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BY EMAIL

December 5, 2024

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.
2022 Demand Side Management Deferral and Variance Account Disposition
Application
OEB File Number: EB-2024-0193**

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

Yours truly,

Michael Bell
Senior Advisor, Application Policy & Conservation

Encl.

cc: All parties in EB-2024-0193



ONTARIO ENERGY BOARD

OEB Staff Submission

Enbridge Gas Inc.

**2022 Demand Side Management Deferral and Variance Account
Disposition Application**

EB-2024-0193

December 5, 2024

Background

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) on August 31, 2024, under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval to clear balances recorded in certain 2022 deferral and variance accounts (DVAs) related to its delivery of natural gas conservation and energy efficiency programs for the 2022 program year.

Enbridge Gas has also applied for approval to include an interim disposition of \$60 million to offset a portion of amounts related to the Home Efficiency Rebate Plus (HER+) offering incurred in 2024.

A Notice of Hearing was issued on September 23, 2024. Procedural Order No. 1 was issued on October 18, 2024. The OEB indicated that OEB staff and School Energy Coalition may file submissions on the application by December 6, 2024, and December 13, 2024, 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. In 2021, the OEB approved the continuation of Enbridge Gas's 2021 DSM activities into 2022. These extensions consisted of a roll-forward of all existing components of Enbridge Gas' OEB-approved 2020 DSM plans.^{2 3}

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.⁴

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.⁵ The OEB's Evaluation Contractor (EC), consulting firm DNV, has

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

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

³ EB-2021-0002, Decision and Order, August 26, 2021

⁴ EB-2014-0134, Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), December 22, 2014

⁵ OEB Letter, EB-2015-0245, August 21, 2015

completed an independent review and verification of Enbridge Gas' DSM program results for the 2022 program year. As part of its evaluation activities, the OEB's EC has sought input and advice from the EAC, as required.

Application Summary

Enbridge Gas has requested approval of the 2022 DSM DVA balances shown in Table 1 below. Enbridge Gas indicated that it has relied on the EC's 2022 results included in the 2022 Annual Verification Report.⁶

Table 1 Requested 2022 Enbridge Gas DSM DVA Balances

Account	EGD Rate Zone	Union Rate Zones
DSM Variance Account (DSMVA)	\$3,157,694	(\$14,314,891)
DSM Incentive Deferral Account (DSMIDA)	\$5,236,372	\$0
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$34,771	\$722,953
Interest	\$557,506	(\$1,558,887)
Total Balances Requested	\$8,986,343	(\$15,150,825)

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 \$1.386 million in the Union rate zones that was not initially included in the 2015-2020 Decision but was approved by the OEB as part of the DSM Mid-Term Review.⁷

Before interest, Enbridge Gas is seeking approval to recover \$3.158 million from customers in the EGD rate zone and approval to credit \$14.315 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

⁶ EB-2015-0245, 2022 Natural Gas Demand Side Management Annual Verification Report, March 13, 2024

⁷ 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

rate class in 2022.

Before interest, Enbridge Gas is seeking approval to recover \$5.236 million from customers in the EGD rate zone and \$0 from customers in the Union rate 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 \$0.035 million from customers in the EGD rate zone and \$0.723 million from customers in the Union rate zones.

Disposition

Enbridge Gas proposes that the disposition of the 2022 DSM DVA balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as April 1, 2025, 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, 2022, to December 31, 2022.

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 \$8.69. 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 \$0.51. 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 \$6.79.

Proposed 2024 interim deferral disposition HER+

In addition, Enbridge Gas proposes to dispose of an additional \$60 million on an interim basis to offset a portion of the amounts incurred related to Enbridge Gas's HER+ offering in 2024. 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 \$16.21. 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 charge of \$16.71. 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 charge of \$16.71.

OEB Staff Submission

OEB staff makes the following submissions on the issues:

- DSM DVA balances and disposition methodology
- Proposed 2024 interim disposition of HER+ amounts

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 2022 Annual Verification report.

