensitivity methodology it used to

[123] Transcript Vol 5, p. 44.
[124] SBUA Undertaking Response, Exhibit JT3.7; Exhibit K5.4; Transcript Vol 5, pp. 37-45.

generate the response to OEB Staff 13(c)[125] to populate the Annual Scorecard Target Tables that were included in the pre-filed evidence[126] with updated targets for each year in question. These tables will then be filed with the OEB for final approval.

Targets General Comments

139. The Company notes that several intervenors have suggested that the targets proposed by the Company should all be increased by either unstated amounts or by a percentage without differentiating between offering types and objectives.[127] It is important to note that these are just bald requests that have no basis in evidence. These intervenors do not point to evidence in support of their position because the evidence does not exist. Indeed, the Company was not even asked about such matters. Surely it is incumbent on a party that believes that targets should all be adjusted upward by, say 10%, to ask the Company in an interrogatory, at the technical conference or during the oral hearing what its views are about such a matter and why the increase is or is not appropriate.

140. It is also important to distinguish between comments that advocate higher targets to support GHG emissions reductions such as those proffered by GEC, ED and BOMA[128] from those which simply promote across the board target increases. The

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125 Exhibit I.6.EGI.Staff.13(c).
126 Exhibit D, Tab 1, Schedule 3, pp. 7-10, Tables 3-6.
127 CCC Final Argument, p. 10. CCC wants the targets to be “stretch” targets with each being increased by an unstated amount; LPMA Final Argument, p. 14. LPMA proposes that all targets increase by 10% without any increase in budget; SEC Final Argument, p. 8. SEC only states without explanation the targets should “almost certainly be increased by substantial amounts.”
128 BOMA Final Argument, p. 2; GEC Final Argument, pp. 2-4; ED Final Argument, p. 8.

former relates to the desire for DSM to be expanded with the recognition of the necessary budget to support the expansion. The latter suggestions should be seen for what they truly are, efforts to increase targets so as to make it as unlikely as possible that the Company can achieve its targets and by extension, earn a DSMI. The OEB should note that this is in fact counter to an incentive model.

b-f Is Enbridge Gas's proposed residential, low income, commercial, industrial and large volume program scorecards including targets and performance metrics appropriate?

141. The Company will respond to these issues jointly.

142. In terms of the metrics used, the annual scorecards propose the use of net annual gas savings. Several intervenors have expressed concern about the move from using cumulative or lifetime net gas savings to net annual gas savings. However, the only real complaint raised appears to be that using annual gas savings versus lifetime gas savings discourages the company from focusing on longer life measures. As noted by expert witness, Ted Weaver, in the First Tracks Report, Enbridge Gas does not offer programming that focuses on measures with the shortest lived measures that tend to have a significant role in the gas portfolios in a number of other jurisdictions highlighted by parties including behavioural modification programs, low flow shower heads and faucet aerators.[129] He noted that there is little actual opportunity for Enbridge Gas to shift resources from long-lived to short-lived measures; too much of the portfolio is clustered into lives of

[129] EGI Reply Evidence, p. 50.

around 20 years.[130] For example, the Company exited much of the market for water conservation measures – low flow showerheads/faucet aerators – in recent years due to market saturation and poor measure persistence.

143. By comparison, Mr. Weaver notes that he has practical concerns with evaluation issues around measuring lifecycle savings. Briefly stated these include the evaluator using measure lives shorter than those the Company used to forecast lifecycle savings in its DSM plan. Perhaps more importantly using lifecycle savings requires the complicated calculation of adjusting baselines for measures. Mr. Weaver notes that these calculations are far form straight forward and represent substantial opportunity for disagreement and controversy when evaluators change assumptions from those used to establish performance metrics.[131] Using annual savings as the metric is an opportunity to remove unnecessary EM&V controversy and regulatory burden.

144. Mr. Weaver therefore believes that Enbridge Gas's recommendation for using the metric of net annual gas savings is reasonable and he recommends this to the OEB.[132] Energy Probe agrees.[133] In adopting an annual net gas savings metric, OEB Staff suggested the inclusion of a minimum portfolio weighted annual measure life which the Company believes is a reasonable addition.

[130] EGI Reply Evidence, p. 50.
[131] EGI Reply Evidence, p. 51.
[132] EGI Reply Evidence, p. 50.
[133] Energy Probe Final Argument, p. 16.

145. To address the concern raised by stakeholders about short-lived measures, the Company has confirmed that it would be prepared to manage the portfolio to an average measure life floor of 13.12 years based on the approach outlined in its undertaking response[134] as a condition to the OEB approving the use of the net annual gas savings metric. The Company submits that with this compromise, the concerns of the several intervenors, which the Company notes are only hypothetical, are addressed. As noted in evidence, using the net annual gas savings metric is a more simple, straight-forward metric which is easily understood by customers and potential business partners.[135] OEB Staff it is noted, have recommended the use of a weighted average measure life floor of 14 years. They do not provide a calculation or reasoned basis for proposing this figure whereas the Company undertook an analysis for the purposes of its undertaking response and thus the proposal of 13.12 years which is reflective of the measure mixes it contemplates over the term of the plan.

146. In terms of the metric weight applied within each program scorecard, the Low Income and Commercial program scorecards both include subsector targets. The Low Income program has a metric for home winter-proofing (applicable to single family homes) and one for affordable housing, multi-residential. There were no concerns expressed about the equal waiting of these two subsector program offerings other than FRPO. The Company responds to this under issue 10(b). The Commercial program has a sub-target for large customers and a separate sub-

[134] Exhibit JT2.5.
[135] Exhibit I.9.EGI.STAFF.20.

target for small customers, with equal waiting. No party expressed concern about this equal weighting.

147. The Company submits that the sub-sector targets will ensure that it focuses on reaching the targeted sub-sectors including small commercial customers as well as the affordable housing multi-residential sector.

148. The shareholder incentive payable under the annual scorecard is split evenly at 22% between each of the Residential, Low Income, Commercial and Industrial programs. Three percent of the shareholder incentive would be available under the Large Volume program. There was little concern expressed about this split. Indeed, the majority of comments made were positive.[136] One concern expressed in respect of the allocation of DSMI to the above-noted four programs is that it tends to detract from the Company's flexibility to manage and promote successful program offerings. This was noted by Mr. Weaver of First Tracks.[137] This is one of the reasons why he supported having the incentive levels for DSMI to be earned set at 50%, 100% and 150% of the target.

149. To the extent that any of the scorecards are rejected by the OEB, the shareholder incentive that would have been available under that scorecard, will need to be added to the annual scorecard Maximum DSMI amount and allocated at each of the target levels as approved by the OEB.

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[136] OEB Staff Final Argument, p. 34; Energy Futures Group Expert Evidence, p. 16; VECC Final Argument, p. 9; Energy Probe Final Argument, p. 15.
[137] Enbridge Gas Reply Evidence, p. 38.

150. Turning to the issue of the levels at which incentives begin to be earned, as noted by the Company in evidence and by Mr. Weaver as stated above, the Company proposed using 50%, 100% and 150% levels in response to the fact that it had equal allocations of DSMI to each of the four main programs. Mr. Weaver confirmed that this is unique to Enbridge's DSM plan and would hinder its flexibility to achieve results.[138]

151. The Company has considered the submissions of parties[139] and primarily the concerns expressed about the Company beginning to earn any shareholder incentive, even if the amounts earned would be relative minuscule, at the 50% of target level. The Company in response is prepared to accept incentives beginning to be earned at the 75% level with the Maximum DSMI available achieved at the 125% level. Half of the allocated Maximum DSMI would be earned at the 100% target level. Enbridge proposed its base targets for 2023 in the belief that they would result in the Company becoming eligible to earn 50% of the Maximum DSMI at the 100% of target level. Given the newly designed scorecards which serve to encourage the Company to have a consistent focus on each of the distinct customer segments, the Company submits that there is no compelling reason to impose a 40/60% split (i.e., with just 40% of the Maximum DSMI earned at the 100% target achievement). This would only act as a disincentive and one that

[138] Enbridge Gas Reply Evidence p. 53.
[139] Most parties support the use of 75%, 100% and 125% achievement levels including Energy Futures Group (Exhibit L.GEC.ED.1 p. 18) and Optimal Energy (Exhibit L.OEB Staff1, p. 41). LPMA however submitted that the floor should be 90% not 75% (LPMA Final Argument, p. 13). This suggestion stands alone and is not supported in evidence.

would be exacerbated in the event that the OEB decides to increase any of the targets proposed by the Company for the applicable program offerings.

g. Is Enbridge Gas's proposed Energy Performance Program ("P4P") scorecard, including targets and performance metrics appropriate?

152. This program only attracts 1% of the Maximum DSMI. Despite the small amount ($67,000 @ 100% target in 2023) GEC submits that the offering should be rolled into the Commercial program and its results determined solely on the basis of gas savings generated. GEC opposes the use of the participant metric even though the offering proposes that its scorecard use net annual gas savings and participants as the metrics with each being given a 50% weighting.

153. In contrast, SEC strongly supports this program and[140] BOMA would like to see it expanded.[141] BOMA's proposals to expand the program are dealt with under Issue 10.

154. The Company believes that GEC's concerns miss the point. The scorecard is intended to drive gas savings, which GEC supports, but to also incent participation of an increasing number of schools in a program offering which by design requires a long-term commitment. In this way, the Company must do more than generate results at one or two large schools to earn the DSMI. Given the support of applicable ratepayer groups, Enbridge Gas therefore submits that the answer to this question based on the evidence is yes, the P4P offering is appropriate. As

[140] SEC Final Argument, p. 41.
[141] BOMA Final Argument, pp. 2-5; Everlife Consulting Report Exhibit L. BOMA.1; BOMA Undertaking Response, Exhibit JT3.6.

well, the Company notes that the P4P offering will be the subject of review at the mid-point assessment at which time future budget allocation and targets would be assessed.

h. Is Enbridge Gas's proposed Building Beyond Code Program scorecard, including targets and performance metrics appropriate?

155. Comments about the details of the Building Beyond Code program offerings are addressed under Issue 10. This said, Intervenors did not raise concerns about the scorecard metrics[142] applicable to the Building Beyond Code Program. The Company therefore submits that its scorecard, including targets and performance metrics are appropriate. This program's budget allocation and targets will also be the subject of review at the mid-point assessment.

i. Is Enbridge Gas's proposed Low Carbon Transition Program scorecard, including targets and performance metrics appropriate?

156. Under the Low Carbon Transition scorecard, the Company is eligible to earn only $400,000 of the total shareholder incentive if it achieves its 100% target after two years. The targets for the various components of the Low Carbon Transition program and the applicable metrics are set out in the pre-filed evidence.[143] The program has been divided into a residential and commercial low carbon offering. Within each, there are two sets of metrics with a weighting of 25% each. One is the number of installations and the other is the number of contractors or engineers trained.

[142] Exhibit D, Tab 1, Schedule 3, p. 8 and Exhibit D, Tab 1, Schedule 2, p. 4.
[143] Exhibit D, Tab 1, Schedule 3, p. 11, Table 7.

157. Considering that no intervenor expressed a serious concern about the targets proposed for the Low Carbon Transition Program, the Company submits that its program's scorecard, including targets and performance metrics should be approved. The Company notes that the targets proposed are only for 2023 and 2024. The future budget allocation and targets will then be revisited as part of the mid-point assessment.[144]

158. The only party that specifically addressed the targets proposed by the Company for this program for 2023 and 2024 was Pollution Probe as noted earlier. The Company does not believe that Pollution Probe's submission should be taken seriously. The Company submits that the setting of a target for 2024 of 200,000 residential heat pump installations, which approximates 5.7% (not 5% as suggested by Pollution Probe) of all of Enbridge Gas's residential customers is purely preposterous. There is simply not the budget, manpower nor third party resources available to even remotely reach such a target. The OEB should give this submission no weight.

j. Is Enbridge Gas's proposed Long Term Greenhouse Gas Reduction Target appropriate?

159. As noted earlier, the Company withdraws its proposal for this scorecard. Once a final decision is received from the OEB in respect of this Application, the Company will refile updated annual scorecard tables.

[144] Exhibit D, Tab 1, Schedule 1, p. 15, Table 12, Footnote 1.

k. Should there by any other Scorecards, targets and/or metrics included in addition to or to replace those provided by Enbridge Gas?

160. Other than as discussed elsewhere, no other targets and/or metrics have been proposed to replace those proposed by Enbridge Gas.

10. HAS ENBRIDGE GAS PROPOSED AN OPTIMAL SUITE OF PROGRAM OFFERINGS THAT WILL MAXIMIZE NATURAL GAS SAVINGS AND PROVIDE THE BEST VALUE FOR RATEPAYER FUNDING?

162. The following addresses whether Enbridge Gas has proposed an optimal suite of program offerings that maximize natural gas saving and provide the best value for ratepayer funding. The Company notes that OEB Staff included an Appendix B to its Reply Argument with general comments on Enbridge Gas's proposed programs. Accordingly, attached as Appendix B to this Reply is a table that repeats the comments made by OEB Staff on the proposed program and includes the Company's Reply.

a. Are Enbridge Gas's proposed program offers for residential customers appropriate?

161. The Residential Program has three program offerings. The Residential Whole Home offer ("**WHP**"), the Residential Single Measure offer and the Residential Smart Home offer. Most of the questioning and submissions made related to the WHP which will be addressed in some detail below.

162. The other two program offerings received scant attention likely because there is general support for same. Optimal Energy[145] indicated that smart thermostat programs in other jurisdictions, are successful. This suggests that the Residential Smart Home program offering should continue. Indeed, we heard support during the proceeding for expanding the offering.[146]

163. In respect of the residential single measure offering, the objective of this offering is to allow homeowners a simplified approach to participate with the installation of a single DSM measure with no home energy audit requirement. Given the lower capital commitment required in respect of one measure, it is anticipated that it will attract those homeowners that are not in a position to participate in the WHP which requires the implementation of multiple measures.

164. These two program offerings are proposed in part to increase participants levels by residential customers. It appears that CCC sees an increase in participant levels as being positive.[147]

165. Of course, all of the intervenors that support the DSM Plan as filed as noted earlier, support the approval of all three of the residential program offerings.

166. In terms of the WHP, the debate which exists can be distilled down into two categories:

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[145] The Residential Single Measure program allows homeowners to implement a single measure which would involve a significantly smaller investment than that which would be required under the WHP which requires a participant to adopt several measurers depending upon the measurers chosen.
[146] SBUA Final Argument, p. 5. SBUA would like smart thermostats offered as part of the Commercial program.
[147] CCC Final Argument, p. 7.

(a) Whether incentives for upgrading gas appliances should be included and/or should there be incentives for electrification; and

(b) The collaboration with NRCan and its Greener Homes Program.

We deal with each separately below.

Natural Gas Equipment Upgrades/Electrification

167. The Company notes that the Minister of Energy stated that:

> It is also important that the DSM Framework be implemented in a way that enables customers to lower energy bills in the most cost–effective way possible, and help customers make the right choices regardless of whether that is through more efficient gas or electric equipment.[148]

168. To be clear, those parties, including OEB Staff, GEC and ED, that argue in favour of the OEB prohibiting Enbridge Gas offering very modest incentives on residential natural gas equipment upgrades, upgrades it should be noted that would not otherwise have occurred, removes from the equation customer choice. Plain and simply, OEB Staff, GEC and ED are advocating something which is contrary to the policy of the Government of Ontario, where consumer choice is explicitly one of the energy sector priorities. If the incentive for installing energy efficient gas space heating and/or water heating appliances, at standards higher than those required by code, is removed, you are by extension negatively impacting the ability of customers to choose the installation of such equipment. In most instances, it is to

[148] Renewed Mandate Letter, November 15, 2021, p. 3.

be expected that these higher efficiency gas appliances will simply be replaced by less efficient gas equipment. There is, therefore, a lost opportunity of savings. This makes no sense.

169. Such a prohibition will also negatively impact the discussion between potential program participants and the Company's delivery agents who encourage a potential program participant to install natural gas appliances that exceed code. The evidence of Enbridge Gas witnesses is that this discussion prompts and promotes the discussion about undertaking additional energy efficiency measures.[149] The Company submits that to hinder such discussions solely by reason of a philosophical approach is not in the best interest of ratepayers. There is absolutely no evidence tendered in this proceeding which stands for the proposition that providing modest incentives for residential gas equipment that exceeds code is detrimental, today and into the future, in terms of meeting GHG emission reduction targets. The fact is that if the more efficient gas equipment is not installed, the lesser efficient gas equipment which is installed will remain operational for the same period of time. Accordingly, the situation is worsened where consumer choice is taken away.

170. It has consistently been stated that the goal of Enbridge Gas should be to adopt best practices which are followed in other jurisdictions. In this regard, the evidence of Mr. Weaver of First Tracks is that he is unaware of any gas utility in the United States being prohibited from offering incentives for gas equipment.[150] Perhaps

[149] Transcript Vol. 1, pp. 20-29.
[150] Transcript Vol. 4, p. 170.

GEC and ED are making the same submissions in other jurisdictions but to date, the Company knows of no regulator issuing such a prohibition to a stand-alone gas distributor.

171. Administratively, the Company is concerned about the extent to which OEB Staff and stakeholders should be engaged in the micro-management of specific program offers. There has been no criticism of the Company's routine adjustment to measure incentives over the years without seeking OEB approval. Accordingly, it is appropriate and necessary to draw a distinction between submissions about whether a program offering should exist at all versus submissions about how it should be delivered. The Company requires the flexibility to manage its offers to reflect the realities of the marketplace. This necessarily includes setting participant or measure incentive/rebate levels, establishing eligibility requirements, and deciding on which measures to offer.

172. Whether a program offering should be part of the DSM plan is a different question than what individual measures should be offered and how the program offering is marketed. The Company, as program administrator, must have the flexibility to adapt and increase or decrease the number of measurers, the types of measures and the incentives available based on market conditions. The OEB wisely acknowledged this in a prior decision that its role is not to micro-manage the delivery of DSM program offerings.[151]

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[151] EB-2018-0300/EB-2018-0301, OEB Decision and Order, Application for approval of shareholder incentives, lost revenues, and program expenditures related to 2016 natural gas demand side management programs, April 11, 2019, p. 10.

173. It should be recalled that the Company's DSM activities are governed by a number of mechanisms which in effect provide oversight over its actions including the methodologies set out in the Proposed Framework, the budget envelope that is approved, the various scorecards and metrics and the cost effectiveness test. The Company does not believe it is appropriate for the OEB to delve into the minutia of specific program offerings by, for example, requiring the Company to calculate insulation measures and incentives based on R value and square footage.[152] Aside from the fact that there is no evidence that this is appropriate, from a regulatory efficiency perspective, reviewing program offerings at such a level is extremely time consuming and inefficient. Similarly, the recommendations to increase the incentive for air sealing measures proposed by Energy Probe[153] should be viewed as micro-management and out of scope, although the recommendation has been duly noted for future consideration by the Company.

NRCan and Greener Homes

174. It is the clear policy directive of the Minister of Energy that there should be collaboration with the Canada Greener Homes program. Specifically, the Minister stated:

> "As communicated in a recent letter from the Ministry to the federal government encouraging collaboration between DSM and the new Canada Greener Homes Program, it is important that the OEB considers how to use Ontario's DSM programs to leverage these federal funds to benefit Ontario ratepayers."[154]

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[152] Energy Probe Final Argument, p. 23.
[153] Energy Probe Final Argument, p. 24.
[154] Renewed Mandate Letter, November 15, 2021, p. 3.

175. Consistent with the Minister of Energy's directive, Enbridge Gas has confirmed throughout this proceeding that it is actively working with NRCan with a view to finalizing a delivery and attribution agreement. The Company provided a further update in respect of its negotiations in its AIC. Unfortunately, there is no finalized agreement which can be filed at this time.

176. The question then becomes how to proceed. Enbridge Gas has filed a DSM Plan which includes the WHP. The Company will deliver this program offering beginning in 2023 in the event that no agreement is reached with NRCan, however unlikely this is. The Company will deliver the WHP based upon the budget parameters, scorecard and metrics that the OEB approves. The rollout and operation of the WHP should not be delayed by any delay in an agreement being reached with NRCan. Accordingly, Enbridge Gas seeks approval for the WHP, as filed.

177. In the likely event that a delivery and attribution agreement is reached with NRCan, Enbridge Gas has undertaken to file this with the OEB.[155] To be clear, the Company will not be seeking any adjustment to the budget levels that the OEB approves for the WHP nor the various metrics applicable to it with the possible exception of the target level. A change in the target level may be necessitated where the incentives offered by the Company under its WHP are coordinated with the Greener Homes Program. Higher rebate levels for measures generally

[155] The filing may be at the request of NRCan subject to portions for which a request for confidentiality will be necessary.

supports participation but may reduce the natural gas savings per dollar relative to the WHP offering. The impact to the target will be dependent on the structure of the funding coordination and attribution agreement.

178. It is clear from the Renewed Mandate Letter and the position of all parties that they expect the Greener Homes Program to be delivered to the benefit of Ontario energy consumers. The joint delivery of the Greener Homes Program and the Company's WHP should not be delayed by reason of the necessity for a further hearing before the OEB.

179. The Company submits that the one option open to the OEB is to approve the WHP on a final basis subject only to its target remaining approved on an interim basis. The Company would then file the delivery/attribution agreement with NRCan and the proposed new target, if any, for OEB review. There are several processes that could then be followed. One would be to make a presentation to the OEB panel and invite questions which could be responded to orally. This would avoid the time required to receive submissions in writing to which the Company would respond.

180. The alternative is for the OEB to issue a final order in respect of this application in its entirety and to direct the Company to prepare and file an Application for an amendment to the WHP target, if an amendment is ultimately required. This would leave it open to the Company to determine whether an adjustment to the target for the WHP is required. This option would avoid the further written phase of this proceeding where no change to the target is proposed.

181. SEC takes the position that the Company should not be allowed to enter into an agreement with NRCan without the OEB's approval of the agreement. SEC does not explain why Enbridge Gas cannot enter into a contract with a third party without OEB approval. Of course, the Company enters into numerous agreements with parties all the time without OEB approval. This includes the agreements reached with the Government of Ontario in respect of the delivery of the Green Investment Fund enhancements to the Whole Home program offering program several years ago. The agreements coordinated funding with the Government to leverage the then existing residential Whole Home program offering and in so doing, collectively reached more participants. The OEB approved Framework attribution rules were followed by the Company and this collaboration did not distort the DSM results attributed to the residential DSM program offering.

182. SEC agrees that the two programs should be delivered jointly[156] but fails to acknowledge that the OEB has no jurisdiction over NRCan. SEC also does not state what potential benefit to ratepayers might result by such a review. The Company submits that if in the end the attribution provisions of the agreement are inconsistent with the Proposed Framework, as approved by the OEB, then this is a matter that will undoubtedly be raised at the next DSM accounts clearance application. It needs to be recognized, that the NRCan agreement is with an unregulated third party which is under no legal or contractual obligation to adjust

[156] SEC Final Argument, p. 40.

any agreement reached to reflect the views of the OEB. Such a review of the agreement it is therefore submitted would be unnecessary and unhelpful.

183. While the Company strongly discourages the OEB from making a decision which in effect micro-manages its program offerings, and this includes the inclusion or exclusion of specific measures such as incentives for residential gas appliances, it does acknowledge that the Greener Homes program does not provide incentives for residential gas appliances. As a result, in the interest of the delivery of a seamless combined program the Company acknowledges that it is probable that it will discontinue offering incentives on residential gas appliances. However, in the unlikely event that an agreement is not reached with NRCan, the Company submits that the WHP should be approved as filed.

Other Matters

184. As noted earlier, the Company shares some of CCC's concerns about the impact of DSM on non-participants. This is not something new. It is something that all parties should keep in mind given current economic circumstances. Enbridge Gas does however note that CCC's reference to a budget of $78.5 million for residential consumers resulting in a forecast of 15,000 participants is not accurate.[157] This budget amount in fact includes all of the Residential program offerings, the Low Income program offerings and the Residential Savings by Design program offering. The aggregate of these offerings will generate participant levels materially in excess of the amounts stated by CCC.

[157] CCC Final Argument, pp. 9 and 13.

185. Energy Probe expressed concerns about the TRC cost benefit ratio offering of 1.6 which is the estimate for the residential program.[158] The Company notes that this ratio is well in excess of the cost effectiveness threshold of 1.0 as set by the Proposed Framework and prior decisions of the OEB and is in no way out of line with residential TRC values seen in other jurisdictions. While more cost effective offers and opportunities may exist in respect of commercial and industrial customers, Enbridge Gas believes it is important and consistent with the objectives set by the OEB that all gas customers, including the residential rate classes, have an opportunity to participate in DSM.

186. Finally, Enbridge Gas submits that it would be contrary to both the OEB DSM Letter and the two mandate letters from the Minister of Energy for it to not proceed with the rollout of the WHP until agreement is reached with NRCan as suggested by Energy Probe.[159] The OEB has indicated that it expected a modest increase in budgets and if the current residential program is simply rolled over into 2023, this will not occur and the increase in natural gas savings that are anticipated will be missed.

b. Are Enbridge Gas's proposed program offerings for low-income customers appropriate [including First Nations]?

187. The Company notes that a good deal of the commentary from low income groups was positive. LIEN expressed its support for a number of measures/features in its

[158] Energy Probe Final Argument, p. 7.
[159] Energy Probe Final Argument, pp. 7, 24.

submission.[160] VECC stated that it “supports the Home Winterproofing and Affordable Multi Family Housing offering as designed by Enbridge Gas”.[161] On the whole, the Company submits that the submissions of these stakeholder groups are overall supportive.

Indigenous Participants

188. The evidence demonstrates that the Company has taken an appropriate and proactive approach to the marketing of its program offerings to 20 communities that are part of Enbridge Gas’s franchise area and the 14 communities that have residential hookups.[162] The Company employs an Indigenous community engagement team which contacts band councils in each of the 14 communities. The team has relationships within each of these communities which is important because developing relationships takes time and community members are much more comfortable dealing with people from within their community.[163]

189. The Company uses First Nation Engineering Services Ltd. as a delivery agent serving indigenous communities,[164] which it should be noted is supported by Anwaatin.[165] With the input of the delivery agents, the Company is able to inform Indigenous communities about the measures that are appropriate.[166] If a delivery agent identifies additional measures that would benefit indigenous community

[160] LIEN Final Argument, pp. 3–5.
[161] VECC Final Argument, p. 11.
[162] Transcript Vol. 1, p 73.
[163] Transcript Vol. 1, p 74.
[164] Transcript Vol. 1, p 70.
[165] Anwaatin Final Argument, p. 3.
[166] Transcript Vol. 1, p 71.

customers, the Company will consider expanding its program offering to include these.

190. In terms of off-reserve indigenous customers, Ms. Van der Paelt stated in evidence that the Company is currently focusing on this and is working with outreach organizations including the Algonquins of Ontario, the Ontario Aboriginal Housing Services from Sault St. Marie, Toronto Aboriginal Support Services, the Metis Nations and others who will help the Company identify who is Indigenous and off-reserve. This is a self identification process which the Company does not and cannot track but it is trying to determine how best to attract and encourage such customers to participate[167].

191. With respect to multi-residential and commercial customers, Ms. Van der Paelt advised that while there are some on reserve commercial buildings, there is not a lot of multi-residential but there might be some. The Company has been waiting for the IESO to launch its commercial program which will cover both of these segments.[168] Ms. Van der Paelt further advised that it is important to wait for the IESO launch as based upon past experiences with band councils, it is preferable to have one presentation that encompasses all of the opportunities. This said, the Company is currently discussing the best approach to continue with the delivery agent in respect of such commercial and multi-residential program offerings or whether there is another delivery agent that might be better positioned to assist.[169]

[167] Transcript Vol. 1, p. 76.
[168] Transcript Vol. 1, p. 76.
[169] Transcript Vol. 1, pp. 85-86.

192. Finally, Ms. Van der Paelt confirmed that the Company will try and comply with the spirit of the Enbridge Indigenous Peoples' Policy despite, as was noted, the fact that it was intended for pipeline installations and operations.[170] The Company will be issuing a quarterly newsletter which will include energy conservation. This newsletter will be forwarded to indigenous communities.[171] As well, the Company will be including in its annual DSM updates a summary of its efforts in respect of off-reserve outreach and its rollout of multi-residential and commercial program offerings in indigenous communities.[172] The Company submits that with all of the above continuing efforts, it has more than met all reasonable expectations to consult and provide information to indigenous customers. It is certainly in compliance with the OEB's directives and the objectives of the Framework.

Affordable Housing Multi-Residential

193. FRPO has expressed concern about the methodology that Enbridge Gas uses for the purposes of selecting/determining multi-residential buildings that are eligible for its Low Income Affordable Housing Multi-Residential program offering.[173] While the Company takes the concerns of stakeholders into account for the purposes of making administrative operational decisions, the final decision must rest with the program administrator and in this instance, Enbridge Gas made a decision that is

[170] Transcript Vol. 1, pp. 77-78.
[171] Transcript Vol. 1, p. 81.
[172] Transcript Vol. 1, p. 84.
[173] FRPO Final Argument, pp. 3–7.

supported by the majority of low income stakeholders and one that it is in the best interests of all ratepayers.

194. Company witness Ms. Van der Paelt confirmed that it stakeholdered with four groups, all of whom (including FRPO) originally supported the new approach, but later three of them (excluding FRPO) supported the change in methodology.[174] After stakeholdering communications were completed, the Company made a decision and advised the Board of the change of methodology by a letter dated December 16, 2021.

195. The change was made so that the methodology follows the Canadian Mortgage and Housing Corporation's Guidelines. The intent is to identify appropriate markets and make sure that the Affordable Housing Multi-Residential program offering incentives are going to the intended target market.[175] The Company has also expanded eligibility to include any building that has participated in a municipal, federal or provincial program.[176] As noted by Mr. Fernandes, the prior methodology used outdated information and was an approach that other stakeholders were concerned about.[177] In the EGD rate zone service territory, for example, the Company was using postal codes by adjacent neighbourhoods.[178] This practice needed to be discontinued.

[174] Transcript Vol 1, p 94.
[175] Transcript Vol 1, p 97.
[176] Transcript Vol 1, p 97.
[177] Transcript Vol 1, p 98.
[178] Transcript Vol 1, p 101

196. Ms. Van der Paelt made it very clear that the Company is committed to delivering Low Income programs to multi-residential buildings that are both private and social housing. The Company has identified a plan to market this program to private multi-residential housing specifically and how to uncover and reach that market, which she noted, is a difficult market to reach across North America.[179] The Company has also committed to ongoing monitoring and evaluation of the new methodology.[180]

197. Contrary to the submission of FRPO,[181] the Company does not believe that making the annual scorecard more complex by adding a subsector for each of private and public multi-residential housing is appropriate.[182] The Company has an equal incentive to pursue both private and public multi-residential low income buildings.[183] Enbridge Gas notes that it would be necessary to set a separate target for each of the private and public multi-residential building subsectors to introduce separate metrics and there is no evidence in this proceeding which would support any proposed subsector targets. The Company believes that it is preferable to evaluate the new eligibility criteria methodology and report to stakeholders on the results and manage going forward based upon the results achieved. As always, the Company would be prepared to receive constructive recommendations from all stakeholders including FRPO for the purposes of more

[179] Transcript Vol. 1, p 99-100
[180] Transcript Vol. 1, p 92-93.
[181] FRPO Final Argument, p. 8.
[182] Transcript Vol. 1, pp. 102, 104 and 106.
[183] Transcript Vol. 1, p. 100.

effectively reaching out to private/market rate low income multi-residential building owners.

198. In respect of the submissions made by LIEN and VECC, the Company reiterates that it has ring fenced the Low Income program budget which means there will no longer be transfers out of the Low Income budget to other programs.[184] The Company also now requires its delivery agents to report health and safety issues that are identified so that smaller items can be addressed and to identify bigger ticket concerns that need to be dealt with before upgrading through, for example, air sealing and insulation.[185] The Company has also reconfirmed its commitment to continue to engage with appropriate organizations including LIEN and VECC in addition to municipalities and social housing providers for the purposes of enhancing program delivery.[186] In response to the concern expressed by LIEN that low income customers not be required to pay upfront costs,[187] Enbridge Gas again confirms that the Low Income program offering does not include any measures which require a financial contribution from income qualified energy consumers and no such measures are planned.[188]

199. Finally, Ms. Van der Paelt explained that the budget which was proposed for 2023 for the Low Income program was based on historicals for the 2018-2020 time period. The Company looked at actuals and estimated what it thought could be achieved. Factors which influenced the budget include the fact that social housing

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[184] Transcript Vol. 1, p. 110.
[185] Transcript Vol. 1, pp. 113-114.
[186] Transcript Vol. 1, pp. 115 and 117.
[187] LIEN Final Argument, p. 2.
[188] Transcript Vol. 1, pp. 110-111.

providers are moving towards non-gas buildings and the fact that single family homes are becoming increasingly expensive and harder to acquire.[189] It is however important to remember that the Company has access to the 15% overspend allowance as outlined in the Proposed Framework and thus, if there is substantial demand for the Low Income program, Enbridge Gas will have access to significant additional funding to support the program. This ability to access an additional 15% and the ring fencing of the Low Income program budget should be acknowledged by those that submitted that a slightly greater portion of the overall DSM budget should be allocated to the Low Income program.

c. Are Enbridge Gas's proposed program offerings for commercial customers appropriate?

200. Enbridge is pleased to see that there is support for its Commercial program offerings, so much so that the SBUA[190] and its expert, Green Energy Economics Group [191] and OEB Staff expert, Optimal Energy[192], all recommend an expansion of these program offerings primarily by increasing the number of measures that are offered and measure incentive levels. This of course requires additional budget, but the issue of an increased budget was dealt with earlier in this Reply.

201. The Company responded to a request for its views on the recommendations made by the various experts at undertaking JT2.10. While a review of each of the specific responses to the recommendations of the Green Energy Economics Group and

[189] Transcript Vol. 1, p. 118.
[190] SBUA Final Argument, pp. 1-3.
[191] Exhibit L.SBUA.1 and SBUA Undertaking Response JT3.7.
[192] Exhibit L.OEB Staff.2, pp. 23 and 27, recommendation 18.

Optimal Energy is beyond the scope of this Reply, it is fair to say that the Company responded indicating a willingness to consider further some of the recommendations provided they prove to be cost effective. For example, in respect of the recommendation to provide annual reporting on small business, Enbridge Gas committed to providing annual reporting for the small volume customer metric and was willing to entertain looking at other factors that should be considered in finding small business participants.[193]

202. The Company does not support the allocation of funding from other programs to the Commercial program generally and small business customers specifically. This would be detrimental to the other customer sectors and contrary to the objectives of the DSM Framework that program offerings be directed at the universe of Enbridge Gas's customers. The Company as program administrator has and will continue to evaluate the measures that are included in each of its offerings and incentive levels. Again, if a particular offering is successful, additional funding is available from the 15% overspend allowance.

203. In terms of small commercial customers having access to measures that are offered to residential customers, as requested by the SBUA[194], Enbridge Gas's undertaking response was that it was open to introducing additional measures to the direct install offering including adaptive thermostats, boiler tune-ups, and water heating measures provided they prove to be cost effective[195]. It should however

[193] Exhibit JT2.10, p. 4.
[194] SBUA Final Argument, p. 3.
[195] Undertaking Exhibit JT2.10, p. 2.

be noted that in a constrained budget environment, adding additional measures and incentives to a program offering necessarily means funding will need to be redirected from other measures. Whether commercial customers are willing to accept additional budget being allocated to their rate class is a question that was not answered by any of the experts that adduced evidence in this proceeding.

d. Are Enbridge Gas's proposed program offerings for industrial customers appropriate?

204. The Industrial program offering is one of the most cost effective and successful program offerings in terms of natural gas savings generated. Based on the success of its program offerings historically, there is no opposition to this program offering continuing. Indeed, the OGVG indicated that it was generally supportive of the proposed Industrial custom program[196]. CME submitted that the Company's approach to developing market awareness within the industrial sector is reasonable[197].

205. This said, both OGVG and CME have recommended changes to the Industrial custom program offering. CME would like to see the incentive cap increased from $100,000 to $200,000[198] and the OGVG would like to see 100% recovery for initial energy audits.[199] Conceptually, Enbridge Gas considers these recommendations reasonable but, as program administrator, it has had to make appropriate trade-offs which include ensuring sufficient budget is available for reasonable

[196] OGVG Final Argument, pp. 3-5.
[197] CME Final Argument, p. 20.
[198] CME Final Argument, p. 21.
[199] OGVG Final Argument, pp. 3-5.

participation levels such that it cannot commit to these changes at this time. The OGVG also requested that the Company consider introducing a streamlined DSM specific financing program which would include a bill surcharge on program participants bills. With the announcement by Enbridge Gas on May 20, 2022 that the open bill function will be discontinued, this is simply no longer feasible. Finally, Enbridge Gas, while appreciative of the recommendations from OGVG and CME, repeats its view that such matters, being operational details that may change over time within the DSM Plan term, must remain the decision and prerogative of the Company and are not appropriate for inclusion in a final OEB Order.

e. Are Enbridge Gas's proposed program offerings for large volume customers appropriate?

206. The Large Volume Direct Access program offering is available to the Union Gas rate T2 classes in the south rate zone and rate 100 class in the north rate zone. This includes gas fired generators.

207. Enbridge Gas has proposed in this Application a budget reduction to the large volume program budget of 20% from the current program and removing some current limitations on measures that are eligible for incentives.[200] Explained during the hearing, the availability of measures will now include maintenance type activities.

208. IGUA and APPrO have proposed that large volume industrial customers have the option of opting out of the Direct Access program and upon opting out be removed

[200] Exhibit E, Tab 1, Schedule 1, p. 3.

from DSM charges (the Company notes that this would not eliminate the allocation of Low Income program costs).[201] [202] The Company notes that neither IGUA nor APPrO produced any evidence as to the number or percentage of their members which support what they have proposed.[203] Mr. Ariyalingam was specifically asked questions about Glencore and its strong corporate focus on sustainability and energy efficiency.[204] The fact is that Glencore is not eligible to participate in the Large Volume program and thus the reference to it is of no relevance whatsoever.

209. In contrast, Mr. Ariyalingam stated under cross-examination that the Company engaged with its large volume customers, including large volume gas fired generators prior to filing the Application. Six of nine gas fired generators were engaged and they were all supportive of what the Company is proposing.[205] These generators in fact filed letters which have been placed in evidence.[206] According to Mr. Ariyalingam, the APPrO members that the Company engaged were very excited by the proposed changes.[207]

210. With specific reference to large volume industrial customers, Mr. Ariyalingam stated in oral evidence that these customers work with the Company's technical account managers to develop an energy efficiency plan from the beginning of the year. This plan serves as a road map to implement those projects.[208]

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201 IGUA Final Argument, p. 13 (as an alternative to eliminating the offering altogether).
202 APPrO Final Argument, pp. 6 and 26.
203 It is the understanding of the Company that IGUA represent about 1/3 of the Company's license volume customers.
204 Oral Hearing Transcript Vol.1, p. 32, 36-37.
205 Transcript Vol. 1, p. 63.
206 Exhibit E, Tab 3, Schedule 1, Attachment 1
207 Transcript Vol. 1, p. 63.
208 Transcript Vol. 1, p. 27.

Mr. Ariyalingam added that these technical account managers add value as they come from the industry directly. They are skilled at identifying energy efficiency projects and sharing industry best practices.[209] Mr. Ariyalingam stated that the Company has heard from a number of large volume customers that they value the program.[210]

211. More specifically, in responding to questions asked by counsel for IGUA about Arcelor Mittal, and what the Company's Large Volume program offers it, Mr. Ariyalingam stated that it allows the customer to shift its focus on the high priority items where the Company's technical account managers add value. These account managers share best practices, provide industry perspective and dedicated coverage to identify, track and quantify energy efficiency projects. They are able to leverage their knowledge and expertise.[211] When challenged in respect of the support of large volume industrial customers for the program, Mr. Ariyalingam responded stating that when the Company engaged its customers regarding its proposed plan, they welcomed it and some actually requested an increase to the incentive budget. Others welcomed the fact that the Company expanded the eligibility measures.[212]

212. Turning to the administrative details of offering an opt-out to large volume industrial customers and gas fired generators, the Company's witness, Mr. Fernandes, noted that while this could be done, it will come at a cost as it will necessitate changes

[209] Transcript Vol. 1, p. 29.
[210] Transcript Vol. 1, p. 30.
[211] Transcript Vol. 1, p. 41.
[212] Transcript Vol. 1, p. 47.

to the Company's billing system. This could be expensive.[213] There are a number of details which would need to be answered first before changes could be made to the billing system. What are the rules that would apply to a customer opting-out including when notice should be provided to the Company? Would customers be entitled to opt-back in and if so how and on what terms? These decisions could have an impact on the program's budget and the allocation of costs to other rate classes.[214] It would also be necessary to set rules for future clearance proceedings in respect of the true-up mechanism for actual expenditures. In short, there would need to be a sort of mini framework developed which would provide clarity on the rules for the Company, those choosing to opt-in or out and ultimately the Evaluation Contractor.[215]

213. From the perspective of this Application, what IGUA and APPrO propose would necessitate changes to the Large Volume program scorecard (or perhaps the removal of it) and the allocation of funding to other program offerings. It would also necessitate the redistribution of the matrix of the annual scorecard and perhaps, most importantly, it could have a material impact on the annual net benefits scorecard mechanism because large volume customers make up a substantial amount of the annual net benefits delivered through DSM results. This would necessitate some form of target adjustments[216] likely in numerous respects.

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[213] Transcript Vol. 1, p. 49.
[214] Transcript Vol. 1, p. 50.
[215] Transcript Vol. 1, p. 50.
[216] Transcript Vol. 1, p. 52.

214. Accordingly, the Company does not support the creation of an opt-out or opt-in option. As noted by Mr. Ariyalingam, several customers rely on this program to maintain focus on energy efficiency, and they believe that such changes would put them in a very disadvantaged position.[217] Mr. Ariyalingam also reminded parties that there has been discussion about this in the past[218] but the OEB found evidence that large volume customers did not undertake all cost-effective projects on their own. Mr. Ariyalingam also noted that this is the finding in other jurisdictions as well.[219] Allowing large volume customers to opt out would also create a dangerous precedent. LPMA has taken the position that if large volume customers have the choice to opt out, all rate classes should have a similar choice.[220] If this were to occur, it would certainly make DSM programming administratively impossible, but could inevitably decimate DSM programming in Ontario.

215. If the OEB is inclined to consider removing large volume customers from DSM or providing an opt out/opt in mechanism, the Company submits that further consultation that involves affected customers and stakeholders as well as the Company is required to identify and attempt to address the resulting needs and impacts of such changes and to develop appropriate protocols.

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[217] Transcript Vol. 1, p. 53.

[218] OEB Decision and Order (EB-2012-0337), Large Volume DSM Plan, March 19, 2013, p. 4. The OEB stated:

> "... the Board does not need to opine on this because it agrees with the principle that allowing certain customers in a rate class to opt-out of the cost allocated to that class is contrary to the fundamental class rate marking methodology that all customers in the class pay the same rates. This, and the unintended consequences of increasing costs for customers that do not opt-out, are sufficient reasons for the Board to deny the opt-out proposal."

[219] Transcript Vol. 1, p. 53.

[220] LPMA Final Argument, p. 20.

216. Enbridge Gas submits that with its Rebasing Application likely to be filed later this year for implementation with new rates effective January 1, 2024, that proceeding may have implications for the Large Volume program as Enbridge Gas is currently assessing rate harmonization options which it may include for consideration by the OEB as part of the Rebasing Application. The Company believes that any opt-out option is best left to be considered in the context of any proposals for rate harmonization. The alternative is to strike a committee to consider all relevant issues and then report back to the OEB. Either way the Company will fully cooperate in the consideration of this option.

f. Are Enbridge Gas's proposed energy performance program offerings appropriate?

217. This program consists of the whole building pay for performance ("**P4P**") program offering. As noted earlier both SEC and BOMA support for this offering.

218. While Enbridge Gas appreciates the enthusiasm that BOMA's expert Mr. Jarvis has for the P4P offering's prospects, given that it is a multi-year program and a new program offering, in a world of budget constraints, Enbridge Gas believes that this offering is appropriately designed and sized. Enbridge Gas notes the caution expressed by SEC in its submission that while the program offering as filed should be approved, the Company should be authorized to expand its scope, "if the initial uptake and results are favourable."[221] Accordingly, even the representative of the

[221] SEC Final Argument, p. 11.

stakeholder group which will be the direct initial beneficiary of the program offering suggests a more cautious approach.

219. As well, Enbridge Gas, as demonstrated through its cross examination of Mr. Jarvis in the Oral Hearing, has indicated its concern about the savings forecasts provided by Mr. Jarvis.[222] Specifically, Enbridge Gas is concerned as to whether operational improvements (not inclusive of capital upgrades) will drive the level of savings he is suggesting in both the models put forward in his evidence and in his reply argument. Enbridge Gas has not experienced these levels of savings in its previous performance based programming, and submits that before it proposes what would amount to a more than 100% increase in the budget for this program offering as proposed by BOMA, it is appropriate to first assess the results of the initial proposal.

g. Are Enbridge Gas's proposed beyond building code program offerings appropriate?

220. The Residential, Affordable Housing and Commercial Savings by Design program offerings are to some extent evolutions of the Savings by Design program being delivered under the present framework.

221. The main objective of this market transformation type program is to encourage builders of residential, commercial and affordable housing projects to implement building and equipment standards which exceed present day codes. These offerings will assist program participants to prepare for and be ready to implement

[222] Transcript Vol. 5, pp. 55-63.

more energy efficient building code requirements before and immediately after the new code requirements come into effect. As stated in evidence, this program is designed to support the new construction community in overcoming many of the key barriers to the adoption of forthcoming higher efficiency standards.[223] With specific reference to this program offering, SEC stated in its submission that the concept behind Building Beyond Code is a good one and a program that should be offered.[224] SEC further stated that using ratepayer money to encourage those who will build or design more efficiently is a good thing.[225]

222. It therefore appears from the submissions of the parties that the only real debate is whether Enbridge Gas should ask prospective participants to advise upfront whether it is their intention to connect their future project to the natural gas system.

223. For ED and SEC this is unacceptable and they take the position that the program should not be approved until the issues surrounding electrification are sorted out.[226] GEC at least takes the view that if the OEB is not prepared to prohibit the Company from requesting this commitment from participants, that the program be limited to buildings in existing neighbourhoods where gas infrastructure is already in place or not be offered.[227] OEB Staff does not support the program as proposed however suggests a fuel agnostic new construction program is appealing, and states "the intended objectives of this program – targeting reduced thermal load in new buildings, is something that OEB Staff supports and encourages Enbridge to

[223] Exhibit E, Tab 2, Schedule 2, p 3.
[224] SEC Final Argument, p. 42-43.
[225] SEC Final Argument, p. 38.
[226] ED Final Argument, p. 28; SEC Final Argument, p. 43
[227] GEC Final Argument p 34.

be doing more of."[228] OEB Staff also acknowledge the proposed Commercial "Air Tightness Testing offering appears to be an interesting concept, aiming to address a gap in the market that would provide greater certainty that energy efficient building design has been constructed as such."[229]

224. The fact is, as confirmed by ED's expert Dr. McDiarmid,[230] most builders will want gas attachments because of the demand of customers. The positions of OEB Staff, ED, GEC and SEC in this regard are therefore inconsistent with the factual reality that during the term of the plan, new residential, commercial and multi-residential customers will want gas connection. It is inconsistent with the goal of GHG emissions reductions and gas savings to dogmatically demand such limitations or to eliminate the offering.

225. In the end, as noted by Mr. Dunstan in evidence, the Company has no control over whether a builder will in fact connect their project to the gas system in future, instead this is dictated in large part to current market conditions and what fuel their customers want.[231] As well, the proposed prohibitions by OEB Staff, ED and GEC are inconsistent with the NRCan Road Map Report which clearly states that meeting GHG emissions reduction targets will require contributions from both the gas and electricity sectors.[232] In other words, incenting more efficient use of natural gas is a key and important tool in meeting emissions reduction targets.

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[228] OEB Staff Final Argument, p. 27.
[229] OEB Staff Final Argument, p. 28.
[230] Transcript Vol. 5, pp. 8-9.
[231] Transcript Vol. 2, p. 26.
[232] Paving the Road to 2030 and Beyond: Market transformation road map for energy efficient equipment in the building sector: Supporting the transition to a low-carbon economy, p. 31.

226. There is strong opposition by a number of ratepayer groups to natural gas customers paying incentives to non-gas customers. This is in fact what ED and GEC are proposing and for the above reasons, it is submitted that the OEB should not impose restrictions on the Company in terms of determining, at an early stage, of a participant's intent to connect a future project to the gas system.

227. As well, the OEB itself stated in its Decision and Order dated July 22, 2021 in the Integrated Resources Planning Proposal proceeding that it was premature to provide funding to Enbridge Gas for non-gas integrated resource planning activities.[233]

228. It should also be noted that this offering has a Net Zero Tier II path that a builder can choose to follow. The Company acknowledges that achieving a net zero standard may incent the builder to not install some or any gas appliances in certain projects. The decision to follow the Net Zero Tier II path is appropriately that of the builder as is the decision whether to install gas equipment. Market forces and consumer choice should prevail, not prohibitions based on rigidly held and applied beliefs.

229. OEB staff suggests that future consideration be given to the possibility of a joint new construction program with the IESO,[234] however given that the IESO does not currently provide CDM funding for new construction, and that there are a large number of gas new construction units being constructed over the term as noted

[233] Exhibit K5.2 Enbridge Gas Hearing Compendium, pp. 20-26.
[234] OEB Staff Final Argument, p. 27.

above, the Company maintains it is in the broader public interest for Ontario to have gas ratepayer funded support for advancing new construction practices than to eliminate all new construction support entirely.

h. Should there be any other program offerings included in addition to or to replace those proposed by Enbridge Gas?

230. While Optimal Energy suggested additional potential program offerings, including a behavioural program offering, it does not appear that Optimal Energy was informed of the fact that each of the legacy utilities proposed a behavioural offering as part of their 2015 – 2020 multi year plan and these were rejected by the OEB.[235] The Company is unaware of any pronouncements since that decision which would indicate that the OEB is revisiting its concern with behavioural programs. The Company can however commit to exploring this during the next stakeholder day, and if the situation has changed, it is willing to consider proposing a potential program offering at the mid-point assessment. In the case of a strategic energy management type of offering, Optimal Energy noted that EGD used to offer a strategic energy management program but stopped enrolling new customers in 2018. This program was not very successful.[236]

231. Optimal Energy also referred to a retro-commissioning offering and an Energy Manager Subsidy offering as two potential commercial offerings that the Company could consider. Enbridge Gas responded to these suggestions in its undertaking

[235] OEB Decision and Order, EB-2015-0029/EB-2015-0049 p. 37.
[236] Optimal Energy, Exhibit L.OEB STAFF.2, "Review and Comparison of Enbridge Gas Inc.'s Proposed 2023-2027 Natural Gas Demand Side Management Programs", p. 26.

JT2.10 at page 14. The Company explained that its experience with stand alone RCX and SEM programs has not proven to be cost effective. Additional reasons are set out in the undertaking response.

232. Of course, if Enbridge Gas ever wanted to propose additional offerings or measurers, it would require additional budget to do so.

i. Are Enbridge Gas's proposed program offerings appropriate for customers in Indigenous communities?

233. Enbridge Gas believes that offerings directed at indigenous communities should be included within its Low Income program given the structure of the program offerings and the fact that they are subject to a TRC+ screening threshold of 0.7 at the program level giving the Company additional flexibility in terms of the measures that it can offer. Please also see the response of the Company at Issue 10(b) above.

j. Is Enbridge Gas's proposed low carbon transition program appropriate?

234. This program is designed to promote the installation and growth in the use of heat pumps by the Company's customers. For an objective which all parties support, namely the use of more efficient heat pumps, it is a little surprising that so much attention was directed at this program and all due to the fact that the Company wants to provide its customers with the choice to install a natural gas heat pump in a residential setting when these become available in the Ontario market.

235. Ultimately, it is the customer that will look at the cost and benefits of each option including cold climate electric heat pumps in a hybrid situation versus gas heat pumps. Customers will be informed of the anticipated cost savings, the capital costs to install and the incentives that are available under the program. The customer will then make an informed choice based upon their situation.

236. The fact is, as confirmed by the evidence of the Company and Dr. McDiarmid, for existing customers of the Company, the hybrid solution involving a natural gas furnace backup with an electric air source heat pump remains the most cost effective measure for residential customers.[237] It is clear that once you remove the cost to install gas infrastructure savings from the comparison, the hybrid solution becomes even more cost effective.[238] Dr. McDiarmid admitted under cross that most residential developments <u>will</u> connect to gas.[239]

237. As noted by the Government of Canada in the Air-Source Heat Pump Sizing and Selection Guide [240], in our northern climate, sizing air-source heat pumps as the principal heating source may not be feasible when retrofitting cold climate air-source heat pumps to existing duct systems designed for traditional furnaces. Duct systems will have a maximum air flow capacity which may limit the size of the air source heat pump to a value lower than the sizing requirements. Most retrofit homes will require a supplemental heating source for temperatures where the heat pump is no longer able to meet the heat loss of the home. For the all-electric

[237] Exhibit L.ED.1, p. 4.
[238] Exhibit L.ED.1, p. 11.
[239] Transcript Vol. 5, pp. 7-9.
[240] Canmet Energy: Air-Source Heat Pump Sizing and Selection Guide, p. 33. Also see Exhibit K 5.2, Enbridge Gas Hearing Compendium, pp. 15-19.

solution, electric resistance backup is required to provide supplemental heating if the gas furnace is removed from the home. To promote the all-electric solution, many homeowners may feel mislead about the expected savings and comfort they could receive if the all-electric solution proves inadequate for effectively meeting their heating needs.

238. The expert retained by ED, Dr. McDiarmid, stated in her report that Hybrid heating systems with smart controls are currently the most cost effective heat pump system for homes that are already connected to the gas supply and that they could play a role during the net zero transition period because they reduce the energy requirements and emissions from heating.[241] So even ED's expert acknowledges that gas heating systems will both continue to exist for sometime, are cost effective and will play a role during the transition. So why the concern expressed about natural gas heat pumps? The only basis for the concerns as expressed, is that this may be inconsistent with the ultimate electrification of the province. Yet if gas heat pumps prove to be more cost effective than lesser efficient options, one must question why the consumer choice is not supported as per current Government of Ontario's policy direction.

239. Many stakeholders have clearly stated in their submissions that electrification issues are not in scope for this proceeding and should not be something that the OEB makes a decision on at this time. There are provincial initiatives that are underway, and many questions and policy directives will undoubtedly follow. Using

[241] Exhibit L.ED.1 p.3

gas ratepayer funds to incent customers to leave the gas system should be viewed as out of scope and not supported by most parties.

240. Specifically, the OGVG does not believe it is appropriate to use natural gas customer funding to finance programs that are intended to disconnect existing customers or discourage potential customers from connecting.[242] Energy Probe specifically stated that it supports the actions Enbridge Gas is taking to assist the transition towards zero carbon through its DSM program.[243] CCC states it seems problematic to expect Enbridge Gas's customers to fund incentives for non-gas customers[244]. CME states that forcing natural gas users to pay DSM costs that will be enjoyed by customers that leave the gas system is unfair and contrary to the "benefits follow costs" principle.[245]

241. Enbridge Gas expects that natural gas heat pumps have a future in the province and will become cost effective.[246] Enbridge Gas submits that to rule out the possibility of such potentially very efficient space heating equipment from being part of the offering, for ideological reasons, makes no sense. It is also premature and is in no way supportive of achieving the primary or secondary objectives of DSM determined by the OEB.

242. In the end, as noted by SEC, the OEB cannot in its view, prohibit incentives for equipment that burns natural gas.[247] Additionally, SEC also does not believe that

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[242] OGVG Final Argument, p. 3-4.
[243] Energy Probe Final Argument, p. 9.
[244] CCC Final Argument, p. 11.
[245] CME Final Argument, p. 5.
[246] JT1.21, p. 2, response (b).
[247] SEC Final Argument, p. 38.

the OEB should require Enbridge to offer incentives to non-natural gas customers without the OEB first receiving and ruling on issues such as its jurisdiction and the regulatory policy for such matters.[248]

243. Accordingly, the Company submits that there is no basis nor logical argument which supports the exclusion of natural gas heat pumps from consideration by gas customers as part of a DSM program. This is also true of the recommendations to require Enbridge Gas to provide incentives to non-gas customers or incentives to current gas customers so that they may leave the system.

244. Finally, it is noted that a decision by the OEB which supports the Company in respect of this program is wholly consistent with the Minister of Energy's Renewed Mandate Letter which supports giving customers the ability to make the right choices regardless of whether it is through more efficient gas or electric equipment.

11. ARE ENBRIDGE GAS'S PROPOSED RESEARCH AND DEVELOPMENT ACTIVITIES APPROPRIATE?

245. The Company proposes a budget of approximately $3.23 million of its portfolio subtotal research and development costs. Of this amount, approximately $2.6 million is budgeted for their research innovation fund ("**RIF**").[249] The R&D budget would increase in subsequent years by inflation.

246. The Proposed Framework contains as a guiding principle the following in respect of R&D activities:

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[248] SEC Final Argument, p. 9.
[249] Exhibit E, Tab 4, Schedule 3, p. 1 and Exhibit D, Tab 1, Schedule 1, p. 11, Table 4.

> DSM plans should support innovation, technology development and adoption of lower-carbon alternatives to enable longer term energy efficiency and conservation opportunities, consistent with the advancement of provincial goals.[250]

247. The Company will use the RIF to investigate new measures and innovative program designs to address local DSM market needs. It will also work towards developing emerging technologies through lab testing and market research.[251]

248. Pilot programs will be used to test new program concepts or modifications. Activities funded by the RIF will also include research required to more consistently and accurately estimate the natural gas saving generated through DSM program delivery.[252] Importantly, the Company notes that it will collaborate, where appropriate, with the IESO but also all external efforts or entities where there is alignment to leverage the Company's R&D activities.[253]

249. OEB Staff stated that they generally support Enbridge Gas continuing to undertake research, testing and validation of various emerging technologies.[254] As stated elsewhere in this Reply, the Company has concern about OEB Staff's suggestion that its R&D activities be the subject of oversight by the SAG which OEB Staff propose.[255] Ultimately, the entity which is accountable to the OEB for the use of ratepayer funds must have final decision making authority about the use of such funds including the engagement of third party consultants. As well, requiring what

[250] Exhibit E, Tab 4, Schedule 3, p. 3.
[251] Exhibit E, Tab 4, Schedule 3, p. 5.
[252] Exhibit E, Tab 4, Schedule 3, p. 6.
[253] Exhibit E, Tab 4, Schedule 3, p. 7.
[254] OEB Final Argument, p. 39.
[255] OEB Final Argument, p. 40.

in effect will be a consultative to review and discuss potential R&D activities will certainly delay the onset of such R&D activities and will increase costs. The Company's DSM employees are already engaged with colleagues in other jurisdictions and are constantly monitoring the best available information. It is difficult to imagine that a DSM SAG which is composed of many of the participants to this proceeding would add value.

250. GEC takes the position that no ratepayer funding should be provided for R&D with respect to gas appliances where efficient electric alternatives exist.[256] What is the threshold for the determination of whether "efficient electric alternatives exist" is not clear but presumably, as a matter of principle, GEC would argue that R&D into a potentially more efficient gas appliance should be prohibited. Why any stakeholder group would support such a position, when there remains such a large demand for natural gas and gas appliances and thus opportunities to improve gas usage efficiency is surprising. The positions of parties like GEC and ED fail to reflect current realities, current Ontario policies and are at a minimum many years premature.

12. ARE ENBRIDGE GAS'S PROPOSED CHANGES TO THE OEB'S EVALUATION, MEASUREMENT AND VERIFICATION PROCESS APPROPRIATE, INCLUDING THE PROPOSED TERMS OF REFERENCE?

251. It is appropriate to briefly summarize at the outset of this issue the different aspects of the evaluation measurement and verification process **("EM&V**"). It appears that there has been some intermingling of concepts which has led to some confusion.

[256] GEC Final Argument, p. 43.

One component of the EM&V process which is the one for which OEB Staff has and will continue to have oversight, is impact evaluation. This involves the measurement and verification of results of the various program offerings that have been delivered. As part of this function, the EC and EAC has its roles and in this regard, there are proposed terms of reference ("**ToR**") for the EAC, which are attached to the Proposed Framework.[257] The Company notes that OEB Staff support the ToR reference document.[258]

252. In addition to the ToR, the impact evaluation process has the benefit of the Technical Resource Manual ("**TRM**") which applies to prescriptive measures. The Company notes that there are written protocols in place that govern how the TRM will be updated to reflect new studies and better available information.[259] Enbridge Gas believes that all parties support the continued use of the TRM and the protocols surrounding how it is updated over time. This is a great example of an efficient and transparent process led by OEB Staff.

253. The Company submits that there remains aspects of the impact evaluation process which are not included in written protocols and for reasons of transparency, regulatory efficiency and certainty, the Company is requesting that the OEB direct OEB Staff to coordinate the development of DSM impact evaluation protocols (which are referred to in the prefiled evidence as EM&V protocols) with engagement from the Company and the EAC with an objective of completing an

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[257] Exhibit C, Tab 1, Schedule 1, Appendix 1.
[258] OEB Staff Final Argument, p. 41.
[259] Exhibit C, Tab 1, Schedule 1, p.29, and Exhibit E, Tab 5, Schedule 1, p. 1. The TRM can be accessed at: https://www.oeb.ca/sites/default/files/OEB-Natural-Gas-DSM-TRM-V5.0-20201112.pdf

initial version by the end of this year.[260] To be clear, the intent of these protocols is to provide clarity as to how and when certain evaluation methodologies are appropriate to use. This would of course be of assistance to the EAC and the EC. What appears lost on certain parties is the fact that the Company is not proposing that these protocols would hinder the appropriateness of using certain methodologies, in fact the company specifically identifies this as a venue for continuous improvement of evaluation methodologies.[261]

254. A separate and different function are process evaluations which involve the review of how a program offering is designed and delivered. OEB Staff are taking the position that this function should now also fall under their oversight. Enbridge Gas opposes this for a number of reasons discussed further below. Briefly stated, as the Company is responsible for the DSM results that are generated and is intimately involved with the delivery of DSM programming, it alone should have decision making authority in respect of process evaluations.

255. Finally, there has been discussion around gross measurement. The Company submits that having documented and approved gross measurement methodologies in place will necessarily lead to a more efficient EM&V process. There are program offerings that use certain methodologies to generate targets that should also be used for the measurement of results. For example, Enbridge Gas has proposed that prescriptive measures are the subject of values that are included in the TRM. The Company submits that all gross measurement

[260] Exhibit E, Tab 4, Schedule 5, p. 1.
[261] Exhibit E, Tab 4, Schedule 5, p. 2.

methodologies should be identified up front just like the gross measurement methodology of prescriptive measures where the Company proposes to use the values in the TRM.

256. Another example of this was discussed in the technical conference[262] and which OEB Staff acknowledged as a good example is the Whole Home Program ("**WHP**") offering which uses the NRCan HOT 2000 software to measure results and was also used to generate targets. The Company submits that the gross measurement methodology should acknowledge this upfront and that it should be made clear that another methodology cannot then be used for the purposes of generating different results as part of the EM&V process. Certainly, OEB Staff and the EAC would be entitled to review how the Company used the NRCan HOT 2000 software to ensure that the appropriate and correct figures were used in the methodology but the use of the methodology itself should be known and accepted upfront.

257. The Company has identified in its interrogatory response to SEC 18[263] a chart showing for each metric and each offering the gross measurement approach that the Company is proposing be confirmed upfront. As discussed during the oral hearing, the Company made it clear that in respect of custom projects, it uses all manner of measurements including engineering calculations and, in some instances, billing analysis and other methodologies for the measurement of results. Company witness Mr. Johnson confirmed that in respect of custom projects, there

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[262] Technical Conference Transcript, March 1, 2022, pp. 57-58.
[263] Exhibit I.8.EGI.STAFF.18.

are a number of ways that can be considered to calculate savings and the EC would retain the discretion to use the best method possible.[264]

258. As noted in the oral evidence, Enbridge Gas is not suggesting that OEB Staff, the EAC or EC cannot be independent or objective, it is simply stating that the rules need to be clear upfront about which results can be measured using appropriate methodologies. The following was offered as a helpful example and analogy that demonstrates the importance of what is proposed. Enbridge Gas is proposing to use the NRCan HOT 2000 methodology in respect of the WHP. If the EAC or EC decided to start measuring the results of the WHP in a completely different way as part of the EM&V process, this would definitely result in confusion and misunderstandings and in an overall poor process.[265] The Company submits that would be inappropriate for the EC or EAC to use a different methodology after the WHP has been delivered to generate results that would then be compared to the targets generated by the NRCan HOT 2000 methodology.

259. Turning back to EM&V protocols, the Company is not looking for the OEB to approve specifically worded EM&V protocols, it is looking to work with OEB Staff and the EAC to develop these going forward. This is an established practice in many other jurisdictions.[266] In evidence, the Company has indicated that one of the areas that should be the subject of these discussions is the modernization of net to gross evaluation methodologies. The Company noted the importance of the

[264] Transcript Vol. 3, pp. 162, 164-165.
[265] Technical Conference Transcript, March 1, 2022, pp. 57-58.
[266] Exhibit E, Tab 4, Schedule 5, p. 3.

net to gross evaluation methodologies in its pre-filed evidence and it filed expert evidence from Dr. Jane Peters which identifies some of the issues with current methodologies.[267] To better understand net to gross evaluation methodologies used in other jurisdictions, the Company retained the Seeline Group to conduct a jurisdictional scan the results of which are included in the pre-filed evidence.[268] The Company submits that it should be one of the objectives of the development of EM&V protocols to consider the various methodologies being used and to ultimately include in the EM&V protocols those evaluation methodologies that are appropriate.

260. Turning to the issue of who should have oversight over process evaluations, OEB Staff take the position that it should be them. OEB Staff acknowledge that process evaluations are undertaken to investigate and analyse program design and implementation in an effort to ensure the programs are operating as expected and are being delivered effectively.[269] These evaluations clearly relate to the basic design of offerings and their operational delivery. The Company opposes this suggestion for good practical reasons. Evaluation processes require intimate knowledge of each program offering including, how it is delivered, by whom, market conditions and available resources including available manpower. The Company does not understand how OEB Staff could have both the time and resources to become sufficiently immersed in the details of each program offering to know where all the gaps exist. OEB Staff also do not have any experience in

[267] Exhibit E, Tab 4, Schedule 5, Attachment 1.
[268] Exhibit E, Tab 4, Schedule 5, Attachment 2.
[269] OEB Staff Final Argument, p. 40.

the delivery of program offerings in Ontario. It follows that with its deep experience with DSM program delivery, Enbridge Gas is uniquely placed to lead these evaluations.

261. Oversight of process evaluations should remain with Enbridge Gas because it is accountable for program design. Giving responsibility of process evaluations to another party blurs the lines of accountability. Presently, if Enbridge Gas does not complete process evaluations to improve its programs, it suffers in terms of the results generated. If responsibility for process evaluations is transferred to OEB Staff, and they do not focus on the areas that require review and improvement or are slow in the evaluation process, it is Enbridge Gas which is accountable, and it is Enbridge Gas that will suffer the results.

262. To make matters worse, OEB Staff proposed that responsibility for process evaluations be a matter for which its proposed SAG would be involved. The Company cannot imagine how timely decisions determining the need for program offering evaluations and the consideration of evaluation results could ever be efficiently accomplished in a committee like format particularly where most members of the committee have no experience in the delivery of DSM program offerings and, as we have seen, are often miles apart in terms of their entrenched views.

263. Also as noted in the pre-filed evidence, in alignment with the OEB DSM Letter, Enbridge Gas has committed following the OEB’s Decision on its DSM Plan to

develop a formalized Process Evaluation Plan and submit it to the EC and EAC for inclusion in the EC's EM&V Plan.[270]

264. Finally, OEB Staff have asked that the Company share its free ridership fast feedback survey with the EC and EAC for review. The Company has committed to sharing the scope of work plan that will be used by the third-party consultant that will generate the feedback survey and the Company will reasonably consider any comments received from the EC or EAC in respect of this. The Company does not however believe that there is a role for the EC and EAC in the actual development of the wording of the feedback survey.

13. ARE ENBRIDGE GAS'S PROPOSED UPDATES TO THE TREATMENT OF INPUT ASSUMPTIONS, COST- EFFECTIVENESS SCREENING, AND AVOIDED COSTS APPROPRIATE?

265. OEB Staff state that they generally support the proposals put forward by Enbridge Gas.[271] OEB Staff add that they are consistent with the practice accepted by the EAC and appropriately apply risk to savings levels due to changes to key variables based on projects and measurers within or outside of Enbridge Gas's control. OEB Staff also support the continued use of the total resource cost-plus test and the application of avoided costs including natural gas, carbon, water and electricity.

266. ED during the technical conference and in its submission suggest that electricity avoided costs values used by the Company may not be appropriate.[272] ED produced a table which allegedly contains values for marginal electricity costs but

[270] Exhibit E, Tab 4, Schedule 5, p. 9.
[271] OEB Staff Final Argument, p. 44.
[272] ED Final Argument, p. 26.

how and when these costs are actually used by the IESO was not made clear. Dr. McDiarmid admitted that she made no inquiries with the IESO about how it applied such values.[273]

267. Enbridge Gas responded by noting that given the relatively modest component that electricity avoided costs play in the cost effectiveness test the Company has not spent a great deal of time and expense attempting to understand the complex IESO values. Only IESO Staff fully understand and are familiar with the methodologies it used to generate the values. The Company believes that using the IESO figures produced by ED, are likely only of value in the event that there is massive fuel switching that is occurring. As stated in the evidence, if this occurs, Enbridge Gas agrees that electric avoided costs should be reviewed with the IESO, and different avoided costs should be used which would differ for electrical saving versus increased electrical use.[274] Expert witnesses Dr. McDiarmid and Mr. Neme both acknowledge the complexity of electricity costs. Dr. McDiarmid was asked about including both kilowatt and kilowatt hours compared as being akin to taking the cost of apples and oranges and dividing it by the total number of apples.[275] Mr. Neme's stated that "it is just much more complicated than looking at what is the marginal unit on a short-run basis."[276] If mass electrification is not taking place, Enbridge Gas believes its simplified approach is reasonable. The Company does

[273] Transcript Vol. 5, pp. 4-5.
[274] Transcript Vol. 4, pp. 70-71.
[275] Transcript Vol. 5, p. 6.
[276] Transcript Vol. 4, p.143.

commit to monitoring this as electrification becomes a more significant portion of the portfolio.

268. ED and GEC continue to promote DRIPE. In this regard, the Company retained Guidehouse to complete a jurisdictional scan for industry practices related to avoided costs.[277] Guidehouse determined that of those jurisdictions that include a value for DRIPE, and avoided gas infrastructure costs, the figures are extremely low and would not materially impact the aggregate of avoided costs nor the cost effectiveness of measures. The Company therefore submits that the OEB should approve the proposed input assumptions, cost effectiveness screening and avoided costs as being appropriate.

14. IS ENBRIDGE GAS'S PROPOSED ACCOUNTING TREATMENT, INCLUDING THE FUNCTION OF VARIOUS DEFERRAL AND VARIANCE ACCOUNTS APPROPRIATE?

269. OEB Staff supports the establishment of new vintages of the variance and deferral accounts that have been used for a number of years being: the DSMVA, LRAM, DSMIDA and CDMDA.[278] No party has suggested that these deferral and variance accounts not continue.

270. LPMA has expressed support of the continued use of the deferral and variance accounts but asks that until the Rebasing Application is completed the subject accounts should continue to reflect each of the existing EGD and Union Gas rate zones[279]. As noted in evidence, Enbridge Gas has proposed programs which are

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[277] Exhibit E, Tab 5, Schedule 1, Attachment 4.
[278] OEB Staff Final Argument, p. 45.
[279] LPMA Final Argument, p. 23.

common to all franchise areas regardless of the rate zones.[280] This means that the programs will be delivered identically in all franchise areas and the DSM deferral and variance accounts will continue to allocate account balances to current rate zones and classes.

271. The Company requests that the OEB's decision approves the establishment of these accounts for 2023 and each of the subsequent years of the plan.

15. DOES ENBRIDGE GAS'S PROPOSED 2023-2027 DSM PLAN REQUIRE ANY CHANGES TO BE CONSISTENT WITH THE OEB'S DECISION AND GUIDANCE REGARDING ENBRIDGE GAS'S INTEGRATED RESOURCE PLANNING PROPOSAL (EB-2020-0091)?

272. Leaving aside the issue of electrification, which is dealt with elsewhere in this Reply, Enbridge Gas agrees with OEB Staff which states in its submission that nothing in this proceeding suggests that the OEB's determinations in its Decision and Order on IRP could change.[281] It will be recalled that the OEB determined that the potential merging of DSM energy efficiency with programs aimed at reducing peak demand to meet system needs was premature.[282]

273. The Company did however propose thresholds out of an abundance of caution for the treatment of costs in the event that an overlapping IRPA is put into effect. These thresholds it should be noted are reporting thresholds. Any actual impacts on DSM program offerings by IRP activities would be the subject of more detailed

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[280] With the exception of the Large Volume program which is designed specifically for the T2 and Rate 100 customers in the Union Gas rate zones.
[281] OEB Decision and Order (EB-2020-0091), Integrated Resource Planning Proposal (July 22, 2021), p. 34.
[282] Ibid.

evaluation in an application to amend the DSM Plan as a result of an IRPA, in the relevant clearance proceeding and/or in the application seeking approval for the IRPA plan in the first place.

16. HAS ENBRIDGE GAS PROPOSED A REASONABLE APPROACH TO ENSURE NATURAL GAS DSM PROGRAMS ARE EFFECTIVELY COORDINATED WITH ELECTRICITY CONSERVATION PROGRAMS AND OTHER ENERGY CONSERVATION AND GREENHOUSE GAS REDUCTION PROGRAMS APPLICABLE IN ITS SERVICE TERRITORY?

274. The Company made efforts in this proceeding to make it clear that it has in respect of all existing program offers collaborated and worked with the IESO where there is a complimentary program, and it is appropriate to collaborate. A number of parties, including OEB Staff [283] asked that the OEB direct the Company to integrate as many of its DSM programs with similar CDM programs as soon as possible. The Company submits that this is not necessary, as the Company is already incented to collaborate when appropriate under the proposed scorecard structure. If the OEB feels the necessity, it could provide an additional incentive mechanism specifically for collaboration, which would be more appropriate under an incentive model than a directive. But even if such a direction was given, it is outside the control of Enbridge Gas to cause the IESO to agree to collaborate or integrate its programs with those of the Company.

275. Enbridge Gas is always interested in leveraging its programs with third parries, including the IESO, to promote growth and generate savings. But the fact is, the IESO does not have any residential programs (other than low income) and many

[283] OEB Staff Final Argument, p. 46.

of its programs are directed at electricity related measures which are not complementary with space heating and process applications that use of natural gas by commercial and industrial customers. The engineers involved, being the Company's energy solutions advisors ("ESAs"), are skilled and knowledgeable in respect of gas appliances, processes and equipment. The equivalent expert at the IESO will be similarly experienced and knowledgeable in respect of electricity equipment and processes. Often there is little overlap and thus no advantage in collaborating particularly in respect of custom programs.

276. To be clear, Enbridge Gas remains committed to working with the IESO where it is appropriate to do so to jointly deliver or deliver in cooperation its program offerings. This has and will continue.[284]

17. IS ENBRIDGE GAS'S STAKEHOLDER ENGAGEMENT PROPOSAL REASONABLE, INCLUDING ITS ENGAGEMENT WITH INDIGENOUS COMMUNITIES?

277. The stakeholder engagement efforts undertaken by the Company leading up to the generation and filing of this application are set out in the pre-filed evidence.[285] It should be noted that these stakeholdering efforts were in addition to the OEB initiated stakeholder consultation which commenced in May 2019 and concluded with the issuance of the OEB DSM Letter in December 2021.

278. OEB Staff in its submission acknowledged the stakeholdering activities undertaken by the Company and stated that it does not want to discourage Enbridge Gas

[284] Exhibit K1.1 Summary of Collaborative Efforts with the IESO.
[285] Exhibit E, Tab 4, Schedule 6.

continuing its stakeholdering activities including with indigenous communities.[286] Presumably OEB Staff's support includes the Company's proposal for future formal stakeholder consultations as set out in pre-filed evidence[287] which will include hosting a formal consultation by way of a general DSM stakeholder meeting in addition to regular ongoing engagement with customers.

279. While certain stakeholder groups indicated a desire to meet a little more regularly with Enbridge Gas on an individual basis, the Company did not identify any opposition to what it is proposing leaving aside OEB Staff's suggestion for the creation of a SAG and SECs proposal for a board of directors. To be clear, the Company welcomes any constructive suggestions from its customers, ratepayer groups and other stakeholders.

280. Turning to the OEB Staff proposed SAG and the SEC proposed board of directors, it is important to stress several matters. First, neither the SAG nor board of directors concepts were ever put to the Company for its response during the course of the proceeding. The first suggestion of these new bodies is in argument of OEB Staff and SEC. There has therefore been no testing of what these new bodies would do, how they would be financed, how they can be empowered with certain decision making authority, under the *Ontario Energy Board Act*, 1998, and importantly, how either of these two bodies would in any way be accountable to anyone. Stated simply, there is no comprehensive analysis or proposal in evidence

[286] OEB Staff Final Argument, p. 47.
[287] Exhibit E, Tab 4, Schedule 6, pp. 8 -9.

which the OEB can accept and approve. There is no evidentiary record to support these proposals.

281. Second, these bodies should not be confused for stakeholdering. It is the clear intent of both OEB Staff and SEC that these bodies have decision making authority. While OEB Staff suggest that the SAG's "Ultimate near-term objective would be to reach consensus" on presumably all matters, the Company asks the OEB to simply look at the disparate views of parties in this proceeding and then ask what is the likelihood of such a group ever reaching consensus? The obvious answer is never. Absent a consensus either there is complete paralysis, or the SAG makes the decision which is what OEB Staff propose.

282. OEB Staff and SEC are proposing to create a body which will, in effect, direct Enbridge Gas in terms of its delivery of its DSM program offerings. OEB Staffs goal is to have control over the process that would lead to the generation of a new "enhanced" DSM plan for implementation in 2025 with the features and attributes which OEB Staff favour. The Company notes that it appears that OEB Staff place no weight or emphasis on the fact that key ratepayer groups do not want to see the current DSM plan enhanced with an associated large increase in budget and resulting bill impacts.

283. For the meetings of the SAG or board of directors, to have any value, it would become necessary for the Company to prepare a detailed summary of its program offering activities for each of the proposed monthly sessions. One can then imagine several hours of debate over whether the incentive for a particular

measure should be $50 or $75. The SAG and the board of directors would not reduce regulatory burden, they would only cause delays and all at additional cost.

284. The Company notes that expert witness Mr. Neme of the Energy Futures Group, under questioning at the technical conference confirmed the importance of a regulator not micro-managing a utilities' DSM activities. Mr. Neme specifically referred to efficiency Vermont being successful and a reason for this is that the regulators had been very careful to set broad policy objectives and goals and to provide efficiency Vermont with the flexibility to be nimble and responsive to things that they see in the market and to move in new directions and not be micro-managed.[288]

285. What OEB Staff propose is not a working group, it is a body that will have pre-ordained objectives including: "materially higher natural gas savings"[289], and "not rely on incentives for gas-fired equipment."[290] In other words, the SAG is not a stakeholdering group, it is an "enhanced DSM plan generator" lobbying for increased budgets and targets and electrification.

286. Ultimately it is only the Company that is responsible to the OEB for its suite of DSM program offerings and the costs that are incurred. Only the Company is aware of the internal resources that are available and, the costs and actions that are required to implement successful program offerings. It is only Enbridge Gas which has the experience and contacts with all channel partners and delivery agents, and

[288] Transcript Vol. 3, p. 16.
[289] OEB Staff, Final Argument, p. 48.
[290] OEB Staff, Final Argument, p. 48.

it is only the Company that must account for maintaining TRC levels. The Company must remain in charge of generating future DSM plans and program offerings, relying of course, on the feedback from customers and stakeholders.

287. LIEN expresses support for more regular stakeholdering sessions. The Company will use the proposed annual stakeholder meeting to receive feedback from low income groups like LIEN but the Company does not want to hold meetings simply for the sake of holding meetings. It commits to a stakeholder meeting no less than once a year. Of course, if there are new developments that come to the attention of LIEN, the Company welcomes them forwarding the information on and additional meetings may be scheduled as required, as has already been demonstrated by the consultation on market rate eligibility that the Company undertook in the last year.

18. WHAT TRANSITION AND IMPLEMENTATION STEPS ARE APPROPRIATE AS A RESULT OF THE OEB'S DECISION ON THE 2022 DSM PLAN AND ITS FINAL DECISION AND ORDER?

288. The Company remains of the view that its DSM Plan is consistent with the policies of the Government of Ontario and the objectives of the OEB and in the best interest of the ratepayers. It therefore submits that the plan should be approved as filed subject to the several accommodations that the Company has taken from the submissions of parties.

289. In the event that the OEB does not approve the Application as filed, with all or some of the proposed accommodations and/or with additional changes required by the OEB, it may be necessary for the Company to evaluate the impact of any

changes and to adjust aspects of its DSM Plan, including the Proposed Framework, and refile these for final review and approval. This is what occurred at the conclusion of the OEB's review of the multi-year DSM plans filed by legacy EGD and Union Gas in respect of their 2015-2020 DSM plans. Subsequent to the OEB's January Decision and Order, the legacy utilities each identified the impacts of the decision and filed a response. The OEB's final decision on the application was then issued on February 24, 2016.[291]

CONCLUSION AND RELIEF SOUGHT

290. The Company has identified in this Reply submission several accommodations where it is open to suggestions made by ratepayer and stakeholder groups. In summary, these are:

(1) The withdrawal of the long-term GHG emissions reductions scorecard and the transfer to and inclusion of the $5 million of shareholder incentives available under this scorecard (i.e., $1 million per year) into the annual scorecard Maximum DSMI amount. The annual scorecards will be adjusted by the Company and refiled to reflect this, and all other changes made by the OEB in its Decision and Order.

(2) The Company is prepared to accept that its annual scorecard will allow the Company to earn a shareholder incentive beginning at the 75% of the 100% target level with the Maximum DSMI allocation being earned at the 125% of target level.

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[291] The Company submits that this is an appropriate way of proceeding to deal with any transitional implementation issues similar to EB-2015-0029/49.

50% of the Maximum DSMI allocation would be earned by achieving the 100% target level.

(3) While the Company believes that the TAM is the most efficient and reliable means of adjusting targets due to real world circumstances, should the OEB not approve the continued use of the TAM, the Company suggests that the OEB add to this methodology a floor of 80% and a ceiling of 120% in response to the submissions of the parties. Should the OEB order the elimination of the TAM, the Company will file fixed targets for each year of the term of the plan using the methodology used for the purposes of undertaking the sensitivity analysis completed and presented in the interrogatory response to the OEB Staff 13(c).[292]

(4) The Company will work with Large Volume customers and stakeholders with a view to considering the ramifications of offering an opt-out/opt-in approach for the Large Volume Program.

291. This hearing commenced with the issuance of the OEB DSM Letter. The fact that the OEB directed Enbridge Gas to prepare and file a further Multi-Year DSM plan is confirmation of the successful delivery of DSM program offerings by the legacy utilities over the years. Indeed, as noted by SEC in its submission at page 7: “many homes and businesses in Ontario are currently more efficient than they would otherwise have been because the ratepayer spent that $2 + billion, and the utility and its predecessors delivered successful programs”. There appears to be

[292] Exhibit. I.6.EGI.Staff.13(c).

unanimous support, including from the Minster of Energy, for the approval of a further Multi-Year Framework and Multi-Year DSM Plan.

292. In response to the clear directions given by the OEB, the Company filed a comprehensive and detailed DSM Plan that includes a Proposed Framework that builds on the existing OEB approved framework. The DSM Plan proposes a five-year term with a mid-point assessment for plan adjustments required in an evolving environment. The Plan reflects the economic reality that exists for natural gas customers, limiting the base year bill impact to about 2%. The remainder of the term includes formulaic DSM budget increases thereafter based on inflation plus 3% for program costs.

293. The DSM Plan includes a broad range of programs to reach a diverse set of gas customers' needs and integrates and enhances successful existing programing elements. The DSM Plan also introduces new programing to help Ontario transition to low carbon future. Finally, it includes a strong OEB governance structure through an innovative set of incentive models.[293]

294. Accordingly, Enbridge Gas requests that the Application be approved as filed subject to the accommodations identified above.

[293] KP 1.2, Presentation Day, Enbridge Gas's Presentation, p. 5.

All of which is respectfully submitted June 10, 2022.

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

Appendix A

Table A1 - General Comments on DSM Framework Items

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Section	OEB Staff Recommendations	Enbridge Gas Response
Objectives	**Support with comments**	
	Recommend that focus should primarily be on lowering overall natural gas sales volumes. OEB staff suggests that performance should ultimately be assessed based on a percentage reduction in annual gas sales volumes to provide an objective metric of progress.	Enbridge Gas understood that the OEB, in the OEB DSM Letter, made the determination of the primary objective for DSM and the Company does not believe this is an active issue in this proceeding.
Guiding Principles	**Support with comments**	
	Suggest indicating that funding levels over the most recent approval of 2022 plan, be used to increase savings from most cost-effective programs as opposed to equal distribution across portfolio. Additionally, as opposed to DSM coordinating only where appropriate, fully integrated programs should be the expectation.	Enbridge Gas does not support the recommendation. Enbridge Gas explained the rationale for evenly distributing the increases from current levels during the proceeding (in an effort to balance rate increases) in response to the OEB's DSM Letter. A statement to distribute the budget in some other fashion is not specific enough to reasonably respond to, but generally the Company does not understand how this would be achieved without creating some additional issues that may need to be addressed. If the suggestion is to have large increases in some rate classes and not in others, such as having a 25% increase in Industrial DSM budgets collected in the industrial rate classes, but only have 1% in Residential DSM budgets because Industrial programming is more cost effective than Residential programming (as an illustrative example only) this would have clear rate impact issues that were not explored during the lengthy proceeding. The Company believes some parties would legitimately take issue with not being afforded an opportunity to challenge any proposed re-distribution of the budgeted amounts being proposed and does not believe this should occur without a clear proposal of any redistribution in the evidentiary record. The Company also does not believe this item is a DSM Framework issue, but rather a DSM Plan item, but this does not change its position regardless that this should not be adopted in this proceeding. Proposing fully integrated programming as an expectation is unreasonable for a guiding principle given the OEB does not regulate the other entities that the Company is expected to integrate with. There is no reference to the evidentiary basis in making this recommendation, although the Company recognizes that many interested parties have advocated that more collaboration should occur, this is not evidence nor is the recommendation linked to how this would help meet or enhance the OEB objectives for DSM, so the Company disagrees with the recommendation.
Budgets	**Revisions Required**	
	Recommend removing the last paragraph as it speaks to specific plan actions. The framework should be a standing document that does not provide specific guidance on any particular plan year, rather be sufficiently broad to be applicable across multiple years. Also, Enbridge has again referred to the December 2020 Letter as a directive of the OEB. This is incorrect and should be removed. More generally, OEB staff suggests that the OEB adopt language related to the budget that indicates ratepayer funding will be approved when the OEB has been presented with a proposal that provides tangible natural gas reductions and quantitative value for customers. Budgets may fluctuate	Enbridge Gas agrees that the budget section is written in terms that speak to the specifics of the proposed DSM Plan based on the DSM Letter and believes the entire budget section be removed from the final DSM framework document in order for the DSM Framework to be a standing document. The DSM Letter did provide clear direction from the OEB to the Company In fact, the OEB included a heading in the DSM Letter entitled "OEB Direction". Enbridge Gas does not agree with the recommendation to include language around tangible natural gas reductions and quantitative value for customers for two reasons. First, this proposal is not linked to any evidence in this proceeding and other parties have not been afforded an appropriate opportunity to comment. Secondly, this is duplicative, if not contrary to the primary and secondary objectives explicitly provided by the OEB. Third, the evidence supports a finding that using overall natural gas reductions is not an appropriate measure for DSM.

Section	OEB Staff Recommendations	Enbridge Gas Response
	depending on the nature of the DSM plans and their primary objective and the OEB will always be mindful of overall rate impacts, particularly for non-participants. Additionally, references to gas-fired equipment should be removed in order to provide policy direction that is fuel agnostic.	
Targets	**Major Revisions Required**	
	OEB staff has concerns that Enbridge has included many of its own ideas about how it prefers to establish targets, whereas the OEB's DSM framework should be neutral and offer the OEB's perspective on the ideal manner in which targets are developed. OEB staff recommends that this section be significantly revised so that it speaks to the OEB's main interests in natural gas savings targets, that being that they are based on evidence and relevant, current analysis, are quantifiable, objective and can be verified to assess performance levels. Should the OEB accept OEB staff's recommendations, much of this section will require edits to remove references to first-year targets, target adjustment mechanism and levels of achievement.	Enbridge Gas compiled the single document for the DSM Framework, first because the previous Framework had expired and second to be in line with the direction provided by the OEB, with consideration for the inputs identified and utility experience gained from the long term delivery of DSM programming. The Proposed Framework was drafted with the intention that all parties would have an opportunity to comment and with the expectation that some adjustments would be made before the document was finalized as the DSM Framework policy. The Company is uncertain in how to respond to a recommendation that the section should, "offer the OEB's perspective on the ideal manner in which targets are developed.", as the Company it is not yet clear what that perspective is. The Company agrees with previous feedback from OEB Staff above that the Framework should be more generic and some reference to the specific DSM Plan in this proceeding should be removed. The Company also agrees that if certain determinations are made by the OEB based on its decision in this proceeding that some sections may require an update. With respect to removal of the TAM, Enbridge Gas respectively suggests that the recommendation is incomplete. If the OEB ultimately decides to the remove the TAM and set targets and budgets over the term, this would require revisiting other aspects of the DSM Framework, most specifically how the 15% overspend allowance and 30% re-allocation provision between approved programs rules/mechanics may need to be adjusted for this recommendation. The Company wants to be clear that it neither agrees with nor opposes the concept of longer term budgets and targets as some parties have suggested in this proceeding, but rather it simply cannot comment as their has not been an actual comprehensive recommendation with enough information to allow the Company to form an opinion as to whether this would meet the objectives of DSM. Some aspect, such as additional budget flexibility over fiscal years may make sense in isolation, but all related impacts and changes would need to be examined for a proper and thoughtful response.
Shareholder Incentive	**Support with comments**	
	Recommend that here, and in other places, references to historic guidance from the OEB, Enbridge's input and rational for proposals and other similar discussion be removed so that the framework document is not tied to a single point in time. Additionally, OEB staff recommends that the concept of increasing incentive levels be discussed here to give the indication that with greater levels of natural gas reductions, Enbridge may have the opportunity to earn a larger shareholder incentive.	Enbridge Gas agrees that references should be removed that are not part of a generic framework. With respect to the recommendation of adding additional guidance on the size of the maximum shareholder incentive, the Company interprets this recommendation to be the same as GEC/Mr. Neme, which is intended to provide an incentive for the Company to propose DSM Plan(s) with larger targets/budgets. Enbridge Gas is not opposed to larger available shareholder incentives but does note that the specifics of any such proposal has not been reviewed and commented on by all parties to the proceeding. The Company also notes that this recommendation is in conflict with the OEB's specific direction on modest budget increases provided in the DSM Letter, so presumably the OEB panel should consider if this is an appropriate time for such guidance, or if it was best left for consideration in a future guidance letter that would be able to incorporate possible future policy changes that may impact both the expected available shareholder incentives and any other updated guidance on budgets and/or targets.
DSM Plan and Program Considerations	**Support with comments**	
	Recommend that budget transfer guidance be maintained, but that an additional clause be added that restricts the level of funding that can be allocated away from the Low-Income program to a maximum of 10%. This will serve to provide certainty of the level of funding for low-income programs will be largely held constant following the OEB's approval. This is important as this is a segment that has a number of barriers to entry making participation in standard programs challenging.	Enbridge Gas would accept this recommendation.
Program Types	**Support with comments**	
Low Income Program	Support	

Section	OEB Staff Recommendations	Enbridge Gas Response
Pilot and Test Programs	Support	
Coordination with Electricity CDM	Recommend that this language be more intentional and indicate the OEB's expectation that general coordination is not sufficient and that programs should be fully integrated where feasible.	Enbridge Gas does not agree with this recommendation for reasons noted above under Guiding Principles. The language proposed by Enbridge Gas appropriately reflects the expectations of both the Ontario government and the OEB as communicated in their respective letters regarding the DSM plan in November and December of 2020. Proposing fully integrated programming as an expectation is unreasonable given the OEB does not regulate the other entities that the Company is expected to integrate with. There is no reference to the evidentiary basis in making this recommendation, although the Company recognizes that many interested parties have advocated that more collaboration should occur. There is no explanation about how the recommendation would help meet or enhance the OEB objectives for DSM, so the Company disagrees with the recommendation.
Attribution	Recommend that more flexibility is provided in how the OEB determines the appropriateness of attribution of benefits between Enbridge and other parties offering similar programs that seek to achieve the same results, similar to the current situation with NRCan's Greener Home Grants program. At a minimum, Enbridge should be required to provide the agreement to the OEB. The OEB may determine it necessary to convene a process to seek comments from parties, only to ensure effective and efficient use of ratepayer funding, however OEB staff acknowledges the importance of Enbridge having the flexibility to be able to respond to requests for partnership opportunities, which OEB staff supports.	Enbridge Gas does not agree any change is necessary. With the only actual example, being ongoing discussions with NRCan, the Company has already volunteered to file relevant details from any agreement and any required amendments to the DSM Plan as a result of an agreement. It is not necessary to add additional regulatory process requirements into the DSM Framework as this would have the effect of making collaboration more cumbersome with timing and regulatory uncertainty being an impediment for other parties to work with Enbridge Gas.
Energy Efficiency and IRP	Support. OEB staff recommends that the language related to merging DSM and IRP being premature from the OEB's Decision be qualified that it is "premature at this time", allowing for the possibility of these activities being combined at some point in the future, possibly within this DSM term should policy and circumstances change.	Enbridge Gas does not see this change as being necessary but does not oppose the recommendation.
Program Evaluation	Revisions Required	
Gross Measurement	Recommend revising this section and remove the requirement that the gross measurement methodologies must be approved and then followed for any impact evaluation. The OEB's Evaluation Contractor requires sufficient flexibility in choosing the methods of verifying program results that it sees best, aligned with industry best practice. OEB staff agrees that ensuring there is consideration and a plan on how to measure program results is necessary, it is not appropriate to bound the EC's work, effectively removing its independence which is crucial.	As noted in the oral evidence, Enbridge Gas is not suggesting that OEB Staff, the EAC or EC cannot be independent or objective, it is simply stating that the rules need to be clear upfront about which results can be measured using appropriate methodologies. Enbridge has pointed to benefits such as transparency, ensuring targets and results are set on the same basis, efficiency in the EM&V process and improved ability to collaborate as important reasons for approved gross measurement methodology.
Draft and Final DSM Annual Reports	Support	
Components of DSM Annual Report	Suggest that the OEB maintain all elements from the current DSM Filing Guidelines on what additional program and utility-related data, in particular: DSM spending as a percentage of distribution revenue; Historic annual natural gas savings	Enbridge Gas had proposed to streamline the required reporting as many of these tables are a significant amount of work to create and their use has not been clear. However, Enbridge Gas supports maintaining these data points if it is determined that they would be of value.

Section	OEB Staff Recommendations	Enbridge Gas Response
	targets (m3/year) dating back 10 years; Total historic annual and cumulative gross and net natural gas savings (m3) as a percentage of total annual natural gas sales dating back 10 years; Total historic natural gas sales (m3/year) dating back 10 years; and, Number of customers, by rate class and by customer type in each year dating back 10 years. These data points are useful for the OEB and interested stakeholders in assessing the overall value, impact, scale when reviewing Enbridge's results and comparing with other jurisdictions.	
Evaluation, Measurement & Verification	Support, with note that OEB staff has suggested that the OEB also lead process evaluations going forward.	Enbridge Gas does not agree with the process evaluation recommendation for reasons outlined below.
Impact Evaluations and Annual Verification	Support	
Technical Resource Manual Updates	Support	
Process Evaluation	Recommend that the OEB take coordination role of process evaluations, similar to impact evaluations, to provide a more comprehensive evaluation process that can leverage key information from impact evaluations and apply to plans for future process evaluations and vice versa. Enbridge would still be closely involved being the program administrator, but by allowing the OEB's Evaluation Contractor to plan and evaluate programs comprehensively will lead to greater overall value from the evaluation work conducted and better DSM programs overall as areas identified as issues can be addressed in a structured manner.	Enbridge Gas opposes this recommendation. The recommendation is also not linked to any evidence of how this would assist in meeting the objectives of DSM and the Company is already reviewing both the scope and results of the process evaluations with the EC and EAC. Ultimately, if Enbridge Gas is to be responsible for program design, so too does the Company need responsibility for the coordination and scoping of studies that directly impact the Company's accountability. OEB Staff seem to be suggesting that outcomes of the process evaluation are not being implemented as promptly as required. Although Enbridge Gas disagrees with this, Enbridge Gas fails to see how the implementation of studies where the Company potentially disagrees with the scope, would possibly improve the Company's desire to implement study outcomes.
Evaluation Governance Terms of Reference	Support establishment of ToR, but if OEB staff recommendations to expand the EAC to a more generic DSM SAG, an updated ToR document will be required.	Enbridge Gas agrees with the establishment of a Terms of Reference. Further, though OEB Staff has not specifically addressed this topic in this table, Enbridge Gas's proposal for the need for the OEB Staff to lead the establishment of clearly documented EM&V Protocols, reflecting best practice approaches, is intended to provide a transparent, referenceable, and consistent guide under which to implement the evaluation activities of the Evaluation Contractor.
Input Assumptions & Adjustment factors	Revisions Required	
Input Assumptions	Support as filed.	
Net-to-Gross Adjustments	OEB staff supports the general idea that NTG should be studied regularly, up to annually, and include an assessment of both free ridership and spillover when conducted. However, OEB staff recommends that the expectation that NTG evaluations will be completed annually, and always include spillover assessment, not be accepted to allow for greater flexibility. This will allow for OEB staff, the EC and EAC to	Enbridge Gas strongly believes it is important to identify that spillover is a critical part of Net-to-Gross adjustments and needs to be measured along with free ridership. Measuring only one value would be obtaining only half the equation. Enbridge Gas accepts the needs for some flexibility on the timing of NTG evaluations and that annual studies may not always be necessary depending on resources and level of change expected. However, given the changes over the past few years and as part of the proposed 2023 offers, Enbridge requests the board direct that a NTG evaluation be performed on the Commercial and Industrial custom programs at a minimum for 2023.

Section	OEB Staff Recommendations	Enbridge Gas Response
	review and consider the need for updated results and the value of completing the study.	
Verification Adjustments	Support as filed.	
Changes to Input Assumptions	Generally, support as filed if the structure of annual performance scorecards, shareholder incentive and lost revenue remain. However, if these are to change, for example to firm gas savings targets (either annually, end of term or as a percentage of reduction in annual gas sales), the appropriateness of how to apply changes to input assumptions should be reviewed and considered by the EAC (or DSM SAG if established), with changes proposed to the approach described in the DSM Framework. Additionally, recommend not accepting the proposed wording related to verification adjustments applied retroactively so long as the methodology aligns with the gross measurement methodology, for the reasons cited above in Section 12 – Evaluation related to the need to maintain flexibility and independence for the EC to determine the best verification method. Support proposals for changes applicable for LRAM purposes and for new input assumptions for prescriptive measures.	Comments by Enbridge Gas on Targets including TAM and Gross Measurement are included above (see Targets heading). It is important to note this as OEB Staff indicate they generally support the proposal put forth by Enbridge regarding treatment of input assumptions and adjustment factors, including how they are applied to targets and results. As OEB Staff notes, it's important for the DSM framework to be explicit and unambiguous on when to use updated assumptions. The OEB should be clear in its decision on the treatment of Changes to Input and Assumptions and Adjustment factors and how it relates to its decision on Gross Measurement methodology and its decision on TAM vs fixed targets. Enbridge Gas declines to comment on the speculative portions of this recommendation, as there is not enough information in the recommendation or on the evidentiary record to thoughtfully respond other than to state that it should be obvious that if fundamental changes to how DSM Programs are to be measured is adopted, then the framework assumptions and mechanics will have to be revisited and be well documented for appropriate and efficient measurement of results. Enbridge Gas believes the appropriate approach is to lay out clear rules as Enbridge Gas has proposed. Having the changes reviewed by the EAC is almost guaranteed to result in litigation in future clearance applications based on different opinions.
Cost-Effectiveness Screening	Support as filed.	
Avoided Costs	Support as filed.	
Accounting Treatment	Support as filed.	

Appendix B

Table B1 - General Comments on Proposed Programs

Program/Offering	OEB Staff Comments	
Residential Program	**Support**	
Residential Whole Home	- Remove gas-fired equipment - Remove requirement to maintain gas-fired equipment as primary heating source - Include smart thermostats to match NRCan measure availability - Comments on NRCan partnership in Section 7.1	Enbridge Gas opposes restrictions or requirements on the individual measures that may be offered to participants generally, or to offering eligibility requirements, as this amounts to micro-management of the Program Administrator.
Residential Single Measure	- Support	
Residential Smart Home	- Work to expand and increase participation, particularly of smart thermostats	Enbridge Gas believes the proposed scorecards and DSM Framework flexibility provide the appropriate encouragement and capability for increased participation if increased market potential is able to be realized
Low Income Program	**Support**	
Home Winterproofing	- Support	
Affordable Housing Multi-Residential	- Support	
Commercial Program	**Support**	
Commercial Custom	- Support, expand, increase/remove incentive caps - Need to show that free ridership levels are improving	Enbridge Gas notes that these items are not appropriate for determination by the OEB as they are most appropriately determined and modified on an ongoing basis by the Program Administrator in order to respond to the changing needs of the Ontario market.
Prescriptive Downstream	- Support	
Direct Install	- Support, expand, increase turnkey opportunities for small business customers and consider ability to participate in residential offerings, increase proactive targeting/enrolment	Enbridge Gas has addressed these and similar commentary in under Section 10 c). The Company can consider such expanded offerings/measures and is incented to do so but notes that under a budget constraint, the funding for such will need to be balanced with other needs within the sector and cannot be viewed in isolation.
Prescriptive Midstream	- Support	
Industrial Program	**Support**	
Industrial Custom	- Support, expand, remove incentive caps - Need to show that free ridership levels are improving	Enbridge Gas notes that these items are not appropriate for determination by the OEB as they are most appropriately determined and modified on an ongoing basis by the Program Administrator in order to respond to the changing needs of the Ontario market. The Company has a clear incentive to improve free ridership levels but notes it is dependent on periodic and timely impact evaluations being performed by OEB Staff and the Evaluation Contractor. This is why the Company is requesting that EM&V protocols be established in Section 12, as the protocols will support timely impact evaluation required to demonstrate if free ridership is in fact improving.
Large Volume Program	**Qualified Support**	
Direct Access	- Support at current budget levels, do not expand - Opt-out needs greater consideration, only practical if OEB can hold customers accountable for individual efficiency plans, but challenging as they are not regulated by OEB	Enbridge Gas agrees with the first bulleted item. The Company does not support the creation of an Opt-out option for the reasons articulated in Section 10 e). If the OEB does wish to pursue an opt-out option, the Company would be willing to work with impacted customers to develop the appropriate process protocols and provide a cost and timeline for the OEB to consider in a future proceeding.
Energy Performance Program	**Support**	

Program/Offering	OEB Staff Comments	
Whole Building Pay For Performance (P4P)	- Support, look to expand as part of enhanced plan to other segments of the commercial market	Enbridge Gas generally agrees that expansion of P4P should happen, but only after demonstrated success in the target segments so these learnings can be appropriately applied to other segments. The Company does not agree with the concept of an enhanced plan as noted elsewhere
Building Beyond Code Program	**Do not support**	
Residential Savings by Design	- Have not shown that programs have had material impact on building practices - Programs should not require builders to commit to using gas - Better to leave to industry and codes changes - Support increasing awareness and knowledge of value of air tightness, but not as standalone market transformation program - Re-allocate funding to low-income program and most cost-effective programs - Consider possible future joint fuel-agnostic new construction program with IESO	The Company has addressed the Building Beyond Code program in section 10 g)
Commercial Savings by Design		The Company notes that there is no evidentiary basis for not requiring builders to commit to using gas, this is part of the existing framework, and there are no other jurisdictions on the record where gas rate payer funding is being used to support electric only options. Residential Natural Gas End Use survey shows 96% of new builds use natural gas, so there is no justification for abandoning the new construction market and not capturing long lived savings at the time of new construction.
Affordable Housing Savings by Design		Enbridge Gas does not support the re-allocation of funding to LI and most cost-effective programs and notes there is no mention of the specific allocations nor the rate impacts of such
Commercial Air Tightness Testing		Considering a new construction program only with IESO is inconsistent with all of the other arguments, which demonstrates the recommendation is purely advocacy and not based in evidence or current policy in Ontario
Low Carbon Transition Program	**Qualified Support**	
Residential Low Carbon Commercial Low Carbon	- Remove gas heat pumps as they are not cost-effective nor available, replace with fully electric heat pump options, in addition to hybrid system as proposed. Maintain target levels as proposed for 2023 and 2024, review targets as part of DSM SAG/enhancement process for 2025 and beyond.	Enbridge Gas opposes this recommendation and clarifies that only residential sized gas heat pumps are not available in Ontario. Commercial size gas heat pumps are currently available. The Company notes that using current cost effectiveness as a justification would also remove electric only heat pumps as they are not cost effective. The merits of the program are based in preparing the Ontario market to be successful in the future when heat pumps (greater than 100% efficiency) will become the equipment standard based on the federal roadmap. The Company has proposed a balanced market support program that is entirely consistent with the latest OEB Mandate letter through promoting consumer choice and is the only program to support advancing installation practices of greater than 100% efficiency heating appliances for Ontario, which is in the broader public interest given the federal roadmap.