

March 19, 2024

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 or the Company)
Ontario Energy Board (OEB) File No.: EB-2023-0062
2021 Demand Side Management (DSM) Deferral and Variance Account
Disposition Application
Enbridge Gas Comments**

This letter is in response to the OEB's Procedural Order No. 2, dated October 18, 2023, directing Enbridge Gas and interested parties to file comments on the Evaluation Contractor's (EC) updated 2021 cumulative natural gas volume savings and shareholder incentive amounts as set out in DNV's memorandum dated February 9, 2024.

It is appropriate to first reference Enbridge Gas's Letter dated September 20, 2023¹, which provided a chronology of relevant events to provide context to this submission. This chronology confirmed that the final eTools Boiler Tool Validation Study (eTools Study), including the first appearance of the final realization rate and implementation recommendations, was dated January 31, 2023, postdating the EC's Final 2021 Annual Verification Report dated November 2022 (the Final 2021 Report).

Enbridge Gas applied for the disposition of 2021 DSM deferral and variance accounts consistent with the amounts verified by the EC in its Final 2021 Report as required by the Filing Guidelines to the 2015-2020 DSM Framework, which state: "*The Board expects that the utilities will use the result of the Final Audit & Evaluation Report when they file for disposition of their respective DSM deferral and variance accounts.*"²

In response, OEB Staff and certain Intervenor proposed the application of a new realization rate, one which was released subsequent to the issuance of the EC's Final 2021 Report. While Enbridge Gas does not object to parties questioning the EC's results as set out in its annual verification report based on the information available to

¹ [EB-2023-0062, Enbridge Gas Submission, September 20, 2023](#), pp. 1-2.

² EB-2014-0134, Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020), December 22, 2014, Section 7.1.4, p. 20.

the EC, the application of study results that post-date the EC's final audit report is unprecedented and concerning to Enbridge Gas.

Although the Company believed it was inappropriate to apply the eTools Study realization rate to 2021 results and noted that there were unresolved questions about how to apply the results, Enbridge Gas responded to SEC interrogatory 1 with an estimate of the impact of applying the realization rate to all eTools boiler projects. This interrogatory response estimated a total DSMI impact to the Enbridge Rate Zone of (\$247,704) and a total DSM impact to the Union Rate Zones of (\$34,687).³

In its Submission dated August 8, 2023, referring to the potential impact of applying the eTools Study realization rates to 2021 results, SEC stated that *"the reduction in the shareholder incentive amount could easily be more than two million."*⁴ Enbridge Gas replied disputing SEC's comments noting that they were based on erroneous statements.⁵

The OEB stated in Procedural Order No. 2:

*"The OEB has determined that it requires updated calculations for the 2021 cumulative natural gas savings volumes and shareholder incentive amounts, which reflect all pertinent adjustments recommended in the eTools validation study."*⁶

This language and the fact that the OEB directed parties to comment on the EC's February 9, 2024 memo suggests that that the OEB has not yet determined whether or the extent to which the eTools Study should impact the final results included in the EC's Final 2021 Report. For the reasons set out below, Enbridge Gas submits that the results verified by the EC in its Final 2021 Report should not be changed.

First, it is important to note the impact of what has transpired. In accordance with Procedural Order No. 2, Enbridge Gas's application for the disposition of 2021 DSM Deferral and Variance Accounts was placed in abeyance. This delay has had the following consequences:

- The 2022 program year annual verification was paused.
- As the Target Adjustment Mechanism ("TAM") utilizes post-audited results, the determination of 2022 program year targets has been delayed.
- Ratepayer costs associated both with the EC's updated calculations and EAC members' time have increased.
- Enbridge Gas has been unable to apply for the disposition of 2022 DSM Accounts.

³ EB-2023-0062, Interrogatory Responses, July 14, 2023, Exhibit I.SEC.1, Attachment 2.

⁴ EB-2023-0062, SEC Submission, August 8, 2023, p. 2.

⁵ EB-2023-0062, Enbridge Gas Reply Submission, August 23, 2023, pp. 8-9.

⁶ EB-2023-0062, Procedural Order No. 2, October 18, 2023, p.2.

Second, the EC's memo dated February 9, 2024 indicated a total DSMI impact to the Enbridge Rate Zone of (\$427,753) and a total DSMI impact to the Union Rate Zones of (\$60,293). This reduction represents approximately 8.6% of the DSMI for the Enbridge Rate Zone and 4.1% of the DSMI for the Union Rate Zones. This aggregate reduction is significantly less than SEC's assertion that the impact "*could easily be more than two million*".

In Enbridge Gas's view, the actual reduction to the DSMI is relatively minor when compared to the additional time, cost, and delays that have and are continuing to occur to other evaluation deliverables. Such additional costs and delays will be materially compounded should parties believe that what has occurred in this proceeding sets a precedent for future clearance applications.

No party should be supportive of a process that in effect never ends and permits any party to require updates to an EC's final annual verification report based on information released **subsequent** to the issuance of the EC's final report. Certainly, parties should be at liberty to question the findings of the EC but not require that the EC apply values that were not available at the time of the EC's work. If this is permitted, it will most certainly lengthen clearance proceedings immeasurably. There will always be a new study or "better" information that will be generated after the EC has completed its final verification study that some party will argue should now be taken into account.

It is Enbridge Gas's view that the eTools Study adjustments as calculated by the EC should not apply to the 2021 program year as it is inappropriate and sets a precedent for an inefficient process, which would be contrary to one of the key objectives of the OEB's 2014 Framework namely the establishment of a verification process that was both thorough and efficient⁷. Consistent with this, regulatory efficiency has been a recurring theme in the recent mandate and direction letters issued by the Minister of Energy.

On November 15, 2021, the Minister highlighted as a priority "*Modernizing and streamlining processes to reduce regulatory burden is vitally important to the work of an efficient and effective regulator*."⁸ In subsequent letters in 2022⁹ and 2023¹⁰, the Minister identified the urgent need to reduce red tape and the cost of regulation.

Consistent with this efficiency objective, Enbridge Gas believes the OEB should approve the 2021 DSM Deferral and Variance Account Balances as filed as these values are aligned with the EC's Final 2021 Report in adherence to the Filing Guidelines. Allowing for the introduction of new information into the disposition proceeding following the final annual verification report is inefficient and sets a precedent that will result in additional costs and delays in the future. To be clear, Enbridge Gas does support the application of the eTools Study adjustments to 2022

⁷ EB-2014-0134, Report of the Board, Demand Side Management Framework for Natural Gas Distributors (2015-2020), December 22, 2014, Section 7.2, p. 30.

⁸ Mandate Letter, November 15, 2021, p. 3.

⁹ Letter of Direction, October 21, 2022, p. 4.

¹⁰ Letter of Direction, November 29, 2023, p. 5.

DSM results as this information was available prior to completion of their final verification report.

However, in the event the OEB chooses to apply the eTools Study realization rate to the 2021 program year as calculated by the EC, Enbridge Gas submits that it becomes important for a comprehensive set of rules governing the application of post-audit changes to program results to be made available to guide future applications and parties. Enbridge Gas respectfully requests that the OEB provide for a process for the development of detailed rules for future clearance proceedings which clearly set out the threshold conditions that must exist before a party may request that an EC revisit its final report and the process and timelines that must be followed in such a case. Such rules would help ensure that the Ministry of Energy's mandate requiring a reduction in regulatory burden is met.

If you have any questions, please contact the undersigned.

Sincerely,

Anton Kacicnik

Anton Kacicnik
Manager, Regulatory Applications

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