DSMVA Balance

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

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 that the 2022 program year continued to see unique challenges brought on by the COVID-19 pandemic that began in March 2020.

Enbridge Gas indicated that in the 2022 program year, it did not reach expected targets for DSM, particularly in the Union rate zones. There were many reasons why 2022 was a challenging year, including: supply chain shortages, staffing shortages (particularly in the more remote communities, which tend to be in the Union rate zones) and inflation.

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 overspending in the resource acquisition program (in particular, the residential HER offering), which is permitted as Enbridge Gas' scorecard result for the residential program exceeded 100% of the target on a pre-audited basis.⁸

Included in the DSMVA for the Union rate zones is an expenditure of \$1.386 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.⁹ 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.¹⁰ OEB staff notes that this is the fourth application in which Enbridge Gas is seeking recovery for incremental costs related to the adaptive thermostat program. Enbridge Gas noted that adaptive thermostat uptake

⁸ EB-2015-0029/0049, Decision and Order, January 20, 2016

⁹ EB-2017-0127, DSM Mid-Term Review Report, November 29, 2018

¹⁰ Ibid

increased by 28% in 2022 compared to 2020.¹¹ Enbridge Gas attributed it to the reopening of in-store shopping after closures related to the COVID-19 pandemic, successful marketing efforts and an increase in redemption rates of issued promotion codes.

DSMIDA Balance

Enbridge Gas' proposed DSMIDA balances are consistent with those produced by the EC as part of the 2022 Annual Verification Report. OEB staff supports the recovery of the proposed DSMIDA balances in the EGD and Union rate zones.

LRAMVA Balance

OEB staff supports the OEB approving the requested LRAMVA balance of \$0.035 million for the EGD rate zone and LRAMVA balance of \$0.723 for the Union rate zones, as requested by Enbridge Gas.

Enbridge Gas' proposed balance of \$0.035 million in the LRAMVA for the EGD rate zone does not align with the balance reported by the EC in its 2022 Annual Verification Report of \$0.058 million.

In an OEB interrogatory response¹², Enbridge Gas stated the following:

Consistent with historical practice, the annual rate setting process in the EGD rate zone includes a DSM volumetric adjustment for the expected natural gas savings that are partially effective for the current year, and the balance of DSM volumes not captured in the previous years' base rate volumes. Therefore, the 2022 LRAMVA balance contains a variance related to the 2022 DSM program year only. See Exhibit B, Tab 2, Schedule 1, Appendix 2 for a detailed presentation of the 2022 LRAMVA balance of \$0.035 million for the EGD Rate Zone, before interest.

OEB staff supports the OEB approving the requested LRAMVA balance of \$0.035 million for the EGD rate zone and LRAMVA balance of \$0.723 for the Union rate zones as these amounts represents the remaining balances 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

¹¹ EB-2024-0193, Application and Evidence, Exhibit A, Tab 4, Schedule 1, Page 63, August 30, 2024

¹² Exhibit I.STAFF-1, November 22, 2024

proceeding.¹³

Proposed 2024 Interim Deferral Disposition HER+

Enbridge Gas applied for approval to dispose, on an interim basis, of \$60 million (excluding interest) related to the HER+ offering in 2024. The forecast for 2024 Residential DSM program spending is expected to be approximately \$198.3 million¹⁴, \$120 million over the OEB approved budget for 2024. The request for disposition of a portion of this amount on an interim basis relates to residential customer classes only.

OEB staff submits that Enbridge Gas's requested interim disposition of HER+ amounts is reasonable. Although final program details and accounting of actual spending are not yet available, the details provided by Enbridge Gas in its application and interrogatory responses have given OEB Staff a reasonable level of certainty that Enbridge Gas has incurred significantly greater costs than approved 2024 DSM budget amounts. Based on this expected overspend, OEB staff agrees with Enbridge Gas that it is reasonable to dispose of a portion of the 2024 HER+ amounts on an interim basis to help mitigate the rate impact of the full 2024 program cost. Further, interim disposition of this \$60M will save ratepayers an estimated \$3M in interest charges which would otherwise be accrued while this balance was outstanding.¹⁵ OEB staff submits that, if the OEB approves this request, the decision should be clear that approval of the requested \$60 million of 2024 HER+ amounts is strictly on an interim basis, with a full prudence review of all spending related to the HER+ offer to take place as part of a future DSM DVA proceeding.

Enbridge Gas stated that the HER+ offering was very successful and many more ratepayers than expected participated in the program. As of February 2024, funding for the Canada Greener Homes Grant (CGHG) had been fully committed and the CGHG and HER+ offering was closed to new participants. The CGHG will continue providing incentives committed to existing HER+ offering participants, subject to the completion of program eligibility requirements. Enbridge Gas indicated that:

*The large overspend is due to the successful uptake of the jointly funded program offering, that experience both much larger participation rates, and higher than expected rebate amounts from participants installing higher cost/rebated measures and/or more measures than the original program forecasted. The combination of much faster uptake/participation and higher rebate per participant has driven a much larger incentive payment forecast for 2024 than the approved HER+ budget.*¹⁶

¹³ EB-2023-0062, Decision and Order, May 7, 2024

¹⁴ Application and Evidence, Exhibit D, Tab 1, Schedule 1, Page 3, Table 1

¹⁵ Application and Evidence, Exhibit D, Tab 1, Schedule 1, Page 5

¹⁶ Application and Evidence, Exhibit D, Tab 1, Schedule 1, Page 2

Enbridge Gas noted that the OEB anticipated that such a situation could arise and gave explicit instructions to Enbridge Gas in the DSM Plan Decision¹⁷ related to the HER+ program, permitting overspending greater than the DSM framework allowance of a 15% maximum on overspend amounts.¹⁸

Enbridge Gas stated that the purpose of this interim disposition is to smooth the rate impacts over two years of a large balance which would otherwise have had a large rate impact if cleared in the normal course in the clearance applications for the years 2024 and 2025.¹⁹ Enbridge Gas indicated that the clearance applications would likely be filed in 2026 and 2027 for disposition in 2027 and 2028 respectively.²⁰ Enbridge Gas proposes that the \$60 million HER+ amount be disposed of as part of a one-time billing adjustment as part of the next available QRAM (April 1, 2025). The remaining balance of the HER+ overspend amounts will be brought forward for approval and disposition in a subsequent application to the OEB.

In an OEB staff interrogatory²¹, Enbridge Gas was asked to confirm if , Enbridge Gas agreed that OEB staff and intervenors will have an opportunity to conduct a prudence review of all spending related to the HER+ program offering in its “subsequent application” to the OEB (which it notes will be the 2024 DSM DVA application) for final approval and disposition of the HER+ program offering. In response to the interrogatory, Enbridge Gas agreed that OEB staff and intervenors will have the opportunity to conduct a review of all spending related to the HER+ offering as part of its 2024 DSM DVA application.²²

In response to an OEB staff interrogatory²³, Enbridge Gas provided additional details on actual and forecasted program participation levels and rebates in each month in 2024²⁴. The approximate number of participants in 2024 is 96,000. The reported rebate spend for January – October 2024 is \$166.7 million and the forecasted rebate spend for November – December 2024 is \$30.8 million.²⁵ The forecasted total rebate spend in 2024 is \$197.5 million.²⁶ For context, the OEB approved a residential whole home offering budget of approximately \$65 million for Enbridge Gas in 2024.

~All of which is respectfully submitted~

¹⁷ EB-2021-0002, Decision and Order, November 22, 15, 2022

¹⁸ Application and Evidence, Exhibit D, Tab 1, Schedule 1, Page 2

¹⁹ Application and Evidence, Exhibit D, Tab 1, Schedule 1, Page 1

²⁰ Ibid

²¹ OEB Staff-2, October 30, 2024

²² Exhibit I.STAFF-2, November 22, 2024

²³ OEB Staff-2, October 30, 2024

²⁴ Exhibit I.STAFF-3, November 22, 2024

²⁵ Ibid

²⁶ Ibid