



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

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# **DECISION AND ORDER**

**EB-2021-0072**

## **ENBRIDGE GAS INC.**

**Application to dispose of balances in certain deferral and variance accounts related to the delivery of conservation programs in 2019**

**BEFORE:           Michael Janigan  
                          Presiding Commissioner**

**Anthony Zlahtic  
Commissioner**

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**June 24, 2021**

## TABLE OF CONTENTS

<b>1</b>	<b>OVERVIEW</b> .....	<b>1</b>
<b>2</b>	<b>CONTEXT AND PROCESS</b> .....	<b>3</b>
<b>3</b>	<b>DECISION</b> .....	<b>5</b>
3.1	DEMAND SIDE MANAGEMENT VARIANCE ACCOUNT (DSMVA).....	5
3.2	SHAREHOLDER INCENTIVE – DSM INCENTIVE DEFERRAL ACCOUNT (DSMIDA).....	8
3.3	LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT (LRAMVA) .....	8
3.4	OTHER REQUESTS.....	9
<b>4</b>	<b>IMPLEMENTATION</b> .....	<b>10</b>
<b>5</b>	<b>ORDER</b> .....	<b>11</b>

## 1 OVERVIEW

Enbridge Gas Inc. (Enbridge Gas) requested that the Ontario Energy Board (OEB) approve the recovery of amounts related to its 2019 natural gas Demand Side Management (DSM) conservation programs in its EGD and Union rate zones.

The approval sought in these applications are as follows:

For the EGD Rate Zone:

- \$6.422M to be recovered from rate payers for program costs spent in 2019 in excess of that recovered in rates.
- \$6.717M to be recovered from rate payers for its shareholder incentive earned for meeting its 2019 targets.
- \$0.009M to be recovered rate payers for lost revenues as the forecast DSM savings were less than actual DSM savings in 2019.

For the Union Rate Zones:

- \$2.336M to be recovered from rate payers for program costs spent in 2019 in excess of that recovered in rates.
- \$5.950M to be recovered from rate payers for its shareholder incentive earned for meeting its 2019 targets.
- \$0.928M to be recovered from rate payers for lost revenues as the forecast DSM savings were less than actual DSM savings in 2019.

The 2015-2020 DSM Decision provides the context for the review of the 2019 DSM Deferral and Variance accounts.

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 charge is \$7.40. 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 charge is \$7.99. 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 charge is \$0.80.

The OEB approves Enbridge Gas's requested DSM shareholder incentive account balances of \$6.717M for the EGD rate zone and \$5.950M for the Union rate zones.

The OEB approves the disposition of the lost revenues accounts as requested by Enbridge Gas. Enbridge Gas will recover \$0.009M from rate payers in the EGD rate zone and recover \$0.928M from rate payers in the Union rate zones.

The OEB approves the DSMVA account balances Enbridge Gas will recover \$6.422M from rate payers in the EGD rate zone and recover \$2.336M from rate payers in the Union rate zones.

The total approved balances for disposition are as follows:

Enbridge Gas has requested approval of the 2019 DSM Deferral and Variance Account (DVA) balances shown in the Table 1 below. Enbridge Gas indicated that it has relied on the OEB's Evaluation Contractor's 2019 final results included within the 2019 Annual Verification Reports.

**Table 1 – Summary of Requested 2019 Enbridge Gas DSM DVA Balances**

Account	2019	
	EGD Rate Zone	Union Rate Zones
Demand Side Management Variance Account (DSMVA)	\$6,421,667	\$2,335,533
Demand Side Management Incentive Deferral Account (DSMIDA)	\$6,717,372	\$5,950,363
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	\$9,082	\$928,440
<b>Total Amount Recoverable</b>	<b>\$13,148,121</b>	<b>\$9,214,336</b>

Note: Positive amounts collected from ratepayers, and negative amounts are to be returned to rate payers.

## 2 CONTEXT AND PROCESS

Enbridge Gas filed an application (Application) with the OEB to recover through rates a shareholder incentive, lost revenues, and DSM program costs related to 2019 DSM activities. Under the *Ontario Energy Board Act, 1998* (the OEB Act), natural gas distributors must apply to the OEB to change the rates they charge customers.

Effective January 1, 2019, Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union Gas) amalgamated to become Enbridge Gas. Enbridge Gas has maintained the previously existing EGD and Union rate zones.

