



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

DECISION AND ORDER

EB-2016-0246

Union Gas Limited and Enbridge Gas Distribution Inc.

**Application for Approval of New and Updated Conservation Measures and the
Technical Resource Manual**

**BEFORE: Allison Duff
Presiding Member**

**Peter C.P. Thompson Q.C.
Member**

June 22, 2017

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1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) on a joint application filed by Union Gas Limited (Union) and Enbridge Gas Distribution Inc. (Enbridge). Union and Enbridge (Applicants) applied to the OEB for approval of new and updated Demand Side Management (DSM) measures and a Technical Reference Manual (TRM) (Application).

The OEB's 2012-2014 DSM Guidelines (2012-2014 Guidelines)¹ outline the annual process for natural gas utilities to update DSM input assumptions. The OEB encouraged Union and Enbridge to file a joint application for a consistent, more efficient process.

The 2014 input assumptions were the last approved by the OEB². The decision approved the inputs for program planning and to clear the 2014 DSM variance account balances.

The 2015 input assumptions were filed with the OEB in a joint application in 2015, yet the OEB deferred its review until a TRM was filed. This Application includes the TRM, some new measures and some updates of the previously filed 2015 application.

Recognizing that ongoing reviews and updates to reflect the best information available are features of the utility-led and new OEB-led DSM evaluation processes, the OEB approves the Application with two exceptions. The OEB does not approve the summary table of measure assumptions and life measures for Union's and Enbridge's custom programs (Exhibit B, Tab 1, Tab 2, pp. 1-15). The OEB is not convinced that the custom program measures were reviewed by the TEC or the third-party consultant retained by the TEC. As the custom program measures were also included in the summary table of measures, the OEB finds no need to approve these documents in this proceeding. The OEB-led process is the appropriate forum for further review of these documents.

¹ EB-2008-0346

² EB-2014-0354

2 THE PROCESS

Union and Enbridge filed a joint application on December 21, 2016. The OEB issued a Notice of Application on February 6, 2017 (Notice) inviting parties to apply for intervenor status.

The Association of Power Producers of Ontario (APPrO), Building Owners and Managers Association (BOMA), Canadian Manufacturers & Exporters (CME), Energy Probe Research Foundation (Energy Probe), Industrial Gas Users Association (IGUA), Ontario Sustainable Energy Association (OSEA), and School Energy Coalition (SEC) applied for, and were granted, intervenor status and cost award eligibility. OEB staff also participated in the proceeding.

The OEB decided to proceed by way of a written hearing. The OEB issued Procedural Order No 1, which provided a schedule for filing written questions and answers and written submissions.

Intervenors and OEB staff filed submissions on April 12, 2017 and the Applicants filed a reply submission on April 26, 2017.

3 DECISION ON THE ISSUES

3.1 DSM background

This Application comes before the OEB in the midst of a transition from a utility-led DSM evaluation process to a new OEB-led process.

The Application was filed as part of the utility-led process, which was established pursuant to the OEB's Generic DSM Decision³ with further guidance provided in the 2012-2014 Guidelines.

Given the 2012-2014 Guidelines, the utilities and stakeholders agreed to Joint Terms of Reference on Stakeholder Engagement for DSM Activities (Terms of Reference). The OEB approved the Terms of Reference on June 2012⁴ which included the formation of a Technical Evaluation Committee (TEC). The TEC was to be an independent body consisting of intervenor and utility representatives, two independent technical experts selected by the intervenor and utility representatives. The TEC was responsible, among other tasks, to deliver a TRM to document efficiency-measure savings assumptions for both natural gas utilities.

The goal of the TEC was to establish DSM technical and evaluations standards for the utilities and a TRM to document efficiency measure savings assumptions for both natural gas utilities. These materials were to be updated annually. The OEB anticipated that the TRM would be available to provide context for its consideration with the annual updates of input assumptions.

The OEB approved a joint application with new and updated input assumptions for 2014, pursuant to the 2012-2014 Guidelines and the Terms of Reference⁵. The TRM was still a work-in-process when the decision was issued. Subsequently, a joint application with 2015 input assumptions was filed without a completed TRM. The OEB deferred that application until the TRM was completed. This Application includes the recently completed TRM, along with new and updated DSM measures.

³ EB-2006-0021

⁴ EB-2011-0327

⁵ EB-2014-0354

The OEB expects this Application to be the last joint application filed as part of the utility-led process involving the TEC.

On March 31, 2014, the Minister of Energy issued a Directive to the OEB to develop a new DSM framework. The OEB sought input from stakeholders before issuing a report entitled Demand Side Management for Natural Gas Distributors (2015-2020 DSM Framework)⁶. The OEB-led evaluation process was established as part of this framework.

The OEB elaborated on the new OEB-led process in its letter of August 21, 2015. The letter recognized that the current utility-led process, with its Terms of Reference, TEC and audit committees, would transition to the OEB-led regime. The OEB selected an expert consultant Evaluation Contractor (EC) and experts for an Evaluation Advisory Committee (EAC).⁷ The OEB-led process will continue to include an annual evaluation and audit of DSM results and an annual update of input assumptions.

Consistent with the 2015-2020 DSM Framework, the OEB reviewed and approved the 2015-2020 DSM programs for Union and Enbridge⁸. The 2015-2020 DSM decision recognized that DSM data including evaluation assumptions should be reviewed and updated annually to reflect the best available information. The OEB decided that updated prescriptive input assumptions should be applied prospectively for DSM planning and evaluation purposes.

In its 2015-2020 DSM decision, the OEB also identified a list of deliverables for the mid-term review referenced in the Directive from the Minister of Energy. The OEB issued a letter on June 20, 2017 to define the scope of the mid-term review and establish a schedule for the process. The scope of that mid-term review will include a limited review of the DSM framework in the context of the Cap and Trade program.

It is in the context of these dynamic circumstances and in the midst of this DSM process transition that the OEB decides the current Application pursuant to the 2012-2014 Guidelines. The Application includes:

- TRM and Substantiation Documents

⁶ EB 2014-0134

⁷ EB-2015-0245

⁸ EB 2015-0029 and EB-2015-0049

- Union's Custom Effective Useful Life Guide
- Enbridge's Measure Life Guide
- Summary table of measure assumptions

This Decision addresses each item in the order listed.

3.2 TRM and Substantiation Documents

The TRM provides information and source materials underpinning DSM-savings assumptions and calculations for energy efficient technologies. The technologies referenced are promoted, or may be promoted, in Union's or Enbridge's energy efficiency programs. The introduction in the TRM indicates that inclusion of a measure does not imply that the utilities will include the program or measure in its DSM portfolio in a given program year.

The Substantiation Documents are associated with the TRM. The Substantiation Documents include input assumptions and engineering formulas for prescriptive programs. These standardized assumptions and formulas will be updated as more information becomes available and as new DSM programs are added.

The TRM and the associated Substantiation Documents were the culmination of several years of effort with the Applicants working with the TEC and the TRM sub-committees. All members of the TEC agreed to file the TRM with the OEB, yet SEC did not endorse the documents as filed. While consensus is an objective of the TEC process, it is not a requirement. When consensus is not achieved, the Terms of Reference indicate that parties may file separate positions in the appropriate OEB process.

BOMA, IGUA, and OSEA supported approval of the TRM and Substantiation Documents pending the outcome of the ongoing reviews and updates embedded in the now OEB-led DSM evaluation process. These intervenors identified what they regarded as some flaws and deficiencies in the materials that the OEB is being asked to approve. These submissions include criticisms of the reliance on US-based supporting material, the source data for weather normalization and the limited use of performance-based conservation approaches in the current evaluation regime. These submissions also included the suggestion that engineering formulas in the Substantiation Documents used to estimate savings should only be an interim solution until measured and reported data was available. Nevertheless, these intervenors accepted that these items and

others would be addressed by the EC and EAC in the new OEB-led process now underway.

SEC submitted the OEB should “accept” the TRM and Substantiation Documents, but not “approve” them. SEC agreed that the documents were an improvement over what was available in the past and would serve as a useful guideline; however, SEC was critical of the TEC review process and the work of the independent technical expert. SEC argued that a blanket approval by the OEB would result in a binding set of rules and assumptions for calculating DSM savings, when better information may be available.

