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Enbridge Gas Inc.
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VIA EMAIL and RESS

April 22, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (“Enbridge Gas” or the “Company”)
Ontario Energy Board (“OEB”) File No.: EB-2021-0002
2022-2027 Demand Side Management (“DSM”) Plan Application
Residential DSM Program Update**

Enbridge Gas’s Home Efficiency Rebate Plus (“HER+”) offering, which included funding support from NRCan via the Canada Greener Homes Grant (“CGHG”), has been extremely successful throughout Ontario and, as a result of high levels of participation, funding for the CGHG has been fully committed and the CGHG and HER+ offering are now closed to new applicants.

Accordingly, Enbridge Gas is notifying the OEB of an amendment to the contribution agreement between NRCan and Enbridge Gas related to the HER+ offering. The amendment was executed to support the high levels of participation for the HER+ offering and to address actual average participant incentives being greater than forecasted average participant incentives.

Additionally, to ensure continued comprehensive residential whole-home DSM programming for 2024 and 2025 in light of the changes to the CGHG and HER+ offering, Enbridge Gas is requesting the OEB’s confirmation that its approval of residential whole-home DSM programming within its Decision and Order for the Company’s 2022-2027 DSM Plan Application (EB-2021-0200) (“OEB Decision”) extends to a replacement offering as described below.

Enbridge Gas is also providing an update regarding DSM Variance Account (“DSMVA”) overspend related to the HER+ offering.

Background

Within Enbridge Gas’s 2022-2027 DSM Plan Application (EB-2021-0200) (“DSM Plan”), the Company proposed residential DSM programming that did not contemplate funding support from NRCan, as no agreement with NRCan had been reached at the time of

filing. During the course of the DSM Plan proceeding, Enbridge Gas executed and filed a contribution agreement between NRCan and the Company which set out the parameters of a jointly-funded NRCan/DSM residential whole-home offering. The OEB Decision (dated November 15, 2022) approved residential whole-home DSM programming and the jointly-funded NRCan/DSM residential offering (i.e., the HER+ offering).

The HER+ offering has been extremely successful and has experienced high levels of participation. As a result, as of February 2024, funding for the CGHG has been fully committed and the CGHG and HER+ offering are now closed to new applicants. The CGHG will continue providing incentives committed to existing HER+ offering participants, subject to the completion of program eligibility requirements.

Amendment to NRCan/Enbridge Gas Contribution Agreement for the HER+ Offering

To support the high levels of participation for the HER+ offering and to address actual average participant incentives being greater than forecasted average participant incentives, NRCan and Enbridge Gas amended its contribution agreement effective March 2024. The amendment primarily increased NRCan's funding for the HER+ offering by \$53.8 million and reallocated NRCan-funded budget amounts from program administration and audit rebates to measure rebates.

Residential DSM Programming for 2024 and 2025

The OEB Decision approved a three-year DSM Plan effective from January 1, 2023 to December 31, 2025 which consisted of residential whole-home DSM programming and the jointly-funded NRCan/DSM HER+ offering. As described above, as of February 2024, funding for NRCan's CGHG has been fully committed and the CGHG and HER+ offering are now closed to new applicants. While the OEB Decision approved residential whole-home DSM programming to help consumers upgrade their homes and reduce their natural gas consumption, the OEB Decision did not contemplate a scenario where funding for the CGHG was fully committed prior to the end of the DSM Plan term (i.e., before December 31, 2025).

To ensure continued comprehensive residential whole-home DSM programming for 2024 and 2025 in light of the changes to the CGHG and HER+ offering, Enbridge Gas is requesting the OEB's confirmation that its approval of residential whole-home DSM programming within the OEB Decision extends to a replacement offering as described below.

Enbridge Gas plans to implement a replacement residential whole-home DSM offering – the Home Efficiency Rebate (“HER”) offering – which is similar in nature to the HER+ offering. The HER offering will include the same pre-audit and post-audit format and the same gross measurement methodology as the HER+ offering. There will be no changes to the requirement for participants to be a natural gas customer at the time of the pre-audit or the post-audit, allowing for community expansion customers to participate and for existing natural gas customers to participate if they exit the natural gas system. Additionally, no incentives will be made available for natural gas equipment. The HER

offering would use the HER+ offering budget and there are no changes required to the residential program scorecard target for 2024 or 2025.

At the time of the HER offering launch, Enbridge Gas expects that the HER offering's measures will be similar to the HER+ offering's measures, as set out by the OEB at Schedule B of the OEB Decision. Importantly, however, Enbridge Gas notes three concerns regarding the offering's measures and incentives.

First, the DSM-funded incentive levels set out at Schedule B of the OEB Decision were established by the OEB under the assumption that they would be stacked with NRCan-funded incentives, and were not established in a manner that would maximize natural gas savings without NRCan-funded incentives, therefore adjustments are required. For example, incentive levels of \$75 to \$550 for attic/cathedral insulation are not sufficient to drive uptake for those measures and having no rebate available for pre-audits and post-audits is not sufficient to encourage participation in the offering.

Second, Enbridge Gas is mindful that the OEB expects the Company to manage the Total Resource Cost Plus ("TRC+") results of its DSM programs. Enbridge Gas is concerned that some of the DSM-funded incentives included at Schedule B could hinder the Company's ability to manage TRC+ results, therefore adjustments are required. For example, Enbridge Gas plans to establish tiered incentives for electric cold climate air source heat pumps at \$500 per ton of capacity rather than a fixed incentive of \$1,500 per unit, to ensure the measure's incentive structure corresponds with the natural gas savings and TRC+ results the measure drives.

Third, Enbridge Gas has initiated discussions with the Independent Electricity System Operator ("IESO") with the goal of establishing a one-window offering for residential consumers in Ontario. While discussions have not progressed to a point where a formal update or announcement can be issued, Enbridge Gas believes that collaboration between the IESO and the Company will begin before the end of the DSM Plan term (i.e., before December 31, 2025). To enable effective program collaboration with the IESO, Enbridge Gas may be required to adjust its residential DSM programming beyond what can be contemplated today. For example, an IESO/Enbridge Gas one-window residential offering could consist of a standalone residential electric heat pump offering (that includes DSM-funded incentives stacked with IESO-funded incentives) rather than electric heat pump incentives being offered as part of the whole-home HER offering.

To mitigate the above-noted concerns, Enbridge Gas can utilize the flexibility provided by the OEB Decision to adjust the Company's program design, including adjusting measures and incentives as necessary.¹ While the OEB Decision requires the Company to seek OEB approval where "Enbridge Gas and NRCan agree to changes equal to or greater than 20% of the approved ratepayer funded incentives for any single measure outlined in Schedule B",² Enbridge Gas submits that this requirement was issued in the context of the jointly-funded NRCan/DSM offering only and not in the context of all other DSM offerings. Enbridge Gas submits that flexibility to manage its DSM offerings

¹ OEB Decision, p. 26: "The OEB confirms that Enbridge Gas is responsible to make decisions on any changes to its DSM Plan and programs and offerings within the parameters established by this Decision and Order."

² OEB Decision, p. 29.

continues to be the appropriate approach for all DSM offerings, including residential offerings that replace the jointly-funded NRCan/DSM offering. This will ensure ongoing effective and efficient DSM program design and implementation by Enbridge Gas and will enable successful collaboration with the IESO.

Enbridge Gas plans to launch the HER offering based on the modified list of measures and incentives set out at Attachment 1 to this letter. Importantly, while Attachment 1 sets out an initial list of measures and incentives, Enbridge Gas will need to continuously assess the offering's measures and incentives to determine whether they continue to maximize natural gas savings and optimize TRC+ results. Enbridge Gas anticipates that ongoing modifications to the initial list of measures and incentives could be made over time based on learnings and results from the HER offering and to enable successful collaboration with the IESO.

Enbridge Gas acknowledges that any residential offerings that replace the HER+ offering would be subject to the same DSMVA 15% maximum overspend provision applicable to all other DSM programs as provided in the OEB's Natural Gas DSM Framework. As a result, the HER offering would not be entitled to and is not approved for incremental spending above the DSMVA 15% overspend provision, as was the case for the HER+ offering specifically.³ Furthermore, as a result of Enbridge Gas requiring access to funding in excess of the DSMVA 15% overspend provision for the HER+ offering for 2024 (as described in the section below) and the requirement that spending for the HER offering does not exceed the DSMVA 15% maximum overspend provision, the Company will not have access to incremental funding that can be used for incentive payments for HER offering participants in 2024 and will therefore begin incentive payments as of January 2025. Enbridge Gas expects that most HER offering participants would not be impacted by a January 2025 start for incentive payments as the steps required to be eligible for incentive payments (i.e., the completion of a pre-audit, measure installation, and a post-audit) can take several months following the launch of the HER offering. Regardless, Enbridge Gas will advise potential HER offering participants of the January 2025 start for incentive payments.

Timely confirmation by the OEB that its approval of residential whole-home DSM programming within the OEB Decision extends to a replacement offering for 2024 and 2025 as described above is of critical importance, as not only are customers currently without access to residential whole-home DSM programming, but industry partners (such as service organizations and energy auditors) are experiencing decreasing program-related activities. Enbridge Gas is concerned that this could result in those partners being forced to leave the industry. Furthermore, ramping up lost industry capacity following a prolonged absence of residential whole-home programming in Ontario could require a significant amount of time. This could negatively impact the ability to achieve residential natural gas savings until the industry capacity is rebuilt.

Enbridge Gas anticipates that it will be able to launch the HER offering by June 1, 2024 and respectfully requests that the OEB issue the requested confirmation as soon as possible and no later than May 17, 2024. If the OEB requires a more formal process to address residential DSM programming for 2024 and 2025 Enbridge Gas respectfully

³ OEB Decision, pp. 31 and 33.

requests that the OEB initiate the process as soon as possible, understanding the timing considerations and concerns noted above. Enbridge Gas is not in a position to proceed with a replacement residential whole-home DSM offering until the requested confirmation, or other direction, is issued by the OEB.

HER+ Offering DSMVA Overspend

To support the high levels of participation for the HER+ offering, Enbridge Gas will be required to access funding in excess of the DSMVA 15% overspend provision.⁴ Within the OEB Decision the OEB contemplated a scenario where HER+ offering participation was greater than anticipated (due to more overall participants or average participant incentives being greater than forecast) and approved incremental spending above the 15% overspend provision for the HER+ offering specifically.⁵ Enbridge Gas anticipates that the overspend amount for the HER+ offering will be \$80 million to \$120 million above the HER+ offering budget in 2024. The total HER+ offering spend is therefore expected to be between \$160 million and \$200 million in 2024.

If you have any questions, please contact the undersigned.

Sincerely,

Haris Ginis
Technical Manager, Regulatory Applications

c.c. Dennis O'Leary (Aird & Berlis LLP, Enbridge Gas Counsel)
Josh Wasylyk (OEB Staff)
Intervenors (EB-2021-0002)

⁴ OEB Decision, p. 31: The DSM variance account overspend provision "allows for an incremental 15% of a program budget to be spent during the year should Enbridge Gas have met 100% of its performance scorecard metric on an unverified basis".

⁵ OEB Decision, pp. 31 and 33.

Attachment 1: Expected Initial Measures and Incentives for HER Offering

Qualifying Measure Criteria/Rebates – Maximum Rebate Cap of \$5,000

Qualifying Retrofit Measures	Rebate
ATTIC INSULATION	
Attic Insulation R12 or less (achieve R50)	\$1,500
Attic Insulation greater than R12 to R25 (achieve R50)	\$1,200
Attic Insulation greater than R25 to R35 (achieve R50)	\$900
Cathedral/Flat Roof Insulation R12 or less (achieve R20)	\$780
Cathedral/Flat Roof Insulation R12 or less (achieve R28)	\$780
Cathedral/Flat Roof Insulation greater than R12 to R25 (achieve R28)	\$780
EXTERIOR WALL INSULATION	
Wall Insulation (Add greater than R20 to 100% of building)	\$3,600
Wall Insulation (Add greater than R12 up to R20 to 100% of building)	\$2,100
Wall Insulation (Add greater than R7.5 up to R12 to 100% of building)	\$1,200
EXPOSED FLOOR INSULATION	
Exposed Floor Insulation (Add at least R20, min. area of 11m ² or 120 ft ²)	\$300
BASEMENT INSULATION	
Basement Insulation (Add greater than R22) to 100% of basement	\$1,500
Basement Insulation (Add R10 - R22) to 100% of basement	\$900
For sealing and insulating at least 80% of basement header to a min. R20	\$300
For sealing and insulating at least 50% of the entire basement slab by a min. of R3.5	\$500
CRAWL SPACE	
Basement Insulation (Add greater than R22) to 100% Exterior Crawl Space/Header)	\$1,200
Basement Insulation (Add R10-R22) to 100% Exterior Crawl Space/Header)	\$600
Basement Insulation (Add greater than R24) to 100% Crawl Space Ceiling)	\$1,200
WINDOWS/DOORS	
Each window, door or skylight replaced with an ENERGY STAR® certified model	\$50
AIR SEALING	
Achieve Base Target	\$120
Achieve 10% or more above Base Target	\$180
FURNACE/BOILER	
N/A	N/A
SPACE HEATING HEAT PUMP	
1 Ton ccASHP Ducted or Ductless System	\$500
2 Ton ccASHP Ducted or Ductless System	\$1,000
3 Ton ccASHP Ducted or Ductless System	\$1,500
4 Ton or larger ccASHP Ducted or Ductless System	\$2,000
Ground Source Heat Pump - Full System	\$3,000
Ground Source Heat Pump - Heat Pump Unit only	\$1,500
1 Ton ASHP Ducted or Ductless System	\$250
2 Ton ASHP Ducted or Ductless System	\$500
3 Ton ASHP Ducted or Ductless System	\$750
4 Ton or larger ASHP Ducted or Ductless System	\$1,000
DOMESTIC HOT WATER HEAT PUMP	
ENERGY STAR® Domestic Hot Water Heat Pump (DHW-HP)	\$500
ENERGUIDE EVALUATION	
Audit Costs (\$400 pre-retrofit evaluation, \$200 post-retrofit evaluation)	\$600