



Ontario Energy Board | Commission de l'énergie de l'Ontario

**BY EMAIL**

January 19, 2026

Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Mr. Murray:

**Re: Ontario Energy Board (OEB) Staff Submission  
Enbridge Gas Inc.  
2023 Demand Side Management Deferral and Variance Account Disposition  
Application  
OEB File Number: EB-2025-0189**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

Taiwo Ishmail  
Advisor, Application Policy & Conservation

Encl.

cc: All parties in EB-2025-0189



# ONTARIO ENERGY BOARD

## OEB Staff Submission

**Enbridge Gas Inc.**

**2023 Demand Side Management Deferral and Variance Account  
Disposition Application**

**EB-2025-0189**

**January 19, 2026**

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) on October 14, 2025, under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval to clear balances recorded in certain 2023 deferral and variance accounts (DVAs) related to its delivery of natural gas conservation and energy efficiency programs for the 2023 program year.

A Notice of Hearing was issued on November 7, 2025. Procedural Order No. 1 and Procedural Order No. 2 were issued on November 28, 2025, and December 18, 2025, respectively. The OEB indicated that OEB staff and intervenors may file submissions on the application by January 19, 2025.

OEB staff support Enbridge Gas's recovery of the following 2023 DSM DVA balances:

- **DSMVA:** Recover \$10.679 million from customers in the EGD rate zone and credit \$6.788 million to customers in the Union rate zones.
- **DSMIDA:** Recover \$3.852 million from customers in the EGD rate zone and \$3.254 million from customers in the Union rate zones.
- **LRAMVA:** Recover \$0.008 million from customers in the EGD rate zone and \$0.616 million from customers in the Union rate zones.

OEB staff also makes the following submissions on key issues raised in the application:

### **DSM DVA balances and incremental M7 rate class DSM cost**

OEB staff acknowledges that DSM spending for the M7 rate class exceeded the amount embedded in rates and notes that this overspend is compliant with the 2023 DSM Framework. OEB staff recommends that the OEB review policies related to budget transfers between rate classes and rate class level overspending as part of Enbridge Gas's pending 2027+ DSM plan proceeding.

### **Discrepancy between the DSMIDA balance and balance in the 2023 Annual Verification Report**

The DSMIDA balance filed by Enbridge Gas differs from the balance in the 2023 Annual Verification Report due to an Evaluation Advisory Committee (EAC) approved update to the verification adjustment for residential adaptive thermostats. OEB staff consider the process to update the installation rate rigorous and reasonable. The updated rate serves as a more accurate proxy until further Ontario specific research is completed.

### **Interim Disposition of 2024 Home Efficiency Rebate Plus (HER+) Overspend**

OEB staff recommends that the OEB direct Enbridge Gas to collect \$45 million related to HER+ overspend on an interim basis as part of this application. If approved, OEB staff submits that the decision should clearly state that approval is interim only, with a full prudence review of all HER+ spending to be conducted in a future DSM DVA proceeding.

## Background - 2023-2025 DSM Plan and Framework

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).<sup>1</sup> 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.<sup>2,3</sup> On November 15, 2022, the OEB approved a revised Natural Gas DSM framework as well as a new three-year DSM plan for the years 2023-2025.<sup>4</sup> The 2023 DSM program year was the first year of this three-year term.

The 2023 DSM Framework made updates to various elements of previous OEB policy, namely consolidating two companion documents: the Demand Side Management Framework for Natural Gas Distributor (2015-2020) and the filling guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020). Some of the updates introduced in the 2023 DSM Framework include:

- The maximum shareholder incentives available related to annual performance scorecards increased annually in alignment with Consumer Price Index inflationary increases.
- Enbridge Gas was made eligible for End of Term Natural Gas Reduction Incentives, the intent of which was to motivate the company to take action to achieve meaningful reductions in overall annual natural gas sales volumes.
- A change in the annual performance scorecards primary measurement metric from net cumulative cubic meters (“CCM”, lifetime natural gas savings”) to Net Annual Cubic Meters (“Annual m<sup>3</sup>”, net annual natural gas savings”).

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

<sup>2</sup> EB-2019-0271, Decision and Order, July 16, 2020

<sup>3</sup> EB-2021-0002, Decision and Order, August 26, 2021

<sup>4</sup> EB-2021-0002 Decision and Order, November 15, 2022

## Application Summary

Enbridge Gas has requested approval of the 2023 DSM DVA balances shown in Table 1 and seeks disposition of these balances as part of the April 1 QRAM. If, however, the 2023 DSM DVA balances are cleared as part of the July 1 QRAM, for the EGD zone the interest amount would increase from \$0.219 million to \$0.257 million, representing an increase of \$0.038 million. The Union Rate zone would see interest increase from \$0.231 million to \$0.267 million, representing an increase of \$0.036 million.

Enbridge Gas indicated that it relied on the EC's 2023 results included in the 2023 Annual Verification Report.<sup>5</sup>

**Table 1: Requested 2023 Enbridge Gas DSM DVA Balances  
(Assuming Clearance by April 1, 2026)**

Account	EGD Rate Zone	Union Rate Zones
DSM Variance Account (DSMVA)	\$10,678,557	(\$6,787,987)
DSM Incentive Deferral Account (DSMIDA)	\$3,852,334	\$3,254,015
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$7,636	\$615,773
Total (Excluding Interest)	\$14,538,527	(\$2,918,199)
Interest	\$218,863	\$231,064
<b>Total Balances Requested</b>	<b>\$14,757,390</b>	<b>(\$2,687,135)</b>

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

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.

Before interest, Enbridge Gas is seeking approval to recover \$10.678 million from customers in the EGD rate zone and approval to credit \$6.788 million to customers in the Union rate zones.

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 2023.

<sup>5</sup> EB-2022-0295, 2023 Natural Gas Demand Side Management Annual Verification Report, March 21, 2025

Before interest, Enbridge Gas is seeking approval to recover \$3.852 million from customers in the EGD rate zone and \$3.254 million from customers in the Union rate zones.

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 \$0.008 million from customers in the EGD rate zone and \$0.616 million from customers in the Union rate zones.

## Disposition

Enbridge Gas proposes that the disposition of the 2023 DSM DVA balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as April 1, 2026, 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, 2023, to December 31, 2023.

For a typical residential customer in the EGD rate zone with annual consumption of 2,400 m<sup>3</sup>, the estimated one-time billing adjustment is a charge of \$8.80. For a typical residential customer in the Union South rate zone with annual consumption of 2,200 m<sup>3</sup>, the estimated one-time billing adjustment is a refund of \$3.57. For a typical residential customer in the Union North rate zone with annual consumption of 2,200 m<sup>3</sup>, the estimated one-time billing adjustment is a refund of \$1.28.

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

As outlined in the 2023 DSM Framework, DSM results are to be evaluated on an annual basis and the results of this evaluation used by Enbridge Gas when filing applications for recovery of balances related to DSM activities.<sup>6</sup> The OEB's Evaluation Contractor (EC), DNV Energy Insights, has completed an independent review and verification of Enbridge Gas' DSM program results for the 2023 program year.

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<sup>6</sup> EB-2021-0002, Decision and Order, Schedule E, November 15, 2022 (the 2023 Framework)

## OEB Staff Submission

OEB staff is making specific submissions on the following issues:

- DSM DVA balances and incremental M7 rate class DSM cost
- Discrepancy between the DSMIDA balance and balance in the 2023 Annual Verification Report
- Interim Disposition of 2024 Home Efficiency Rebate Plus (HER+) Overspend

## DSM DVA Balances and Disposition Methodology

OEB staff submits that the proposed DSMVA, DSMIDA, and LRAMVA balances have been calculated consistent with the 2023 DSM Framework and the EC's 2023 Annual Verification Report.<sup>7</sup> <sup>8</sup>

### DSMVA Balance

OEB staff supports the recovery of the proposed DSMVA balances in the EGD and Union rate zones. The DSMVA reflects a debit balance for the EGD rate zone and a credit balance for the Union rate zones.

In response to an interrogatory from the Ontario Greenhouse Vegetable Growers (OGVG), Enbridge Gas confirmed that DSM spending for M7 rate class increased relative to the amount built into rates for both 2022 and 2023 program year.<sup>9</sup>

OEB staff acknowledge that DSM spending in the M7 rate class was more than the amount built into rates in 2023 program year. However, customers in this rate class appear to have realized significant benefits from DSM programming. A comparison of the average participant savings with the average annual DSM-related cost per participant indicates a net benefit during the 2023 program year<sup>10</sup>.

Importantly, Enbridge Gas adhered to the guidelines set out in the 2023 DSM Framework. The 2023 DSM Framework constrains funding allocation and budgets at the program level, allowing no more than 30% of a program's budget to be transferred between existing approved programs and allowing Enbridge Gas to overspend program budgets by up to 15%, provided certain conditions are met.<sup>11</sup> There are no constraints on overspend at the rate class level or budget transfers between rate classes within a given program<sup>12</sup>. Enbridge Gas did not transfer more than 30% of the industrial and commercial program budget nor transfer more than 30% of funds between programs in

<sup>7</sup> EB-2021-0002, Decision and Order, Schedule E, November 15, 2022

<sup>8</sup> EB-2022 0295, 2023 Natural Gas Demand Side Management Annual Verification Report, March 21, 2025

<sup>9</sup> EB-2025-0189, Exhibit 1- OGVG, p 2 -3

<sup>10</sup> EB-2025-0189, Exhibit 1- OGVG, p 5 -6

<sup>11</sup> EB-2021-0002, Decision and Order, Schedule E, p.35, November 15, 2022

<sup>12</sup> EB-2021-0002, Decision and Order, Schedule E, p.9, November 15, 2022

the 2023 DSM program year, nor did any program delivered to M7 customers exceed its budget by more than 15%.

OEB staff recognize that higher than anticipated DSM program uptake within a specific rate class can increase costs for that rate class, even though the overall program budget remained within the funding constraints specified in the DSM Framework. OEB staff recommend that the OEB review the current allowance for budget transfers between rate classes and the impact of rate class level overspending as part of Enbridge Gas's pending 2027+ DSM plan proceeding.

### DSMIDA Balance

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

Enbridge Gas notes the DSMIDA balance is not aligned with the 2023 Annual Verification Report due to an EAC-approved update to the verification adjustment for residential adaptive thermostats. The DSMIDA balance is \$0.187 million higher than the amount recorded in the 2023 Annual Verification Report. This update resulted from a process evaluation conducted by Enbridge Gas in 2024. The process evaluation found that the existing test, which relies on Ecobee "Ping tests" and which has been traditionally used to estimate smart thermostat installation rate, varied from installation rates reported by customers and connectivity to Wi-Fi.<sup>13</sup> As such, the EAC was of the view that the ping test may be an unsuitable proxy for verifying program savings.<sup>14</sup>

To address this, Enbridge Gas completed a jurisdictional analysis to assess the installation rates applied in other jurisdictions and understand the manner in which these rates were developed. This was done as an interim measure pending further research to determine an Ontario-specific rate<sup>15</sup>. During an EAC meeting on July 8, 2025, members reached consensus that an average installation rate of 88.4%, derived from the jurisdictional scan, reflects a more reasonable estimate of smart thermostat installation rate and is based on more rigorous analysis than the previous assumption. Further, EAC members agreed that the updated installation rate should be applied to 2023 DSM results as they had not been approved.<sup>16</sup>

OEB staff is of the view that the process to develop and consider an update to the smart thermostat installation rate was rigorous and reasonable. Consistent with the 2023–2025 DSM Framework, OEB staff coordinated the process as part of the impact evaluation with input from the EAC. The updated installation rate provides a more accurate proxy for verifying program savings until further research to determine an

<sup>13</sup> EB-2025-0189, 2023 DSM Deferral and Variance Account Disposition Application, Exhibit B, Tab 2, Schedule 1, p.6-7, October 14, 2025

<sup>14</sup> OEB Evaluation Advisory Committee Meeting #29, June 3, 2025

<sup>15</sup> OEB Evaluation Advisory Committee Meeting #29, June 3, 2025

<sup>16</sup> OEB Evaluation Advisory Committee Meeting #30, July 8, 2025,

Ontario-specific rate can be completed. OEB staff is of the view that applying the updated installation rate to 2023 results, even though the jurisdictional analysis was completed in 2024, is reasonable and appropriate as it ensures that final results are as accurate as possible pending Ontario-specific research. Notably, smart thermostat installation rate is not a prescribed assumption in the Technical Resource Manual. Therefore, applying an update adjustment factor developed during the 2024 evaluation to 2023 results is not inconsistent with the DSM Framework guidance.<sup>17</sup>

### LRAMVA Balance

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

Enbridge Gas's proposed total LRAMVA balance of \$0.623 million does not align with the \$0.249 million balance reported by the EC in its 2023 Annual Verification Report<sup>18</sup>. Enbridge Gas explained that the LRAM values in the 2023 Annual Verification Report reflect actual 2023 results. However, the LRAMVA captures the variance between these actual results (as reported in the Annual Verification Report) and the amounts embedded in 2023 rates. Therefore, the account balance requested for clearance differs from the LRAM value shown in the Annual Verification Report.

### Disposition Methodologies

OEB staff submit that the proposed allocation and disposition methodologies are appropriate and support the 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 in the last DSM DVA proceeding.<sup>19</sup>

### **Interim Disposition of 2024 Home Efficiency Rebate Plus Overspend**

In its 2022 DSM DVA Application, Enbridge Gas requested interim approval to dispose of \$60 million (excluding interest) related to the 2024 HER+ offering<sup>20</sup>. Enbridge Gas stated that this interim disposition was intended to smooth rate impacts over two years of a large balance that would otherwise result in significant rate increases if cleared in the normal course through clearance applications for 2024 and 2025 (which would likely be filed in 2026 and 2027, for disposition in 2027 and 2028 respectively). The OEB approved this request, and the \$60 million was recovered through a one-time April 1, 2024, QRAM adjustment, on an interim basis. Enbridge Gas indicated that a full prudence review of all HER+ spending would occur in future DSM DVA proceedings. Enbridge Gas did not request clearance of any balances related to 2024 DSM program

<sup>17</sup> EB-2021-0002, Decision and Order, Schedule E, pp. 23-24, November 15, 2022

<sup>18</sup> EB-2022-0295, 2023 Natural Gas Demand Side Management Annual Verification Report, Appendix N, Table N-9, March 21, 2025

<sup>19</sup> 2024-0193, Decision and Order, March 11, 2025

<sup>20</sup> EB-2024-0193 2022 Demand Side Management (DSM) Deferral and Variance Account Disposition Application, Exhibit D, Tab 1, Schedule 1, p 1-6, August 30, 2024

spending in this application.

In response to an OEB staff interrogatory, Enbridge Gas reported that the total spend in the 2024 DSM program related to the 2024 HER+ offering was \$197.439 million, with \$67.772 million already built into rates and \$60 million already cleared on an interim basis as part of 2022 DSM DVA disposition and clearance. This leaves \$69.668 million outstanding that Enbridge Gas plans to request clearance of via the future 2024 DSM DVA application. Enbridge Gas estimated incremental carrying costs of \$1.776 million in interest will be incurred if, as planned, recovery of this outstanding balance is deferred until the 2024 DSM DVA application, assuming a 2.55% interest rate and clearance one year after the 2023 DSM balances are recovered.<sup>21</sup>

If the OEB directs interim clearance of all or a portion of the outstanding \$69.668 million related to HER+ incurred in 2024, Enbridge Gas recommends no more than \$45 million be recovered to minimize the risk of overpayment relative to the final 2024 DSMVA balance. Enbridge Gas also recommends spreading the billing adjustment evenly over three months to smooth bill impact for customers.

OEB staff recommends that the OEB direct Enbridge Gas to collect \$45 million related to 2024 HER+ overspend on an interim basis as part of this application. This interim disposition would save ratepayers an estimated \$1.15 million in interest charges, which equates to approximately \$0.31 per residential customer, that would otherwise accrue if the balance remained outstanding until final disposition of the 2024 DSM deferral account balances. OEB staff submits that, if the OEB approves this request, the decision should clearly state that approval of the requested \$45 million is strictly on an interim basis, with a full prudence review of all HER+ spending to occur in a future DSM DVA proceeding.

OEB staff acknowledges that collecting \$45 million as a one-time bill adjustment could result in total bill impacts exceeding 10% for some customers. To mitigate this, OEB staff supports Enbridge Gas's recommendation to spread the total billing adjustment evenly over three months, rather than applying a one-time clearance.

OEB staff further acknowledges that this disposition would be implemented in alignment with other rate changes through the QRAM mechanism. It is not known at this point whether the QRAM will result in rate increases or decreases, or whether any rate mitigation will be required as part of that proceeding. Should the OEB support interim clearance of this \$45 million, OEB staff submits that the OEB decision maker hearing the QRAM application will be best placed to determine what (if any) rate mitigation measures are appropriate.

~All of which is respectfully submitted~

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<sup>21</sup> EB-2025-0189, Exhibit I. STAFF-2, p 1-3