OEB staff submitted that the TRM and the associated Substantiation Documents should be approved; they were an improvement over the status quo and constituted the best available information at this time for the DSM prescriptive measures.

In reply, the Applicants reiterated that OEB approval of the TRM and Substantiation Documents was requested in the Application. The Applicants argued that SEC’s recommendation of OEB acceptance, but not approval, was inconsistent with prior OEB decisions. Further, the purpose of the OEB’s annual review and approval was more than a “mere useful guideline” as the approved measures would be used to evaluate DSM savings.

The Applicants submitted that the proper process was followed as the TRM was written under the guidance of the TEC, the independent technical expert and the TRM subcommittee. Union and Enbridge submitted that the TEC exercised due diligence by substantiating sources and references in accordance with the independent technical expert’s mandate.

Findings

Recognizing that ongoing reviews and updates are features embedded in the OEB-led DSM evaluation process that is now operative under the leadership of the EC with support from the EAC, the OEB approves the TRM and the Substantiation Documents. The OEB finds the TRM and Substantiation Documents reflect current information and are an improvement over the previously approved materials.

Although the TEC was unable to reach consensus on the TRM and Substantiation Documents, the OEB finds the TEC review process and its output to be credible. Considerable time, effort and money was invested in developing the TRM since 2012. It is appropriate to transition to the OEB-led process at this time. This application marks

the end of the utility-led DSM process. The responsibilities of the EC and EAC now subsume the tasks for which the TEC was responsible under the former utility-led model.

The DSM evaluation process will continue in 2017 through the OEB-led process as envisioned by the 2015-2020 DSM Framework. The OEB expects the input assumptions to be further reviewed and potentially updated by the EC and EAC prior to the start of 2018 DSM program year.

Subject to any subsequent updates that may be conducted by the EC, the OEB expects that the input assumptions for the prescriptive measures approved in this Decision will be applied prospectively.

3.3 Custom Program Input Assumptions

The Application included Union's Custom Effective Useful Life Guide and Enbridge's Measure Life Guide (Custom Life Guides). The Custom Life Guides indicate the number of years or "lives" for equipment or processes associated with specific custom DSM programs. The Custom Life Guides do not relate to the Applicants' prescriptive DSM programs.

SEC submitted the OEB should deny approval of the Custom Life Guides as many of the lives are controversial and are not in the purview of the TRM given they relate to custom programs. As the lives in the tables have a significant impact on the Applicants' incentive pay calculations, SEC submitted that the Applicants should file supporting evidence that should be tested in a "full process".

OEB staff submitted that the Custom Life Guides were not reviewed as part of the development of the TRM and should not be approved. OEB staff submitted that the lives have been updated on a case-by-case basis through each utility's audit processes.

In reply, the Applicants submitted that similar Custom Life Guides have been filed as evidence in prior DSM cases and have been approved by the OEB. The Applicants submitted that annually since 2008, in accordance with Chapter 5 of the EB-2006-0021 Decision, the utilities have filed input assumptions for both prescriptive technologies and customer measures, including free ridership rates and custom measure lives.

Findings

The OEB does not find it necessary to approve the Custom Life Guides in this proceeding, specifically Exhibit B1, Tab 1, Tab 2, pages 11-15.

The approved TRM and Substantiation Documents are consistent with the requirements of the 2012-2014 Guidelines and the Terms of Reference. These documents relate to prescriptive DSM programs. Neither the 2012-2014 Guidelines nor the Terms of Reference mention custom programs. The OEB is not convinced that the Custom Life Guides were reviewed by the TEC or the third-party consultant retained by the TEC based on the evidence and submissions filed in this proceeding.

In rendering this Decision, the OEB is not guided or persuaded by past filing practices and decisions since 2008, particularly those that pre-date the 2012-2014 Guidelines.

The 2015-2020 DSM Framework refers to custom program input assumptions in sections 7.1 and 7.2. Given these references to custom inputs in the 2015-2020 DSM Framework, the OEB will rely upon the work of the EC and EAC relative to custom program measures going forward. The OEB ascribes little, if any, weight to previous blanket approvals covering items that have never been subjected to either stakeholder or OEB scrutiny in the then applicable DSM evaluation process.

