



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

DECISION AND ORDER

EB-2015-0267

ENBRIDGE GAS DISTRIBUTION INC.

Application for approval of final balances and for clearance of certain Demand Side Management deferral and variance accounts into rates

BEFORE: Christine Long
Presiding Member

Susan Frank
Member

May 26, 2016

1 INTRODUCTION AND SUMMARY

Enbridge Gas Distribution Inc. (Enbridge) is a major Canadian natural gas storage, transmission and distribution company serving about 2 million residential, commercial and industrial customers in communities in southern Ontario.

Enbridge filed an application with the Ontario Energy Board (the OEB) under section 36 of the *Ontario Energy Board Act, 1998* for an order or orders approving the final balances in certain 2014 Demand Side Management (DSM) deferral and variance accounts. Enbridge is also seeking the disposition of the balances in these accounts, and inclusion into rates, within the next available Quarterly Rate Adjustment Mechanism (QRAM) following the OEB's approval.

The accounts for which Enbridge seeks approval and disposition in this application are related to its 2014 DSM activities. The 2014 DSM activities were the activities for the third year of Enbridge's multi-year DSM plan¹, which was premised on the OEB's 2012-2014 DSM Guidelines.²

The accounts which are the subject of the application and the balances recorded are as follows:

| Account | Balance |
|---|---------------------------------|
| Demand Side Management Incentive Deferral Account (DSMIDA) | \$7,647,242 (to shareholder) |
| Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) | (\$65,339) (to ratepayers) |
| Demand Side Management Variance Account (DSMVA) | \$352,502 (to shareholder) |
| Total | \$7,934,405 |

The net balance of \$7,934,405 of these DSM accounts is to be collected from ratepayers.

¹ Enbridge's 2012-2014 DSM plan, EB-2011-0295

² [Demand Side Management Guidelines for Natural Gas Utilities](#), June 30, 2011, EB-2008-0346

The OEB approves the final balances in the 2014 DSM deferral and variance accounts, as submitted. The OEB also approves the disposition of the balances in these accounts as a one-time adjustment to rates in Enbridge's July 1, 2016 QRAM application.

2 THE PROCESS

The OEB proceeded by way of a written hearing. In Procedural Order No. 1, the OEB granted intervenor status and cost eligibility to a number of parties. The OEB also scheduled dates for filing interrogatories, responding to interrogatories, and filing submissions.

The OEB received submissions from OEB staff and the Industrial Gas Users Association (IGUA) and a reply submission from Enbridge.

3 DECISION

3.1 DSM DEFERRAL AND VARIANCE ACCOUNTS

The accounts for which Enbridge seeks approval and disposition in this application are related to its 2014 DSM activities. The 2012-2014 DSM Guidelines and Enbridge's 2012-2014 DSM plan outlined the process Enbridge should undertake with respect to stakeholder consultation, monitoring and evaluation for each year of its 2012-2014 DSM plan.

Findings

Enbridge's application for approval of its 2014 DSM accounts followed the same approach used in the approved 2013 DSM accounts application. Enbridge engaged external contractors to evaluate the custom projects and an auditor to review Enbridge's 2014 DSM results. Enbridge's Audit Committee endorsed the calculations in the Auditor's Report. In submissions from IGUA and OEB staff, the level of the 2014 DSM account submitted for distribution was not questioned. Accordingly the OEB approves the net balance of \$7,934,405 of these DSM accounts for collection from ratepayers.

In making this decision the OEB panel considered OEB staff's request to make the decision interim pending receipt of the boiler baseline study consistent with the 2013 DSM Decision and Order. Enbridge in its submission outlined reasons for the delay of the updated boiler baseline study. These reasons included the timing of the clearance of the 2013 DSM accounts, the transition of the evaluation, measurement and verification process to the OEB and what Enbridge described as the uncertainty in respect of the role of the joint Technical Evaluation Committee. The OEB accepts the reasons provided by Enbridge as being valid. Enbridge also indicated that the contractor and auditor made changes to the base case used in the 2011 boiler baseline study to attempt to reflect improvements to boilers that have occurred since 2011. These changes reduced the DSM savings attributed to boilers.

As OEB staff indicated, the amount of shareholder incentive relating to the boilers was approximately \$2.96 million. Given the additional cost to resubmit and review the 2014 DSM accounts following the completion of the boiler baseline study and the magnitude of any change where the total is currently less than \$3 million, the OEB rejects the OEB staff request and is making this decision (which will be implemented through the July 1, 2016 QRAM order) final.

Several of the other submissions from IGUA and OEB staff related to areas that were also examined and a decision rendered as part of the 2015-2020 DSM Plan Approval. OEB staff suggested that Enbridge follow the recommendation of MMM Group (the external contractor retained to review custom commercial and custom low-income projects) to improve the physical evidence of the pre-existing condition for custom projects. Enbridge indicated that this would be part of the boiler study considerations but also indicated that the information would impact on the pre-existing installed equipment and not the base case used to determine DSM savings. The OEB sees no reason to make any findings on these submissions.

The issue of free ridership was raised by both IGUA and OEB staff. OEB staff suggested that Enbridge address the free ridership issue when it is designing its commercial and industrial programs. The OEB notes that the 2015-2020 DSM Plan Decision and Order dealt with the concern about free ridership and a related study is underway. As such, the OEB will make no further comments on the issue in this decision.

IGUA requested that Enbridge provide final DSM costs by rate class. The OEB will not order Enbridge to provide those calculations as part of this decision.

4 IMPLEMENTATION

Enbridge has proposed to clear the deferral and variance account balances through a one-time adjustment to rates. Enbridge requested that the amounts be cleared within the next available QRAM following the OEB's decision.

The allocation methodology used by Enbridge follows the methodology set out in the OEB's 2012-2014 DSM Guidelines. The allocation methodology is summarized as follows:

- DSMIDA – DSM shareholder incentive amounts are allocated to the rate classes in proportion to the amount actually spent on each rate class
- LRAMVA – the LRAM amount is recovered in rates on the same basis as the lost revenues were experienced so that LRAM ends up being a full true-up by rate class
- DSMVA – the actual DSMVA spending variance amount versus budget targeted to each customer class

The following table shows the allocation of the 2014 deferral and variance account balances by rate class:

| Rate Class | DSMIDA (\$) | LRAM (\$) | DSMVA (\$) | Total (\$) |
|--------------|--------------------|-------------------|------------------|--------------------|
| Rate 1 | 4,476,362 | n/a | 6,968,595 | 11,444,957 |
| Rate 6 | 2,647,166 | n/a | (3,576,246) | (929,080) |
| Rate 9 | 326 | 0 | (93) | 234 |
| Rate 110 | 228,800 | (11,825) | (307,460) | (90,486) |
| Rate 115 | 108,728 | (3,701) | (488,902) | (383,875) |
| Rate 125 | 12,230 | 0 | (3,488) | 8,741 |
| Rate 135 | 23,438 | 658 | (86,721) | (62,625) |
| Rate 145 | 54,091 | (30,189) | (934,532) | (910,629) |
| Rate 170 | 91,047 | (20,282) | (1,217,209) | (1,146,445) |
| Rate 200 | 4,240 | 0 | (1,209) | 3,030 |
| Rate 300 | 815 | 0 | (233) | 582 |
| Total | \$7,647,242 | (\$65,339) | \$352,502 | \$7,934,405 |

* Note: Numbers may not add up due to rounding.

Findings

The allocation of deferral and variance account balances is consistent with the treatment in prior years and there has been no party expressing concern with the approach utilized. This allocation to rate classes is necessary to make the one-time adjustment to the rate classes at the next QRAM update. The OEB approves the recovery from the rate classes as presented in the above table.

5 ORDER

THE BOARD ORDERS THAT:

1. The deferral and variance account balances are approved as filed.
2. The deferral and variance account balances shall be allocated to the various customer rate classes pursuant to this Decision and Order.
3. The allocated amounts shall be recovered as a one-time adjustment to rates in Enbridge's July 1, 2016 QRAM application.
4. Intervenor shall file with the OEB, and forward to Enbridge, their respective cost claims by **June 9, 2016**.
5. Enbridge shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **June 23, 2016**.
6. Intervenor shall file with the OEB, and forward to Enbridge, any responses to any objections for cost claims by **June 30, 2016**.
7. Enbridge shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto May 26, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary