



# **DECISION AND ORDER**

**EB-2021-0002**

## **ENBRIDGE GAS INC.**

**Application for Multi-Year Natural Gas Demand Side Management  
Plan (2022 to 2027)**

**BEFORE: Michael Janigan**  
Presiding Commissioner

**Anthony Zlahtic**  
Commissioner

**Patrick Moran**  
Commissioner

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**March 2, 2023**

The Ontario Energy Board (OEB) heard an application from Enbridge Gas Inc. (Enbridge Gas) that proposed a new multi-year plan to provide natural gas customers with access to programs to conserve and use natural gas more efficiently. Enbridge Gas's application sought approval of natural gas conservation and energy efficiency programs between 2022 to 2027 as well as an updated policy framework.

The OEB convened a public hearing process that included the filing of expert evidence, an oral hearing, and written arguments. On November 15, 2022, the OEB issued its Decision and Order on Enbridge Gas's proposed demand side management (DSM) plan and policy framework.

As part of its Decision and Order, the OEB ordered Enbridge Gas to file a draft Rate Order and offered parties with an opportunity to file comments. On January 12, 2022 Enbridge Gas filed its draft Rate Order. Enbridge Gas indicated that since the OEB's Decision and Order on its DSM plan application was received after its 2023 rates were approved in another application,<sup>1</sup> its proposed Draft Rate Order does not change the rates that have already been set for 2023. Enbridge Gas proposed that any variance between the approved 2023 DSM budget and the DSM amounts already approved as part of its 2023 rates, a total of approximately \$25 million, be recorded in its DSM variance account for disposition at a future date.

The OEB has reviewed Enbridge Gas's draft Rate Order and the comments submitted by OEB staff and the School Energy Coalition (SEC).

The OEB approves Enbridge Gas's proposed approach to record the variance between DSM amounts approved as part of 2023 rates and the actual 2023 DSM spending, consistent with the approved budget in this proceeding, for disposition as part of a future standalone DSM variance account application. However, the OEB is of the view that it is important that residential ratepayers are transitioned to a uniform DSM rate and in time for 2024 rates. This will ensure that all residential customers throughout Ontario contribute equally to DSM program costs. Therefore, as part of its 2024 rebasing application<sup>2</sup>, Enbridge Gas shall propose a methodology to recover the approved 2024 residential DSM budget amounts equally from residential customers through a uniform residential DSM rate for implementation as part of 2024 rates.

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<sup>1</sup> EB-2022-0133, Decision on Settlement Proposal and Rate Order

<sup>2</sup> EB-2022-0200

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# 1 DRAFT RATE ORDER

As part of its draft Rate Order materials, Enbridge Gas filed the following materials:

- Appendix A – 2023 Approved DSM Budget – Allocation to Rates
- Appendix B – 2023 DSM Budget Bill Impacts

Enbridge Gas indicated that due to the OEB's DSM Decision and Order being approved after its 2023 rates application was approved by the OEB in a separate proceeding, the draft Rate Order does not change the rates that have already been set and approved for 2023. Rather, Enbridge Gas proposed that the variance between 2023 actual DSM budget spend and the 2023 DSM budget in 2023 rates be recorded in the DSM variance account (DSMVA) for disposition at a future date.

Enbridge Gas also noted that as the OEB approved a DSM budget for 2023 with subsequent years to be increased by an escalation factor, the budgets for 2024 and 2025 will therefore be adjusted and included as part of future Enbridge Gas rates proceedings.

OEB staff generally supported Enbridge Gas's proposed approach. However, OEB staff sought clarity in why Enbridge Gas had not proposed to collect the difference between DSM amounts already approved in rates and the approved DSM budget through a billing adjustment as part of its next QRAM application, similar to what it had done in the last multi-year DSM plan proceeding.

In reply, Enbridge Gas submitted that the circumstances are different as 2023 rates have been established and approved on a final basis, effective January 1, 2023, as opposed to rates being approved on an interim basis, as they were in 2016 prior to the OEB's Decision on its previous multi-year DSM plan.<sup>3</sup> Additionally, Enbridge Gas noted that the percentage increase between the DSM amount approved in 2023 rates and the 2023 DSM budget approved in this proceeding (18%) is not as significant as it was in 2016 (81% increase). Enbridge Gas noted that it has a DSMVA that captures any variance between budget and actual spend and a standalone DSM deferral and variance account application to dispose of this balance.

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<sup>3</sup> EB-2015-0114, Decision and Interim Order, p. 6

OEB staff also sought clarity from Enbridge Gas on how it proposes to respond to the OEB's direction to implement the recovery of DSM costs from residential customers across Ontario on a uniform basis during the term of the DSM plan as soon as practical.<sup>4</sup>

Enbridge Gas submitted that there is currently an active rebasing application in front of the OEB which includes proposed changes to rate design and a rate harmonization plan. Enbridge Gas noted that its rate harmonization and rate design proposals include a proposal to harmonize general service customers into two new rate classes, Rate E01 and Rate E02, beginning April 1, 2025. If approved, Enbridge Gas noted that the vast majority of its service area will take service under Rate E01 and will pay uniform DSM rates within the rate class.

SEC filed comments focused on its earlier proposal that the rate recovery of costs for residential programs to be modified to prevent any subsidies of these programs by non-residential customers. SEC reiterated its concerns noted in its final submission that non-residential customers in Union Gas rate classes M1 and 01, who are not eligible to participate in residential DSM programs, are currently required to pay a portion of these program costs. SEC noted that this subsidy is set to grow even larger, due both the increase in residential DSM spending and Enbridge Gas's proposed rate harmonization approach that includes grouping all small, non-residential customers across Ontario into the same class as residential customers. SEC proposed that Enbridge Gas could address this issue immediately by recovering the costs of residential programs through the fixed monthly charge for M1 and 01 customers, and the costs of non-residential programs for customers in those classes be recovered through the variable charges.

Enbridge Gas responded to SEC's submission noting that there is no evidence that establishes any material subsidy occurs from non-residential customers. Enbridge Gas noted that SEC previously brought this issue before the OEB as part of the 2020 DSM deferral and variance account application where Enbridge Gas noted it would address rate design and cost allocation issues, including harmonization approaches, as part of its 2024 rebasing application.<sup>5</sup> Enbridge Gas submitted that if SEC has concerns about the rate harmonization and rate design proposals they should be raised at the appropriate time of the rebasing application process.

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<sup>4</sup> EB-2021-0002, Decision and Order, November 15, 2022, p. 32

<sup>5</sup> EB-2022-0007, Exhibit I.SEC.3

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## Findings

The OEB approves Enbridge Gas's proposed implementation approach, subject to one expectation discussed below. The OEB is satisfied that the standalone DSM deferral and variance account application is a reasonable time to dispose of any differences between DSM budget amounts approved in 2023 rates and actual DSM spending in 2023.

The OEB also agrees that DSM budgets for 2024 and 2025 will need to be finalized annually due to the approved annual escalation factors. In its November 15, 2022 Decision, the OEB approved Enbridge Gas's proposed annual escalation approach that will increase the approved DSM program related costs by 3% plus inflation. Portfolio-related costs will only be increased annually for inflation.<sup>6</sup>

The OEB is concerned that Enbridge Gas's proposed implementation date of April 1, 2025 for the harmonized general service customer rate classes (the proposed Rate E01 and Rate E02 classes) and a uniform rate for residential customers is too long of a delay. If accepted, the current practice of collecting different amounts from residential customers for the same DSM program opportunities will continue for more than two years.

The OEB is of the view that it is more appropriate to implement a uniform rate to collect the approved 2024 residential DSM budget as part of 2024 rates. Therefore, the OEB requires Enbridge Gas to propose a methodology, in its 2024 rebasing proceeding, to recover the approved 2024 residential DSM budget amounts equally through a uniform rate. As Enbridge Gas's 2024 rebasing application is currently before the OEB, there should be sufficient opportunity for evidence to be filed and considered to allow the OEB to have a complete record before making any determinations. If there is a reason that Enbridge Gas cannot recover the 2024 DSM budget in a uniform manner, Enbridge Gas should make an alternative proposal and provide an explanation as to why a uniform recovery is not possible.

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<sup>6</sup> For clarity, as noted in Exhibit I.6.EGI.LPMA.3, the inflation adjustment calculation should use the Statistics Canada Table: 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted and be determined as the average of the annual change in the Consumer Price Index for all months in a calendar year.

## **2 ORDER**

### **THE OEB ORDERS THAT:**

1. Enbridge Gas shall propose a methodology in its 2024 rebasing proceeding (EB-2022-0200) to recover the approved 2024 residential DSM budget amounts equally through a uniform rate for implementation with final 2024 rates.

**DATED** at Toronto, March 2, 2023

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar