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BY EMAIL

August 1, 2023

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

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Enbridge Gas Inc.
2021 Demand Side Management Deferral and Variance Account Disposition
Application
OEB File Number: EB-2023-0062**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Alexander Di Ilio
Application Policy & Conservation

Encl.

cc: All parties in EB-2023-0062



ONTARIO ENERGY BOARD

OEB Staff Submission

Enbridge Gas Inc.

**2021 Demand Side Management Deferral and Variance Account
Disposition Application**

EB-2023-0062

August 1, 2023

Background

Enbridge Gas Inc. filed an application with the Ontario Energy Board (OEB) on April 28, 2023, under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval to clear balances recorded in certain 2021 deferral and variance accounts (DVAs) related to its delivery of natural gas conservation and energy efficiency programs for the 2021 program year.

A Notice of Hearing was issued on May 12, 2023. Procedural Order No. 1 was issued on June 9, 2023. The OEB indicated that OEB staff and intervenors may file submissions on the application by August 2, 2023, and August 9, 2023, respectively.

These are the submissions of OEB staff.

2015-2020 DSM Plans

On January 20, 2016, the OEB approved 6-year Demand Side Management (DSM) plans for Enbridge Gas, then operating separately as Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (2015-2020 Decision).¹ In 2020, the OEB approved a one-year extension to the 2015-2020 multi-year DSM plan to apply to the 2021 program year. This extension consisted of a roll-forward of all existing components of Enbridge Gas' OEB-approved 2020 DSM plans.²

Evaluation, Measurement and Verification (EM&V) of DSM Results

In section 7 of the OEB's *Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020)*, the OEB indicated that DSM results will be evaluated on an annual basis and that the results of this evaluation would be used by Enbridge Gas when filing applications for recovery of balances related to DSM activities.³

On August 21, 2015, the OEB announced the formation of an Evaluation Advisory Committee (EAC) to provide input and advice, as required, throughout the DSM evaluation process.⁴ The OEB's Evaluation Contractor (EC), consulting firm DNV, has completed an independent review and verification of Enbridge Gas' DSM program results for the 2021 program year. As part of its evaluation activities, the OEB's EC has sought input and advice from the EAC, as required.

¹ EB-2015-0029/0049, Decision and Order, January 20, 2016

² EB-2019-0271, Decision and Order, July 16, 2020

³ EB-2014-0134, Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), December 22, 2014

⁴ OEB Letter, EB-2015-0245, August 21, 2015

Application Summary

Enbridge Gas has requested approval of the 2021 DSM DVA balances shown in Table 1 below. Enbridge Gas indicated that it has relied on the EC's 2021 results included in the 2021 Annual Verification Report.⁵

Table 1 Requested 2021 Enbridge Gas DSM DVA Balances

Account	EGD Rate Zone	Union Rate Zones
DSM Variance Account (DSMVA)	\$1,862,404	(\$11,372,617)
DSM Incentive Deferral Account (DSMIDA)	\$4,961,553	\$1,469,503
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$37,476	\$697,467
Interest	\$203,040	(\$527,617)
Total Balances Requested	\$7,064,473	(\$9,733,264)

Note: Negative balances are to be returned to customers and positive balances are to be collected from customers.

DSMVA

The DSMVA is used to track the variance between actual DSM spending by rate class and the budgeted amount included in rates by rate class. The difference between actual spending relative to the amount budgeted for each rate class is allocated to that rate class for DSMVA disposition purposes. The DSMVA balance includes adaptive thermostat program expenditures of \$1.178 million in the Union rate zones that was not initially included in the 2015-2020 Decision but is consistent with the OEB's guidance in the DSM Mid-Term Review Report.⁶

Before interest, Enbridge Gas is seeking approval to recover \$1.862 million from customers in the EGD rate zone and approval to credit \$11.373 million to customers in the Union rate zones.

DSMIDA

The DSMIDA is used to record the shareholder incentive amount earned by Enbridge Gas as a result of its DSM programs. DSM shareholder incentive amounts are earned by achieving the OEB-approved scorecard targets. Any eligible shareholder incentive amounts are allocated to the rate classes in proportion to the actual DSM spending by rate class in 2021.

Before interest, Enbridge Gas is seeking approval to recover \$4.962 million from customers in the EGD rate zone and \$1.470 million from customers in the Union rate

⁵ EB-2015-0245, 2021 Natural Gas Demand Side Management Annual Verification Report, November 1, 2022

⁶ EB-2017-0127, Report of the Board: Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020), November 29, 2018

zones.

LRAMVA

The LRAMVA is used to track, at the rate class level, the variance between the actual impact of DSM activities undertaken by Enbridge Gas and the forecasted impacts included in distribution rates. The LRAMVA balance is allocated to rate classes on the same basis as lost revenues were experienced, such that the LRAMVA provides a true-up by rate class.

Before interest, Enbridge Gas is seeking approval to recover \$0.037 million from customers in the EGD rate zone and \$0.697 million from customers in the Union rate zones.

Disposition

Enbridge Gas proposes that the disposition of the 2021 DSM DVA balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as October 1, 2023, as a one-time billing adjustment. A common disposition methodology is requested for the EGD and Union rate zones. Enbridge Gas has proposed that the one-time billing adjustment be derived for each customer individually by applying the disposition unit rates to each customer's actual consumption volume for the period of January 1, 2021, to December 31, 2021.

For a typical residential customer in the EGD rate zone with annual consumption of 2,400 m³, the estimated one-time billing adjustment is a charge of \$6.91. For a typical residential customer in the Union South rate zone with annual consumption of 2,200 m³, the estimated one-time billing adjustment is a refund of \$1.56. For a typical residential customer in the Union North rate zone with annual consumption of 2,200 m³, the estimated one-time billing adjustment is a refund of \$5.11.

OEB Staff Submission

OEB staff makes the following submissions on the issues:

- DSM DVA balances and disposition methodology
- Applicability of eTools Boiler Tool validation study

DSM DVA Balances and Disposition Methodology

OEB staff submits that the proposed DSMVA, DSMIDA, and LRAMVA balances have been calculated consistent with the OEB's 2015-2020 DSM Guidelines and the EC's 2021 Annual Verification report.

DSMVA Balance

OEB staff notes that there is a debit balance in the DSMVA for the EGD rate zone and a credit balance in the DSMVA for the Union rate zones. Enbridge Gas indicated its offerings were impacted by customer sentiment, program suspension, supply chain shortages, and employee turnover, brought on by the COVID-19 pandemic. However, Enbridge Gas noted that the Union rate zones were more acutely affected by these impacts than the EGD rate zone. Supply chain shortages and employee turnover had a greater impact on rural communities than on urban areas. This resulted in a greater proportional impact to results in the Union rates zones, and hence the credit balance in the Union rate zone DSMVA. The debit balance in the EGD rate zone can be attributed to the overspending in the resource acquisition program, which is permitted as Enbridge Gas' scorecard for this program exceeded 100% of the target on a pre-audited basis.⁷

Included in the DSMVA for the Union rate zones is an expenditure of \$1.178 million related to the adaptive thermostat program. The adaptive thermostat program was approved by the OEB as part of the DSM Mid-Term Review to transition from a pilot to a full program commencing with the 2019 program year.⁸ In the DSM Mid-Term Review, the OEB approved Enbridge Gas (then Union Gas) to track expenditures related to the adaptive thermostat program in the DSMVA.⁹

OEB staff notes that this is the third application in which Enbridge Gas is seeking recovery for incremental costs related to the adaptive thermostat program. Enbridge Gas noted that adaptive thermostat uptake has increased in 2021 versus 2020.¹⁰ Enbridge Gas attributed this to lessons learned, specifically the inclusion of additional online retailers that allowed customers to participate in the program during the COVID-19 pandemic, as well as additional marketing of the program to customers (e.g., e-blast campaign). OEB staff has no concerns with the costs incurred related to the Union rate

⁷ EB-2015-0029/0049, Decision and Order, January 20, 2016

⁸ EB-2017-0127, DSM Mid-Term Review Report, November 29, 2018

⁹ Ibid

¹⁰ EB-2023-0062, Application and Evidence, Exhibit A, Tab 4, Schedule 1, April 28, 2023

zones' adaptive thermostat program in 2021.

OEB staff supports the recovery of the proposed DSMVA balances in the EGD and Union rate zones.

DSMIDA Balance

Enbridge Gas' proposed DSMIDA balances are consistent with those produced by the EC as part of the 2021 Annual Verification Report. OEB staff supports the recovery of the proposed DSMIDA balances in the EGD and Union rate zones.

LRAMVA Balance

Enbridge Gas' proposed balance of \$0.037 million in the LRAMVA for the EGD rate zone does not align with the balance reported by the EC in its 2021 Annual Verification Report of \$0.057 million. Enbridge Gas illustrated that the total natural gas volume of 6,562,000 m³ used to calculate the LRAMVA balance for the EGD rate zone is consistent with the volume audited by the EC.¹¹ However, the balance being sought reflects the fact that an LRAM volume of 3,852,000 m³ has already been included in rates. The EGD rate zone LRAMVA balance being sought by Enbridge Gas corresponds to the remaining natural gas volume of 2,711,000 m³ that is not already accounted for in rates, whereas the LRAMVA balance calculated by the EC was based on the total gas volumes. This variance balance corresponds to the \$0.037 million balance in the EGD rate zone LRAMVA.

OEB staff supports the OEB approving the requested LRAMVA balance of \$0.037 million as this represents the remaining balance that has not been accounted for in Enbridge Gas' rates.

Disposition Methodologies

OEB staff also submits that the proposed allocation and disposition methodologies are appropriate and support the common disposition methodology proposed for the EGD and Union Gas rate zones. The allocation and disposition methodologies proposed in this proceeding are consistent with those approved by the OEB in the last DSM DVA clearance proceeding.¹²

¹¹ EB-2023-0062, Interrogatory Response from Applicant, Exhibit I.STAFF.1, July 14, 2023

¹² EB-2022-0007, Decision and Order, May 5, 2022

Applicability of eTools Boiler Tool Validation Study

eTools energy modelling software (eTools) was developed by Enbridge Gas to estimate natural gas savings following boiler efficiency upgrade projects undertaken by customers through the custom commercial and industrial programs.

On March 17, 2023, the OEB published its eTools Boiler Tool Validation study (eTools validation study).¹³ The eTools validation study was completed as part of the 2021-2022 Natural Gas DSM EM&V Plan.¹⁴ The eTools validation study documents the recently completed study conducted for the OEB by DNV. DNV undertook a billing analysis to assess the accuracy of eTools to estimate natural gas savings following the implementation of energy-efficiency boiler equipment upgrades.

In interrogatories, some intervenors requested additional evidence from Enbridge Gas regarding the eTools validation study and its potential relationship to DSM shareholder incentives.^{15, 16}

In its responses to interrogatories, Enbridge Gas noted specific conclusions drawn from the eTools validation study to summarize the results of the study and its relationship to its DSM program. Enbridge Gas noted statements from the eTools validation study indicating the following:

- The eTools modelling software is used to estimate ex-ante gas savings from equipment offered through its OEB-approved custom commercial program and affordable multi-family housing programs.
- The OEB has accepted estimates produced by eTools as part of its EM&V process and in the calculation of performance incentives and lost revenues.
- There are no other boiler savings estimation models that are known to be more accurate than eTools, nor are any others known to be in development.¹⁷

Although Enbridge Gas has not proposed to apply the results of the eTools validation study to its 2021 DSM program results, OEB staff submits that it should. In general, eTools should be used by Enbridge Gas in the calculation of ex-ante gas savings achieved by the relevant programs within its DSM portfolio, and in the subsequent evaluation of program performance. This is consistent with the conclusions of the eTools validation study.¹⁸

The overall results of the eTools validation study show that the modelling software has been overestimating savings from boiler installations. Based on the analysis completed, DNV recommended that an overall realization rate of 84% be applied to aggregate

¹³ EB-2015-0245, eTools Boiler Validation Study, March 17, 2023

¹⁴ EB-2015-0245, 2021-2022 Natural Gas DSM EM&V Plan, February 4, 2021

¹⁵ EB-2023-0062, School Energy Coalition Interrogatories, June 23, 2023

¹⁶ EB-2023-0062, Small Business Utility Alliance Interrogatories, June 30, 2023

¹⁷ EB-2023-0062, Interrogatory Response from Applicant, Exhibit I.SBUA.1, July 14, 2023

¹⁸ EB-2015-0245, eTools Boiler Validation Study, March 17, 2023

gross savings for commercial boiler projects that utilized eTools for estimating natural gas consumption.¹⁹ This means that eTools has been estimating greater natural gas savings following efficiency improvements to boilers than have actually been realized.

In response to interrogatories requesting Enbridge Gas to recalculate its 2021 scorecard achievements and subsequent shareholder incentive balances based on an 84% realization rate, Enbridge Gas provided updated calculations that show 2021 combined net cumulative natural gas savings for all rate zones would be reduced by 30,414,591 m³ (overall reduction of approximately 2%) and the combined shareholder incentive for all rate zones would be reduced by \$0.282 million (overall reduction of approximately 4.4%).²⁰

The OEB's 2015-2020 DSM Framework, which is applicable to programming in 2021, indicates that for the purposes of determining LRAM and shareholder incentive balances, updated input assumptions resulting from the evaluation and audit process of the same program year should be used as this represents the best information available.²¹ As an example, the 2015 DSM Framework notes that the shareholder incentives for the 2015 program year should be based on the evaluation of the 2015 results that would occur in the 2016 calendar year.

Based on the policy direction outlined in the 2015 DSM Framework, and as part of previous DSM DVA applications, the OEB has made consistent findings that apply updated input assumptions for custom programs retroactively. As part of the 2015 DSM DVA application, the OEB indicated that, for all years outside of 2015, for custom programs, the results of the most recent program evaluation are to be used retroactively to derive custom program results.²² As part of the 2018 DSM DVA application, the OEB approved final balances that were based on the retroactive application of updated free ridership results for custom programs.^{23, 24}

Consistent with the approach of retroactively applying updated information for custom programs, the OEB's recently issued 2023 DSM framework reaffirms this practice and provides further clarity on the application of updated assumptions, including verification rates. The OEB's guidance on applying new information is divided between retroactive and prospective changes. The 2023 DSM Framework indicates that retroactive changes are appropriate for factors that were directly within the utility's influence during the

¹⁹ EB-2015-0245, eTools Boiler Validation Study, March 17, 2023, Executive Summary, p.2

²⁰ EB-2023-0062, Interrogatory Response from Applicant, Exhibit I.SEC.1

²¹ EB-2014-0134, Filing Guidelines to the 2015-2020 DSM Framework, p. 25

²² EB-2017-0324, Decision and Order, July 12, 2018, p. 6 and EB-2017-0323, Decision and Order, July 12, 2018, p. 6, The OEB approved updated net-to-gross results to be applied prospectively due to the OEB indicating that the 2015 program year was a transition year.

²³ 2018 Natural Gas Demand Side Management Free Ridership Based Attribution Evaluation, March 13, 2020

²⁴ EB-2020-0067, OEB Decision and Order, January 28, 2021, p.5

program year being evaluated. This includes changes to verification adjustments.²⁵ Conversely, the OEB indicated that prospective changes are appropriate for changes that are outside of the utility's direct influence during the program year. Examples of these instances were for mass-market implementation approaches of which the utility cannot control individual in-year application approvals. Other changes to be applied prospectively include prescribed input assumptions such as those within the OEB's Technical Resource Manual and/or changes brought on by updates to codes and standards.²⁶ The OEB also indicated that for retroactive changes, targets for the program year being evaluated will remain unchanged, while the change will be applied to the following program year's targets.²⁷

OEB staff submits that the findings from the eTools validation study should be applied to the 2021 DSM shareholder incentive and lost revenue account balances for the EGD and Union rate zones. A summary of the impacts of applying the eTools validation study results to the 2021 DSM program year results is provided in Table 2 below.

Table 2 Impacts of Applying eTools Validation Study Results

Account	Rate Zone	As Proposed	With 84% eTools Validation Study Factor Applied	Difference (see Note 2)
DSMIDA	EGD	\$4,961,553	\$4,713,849	\$247,704
	Union	\$1,469,503	\$1,434,816	\$34,687
LRAMVA / Natural Gas Volumes (see Note 1)	EGD	862,083,797 m ³	836,218,561 m ³	25,865,236 m ³
	Union	845,415,199 m ³	840,865,843 m ³	4,549,355 m ³

Note 1: In interrogatory responses, Enbridge Gas provided the impacts to natural gas volume savings from the application of the eTools validation study. OEB staff suggest below that Enbridge Gas provide any resulting updates to LRAMVA balances as part of the draft rate order process.

Note 2: Calculations may not be exact due to rounding.

As noted above, this approach is aligned with the applicable policy direction to apply the best available information to the results of custom DSM programs. eTools was built by Enbridge Gas to estimate natural gas savings following boiler efficiency upgrade projects undertaken by customers through the custom commercial and industrial programs. The eTools validation study and the 2021 annual verification results were both completed by the OEB's EC, with the oversight of the OEB's EAC, and therefore represent the best available information at the time of DSM DVA clearance. Applying the eTools validation study results to the 2021 shareholder incentive and lost revenue account balances also preserves the principle of fairness, as doing so results in the clearance of DSM DVA balances that best represent the results of Enbridge Gas in its

²⁵ EB-2021-0002, Decision and Order, Schedule E, OEB Natural Gas DSM Framework, Section 9.3, pp. 23-24

²⁶ Ibid

²⁷ EB-2021-0002, Decision and Order, Schedule E, OEB Natural Gas DSM Framework, Section 9.3, pp. 24, Table 1

delivery of custom DSM programs.

OEB staff submits that the balances for clearance in the DSM DVAs should consist of the balances discussed in the preceding section of this submission adjusted for the findings from the eTools validation study. Finally, OEB staff suggests that the OEB direct Enbridge Gas to file updated shareholder incentive and lost revenue account balances for both the EGD and Union rate zones, with supporting live worksheet calculations as part of the draft rate order process. This will allow parties to review and provide comments on the updated DSMIDA and LRAMVA balances as part of the rate order process of this proceeding.

~All of which is respectfully submitted~