3.4 Summary Table of Measure Assumptions

The Application includes a summary table of measure assumptions in Excel format (Summary Table). The Summary Table includes details of prescriptive DSM programs including target market, equipment details, annual resource savings and useful lives. The input assumptions include both prescriptive and custom free ridership ratios. The Summary Table's legend differentiates measures or sub-documents reviewed and endorsed for the TRM and those that were not.

SEC and OEB staff submitted that the OEB should not approve the Summary Table as it includes prescriptive measures that were not reviewed as part of the TRM or by the TEC. OEB staff submitted that the efficient boilers assumptions included in the Summary Table were subject of an ongoing boiler baseline study and pending report expected in the fall of 2017. In addition, OEB staff indicated that the Summary Table includes custom free ridership assumptions that should not be approved by the OEB as part of this proceeding.

OSEA submitted that the Summary Table should include the associated greenhouse gas emission savings and the Cap and Trade cost compliance savings for each DSM measure.

SEC also submitted that there were a number of inconsistencies between the Summary Table and the Substantiation Documents that were not rectified in evidence. The Applicants indicated that if there were inconsistencies in the information, the TRM and Substantiation Documents would take precedent over the information in the Summary Table.

In reply, the Applicants submitted that the Summary Table provides information drawn from non-TRM substantiation documents that have received prior OEB approval. The Applicants also submitted that these input assumptions have also been considered through multiple audits, evaluation studies, variance and deferral account clearance applications and the Custom Project Savings Verification process for each utility.

Findings

While the Summary Table was included as evidence with the Application, it is not clear to the OEB why the Applicants are seeking approval of a summary document. It appears to be a quick reference guide compiled from other source documents.

The OEB has approved the TRM and Substantiation Documents, which are the source for many of the values in the Summary Table. However, the Summary Table also includes custom program assumptions. Consistent with its findings in the “Custom Measures Input Assumptions” section, the OEB does not find it necessary to approve custom program assumptions in this Decision. As a result, the OEB does not find it necessary to approve the Summary Table at Exhibit B1, Tab 1, Tab 2, pages 1-10.

In addition, the Summary Table contains detailed information that was not reviewed as part of the TRM. The OEB is not convinced there was sufficient process in place for the parties to review and vet the Summary Table. With the OEB-led process now in place, the OEB finds it appropriate to defer further review of the Summary Table to the EC and EAC.

3.5 Cap and Trade program

OSEA submitted that the 2015-2020 DSM Framework does not consider the implications of the Cap and Trade program that was implemented by the Ontario

government on January 1, 2017. OSEA submitted that DSM and Cap and Trade will be inherently intertwined as both programs involve a mix of technologies to reduce natural gas consumption and greenhouse gas emissions.

In reply, the Applicants submitted that it is not appropriate to address carbon pricing in the current DSM measures, but expect that it may be reviewed in the future.

Findings

The OEB issued letter on June 20, 2017 regarding the scope of the DSM mid-term review, after submissions were filed in this proceeding. The letter indicates that the relationship between DSM and the Cap and Trade program is a topic for the DSM mid-term review. This topic falls outside the ambit of this proceeding.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Application is approved with two exceptions. The Ontario Energy Board does not approve the summary table of measure assumptions and life measures for Union's and Enbridge's custom programs (Exhibit B, Tab 1, Tab 2, pp. 1-15).
2. Intervenors shall submit their cost claims no later than 7 days from the date of issuance of this Decision and Order.
3. Union Gas Limited and Enbridge Gas Distribution Inc. shall file with the Ontario Energy Board and forward to the intervenors any objections to the claimed costs within 14 days from the date of issuance of this Decision and Order.
4. Intervenors shall file with the Ontario Energy Board and forward to Union Gas Limited and Enbridge Gas Distribution Inc. any responses to any objections for cost claims within 21 days from the date of issuance of this Decision and Order.
5. Union Gas Limited and Enbridge Gas Distribution Inc. shall pay the Ontario Energy Board's costs incidental to this proceeding upon receipt of the OEB's invoice.
6. Approved intervenor and OEB costs will be allocated evenly between Union Gas Limited and Enbridge Gas Distribution Inc.

DATED at Toronto June 22, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary