



Asha Patel
Technical Manager
Regulatory Applications

tel 416-495-5642
Asha.Patel@enbridge.com
EGIRegulatoryProceedings@enbridge.com

Enbridge Gas Inc.
500 Consumers Road
North York, Ontario M2J 1P8
Canada

August 23, 2023

VIA RESS AND EMAIL

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

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2023-0062
2021 Demand Side Management (DSM) Deferral and Variance Account
Disposition Application - Enbridge Gas Reply Submission**

In accordance with the OEB's Procedural Order No. 1 dated June 9, 2023, enclosed please find the reply submission of Enbridge Gas.

If you have any questions, please contact the undersigned.

Sincerely,

Asha Patel
Technical Manager, Regulatory Applications

cc.: D. O'Leary (Aird & Berlis)
EB-2023-0062 (Intervenors)

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas Inc. for
concerning disposition of 2021 Demand Side Management Deferral and
Variance Accounts

**REPLY SUBMISSION OF
ENBRIDGE GAS INC.**

Aird & Berlis LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, Ontario
M5J 2T9

Dennis M. O’Leary
Email: doleary@airdberlis.com

Tel: 416-863-1500
Fax: 416-863-1515

TABLE OF CONTENTS

Page

INTRODUCTION.....	1
SUBMISSIONS OF PARTIES	4
RESPONSE OF ENBRIDGE GAS	5
CONCLUSION AND RELIEFS SOUGHT.....	16

INTRODUCTION

1. This is the reply submission of Enbridge Gas Inc. ("**Enbridge Gas**") or the ("**Company**") to the submissions made by the various parties in this proceeding.
2. This proceeding involves an Application for the approval of the amounts recorded in the three 2021 DSM Deferral and Variance Accounts established by the OEB for the Enbridge Gas Distribution ("**EGD**") and Union Gas ("**Union**") rate zones and the clearance of same through to rates.
3. The Company notes that the Evaluation, Monitoring and Verification ("**EM&V**") process was once again led by OEB Staff. They had the assistance of Mr. Chris Neme, Energy Futures Group, and Jay Shepherd, Shepherd Rubenstein Professional Corporation. Two independent experts were appointed to the Evaluation and Audit Committee ("**EAC**"), Ted Kesik, Knowledge Mapping Inc. and Robert Wirtshafter, Wirtshafter Associates Inc.¹ The EAC also included representatives from the Independent Electricity System Operator ("**IESO**") and the Ministry of Energy, as an observer. Together with representation from the Company, these parties made up the EAC. As well, for the purposes of the EM&V process, OEB Staff selected DNV (DNV GL Energy Insights USA, Inc. f/k/a KEMA Inc. ("**DNV**")) as the independent Evaluation Contractor ("**EC**").
4. Enbridge Gas submits that two of the objectives sought by the OEB with its establishment of this formalized EM&V process, which is overseen by OEB Staff, includes ensuring that there is a thorough independent review of DSM results and

¹ Ex. A, Tab 3, Schedule 1, p. 3, para 7.

to resolve questions and issues as much as possible prior to a Clearance Application. With the review and finalization of audit results by the independent EC and the involvement of the EAC, it is the OEB's expectation that clearance proceedings would be mostly mechanistic in nature.

5. As noted in the pre-filed evidence,² the methodologies used by Enbridge Gas to determine the amounts recorded in the applicable accounts for the 2021 DSM Program Year for each of the EGD and Union rate zones were guided by the DSM Framework and Guidelines,³ the OEB's Decision and Order and Revised Decision and Order on the EGD and Union 2015-2020 DSM Plans,⁴ the OEB Mid-Term Review of the DSM Framework⁵ and prior clearance application decisions. The Company's DSM results and supporting information was then subject to the OEB mandated EM&V process overseen by OEB Staff with the direct involvement of the EAC and the independent EC.
6. The independent EC prepared the 2021 Verification Report dated November 1, 2022 (the "EC Report") which provided the EC's opinions and conclusions regarding the amounts of energy savings, lost revenue, shareholder incentive amounts and cost effectiveness for the DSM programs offered by Enbridge Gas in

² Ex. A, Tab 3, Schedule 1, pp. 3-4.

³ EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020) (December 2022, 2014 and Guidelines) ("**DSM Framework**").

⁴ EB-2015-0029/0049, Decision and Order, January 20, 2016 and Revised Decision and Order, February 24, 2016.

⁵ EB-2017-0127/0128, Report of the Ontario Energy Board – Mid-Term Review of the Demand Side Management ("**DSM**") Framework for Natural Gas Distributors (2015-2020), November 29, 2018 ("**Mid-Term Review**").

2021.⁶ The EC Report also included several findings and recommendations for future consideration.⁷

7. The 2021 DSM-Related Deferral and Variance Account Balances, which are the subject of this Application, and which are proposed for disposition are consistent with the EC's opinion on energy savings, lost revenue, shareholder incentive amounts and cost effectiveness. The amounts sought for recovery by Enbridge Gas are specifically repeated under the sub-heading "Relief Sought" below. It should be noted that these account balances as presented do not include interest calculated to the date of disposition. Interest will be accrued up to the disposition date in accordance with the applicable accounting orders. This will be reflected in the draft rate order filed following the OEB's decision in this proceeding.
8. The specifics of Enbridge Gas's proposed allocation of 2021 DSM-Related Deferral and Variance Account balances to rate classes, disposition methodology and unit rates for disposition were set out in the pre-filed evidence at Exhibit B, Tabs 1-3 for the EGD rate zone and at Exhibit C, Tabs 1-3 for the Union rate zones. As noted by OEB Staff, the allocation of amounts proposed for disposition are consistent with the OEB's 2015-2020 DSM Guidelines and the EC's 2021 Annual Verification Report.⁸

⁶ 2021 Natural Gas Demand-Side Management Annual Verification Report, Ontario Energy Board (November 1, 2022) <https://www.rds.oeb.ca/CMWebDrawer/Record/759906/File/document> (the "Report").

⁷ Report, section 10.A.

⁸ OEB Staff Submission August 1, 2023, page 4.

SUBMISSIONS OF PARTIES

9. Given the extensive review of the Company's DSM activities and results in 2021 by the EC and EAC, and with the Company accepting the conclusions of the EC and proposing the clearance of the amounts accepted by the EC as being appropriate, Enbridge Gas submits that it is not surprising that OEB Staff stated the following in their August 1, 2023 submission:

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."⁹
And;

"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."¹⁰

10. Similarly, none of the intervenors expressed any concerns about how the balances recorded in the various accounts were calculated nor with the conclusions reached by the EC as stated in the EC's Report. What OEB Staff and several intervenors argue is that there should be after the fact arbitrarily determined adjustments to the results approved by the EC and EAC. Enbridge Gas submits that this is inappropriate and inconsistent with the DSM Framework.
11. Notwithstanding the finalization of audit results by the independent EC and the issuance of its opinion and review by the EAC, OEB Staff submit:

OEB Staff submits that the findings from the eTools validation study [released after the EC's final report] should be applied to the 2021 DSM shareholder incentive and lost revenue account balances for the EGD and Union rate zones."¹¹

⁹ OEB Staff Submission August 1, 2023, p. 4.

¹⁰ OEB Staff Submission August 1, 2023, p. 5.

¹¹ OEB Staff Submission August 1, 2023, p. 8.

12. SEC supports OEB Staff's submission that the eTools study should be applied to 2021 however it takes exception to the calculation and quantification of the eTools adjustments as proposed by OEB Staff.¹² The SBUA agrees with OEB Staff¹³ and CME and VECC support SEC's submission.¹⁴

RESPONSE OF ENBRIDGE GAS

13. It should be noted that the eTools Boiler Tool Validation Study was not filed with the Company's prefiled evidence because it was not complete and available for use by the EC at the time of its review and validation of 2021 DSM results. The EC, DNV, was aware of this fact as DNV was the entity that was undertaking the eTools study. While the study was filed in response to an interrogatory request,¹⁵ there is very limited additional information about the eTools study on the record in this proceeding.
14. Given this, a brief introduction to the study is appropriate using language from the study itself. The Executive Summary of DNV's eTools Validation Report noted the following:

EGI uses eTools to estimate gas savings from the installation of energy-efficient boiler equipment offered through EGI's Custom Commercial Program and Affordable Multi-Family Housing Program. These programs, approved by the Ontario Energy Board (OEB) as part of EGI's broader natural gas demand side management (DSM) portfolio, offer customers incentives and guidance related to specific retrofits at their buildings which typically include efficiency upgrades to the boilers. ...

Gas consumption savings in eTools are estimated (ex ante) utilizing pre-period gas consumption and detailed engineering assumptions. The OEB

¹² SEC Submission August 8, 2023, p. 1.

¹³ SBUA Submission, August 9, 2023, p. 1.

¹⁴ CME Submission August 9, 2023, p. 1 and VECC Submission August 9, 2023, p 2. respectively

¹⁵ Exhibit I.SEC.1 Attachment 1.

has accepted these estimates as part of its evaluation process and subsequently, to calculate performance incentives and lost revenues.¹⁶

15. DNV undertook a review of eTools which it described as a sophisticated engineering-based estimation calculator that exceeds industry standard practice and generates local knowledge of implementation practices.¹⁷ The eTools study was issued on January 31, 2023 three months after the independent EC, DNV, completed its review and issued the EC Report on November 1, 2022.
16. Enbridge Gas submits that what OEB Staff and several parties propose is inconsistent with the DSM framework and the expectations of the OEB. Allowing parties to put forward changes to results after the EC has approved audited results without the involvement of the independent EC nor of the EAC would result in unaudited, untested and disputed results to be eligible for clearance approval. Importantly, the e-Tools study was only released on January 31, 2023. The independent EC, DNV, had not relied upon the study, which was incomplete at the time of the EC's finalization and approval of the 2021 DSM audited results. DNV therefore did not consider the results for the purposes of its opinion. The EAC has similarly not opined on the study's impact on the 2021 DSM results, if any.
17. Other than the study itself, there is nothing on the record which speaks to whether or not the study's results should be applied to 2021 DSM results. The fact is that the e-Tools study related to activities up to and including 2019. It did not apply to activities in 2021, and as is noted further below, Enbridge Gas has made

¹⁶ Exhibit I.SEC.1 Attachment 1, p 4.

¹⁷ Exhibit I.SEC.1 Attachment 1, p. 5.

adjustments to its baseline assumptions and other program offering parameters as a result.

18. As confirmed by SEC, there are different interpretations as to how the e-Tools study should be applied to 2021 DSM results. OEB Staff propose that the EC validated DSMI results be adjusted downward by \$247,704 for the EGD rate zone and \$34,687 for the Union rate zone.¹⁸

19. In contrast SEC states at pages one and two of its submission:

SEC has two concerns about the calculation of the e-Tools adjustment.

First, the actual recommendation of the evaluation contractor with respect to the continuing use of e-Tools to calculate boiler savings is as follows:

"After implementation of list items 1.a. and 1.b., the recommended realization rate from the study (84%), can be applied to evaluate aggregate eTools boiler gross savings. This recommended realization rate uses that described in 1a) above as well as incorporates the findings from EGI's study of non-participants natural gas consumption trends (APPENDIX A), explained in Section 3.11."

The underlined section refers to recommendations of the Evaluation Contractor that the boiler savings be recalculated to a) replace the 73% default thermal efficiency with 80.1% for space heating and 81.8% for water heating, and b) assume control settings are the same as the replaced system, unless there is documented evidence to the contrary.

It is not clear from the response to I.SEC.1 that Enbridge has made those adjustments in calculating the impact of adjusting e-Tools. The 84% adjustment factor is only correct if it is applied AFTER those adjustments are made.

20. SEC then goes on to note that by its calculations, the adjustment factor would increase from 55% to 79%. SEC describes this as not a small difference.¹⁹ SEC

¹⁸ OEB Staff submission August 1, 2023, p.8

¹⁹ SEC Submission, August 8, 2023, p. 2.

asks the OEB to require Enbridge Gas to provide the details of the adjustments made.²⁰ SEC does not propose how this can be done at this late stage.

21. To be clear, what SEC is proposing is that the EM&V process begin again and this proceeding would continue well into the future. Presumably SEC would want further involvement of the EC and EAC lest Enbridge Gas's calculations be the only ones considered by the OEB.
22. SEC's second concern is raised on page two of its submission. SEC erroneously states: "Second, e-Tools boiler savings have historically been about 25% of reported and claimed lifetime cubic meters saved. In their calculation of the impacts for 2021, the Applicant has used total e-Tools savings of 185.4 million CCM out of 1,707.5 million CCM total, which is 10.9%, less than half the historical average."
23. SEC misstates DNV, which quoted correctly stated: "Historically, commercial and multi-residential projects containing boiler system interventions have represented approximately 25% of **annual custom** (emphasis added) program savings."²¹ SEC has therefore inappropriately used the entire portfolio lifetime/ccm total, rather than total custom projects annual savings, to yield 1,707.5 million CCM and then calculate 25% for comparison. A quick review of the Enbridge Gas annual report clearly identifies many offers with significant portions of the total savings that do

²⁰ SEC Submission, August 8, 2023, p. 2.

²¹ Exhibit I.SEC.1, Attachment 1, page 4 of 57.

not fall under custom umbrella. SEC's second submission is therefore simply wrong.

24. Enbridge Gas disputes SEC's comments and calculations as set out above. Unfortunately, given that the comments are first made in final argument rather than to the independent EC or the EAC, there is nothing on the record which would allow Enbridge Gas to demonstrate the error of SEC's submissions. The fact that SEC interprets the impact on 2021 DSM results differently than OEB Staff, confirms the problem with considering adjustments subsequent to when the independent EC's audit is completed and based on information and data that was not available to the EC.
25. The Company notes that while it is appropriate to retroactively apply input adjustments of a studied year to that year's results as part of the audit and EM&V process in order to calculate DSMI and LRAM, this is not what OEB Staff and SEC are proposing. Enbridge Gas notes that section 7.1.4 Finalization of the Audit & Evaluation Report of the DSM Filing Guidelines states:

After incorporating all relevant information, including recommendations and proposed revisions to the draft results, the auditor **[i.e. the independent EC]** will finalize the Audit & Evaluation Report and submit to the Board. The Final Audit & Evaluation Report should include all relevant information regarding annual DSM program results. The Board will annually report on each utility's final results for its DSM programs. The Board expects that the utilities will use the results of the Final Audit & Evaluation Report when they file for disposition of their respective DSM deferral and variance accounts.²²

²² EB-2014-0134 Filing Guidelines to the 2015-2020 DSM Framework, p. 20.

26. The Company submits that it is clear from the above that the OEB does not expect nor should there be an ability of any party to propose adjustments to results so late in a proceeding. Indeed, utilities are directed to use the results of the Final Audit & Evaluation Report when they file for disposition of their respective DSM deferral and variance accounts.
27. OEB Staff provided two examples in its submission as alleged precedents. Enbridge Gas submits that neither is an example of proposing adjustments subsequent to the Independent EC issuing the final audit and evaluation report relying on information that was not available when the EC conducted its review.
28. OEB Staff pointed to, as an example, the 2015 DSM Framework that notes that the shareholder incentives for the 2015 program year should be based on the evaluations of the 2015 results that would occur in the 2016 calendar year.”²³
29. This reference is not an example of the retroactive application of a realization rate to post-audited results, but rather a statement of policy, that “for custom programs, the result of the most recent program evaluation, including all updates to net-to-gross values, are to be used to derive custom program results.”²⁴ It is an example of the OEB confirming that the audit of the prior years results should make use of best available information. It is not a precedent for in effect allowing any party to propose adjustments to results approved by the independent EC given the release

²³ OEB Staff Submission, August 1, 2023, p. 7

²⁴ EB-2017-0324, Decision and Order, July 12, 2018, p. 6.

of additional data or information after the final audit and evaluation report is released and filed as the basis for a clearance application.

30. OEB Staff further submitted that, “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.”²⁵
31. In this 2018 DVA case, the evaluation of free ridership was complete **prior to the final annual verification report by the EC**, and the EC applied the free ridership results for the purposes of their annual verification report. As a result, Enbridge Gas’s application to dispose of balances in certain deferral and variance accounts related to the delivery of conservation programs in 2017 and 2018 (EB-2020-0067) matched the EC’s report, and was approved. There was no request for adjustments subsequent to the EC’s verification report based on information that was not available at the time of the independent EC’s review.
32. In this Application, the EC did not verify the application of the e-Tools study nor calculate any impact of same to Enbridge Gas’s 2021 DSM results. The EC’s final audit report in fact notes that this analysis was not yet complete:

At the time this report was published, the EC was continuing to study and compare the savings estimates from Enbridge Gas Inc.’s digital tool (eTools) with those estimated by modelling site-level energy usage from customer bills. As this study was ongoing, we did not provide any conclusions from that investigation in this report.²⁶

²⁵ OEB Staff Submission, August 1, 2023, p. 7.

²⁶ 2021 Natural Gas Demand-Side Management Annual Verification Report (DNV), November 1, 2022, p. 3.

33. As well, the EC's eTools Validation Study did not recommend the retroactive application of the realization rate to the 2021 program year, despite the fact that DNV was concurrently working on the 2021 Final Annual Verification report (i.e. the EC Report) and the eTools study. In fact, DNV's Evaluation Recommendations are entirely future looking, noting for future eTools commercial boiler evaluations, Enbridge Gas should continue using eTools for implementation and evaluation and after implementation of two recommendations, the recommended realization rate of 84% can be applied.²⁷ While the EC does not specifically outline why their recommendations are forward looking and not retroactive, the Company believes that this is because the data for the eTools study is based on projects up to 2019. The EC is aware that Enbridge Gas has continued to make changes to its application of eTools, including base assumptions. Knowing this, the Company is of the view that it is more prudent to apply DNV's findings going forward when these changes could be properly captured and considered in their analysis and recommendations.
34. Enbridge Gas does acknowledge the right of all parties to challenge the conclusions reached by the independent EC in a clearance application but such a challenge must be based upon the best available information that exists at the time of the EC's evaluation and approval. If the EC missed something or made a mathematical error, these are appropriate matters to raise but if data or information is released months after the EC's final verification report is released, to then argue

²⁷ Exhibit I.SEC.1, Attachment 1, pp. 43 and 44.

that the audited results should be adjusted, without the input, review and approval of the EC nor EAC is inappropriate.

35. In this Application, there is a Final Evaluation Report, the EC Report, which was produced by the OEB Staff's independent EC, and all parties involved, including Enbridge Gas and OEB Staff, agreed to its contents. It was published on November 1, 2022. There is no suggestion that DNV missed anything or made a mathematical error.
36. Following its issuance, new information became available, on January 31, 2023. If the results from this report are retroactively applied, then it would mean that it would be appropriate in the future to apply any new information that arises after the Final Annual Verification Report is produced to adjust the audited results even though the adjustments have not been vetted by the EC. For example, if Enbridge Gas learns that savings from a specific project were under-represented as a result of increased production at a facility or if a new study was completed that showed higher efficiency of a particular technology that was used in a number of custom projects, should Enbridge Gas be allowed to submit evidence post-audit to support an increased DSMI, without the consideration and opinion of the independent EC? Enbridge Gas believes OEB Staff and intervenors would strongly oppose this. Obviously if challenges to results approved by the EC in its final report are permitted based on data and information released subsequently, the challenges must be permitted going both ways.

37. A decision that approves the use of post-audit new information to determine deferral and variance account balances would open the door to increased deviations from audited results. It would turn clearance applications into a process that is no longer mechanistic in nature and would require the OEB to in effect assume the role of the independent EC and to adjudicate on disputed results, the very thing that the DSM Framework is designed to avoid. It could also greatly lengthen the time required to complete clearance applications.
38. If it was Board Staff's intention that the results of the eTools study be applied to the 2021 program year, it should have directed DNV to delay the EC Report until the eTools study was complete three months later. However, it is Enbridge Gas's belief that this would have triggered significant additional work in reviewing the hundreds of relevant projects in accordance with the auditor's recommendations. Had this occurred, these values would have been considered by DNV as part of its audit process and they would have been submitted as evidence in this application. The results would then have been subjected to the full regulatory process, including interrogatories, argument and the ultimate determination by the OEB. Neither Enbridge Gas nor any stakeholder has had a chance to question or refute any of the findings in the eTools Validation study as proposed to be applied to the 2021 DSM results. . Going forward the Company believes it would be appropriate for DNV to apply the eTools study for the purposes of the independent EC's review of 2022 DSM results.
39. Finally, in Table 2 from Page 8 of OEB Staff's submission they provide the following LRAMVA calculation.

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.

40. There are two errors with OEB Staff's calculations. First, a large majority of eTools boiler projects are not undertaken by customers in rate classes where the LRAM applies. OEB Staff have failed to note that LRAM values are only applicable to certain rate classes as identified in the 2021 Natural Gas Demand-Side Management Annual Verification Report.²⁸
41. Second, since LRAM is based on partially-effective savings, as projects occur at different points during the year, not all savings start on January 1, there is a proration factor used in the LRAM calculation to account for this.²⁹
42. Enbridge Gas therefore submits that the adjustments proposed by OEB Staff are not sound methodologically and mathematically and should therefore be denied. This is another example of the concerns that arise by parties proposing adjustments to values without the involvement and review by the EC.

²⁸ Exhibit I.SBUA.1 Attachment 1, p. 142.

²⁹ Ibid.

CONCLUSION & RELIEF SOUGHT

43. The Company submits that the Independent EC, DNV, delivered its final verification report. No party has questioned the results reached and approved by DNV based upon the best available information at the time. What several parties including OEB Staff now propose is that a study released 3 months later should be applied to 2021 DSM results without the input of the EC or EAC. Enbridge Gas disputes the calculations made by OEB Staff and SEC, which themselves are not consistent. Enbridge Gas submits that such unaudited and untested impacts should not be relied upon for the purposes of this clearance application approvals.
44. Enbridge Gas therefore seeks an order approving the amounts recorded in the following accounts and clearing same through to rates at the next available QRAM.

Table 1

2021 DSM Deferral and Variance Account Balances - EGD Rate Zone

Account	2021
DSM Variance Account	\$1,862,404
DSM Incentive Deferral Account	\$4,961,553
LRAM Variance Account	\$37,476
Total Balance	\$6,861,433

Table 2

2021 DSM Deferral and Variance Account Balances - Union Rate Zones

Account	2021
DSM Variance Account	(\$11,372,617)
DSM Incentive Deferral Account	\$1,469,503
LRAM Variance Account	\$697,467
Total Balance	(\$9,205,646)

All of which is respectfully submitted August 23, 2023



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