The OEB issued the 2015 to 2020 DSM Framework on December 22, 2014 (the DSM Framework).<sup>1</sup> The DSM Framework provided guidance to the utilities on the key areas the OEB expected to see included within its 2015-2020 DSM plans, including guidance related to the evaluation of annual DSM program results.

In response to the DSM Framework, EGD and Union Gas each filed applications for the OEB to approve separate six-year DSM plans.<sup>2</sup> The OEB approved the separate 6-year DSM plans for each of EGD and Union Gas on January 20, 2016 (the 2015-2020 DSM Decision).<sup>3</sup> The OEB approved natural gas DSM programs for residential, commercial, and industrial customers. The DSM Framework allows Enbridge Gas to apply to the OEB annually to dispose of several natural gas DSM program deferral and variance accounts for the 2015-2020 DSM program years.

Enbridge Gas filed its Application with the OEB on March 10, 2021. Enbridge Gas requested approval and clearance of the 2019 DSM deferral and variance accounts. The applications were filed in accordance with the DSM Framework and Filing Guidelines, and the 2015-2020 DSM Decision.

On March 23, 2021, the OEB issued a Notice of Application (Notice) to review Enbridge Gas's application.

On April 20, 2021, the OEB issued Procedural Order No. 1. Within Procedural Order No. 1, the OEB set out the process for interrogatories and submissions. The OEB also granted intervenor status and cost eligibility to the following parties:

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<sup>1</sup> Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020), EB-2014-0134, December 22, 2014

<sup>2</sup> EGD: EB-2015-0049, Union: EB-2015-0029

<sup>3</sup> EB-2015-0029 / 0049, Decision and Order, January 20, 2016

- Building Owners and Managers Association (BOMA)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (EP)
- Industrial Gas Users Association (IGUA)
- Pollution Probe
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

On April 29, 2021, parties filed written interrogatories on Enbridge Gas's application. Enbridge Gas filed responses on May 3, 2021.

On May 31, 2021, intervenors and OEB staff filed written submissions.

On June 7, 2021, Enbridge Gas filed its written reply submission.

### 3 DECISION

The OEB approves Enbridge Gas's requested 2019 DSM deferral and variance account balances for the EGD rate zone and Union rate zones.

This Application concerns the clearance of balances for Enbridge Gas's 2019 DSM deferral and variance accounts. The OEB confines the ambit of its decision to matters specifically required to determine the dispositions of the 2019 account balances.

The balances requested for disposition in this Application were based on the Final 2019 Annual Verification Reports prepared for the OEB by the OEB's Evaluation Contractor, consulting firm DNV GL.<sup>4</sup>

The DSM Framework established by the OEB, the 2015-2020 DSM Decision Evaluation Contractor's 2019 Annual Verification report were applied to this Decision.

The OEB approves the common disposition methodology proposed by Enbridge Gas for the EGD rate zone and Union rate zones.

#### 3.1 Demand Side Management Variance Account (DSMVA)

In addition to the DSMVA account balances, the OEB is also providing findings on the allocation and disposition methodologies for DSMVA accounts.

##### 3.1.1 DSMVA Account Balances

Enbridge Gas requested approval of its 2019 DSMVA in the amount of \$6.422M to be recovered rate payers in the EGD rate zone, and \$2.336M to be recovered from rate payers in the Union rate zones.

Generally, parties supported the clearance of the DSMVA.

EP, Pollution Probe, SEC and to some extent IGUA expressed concern about the extent of the review by the Evaluation Contractor (EC) of the amounts recorded in the DSMVA compared to the review performed of the other deferral and variance accounts.

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<sup>4</sup> 2019 Natural Gas Demand Side Management Annual Verification Report, December 3, 2020

Enbridge Gas submitted that the fact that some parties believe that the EC did not review the DSMVA in the manner the parties would have liked the review conducted does not mean that the EC's work was inadequate nor that the amounts that were recorded are in any way unreliable.

Pollution Probe made submissions about the recording of interest in respect of amounts included in the DSMVA either as a credit to the shareholder or ratepayers.

Enbridge Gas submitted that there is no reason for any adjustment at this time as interest should correctly be calculated at the time of disposition, not as of the date of the OEB's decision.

## Findings

The OEB approves the recovery of the 2019 DSMVA balances from Enbridge Gas's customers in the amount of \$6.422M in the EGD rate zone and \$2.336M in the Union rate zones as proposed. The OEB notes that DSMVA balances were calculated consistent with the OEB's 2015-2020 DSM Guidelines.

The OEB selected the EC and determined the scope of the review with input from the OEB's Evaluation Advisory Committee. At this juncture, the OEB will not require an audit of Enbridge Gas's DSMVA balances as part of the EC's scope of work. Adding an audit function to the EC's scope of work would best be raised in the evaluation, measurement, and verification process which includes OEB staff and the involvement of certain intervenors prior to a clearance application. Alternatively, as SEC suggested in its submission, the subject of an independent review of DSMVA balances should be dealt with as part of the next DSM Plan and Framework.

The OEB agrees with Enbridge Gas that interest on amounts included in the DSMVA balances should be calculated at the time of their disposition.

### 3.1.2 Allocation and Disposition Methodologies for DSMVA Accounts

Enbridge Gas proposed that the disposition of the 2019 deferral and variance account balances be implemented in alignment with other rate changes through the Quarterly Rate Adjustment Mechanism (QRAM), effective as soon as October 1, 2021, with a common disposition methodology for EGD and Union rate zones.

Enbridge Gas proposed to dispose of the 2019 DSM-related deferral and variance account balances as a one-time billing adjustment. The billing adjustment will be derived for each customer individually by applying the disposition unit rates to each customer's actual consumption volume for the period January 1, 2019 to December 31, 2019 for Union rate zone contract customers and for the period



July 1, 2019 to June 30, 2020 for Union rate zone general service customers. OEB staff submitted that the allocation and disposition methodologies are appropriate and supported a common disposition methodology for the EGD and Union Gas rate zones.

SEC raised an issue about the manner in which deferral and variance account balances will be allocated to Rate M1 customers in the applicable Union rate zone.

Enbridge Gas submitted that the proposed disposition methodology is consistent with past practice and that it is proposing a disposition methodology that has been previously approved by the OEB for similar DSM deferral and variance account balances. Enbridge Gas also submitted that in this proceeding, there is no evidence about the impact of what SEC is proposing (charging recovery from Rate M1 customers on a per customer basis or using a rider that only increases volumetric rate blocks) and how these amounts should be specifically calculated. Furthermore, Enbridge Gas's billing system is not designed to dispose of balances in the manner proposed by SEC. Enbridge Gas submits that building this functionality into its billing system would require significant incremental time and resources, the details of which would require extensive investigation exceeding the scope this proceeding. As well, certain ratepayer groups may wish an opportunity to comment on the SEC proposal prior to its consideration for approval.

Enbridge Gas submitted that it would be inappropriate to amend the disposition methodology at this time and that proposed changes should not be part of a mechanistic deferral and variance account clearing proceeding.

## **Findings**

The OEB approves Enbridge Gas's disposition of the 2019 deferral and variance account balances to be implemented using a common disposition methodology for the EGD and Union rate zones through the QRAM, effective as early as October 1, 2021. The OEB agrees with Enbridge Gas's submission that the disposition methodology should not be altered in a mechanistic deferral and variance account clearing proceeding.

### **3.2 Shareholder Incentive – DSM Incentive Deferral Account (DSMIDA)**

Enbridge Gas requested approval of its 2019 shareholder incentive amounts of \$6.717M in the EGD rate zone, and \$5.950M in the Union rate zones. Enbridge Gas was able to earn a shareholder incentive based on how well it performed relative to its 2019 program targets. The shareholder incentive is tracked within the DSMIDA.

No parties objected to the approval of the DSMIDA balances.

OEB staff submitted that the DSMIDA balances are largely driven by high verified levels of natural gas savings and participation targets for residential programs.

#### **Findings**

The OEB approves the 2019 shareholder incentive amounts for the EGD rate zone and the Union rate zone as requested by Enbridge Gas. The shareholder incentive amounts requested reflect the verified results in the EC's 2019 Annual Verification report.

### **3.3 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)**

EGI requested approval of its 2019 LRAMVA in the amount of \$0.009M to be recovered from rate payers in the EGD rate zone, and \$0.928M to be recovered from rate payers in the Union rate zones. Enbridge Gas calculated the LRAMVA balances using the verified 2019 natural gas savings from 2019 Annual Verification Reports.

OEB staff submitted that the proposed account balance has been calculated consistent with the OEB's 2015-2020 DSM Guidelines and the EC's Verification reports.

Pollution Probe submitted that an adjustment to the amounts recorded in the LRAMVA may also be required to ensure they take into account the difference between actual lost distribution value and amounts already included in rates.

In response, Enbridge Gas submitted that the audited values underpinning the lost distribution revenue figures included in its Application are reflected in the calculation of the LRAMVA amounts sought for clearance. No further adjustment is warranted.

## Findings

The OEB approves the 2019 LRAMVA balance for the EGD rate zone and the Union rate zone as requested by Enbridge Gas. The LRAMVA balances sought for clearance reflect the verified results in the Evaluation Contractor's 2019 Annual Verification reports.

### 3.4 Other Requests

Some parties included suggestions and recommendations related to the OEB's evaluation process.

Pollution Probe questioned the treatment of IT system costs as O&M expenses rather than being capitalized. Enbridge Gas noted that this was consistent with the methodology approved in its 2017/2018 DSM Deferral and Variance Application and clarified in its interrogatory response to Pollution Probe 4(a) in this proceeding.

EP questioned the cost effectiveness of the EGD Rate Zone Run-it-Right and Comprehensive Energy Management (CEM) Programs. Enbridge Gas noted that the EP had referred to the wrong table in evidence to support its submission and, in any event, this was an appropriate matter for the OEB proceeding to approve the Enbridge 2022-2027 DSM Plan proceeding.

## Findings

The OEB approves the continued treatment of IT system costs as O&M consistent with the methodology approved in the 2017/2018 DSM Deferral and Variance Application. Pollution Probe provided no compelling reason to change this practice that is consistent with the approved methodology.

The OEB agrees with Enbridge Gas that the appropriate time to review the cost effectiveness of the EGD Rate Zone Run-it-Right and CEM Programs is in the Enbridge Gas 2022-2027 DSM Plan proceeding.

## 4 IMPLEMENTATION

Enbridge Gas proposed the following allocation methodology for the 2019 DSM deferral and variance account balances:

- **DSMIDA** – amounts are allocated to rate classes in proportion to the actual DSM spending by rate class in 2019.
- **LRAMVA** – amount is recovered in rates on the same basis as the lost revenues were experienced so that the LRAMVA provides a true-up by rate class.
- **DSMVA** – For the EGD rate zone, all DSM costs are allocated to rate classes based on the allocation of customer incentive costs between rate classes, with the exception of Low-Income Program Costs, which are allocated based on OEB approved LEAP revenues. For the Union rate zones, the actual DSMVA spending variance amount relative to the amount budgeted for each rate class is allocated to that rate class for disposition purposes.

Enbridge Gas requested that the amounts be cleared in the following manner:

Enbridge Gas proposes to dispose of the 2019 DSM-related deferral and variance account balances as a one-time billing adjustment. The billing adjustment will be derived for each customer individually by applying the disposition unit rates to each customer's actual consumption volume for the period January 1, 2019 to December 31, 2019 for Union rate zone contract customers and for the period July 1, 2019 to June 30, 2020 for Union rate zone general service customers.

The Company proposes to dispose of the approved 2019 DSM deferral and variance account balances with the first available QRAM application following the OEB's approval, as early as October 1, 2021.

### Findings

The OEB approves Enbridge Gas's proposed disposition and timing of the 2019 DSM deferral and variance account balances.

## 5 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.'s DSM Incentive Deferral Account and Lost Revenue Adjustment Mechanism Variance Account balances are approved.
2. Enbridge Gas Inc.'s DSM Variance Account balances are approved.
3. Enbridge Gas Inc.'s allocation of the 2019 DSM deferral and variance account balances by rate class is approved.
4. Enbridge Gas Inc. shall file a draft rate order consistent with this Decision showing all unit rates for each rate class. The draft order must be filed by **July 5, 2021**.
5. OEB staff may file comments on the draft rate order by **July 12, 2021** and copy Enbridge Gas Inc.
6. The allocated amounts to customers in the EGD rate zone and Union rate zones shall be recovered in Enbridge Gas Inc.'s next available QRAM application.
7. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their respective cost claims by **July 12, 2021**.
8. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **July 19, 2021**.
9. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by **July 26, 2021**.
10. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

## How to File Materials

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2021-0072** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [Filing Systems page](#) on the OEB's website
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact [registrar@oeb.ca](mailto:registrar@oeb.ca) for assistance

All communications should be directed to the attention of the Registrar at the address below and be received by end of business, 4:45 p.m., on the required date

Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)

Tel: 1-877-632-2727 (Toll free)

**DATED** at Toronto June 24, 2021

**ONTARIO ENERGY BOARD**

*Original Signed By*

Christine E. Long  
Registrar