

IN THE MATTER OF the *Ontario Energy Board Act, 1998*; and

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an order or orders approving the final balances and clearance of certain Demand Side Management variance accounts into rates, as at July 1, 2009.

**Written Submissions of
the Industrial Gas Users Association (IGUA)**

Summary of position.

1. *IGUA supports clearance of the 2007 variance accounts as proposed, and in the amounts applied for.*
2. *IGUA submits that the Board need not, and should not, approve a 2008 DSM target in this application.*
3. *IGUA further submits that the issue of "spillover" is tangentially raised by EGD in its application, that there is virtually no record on the issue, and that it would be premature for the Board to consider the issue at all in this proceeding.*

Position on relief requested.

4. Enbridge Gas Distribution (EGD) has applied for approval of the final 2007 balances in three DSM variance accounts, and disposition of those balances, as follows¹:
 - (a) 2007 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA): \$301,289, for credit to ratepayers.
 - (b) 2007 Demand Side Management Variance Account (DSMVA): \$616,134, for credit to ratepayers.
 - (c) 2007 Shared Savings Mechanism Variance Account (SSMVA): \$8,248,046, for recovery from ratepayers (and credit to the shareholder).
5. This relief is supported by an audit of EGD's reported 2007 DSM results.²

¹ Application, paragraph 2; Ex. A-1-3, paragraph 1.

² Ex. B-2-1

6. This relief is also supported by recommendation of an Evaluation and Audit Committee (EAC) composed of three stakeholder representatives and one EGD representative. The stakeholder representatives on the EAC are appointed to, *inter alia*, participate in EGD's DSM results review. The role of the EAC is defined in a Settlement Agreement reached by parties active in the Board's EB-2006-0021 Natural Gas DSM Generic Issues proceeding (the *Generic DSM Review*), as endorsed by the Board in its August 25, 2006 decision in that generic review.
7. According to the pre-filed evidence herein, EGD accepted the recommendations of the EAC in determining the final amounts included in the three variance accounts.³
8. IGUA has reviewed the pre-filed evidence.
9. IGUA has considered the detailed review by the EAC of the process and results of EGD's 2007 DSM review, the acceptance by EGD of the various recommendations of the EAC through that process, and the endorsement of the EAC of the results of that process.
10. IGUA has also considered the submissions herein of GEC, a representative of which was an active member of the EAC that participated in review of EGD's 2007 DSM results. Those submissions support the clearance of these three DSM variance accounts as sought by EGD.
11. *On the basis of the foregoing considerations, IGUA supports EGD's request for clearance of the three DSM variance accounts, in accordance with the prayer for relief set out at paragraphs 1 and 2, and as elaborated on at paragraphs 17 and 18, of the Summary of Application evidence filed herein as Exhibit A-1-3.*

Approval of a 2008 DSM target.

12. EGD's prayer for relief herein does not seek any relief in respect of approval of a 2008 DSM target. Thus neither does the Notice of Application.
13. When determined, the 2008 DSM target will be the basis against which the company's 2008 DSM performance will be measured, and against which the 2008 SSM incentive will be calculated.
14. EGD's pre-filed evidence briefly addresses the calculation of this target.⁴ In that evidence, EGD calculates that target as directed by the Board in the *Generic DSM Review* decision.
15. The Board dealt with the issue of calculation of DSM targets for the three year period of the current DSM plans in the *Generic DSM Review* decision at pages 24 through 26. In doing so, the Board accepted a formulaic adjustment of the DSM targets, year over year, and a starting point for each utility's 2007 target, all in accord with a Settlement Agreement submitted by the parties.

³ Ex. A-1-3, paragraphs 9, 10 and 15.

⁴ Ex. A-1-3, paragraphs 20 and 21.

16. The formula for calculation of DSM targets is keyed off of TRC values for the previous program year, as approved by the Board.
17. To date, the Board has not approved any TRC values that include "spillover". IGUA understands "spillover" to refer to the effect that DSM programs have on customers who adopt DSM measures outside of any such programs, but on the basis that such adoption was in some fashion influenced by the program. Spillover thus leads to additional gas savings being attributed to a DSM program than would be attributed without recognition of spillover.
18. Calculation of the 2008 DSM target of \$168,278,583 is referenced at Paragraph 21 of EGD's Summary of Application evidence, and is shown at Exhibit B-5-1, page 21 (not on page 18 as indicated by EGD in its evidence).
19. As noted by EGD in its Summary of Application, the 2007 TRC figure used by EGD for calculation of this 2008 DSM target is \$163.1 million⁵, and does not include spillover.
20. EGD has indicated in an interrogatory response⁶ that it is seeking Board approval of the 2008 target.
21. It is not clear to IGUA why EGD now seeks approval of a 2008 DSM target. That approval was not mentioned in its application or the evidence filed in support thereof.
22. The target results from a formulaic calculation, as approved in the *Generic DSM Review* decision and based on audited values. It is not clear to IGUA that this target requires approval at all.
23. In response to CME interrogatories herein, EGD has advocated inclusion of spillover in calculation of the 2008 DSM target. However, the \$163.1 million figure put forward by EGD at paragraph 21 of its Summary of Application does not include spillover. EGD is also advocating inclusion of spillover in input assumptions for the purposes of TRC calculations for 2008 (as indicated in EGD's November 10, 2008 filing with the Board of its 2008 DSM input assumptions). If the Board accepts those input assumptions, the 2008 DSM target as proposed by EGD herein would have to be revisited.
24. The 2008 DSM program year is almost over, so determination of the target in this proceeding can have no impact on program initiatives.
25. ***IGUA therefore submits that the Board should decline to approve a 2008 DSM target at this time.***
26. In any event, the relevant approval would be approval of the 2007 TRC result, which has been subject to audit and EAC review and endorsement. As discussed below, the EAC endorsed 2007 TRC result does include spillover, by agreement of the EAC, but expressly without precedent for any 2008 figures. As reviewed above, the TRC figure put

⁵ Exhibit A-1-3, paragraph 21.

⁶ Ex. I-2-1, last paragraph.

forward by EGD in this application for the purposes of calculation of a 2008 DSM target does not include spillover.⁷

The issue of "spillover".

27. In respect of the 2008 DSM target put forward in EGD's evidence, EGD states:

The 2008 target has been calculated based on a joint understanding by the Company and the EAC that if the 2008 net to gross value, which includes free ridership and custom projects spillover changes in 2008, that such changes will be applied to both target and actual values during the audit of the 2008 results.

28. IGUA understands that the phrase "net to gross value" as referred to by EGD includes, by definition, both free rider and spillover effect. This is on the basis of a study of "attribution" (which term IGUA understands to encompass both free rider effects and spillover effects) by Summit Blue. This study was jointly commissioned by EGD and Union Gas, and has recently been provided to the members of the respective DSM Consultatives of the two utilities.

29. That study has not been filed in this proceeding, nor has it been filed in any other matter before the Board. Nor has it been substantively discussed in either of the utilities' Consultative meetings since the study was released, both of which meetings IGUA has attended.

30. In response to CME interrogatory number 2 herein⁸, EGD notes:

Spillover was used for the LRAM (i.e. actual TRC) value calculated in the 2007 DSM audit which forms the basis of this account clearance.

31. That statement is quite accurate. Understanding of that statement if informed by reference to EAC recommendation 15 in the 2007 Audit Summary Report filed as Exhibit B-5-1 herein (at page 11). That recommendation reads as follows:

The EAC reviewed the Summit Blue Draft Report for Custom Project Free Ridership and Spillover. The EAC acknowledged that spillover was included in the study Terms of Reference and recommended that the net to gross values recommended by Summit Blue be applied to the 2007 LRAM but with no precedent value for use in 2008. The committee further recommended that the issue of spillover for 2008, TRC and SSM purposes be referred to the Consultative for policy discussion. [Emphasis added]

⁷ Exhibit A-1-3, paragraph 21.

⁸ Exhibit I-2-2, part d.

32. The matter is further addressed in EAC recommendation 38, which reads⁹:

Bring the issue of spillover and net to gross calculation to the DSM Consultative for policy discussion.

33. Enbridge's response in the report to this recommendation undertakes to do so.

34. As noted by GEC in its submissions herein (filed November 24th), the Consultative policy discussion has not yet taken place.

35. IGUA agrees with GEC that the issue of if and how to include spillover effects promises to be a contentious one. The issue has been raised by EGD in its November 10th input assumptions filing, and will no doubt be the subject of further comment in that proceeding. Given the minimal record in that proceeding, IGUA doubts that the issue will be resolved there.

36. *In any event, unless and until the matter is brought before the Board on a full and tested record, or otherwise through a proposal endorsed by all parties, it would be premature for the Board to make any comment on the issue. That is particularly so in the incomplete context of this application.*

Costs.

37. IGUA has had a longstanding interest in gas DSM issues, and has participated in a number of proceedings on the topic, including the *Generic DSM Review* which gives rise to this application.

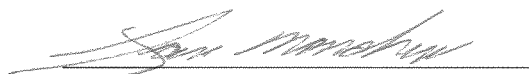
38. For the purposes of its review of this application, IGUA has largely relied on the work of the EAC, whose recommendations have been accepted by EGD.

39. IGUA submits that it has conducted this intervention responsibly, and respectfully requests recovery of 100% of its costs reasonably incurred in the course of this intervention.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Macleod Dixon, LLP

per:



Ian Mondrow

December 8, 2008

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⁹ Exhibit B-5-1, page 18.