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

# DECISION AND ORDER

## EB-2021-0002

## ENBRIDGE GAS INC.

**Application for Multi-Year Natural Gas Demand Side Management Plan (2022 to 2027)**

**BEFORE: Michael Janigan**
Presiding Commissioner

**Anthony Zlahtic**
Commissioner

**Patrick Moran**
Commissioner

**November 15, 2022**

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

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# 1 OVERVIEW

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) in May 2021 in response to the OEB's December 1, 2020 letter[1] (December 2020 Letter) seeking approval of a policy framework and a six-year natural gas conservation plan to be in place from 2022 to 2027. In response to the OEB's August 26, 2021 Decision and Order which approved the continuation of the OEB-approved 2015-2021 natural gas conservation plans for 2022,[2] Enbridge Gas refiled an application on September 29, 2021 seeking approval of a five-year plan to be in place from 2023 to 2027.

For the reasons that follow, the OEB has made the following key determinations in approving a modified policy framework and a natural gas conservation plan:

1. The term of the natural gas conservation plan will be the three-year period from January 1, 2023 to December 31, 2025. This provides greater flexibility to respond to a changing energy landscape, new policy developments at the provincial and federal levels and the introduction of new technologies and modes of energy efficiency and conservation program delivery.
2. With a three-year term, Enbridge Gas's proposed mid-term review is not necessary. Instead, there will be a new natural gas demand side management (DSM) stakeholder advisory group to be led by OEB staff. The stakeholder advisory group is intended to provide meaningful input and recommended changes to Enbridge Gas's conservation portfolio, including identifying cost-effective areas that can be expanded as well as specific changes to programs to increase the level of natural gas savings and contribute to a greater reduction in overall natural gas sales volumes. Ultimately, the OEB expects the stakeholder advisory group to produce a report that summarizes its work and recommendations and that this report be included as part of Enbridge Gas's next multi-year DSM plan application.
3. Generally, the proposed programs for various customer types are approved, with the following key changes:

[1] EB-2021-0002, OEB Letter, December 1, 2020
[2] EB-2021-0002, Decision and Order, August 26, 2021

- Enbridge Gas filed a final agreement with Natural Resources Canada (NRCan) to be the delivery agent of a joint whole home residential program throughout Ontario on September 1, 2022. The OEB has reviewed the agreement and is providing direction on how Enbridge Gas is to use ratepayer funding as part of the joint EGI-NRCan residential whole home program.
- The Large Volume Program has been modified to exempt gas-fired generators.
- The Building Beyond Code Program has been modified to eliminate the requirement that participating home builders are required to connect to the natural gas system.
- The Low Carbon Transition Program is not approved. Instead, to support the promotion and availability of cold climate electric heat pumps, the proposed budget for this program will be reallocated to Enbridge Gas's residential whole home offering, to be used as part of the joint EGI-NRCan whole home residential program.

4. A total budget of $167.24 million is approved for 2023. This amount is to be increased each subsequent year of the DSM plan by the annual rate of inflation and an additional 3% for all program related costs. This is largely consistent with Enbridge Gas's budget proposal, with an increase to the Residential Whole Home program offering budget to support the enhanced incentives in the joint EGI-NRCan whole home program.
5. The proposed annual performance scorecards, including natural gas savings targets for each program are largely approved with a modification to the proposed Long-Term Greenhouse Gas Emissions Reduction target. The OEB approves scorecard earning thresholds of 75%, 100% and 125% for each scorecard.
6. The OEB approves a maximum annual shareholder incentive related to program scorecards of $20.9 million commencing in 2023. The maximum amount is to be allocated across all major scorecards in a generally equal distribution as proposed by Enbridge Gas. The maximum annual shareholder incentive will be increased in subsequent years by the annual rate of inflation.

7. It is important that Enbridge Gas's DSM programs result in more meaningful reductions in overall natural gas sales volumes. The OEB has introduced a new component to the shareholder incentive structure that provides an incentive to Enbridge Gas to deliver more benefits to customers, primarily through greater levels of natural gas savings, consistent with broader government policy. Enbridge Gas will be eligible to earn an additional $30 million shareholder incentive through the new End-of-Term Natural Gas Reduction Incentive. This incentive is incremental to the incentive for achieving the program scorecard targets. To be eligible to earn the End-of-Term Natural Gas Reduction Incentive, Enbridge Gas must achieve a total reduction in weather normalized annual natural gas sales volumes of 1.5% over the three-year term.
8. The OEB approves a revised Natural Gas DSM Framework as set out in Schedule E.

The OEB considered comments and recommendations from stakeholders related to including more opportunities for customers to electrify. The OEB has approved incentives for measures, such as cold climate electric heat pumps that allow existing gas customers to switch away from gas. The OEB has also removed the requirement for program participants to continue to be gas customers as a condition of participating in DSM programming. The OEB is of the view that requiring program participants to remain a natural gas customer after completing an efficiency project is inconsistent with allowing customers to make their own energy use decisions. Further, requiring a program participant to continue to use natural gas acts as a barrier to achieving greater overall natural gas savings and greenhouse gas reductions. The OEB's modifications will enable customers the ability to assess the best energy options for their household in order to maximize energy efficiency improvements, reduce their natural gas bill and help avoid incremental greenhouse gas emissions. The OEB will not issue any policy direction beyond these measures at this time.

The OEB is aware that the Government of Ontario appointed an Electrification and Energy Transition Panel on April 22, 2022 to provide advice to the Minister of Energy on various issues related to integrated long-term energy planning in Ontario.[3] The OEB is of the view that further direction and any mandate to electrify the energy system, or portions of it, will be developed with the necessary stakeholders, including the Government of Ontario and the Independent Electricity System Operator (IESO). Once the central policy is developed, further action can be taken to ensure all conservation

[3] https://www.ontario.ca/orders-in-council/oc-6982022

activities in Ontario are working together to produce the greatest level of energy savings and reductions in greenhouse gas emissions.

The OEB expects that Enbridge Gas's next multi-year natural gas conservation plan will result in meaningful natural gas savings each year between 2026 and 2030. This builds on the End-of-Term Natural Gas Reduction Incentive that is approved for the 2023-2025 term and payable should Enbridge Gas lower overall sales volumes at the end of 2025 relative to 2022 on a weather normalized basis. The OEB expects that, at a minimum, the level of natural gas savings from DSM programs during the next multi-year term will be the equivalent of at least 0.6% of sales in 2026, 0.8% of sales in 2027 and 1.0% of sales in each year from 2028 through to the end of 2030, relative to the prior year on a weather normalized basis. This will ensure that significant benefits are provided to Enbridge Gas's customers. To accomplish this, the OEB expects Enbridge Gas to work closely with the newly approved stakeholder advisory group to identify cost-effective opportunities where its natural gas conservation plan can be expanded. New shareholder incentives should also be considered. Based on the input received from the stakeholder advisory group, Enbridge Gas may bring forward new shareholder incentive proposals as part of its next multi-year natural gas conservation plan. The objective of any shareholder incentive should be to effectively motivate the gas utility in reducing the demand for natural gas allowing conservation and energy efficiency to play a meaningful role in reducing overall greenhouse gas emissions.

# 2 CONTEXT AND PROCESS

Enbridge Gas filed a multi-year natural gas demand side management (DSM) plan application with the OEB on May 3, 2021, under section 36(1) of the *Ontario Energy Board Act*, *1998* (OEB Act). Enbridge Gas requested approval of a new natural gas DSM policy framework, effective January 1, 2022, as well as approval of a new multi-year DSM plan, inclusive of budgets, programs, and targets from January 1, 2022 to December 31, 2027.

In addition to the general approval of the proposed policy framework and multi-year DSM plan, Enbridge Gas requested the OEB approve its proposed DSM budget by July 30, 2021. Enbridge Gas also requested an interim decision by August 31, 2021, approving its proposed DSM activities in 2022, subject to necessary adjustments on a prospective basis following the OEB issuing its final Decision and Order in this proceeding.

The OEB approved separate six-year DSM plans for Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) on January 20, 2016 (the 2015-2020 DSM Decision).[4] On July 16, 2020, the OEB approved a one-year extension of the 2020 DSM plans for the EGD and Union rate zones.[5]

A Notice of Hearing was issued on May 19, 2021.

Procedural Order No. 1 was issued on June 21, 2021. As part of Procedural Order No. 1, the OEB included its decision on intervention requests and requests for cost award eligibility. The OEB also set out a schedule for making submissions related to Enbridge Gas's request for interim approval of its 2022 DSM program year.

The following parties applied for and were granted intervenor status and cost eligibility:

- Anwaatin Inc. (Anwaatin)
- Association of Power Producers of Ontario (APPrO)
- Building Owners and Managers Association (BOMA)
- Consumers Council of Canada (CCC)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (Energy Probe)
- Environmental Defence
- Federation of Rental-housing Providers of Ontario (FRPO)

[4] EB-2015-0029/0049, Decision and Order, January 20, 2016
[5] EB-2019-0271

- Green Energy Coalition (GEC)
- Housing Services Corporation (HSC)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Low Income Energy Network (LIEN)
- Ontario Greenhouse Vegetable Growers (OGVG)
- Ontario Sustainable Energy Association (OSEA)
- Pollution Probe
- School Energy Coalition (SEC)
- Small Business Utility Alliance (SBUA)

The OEB issued Procedural Order No. 2 on June 22, 2021, which denied Enbridge Gas's request for early approval of its proposed 2022 to 2027 DSM budget and set out the schedule for the issues list process. The OEB indicated that a comprehensive review of the programs and budgets was required before any approvals can be provided.

The OEB issued a Decision and Order on August 26, 2021, which approved the continuation of the OEB-approved 2015-2021 DSM plans for the 2022 program year. The OEB indicated that it was important to ensure program continuity during its review of Enbridge Gas's new DSM proposals and that the existing programs would maintain familiar programs for natural gas customers to use when making efficiency upgrades to their homes and businesses.

The OEB issued a Decision on Issues List and Procedural Order No. 3 on September 9, 2021, which provided the OEB's findings on the scope of the proceeding and approved a final Issues List.

On September 15, 2021, OEB staff filed a letter describing the nature of the evidence it was proposing to file. On October 4, 2021, BOMA, Environmental Defence, Pollution Probe and the SBUA filed letters describing the nature of the evidence they were proposing to file. Environmental Defence proposed to file two separate reports and indicated that one would be commissioned jointly in collaboration with GEC.

The OEB issued a Decision on Filing Intervenor Evidence on October 22, 2022, which accepted the proposals to file evidence submitted by OEB staff, BOMA, Environmental Defence and GEC, and SBUA. These parties filed evidence on December 1, 2021, and Enbridge Gas filed reply evidence on January 31, 2022.

On November 15, 2021, the OEB received a letter from the Minister of Energy (Mandate Letter).

The OEB issued Procedural Order No. 6 on December 14, 2022, which set out further procedural steps for the remainder of the proceeding.

Following an interrogatory phase regarding all evidence filed by parties, the OEB held a series of transcribed virtual events in this proceeding, including a Technical Conference from February 28 to March 2, 2022, a Presentation Day on March 24, 2022, and an Oral Hearing from March 28 to April 1, 2022.

Enbridge Gas filed its Argument-in-Chief on April 29, 2022. Intervenors and OEB staff filed final arguments on or before May 22, 2022. All intervenors and OEB staff filed final arguments except for the Housing Services Corporation. Enbridge Gas filed its reply argument on June 10, 2022. Letters of comment were received from the City of Ottawa and the Clean Air Council.

The OEB issued a Partial Confidentiality Decision and Procedural Order No. 7 on September 9, 2022, in response to Enbridge Gas filing an update summarizing the outcome from its negotiations with Natural Resources Canada (NRCan) regarding the joint delivery of the Canada Greener Homes Grant Program. The OEB provided direction regarding Enbridge Gas's requests for confidentiality. The OEB also invited comments from parties regarding confidentiality and the impact of the EGI-NRCan Agreement on Enbridge Gas's proposed DSM plan.

# 3 DSM POLICY

The OEB has provided its findings below on all the issues outlined in the Issues List. In an effort to best respond to topics that converge and overlap, the background, summary of positions, and panel findings for some issues have been combined.

## 3.1 General Issues (Issues 1 to 4)

As part of the OEB's final Issues List, the OEB included four general issues. These general issues relate to how Enbridge Gas's application responds to previous OEB direction, government policy, alignment with industry best practice and if the proposed length of the plan is reasonable. As these issues are related to each other, they have been combined and discussed together below.

As part of the OEB's direction to parties in advance of submissions,[6] the OEB also asked for submissions on a few topics related to DSM policy, including advancing electrification through DSM programs, restricting, or providing incentives for non-gas-fired equipment, and providing DSM program assistance to non-gas customers or customers that would no longer rely on the natural gas system after participating in a DSM program.

Although the discussion and findings on Enbridge Gas's general adherence to policy guidance that is provided below will have an impact on future DSM policy, for clarity, the OEB has addressed Enbridge Gas's proposed DSM policy framework separately below. The issues discussed in this section include:

- Issue 1 - Does Enbridge Gas's 2023-2027 DSM Framework and DSM Plan adequately respond to previous OEB direction and guidance on future DSM activities (e.g., DSM Mid-Term Review Report, 2021 DSM Decision, OEB's post-2021 DSM guidance letter)?
- Issue 2 - Does Enbridge Gas's 2023-2027 DSM Framework and DSM Plan adequately support energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to consumers' economic circumstances?

[6] EB-2021-0002, OEB Letter, April 11, 2022

- Issue 3 - Is Enbridge Gas's 2023-2027 DSM plan consistent with energy conservation industry best practices in Ontario and other relevant Canadian and U.S. jurisdictions?

- Issue 4 - Is Enbridge Gas's proposed DSM Plan term of 2023-2027 appropriate?

## General DSM Policy – Issues 1 and 2

Enbridge Gas submitted that its application considered all relevant policy and direction from the OEB, and that the energy landscape has not changed as significantly as some parties suggested. Enbridge Gas highlighted the various inputs that informed the development of its application, including input received during the OEB's post-2020 DSM framework policy consultation[7], the 2015-2020 DSM Framework[8], the OEB's Mid-Term Review process and Report[9], and its experience undertaking the delivery of DSM programming, including input and direction it has received from the OEB following the annual application process to dispose of amounts in its DSM deferral and variance accounts.

Enbridge Gas also indicated that its application was informed by the OEB's December 2020 Letter that concluded the post-2020 DSM policy consultation and directed Enbridge Gas to file an application for a new multi-year DSM plan. This includes the level of budget that it has proposed, the programs, how targets were developed, the continuation of a shareholder incentive and the proposed term of six-years.

Enbridge Gas further indicated that it has appropriately considered direction from the Government of Ontario, including several meetings with representatives of the Ministry of Energy and Ministry of Environment, Conservation and Parks prior to filing its application. Enbridge Gas noted that these meetings were held in an effort to determine the government's views on the level of natural gas DSM it anticipated for the purposes of achieving its greenhouse gas emission goals.[10]

Several parties, including OEB staff, Environmental Defence, Pollution Probe, and SEC indicated that a status quo or business-as-usual DSM plan is no longer appropriate. Other parties, including CCC and LPMA, indicated that even if the proposed plan was responsive to previous direction, this does not mean that Enbridge Gas's proposals are appropriate or adequate in the current context. Although several parties rejected the idea that Enbridge Gas's application adequately responds to OEB and government

[7] EB-2019-0003
[8] EB-2014-0134
[9] EB-2017-0127, EB-2017-0128
[10] Enbridge Gas Inc., Argument-in-chief, p. 9

direction, some parties, such as OSEA, supported the proposed plan, but with a request for the OEB to consider directing additional modifications over the course of the next term.

### Consistency with Industry Best Practice – Issue 3

Enbridge Gas also submitted that in response to Issue 3, its legacy DSM program offerings have many times been considered best practice by other jurisdictions. Enbridge Gas also noted that the expert retained by OEB staff, Optimal Energy Inc., stated in its report that Enbridge Gas's programs have been reasonably well designed and do an adequate job in addressing a number of different policy objectives.[11]

Parties' comments on the consistency of Enbridge Gas's programs with industry best practice were mixed with specific comments on the programs themselves. APPrO, IGUA, and SBUA all provided specific comments on the programs that directly impact their constituents and had several recommendations for the OEB to consider. However generally, most parties' comments related to Enbridge Gas's overall proposal and whether it would provide value for money for ratepayers.

### Length of the Plan – Issue 4

Enbridge Gas proposed a term of six-years for its DSM plan. In response to the OEB's Decision approving the continuation of the 2021 DSM plans for the 2022 program year, Enbridge Gas updated its application to propose a five-year term, from 2023 to 2027. Enbridge Gas submitted that any reduction to the proposed term of the plan would be inconsistent with the OEB's December 2020 Letter and the Mandate Letter supporting regulatory efficiency. Enbridge Gas noted that approval of a term of shorter than five-years will generate uncertainty, both within the third-party delivery agent community and with prospective program participants. Enbridge Gas was of the view that a term of only two or three years would negatively impact its delivery of its new, integrated programs across the entirety of Enbridge Gas's rate zones due to a number of new program features and the time required for promotion, gaining attention and generating results.[12] Enbridge Gas also proposed a mid-point assessment at the end of the first two-years of the plan to ensure it continues to be aligned with the market and evolving policy in Ontario. Enbridge Gas noted that the mid-point assessment could include consideration of government or OEB direction that requires changes to the DSM plan.

[11] Enbridge Gas Inc., Argument-in-chief, pp. 11-12
[12] Enbridge Gas Inc., Argument-in-Chief, pp. 13-15

Most parties did not support Enbridge Gas's updated request for a five-year plan to run from 2023 to 2027. Parties provided several recommendations for shorter terms, as low as two years, as proposed by Environmental Defence, with GEC and OEB staff also arguing for changes to be made in the near term should a longer term be desired. Other parties, such as CCC, LPMA and FRPO, proposed that the OEB approve a three-year term. FRPO recommended that Enbridge Gas be directed to build a more progressive plan that is informed by greater stakeholder engagement, including consideration of the outcomes of Enbridge Gas's pending rebasing application where its overall rates proposal and revenue requirement will be reviewed and considered by the OEB. LPMA recommended a three-year term and stressed the great level of uncertainty beyond that time period. There was very little support for Enbridge Gas's proposed mid-point assessment. Rather, parties suggested that the scope of the mid-point assessment be broadened to allow for a greater review of different components of the DSM plan or an entirely new and expanded plan altogether.

## Findings

Enbridge Gas's plan will be paid for by ratepayers through rates approved by the OEB. In determining these rates, the OEB must be guided by the objectives set out in Section 2 of the OEB Act, which include the promotion of "energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances".

Ontario has set a target to reduce greenhouse gas (GHG) emissions by 30% from 2005 levels by 2030, which is approaching quickly.[13] The natural gas that Enbridge Gas delivers to customers in Ontario is a significant contributor to Ontario's GHG emissions and Enbridge Gas's own forecast does not envision an overall reduction in total natural gas consumption in the province by 2030.[14]

While Enbridge Gas has successfully delivered the DSM plans previously approved by the OEB, leading to more efficient use of natural gas and reducing the natural gas consumption of many customers, greater effort is required if Ontario is to meet its GHG target. Ontario has identified several initiatives to achieve its target, including the continuation of DSM programming for natural gas customers through 2030.[15] In his Mandate Letter to the OEB, the Minister of Energy stated:

[13] Preserving and Protecting our Environment for Future Generations A Made-in-Ontario Environment Plan
[14] Exhibit I.10.EGI.ED.24
[15] Ontario Emissions Scenario as of March 25, 2022

> With regard to the next multi-year DSM programming period, it is important that the regulatory processes are optimized to increase efficiency so that they do not hinder Ontarians' access to the real savings that result from these programs. It is also important that the DSM Framework be implemented in a way that enables customers to lower energy bills in the most cost-effective way possible, and help customers make the right choices regardless of whether that is through more efficient gas or electric equipment.[16]

Recognizing the continuing role to be played by DSM, the OEB has made modifications to Enbridge Gas's proposed plan to make it more consistent with the Mandate Letter, as set out in more detail in other sections of this Decision and Order. The OEB expects ratepayer funding to result in the delivery of significant levels of cost-effective conservation and energy efficiency programs that show progress in reducing overall natural gas usage while delivering benefits to ratepayers.

The OEB approves a three year DSM plan for Enbridge Gas that will be effective from January 1, 2023 and continue to December 31, 2025.

While Enbridge Gas sought approval of a five year term with a mid-point review, the OEB is mindful of evolving government policy related to energy efficiency and climate action. A three year term without a mid-point review allows for a more efficient response to evolving policy direction that would be reflected in the next DSM plan. As policies are further developed there are likely changes to codes, regulations, the development of new technologies, and new modes of program delivery. These are all additional reasons that call for a shorter term despite the benefit of certainty that a longer term may provide. Instead, the OEB will require an enhanced stakeholder engagement process, with a new DSM Stakeholder Advisory Group (SAG) led by OEB staff that will subsume the existing Evaluation Advisory Committee (EAC) as a subcommittee, to inform the development of the next DSM plan. The OEB's current expectation is that the next DSM plan will be for a five year term from 2026-2030, although ultimately, the appropriate length of the plan will be determined by the OEB based on the merits of the proposed plan and alignment with broader energy policy direction. More information on the DSM SAG and the stakeholdering process is set out in more detail below.

The OEB is aware that the EGI-NRCan Agreement sets out the terms of the joint residential whole home program and has a completion date of March 31, 2027. This date extends past the approval date for the term of Enbridge Gas's DSM plan which, as

[16] Letter from the Minister of Energy to the OEB, November 15, 2021

noted above, will expire on December 31, 2025. The OEB expects that Enbridge Gas will have a decision on its next multi-year DSM plan prior to December 31, 2025 which will allow for a smooth and efficient continuation of the joint program should it remain available. However, should circumstances arise that jeopardize the continued delivery of the joint program and availability of ratepayer funding, Enbridge Gas should file a standalone application seeking any required amendments to its approved 2023-2025 DSM plan.

# 4 SPECIFIC ISSUES

The following sections relate to the specific requests and proposals included in Enbridge Gas's application. Generally, these are sorted by Issue, however, some issues have been collapsed to address related items together.

## 4.1 DSM Policy Framework – Issue 5

Enbridge Gas requested approval of an updated DSM policy framework as part of its application. Enbridge Gas indicated that the updated framework is intended to identify the parameters upon which it will operate its DSM programs. Enbridge Gas noted that the proposed framework and plan have been informed by policy direction from the OEB, the OEB's direction in the Mid-Term Review Report, feedback from the post-2020 DSM framework consultation, lessons learned by Enbridge Gas in delivering DSM programming, and consideration of the current energy environment. Enbridge Gas indicated that having an updated framework is crucial as it will articulate policy objectives and guiding principles and detail the foundational components upon which Enbridge Gas has built its DSM plan.

Enbridge Gas proposed that the new DSM framework not include a sunset date. This would represent a change from the current DSM Framework. Enbridge Gas suggested that this would allow the new framework to remain active for future DSM plans. However, Enbridge Gas indicated that its expectation is that appropriate evolutionary changes will be proposed for the OEB's consideration in the future and that the framework will remain under the OEB's authority and in place to guide future DSM plan applications.

In addition to having parties provide their submissions on the appropriateness of Enbridge Gas's proposed DSM Framework, the OEB also informed parties through its letter on April 11, 2022, that it was interested in comments related to various key themes that emerged during the proceeding. Among these themes included the policy of advancing electrification through natural gas DSM programs, restricting or providing incentives for non-gas-fired equipment, and providing DSM program assistance to non-gas customers or customers that would no longer rely on the natural gas system. These topics are discussed among the broader DSM policy framework discussion below. With respect to the OEB's request to comment on issues related to electrification and providing incentives for non-gas-fired equipment and program opportunities for non-gas customers or customers that would leave the system, Enbridge Gas suggested that these topics are arguably out of scope, noting that the OEB's December 2020 Letter provided direction to deliver DSM to "assist customers". Enbridge Gas noted that it

agreed with CME that all of the related issues noted above would benefit from a dedicated process where all parties can provide their full views on the issues which could not happen in this proceeding.

### Summary of Positions

Parties' submissions on the proposed DSM Framework were largely consistent with their submissions on the overall nature and appropriateness of Enbridge Gas's application discussed in Section 4.1 above. Although parties generally agreed that a policy framework is necessary, of those that provided comments, including SEC and OEB staff, they suggested that the OEB provide direction to Enbridge Gas indicating that business-as-usual DSM is no longer appropriate. Other parties, such as LIEN, Pollution Probe and Environmental Defence offered some specific recommendations on changes to the proposed framework.

Parties provided comments in response to the OEB's request to consider topics related to electrification and the appropriate role of natural gas ratepayer funding to support incentives for non-natural gas customer to purchase electrical equipment or to incent current natural gas customers to leave the natural gas system with the installation of electric-only options. A number of specific recommendations were made regarding the removal of incentives for gas-fired equipment and inclusion of incentives for electric options as part of Enbridge Gas's proposed residential whole home program. These submissions are addressed below as part of the section that discusses specific program requests.

Some parties questioned the appropriateness of natural gas customers funding opportunities for non-gas customers, but more broadly, questioned the OEB's jurisdiction in this area. CME suggested that issues related to electrification be addressed through a separate proceeding so that a more complete and comprehensive record of evidence can be developed for the OEB to consider, including legal arguments related to the OEB's jurisdiction. SEC, who provided detailed comments in this area, provided similar conclusions to CME, recommending that the OEB not require Enbridge Gas to offer incentives for non-gas customers until a process that allows for the development of a full evidentiary record on this topic can be established to address the legal and policy issues.

Enbridge Gas agreed with the position taken by CME and SEC. Enbridge Gas further noted that there is not even a draft electrification proposal on the record in this proceeding. Enbridge Gas suggested that it would be appropriate to allow the Ontario Government to finalize its policy direction before the OEB imposes any prohibitions that may run contrary to what is developed by the Government. A number of parties did

however urge the OEB to not approve the inclusion of incentives for gas-fired measures in Enbridge Gas's DSM plan, particularly for gas-fired furnaces and water heaters as part of the proposed residential whole home program. Parties argued that these measures are not cost-effective and highlighted the long-term impacts of continuing to install gas equipment is continuing to require customers to be reliant on natural gas for the foreseeable future.

### Findings

The OEB approves the DSM Policy Framework included in Schedule E. The DSM Policy Framework builds on past guidance and instructions and summarizes the policy guidance from this Decision and Order. This should be used going forward to guide the development of future ratepayer funded DSM activities. The OEB will consider future updates or revisions to the DSM Framework where necessary. The DSM Framework includes guidance related to the OEB's expectations for the current 2023-2025 DSM Plan term, as well as the expectations, stakeholdering and planning processes that should be used to prepare the next DSM Plan, which the OEB expects Enbridge Gas will file in mid-2024.

On the role of natural gas DSM as part of the broader issue related to the electrification of the energy sector, the OEB believes that it is premature for the OEB to impose broad new requirements on Enbridge Gas in the absence of the Ontario Government developing and releasing a comprehensive policy on the topic of electrification. It is likely that any discussions regarding electrification will require the involvement of the IESO and other relevant stakeholders in contributing to those policies.

The OEB finds that providing gas customers with incentives to use natural gas more efficiently through measures such as improved building insulation, or to switch away from natural gas to electricity powered solutions such as heat pumps is consistent with the DSM objectives of reducing natural gas consumption and increasing the efficiency of natural gas usage. This is also consistent with the fundamental economic principle that as demand is reduced, costs are also reduced. For energy efficiency and energy conservation programs, this means that lower overall costs due to these DSM programs may contribute to the reduction in demand for natural gas and result in lower costs for all customers. Such benefits that may accrue to Ontario ratepayers as a result of reduced gas consumption are achieved by those programs that feature efficiency and fuel-switching measures. In this context, the OEB also finds that incentives for gas-fired equipment are inconsistent with these objectives. Natural gas furnaces, boilers and hot water heaters are already subject to high efficiency standards that replacement equipment must meet regardless, and incentives for such equipment do not improve efficiency. Gas-fired heat pumps are not currently commercially available and the cost-

effectiveness relative to electric heat pumps is not yet proven. Incentives for gas-fired heat pumps reduce the opportunity to achieve the greater reduction in gas consumption offered by electric heat pumps.

Based on these policy parameters, the OEB has made changes to specific programs, as set out in more detail in the next section.

## 4.2 Programs – Issue 10

Enbridge Gas has proposed a suite of programs that include specific offerings that customers can participate in. The broader programs are grouped together based on the different customer segments being served.

The proposed programs build on and integrate the previously approved set of programs that were offered in the legacy EGD and Union rate zones during the 2015-2020 term. For the upcoming DSM plan term beginning in 2023, all programs across Ontario will be the same depending on customer segment.

Programs are generally structured to provide various types of customers the ability to improve the natural gas efficiency of their homes and business, primarily through improvements to the building envelope, including insulation, air sealing and windows for smaller customers. For business and larger customers, there are additional options to address the varying pieces of equipment and processes at each customer's building or facility. The primary basis for the majority of programs is information on the customer's biggest areas for improvement and the benefits of upgrading the efficiency of equipment and building envelope items, as well as financial incentives for the customer to help lower the cost of installing the more efficient item. In some instances, the program offering will also include full installation of the upgraded piece of equipment, as in the low-income program offerings and the Commercial Direct Install offering.

The approved programs and program offers are shown in Schedule A.

**General Findings**

The OEB is providing specific guidance on changes that are required for various programs. The details are outlined in the sub-sections that follow.

Overall, the OEB finds that the suite of program offerings will allow customers a reasonable opportunity to upgrade the efficiency of their homes and buildings and reduce their use of natural gas through a mix of education, identification of areas of efficiency improvements and financial incentives. However, as noted throughout this

Decision and Order, the OEB expects that future DSM plans will include programs that ultimately result in an overall decrease in the total annual natural gas used by Enbridge Gas's Ontario customers.

The OEB expects that Enbridge Gas will seek input from the SAG to identify programs that should be expanded as part of the next DSM plan. It is expected that Enbridge Gas will consider the program recommendations that were advanced by experts in this proceeding. After considering input provided by the SAG, Enbridge Gas's next plan should propose expanded delivery of those programs that will result in the greatest natural gas savings, particularly those that are the most cost-effective and which have the greatest opportunity for significant energy efficiency upgrades and GHG emission reductions. Additionally, it will also be important for Enbridge Gas to identify any customer segments and programs that lend themselves most favourably to integration with electricity CDM programs as well as those areas of the market that have the greatest potential for further fuel switching and seek input from the SAG.

### 4.2.1 Residential Program – Issue 10(a)

Enbridge Gas proposed a Residential Program comprised of three program offerings: the Residential Whole Home offering, the Residential Single Measure offering, and the Residential Smart Home offering.

The Whole Home offering is proposed to provide a holistic approach to residential home energy upgrades by providing customers incentives towards their home energy audits and thermal envelope and mechanical system upgrades. The intent is to motivate homeowners to pursue deeper energy savings across additional measures than they may have otherwise undertaken by taking a whole home view.

The Residential Single Measure offering is proposed to provide a simplified and flexible approach for customers seeking to improve their home's energy performance. Customers using a contractor can receive single measure incentives in support of insulation or professional air sealing upgrades with no home energy audit requirement.

The Smart Home offering is proposed to provide residential customers with incentives towards smart home technologies, which provide automated controls to reduce energy consumption.

Enbridge Gas has proposed the continuation of its residential whole home program and the smart home offering from the 2015-2020 DSM plan to the 2023-2027 DSM plan. The single measure offering is new.

Enbridge Gas had been negotiating with NRCan on an agreement to offer a joint whole home program that would be delivered by Enbridge Gas across Ontario. NRCan's Greener Homes Grant program is similar to Enbridge Gas's proposed whole home offering.[17] Both programs target residential customers, require participants to undertake an energy audit, and offer technical guidance and financial incentives related to efficiency improvements that can be made to a home.

Enbridge Gas's Agreement with Natural Resources Canada

The OEB's April 11, 2022 letter highlighted that one focus of questions at the technical conference and oral hearing was the status of Enbridge Gas's negotiations with NRCan for the delivery of a joint residential whole home program throughout Ontario. The OEB indicated that parties may want to consider addressing how, if at all, the final agreement between Enbridge Gas and NRCan should be reviewed by the OEB and what impact, if any, this outstanding negotiation should have on the requested approval for Enbridge Gas's proposed residential program, either before or after the Decision.

On September 1, 2022, Enbridge Gas filed the joint program agreement it reached with NRCan (EGI-NRCan Agreement). The EGI-NRCan Agreement outlines the details of how the two programs will interact and be delivered as one program by Enbridge Gas and be available for eligible residential customers throughout Ontario. Enbridge Gas indicated it was not requesting any changes to the proposed ratepayer budget, program scorecard, or natural gas savings targets in light of the EGI-NRCan Agreement.

Enbridge Gas requested that much of the pertinent details of the EGI-NRCan Agreement be treated as confidential on a temporary basis. The information requested for confidential treatment relates to the joint program details, including eligibility, available efficiency measures and incentive amounts. Enbridge Gas indicated that this information will be made public at the time the joint program is publicly announced. Enbridge Gas noted that should this information be disclosed prior to the public announcement, it might encourage participants to delay their enrolment, negatively impacting program results in 2022.

Enbridge Gas also requested confidential treatment of other information on a permanent basis, due to concerns that if released, it would either result in harms identified in the OEB's Practice Direction on Confidential Filings or relates to information that Enbridge Gas argued is irrelevant and has no impact on its proposed DSM plan.

[17] Canada Greener Homes Initiative

As part of the OEB's Partial Decision on Confidentiality and Procedural Order No. 7, the OEB accepted Enbridge Gas's request for temporary confidential treatment of the EGI-NRCan Agreement. The OEB provided an opportunity for submissions on the remainder of the confidentiality request and on the impact of the EGI-NRCan Agreement on Enbridge's DSM plan. Due to the temporary confidential treatment of the EGI-NRCan Agreement, the OEB directed that submissions on the impacts of the agreement would also be treated as confidential on a temporary basis.

**Summary of Positions regarding proposed Residential Program in the DSM Plan**

Submissions on Enbridge Gas's Residential Program were largely focused on the standalone whole home offer and the nature of a potential agreement with NRCan and its Greener Homes Grant program.

Comments on the Design of the Whole Home Program Offering

A number of parties, including OEB staff, Energy Probe, and Environmental Defence submitted that the residential whole home program offering should not include incentives for gas-fired measures or a requirement that customers remain on natural gas or continue to have its primary heating source fueled by gas.[18] Environmental Defence noted that in 2021, Enbridge Gas spent over $4.5 million on rebates for gas-fired equipment as part of the whole home program but has not provided evidence justifying the significant expense that Enbridge Gas claims is a loss leader intended to drive participation and the installation of additional measures in a home. Further, Environmental Defence noted that Enbridge Gas has not compared this strategy and expense to alternative measures to drive participation or quantify the participation that is a direct result of incentives for gas furnaces and water heaters. Environmental Defence also argued that since Enbridge Gas markets the whole home offering through Heating, Ventilation and Air Conditioning (HVAC) contractors, gives customers the impression that the efficient and "green" choice is to get a more efficient furnace, which is misleading and contrary to informed customer decisions and continues Enbridge Gas's fuel-biased programming.[19]

With respect to the design of the program, Energy Probe recommended that the OEB not approve the proposed whole home program for 2023 and instead, direct Enbridge Gas to redesign the whole home program for 2024 to increase the program's cost-effectiveness, revise customer incentives and integrate the program with NRCan's Greener Homes Grant program. CCC and FRPO shared similar views and noted that

[18] Oral Hearing, Volume 4, March 31, 2022, pp. 5-6 and K4.1 – OEB Staff Compendium, p. 10
[19] Environmental Defence Submission, May 19, 2022, pp. 18-19

Enbridge Gas's residential programs do not provide the best value for ratepayers. CCC highlighted that non-participants, who are the majority, are paying for the program through increased natural gas rates but do not benefit from direct bill savings. CCC also highlighted the current 5% free ridership rate applied to program results and recommended that if the whole home offering is approved, that the OEB prioritize a free ridership study of the program offering to develop an Ontario-specific value.

In response to program design comments from parties, Enbridge Gas argued that customers should be able to choose what kind of equipment is installed, particularly in relation to upgrading the efficiency of the customer's primary heating source. Enbridge Gas noted that if the incentives for installing energy efficient gas space heating and water heating appliances, at standards higher than those required by code, is removed, then by extension, customers are negatively impacted through the inability to choose the installation of such equipment.

Enbridge Gas also noted that if incentives for gas-fired equipment are prohibited it will negatively impact the discussion between potential program participants and Enbridge Gas's delivery agents who encourage the installation of natural gas appliances that exceed code standards.

However, Enbridge Gas acknowledged that the NRCan Greener Homes Grant program does not provide incentives for residential gas appliances. Enbridge Gas noted that, as a result, in the interest of delivering a seamless combined program, it is probable that it will discontinue offering incentives on residential gas appliances.

Enbridge Gas also argued that the OEB should not micro-manage the specific program offers, such as the measure incentives or eligibility requirements, and that it is inefficient and time consuming to do so. Enbridge Gas noted that there has been no criticism of its routine adjustments to measure incentives over the years without seeking OEB approval. Enbridge Gas noted that it requires the flexibility to manage its offers to reflect the realities of the marketplace. This necessity includes setting participant or measure incentive/rebate levels, establishing eligibility requirements, and deciding on which measures to offer.

Comments on a Potential Agreement with NRCan

A number of parties commented on the potential agreement between Enbridge Gas and NRCan for Enbridge Gas to deliver a joint whole home program that combines Enbridge Gas's proposed whole home offering and NRCan's Greener Homes Grant program. These submissions all shared the same general theme that without a final agreement for the OEB to review, there is insufficient information on what the potential joint

program may be and that it would be inappropriate to grant approval of a program that the OEB knows will not be the program ratepayers will ultimately end up with.

If an agreement was reached, Environmental Defence recommended that there should be an incremental approach to how ratepayer dollars are used. Environmental Defence recommended that approved ratepayer funding not displace NRCan's Greener Homes Grant program funding but rather, be used to expand eligibility, increase the incentive cap from $5,000, top-up incentives for gas customers and fund only building envelope and space and water heating measures.

SEC and Environmental Defence each offered recommendations on how, and by whom, a joint residential whole home program should be delivered. Environmental Defence submitted that it would be more efficient and effective if the program is delivered and implemented by NRCan. If Enbridge Gas would like to deliver the program, Enbridge Gas should provide evidence that it explored alternatives to delivery, including the cost and convenience of each. SEC shared a similar view and argued that the delivery-agent for the program should be fuel-agnostic, with no inherent bias for specific options. SEC submitted that the OEB should advise Enbridge Gas that it may not proceed with the whole home program with NRCan without the OEB approval.

FRPO and Environmental Defence proposed that OEB hold a limited proceeding after an agreement between NRCan and Enbridge Gas is reached. OEB staff proposed that the OEB seek comments from parties after the agreement is filed and provide the expectation that budget and target updates are to be filed once an agreement is reached.

In response to these comments, Enbridge Gas highlighted direction from the Minister of Energy that reiterated its encouragement for collaboration between Enbridge Gas and the NRCan Greener Homes Grant program, noting the importance of the OEB considering how to use Ontario's DSM programs to leverage federal funding to benefit Ontario ratepayers.[20]

### Findings

The OEB approves Enbridge Gas's proposed Residential Program, including the single measures offering, smart home offering, and the whole home program offering with some modifications. As discussed in more detail in the sections below, the OEB has reallocated the budget from the proposed Low Carbon Transition Program to the

[20] Minister of Energy, Renewed Mandate Letter, November 15, 2021, p. 3

Residential Program budget to be specifically used by Enbridge Gas as part of the joint residential whole home program offering with NRCan.

Whole Home Program Offering
The OEB approves the whole home program offering, subject to certain modifications discussed below.

Smart Home and Single Measure Offers
The OEB approves the proposed Residential Smart Home offer and the Residential Single Measure as filed. Although the joint residential whole home program offering will also include smart thermostats, having a standalone offer where customers can access rebates on smart thermostat purchases will still provide value and benefits due to the ease of participation and potential natural gas savings available.

The OEB provides its findings regarding the impact of the EGI-NRCan Agreement on the proposed DSM Plan below.

## EGI-NRCan Agreement

Following Enbridge Gas filing the EGI-NRCan Agreement on September 1, 2022, the OEB invited submissions from parties on the impact of the agreement on Enbridge Gas's proposed DSM plan.

Consistent with the OEB's instructions, parties provided confidential submissions related to the impact of the agreement on Enbridge Gas's proposed DSM plan.

## Summary of Positions

Generally, parties that filed submissions regarding the impact of the EGI-NRCan Agreement, including SEC, Environmental Defence, GEC and OEB staff, shared a similar view that although the agreement should benefit Ontarians, there were specific details that the OEB needs to address.

Fuel Neutrality

One issue for parties that commented on the EGI-NRCan Agreement was the inclusion of a requirement for a participant to be a natural gas customer at the outset and remain a natural gas customer after the efficiency upgrades were made for the participant to be eligible for the enhanced incentives of up to $10,000. OEB staff and intervenors opposed such a requirement as unfair to Enbridge Gas's current customers and inconsistent with the theme of customer choice outlined in the Mandate Letter.

OEB staff and intervenors opposed any restriction in the joint program that requires customers to maintain reliance on gas appliances or to be a gas customer and were of the view that all customers should have access to the enhanced incentives of up to $10,000.

GEC also noted that although Enbridge Gas has removed gas-fired equipment from the joint program, Enbridge Gas should make a firm commitment or the OEB should order the permanent removal of gas-fired measures from its residential program so they are not re-introduced in the future.

Enbridge Gas responded to these submissions indicating that it continues to be of the view that its DSM Plan is meant to benefit Ontario's natural gas customers which it argues is consistent with the OEB's December 1, 2020 letter. Enbridge Gas noted that while it will comply with the OEB's Decision, the practical and policy questions related to funding efficiency measures for non-gas customers or current customer that will leave the gas system were not addressed in the proceeding. One example Enbridge Gas provided was the impact on the lost revenue adjustment mechanism methodology, which will likely need to be considered as part of a future rates proceeding as it does not contemplate the complete loss of system gas customers. More broadly, Enbridge Gas questioned the procedural fairness for the OEB to make decision on this issue absent a full consideration of the impact of the decisions and to hear from those stakeholders that will be impacted. Additionally, Enbridge Gas argued that if the OEB wants it to provide financial incentives to non-natural gas customers and/or to incent existing customers to leave the system, it has not forecast the impact of such direction on the targets that have been proposed. Further, if Enbridge Gas is expected to still achieve the natural gas savings targets it has proposed, there would need to be a significant increase in the budget to provide the necessary incentives for both gas efficiency measures and non-natural gas customer electric efficiency measures.

Regarding availability of the enhanced incentive level of up to $10,000, Enbridge Gas noted that the EGI-NRCan Agreement only sets out that a participant seeking funds from the Enbridge Gas contribution be a natural gas customer at the time of enrollment and when the EnerGuide evaluation is undertaken to confirm that a participant has installed the energy efficiency measures for which incentives are sought. Enbridge Gas stated that if such a participant receives funding, there is no subsequent penalty or claw back of incentives if the customer ultimately leaves the gas system.

### Findings

While the OEB agrees that a program participant should be a gas customer in order to access the enhanced incentives under the EGI-NRCan agreement, the OEB does not

agree that there should be a requirement that a program participant remain a customer after the efficiency measures have been implemented. The requirement that program participants must remain gas customers following their participation in the program and implementation of the eligible efficiency measures is inconsistent with allowing customers to make their own decisions with respect to their energy use, including choosing to switch away from gas. Requiring a customer to continue to use gas also acts as a barrier to achieving greater GHG emissions reductions that would occur, for example, when a customer switches from a natural gas furnace to an electric heat pump for space heating or domestic hot water heater.

The OEB notes that the vast majority of homes in Ontario are serviced by natural gas for space heating and domestic hot water heating. Enbridge Gas's forecast shows that it expects continued growth for total residential customers through 2030.[21] Requiring a participant to remain a gas customer following the efficiency upgrades received through the joint program also effectively prevents customers from accessing the enhanced incentive levels made up of a combination of ratepayer and federal funding should a customer choose to switch to electric space heating and water heating systems. With that requirement, for example, a customer switching to a cold climate air source electric heat pump would be eligible for an incentive under the NRCan Greener Homes Grant Program but would be ineligible for an incentive to upgrade their insulation and windows through Enbridge Gas's ratepayer funded program. The OEB is of the view that this constitutes an unnecessary barrier toward maximizing the opportunity for a customer to optimize the efficiency of their homes and maximize the reduction of their GHG emissions. The OEB is also mindful of its statutory objective to promote energy conservation and efficiency which might be hindered by such a barrier.[22]

As noted previously in this Decision and Order, the OEB is of the view that, consistent with the main objective of DSM being reductions in natural gas usage, enabling current gas customers to achieve the greatest level of energy efficiency improvements, including electrifying space and water heating appliances, provides benefits to participants and non-participants alike.

Oversight, Governance & Reporting

SEC, Environmental Defence and GEC all commented on how the joint program should be administered. Due to the significantly expanded program, they argued that the OEB should establish an advisory committee to help oversee how the program is

[21] Exhibit I.10.EGI.ED.24
[22] OEB Act, Section 2(5)

administered. SEC argued that the new committee be empowered to seek additional reporting from Enbridge Gas to better understand the program as it's rolled out and provide direction on changes to the program, including how program benefits, such as natural gas savings, are attributed to each party. GEC provided similar submissions.

Environmental Defence shared a similar view and noted that although Enbridge Gas should have flexibility to implement adjustments to the program, it shouldn't have the ability to make unilateral changes on its own, particularly since, in Environmental Defence's view, Enbridge Gas has a strong bias and conflict of interest in favour of measures that still rely on natural gas. Environmental Defence also suggested that the joint program be delivered by a different party other than Enbridge Gas. Environmental Defence argued that Enbridge Gas has not provided evidence it is the most cost-effective delivery agent and that it has a significant conflict of interest in favour of efficiency measures that require the continued use of natural gas and maintenance of gas infrastructure.

Enbridge Gas responded indicating their strong opposition to parties' recommendation that an intervenor stakeholder group be given even higher level of scrutiny and involvement in decision-making. Enbridge Gas argued that this will lead to operational gridlock, less positive results and higher costs. Enbridge Gas argued that it is contractually committed to the terms of its agreement with NRCan and it requires decision-making authority. Additionally, Enbridge Gas questioned the OEB's jurisdiction to delegate decision-making about ratepayer funds to an unregulated committee.

### Findings

The OEB is providing direction regarding the establishment of a new stakeholder advisory group (SAG) below. The SAG is primarily responsible for helping guide and inform work projects and the development of Enbridge Gas's next multi-year DSM Plan. The OEB is also of the view that the SAG can provide value during the pending 2023-2025 DSM Plan term. The OEB does not dispute that Enbridge Gas may have certain obligations arising from the EGI-NRCan Agreement. However, the OEB approves rates that are charged to Enbridge Gas's customers to support DSM programs. This includes how those funds are to be used for programs, and in the context of the EGI-NRCan Agreement, the ratepayer-funded portion of the joint program.

The OEB confirms that Enbridge Gas is responsible to make decisions on any changes to its DSM Plan and programs and offerings within the parameters established by this Decision and Order. However, Enbridge Gas should seek input from the SAG on potential changes to the joint program so its decisions are well-informed and consider various perspectives the group brings. However, Enbridge Gas is not required to have

consensus from the SAG prior to proceeding with any changes it, or NRCan, see as necessary or appropriate. This maintains the flexibility Enbridge Gas has noted is important as the program administrator.

With respect to increased reporting on the joint residential program, Enbridge Gas should make sure that the level of reporting provided on an annual basis allows the OEB and interested stakeholders, including the newly established SAG, the ability to fully understand what has happened with the program in the previous year, including detailed reporting related to actual expenditures, participation – including measure uptake, and cost-effectiveness.

Measures and Incentive Levels

OEB staff and Environmental Defence commented on the measures and incentives levels included in the EGI-NRCan Agreement. OEB staff noted that a number of changes to the proposed measure incentive levels have been made as part of the agreement compared to Enbridge Gas's proposed residential whole home program offering with no explanation provided on why these changes were made or how they will result in greater benefits for participants. OEB staff noted that without additional information from Enbridge Gas on the forecasted level of participation, it is difficult for the OEB to determine the merit of the changes and whether they lead to the best use of ratepayer funds.

Environmental Defence recommended that Enbridge Gas be directed to reallocate the budget it originally earmarked for heat pump market transformation programming to provide enhanced incentives in relation to electric heat pumps. Environmental Defence noted that while Enbridge Gas is proposing to provide enhanced incentives for building envelope improvements, enhanced incentives for heat pumps have not been included. Reallocating the proposed market transformation funding would address this apparent discrepancy. Environmental Defence recommended that this funding be used to provide an additional incentive for even more efficient heat pumps, such as a heating season performance factor of 11 or 12, whereas the current cut-off is 10. This would encourage manufacturers to make units with higher levels of efficiency and to compete on price for the customers interested in this segment.

Enbridge Gas responded noting that when developing the measures and incentive levels included in the EGI-NRCan Agreement that it relied on the knowledge and experience of its DSM staff to propose measures and incentive levels that would attract participation and generate savings. Enbridge Gas also noted that NRCan required that its contribution to measure incentives be consistent with a floor that is currently available across the country. Enbridge Gas noted that it considered which measures it

could add additional financial incentives for the purpose of generating additional natural gas savings, focusing on measures that are forecast to be the most cost-effective based on its experience.

With respect to how program savings will be attributed to Enbridge Gas and NRCan, Enbridge Gas confirmed that the EGI-NRCan Agreement is consistent with the current 2015 DSM Framework's guidance on how savings should be attributed in a joint program, with benefits attributed proportionally to funding contributions.[23]

### Findings

The efficiency measures included in the joint residential whole home program offering, largely made up of building envelope efficiency improvements, should provide residential customers with the ability to make significant energy efficiency improvements to their homes. The OEB is of the view that the exclusion of gas-fired measures is an important and positive development. Gas-fired measures for residential customers, including furnaces and hot water heaters, have reached the point where the federal efficiency standards require all new furnaces to be highly efficient.[24] As a result, including financial incentives for such measures will have little to no impact on natural gas or GHG emissions reductions. Including such measures in either a standalone Enbridge Gas program or the joint EGI-NRCan program would effectively only serve as a mechanism to keep a customer connected to the natural gas system for their space or water heating needs. The OEB is of the view that this is not an appropriate use of ratepayer funds. Gas-fired measures should no longer be included in the residential whole home program offering.

The OEB is also of the view that the inclusion of incentives for electric heat pumps and water heaters is a major benefit for customers. This will enable them to assess the best option for their household in order to maximize efficiency improvements, reduce their natural gas bill and help avoid incremental GHG emissions. The OEB has rejected the proposed Low Carbon Transition Program. The funding for this program has been re-allocated to the joint residential whole home program offering and is to be used to provide the enhanced incentives for the ratepayer funded supported measures, which are described in more detail in Schedule B. By providing enhanced incentives for these measures, participants will be able to realize increased benefits, greater natural gas

[23] EB-2014-0134, Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020), Section 7.2.2 – Attribution
[24] https://www.nrcan.gc.ca/energy-efficiency/energy-efficiency-regulations/guide-canadas-energy-efficiency-regulations/gas-furnaces/6879

reductions and subsequent bill savings, while the program will drive greater GHG emission reductions.

The OEB finds that the way benefits will be attributed to Enbridge Gas and NRCan in the EGI-NRCan Agreement is reasonable. The OEB expects that Enbridge Gas will monitor the OEB-approved ratepayer funded incentive levels assigned to each measure, assessing uptake and participation levels. The OEB accepts the mechanism in the EGI-NRCan Agreement for adjusting incentive levels. However, should Enbridge Gas and NRCan agree to changes equal to or greater than 20% of the approved ratepayer funded incentives for any single measure outlined in Schedule B, Enbridge Gas must seek OEB approval of such changes.[25] Should the OEB provide approval, implementation of the revised incentives levels would then be effective at the earliest interval subsequent to the OEB's direction, and consistent with the provisions of EGI-NRCan Agreement. This process will ensure that Enbridge Gas and NRCan maintain the flexibility to alter the program in response to market developments but maintain the important benefits that the ratepayer funded enhanced incentives can provide natural gas customers. Based on the results of the joint program in 2023, the OEB expects that, as part of its DSM Annual Report, Enbridge Gas will track and comment on how its forecast participation levels translated into actual uptake and discuss the impact this had on the ratepayer portion of the overall joint program budget.

The approved budget, including additional flexibility in accessing incremental budget amounts through the DSM Variance Account, are discussed below. The OEB is of the view that these approvals will allow for the enhanced incentive levels to continue to be offered throughout the duration of each program year.

Further, following the announcement of the joint program, the OEB expects Enbridge Gas to have information available for customers that are currently enrolled in either of the standalone whole home programs offered by Enbridge Gas and NRCan that describes the changes brought on by the joint program and the opportunities that are available to customers currently enrolled and undertaking energy efficiency improvements.

[25] This threshold does not apply to cumulative changes that may occur over the course of the program duration, but rather, to changes to a specific measure incentive made at one time. Should cumulative changes to any ratepayer funded measure incentive that are equal to 50% or more be agreed to by Enbridge Gas and NRCan, Enbridge Gas is required to seek OEB approval of such changes.

Budget & Cost Savings

SEC and OEB staff raised similar concerns regarding the level of administrative cost savings that will result from the joint program and how these amounts will be used. SEC noted a lack of clarity on how cost savings from the administrative efficiencies of the joint program would be used by Enbridge Gas. SEC argued that Enbridge Gas should be required to file a combined budget for the joint program with detailed information on, and justification for, any increases in expenditures, staffing levels, and other administrative components. SEC further argued that Enbridge Gas should be required to track actual expenditures against what it has included in its application and provide periodic progress reporting.

Enbridge Gas responded noting that if any synergies are generated and Enbridge Gas's contributions to the operating costs of the program are less than the OEB-approved budget amounts, then these amounts will either be applied to participant incentives or returned to ratepayers through the DSM deferral and variance account process.

**Findings**

The OEB approves a budget of $60M for the residential whole home program offering (an increase of $29.4M from the proposed amount of $30.6M). This increase includes the reallocation of the $4.6M budget from the Low Carbon Transition program and recognizes the NRCan contribution to the administrative costs of the joint program, resulting in a significant increase in available financial incentives for natural gas customers. The increased residential whole home program offering budget is to be used to support the enhanced incentive levels for the various energy efficiency measures included within the joint EGI-NRCan program consistent with those outlined in Schedule B. This will allow customers to access greater incentive levels primarily related to insulation improvements and the installation of electric heat pump technologies. These measures provide the greatest cost-effective opportunities for residential customers to reduce their natural gas usage. Providing increased customer incentives will allow for greater opportunities for customers to realize material natural gas savings that will lower natural gas bills. This will also lead to an increase in GHG emissions reductions. The approved Enbridge Gas enhanced incentive levels for many of the measures available as part of the joint program are approximately one-third of NRCan's contribution. Similarly, the approved budget for Enbridge Gas's ratepayer-funded residential whole home program budget is approximately one-third of the NRCan annual budget. General alignment of the budget and measure incentives should ensure sufficient funding is available to maintain the enhanced incentive levels through the entire program year. The approved ratepayer-funded residential whole home program budget will allow residential customers to access materially increased financial incentives from those

originally proposed by Enbridge Gas, providing the opportunity for valuable energy efficiency measures to be installed. The approved increased budget will be a significant contributor to the success of the joint program. As a result, the OEB does not expect that the approved funding for the residential whole home program to be reallocated to other programs or used for administrative costs as NRCan will be contributing sufficient funding levels to support the promotion and delivery of the joint residential whole home program. Should this be required, Enbridge Gas must seek OEB approval prior to reallocating funds to other programs or for use on other budget items outside of financial incentives for participants.

The approved residential whole home program offering budget assumes that participation will largely be consistent with Enbridge Gas and NRCan's forecasts. However, should participation be greater than anticipated, either due to more overall participants or average participant incentives being greater than forecast, Enbridge Gas is approved to access funding in excess of the DSM variance account overspend provision that allows for an incremental 15% of a program budget to be spent during the year should Enbridge Gas have met 100% of its performance scorecard metric on an unverified basis.[26] The incremental spending above the 15% DSMVA provision is only to be used for the joint residential whole home program offering in order to continue to offer the enhanced incentive levels to customers. All spending above the approved budget will still require sufficient supporting evidence to be filed as part of future DSM deferral and variance account clearance applications.

Enbridge Gas's proposed residential budget would have resulted in monthly bill impacts for a typical residential customer that were below $2.00 a month.[27] Additionally, Enbridge Gas's DSM budget has not been adjusted for inflation since 2014.[28] Although the OEB has increased the residential budget, it is satisfied that the increase will continue to result in reasonable monthly bill impacts for a typical residential customer and remain largely consistent with previous direction provided by the OEB that DSM costs for a typical residential customer be around $2.00 a month. [29] In the past, due to the differences in the legacy EGD and Union rate zones, DSM costs have varied based

[26] OEB Natural Gas DSM Framework, Section 12.2
[27] Exhibit I.5.EGI.EP.1(a) – Proposed residential budget to have resulted in monthly bill impacts for a typical residential customer of: $1.69 for EGD Rate 1, $1.53 for Union South Rate M1, and $1.04 for Union North Rate 01
[28] Exhibit I.5.EGI.ED.12(c)
[29] Based on the approved total 2023 DSM budget of $167.24M and a 2023 Residential Program budget of $70.38M that includes budget amounts for all offers and administrative costs, as well as the estimated residential share of other program and administrative costs and potential lost revenues and shareholder incentive amounts, and using the same billing determinants used by Enbridge Gas in Exhibit I.5.EGI.EP.1(a), the OEB has estimated the following bill impacts for a typical residential customer in each of the three rate zone as: $2.21 for EGD Rate 1, $2.00 for Union South Rate M1, and $1.36 for Union North Rate 01.

on participation levels in the different rate zones as costs are recovered over the entire group of customers in each residential rate class. The OEB expects Enbridge Gas will implement the recovery of DSM costs from residential customers across Ontario on a uniform basis during the term of the DSM Plan as soon as practical.

With respect to administrative costs, the OEB expects that the significant funding contributions of NRCan to the administrative costs of the joint residential program will result in material reductions in administrative costs paid for by Enbridge Gas ratepayers, freeing up budget that can be applied to program incentives. As part of its DSM Annual Report, Enbridge Gas is required to provide detailed reporting on forecast and actual administrative costs, including promotion, marketing, delivery, and administrative costs so that there is a clear understanding of the level of spending on all administrative and overhead items. The OEB expects that Enbridge Gas will use the realized administrative cost savings to fund additional customer incentives incremental to the approved residential whole home program offering budget to increase the overall level of benefits realized by residential customers. Further, the OEB expects that to the extent Enbridge Gas does not incur spending on all administrative and overhead items in a particular year, and these amounts could not be used for customer incentives, unspent amounts shall be recorded in the DSMVA for subsequent disposition.

Targets

Environmental Defence submitted that the EGI-NRCan Agreement should allow for Enbridge Gas to deliver greater savings through economies of scale and better coordination and because of this, the gas savings targets should be increased accordingly.

Enbridge Gas responded noting that although it has not proposed changes to targets based on the EGI-NRCan Agreement, if results are better than anticipated in year one, the proposed target adjustment mechanism would account for this and raise the targets for year two.

### Findings

The OEB agrees with Environmental Defence that due to the significant funding contributions provided by NRCan and material increase of ratepayer funding approved by the OEB, the residential natural gas savings target must be increased. Enbridge Gas indicated that budget increases and natural gas savings are not linearly related and provided examples of how increases relate at two intervals: with a 10% increase in budget, it would expect to realize a 9.2% increase in natural gas savings; whereas with a 20% increase to budget, it would expect a 15.6% increase in gas savings across the

Residential program.[30] Enbridge Gas noted that to increase results it will require investments in marketing initiatives to advance program awareness and project lead generation, as well as incremental project rebates in order to increase the conversion of leads to projects. As the new joint program will see significant funding contributions from NRCan, material increases in ratepayer funding, expanded promotion and marketing efforts, broadened efficiency measure availability and increased incentives for all measures that are far greater than any previous residential program, the OEB is of the view that it is reasonable to increase the Residential Program natural gas savings target by 50% for 2023. This increase is consistent with a simple extrapolation of Enbridge Gas's sensitivity analysis scenarios of 10% and 20% budget increases. Additionally, given the DSMVA 15% overspend limit does not apply for the residential whole home program offering, Enbridge Gas will have the ability to see continued participation and subsequent natural gas savings throughout the year should it be successful in delivering the joint program. Further, in the event that the revised 2023 Residential Program natural gas savings target is either too high or too low, the approved target adjustment mechanism will help correct this figure for the 2024 program year.

### 4.2.2 Low-Income Program – Issue 10(b)

Enbridge Gas proposed two program offerings for low-income customers: Home Winterproofing and Affordable Housing Multi-Residential. Enbridge Gas indicated that the low-income program will include strategic outreach specifically tailored to the unique characteristics of hard-to-reach customers and be offered consistent with updated, province-wide income eligibility criteria, consistent with electricity conservation programs offered by the IESO.

As part of the Home Winterproofing offer, customers will receive the following at no cost:[31] a free home energy assessment and weatherization services (i.e., insulation and air sealing), energy conservation education and energy literacy, as well as addressing health and safety components.

As part of the Affordable Housing Multi-Residential offer, Enbridge Gas has proposed an enhanced prescriptive, custom, and direct install incentives for natural gas savings for multi-residential buildings classified as either social housing or privately owned buildings demonstrating high levels of low-income tenants.

[30] Exhibit I.6.EGI.STAFF.13, pp. 6-7
[31] Enbridge Gas Reply Argument, page 88

### Summary of Positions

Parties, including VECC, LPMA, CCC and Anwaatin supported both of the proposed low-income program offers: the Home Winterproofing and Affordable Multi-Family Housing offerings.

While CCC supported the associated budget levels for the program as proposed by Enbridge Gas, LPMA submitted that the budget in support of this program should be increased so that more participants can take part in the program offerings. VECC proposed that the low-income budget be set at a minimum of 20% of the overall DSM Plan budget, consistent with 2021 and 2022, rather than the 16% currently proposed by Enbridge Gas.

Anwaatin noted that these programs are particularly relevant to Indigenous communities and Enbridge Gas acknowledges that tailored customer outreach is needed.

LIEN submitted that no costs for low-income offerings/measures should be borne by low-income consumers in any circumstance, as is currently the case, and that this should not change. LIEN recommended that Enbridge Gas report on the distribution of low-income program participants by geography and type.

FRPO highlighted the potential issues with the new eligibility criteria proposed by Enbridge Gas for use to determine participants for the affordable housing multi-residential offer. FRPO noted that the change in eligibility requirements could impose barriers that restrict access for low-income residents in privately-owned multi-unit residential buildings. FRPO noted that Enbridge Gas could conceivably meet its Low-Income Program scorecard without distributing the benefits to any resident in a privately-owned multi-unit residential building despite the data indicating that, at least for the City of Toronto, that is where many low-income customers reside.[32] FRPO expressed its deep concerns that Enbridge Gas has demonstrated a utility-centric approach to this application without significant stakeholdering. FRPO supported a shorter term for the DSM plan to seek progressive, stakeholder-informed DSM initiatives after the finalization of Enbridge Gas's pending rebasing proceeding.

Enbridge Gas responded noting that parties were generally supportive of the proposed Low-Income Program. In response to comments related to the budget allocated to the program, Enbridge Gas noted that it has proposed to ring-fence the Low-Income

[32] FRPO Final Submission, pp.5-6

Program budget so that there will no longer be transfers out of the Low-Income budget to other programs. Further, Enbridge Gas confirmed that the Low-Income Program does not include any measures that requires a financial contribution from the income-qualified energy consumers participating in the program and no such measures are planned.

In response to FRPO's concerns about the methodology used to select multi-residential buildings that are eligible for the affordable housing multi-residential offer, Enbridge Gas noted that all four groups it consulted with, only FRPO did not support the methodology change (after previously indicating its support). Enbridge Gas noted that the change was made to follow the Canadian Mortgage and Housing Corporation's guidelines that will help identify appropriate markets and make sure the offering provides incentives to the target market. Enbridge Gas committed to ongoing monitoring and evaluation of the new methodology.

**Findings**

The OEB approves the proposed Low-Income Program as filed. However, as noted in Section 4.6.2 that discusses the proposed program scorecards, the OEB expects that Enbridge Gas will closely monitor the rollout of the affordable housing multi-residential offer and report on results of participation and natural gas savings from both social housing and privately-owned multi-residential buildings as part of its DSM Annual Report and adjust its program delivery to ensure that there is equitable delivery of the program across both subsectors. Further, the OEB expects that Enbridge Gas will review the results of the affordable housing multi-residential offer and propose any changes, along with more general changes to the Low-Income Program, in Enbridge Gas's next DSM plan.

### 4.2.3 Commercial Program – Issue 10(c)

Enbridge Gas proposed a standalone Commercial Program that includes four proposed program offerings that build on programs delivered in the past as well as incorporate new concepts based on stakeholder feedback. The proposed Commercial Program aims at addressing a number of types of commercial customers with varying levels of understanding and resources to undertake energy efficiency upgrades. The proposed program offerings are:

- Commercial Prescriptive Downstream that will provide customers with a menu of recommended technologies that have pre-determined incentives and savings amounts, defined by facility type and equipment size.

- Commercial Prescriptive Midstream is designed to influence the upselling of selected high-efficiency technologies at the supply chain level; specifically mid-market actors (distributors, retailers). This offer differs from the Prescriptive Downstream and Direct Install offers as it is targeted at the supply chain level as opposed to end-use customers.
- Commercial Custom is designed to encourage customers to reduce their natural gas consumption by identifying, recommending, and incentivizing energy savings projects. This offering requires site-specific review and measures tailored to the customer's needs and is not based on pre-defined savings values.
- Commercial Direct Install provides a turnkey solution, primarily aimed at engaging smaller customers unlikely to participate in other program offerings due to significant time, knowledge and resource constraints.

### Summary of Positions

Generally, parties were supportive of Enbridge Gas's proposed Commercial Program. However, SBUA and LPMA argued that the programs for commercial customers, particularly smaller commercial customers, should be expanded to include additional measures and greater incentives. SBUA submitted that the OEB should not approve the proposed DSM framework nor the proposed DSM plan unless the recommendations it put forward were implemented.

Among the recommendations suggested by SBUA included expanded measures, including access to measures currently only available to residential customers for small business customers using residential-sized equipment, increased customer incentive levels and targeted marketing toward additional small business segments. Additionally, SBUA suggested that more be done to improve the proposed direct install offering such as including a broader range of cost-effective measures available for customers to choose to have installed. SBUA argued that these changes are necessary to allow small businesses to meaningfully participate in DSM programming. Notably, SBUA highlighted that many small businesses operate out of spaces that are the equivalent to a home but are ineligible to participate if Enbridge Gas has identified these customers as a commercial account. SBUA recommended that Enbridge Gas should be directed to amend its proposed Commercial Program to provide a broader range of cost-effective measures that will ultimately lead to greater natural gas savings and overall benefits to customers. SBUA argued that this would not result in the OEB "micromanaging" Enbridge Gas's DSM plan, but would be the OEB undertaking its function to review and assess Enbridge Gas's proposal and make appropriate changes to ensure the plan optimizes natural gas reductions in a cost-effective way while serving the interests of

ratepayers without discrimination. SBUA also suggested that Enbridge Gas's Commercial Program budget be increased to allow for greater incentives to further remove barriers to participation by small businesses that are focused on short-term cost savings.

Environmental Defence submitted that incentives for gas-fired measures should be reallocated to other measures. Environmental Defence submitted that there may be instances where incentives for more efficient gas equipment is reasonable, but Enbridge Gas needs to provide analysis and justification.

Enbridge Gas responded noting that to accept the submissions of SBUA would require an expansion of the Commercial Program budget, of which Enbridge Gas is of the view that it has proposed a budget that appropriately responds to OEB direction. Enbridge Gas also noted that it has reviewed and responded to all program recommendations made by expert witnesses and generally has indicated a willingness to further consider some of the cost-effective recommendations, including reporting on small businesses and looking at other factors to help identify potential small business participants.

Enbridge Gas noted that it is open to introducing additional measures to the direct install offering to include smart thermostats, boiler tune-ups and water heating measures as long as they are cost-effective. However, Enbridge Gas noted that adding additional measures would require redirecting funding from other measures as the budget is constrained. Enbridge Gas noted that none of the experts were able to indicate if commercial customers were willing to accept additional budget amounts be allocated to their rate class.

### Findings

The OEB approves the proposed Commercial Program and the four program offerings. The OEB appreciates the difficulty in tailoring specific offerings for the varying types of commercial customers but is of the view that Enbridge Gas has made reasonable efforts to address some concerns raised by parties. However, the OEB is of the view that for the next DSM plan, Enbridge Gas should give further consideration to additional opportunities for the program offerings to evolve and reflect practical realities, including those faced by small businesses as highlighted by SBUA and discuss with the SAG.

### Industrial Program – Issue 10(d)

Enbridge Gas proposed the continuation of its existing Industrial Program with an enhanced focus on addressing market barriers and engaging a broader group of customers.

The industrial sector across the Enbridge Gas franchise amounts to more than 22,000 accounts that collectively consume 6.34 billion cubic meters of natural gas annually.

Participants in the industrial custom offering receive site-specific technical support through a dedicated Energy Solutions Advisor that helps to assess a particular customer's natural gas use in their business and provides customized options to optimize natural gas usage and access new technologies as they become available. The offering also includes financial incentives to enable the identification, quantification, prioritization, and implementation of natural gas saving measures. The proposed industrial custom offering would provide customers with a capped, two-tier incentive - $\$0.20/m^3$ saved for the first 50,000 $m^3$ and $\$0.10/m^3$ for all savings above 50,000 $m^3$ with total incentive capped at $100,000.

### Summary of Positions

Parties such as CME and OGVG were supportive of the program. CME noted that although Enbridge Gas's proposal to dedicate greater resources to develop market awareness is reasonable, it should ensure that the increase in resources continue to drive increased participation, as if not, the funding would be better used on increasing the size of the average industrial efficiency project. CME also highlighted that Optimal Energy Inc. recommended that Enbridge Gas increase or remove the incentive caps for both the commercial and industrial custom program offerings as the current caps are far below other jurisdictions, with some caps at $0.5 million for commercial and $1 million for industrial.[33] CME noted that Enbridge Gas indicated it was open to testing increased incentive thresholds through limited time offers, notwithstanding the two main reasons noted by Enbridge Gas as to why it had not proposed increased caps, being that many projects don't reach the current cap and that the incentives are not necessarily the primary driver of projects.[34] CME noted that there's no way of telling if the incentive cap is preventing entities from engaging in more significant projects. CME proposed a modest increase in the current incentive cap on the industrial custom offering from

[33] EB-2021-0002, Transcript, Volume 5, p. 106
[34] CME Final Submission, pp. 20-21

$100,000 to $200,000, noting that this increase would not necessitate testing through limited time offers.

OGVG recommended that Enbridge Gas consider offering historically non-participating customers in the contract rate class an incentive equal to 100% of the cost of any third-party energy audit, studies or metering rather than the 50% incentive available within the current proposal. OGVG suggested that allowing customers the ability to identify savings opportunities without any direct costs to the customer, particularly for historically non-participating customers, may help Enbridge Gas with engaging these customers.

In response to these comments, Enbridge Gas noted that the Industrial Program offering is one of the most cost-effective and successful programs in terms of natural gas savings generated. Enbridge Gas indicated that it will consider the recommendations for design changes advanced by parties and expert witnesses, including incentive caps and the portion of energy audit costs covered through the program. However, as program administrator, Enbridge Gas noted that it had to make appropriate trade-offs to consider sufficient budget is available for reasonable participation levels and that it cannot commit to these changes at this time.

OGVG also requested that Enbridge Gas be directed to bring forward a streamlined proposal for a financing program, similar to the open bill access and system expansion surcharge. In response, Enbridge Gas noted that this is not feasible since the open bill access function will be discontinued.

**Findings**

The OEB approves the proposed Industrial Program as filed. The OEB expects Enbridge Gas to monitor program activity, including participation levels, average savings per project, the level of financial incentives accessed relative to the imposed cap currently included in the program and adjust the design of the program to ensure the greatest level of natural gas savings and participation levels are being delivered. As this is a leading program with respect to overall cost-effective natural gas savings, the OEB expects that Enbridge Gas will explore opportunities that would allow the program to be expanded in the future with the expectation that significant natural gas savings will continue to be realized.

### 4.2.4 Large Volume Program – Issue 10(e)

Enbridge Gas proposed to continue to offer its Large Volume Direct Access program over the course of the 2023-2027 term with an annual budget starting at $2.77 million in 2023.

The goal of this offering is to encourage Large Volume customers to maintain a focus on energy efficiency by encouraging the development of an Energy Efficiency plan that identifies efficiency opportunities. This offering is delivered to customers in Rate T2 and Rate 100 classes in the Union rate zones. These customers are generally classified as Industrial (steel, pulp and paper, auto manufacturers), chemical manufacturers and refineries, and gas-fired electricity generators.

**Summary of Positions**

Environmental Defence, Pollution Probe and OEB staff supported the approval of the Large Volume Program, with OEB staff noting that although the program includes a high level of free riders, the program has a modest budget and delivers a reasonable level of cost-effective natural gas savings.

The main focus of parties was largely whether the program should include the ability for certain customers to choose not to participate and opt-out of the program, including not being required to pay for the costs of the program through rates. Support from parties differed regarding an opt-out framework. OEB staff noted that the opt-out framework should be considered by the DSM SAG. Pollution Probe did not support an opt-out framework as it noted that this will add costs to customers that remain in the program and potentially outweigh benefits.

IGUA submitted that the Large Volume program should be discontinued. IGUA highlighted that 28 large volume industrial customers consume several dozens of millions of cubic meters of natural gas each year and pay hundreds of millions of dollars in natural gas rates. These customers are distinct from standard "industrial" customers in the commercial and industrial segment.

IGUA submitted that with respect to large volume customers, Enbridge Gas's program: 1) has little if any impact on decision-making; 2) increase their gas costs; 3) decreases funds to manage costs through efficiency as 20% of program costs are proposed to be used for administrative costs; and 4) distracts from internal prioritization to optimize gas use efficiency and decarbonization initiatives.

IGUA argued that the proposed program provides no additional value to large volume customers as Enbridge Gas's technical account managers do not, and cannot possibly, understand the role of natural gas in these customer's highly specialized and technical processes as well as the customers themselves do.

Further, IGUA argued that the modest incentives between $0.1M to $0.15M is unnecessary to motivate customers that are paying more than $100M annually in natural gas costs. IGUA also noted that these customers are already subject to

legislated carbon and other emissions abatement requirements and costs that lead to greater energy efficiency. IGUA also highlighted that past OEB approvals to continue with the Large Volume program were made under different policy direction, which is no longer in effect.[35]

IGUA requested that the OEB discontinue the Large Volume Program as it has outlived what use it once had. Additionally, should the OEB find it important to track natural gas reductions by Ontario's largest gas consumers, IGUA and its Ontario members indicated they are prepared to work with Enbridge Gas to develop a reporting mechanism that would allow Enbridge Gas and the OEB, through publicly available information, visibility into large industrial natural gas efficiency savings and carbon abatement strategies.

Should the OEB approve a version of this program, IGUA recommended that an opt-out framework be developed. IGUA suggested that the basis of this framework would be that customers seeking opt-out should have to demonstrate that efficiency and decarbonization commitments over a multi-year period are in line with those anticipated in Enbridge Gas's current application from this program.

SEC generally supported IGUA's opt-out proposal. SEC recommended that large volume customers be allowed to opt-out and receive a rebate equal to the amount that was included in their rates for large volume DSM programming costs. SEC did however note that there are likely still some large volume customers that do want access to DSM programming. SEC suggested that Enbridge Gas consult with these customers and propose program offerings that are tailored to the needs of those that want to participate.

APPrO submitted that the Large Volume Program should be voluntary and should allow gas-fired generators to opt out of the program, and upon opt-out, be exempt from related DSM costs. APPrO shared a number of concerns raised by IGUA, noting that the Large Volume Program has little or no impact on improving GHG emissions reduction efficiencies and managing energy costs - existing carbon costs drive a much more significant price signal.

APPrO submitted that gas-fired generators do not have significant room for efficiency improvements in light of existing and increasing carbon-related regulations and incentives, and that numerous policies require gas-fired generators to address efficiency.[36] APPrO requested the OEB to recognize the substantial weight of non-DSM

[35] IGUA Final Submission, pp. 9-12
[36] APPrO Final Submission, pp. 5-6

carbon-related costs and provide gas-fired generators with the flexibility to opt-out of the Large Volume Program.

APPrO noted that any concerns with addressing Enbridge Gas's billing system can be easily accommodated and are not a reasonable basis to deny implementation of an opt-out mechanism. APPrO noted that, as Mr. Neme for Energy Futures Group highlighted, to the extent Enbridge Gas embeds DSM costs in rates, it could presumably create a negative surcharge (i.e., a credit) for customers who choose to opt-out.

APPrO noted that it supports continued tracking and reporting of natural gas usage and conservation and related emissions reporting and is prepared to work with the OEB and Enbridge Gas to facilitate tracking and reporting in a manner consistent with applicable federal and provincial regulatory requirements. Further, similar to IGUA, APPrO indicated that it and its members are willing to collaborate with Enbridge Gas and other interested stakeholders to design simple, evidence-based conditions for an opt-out mechanism.

In response to these submissions, Enbridge Gas noted that prior to filing its application it engaged with its large volume customers, including gas-fired generators and that six of nine gas-fired generators that were engaged all supported the proposed program. Further, Enbridge Gas highlighted that neither IGUA nor APPrO produced evidence as to the number or percentage of their members which support their proposals, including the option to opt-out. Additionally, Enbridge Gas highlighted that one example raised by IGUA, Glencore, is not eligible to participate in the Large Volume program, and that this example has no relevance.

Enbridge Gas highlighted that its technical account managers come directly from relevant industry, are skilled at identifying energy efficiency projects and sharing industry best practice. Further, Enbridge Gas noted that as part of its engagement with these customers, they welcomed the proposed program, with some requesting an increase to the incentive budget and others welcoming the expansion of eligible measures.

Enbridge Gas submitted that it does not support the creation of an opt-out or opt-in provision. A number of details of this sort of program would need to be determined, including the rules that would apply to a customer opting out, when notice should be provided, would customers be entitled to opt back in and if so how and on what terms, and rules for DSM deferral and variance account true-up proceedings. Further, Enbridge Gas noted that although administratively an opt-out provision could be made,

that it will come at a cost as it will necessitate changes to its billing system that may be expensive. Additionally, Enbridge Gas noted that if an opt-out system is implemented, it would necessitate changes to the Large Volume scorecard (or perhaps the removal of it) and the allocation of funding to other programs.

Enbridge Gas submitted that if the OEB is inclined to consider removing large volume customers from DSM or providing an opt-out/opt-in mechanism, that further consultation that involves Enbridge Gas and affected customers and stakeholders is required to identify and attempt to address all impacts and to develop appropriate protocols. Enbridge Gas also noted that its pending rebasing application may have implications for the Large Volume Program as it is currently assessing rate harmonization options.

### Findings

The OEB approves the continuation of the proposed Large Volume Program with some modifications. The OEB is of the view that the price signals and legislated requirements currently in place are a significant driver in ensuring that gas-fired generators are addressing energy efficiency in a sufficient manner. Therefore, the OEB finds that gas-fired generators should be exempt from the Large Volume Program. Although the OEB is exempting gas-fired generators from the Large Volume program, no changes will be made to the budget or program scorecard target. The budget is modest for this program. Additionally, due to the unique nature of this program, large volume customers are eligible to receive their contribution to the program budget under the direct access program design. Therefore, with the removal of gas-fired generators and no change to overall budget, there will be slightly more funding available for each remaining, eligible large volume customer. Based on the additional funding available to each large volume customer, proportional increases in natural gas savings levels are also likely, therefore the OEB is of the view that it is not necessary to make a revision to the proposed 2023 net annual gas savings target. Should results be lower than expected in 2023, future targets will be adjusted downwards in subsequent years to reflect actual performance, based on the approved target adjustment mechanism. In order to provide greater benefits for the remaining large volume customers, the OEB expects that Enbridge Gas will consider increased incentive thresholds for individual participants to try to achieve the greatest level of natural gas savings possible.

Enbridge Gas raised some administrative concerns regarding certain unknowns with a voluntary opt-out program, including impacts on its billing system, rules on when a customer could opt-out, if they could opt back in and what impact this would have on budgets and targets. However, as the OEB has not approved an opt-out program, but rather given clear direction that gas-fired generators are exempt from the Large Volume

program, the concerns raised by Enbridge Gas are not applicable. Gas-fired generators in the Rate T2 and Rate 100 classes should not be subject to any DSM costs and will not be able to access any of the available Large Volume program funding. Enbridge Gas can work to ensure that manual adjustments to its billing system are applied for the eight gas-fired generators in the Rate T2 class and the single gas-fired generator in the Rate 100 class so that costs are appropriately administered beginning January 1, 2023. Additionally, Enbridge Gas should work cooperatively with IGUA to track natural gas reductions through energy efficiency efforts by the remaining large volume customers. The OEB encourages IGUA to canvass its members with the expectation that better evidence, including the number of IGUA members that either do or do not support the continuation of the Large Volume program, can be considered by the OEB as part of Enbridge Gas's next DSM plan application.

With respect to an opt-out framework, the OEB is of the view that more evidence is required before an opt-out provision can be implemented. Enbridge Gas is expected to work with relevant stakeholders, such as IGUA, to develop opt-out protocols and share with the SAG for input. The resulting opt-out framework, if supported by large volume customers, should be included as part of Enbridge Gas's next DSM plan application.

### 4.2.5 Energy Performance Program – Issue 10(f)

Enbridge Gas proposed a new Energy Performance Program that responds to comments from interested stakeholders and direction from the OEB to implement DSM programs that incorporate metered savings results and rely on detailed customer data. The Energy Performance Program has one proposed offering, the Whole Building Pay for Performance (P4P) offering. In developing this program, Enbridge Gas participated in various efforts to test an energy performance approach that applies metered savings measurement to evaluating energy savings, including collaborations with the Toronto and Region Conservation Authority, the IESO and local water and electric utilities to support public-sector commercial and institutional buildings in achieving energy savings. Additionally, work with school boards has been ongoing in the recent past to benchmark energy usage, identify those with the greatest opportunities and tracking metered results.

Enbridge Gas's proposed Whole Building P4P offering integrates learnings from the earlier energy performance initiatives summarized above by incorporating key engagement elements, while also addressing the incremental technical support needed by participants to achieve deep savings results.

The objective of the Whole Building P4P offering applies a holistic, multi-year approach to energy management designed to engage and support customers in driving deeper savings year-over-year. The offering leverages metered and building data to establish building baselines, set performance targets to achieve reductions in energy consumption of 20% above baseline, and assess all capital, operational and/or behavioral opportunities within a building over a defined period. Participants can earn annual performance incentives. The offering is proposed to have participants remain enrolled over a three-year period.

Enbridge Gas proposed to initially target primary and secondary schools with high energy intensity levels relative to other schools due to the similar nature of school building archetypes. Enbridge Gas noted it will explore the possibility of expanding the offering in the future.

### Summary of Positions

Parties were largely supportive of the proposed Whole Building P4P offering. OEB staff and SEC each indicated that the program should be expanded if the initial uptake and results are favourable and that the program could benefit from greater collaboration with other agencies to include both gas and electricity saving opportunities.

BOMA was also supportive of this program but recommended that the program be approved on a much larger scale to address available conservation potential and customer demand across three commercial sectors (schools, offices and hospitals) beginning in 2023. BOMA suggested revised design elements, including higher incentives, no or higher incentive caps, greater technical support and coordination with other agencies. BOMA also proposed updated scorecard targets to reflect the proposed program design changes. BOMA submitted that these changes will benefit customers and support Ontario's Environmental Plan with incremental DSM results in an area that is currently underserved.

Enbridge Gas responded to these recommendations noting that it appreciates BOMA's enthusiasm but given the proposed Whole Building P4P offering is to be delivered over a multi-year period, that it is a new program and that Enbridge Gas's DSM plan has budget constraints, the proposed program as filed is appropriately designed and sized. Enbridge Gas also indicated its concern about the savings forecasts provided by BOMA's expert witness.[37] Notably, Enbridge Gas is concerned about the level of savings from operational improvements suggested by BOMA's expert as it has not

[37] Transcript Vol.5, pp. 55-63

experienced these level of savings in its previous performance-based programming. Enbridge Gas submitted that before increasing the program budget by more than 100% as proposed by BOMA, it is appropriate to first assess the results of the initial proposal.

**Findings**

The OEB approves the proposed Energy Performance Program as filed, including the Whole Building P4P offering. The OEB is mindful that this program is to be delivered over a three-year period. Since the program is new, there is some uncertainty related to the level of natural gas savings that will result from operational improvements. Accordingly, the OEB finds that it is not appropriate to approve an expanded version of this program at this time. However, the OEB is of the view that there is merit in exploring the effects of efficiency and operational improvements through metered data. The OEB expects that Enbridge Gas will strive to meet and surpass the approved scorecard targets. The OEB expects that Enbridge Gas will closely monitor performance to allow for discussions about possible expansion for Enbridge Gas's next DSM plan term.

### 4.2.6 Building Beyond Code Program – Issue 10(g)

As part of Enbridge Gas's proposed Building Beyond Code Program, it has proposed four program offerings:

- Residential Savings by Design that focuses on limiting lost opportunities in new construction building and supports the building community in striving to design and build to a net zero energy ready standard.
- Commercial Savings by Design that prepares the commercial building community for future code advancements through a combination of support initiatives to increase the number of buildings designed to achieve 25% above existing Ontario Building Code standards.
- Affordable Housing Savings by Design that enables and supports affordable housing projects with better energy performance than required by the Ontario Building Code.
- Commercial Air Tightness Testing that advances the adoption of air tightness testing among commercial new construction buildings to support the integration of air tightness testing requirements in future code updates.

The Savings by Design offerings are largely an extension of the current offerings delivered by Enbridge Gas under its legacy Market Transformation scorecard. These offerings primarily focus on providing education, training, and technical assistance in an

effort to inform and make builders more aware of the opportunities for energy efficiency as part of their building practices. Financial incentives are also proposed to be provided for those builders that meet various eligibility requirements that are centered around completion of new home builds that meet certain levels of energy efficiency standards.

### Summary of Positions

A number of parties, including SEC, Environmental Defence, GEC, LPMA and OEB staff did not support Enbridge Gas's Building Beyond Code Program, as filed, based on a program design element that requires the participating builder to commit to using gas as a fuel source for space and/or water heating.

Environmental Defence submitted that the funding for the Building Beyond Code Program should be allocated to more effective programming, that it wastes ratepayer funding and is not future looking. SEC submitted that the program should be fuel-agnostic and that until the issues of electrification can be sorted out, the program should not be approved.

GEC submitted that the program would encourage less cost-effective solutions, distort contractor and customer choice and conflict with government GHG emissions reduction policies. GEC submitted that if the program is approved, it should be limited to projects being built in neighborhoods where gas infrastructure is already in place. OEB staff suggested considering a joint, fuel-agnostic new construction program with the IESO in the future, and that Enbridge Gas should incorporate Air Tightness Testing into one of its existing commercial programs with a natural gas savings metric associated with it.

In response to these comments, Enbridge Gas highlighted the importance of this program in preparing participating builders for and to be ready to implement more energy efficient building code requirements before and immediately after the new code requirements come into effect. Enbridge Gas noted that the only real debate is related to whether it is the intention of prospective builder participants to connect their future project to the natural gas system.

Enbridge Gas noted that, as confirmed by Environmental Defence's expert witness Dr. McDiarmid,[38] most builders will want natural gas attachments because of the demand of customers. Based on this, Enbridge Gas submitted that the position of parties opposing the program is inconsistent with the factual reality that during the term of the DSM plan, new residential, commercial, and multi-residential customers will want natural gas connections. Further, Enbridge Gas noted that incenting more efficient use of natural

[38] Transcript Vol. 5, pp. 8-9

gas is a key and important tool in meeting emissions reduction targets and consistent with the NRCan Road Map Report.[39]

### Findings

The OEB approves the proposed Building Beyond Code Program, with the following change. The Building Beyond Code Program should not have a requirement that builders that are interested in participating are required to connect their project to the natural gas system. The OEB notes that there may be builders that choose to connect to the natural gas system for various reasons. However, requiring potential builders to commit to using natural gas in order to participate in the program is unreasonable and inconsistent with the Minister's Mandate Letter that stresses the need for customers to make the right choices regardless of whether that is through more efficient gas or electric equipment[40].

The OEB is mindful that DSM costs are recovered from natural gas customers. Should a builder choose not to connect its project to the natural gas system, this may introduce a scenario where the incentives provided to the builder were paid for by ratepayers while the future owners of the homes or commercial buildings the builder constructs as part of future building projects may not be natural gas customers. However, the Building Beyond Code program is meant to increase awareness, education and understanding of new building methods and then apply those in the future in order to lead to lower levels of natural gas use. These program attributes are consistent with the main objectives of DSM. Should a builder successfully complete the required stages of the program, it is eligible for a financial incentive. The responsibility is then on the builder regarding if and how it incorporates the learnings it gained from the program. This makes the Building Beyond Code different from the other programs in the DSM plan that directly provide a financial incentive to a program participant for installing higher efficiency measures or reducing its consumption.

In traditional DSM programming, as noted earlier in this Decision and Order, the OEB agrees that it is not reasonable to allow programs to be available to those who have never been customers without exploring this issue in more detail. However, with respect to the Building Beyond Code program, ratepayers will still benefit from projects that are not connected to the natural gas system as a result of the reduction in the demand for natural gas that affects price, as well as the societal benefits that result from reduced GHG emissions. For example, ratepayers will achieve the same type of benefits when a

[39] Enbridge Gas Reply Argument, page 100
[40] Minister of Energy, Renewed Mandate Letter, November 15, 2021, p. 3

new housing project is not added to the gas system as they do when an existing residential customer exits the gas system as a result of implementing DSM measures. These benefits are potentially lost if there is a mandatory requirement for a project to be connected to the natural gas system. For these reasons, the OEB removes the requirement that a builder commit to connecting its project to the natural gas system. Removing this requirement will lead to greater customer choice while also allowing builders the opportunity to gain a better understanding for new building practices to increase energy efficiency and reduce natural gas usage in the future. To ensure that builders have the opportunity to understand their choices, Enbridge Gas should provide the applicable local electricity distributor the opportunity to participate in the discussions with a builder.

The OEB expects that OEB staff, through its established evaluation process with the Evaluation Advisory Committee, to conduct an evaluation of the Savings by Design offerings, leveraging historic data if required, to provide greater evidence of the merits of these offerings and the influence they are having on building practices. In addition, the OEB suggests that OEB staff consider seeking input from electricity distribution companies to help inform the evaluation.

### 4.2.7 Programs for Indigenous Communities – Issue 10(i)

Enbridge Gas did not propose a standalone program for customers in Indigenous communities. Rather, Enbridge Gas's Low-Income Program will be made available to customers in Indigenous communities. As discussed above, the Low-Income Program is offered at no cost to the customer, therefore, participating customers in Indigenous communities will receive full access at no cost to the participant.

Enbridge Gas noted that it employs an Indigenous community engagement team which contacts band councils in each of the 14 communities that have residential connections to the natural gas system. Additionally, Enbridge Gas indicated that it is working with outreaching organizations to help identify off-reserve Indigenous customers, however, there is difficulty as this is a self-identification process.

#### Summary of Positions

Anwaatin submitted that the Low-Income program offerings are relevant to Indigenous communities and that Enbridge Gas acknowledges that tailored customer outreach is needed. However, Anwaatin submitted that Enbridge Gas has not appropriately responded to guidance provided by the OEB that additional metrics be proposed to ensure all segments of the market, including on-reserve First Nations communities are well-served.

Anwaatin requested that the OEB direct Enbridge Gas to include in its annual report additional metrics that ensure all segments of the market are reached and Indigenous communities are well-served by Enbridge Gas's DSM programs.

Further, Anwaatin submitted that Enbridge Gas's application constitutes a proposed change in Enbridge Gas's operations. Accordingly, the application should have been subject or robust consultation and engagement with Indigenous communities in accordance with Enbridge Gas's Indigenous People's Policy (IPP) and the United Nations Declaration on the Rights of Indigenous Peoples, and Canadian jurisprudence on the duty to consult and accommodate. Anwaatin argued that employing an Indigenous delivery agent does not represent consultation and accommodation. Anwaatin requested that the OEB expressly direct Enbridge Gas to consult and accommodate Indigenous communities on its DSM plans and programs going forward. This should include, at a minimum: 1) gather data and insights through existing stakeholder channels; 2) holding stakeholder days on an appropriate interval; and 3) conducting targeted consultation on DSM planning and specific DSM programs and offerings.

LPMA submitted that Indigenous communities should have the same access to program offerings as is made available to any other customer or groups of customers, regardless of their location in the province and that there is merit in offering non-gas customers, including those in Indigenous communities, program offerings for other forms of energy, rather than connecting these customers to natural gas, when it is economic to do so.

In its reply, Enbridge Gas noted its on-going work to employ and engage Indigenous delivery agents and partners to ensure that the communities are informed about the efficiency measures that are appropriate. Additionally, Enbridge Gas noted that it will try to comply with the spirit of the IPP despite the fact that it was intended for pipeline installation and operations. Enbridge Gas also noted that it will be issuing a quarterly newsletter that will include energy conservation information and that this will be forwarded to Indigenous communities. Enbridge Gas also noted that it will include a summary of its efforts in respect of off-reserve outreach and its rollout of multi-residential and commercial program offerings in Indigenous communities. Enbridge Gas stated that based on all of its continuing efforts, it has more than met all reasonable expectations to consult and provide information to Indigenous customers and is in compliance with the OEB's directives and the objectives of the Proposed Framework.

### Findings

The OEB is of the view that Enbridge Gas has responded in a responsible fashion to the OEB's guidance related to providing opportunities for on-reserve First Nation communities. However, the OEB also sees the opportunity for greater visibility with respect to the success of deploying DSM programs to Indigenous communities and off-reserve Indigenous customers. The OEB expects that Enbridge Gas will work with interested Indigenous and First Nation stakeholders to make best efforts to consider, and if possible, develop performance metrics for inclusion in Enbridge Gas's next DSM plan application that will allow the OEB and other interested stakeholders a greater ability to more clearly identify the level of DSM programming activity for on-reserve, and, where possible, off-reserve First Nation and Indigenous customers.

Consistent with the OEB's direction with respect to overall stakeholder engagement, the OEB expects that Enbridge Gas will undertake greater stakeholder engagement with Indigenous representatives and document these interactions and the outcomes of the engagement sessions, to help inform its next DSM plan application.

### 4.2.8 Low Carbon Transition Program – Issue 10(j)

Enbridge Gas proposed a new program that aims to increase market awareness, technical understanding, and installation rate of heat pump systems. Heat pumps are heating and cooling systems that move heat from one place to another and can often be reversible, moving heat into a building in winter and out of a building in the summer. Heat pumps can act as a replacement for both traditional air conditioning units and natural gas furnaces, or work with existing systems. There are many different types of heat pumps, including air source heat pumps (including cold climate air source heat pumps), heat pump water heaters, ground source heat pumps, gas heat pumps and hybrid heat pumps (with an electric heat pump working with an existing gas furnace).

Enbridge Gas is proposing two new program offerings – a residential heat pump program offering and a commercial heat pump program offering. These programs have been proposed to respond to broad policy direction to help reduce GHG emissions. The Low Carbon Transition Program would focus on providing technical support to contractors and commercial design engineers with the objective of greater installation rates of residential and commercial heat pump systems. Enbridge Gas proposed that through this program, installation of hybrid heating systems – the installation of an electric air source heat pump combined with a natural gas furnace with smart controls to manage the system – and natural gas heat pumps be included.

### Summary of Positions

Many parties commented on the specific make-up of available measures and incentives that should be provided to customers for various types of heat pump systems. Parties, including SEC, Environmental Defence, GEC, LPMA, Pollution Probe, SBUA and OEB staff were largely in agreement and supportive of a primary or sole focus on electric heat pumps. Some of these parties suggested greater incentives and uptake levels of electric heat pumps. Parties also largely argued that the promotion of gas heat pumps be eliminated entirely or greatly reduced due to the technology not being cost-effective and not likely commercially available for several years.

SEC submitted that the Low Carbon Transition Program should not be approved, but rather should await the OEB's review and determination of whether electrification incentives are allowed and appropriate within the DSM plan. OEB staff submitted that NRCan's Greener Homes Grant Program provides incentives for heat pumps, so Enbridge Gas's program may not be needed.

OEB staff and Environmental Defence supported hybrid heating systems. Environmental Defence suggested two program design changes under a hybrid heat pump model: 1) require that only cold-climate models be installed and; 2) that the program should encourage customers to install models that will be compatible with full electrification should they decide to take that route when their furnace fails to avoid unnecessarily high costs to convert a heating system in a net-zero future.

LPMA submitted that Enbridge Gas should help support increased market penetration of ground-source heat pumps, which would eliminate the need for gas space and water heating.

In response to these comments, Enbridge Gas submitted that customers should be afforded the ability to choose the type of heat pumps they prefer based on the cost and benefits, consistent with the Mandate Letter.

Enbridge Gas noted that the hybrid heating solution involving a natural gas backup with an electric air source heat pump remains the most cost-effective measure for customers, as confirmed by the evidence of Dr. McDiarmid.[41] Enbridge Gas noted that there will likely be a number of difficulties in ensuring all electric heat pump systems (with no gas furnace back-up as proposed under the hybrid model) provide a sufficient and adequate heating solution due to issues with sizing, existing duct work and addressing heat loss. Enbridge Gas cautioned that under an approach where only all-

[41] Exhibit L.ED.1. p.4

electric options can be advanced, customers may feel misled about the expected savings and comfort they could receive if the all-electric solution proves inadequate for effectively meeting their heating needs.

Finally, Enbridge Gas noted that it expects that natural gas heat pumps will have a future in Ontario and will become cost-effective. Enbridge Gas submitted that there is no basis nor logical argument which supports the exclusion of natural gas heat pumps from consideration by gas customers as part of a DSM program. Enbridge Gas also noted that this is true of the recommendations to require it to provide incentives for non-gas customers or incentives to current gas customers so that they may leave the system.

**Findings**

The OEB does not approve the Low Carbon Transition Program. The OEB finds that focusing efforts on gas heat pumps, a technology that is not currently commercially available nor as cost-effective as electric heat pumps is not prudent. Although gas-fired heat pumps may be more efficient than high efficiency gas furnaces, offering incentives for this measure would continue the use of natural gas and associated GHG emissions well into the future.

The OEB is of the view that it is more effective to re-allocate the entire Low Carbon Transition Program budget to the Residential Whole Home program offering so that greater progress can be made in advancing the use of electric heat pump technologies throughout Ontario.

### 4.2.9 Issue 10h – Other Programs

The OEB's Issues List also asked if any other programs should be included in addition to or to replace those proposed by Enbridge Gas.

**Summary of Positions**

There were some additional program opportunities suggested by parties, including OEB staff's expert witness, Optimal Energy Inc., and Pollution Probe.

Optimal Energy suggested that Enbridge Gas consider a retro-commissioning offering and an Energy Manager Subsidy offering as two potential additional offerings as part of the Commercial Program. Enbridge Gas noted that its experience with similar retro-commissioning offerings, including the Strategic Energy Management program, have not proven to be cost-effective. Enbridge Gas noted that if it were to propose any additional offerings or measures, it would also require additional budget amounts to do so, which is difficult in a constrained environment.

Pollution Probe recommended that the OEB require Enbridge Gas to provide a formal municipal support and incentive program to provide funding and support to municipalities for energy and emissions plan implementation where DSM can be leveraged in conjunction with community emissions reduction activities. At a minimum, the program should support one fully allocated staff member at each participating municipality for a minimum period of three-years and ideally longer to provide continuity. Program design should leverage simplicity and best practice and be designed in partnership with relevant stakeholders such as the Clean Air Partnership and Association of Municipalities of Ontario. The initial target for the 2023-2027 DSM Plan is participation by 25 leading municipalities which represents a conservative 7% of the municipalities served by Enbridge.

Pollution Probe recommended that the OEB require Enbridge Gas to implement a municipal incentive program similar to the one previous conducted with the City of Toronto where a municipality can act to deliver DSM results and receive and incentive for achieving those results. Program design should be developed in partnership with relevant stakeholders such as the Clean Air Partnership and Association of Municipalities of Ontario. The initial target for the 2023-2027 DSM Plan is participation by 10 leading municipalities which represents a conservative 3% of the municipalities served by Enbridge.

Enbridge Gas did not provide a formal response to Pollution Probe's recommended new program.

### Findings

Although the additional programs suggested by parties may provide additional benefits, the OEB's view is that decisions regarding the appropriateness of these proposals would be aided by evidence that provides greater details related to the natural gas savings opportunities and cost-effectiveness of each. Ideally, this would include input from the IESO and electricity distribution companies. The OEB expects that the additional program opportunities identified by parties in this proceeding, including retro-commissioning, an Energy Manager Subsidy program and Municipal Support and Incentive programs should be explored by Enbridge Gas, with input from the SAG, with the expectation that Enbridge Gas's next DSM plan application will address the nature of these discussions and include any program opportunities that will result in material benefits.

## 4.3 DSM Budget - Issue 6

Enbridge Gas requested that the OEB approve a budget for the first-year of its proposed multi-year plan and that the first-year budget would be automatically increased annually by way of an escalation factor. The proposed 2023 budget is $142.26 million. In subsequent years, the full 2023 budget would be increased annually by inflation (increased by the Statistics Canada Consumer Price Index (CPI)) plus an additional 3% increase only to program budgets each year for the duration of its proposed plan. Enbridge Gas's proposal would result in annual budgets that increase slightly from the previous term, but still result in largely similar rate impacts for customers of slightly below $2/month for a typical residential customer.[42]

Enbridge Gas indicated that its proposed budget is in direct response to the OEB's December 2020 Letter. Enbridge Gas's interpretation of the OEB's letter was that modest budget increases should be proposed. In Enbridge Gas's view, its proposal satisfies the OEB's guidance.

**Summary of Positions**

Parties provided a variety of recommendations on the appropriate budget levels for the proposed DSM plan. Most recommendations on the level of budget coincided with the parties' position on the overall appropriateness of the plan. Those parties that argued for higher natural gas savings as part of this DSM plan also suggested that budgets should be higher, while some other parties were more conscious of the overall cost implications considering recent events, including the COVID-19 pandemic and rising costs due to increasing levels of inflation. However, a general view shared by most parties was that the OEB and ratepayers should have a certain level of understanding and certainty about what kind of results will be produced using significant ratepayer funding for DSM programs. Further, parties were generally consistent that before the OEB approves significant budget increases, greater evidence is required on what would be done with the increased levels of funding.

Certain parties, such as Environmental Defence, BOMA and SBUA, suggested specific budget recommendations linked to proposed program or plan changes. Others, such as Energy Probe, suggested specific revisions to discrete incentives that would be provided to customers as part of the proposed whole home program offering.

[42] Exhibit F, Tab 1, Schedule 1, pp. 2-3 & Exhibit F, Tab 1, Schedule 3

Other parties, such as VECC and Energy Probe were of the view that the proposed budget is too high and should be reduced.

LPMA provided comments on Enbridge Gas's proposed policy related to the proposed annual budget increase to account for inflation as determined by the CPI each year. LPMA cautioned that should this proposal be accepted that there is the potential for significant cost increases due to inflation rates that have not been experienced by ratepayers for decades. LPMA proposed that the OEB limit the impact of CPI increases to either the CPI rate or 4% each year, whichever is less, with a carryover provision to following years for any final CPI rate that is greater than 4%. LPMA suggested that this arrangement would allow the DSM budget to remain consistent with all changes due to inflation but allow for a more stable funding increases, mitigating ratepayer cost increases on a year-to-year basis.

Enbridge Gas highlighted the wide divergence in positions on the topic of the appropriate budget suggesting that because of this, its proposal of a modest increase over the course of the proposed term is appropriate. Additionally, Enbridge Gas specifically responded to LPMA's suggestion about putting a cap on inflationary increases with provisions to make-up any shortfalls in future years. Enbridge Gas stressed the importance of the budget, and in turn, the level of financial incentives it can offer customers through its programs, needing to maintain pace with inflationary increases. Enbridge Gas noted that should the incentives not increase as inflation does they will become less attractive to customers. Enbridge Gas noted that although LPMA's suggestion would include the catch-up provision, it only defers the impact of any increase by one year and places additional regulatory burden on it and stakeholders to ensure that the methodology has been correctly applied before each program year and then at the time when an application to clear the DSM deferral and variance accounts is made.

### Findings

The OEB approves the proposed budget for the 2023 program with some modifications. The OEB has made specific revisions to the proposed 2023 budget, consistent with findings throughout this Decision and Order. The 2023 approved budget is outlined in the table in Schedule A.

As discussed earlier, the OEB has largely approved Enbridge Gas's proposed portfolio of programs with some revisions to and rejection of certain programs and offerings. However, outside of the increase in funding for the whole home program to support enhanced incentives as part of the joint EGI-NRCan program, the findings related to the proposed programs will not impact the overall budget that is approved for 2023, the

initial year of the new multi-year DSM plan, as the OEB has indicated that budget amounts associated with rejected offerings are re-allocated to other programs. The OEB has carried forward Building Beyond Code Program offering budgets proportionally into 2025. Similarly, 2025 budgets for the rejected Low Carbon Transition Program were extended for 2025 and transferred to the residential whole home program offering.

The OEB is mindful of the effects of inflation. The OEB has balanced the need and appropriateness of any caps on annual budgetary increases with the value of ensuring customers are still afforded the same level of financial support to improve the efficiency of their homes and businesses. The OEB approves the annual budget escalation methodology proposed by Enbridge Gas. Budgets in 2024 and 2025 will be adjusted as part of Enbridge Gas's annual rates proceeding in accordance with the Canada Consumer Price Index (CPI). The approval of a slightly shorter term than requested limits the longevity of any large budgetary increases due to inflation.

## 4.4 Cost Recovery – Issue 7

Enbridge Gas has proposed to recover its DSM costs on an annual basis consistent with when the costs have been incurred. This is consistent with the manner in which Enbridge Gas has always recovered its DSM costs.

As part of this proceeding, there was evidence filed and testimony given on alternative cost recovery approaches, including amortizing DSM costs so that program costs are recovered over a longer period. Optimal Energy Inc. provided evidence on how other jurisdictions have applied varying cost amortization approaches. Experts retained jointly by Environmental Defence and GEC, as well as reply evidence from First Tracks Consulting Inc., who was retained by Enbridge Gas, also provided their opinion and experience with cost amortization and suggestions for the OEB to consider. Generally, the experts that appeared in this proceeding largely shared a similar opinion that amortizing DSM costs can be an effective method for allowing for significant expansions to the overall budget in a short period of time, but that many details of the amortization structure require significant review and consideration due to their ability to alter the overall costs and risk for the ratepayer and utility.

### Summary of Positions

Enbridge Gas submitted that the OEB does not have a sufficient evidentiary basis to approve an amortization model and that there are a number of considerations and details to any amortization methodology which need to be determined or assessed including the resulting impact on rates over time.

Most parties, including SEC, VECC, FRPO, and OEB staff, also did not support the OEB approving a change to the current cost recovery model of an annual expensing DSM costs, so costs are recovered in the same year they are incurred. Parties highlighted some key drawbacks of any amortization methodology, including intergenerational equity issues, the cost of capital, future ratepayer obligations, impact on taxes and the fact that there remained areas where the experts in the proceeding did not agree.

The few parties that supported amortizing DSM costs also either supported significant increases to the overall DSM portfolio and in turn the DSM budget, including Environmental Defence and GEC. Others provided submissions based on multiple options, one being a plan with a longer term, such as LPMA's suggestion that the OEB consider amortizing costs should a term of 5 years or greater be approved.

**Findings**

The OEB is of the view that using a cost amortization approach to help offset and mitigate significant increases to rates may be a reasonable option in certain circumstances. However, the current volatility of natural gas prices, the rate smoothing efforts that are applied to annual and quarterly rate increases,[43] potential problems with respect to intergenerational equity issues and blurring price signals lead the OEB to conclude that the amortization of DSM costs is not appropriate at this time.

## 4.5 Shareholder Incentive – Issue 8

Enbridge Gas proposed a multi-faceted shareholder incentive structure. Enbridge Gas also proposed to maintain performance scorecards but with some modifications.

Enbridge Gas proposed three new incentives: an annual net benefits incentive, a long-term scorecard achievement incentive, and a Long-Term GHG Emissions Reduction incentive.

The annual maximum shareholder incentive and each individual incentive are discussed separately, under each sub-issue, below.

[43] EB-2022-0150,

### 4.5.1 Annual Maximum Shareholder Incentive – Issue 8a

Enbridge Gas proposed to maintain the previously OEB-approved maximum annual shareholder incentive amount of $20.9 million for 2023 and requested approval to have the total maximum increase with inflation each year. Enbridge Gas has proposed that the maximum shareholder incentive amount is divided between annual incentives (scorecards and net benefits) and long-term incentives (low carbon transition and GHG reduction).

Enbridge Gas has also proposed a change to how the maximum annual shareholder incentive is allocated to scorecards. Instead of continuing the practice of allocating maximum shareholder incentive in the same proportion as program budgets to overall budget, Enbridge Gas has proposed the maximum shareholder incentive be allocated in a manner that provides a clear, well-balanced incentive for it to focus efforts across all sectors and proposed programs.[44] The result of this change is an equal allocation of the maximum shareholder incentive across all major program/sector categories with the balance divided across Large Volume, Energy Performance, and Building Beyond Code programs.

**Summary of Positions**

Parties generally accepted the continuation of the maximum shareholder incentive amount of $20.9 million. Several parties, including CCC, VECC and Pollution Probe, did not support increasing the maximum shareholder incentive by inflation. Pollution Probe recommended that this only be allowed should all performance metrics be increased.

A few parties, including Environmental Defence and GEC, recommended that the OEB move to a new shareholder incentive approach that ties the quality of the proposed DSM plan, namely total net benefits accruing to customers or total gas savings, to both encourage the utility to apply for approval of a plan that proposes greater level of overall energy savings (and in turn, net benefits), as well as enables the utility to earn a greater shareholder incentive should it be able to meet the higher goals.

SBUA was the only party that suggested the OEB consider decreasing the maximum shareholder incentive amount to 8% of overall DSM spending. Enbridge Gas opposed this suggestion noting that it appears as though SBUA has made this proposal as a means to help partially offset some of the additional DSM budget amounts it requested the OEB consider adding.

[44] Exhibit D, Tab 1, Schedule 2, p.5

Enbridge Gas noted that as the maximum shareholder incentive has been held flat for the better part of eight years, its value has eroded by inflation. Further, Enbridge Gas highlighted that during the 2015 to 2020 term, it has never come close to earning the maximum shareholder incentive. Enbridge Gas submitted that there should be no reduction to the maximum DSM shareholder incentive.

Further, OEB staff supported Enbridge Gas's proposal to equally allocate the annual maximum shareholder incentive amount across all major program scorecards.

### Findings

The OEB approves a maximum annual DSM shareholder incentive of $20.9 million for the 2023 program year. Apart from the new End-of-Term Natural Gas Reduction Incentive that will be assessed at the end of the new 3-year DSM plan term, the OEB has not made major changes to the existing shareholder incentive structure. Based on the proposed level of results and program activity, the current maximum incentive is reasonable. In the future, the OEB's expects DSM programs to result in a greater reduction of total natural gas consumption, and it would be appropriate for alternative or additional shareholder incentive structures to be considered by Enbridge Gas and the SAG in the development the next DSM plan.

The OEB has addressed some minor practical issues related to the approved shareholder incentive below.

The OEB approves Enbridge Gas's proposal to increase the annual maximum incentive for inflation each year. As the maximum annual shareholder incentive has not been adjusted for eight years, in order to ensure the value of the incentive remains current, the annual maximum amount should be increased annually for inflation.

The OEB also approves the proposed allocation of the annual maximum shareholder incentive amount equally across all major program scorecards. Although the OEB has increased the residential whole home program offering budget, maintaining an equal allocation of the shareholder incentive is important to ensure there is equal focus on programming efforts for all customer segments. It is important that different types of customers are afforded opportunities to participate and enjoy the benefits of increased efficiency. Allocating meaningful shareholder incentives to each program motivates Enbridge Gas's efforts equally across the DSM portfolio. Amounts from the rejected incentives related to the Long-Term GHG Emissions Reduction scorecard, the Low Carbon Transition scorecard and the Net Benefits Incentive are all re-allocated to the eligible shareholder incentive for the approved program scorecards, as noted in the

section below. This results in the total annual maximum shareholder incentive amount of $20.9 million being assigned to program scorecards.

### 4.5.2 Long-Term Shareholder Incentive – Issue 8(b)

Enbridge Gas also proposed two long-term incentives, the Low Carbon Transition Program scorecard and the Long-Term GHG Emissions Reduction scorecard. The Low Carbon Transition Program scorecard is discussed in Section 4.6 below with other proposed scorecards.

Enbridge Gas proposed that $1.4 million of the annual maximum shareholder incentive be allocated to the long-term scorecards to motivate actions over the course of the proposed DSM plan. Enbridge Gas noted that the Long-Term GHG Emissions Reduction scorecard is in response to the OEB's December 2020 Letter that indicated Enbridge Gas should develop a longer-term natural gas savings reduction target separate from the annual targets. This proposed scorecard is the 2023 forecast of GHG emissions reductions based on achieving a 100% target be increased by a stretch factor of 15% and multiplied by the total number of years of the proposed plan. Enbridge Gas proposed that at the end of the term of the plan, the final results of its DSM programs over the entirety of the term would be compared to the five-year aggregate stretch target. Enbridge Gas proposed that it only earn an incentive of $5 million if the target was achieved.

#### Summary of Positions

Several parties, including OEB staff and GEC, recommended that the OEB reject the Long-Term GHG Emissions Reduction incentive. In its submission, OEB staff stated that Enbridge Gas has not provided rationale for how the Long-Term GHG Emissions Reduction incentive will result in greater natural gas savings or GHG reductions than if it was not included.

Enbridge Gas responded to the positions taken by parties who do not support the Long-Term GHG Emissions Reduction incentive by offering to withdraw this component of the shareholder incentive proposal. If the OEB accepts this request, Enbridge Gas proposed to re-allocate the $1 million per year dedicated to this incentive to the maximum shareholder incentive that Enbridge Gas is eligible to earn under its annual scorecards.

## Findings

The OEB finds that the proposed Long-Term GHG Emissions Reduction incentive is not appropriate as it does not introduce any new elements to motivate greater levels of natural gas reductions since the GHG emissions reductions are a direct translation of the natural gas savings already achieved and counted in the program scorecards. Although the OEB does not accept Enbridge Gas's proposed GHG reduction incentive, it is still of the view that, consistent with direction provided throughout this Decision and Order, that savings generated from DSM programs must show greater impact on reducing total gas consumption. Therefore, the OEB is introducing a new End-of-Term Natural Gas Reduction Incentive.

DSM programs have achieved net annual natural gas savings equivalent to an average of approximately 0.4% of natural gas sales over the term of the 2015-2020 DSM framework.[45] However, there has not been a commensurate overall reduction in total natural gas sales for Enbridge Gas.[46]

The new End-of-Term Natural Gas Reduction Incentive will provide Enbridge Gas the ability to earn up to an additional $30 million over and above the maximum shareholder incentive related to program scorecards. Enbridge Gas will be eligible for the new incentive if, at the end of the 3-year term, the total volume of natural gas sold to Enbridge Gas's Ontario customers in 2025 is 1.5% less than total volume of natural gas sold by Enbridge Gas's Ontario customers in 2022 on a weather normalized basis. Additionally, to provide some flexibility, a 75% achievement threshold of the 1.5% reduction target (or a 1.125% reduction in total volume of natural gas sales) will result in Enbridge Gas receiving $15 million and is available if total volumes of natural gas sold to Enbridge Gas's Ontario Customers in 2025 is 1.125% less than total volume of natural gas consumed by Enbridge Gas's Ontario customers in 2022 on a weather normalized basis. There is no linear relationship between the 75% threshold and 100% target. Rather, they will each act as discrete incentive points.

The new End-of-Term Natural Gas Reduction Incentive will be allocated to rate classes in a generally equal manner, consistent with the approved shareholder incentive related to program scorecards.

[45] 2020 Demand Side Management Annual Report, Enbridge Gas Inc., January 14, 2022, page 20
[46] Exhibit I.5.EGI.GEC.3_Attachment 1

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| EGI Total Volumes ($10^3$ $m^3$) | 26,004,567 | 25,588,242 | 24,950,761 | 25,958,845 | 26,298,569 | 26,166,423 |

### 4.5.3 Annual Net Benefits Shared Savings Incentive – Issue 8(c)

Enbridge Gas proposed an annual net benefits scorecard in response to stakeholder feedback at the OEB's DSM Mid-Term Review of the 2015-2020 DSM Framework and the Post-2020 DSM Framework policy consultation. This incentive would enable Enbridge Gas to annually share a small portion of the overall economic benefits produced by its DSM portfolio. The net benefits would be determined using the OEB-approved cost-effectiveness test the Total Resource Cost (TRC) Plus test. Under the proposed incentive structure, Enbridge Gas would only be eligible to begin earning the available shareholder incentive once it surpassed $100 million in net benefits. The percentage of net benefits incentive would then begin at 1% and increase in steps to a maximum of 2.5% at $500 million in net benefits. Enbridge Gas proposed to cap the maximum net benefits incentive at $6.63 million per year.

#### Summary of Positions

Most parties that commented on the proposed Net Benefit incentive did not support it. OEB staff noted that the initial earning threshold of the Net Benefit incentive was very low, only 27% of target, and that overall, it would be rewarding Enbridge Gas for the same savings that it was being credited for as part of the annual program scorecard incentive.

Enbridge Gas indicated that although the proposal did not garner much support, it remained of the view that the proposed Net Benefits incentive has value as it would incent it to achieve greater overall net benefits that accrue to consumers. However, should the OEB not approve this aspect of the incentive proposal, it requested that the portion of the annual maximum shareholder incentive for the Net Benefit incentive be reallocated to the annual scorecards.

#### Findings

The OEB rejects Enbridge Gas's proposed Net Benefits Incentive. The OEB is of the view that there are sufficient protections and incentives to Enbridge Gas for DSM programs, including the maintenance of natural gas service as a viable and desirable customer option. As well, Enbridge Gas enjoys the collateral benefits of customer satisfaction and loyalty associated with the provision of savings to customers as well as the societal benefits of reduced gas consumption. Furthermore, the new End-of-Term Natural Gas Reduction Incentive will allow Enbridge Gas to share the benefits that result from an overall reduction of gas sales over the term of the DSM plan.

## 4.6 Performance Scorecards – Issue 9

Enbridge Gas has largely proposed the continuation of its previously OEB-approved scorecard structure. Enbridge Gas has proposed scorecards for each of its main programs that align with the customer segments the programs are offered to: residential, low-income, commercial, industrial, and large volume. Additionally, Enbridge Gas is proposing scorecards for its other proposed programs: Energy Performance, Building Beyond Code and Low Carbon Transition.

Enbridge Gas has relied on past program results, participation levels, sector analysis, input from delivery agents, contractors, business partners, jurisdictional scans and broadly considered the integrated OEB-IESO 2019 Achievable Potential Study (APS) to inform its proposed targets.[47] Additionally, Enbridge Gas retained the services of Posterity Group to review and make specific changes to the 2019 APS outputs in an effort to better align with the manner in which programs are designed and delivered.[48] Enbridge Gas undertook this exercise as it was of the view that some assumptions included in the 2019 APS were not as accurate as possible.

The OEB addresses some central issues raised by parties related to scorecards and targets generally below. Individual program scorecards are then addressed following the general topics.

### Magnitude of Targets

Enbridge Gas has put forward 2023 targets based on its historic results and experience in the marketplace as the core programs that are proposed are extensions and enhancements of previously approved programs. Enbridge Gas has assigned an equal weighting to each of its scorecard to try to balance the focus of its efforts across each main sector. Enbridge Gas also provided sensitivity analysis on what targets that are 10% and 20% higher would look like for each program, along with the necessary budget to achieve those results. Enbridge Gas indicated that although many parties are seeking greater natural gas savings, these savings would come at a cost that is greater proportionally than the increase in savings as the relationship is non-linear.

Parties mainly focused on the overall magnitude of Enbridge Gas's proposed targets. Several parties recommended that the OEB approve materially higher targets, either immediately or as part of a staged approach over the next few years, including OEB

[47] Exhibit D, Tab 1, Schedule 3, p.1
[48] Exhibit I.9.EGI.STAFF.23

staff, SEC, GEC, ED, and Pollution Probe. The general basis for these recommendations was that Enbridge Gas's DSM plan should result in greater natural gas savings, achieving a greater portion of the available cost-effective natural gas conservation potential in Ontario and providing greater value to ratepayers. Most parties acknowledged the requirement to also increase budgets if significantly higher natural gas savings were expected.

Other parties, such as CCC and LPMA as well as an alternative option suggested by OEB staff, recommended that the proposed targets be increased by 10%. OEB staff suggested that the proposed targets be increased in order to better reflect the results of the OEB's 2019 APS to assess achievable natural gas conservation potential.

Enbridge Gas responded to these submissions questioning the merit and evidentiary basis for these proposals. Enbridge Gas submitted that the targets it has proposed are reasonable and that the target adjustment mechanism helps ensure the targets remain reasonable throughout the term of the approved plan. Enbridge Gas requested that the OEB approve the targets as filed.

**Findings**

The OEB approves Enbridge Gas's proposed targets, with some revisions.

For the approved three-year term of the pending DSM plan, the OEB is satisfied that the level of targets are reasonably sufficient considering the budget levels and mix of approved programs. The OEB is not prepared to apply a blanket increase to the proposed targets as suggested by some parties. However, the OEB is of the view that a greater understanding is required of the relationship between adjustments to targets and budgets and the impacts of increases to either has on the overall DSM plan, including performance metrics, program opportunities, and overall costs including rate impacts. This is an area that should be explored further, likely as part of the next natural gas conservation potential study and is expected to be a significant component of consultations undertaken by the SAG.

The OEB has adjusted the 2023 net annual gas savings metrics for the Residential Program scorecard to reflect the increased budget to support enhanced incentives as part of the joint residential whole home program, re-allocation of funds from the rejected Low Carbon Transition Program and additional benefits stemming from the EGI-NRCan Agreement, including increased list of efficiency measures, higher overall incentive levels and greatly expanded promotion and marketing activities. In total, the Residential Program budget has increased by $29.4 million or close to 75% higher than that

proposed by Enbridge Gas. Based on the increase to the overall program budget, and additional benefits from the EGI-NRCan Agreement, the OEB has applied a 50% increase to the net annual gas savings metric for the Residential Program for 2023. The OEB believes these changes to be reasonable as discussed in Section 4.2.1.

Regarding the development of targets generally, the OEB is concerned with the reluctance of Enbridge Gas to rely on the results of the 2019 natural gas conservation potential study. The OEB appreciates that as part of any technical study there will be practical limitations. However, the OEB expects that Enbridge Gas will be closely involved throughout the next natural gas conservation potential study, and that many of the issues Enbridge Gas has raised can and will be addressed by OEB staff and the expert consultant(s) retained to undertake the analysis and produce the report. The OEB expects that OEB staff will undertake a new conservation potential study to inform Enbridge Gas's next multi-year DSM Plan, with input provided by the SAG. To guide OEB staff, Enbridge Gas and the SAG, the OEB is interested in at least three scenarios being considered in the analysis: an annual reduction in total natural gas sales year-over-year of 0.5%, 1% and 1.5%. The study should focus on how these levels of annual natural gas reductions can be achieved through DSM programs in the most cost-effective manner while still providing opportunities for all customer segments to participate in DSM programs. This will play a key role in the development of the next DSM plan that strives for gradual increases in natural gas savings from DSM programs beginning with an initial target of net annual DSM savings that are the equivalent to 0.6% of annual sales in 2026, 0.8% of annual sales in 2027 and 1.0% of annual sales beginning in 2028 and continuing annually in 2029 and 2030, relative to the prior year on a weather normalized basis. Consistent with this direction, the OEB expects that following the completion of the 2023-2025 term, fixed targets will be set for future DSM programs to provide certainty on the overall magnitude of natural gas reductions from DSM.

**Proposed Natural Gas Savings Metric**

Enbridge Gas proposed a change in the main natural gas savings metric included in its program scorecards. Enbridge Gas proposed that net annual natural gas savings be the main performance metric as opposed to the current OEB-approved metric of net cumulative natural gas savings. Enbridge Gas argued that net annual gas savings are easier to interpret by customers and potential program participants and can be used more readily by interested stakeholders.

Parties were generally concerned about a possible shift in Enbridge Gas's programs to favour energy efficiency measures that have shorter lives. Should this take place, then

there would be less overall benefits for customers as opposed to the current structure where net cumulative, or lifetime, natural gas savings is the primary performance metric which incentivizes installing energy efficient equipment that has a long useful life. Parties, including GEC and OEB staff, suggested that should the OEB accept Enbridge Gas's proposal to change the primary performance metric to net annual natural gas savings that there be a condition that Enbridge Gas's DSM portfolio maintain a minimum weighted average measure life (WAML). This would ensure that Enbridge Gas was not able to simply offer measures with a short life to maximize first year savings.

In response, Enbridge Gas indicated that, if required, it would be amenable to maintaining a minimum WAML based on portfolio level net savings (excluding Large Volume program results[49]) of 13.12 years. This represents 20% below its annual plan forecast WAML of 16.4 years.[50] Enbridge Gas noted that this would provide it flexibility to effectively pursue results and maximize gas savings opportunities. Parties were generally supportive of a WAML within this range. For example, OEB staff suggested that this number be 14 years, arguing that 14 represents a reasonable middle ground between Enbridge's proposal of 13.12 and the forecast of 16.4 years. In its reply, Enbridge Gas did not agree with a WAML of 14 years and submitted that its proposal of 13.12 years is based on the forecasted mix of efficiency measures it has relied on when developing its proposed DSM plan.

### Findings

The OEB approves the change in primary metric to annual natural gas savings as proposed by Enbridge Gas. The OEB appreciates that it may be easier for interested parties, customers, and other agencies to understand and apply Enbridge Gas's DSM results if targets and results are shown in terms of annual natural gas savings. However, the OEB shares the concerns of parties that DSM programs should continue to prioritize efficiency measures and technologies with long useful lives. These types of measures provide greater benefits to customers and result in more natural gas savings. To ensure the approved DSM plan maintains sufficient longer-term benefits, Enbridge Gas's WAML should not fall below 14 years across its portfolio of programs, excluding the Large Volume program. Setting the threshold at 14 years should provide sufficient flexibility for Enbridge Gas over the three-year DSM term should some measures not prove as impactful as others. The WAML should be verified and reported annually and

[49] Due to the self-direct nature of the Large Volume Program, Enbridge Gas's ability to prioritize longer measure life projects is limited.
[50] Undertaking JT2.5, p.1

included in the annual verification report produced by the OEB's Evaluation Contractor and included in Enbridge Gas's Annual DSM Report.

### Scorecard Earning Thresholds

Enbridge Gas proposed a change related to when it can begin to earn a performance incentive based on how it has performed relative to a target (100%). As part of the decision on the last DSM plan, the OEB approved shareholder incentive earning thresholds of 75%, 100% and 150%. Enbridge Gas has proposed that the initial earning threshold be lowered from 75% of a target to 50% of a target. Enbridge Gas stated that based on its revised scorecard structure and limitations on how much funding it can transfer across programs, it has become more challenging to meet its targets.[51] Additionally, Enbridge Gas also indicated how the 150% maximum earning threshold is essentially unattainable due to the overspend provisions that only allows spending of 15% more than its approved program budget. Due to this, Enbridge Gas noted that it is almost impossible to achieve results 50% greater than target while only spending 15% more.

Most parties did not support Enbridge Gas's proposal to lower the percentage of a target it would need to achieve before it began to earn a performance incentive. Instead, many parties recommended that the OEB set the scorecard earning thresholds at 75%, 100% and 125% to provide an equally balanced level of earning thresholds at the lower and upper bounds of targets. Further, parties generally argued that a threshold of 75% of a target was much more reasonable than 50%.

In its reply, Enbridge Gas indicated that it can accept having incentives beginning to be earned at 75% of a target with the maximum shareholder incentive available at 125%.

With respect to how much of the incentive can be earned, Enbridge Gas proposed that it be able to earn 50% of the available maximum annual shareholder incentive ($20.9 million) between the proposed 50% lower band up to the 100% targeted level of achievement. This is a change from the OEB's current policy framework where the available incentive between lower band and target and target and upper band is 40% and 60%, respectively.[52] Enbridge Gas indicated that since the OEB released the 2015 DSM Framework in 2014, there have been changes in government policy, updates to

[51] Exhibit I.5.EGI.STAFF.5(b)
[52] OEB 2015-2020 DSM Framework, pp. 22-23

higher building codes, increasing efficiency of energy systems and evolving energy efficiency baselines for equipment and technologies.[53]

OEB staff and SEC both opposed Enbridge Gas's proposed change. OEB staff noted that Enbridge Gas has effectively proposed to earn more shareholder incentive dollars while achieving less natural gas savings and in turn, providing less value for ratepayer funding. OEB staff recommended that if the current incentive weighting of 40% for achievement between 75%-100% and 60% for achievement above 100% with a new upper band threshold of 125% instead of 150% is maintained, it will preserve the qualities of the current incentive structure that reasonably provide a reward for getting close to and meeting target, and an increased reward for going over-and-above.

Enbridge Gas responded noting that given the newly designed scorecards which serve to encourage it to have a consistent focus on each of the distinct customer segments, there is no compelling reason to impose a 40%/60% split. If this is maintained, it only acts as a disincentive which would be exacerbated if the OEB were to increase any of the targets.

### Findings

The OEB agrees with parties that it is reasonable to set the target thresholds at 75%, 100% and 125%. The OEB is not of the view that it sends the right signals by allowing a performance incentive to be earned if only 50% of a target has been achieved. Conversely, the OEB considers it important that there is a balanced approach, which is why setting the upper earnings threshold where the maximum shareholder incentive can be earned at 125% is appropriate. For individual metrics, the minimum achievement level will be 0% and the maximum achievement level will be 200%, consistent with current practice and Enbridge Gas's proposal. For those programs that only have one metric, the maximum level of achievement is 125%, consistent with the upper and lower thresholds.

As the upper earning threshold has been lowered from the previous level of 150% down to 125% of target, the OEB is of the view that maintaining the current division of how much of the incentive is earned between 75% and 100% and between 100% and 125% remains appropriate. Enbridge Gas will be eligible for 40% of the maximum shareholder incentive related to final verified results if it meets its target (100%). If Enbridge Gas excels and is able to outperform the approved targets, it will be eligible to earn the

[53] Exhibit I.5.EGI.SEC.10

remaining 60% of the maximum shareholder incentive for all program results that are above 100% up to the upper earnings threshold of 125%.

### 4.6.1 Annual Target Adjustment Mechanism – Issue 9(a)

Enbridge Gas is proposing fixed annual targets for the 2023 program year. However, after the first year of plan, Enbridge Gas proposes to apply an annual Target Adjustment Mechanism (TAM) that calculates targets in subsequent years based on the results of the previous year as well as any changes to input assumptions or adjustment factors.[54]

The TAM is a methodology that was originally proposed by Union in its 2012-2014 DSM Plan and then again in its 2015-2020 DSM Plan application. The TAM was approved by the OEB with modifications for use by both legacy utilities as part of the Decision on the 2015-2020 DSM Plans.

**Summary of Positions**

A number of parties opposed the continued use of the TAM, including OEB staff, CCC, CME, Energy Probe, GEC, OGVG, Pollution Probe and SEC.

The general argument put forward by parties opposing the use of the TAM is that, although in theory, the TAM will both increase and decrease Enbridge Gas's target throughout the term of an approved DSM plan, in practice, what has typically happened is that Enbridge Gas's targets in subsequent years have been decreased by the TAM due to lower than expected results relative to 100% targets. A number of parties, including OEB staff, CCC, and CME suggested that the OEB reject the proposed TAM and instead require Enbridge Gas to meet fixed annual targets for each year of the approved plan. By approving fixed annual targets, the OEB and ratepayers would have certainty over what approved ratepayer funding should provide in terms of natural gas reductions. If the TAM is allowed to continue to be used, Enbridge Gas's ability to meet future year targets is increased in the event of poor performance in a prior year.

Enbridge Gas responded to these arguments by noting that the TAM has been approved by the OEB multiple times and subject to rigorous regulatory reviews, both as part of past DSM plan applications as well as the OEB's Mid-Term Review process and found to operate appropriately and as intended. Enbridge Gas also noted that the TAM has been in operation for six years without material issues, contrary to the hypothetical scenarios raised by parties, and no action has been required by the OEB, the OEB's Evaluation Contractor or the Evaluation Advisory Committee to adjust or change targets

[54] Exhibit C, Tab 1, Schedule 1, Section 9.2

due to extremely poor performance that has had a material impact on future year targets.

Enbridge Gas also noted that the TAM operates as a self-correcting mechanism and one that acts as an incentive for it to propose reasonable but challenging targets. Enbridge Gas highlighted the example of the residential whole home program offering which has seen increasing target determinations in the early years because of the success of the program offering. Had the OEB set fixed targets for this program offering as part of its Decision and Order on the 2015-2020 DSM plan, the fixed targets would have been set at levels much lower than those which were determined with the use of the TAM.

Enbridge Gas responded to OEB staff's suggestion that should the OEB approve the continued use of the TAM that the OEB include an 80% floor as part of the methodology to limit any decrease in targets. Enbridge Gas was supportive of this proposal as long as a symmetrical ceiling of 120% was also included.

However, more generally, Enbridge Gas submitted that the OEB should approve the continued use of the TAM, as proposed, for the reasons noted above. Enbridge Gas noted that should the OEB not approve the TAM, it will be necessary that the OEB approve targets for each program offering in each of the years of the plan. Enbridge Gas highlighted some of the challenges to doing so, including the non-linear relation between budget and target changes. Enbridge Gas suggested that should the OEB not approve the TAM, that Enbridge Gas use the budget sensitivity methodology used to generate its response to OEB Staff 13(c)[55] to populate the Annual Scorecard Target Tables with updated targets for each year in question and file with the OEB for approval.

### Findings

The OEB approves the continuation of the TAM for the 2023 to 2025 term. However, as discussed earlier, the OEB is interested in greater certainty of DSM results. For the immediate term, based on the evidence available, the OEB is of the view that it's reasonable to approve the proposed 2023 targets with some modifications to account for the findings outlined in this Decision and Order. The 2023 targets will be adjusted annually by the TAM to determine targets for the Residential, Low-Income, Commercial, Industrial and Large Volume Program scorecards.

For the next multi-year plan, consistent with the direction above regarding the OEB's expectation for an increased level of natural gas reductions produced by DSM

[55] Enbridge Gas Reply Argument, June 10, 2022, p.p. 62-63

programs, Enbridge Gas, with input from the SAG, is expected to develop a DSM plan that can achieve the following levels of savings from DSM programs: 0.6% of gas sales in 2026, 0.8% of gas sales in 2027, 1.0% of gas sales in 2028, 1.0% of gas sales in 2029, and 1.0% of gas sales in 2030, relative to the prior year on a weather normalized basis. Consistent with the direction provided in this Decision and Order, the OEB does not believe that it would be appropriate for the TAM to be proposed for use as part of the next multi-year DSM plan.

### 4.6.2 Proposed Program Scorecards – Issue 9 (b-f and k)

The OEB will address Issues 9 (b-f, and k), the proposed scorecards related to Enbridge Gas's main sector related programs, including targets and metrics, together below. Issues 9 (g-j) are each addressed separately following the discussion of program related scorecards.

The following sub-issues were included by the OEB in the Issues List for each program scorecard:

9. *Are Enbridge Gas's proposed scorecards, including performance metrics, metric weightings, and targets appropriate?*

    a. *Is Enbridge Gas's proposed annual target adjustment mechanism appropriate?*
    b. *Is Enbridge Gas's proposed Residential Program Scorecard, including targets and performance metrics appropriate?*
    c. *Is Enbridge Gas's proposed Low Income Program Scorecard, including targets and performance metrics appropriate?*
    d. *Is Enbridge Gas's proposed Commercial Program Scorecard, including targets and performance metrics appropriate?*
    e. *Is Enbridge Gas's proposed Industrial Program Scorecard, including targets and performance metrics appropriate?*
    f. *Is Enbridge Gas's proposed Large Volume Program Scorecard, including targets and performance metrics appropriate?*

    *…*

    k. *Should there be any other scorecards, targets and/or metrics included in addition to or to replace those proposed by Enbridge Gas?*

Enbridge Gas has proposed annual performance scorecards for its main programs that are each targeted to be offered to the central customer segments: Residential, Low-Income, Commercial, Industrial and Large Volume. The program scorecards all solely focus on net annual natural gas savings. The Commercial and Low-Income scorecards are each broken out into two sub-segments. For the Commercial program, there is a Large Customer and Small Customer net annual natural gas savings metric. For the Low-Income program, there is a Single-Family and Multi-Residential net annual natural gas savings metric.

### Summary of Positions

Outside of more general comments on the overall appropriateness of the proposed targets and level of natural gas savings that parties recommended the OEB consider, parties were largely supportive of the proposed program scorecard structure.

FRPO suggested that in order to ensure that Enbridge Gas distribute the benefits of its Low-Income Program to customers in privately-owned multi-unit residential buildings, that Enbridge Gas's proposed Low-Income scorecard be amended to split the Affordable Housing Multi-Residential offering's Net Annual Gas Savings metric into two metrics with 50% for Social Housing Multi-Residential and 50% for Privately-Owned Multi-Residential.

Enbridge Gas responded to FRPO's suggestion noting that it did not agree that making the scorecard more complex by adding a subsector metric is appropriate. Enbridge Gas noted that it would be necessary to set a separate target for each subsector and that there is no evidence in this proceeding that would support any proposed subsector targets. Rather, Enbridge Gas suggested that it would be better to evaluate the new eligibility criteria methodology and report to stakeholders on the results while managing the program offering going forward, including making any adjustments to the mix of participant, based upon the results achieved.

### Findings

The OEB approves the proposed program scorecards for the residential, low-income, commercial, and industrial programs, and large volume programs, including the proposed metrics and target levels.

However, the OEB shares FRPO's concerns over the possibility of low-income customers living in privately-owned multi-unit residential buildings, a large subsector of low-income customers, paying DSM costs with the potential for no opportunity to access the benefits. The OEB is not introducing subsector metrics at this time as Enbridge Gas is still able to offer programming opportunities to customers in both privately-owned and

social housing multi-residential buildings. However, the OEB expects that Enbridge Gas will report on the results of the Affordable Housing Multi-Residential offer at both the privately-owned and social housing multi-residential levels as part of its DSM Annual Report filed as part of the OEB's evaluation process. The OEB also expects that Enbridge Gas will revise its program delivery strategy based on the actual results to ensure there is an equitable delivery of program benefits to both subsectors. Further, as part of the development of Enbridge Gas's next DSM plan, the OEB expects that updated metrics be considered by the SAG to ensure that there is equitable delivery of programming to low-income customers.

The OEB is satisfied that the proposed scorecards will solely focus on net natural gas savings. As well the OEB is of the view that the proposed sub-segment metrics included in the Low-Income and Commercial scorecards are reasonable as they will enable a balanced focus on separate aspects of each customer segment. The OEB expects that Enbridge Gas and stakeholders will discuss and review these metrics, along with the other scorecards throughout the pending term with a focus on the impact of the DSM activities and if customers are being served in a generally equitable manner.

### 4.6.3 Energy Performance Program Scorecard – Issue 9(g)

Enbridge Gas proposed a new Energy Performance program. The program is discussed in greater detail in above. Along with the program, Enbridge Gas has proposed a performance scorecard that includes two metrics, a participant metric and a net annual gas savings metric. For 2023, Enbridge Gas proposed that the participant metric be assigned 100% of the weighting as natural gas savings are not expected until at least the second year of activity, if not further into the plan cycle. This is because the program takes a holistic, multi-year approach to energy management through a program design that aims to engage and support customers in driving deeper savings year-over-year through capital, operational and behavioral efficiency measures.

As the program is setup for a participating customer to work to lower its own baseline level of natural gas usage over a three-year term, the first year is largely a recruitment period to enroll customers in the program. The 2023 targets are structured in such a way. In 2024, Enbridge Gas has proposed that the participant and net annual gas savings metrics are weighted equally at 50% each. Enbridge Gas did not propose a 2025 target as it had suggested that this program be reviewed at the proposed mid-point assessment for continuation during the latter half of the initially proposed 2023-

2027 plan term. However, Enbridge Gas did provide forecast participation and gas savings through the end of 2027.[56]

### Summary of Positions

Parties were generally supportive of the proposed program and performance scorecards. However, GEC suggested that the program should be combined with Enbridge Gas's proposed Commercial program and its results determined solely on the basis of natural gas savings, excluding a participant metric. GEC noted that on a relative basis, the Energy Performance program can earn a significantly higher incentive on a per unit basis compared to other Commercial programs at a cost that is nearly ten times higher per unit of saving.[57]

Enbridge Gas responded by noting that this scorecard is intended to drive gas savings, which GEC supports, but also incent participation of an increasing number of schools in a program design that requires a long-term commitment. Further, Enbridge Gas noted that the Energy Performance program only attracts 1% of the maximum shareholder incentive. Enbridge Gas noted that because of the design, more must be done to generate results than simply enroll one or two large schools. Given the support of other parties, Enridge Gas submitted that the program and its scorecard are appropriate and should be approved.

### Findings

The OEB approves the proposed Energy Performance program scorecard, with some modifications to align with the OEB's decision to approve a three-year term. This new program is attempting to address some key interests from stakeholders by using metered data to achieve reduced levels of natural gas usage at similar customer facilities, beginning with schools. Incorporating a participant metric for the initial roll-out of the program during the pending new three-year term is appropriate. With OEB's rejection of the proposed mid-term review, the OEB has included approved scorecard targets for 2025. These targets are based on Enbridge Gas's forecast participation and gas savings of this program through the end of the proposed term that continue to 2027. The OEB is of the view that in the future, Enbridge Gas should develop progressively more challenging targets throughout the term of the next DSM plan, primarily focusing on increased levels of natural gas savings, should the program prove to be successful, and expansion is appropriate.

[56] Exhibit I.5.EGI.GEC.6, Attachment 1, p. 4
[57] GEC argument, p. 34

### 4.6.4 Building Beyond Code Program Scorecard – Issue 9(h)

Enbridge Gas's proposed Building Beyond Code program included a proposed performance scorecard that was broken out to address key elements in relation to how the program would be accessed by customers. Separate metrics were proposed for each of the program's offerings, including number of energy star homes and number of net zero ready homes for the Residential Savings by Design offer, and number of participants for the Commercial Savings by Design offer and Affordable Housing Savings by Design offer. The Commercial Air Tightness Testing offer included two metrics: number of participants and number of qualified agents enrolled.

#### Summary of Positions

Outside of general comments or comments specific to the merits of the proposed program itself, parties did not offer many specific comments related to the proposed scorecard or metrics.

Enbridge Gas submitted that as there were no concerns raised about the scorecard and metrics, that it be approved as filed.

#### Findings

The OEB approves the proposed Building Beyond Code program scorecard. The proposed targets for 2024 and 2025 are approved. The target for 2025 has been set by the OEB based on continuing the targets from 2023 and 2024 and increasing by the same amount for 2025. This results in 2025 targets as set out in Schedule C which is simply an escalation of the 2023 and 2024 targets. The OEB notes that as this program was proposed to be reviewed at the proposed mid-point assessment, there is a requirement for targets to be set for 2025 since the OEB approved a term of three years without a mid-point assessment.

### 4.6.5 Low Carbon Transition Program Scorecard – Issue 9(i)

As discussed above, the OEB has rejected the proposed Low Carbon Transition program and instead, reallocated the budget to the residential whole home program offering. Therefore, no findings are required for the proposed Low Carbon Transition Program scorecard.

### 4.6.6 Long-Term Greenhouse Gas Reduction Target – Issue 9(j)

As discussed in above, the OEB has rejected the Long-Term Greenhouse Gas Emissions Reduction Incentive and instead has approved a new End-of-Term Natural

Gas Reduction Incentive to motivate Enbridge Gas to focus on greater natural gas savings levels throughout the term of the new DSM plan.

## 4.7 Research and Development Activities – Issue 11

Enbridge Gas proposed an annual research and development budget of $3.23 million. Of this amount, approximately $2.6 million is budgeted for the research and innovation fund (RIF). Enbridge Gas proposed that the research and development budget increase by inflation in subsequent years. Enbridge Gas indicated that it will use the RIF to investigate new measures and innovative program designs to address local DSM market needs, develop emerging technologies through lab testing and market research, implement pilot programs to test new program concepts or modifications, and conduct research to more consistently and accurately estimate natural gas savings generated through DSM programs.

### Summary of Positions

Parties were generally supportive of the continuation for Enbridge Gas's proposed research and development budget. However, OEB staff noted that these kinds of activities should be undertaken with a clear intention for application in its DSM plan. OEB staff also recommended that in addition to oversight by the SAG, Enbridge Gas should provide a similar summary of research and development projects as part of its DSM Annual Report beginning with the 2022 DSM Annual Report that will be assembled in early 2023. This will allow the OEB and interested stakeholders to follow along more closely and be able to seek further information from Enbridge Gas. Enbridge Gas responded arguing that including the SAG as part of its research and development activities will delay the onset of the activities and increase costs and in the end, not add value.

OEB staff and GEC also argued that, primarily due to the important policies in place to reduce GHG emissions, that it is inappropriate to continue using research and development funds on gas-fired measures where electric alternatives exist. Enbridge Gas responded noting that the current realities are that there remains such a large demand for natural gas and gas appliances in Ontario. Therefore, restricting opportunities to improve gas usage efficiency is surprising and not appropriate.

### Findings

The OEB approves the proposed research and development costs, including the RIF. However, the OEB agrees with parties that suggested that research and development funding not be expended on natural gas-fired measures where there are electric

alternatives, such as heat pumps. The OEB expects that Enbridge Gas will, at a minimum, share its research and development plan with the SAG for comment. This will provide all stakeholders with an opportunity to understand the benefits of the activities contemplated by Enbridge Gas. However, ultimately, Enbridge Gas is responsible for proving the value of how it has expended ratepayer funding. This includes reporting on research and development activities as part of its DSM Annual Report. It also includes supporting its annual application for approval to dispose of amounts in its DSM deferral and variance accounts.

## 4.8 Evaluation, Measurement & Verification – Issue 12

The OEB-led evaluation process began in 2015 following the OEB assuming responsibility of the evaluation of DSM program results from the legacy natural gas utilities. The central evaluation function carried out during the 2015-2020 term is called impact evaluation – a process to verify the results of the various programs that have been delivered the previous year. To support the OEB's efforts, it has hired an expert third party consultant to act as the OEB's Evaluation Contractor (EC) and formed an Evaluation Advisory Committee (EAC) that is chaired by OEB staff and includes representatives from Enbridge Gas, expert stakeholders, and staff from the IESO. The EAC provides input to the EC on evaluation activities, including broad evaluation plans and specific work projects.

Enbridge Gas proposed several items related to the evaluation, measurement and verification (EM&V) of approved DSM programs. The requests are summarized below:

1. Approval of Enbridge Gas's proposed Terms of Reference (ToR) for the EAC.
2. Approval of Enbridge Gas's gross savings measurement methodologies and consistent use by the OEB's EC when verifying program results.
3. Direction from the OEB to OEB staff to develop a natural gas DSM-specific DSM EM&V Protocols document by December 31, 2022. Enbridge Gas argued that Ontario DSM evaluation protocols would: (i) provide clarity on how and which evaluation methodologies are used in Ontario to support program design and delivery efforts, (ii) ensure EC's are effectively and appropriately executing evaluation activities, (iii) ensure interested parties are engaged and (iv) publicly document Ontario's DSM evaluation protocols.

4. Indication by the OEB of its support for Enbridge Gas's proposed free ridership fast feedback survey and process evaluation plan.

OEB staff, SEC, CCC, Pollution Probe and GEC all commented on all or part of these proposals. The general nature of the comments was that the OEB's current process, led by OEB staff that includes expert stakeholders and independent evaluation consultants, is working well and should not be changed unless first discussed with the EAC and the EC. OEB staff did however support the proposed ToR for the EAC.

Pollution Probe and CCC commented on the possible benefit of providing greater transparency to the evaluation process to help reduce the OEB's process to clear DSM deferral and variances accounts.

*Gross Measurement Methodologies*

GEC, OEB staff and SEC specifically commented on Enbridge Gas's request for the OEB to approve its proposed gross measurement methodologies, noting that this was inappropriate as it would limit the ability of the consultants hired by the OEB to conduct work in the manner they saw best aligned with industry best practice. Enbridge Gas responded by stressing the importance of the OEB approving its proposed gross measurement methodologies to avoid confusion and the possible scenario of a program being evaluated using a different set of criteria or in an entirely different manner altogether, resulting in confusion and misunderstandings and an overall poor process.

*DSM EM&V Protocols*

OEB staff also commented on the need for an Ontario DSM EM&V protocol document, noting that methodologies and study work plans are all shared with the EAC and follow industry best practice. Enbridge Gas responded by clarifying that it is not looking for the OEB to approve specifically worded EM&V protocols. Rather, Enbridge Gas is proposing to work with OEB staff and the EAC to develop an Ontario evaluation protocols document for use in the future.

Enbridge Gas noted that the development of such a document will assist in ensuring that various evaluation methodologies employed in Ontario are consistent with current trends and industry best practice.

*Process Evaluations*

OEB staff also recommended that, similar to the impact evaluations that the OEB took responsibility for at the outset of the 2015-2020 DSM term, a similar change in

responsibility take place for process evaluations. Process evaluations investigate and analyze program design and implementation strategies to assess if the program is operating as designed and being delivered effectively. The studies provide feedback to the program administrator, Enbridge Gas in this case, so that improvements in program design and delivery can be made. OEB staff noted that although process evaluations have been Enbridge Gas's responsibility to-date, it has only completed three separate formal process evaluations since 2015 and that necessary improvements are not being considered as thoroughly and implemented as promptly as required.

Enbridge Gas responded indicating that it did not agree with OEB staff's recommendation that it take over the leadership of process evaluations. In Enbridge Gas's view, process evaluations require intimate knowledge of each program offering including, how it is delivered, by whom, market conditions and available resources. Further, Enbridge Gas noted that due to its deep experience with program delivery, it is uniquely placed to lead these evaluations. Enbridge Gas also noted that giving responsibility of process evaluations to another party blurs the lines of accountability. If Enbridge Gas does not complete process evaluations to improve its programs, it suffers in terms of the results generated. If OEB staff is responsible and they do not focus on the correct areas, it is still Enbridge Gas that is accountable.

### Findings

The OEB finds that the current evaluation process, largely led by OEB staff with input from key stakeholders through the EAC, including Enbridge Gas, is working effectively. The OEB sees merit in establishing a ToR for the EAC as a subcommittee of the new SAG, primarily to help clarify roles and responsibilities of members. This should help ensure that the EAC continues to run efficiently and effectively. More discussion of stakeholder engagement is provided below, including the relationship between the new SAG and the EAC. Although the OEB is of the view that the current evaluation work that is completed through the EAC is well documented and readily available on the OEB's website, the SAG should also consider the concerns about transparency and accessibility raised by Pollution Probe and CCC.

The OEB is of the view that it is not appropriate to approve Enbridge Gas's gross measurement methodologies. The OEB appreciates that Enbridge Gas has considered the ways in which it believes it is ideal to evaluate its programs. However, it is more appropriate that the final evaluation methodologies be determined independently. The OEB expects that all evaluation methodologies employed will be aligned with industry best practice. Further, the OEB expects that all proposed evaluation methodologies will be thoroughly reviewed and discussed by the EAC. During this review, Enbridge Gas

can raise any concerns with evaluation methodologies proposed by the OEB's independent evaluation experts and indicate if any of the proposed methodologies are inconsistent with the manner in which Enbridge Gas has conducted its gross measurement. In the end, the OEB expects that OEB staff and the expert evaluation consultants retained to undertake this important work will adhere to industry best practice and continue to provide an independent assessment of program results.

More broadly, the OEB is concerned that Enbridge Gas is of the view that there is a component of evaluation work, including process evaluations and other study areas, including the development of free ridership fast feedback surveys, that it is to complete on its own with the discretion to share materials with OEB staff, the EAC and EC, as it sees fit. The OEB is of the view that including OEB Staff, the EAC and EC as part of all evaluation activities will lead to more thoughtful work with the objective of more independent and complete results. Enbridge Gas will continue to lead process evaluations for the upcoming 2023-2025 DSM term. However, the OEB expects that Enbridge Gas will share a full process evaluation plan with OEB staff, the EAC and EC for integration into the broader EM&V plan developed for the OEB by the EC for the 2023 to 2025 DSM Plan term. All process evaluation work plans and draft reports should be shared with OEB staff, the EAC and EC for review and comment, with Enbridge Gas (or its consultant) providing responses to all comments, similar to the expectation of the OEB's evaluation consultants. Attention should be paid to areas of overlap between the evaluation work led by OEB staff and that led by Enbridge Gas to strive for efficiencies and synergies where possible. The OEB has the same expectation for other evaluation work conducted by Enbridge Gas, including the free ridership fast feedback surveys. At a minimum, Enbridge Gas should share the draft work plan with OEB staff, the EAC and EC for comment. Continual improvement of DSM programs is important to ensure that they are continuing to provide the greatest level of value for ratepayers. The OEB's evaluation process provides effective and useful feedback that should be considered when assessing the effectiveness of Enbridge Gas's DSM program offerings.

With respect to the request to direct OEB staff to develop an Ontario natural gas DSM EM&V protocol document, the OEB is of the view that this is not required at this time. The planned evaluation work led by OEB staff is broadly discussed with members of the EAC, documented and follows industry best practice. The OEB is mindful that the development of a DSM EM&V protocol document is a large undertaking. Rather than expending the resources at this time, the OEB suggests that this be discussed in more detail with the EAC for consideration at some point in the future if members agree that it is a useful exercise that will result in a valuable final product.

## 4.9 Input Assumptions, Cost-Effectiveness and Avoided Costs – Issue 13

Enbridge Gas proposed how to apply changes to its DSM Plan input assumptions and adjustment factors, how programs would be screened to determine if they are cost-effective and the avoided costs to be used in the various calculations as part of the proposed DSM Framework at Sections 9, 10 and 11 respectively.

Input Assumptions and Adjustment Factors

Input assumptions are prescribed assumptions such as engineering estimates of average energy savings from a particular technology or its estimated useful life. Adjustment factors are changes to program results that are applied based on evaluation of the program results, such as net-to-gross adjustments or other adjustments made to results by the EC. Targets and evaluated program results have been adjusted in the past to account for changes to input assumptions resulting from the evaluation process. This parallel adjustment means that changes to input assumptions alone do not impact scorecard achievement or shareholder incentive levels.

Enbridge Gas has proposed to apply the best available information, including the most up to date input assumptions and adjustment factors when calculating DSM program results – i.e., that all updates be applied retroactively to the past year being evaluated. The one exception where retroactive adjustments would not take place is for mass market programs where the utility has less direct influence on program participants. The current practice that the OEB has supported is that changes to input assumptions and adjustment factors be applied prospectively for mass market programs – i.e., only applied to results in the year after they change.

OEB staff generally supported the proposals put forth by Enbridge Gas. OEB staff noted that they are consistent with the practice accepted by the EAC and appropriately apply risk to savings levels due to changes to key variables based on projects and measures within or outside of Enbridge Gas's control.

Enbridge Gas noted that the OEB should approve its proposal as filed as it was supported by OEB staff and no other party objected.

### Findings

The OEB accepts Enbridge Gas's proposal on how to adjust input assumptions and adjustment factors. The OEB agrees that to determine the most accurate results, input assumptions and adjustment factors should be applied retroactively to results for all

programs other than mass market prescriptive programs of which the utility has less direct influence on program participants and therefore cannot reasonably account for why a customer is participating and the measures being installed.

As the OEB has allowed the continuation of the TAM for the three-year term, Enbridge Gas's proposal to continue adjusting both targets and evaluated results in a given year to account for updated input assumptions is reasonable. However, the OEB would like the SAG to review this practice and provide recommendations on the most ideal balance of risk between Enbridge Gas and customers based on changes to input assumptions and adjustment factors.

Cost-Effectiveness

Enbridge Gas proposed the continued use of the Total Resource Cost-Plus (TRC-Plus) test for determining the cost-effectiveness of DSM programs. This is consistent with current practice. The TRC-Plus test measures the benefits and costs of DSM programs for as long as those benefits and costs persist. Benefits are driven by avoided resource costs, largely avoided marginal natural gas costs, but other costs, such as electricity, water and carbon costs are also considered. There is also a 15% non-energy benefits adder applied to each of the avoided resource costs other than carbon costs.

Parties supported the continued use of the TRC-Plus test, consistent with the OEB's practice outlined in the 2015-2020 DSM Framework. Pollution Probe suggested that the 15% non-energy benefit adder be reviewed as it was of the view that the current value is conservative and should likely be increased.

### Findings

The OEB approves the continued use of the TRC-Plus test to determine the cost-effectiveness of DSM programs. The OEB is mindful that the accuracy of the inputs into the test will shape decisions related to what programs are offered. The SAG should discuss the accuracy of the 15% non-energy benefits adder, in coordination with the IESO, to ensure that an accurate value is being applied across natural gas and electricity conservation programs in Ontario.

Avoided Costs

Part of determining the cost-effectiveness of energy efficiency and conservation programs includes estimating the avoided energy costs of upgrading to more efficient equipment. Therefore, it is necessary to use accurate natural gas, electricity, water and other energy costs, including the cost of carbon. Enbridge Gas retained Guidehouse Inc.

to complete a jurisdictional scan for industry practices related to avoided costs. Guidehouse Inc. found that there was limited consistency across jurisdictions.[58] Enbridge Gas proposed to continue its current practice of using the most recently available avoided costs and that it will update these figures annually.

Environmental Defence stated that Enbridge Gas should be directed to update its electricity avoided costs. Environmental Defence noted that both Optimal Energy and Green Energy Economics Group confirmed that marginal costs, not full wholesale costs should be used. Environmental Defence noted that due to Enbridge Gas using higher electricity avoided costs than it should, the comparison between electric and gas options is inappropriately slanted in favour of gas options. GEC supported Environmental Defence's recommendations.

Enbridge Gas responded noting that given the relatively modest component that electricity avoided costs play in the cost-effectiveness test, it has not spent a great deal of time attempting to understand the electricity avoided cost values produced by the IESO. Further, Enbridge Gas noted that the marginal cost values produced by Environmental Defence are likely only of value if there is significant fuel switching occurring. If this occurs, Enbridge Gas agreed that the electricity avoided cost values should be reviewed with the IESO and different avoided cost values should be used.

### Findings

The OEB is satisfied that for the upcoming DSM plan period of 2023 to 2025, that it is reasonable to use the avoided costs proposed by Enbridge Gas. However, the OEB is mindful that in the near-term, it is likely that greater emphasis will be placed on fuel switching and electrification. Therefore, it is important to continually ensure that customers have choice on various energy options. In order to allow for as accurate a comparison as possible, it is important that the most relevant avoided costs are being used in the calculation of cost-effectiveness, particularly between electricity and natural gas options. Therefore, the OEB encourages the SAG to consider reviewing key avoided costs, namely electricity avoided costs, and coordinate with the IESO as necessary. The outcomes of this review and any new proposals or updated avoided cost figures should be included as part of Enbridge Gas's next DSM plan application.

[58] Exhibit E, Tab 5, Schedule 1, Attachment 4, p. 7, Table 1-1

## 4.10 Accounting Treatment – Issue 14

Enbridge Gas proposed the establishment of the following accounts to be used in association with its DSM plan:

- DSMVA – Demand Side Management Variance Account to track spending relative to approved budget;
- LRAM – Lost Revenue Adjustment Mechanism to track revenues that were not earned due to the natural gas savings from the DSM programs;
- DSMIDA – Demand Side Management Incentive Deferral Account to record shareholder incentives earned by Enbridge Gas; and,
- CDMIDA – Conservation Demand Management Deferral Account to track ratepayer share of all net revenues generated by DSM services provided for electric CDM activities.

These are all continuation of accounts that have been approved by the OEB in the past. However, as Enbridge Gas has proposed DSM programs that are amalgamated to serve all Enbridge Gas customers in both the EGD and Union rate zones, it proposed to establish the new accounts for the pending DSM term.

### Summary of Positions

No parties disagreed with the establishment of the proposed deferral and variance accounts. However, LPMA suggested that the existing legacy accounts continue to be used until Enbridge Gas's pending rebasing application is complete. Enbridge Gas responded noting that its proposed DSM programs are common to all franchise areas regardless of rate zones. Enbridge Gas noted that this means that programs will be delivered identically in all franchise areas and the DSM deferral and variance accounts will continue to allocate account balances to current rate zones and classes.

### Findings

The OEB approves the establishment of the proposed DSM deferral and variance accounts.

The OEB approves a new deferral account for Enbridge Gas related to the End-of-Term Natural Gas Reduction Incentive. As indicated above, the OEB has approved a new incentive in addition to the main shareholder incentive related to the achievement of program scorecard targets. A deferral account is needed to record the actual amount of shareholder incentive earned by Enbridge Gas as a result of its performance relative to

the End-of-Term Natural Gas Reduction target. The criteria used to determine the amount of any shareholder incentive to be recorded in the End-of-Term Natural Gas Reduction Incentive Deferral Account (NGRIDA), will be in accordance with direction provide in Section 4.5.2.

Enbridge Gas is directed to file the necessary Draft Accounting Orders for all approved DSM deferral and variance accounts for approval by the OEB.

## 4.11 Consistency with Integrated Resource Planning – Issue 15

The OEB issued its Decision and Order on Integrated Resource Planning (IRP) in July 2021. As part of the IRP Decision, the OEB found that potential merging of DSM with programs aimed at reducing peak demand to meet system needs was premature.[59] As part of this application, Enbridge Gas followed this direction and proposed that its DSM plan stand alone and not be incorporated with its IRP activities.

### Summary of Positions

Parties were generally in agreement that nothing further is required from the OEB with respect to the relationship between IRP and DSM at this time. SEC noted that the IRP technical working group is in its initial phases of completing its analysis and that no additional direction is required. OEB staff shared this view. LPMA and Pollution Probe suggested that Enbridge Gas and stakeholders would benefit from reinforced direction related to the manner in which DSM can play a role in helping reduce or remove the need for new capital projects.

Enbridge Gas responded by agreeing with OEB staff and SEC that nothing in this proceeding suggests that the OEB's direction in the IRP Decision should be revisited at this time. Enbridge Gas noted that it did however propose reporting thresholds for the treatment of costs in the event that an IRP activity overlaps with a DSM program. However, if this transpires, Enbridge Gas noted that any actual impacts on the DSM plan would be subject to a more detailed review in an application to amend the DSM plan as a result of an IRP activity.

### Findings

The OEB agrees that no further direction is required at this time with respect to the relationship between Enbridge Gas's DSM plan and IRP. The OEB's Decision on IRP is

[59] EB-2020-0091, Decision and Order, July 22, 2021, p. 34

still in the initial phase of implementation. The OEB appreciates the reporting thresholds proposed by Enbridge Gas and expects that any IRP activities pursued that include demand-side programming (e.g., geotargeted energy efficiency) should be discussed, at least at a high level, as part of Enbridge Gas's DSM annual report so that all stakeholders are made aware. Should any demand-side IRP activities overlap with the DSM programs approved in this Decision and Order, the details of the overlap and any implications will be reviewed by the OEB as part of the IRP Plan application made by Enbridge Gas.

## 4.12 Coordination with Electricity Conservation Programs – Issue 16

As part of the 2015-2020 DSM Framework, the OEB indicated its expectation that coordinated and integrated energy conservation and energy efficiency programs are a primary consideration when designing and developing program offerings. This will ensure the efficient use of funding, enhance the reach of programs and address consistency issues across various customer segments.

This guidance was also included by the OEB in the December 2020 Letter which noted that the OEB expects that Enbridge Gas will endeavor to coordinate the delivery of conservation programs with the IESO where possible, including the low-income eligibility requirements. The OEB indicated in the December 2020 Letter its expectation that Enbridge Gas address linkages to the new IESO CDM framework and to identify opportunities for efficiencies, program cost reductions, and increased natural gas savings.

Enbridge Gas noted that the Minister of Energy also provided direction in the CDM Framework that "to the degree reasonably practicable, the IESO will coordinate the delivery of the CDM programs with entities delivering natural gas DSM programs."[60] Enbridge Gas included a guiding principle as part of the proposed DSM Framework: "Where appropriate, Enbridge Gas should coordinate DSM and electricity CDM efforts to achieve efficiencies."

Enbridge Gas noted that it no longer has the challenge of coordinating with more than 70 separate electric utilities across Ontario as CDM programming is now centrally managed by the IESO. However, Enbridge Gas indicated the importance of sufficient

[60] Enbridge Gas Application, Exhibit E, Tab 4, Schedule 4, p. 1

flexibility afforded through the DSM Framework to allow it the opportunity to engage and agree to collaboration efforts throughout the term of the plan.[61]

Enbridge Gas included a list of programs where it is coordinating with electricity conservation programs offered by the IESO.[62] Additionally, Enbridge Gas provided a summary of its coordination activities, both with the IESO and municipalities where it has provided input on Community Energy Plans.[63]

### Summary of Positions

A number of parties asked that the OEB direct Enbridge Gas to integrate as many of its DSM programs with similar CDM programs as soon as possible. OEB staff recommended that Enbridge Gas be directed to integrate as many of its DSM programs with the similar CDM program, as soon as possible, but no later than 2025. OEB staff noted that the IESO's current CDM Framework expires at the end of 2024, allowing for sufficient time to address legal agreements with Enbridge Gas. OEB staff argued that integrating conservation programs in Ontario would be consistent with policy guidance, including the OEBs 2021 CDM Guidelines,[64] the Minister of Energy's directive to the IESO establishing the 2021-2024 CDM Framework,[65] and the Mandate Letter to the OEB that highlighted facilitating a streamlined customer experience. OEB staff also noted that this would be consistent with a primary recommendation from Optimal Energy's review of Enbridge Gas's programs.[66]

Other parties, such as Environmental Defence, LPMA and Pollution Probe suggested that the OEB consider a new approach to conservation programming in Ontario. Among the recommendations included consideration to a central, independent agency delivering energy efficiency and conservation programs, that Enbridge Gas contract with the IESO to have the IESO lead the design of DSM programs with programs all delivered jointly, and that Enbridge Gas be required to enter into comprehensive partnerships with the IESO, municipalities and other relevant stakeholders. All of these suggestions were premised on the same basic principles of maximizing the cost-

[61] Exhibit I.16.EGI.STAFF.86
[62] Exhibit E, Tab 4, Schedule 4
[63] Exhibit K1.1
[64] EB-2021-0106, Conservation and Demand Management Guidelines for electricity Distributors, Section 9, p.29
[65] IESO - Ministerial Directives, 2021-2024 Conservation and Demand Management Framework, September 30, 2020
[66] Optimal Energy Evidence, Exhibit L.OEBSTAFF.1, p. 36

effectiveness of programs, achieving the highest level of energy savings and providing the greatest value to customers.

Enbridge Gas responded noting that it has worked with the IESO and collaborated on all existing program offers where there is a complimentary program and it is appropriate to collaborate. Further, Enbridge Gas submitted that it is not necessary to direct it to integrate as many programs as soon as possible as it is already incented to collaborate when appropriate under the proposed scorecard structure. Enbridge Gas noted that if the OEB feels it necessary, it could provide an additional incentive mechanism specifically for collaboration, which would be more appropriate under an incentive model than a directive. However, even if such direction was given, it is outside of Enbridge Gas's control to cause the IESO to agree to collaborate or integrate its programs with Enbridge Gas's DSM programs.

### Findings

The OEB will not direct Enbridge Gas to integrate its program offerings with the IESO and other key stakeholders at this time. As greater policy direction is developed by the Government of Ontario related to the future energy outlook and any energy transition policy, greater emphasis will be placed on fully integrated conservation and efficiency programs.

## 4.13 Stakeholder Engagement – Issue 17

Enbridge Gas proposed to reintroduce a more formalized, utility-led general stakeholder consultation, similar to its practice prior to 2015. Enbridge Gas proposed that it host an annual general DSM stakeholder meeting in addition to its regular on-going engagement with various customers. Enbridge Gas proposed that the annual half-day meeting be scheduled following the completion of its Draft DSM Annual Report, typically submitted to the OEB in April of each year.

Enbridge Gas also highlighted the stakeholder engagement it conducted to support the development of its application, including meeting with low-income customer associations, interested stakeholders, including business partners, consultants and a schoolboard on the Energy Performance Program and the whole building pay for performance model, and large volume customers.

### Summary of Positions

Generally, parties did not view Enbridge Gas's stakeholder consultation efforts that informed its application satisfactory. Environmental Defence, GEC, Pollution Probe,

LPMA, OEB staff and SEC all shared a similar view that Enbridge Gas should have conducted more stakeholdering efforts and that going forward, more direction from the OEB should be provided.

SEC and OEB staff made similar proposals for OEB-directed, formalized stakeholder groups that would be required to meet with Enbridge Gas regularly to ensure current programs are delivering the results that were expected and to help inform any changes or new program developments. SEC suggested that this group act similar to a Board of Directors and be an independent advisory body managed by the OEB in the same manner as the current EAC. SEC indicated that the group would have three primary goals including, maintaining, and ensuring transparency, provide advice and guidance to the management of DSM programs, and review and approve certain routine steps in the operation of DSM programs, such as budget transfers.

OEB staff recommended that the OEB establish a DSM SAG to review, provide input and guidance on DSM plan and program changes, targets, metrics, and other key components, including evaluation. This group would be tasked with undertaking key studies to inform enhancements to Enbridge Gas's plan for implementation beginning in 2025, as well as provide input on an enhanced plan itself. The objective would be that consensus is reached on most, if not all, issues within the SAG before an application is filed with the OEB, thereby improving regulatory efficiency.

Enbridge Gas opposed OEB staff and SEC's recommendations, noting that this was the first suggestion of these new stakeholder bodies, there remains many details that are unclear, and that it would be inappropriate and increase regulatory burden if these groups had decision making authority. Enbridge Gas cautioned against the OEB forming any new stakeholder group along the lines suggested by parties as it appears to Enbridge Gas that instead of these groups acting in good faith as a stakeholder group, instead, they will be lobbying for certain outcomes. Enbridge Gas noted that only it has the knowledge of its internal resources that are available, the costs and actions that are required to implement successful programs and that it is accountable to the OEB for maintaining a cost-effective DSM plan.

### Findings

The OEB is of the view that stakeholder engagement associated with the designing and implementation of Enbridge Gas's DSM programs can be improved. The OEB needs assurance that a robust consultative process has been followed that includes provision for a meaningful opportunity to participate, a record of what was discussed and a summary of how Enbridge Gas incorporated the results of the consultation into its next DSM plan.

The OEB understands the diverse set of perspectives and opinions that residential customers, low-income representatives, Indigenous communities, public and commercial service providers, and industries bring to any discussion. However, the OEB is of the view that a more intensive approach is required. The OEB believes that establishing a more rigorous stakeholder engagement approach can obviate some of the disagreements among Enbridge Gas and parties, at least to the extent of agreement about what parties disagree about.

To achieve a better consultation process, the OEB agrees with OEB's staff suggestion to establish a DSM Stakeholder Advisory Group (SAG). That group should be formed in a similar manner to the recently approved Integrated Resource Planning Technical Working Group, be chaired by OEB staff, include representatives from Enbridge Gas, non-utility stakeholders, and independent experts (both from Ontario and other leading jurisdictions). It is expected that OEB staff will establish the committee membership and a Terms of Reference, including the roles and responsibilities for the members of the EAC.

The DSM SAG should meet on a regular basis during the term of the 2023-2025 DSM plan with the objective of providing input on the makeup of Enbridge Gas's next DSM plan to ensure it will align with the OEB's direction to achieve increasing levels of natural gas savings with the ultimate objective of Enbridge Gas's DSM Plan helping reduce overall natural gas consumption. The primary work items that the DSM SAG should undertake include: input on an updated natural gas achievable potential study to inform Enbridge Gas's next DSM Plan, provide input to Enbridge Gas on its draft 2026-2030 DSM Plan before it is filed with the OEB, including recommendations on how to prioritize what programs should be expanded and how to generate the greatest level of cost-effective natural gas savings. OEB staff is expected to lead the development of the DSM SAG's Report that should include a summary of the work the SAG has completed, a list of all recommendations and material concerns about the DSM plan that remain unresolved within the DSM SAG. A copy of the DSM SAG's report should be provided to Enbridge Gas so it can be included as part of its application seeking approval of a new multi-year DSM plan from 2026 to 2030. As part of its application, Enbridge Gas is expected to include a discussion on if and how the SAG recommendations were ultimately incorporated. The OEB has listed a number of other activities it has noted throughout this Decision and Order in Schedule D for the SAG to undertake. The OEB encourages the SAG to address as many of these as practical and prioritize efforts respecting the time and resources each item may require.

The OEB expects that the results of an updated natural gas conservation potential study will be the primary input into future natural gas savings targets. As noted throughout this

Decision and Order, the OEB expects that Enbridge Gas's next DSM Plan will result in meaningful reductions to annual natural gas sales volumes each year between 2026 and 2030, providing significant benefits for Enbridge Gas's customers. The OEB is of the view that by 2028, Enbridge Gas's DSM Plan should result in total net annual savings from DSM programs that are the equivalent of 1% of annual gas sales volumes. This should be used as the basis for the next natural gas conservation potential study, with alternative scenarios, such as 0.5% and 1.5% reductions in annual gas sales also considered to provide alternatives and allow the plan to be responsive to future policy direction. Program design and delivery of the future DSM Plan should also be reviewed to ensure programs are as effective as possible and that cost-effective opportunities for greater natural gas reductions are maximized.

The EAC will continue as a sub-committee of the broader DSM SAG. However, any decisions by the EAC are not subject to the agreement of the SAG. Rather, the EAC will continue to function in accordance with its current practice.

The OEB is mindful that there is the potential to be a wide divergence in perspectives, however, the OEB expects that parties will work cooperatively and strive to reach consensus on as many aspects of Enbridge Gas's future DSM plan application as possible. Ultimately, Enbridge Gas will be responsible to defend its application and the proposals within. Although not a requirement, gaining the agreement of the DSM SAG should be considered a top priority to allow for a more efficient and effective regulatory process.

## 4.14 Transition and Implementation – Issue 18

Parties suggested a number of paths the OEB could consider to transition to Enbridge Gas's new DSM plan – and for subsequent plans in the future. Some parties, such as Environmental Defence, GEC and OEB staff suggested the OEB approve a shorter term with expectations for an enhanced plan in the near-term, included suggestions of increased stakeholder engagement to allow Enbridge Gas the ability to respond to OEB direction in an appropriate manner. GEC noted that the OEB should consider providing interim approval now and directing Enbridge Gas to submit an updated application as soon as possible, followed by an expedited review of key areas that were updated.

Enbridge Gas responded indicated that it remains of the view that the OEB should approve its plan as filed, subject to the several accommodations it has taken from the submissions of parties. However, should the OEB not approve the plan as filed, Enbridge Gas indicated that it may be necessary for it to evaluate the impact of any changes and to adjust aspects of its DSM plan, including the proposed framework, and

refile these for final review and approval. Enbridge Gas noted this is similar to what occurred at the conclusion of the OEB's review and approval of the 2015-2020 DSM plan applications.

### Findings

The OEB is of the view that it is reasonable to allow Enbridge Gas an opportunity to review the OEB's findings, specifically with respect to the calculation of updated budget figures and revised targets solely to confirm that the calculations have been done correctly. However, the record is now closed. This review is not for Enbridge Gas to comment on the merits of any of the OEB's findings or to elicit any changes. Following the review of Enbridge Gas's response, the OEB will make any necessary changes and issue an updated Decision and Order if required.

# 5 ORDER

**THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. Enbridge Gas Inc. is ordered to implement its 2023 to 2025 DSM Plan, as set out in this Decision and Order.

2. Enbridge Gas Inc. may provide written comments related to the calculation of budget changes and target changes in Schedule A and C by **November 28, 2022**.

3. Enbridge Gas Inc. shall file draft accounting orders consistent with direction provided in this Decision and Order for approval by the OEB by **November 28, 2022**.

4. OEB staff may provide comments on the draft accounting orders by **December 5, 2022**.

5. To the extent that the OEB's Decision and Order results in Enbridge Gas Inc. and Natural Resources Canada making amendments to the EGI-NRCan Agreement, Enbridge Gas Inc. shall file a copy of the Amended EGI-NRCan Agreement with the OEB within 5 business days of the execution of the Amended EGI-NRCan Agreement.

6. Cost eligible intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their cost claims by **December 5, 2022**.

7. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **December 12, 2022**.

8. Cost eligible intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by **December 16, 2022**.

9. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

Please quote file number, **EB-2021-0002** 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 File documents online 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 for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the File documents online page of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

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.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Josh Wasylyk at Josh.Wasylyk@oeb.ca and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca.

Email: registrar@oeb.ca

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

**DATED** at Toronto, November 15, 2022

**ONTARIO ENERGY BOARD**

Nancy Marconi

Digitally signed by Nancy Marconi
Date: 2022.11.21 09:02:57 -05'00'

Nancy Marconi
Registrar

# SCHEDULE A

# NATURAL GAS DEMAND SIDE MANAGEMENT PLAN

# APPROVED PROGRAMS AND 2023 BUDGET AMOUNTS

**DECISION AND ORDER**

**ENBRIDGE GAS INC.**

**EB-2021-0002**

**NOVEMBER 15, 2022**

## OEB-Approved DSM Programs and Budgets

| DSM Budget Item | 2023 Total | 2024 Total | 2025 Total |
|---|---|---|---|
| **Residential Program** | **$70,378,564** | **$75,477,660** | **$79,517,263** |
| *Residential Whole Home* | $60,000,000 | $64,891,524 | $68,719,405 |
| *Residential Single Measure* | $4,617,424 | $4,709,772 | $4,803,967 |
| *Residential Smart Home* | $3,977,235 | $4,056,780 | $4,137,916 |
| *Residential Administrative Costs* | $1,783,905 | **$1,819,584** | **$1,855,976** |
| **Low Income Program** | **$22,987,685** | **$23,447,439** | **$23,916,388** |
| *Home Winterproofing* | $14,375,115 | $14,662,617 | $14,955,869 |
| *Affordable Housing Multi-Residential* | $7,138,928 | $7,281,707 | $7,427,341 |
| *Low Income Administrative Costs* | $1,473,642 | $1,503,115 | $1,533,177 |
| **Commercial Program** | **$25,262,775** | **$25,626,242** | **$26,138,767** |
| *Commercial Custom* | $11,895,830 | $12,047,197 | $12,288,141 |
| *Prescriptive Downstream* | $2,436,237 | $2,484,962 | $2,534,661 |
| *Direct Install* | $4,765,983 | $4,861,302 | $4,958,528 |
| *Prescriptive Midstream* | $2,421,117 | $2,469,540 | $2,518,931 |
| *Commercial Administrative Costs* | $3,743,608 | $3,763,241 | $3,838,506 |
| **Industrial Program** | **$17,828,114** | **$18,184,676** | **$18,548,370** |
| *Industrial Custom* | $13,872,000 | $14,149,440 | $14,432,429 |
| *Industrial Administrative Costs* | $3,956,114 | $4,035,236 | $4,115,941 |
| **Large Volume Program** | **$2,766,624** | **$2,821,957** | **$2,878,396** |
| *Direct Access* | $2,550,000 | $2,601,000 | $2,653,020 |
| *Large Volume Administrative Costs* | $216,624 | $220,957 | $225,376 |
| **Energy Performance Program** | **$1,221,656** | **$1,222,739** | **$1,247,194** |
| *Whole Building Pay For Performance (P4P)* | $1,117,500 | $1,117,500 | $1,139,850 |
| *Energy Performance Administrative Costs* | $104,156 | $105,239 | $107,344 |
| **Building Beyond Code Program** | **$8,437,503** | **$9,546,354** | **$11,897,043** |
| *Residential Savings by Design* | $4,057,500 | $4,715,000 | $6,051,588 |
| *Commercial Savings by Design* | $1,236,000 | $1,347,000 | $1,680,385 |
| *Affordable Housing Savings By Design* | $2,138,000 | $2,460,000 | $2,986,250 |
| *Commercial Air Tightness Testing* | $483,432 | $492,231 | $636,055 |
| *Building Beyond Code Administrative Costs* | $522,571 | $532,123 | $542,765 |
| **Low Carbon Transition Program** | **$0** | **$0** | **$0** |
| *Residential Low Carbon* | $0 | $0 | $0 |
| *Commercial Low Carbon* | $0 | $0 | $0 |
| *Low Carbon Transition Administrative Costs* | $0 | $0 | $0 |
| **Program Subtotal** | **$148,882,921** | **$156,327,067** | **$164,143,420** |
| **Administration Costs** | **$11,252,522** | **$11,477,572** | **$11,707,123** |
| *Portfolio Administration* | $8,569,922 | $8,741,320 | $8,916,147 |
| *System Maintenance & Improvements* | $1,020,000 | $1,040,400 | $1,061,208 |
| *Municipal Engagement* | $1,662,600 | $1,695,852 | $1,729,769 |
| **Evaluation and Regulatory Costs** | **$3,876,000** | **$3,953,520** | **$4,032,590** |
| *EM&V* | $2,652,000 | $2,705,040 | $2,759,141 |
| *Regulatory & Stakeholdering* | $714,000 | $728,280 | $742,846 |
| *Process and Market Evaluation* | $510,000 | $520,200 | $530,604 |
| **Research and Development Costs** | **$3,231,478** | **$3,296,108** | **$3,362,030** |
| *Research Innovation Fund* | $2,601,000 | $2,653,020 | $2,706,080 |
| *Market Data* | $630,478 | $643,088 | $655,950 |
| **Portfolio Subtotal** | **$18,360,000** | **$18,727,200** | **$19,101,744** |
| **Total** | **$167,242,921** | **$175,054,267** | **$183,245,164** |

**Notes:**

1. Budget amounts in 2024 and 2025 have been estimated using a 2% inflation factor. Actual budgets in 2024 and 2025 will be approved by the OEB during Enbridge Gas Inc.'s annual rates proceeding.
2. Not all values may compute exactly due to rounding.

# SCHEDULE B

# JOINT RESIDENTIAL WHOLE HOME PROGRAM OFFERING

# APPROVED ENBRIDGE GAS INC. MEASURES AND

# INCENTIVE LEVELS

**DECISION AND ORDER**

**ENBRIDGE GAS INC.**

**EB-2021-0002**

**NOVEMBER 15, 2022**

# OEB-APPROVED ADDITIONAL MEASURE INCENTIVES FOR JOINT RESIDENTIAL WHOLE HOME PROGRAM

| NRCan<br>Canada Greener Homes Grant Measures | NRCan Incentive | EGI Proposed Enhanced Incentive | OEB-Approved Measures | OEB-Approved Incentives for EGI | Total Enhanced Incentive (NRCan + OEB-Approved EGI) |
|---|---|---|---|---|---|
| **Energy Audits** | | | **Energy Audits** | | |
| ENERGuide Pre & Post Evaluations | $600 | $0 | ENERGuide Pre & Post Evaluations | $0 | $600 |
| **Attic/Cathedral Insulation** | | | **Attic/Cathedral Insulation** | | |
| Increase attic insulation to at least R50 from less than R12 | $1,800 | $200 | Increase attic insulation to at least R50 from less than R12 | $550 | $2,350 |
| Increase attic insulation to at least R50 from greater than R12 up to R25 | $600 | $400 | Increase attic insulation to at least R50 from greater than R12 up to R25 | $200 | $800 |
| Increase attic insulation to at least R50 from greater than R25 up to R35 | $250 | $600 | Increase attic insulation to at least R50 from greater than R25 up to R35 | $75 | $325 |
| Increase cathedral/flat roof insulation to at least R-28 from R12 or less | $600 | $400 | Increase cathedral/flat roof insulation to at least R-28 from R12 or less | $200 | $800 |
| Increase cathedral/flat roof insulation to at least R-28 from greater than R12 up to R25 | $250 | $600 | Increase cathedral/flat roof insulation to at least R-28 from greater than R12 up to R25 | $75 | $325 |
| Upgrade uninsulated cathedral ceiling/flat roof to at least R20 from R12 or less | $600 | $400 | Upgrade uninsulated cathedral ceiling/flat roof to at least R20 from R12 or less | $200 | $800 |
| **Exterior Wall Insulation** | | | **Exterior Wall Insulation** | | |
| For adding insulation value of at least greater than R20 for 100% of building | $5,000 | $2,500 | For adding insulation value of at least greater than R20 for 100% of building | $1,750 | $6,750 |
| For adding insulation value greater than R12 up to R20 to 100% of the building | $3,800 | $1,700 | For adding insulation value greater than R12 up to R20 to 100% of the building | $1,200 | $5,000 |
| For adding insultation value greater than R7.5 up to R12 for 100% of building | $3,300 | $1,200 | For adding insultation value greater than R7.5 up to R12 for 100% of building | $1,200 | $4,500 |
| **Exposed Floor Insulation** | | | **Exposed Floor Insulation** | | |
| For adding insulation value of at least R20 for entire exposed area (minimum area of 11 square meters or 120 square feet) | $350 | $150 | For adding insulation value of at least R20 for entire exposed area (minimum area of 11 square meters or 120 square feet) | $100 | $450 |
| **Basement Insulation** | | | **Basement Insulation** | | |
| For sealing and insulating at least 80% of basement header to a minimum R20 | $240 | $110 | For sealing and insulating at least 80% of basement header to a minimum R20 | $85 | $325 |
| For sealing and insulating at least 50% of the entire basement slab by a minimum of R3.5 | $400 | $200 | For sealing and insulating at least 50% of the entire basement slab by a minimum of R3.5 | $150 | $550 |
| For adding insulation value greater than R22 to 100% of basement | $1,500 | $1,000 | For adding insulation value greater than R22 to 100% of basement | $500 | $2,000 |

| NRCan<br>Canada Greener Homes Grant Measures | NRCan Incentive | EGI Proposed Enhanced Incentive | OEB-Approved Measures | OEB-Approved Incentives for EGI | Total Enhanced Incentive (NRCan + OEB-Approved EGI) |
|---|---|---|---|---|---|
| For adding insulation value of R10 to R22 to 100% of basement | $1,050 | $450 | For adding insulation value of R10 to R22 to 100% of basement | $350 | $1,400 |
| For adding insulation value of R10 to R22 to 100% of exterior crawl space wall area, including header | $1,300 | $700 | For adding insulation value of R10 to R22 to 100% of exterior crawl space wall area, including header | $400 | $1,700 |
| For adding insulation value of R10 to R22 to 100% of exterior crawl space wall area, including header | $1,040 | $460 | For adding insulation value of R10 to R22 to 100% of exterior crawl space wall area, including header | $360 | $1,400 |
| For adding insulation value greater than R24 to 100% of crawl space ceiling | $800 | $400 | For adding insulation value greater than R24 to 100% of crawl space ceiling | $250 | $1,050 |
| **Furnace/Boiler** | | | **Furnace/Boiler** | | |
| N/A | N/A | .N/A | N/A | N/A | N/A |
| **Space Heating Heat Pump** | | | **Space Heating Heat Pump** | | |
| Install a ground source heat pump – full system. | $5,000 | $0 | Install a ground source heat pump – full system. | $1,500 | $6,500 |
| Replace a ground source heat pump – heat pump unit only. | $3,000 | $0 | Replace a ground source heat pump – heat pump unit only. | $1,000 | $4,000 |
| Install a complete ENERGY STAR certified new or replacement air source heat pump (ASHP) system or a variable capacity cold climate air source heat pump (ccASHP) system. The system must be intended to service the entire home. | $2,500 | $0 | Install a complete ENERGY STAR certified new or replacement air source heat pump (ASHP) system or a variable capacity cold climate air source heat pump (ccASHP) system. The system must be intended to service the entire home. | $750 | $3,250 |
| Install a complete ENERGY STAR certified new or replacement air source heat pump (ASHP) system, intended to service the entire home. | $4,000 | $0 | Install a complete ENERGY STAR certified new or replacement air source heat pump (ASHP) system, intended to service the entire home. | $1,250 | $5,250 |
| Install a complete new or replacement variable capacity cold climate air source heat pump (ccASHP) system, intended to service the entire home. | $5,000 | $0 | Install a complete new or replacement variable capacity cold climate air source heat pump (ccASHP) system, intended to service the entire home. | $1,500 | $6,500 |
| **Water Heating** | | | **Water Heating** | | |
| Replace domestic water heater with an ENERGY STAR certified domestic hot water heat pump (DHW-HP) | $1,000 | $0 | Replace domestic water heater with an ENERGY STAR certified domestic hot water heat pump (DHW-HP) | $300 | $1,300 |
| **Windows & Doors** | | | **Windows & Doors** | | |
| Replace windows or sliding glass doors with ENERGY STAR most efficient models. | $250 | $0 | Replace windows or sliding glass doors with ENERGY STAR most efficient models. | $75 | $325 |
| Replace windows or sliding glass doors with ENERGY STAR certified models. | $125 | $0 | Replace windows or sliding glass doors with ENERGY STAR certified models. | $50 | $175 |
| Replace hinged doors, with or without sidelites or transoms with ENERGY STAR certified models. | $125 | $0 | Replace hinged doors, with or without sidelites or transoms with ENERGY STAR certified models. | $50 | $175 |

| NRCan<br>Canada Greener Homes Grant Measures | NRCan Incentive | EGI Proposed Enhanced Incentive | OEB-Approved Measures | OEB-Approved Incentives for EGI | Total Enhanced Incentive (NRCan + OEB-Approved EGI) |
|---|---|---|---|---|---|
| **Air Sealing** | | | **Air Sealing** | | |
| Achieve base target | $550 | $0 | Achieve base target | $175 | $725 |
| Achieve 10% or more above base target | $810 | $0 | Achieve 10% or more above base target | $240 | $1,050 |
| Achieve 20% or more above base target | $1,000 | $0 | Achieve 20% or more above base target | $300 | $1,300 |
| **Renewable Energy System** | | | **Renewable Energy System** | | |
| Install solar panels (photovoltaic (PV) system) ≥ 1.0 kW | $1,000 per kW | $0 | N/A | $0 | $1,000 per kW |
| **Resiliency Measures** | | | **Resiliency Measures** | | |
| Batteries connected to Photovoltaic systems | $1,000 | $0 | Batteries connected to Photovoltaic systems | $0 | N/A |
| Roofing Membrane | $150 | $0 | Roofing Membrane | $0 | N/A |
| Foundation water-proofing | $875 | $0 | Foundation water-proofing | $0 | N/A |
| Moisture proofing crawl space floor, walls and headers | $600 | $0 | Moisture proofing crawl space floor, walls and headers | $0 | N/A |
| **Thermostat** | | | **Thermostat** | | |
| Replace a manual thermostat with a programmable thermostat | $50 | | Replace a manual thermostat with a programmable thermostat | $20 | $70 |
| Replace a manual thermostat with a adaptive thermostat (Natural gas heated participants in the Enbridge franchise area are eligible for an ehanced $75 rebate (or $125 rebate if Moderate Income eligible), all other participants eligible for $50 rebate. | $50 | $75 | Replace a manual thermostat with a adaptive thermostat (Natural gas heated participants in the Enbridge franchise area are eligible for an ehanced $75 rebate (or $125 rebate if Moderate Income eligible), all other participants eligible for $50 rebate. | $75 | $125 |
| **Multi Measure Bonus** | | | **Multi Measure Bonus** | | |
| N/A | $0 | | N/A | N/A | N/A |

# SCHEDULE C

# NATURAL GAS DEMAND SIDE MANAGEMENT PLAN

# APPROVED PROGRAM SCORECARDS

**DECISION AND ORDER**

**ENBRIDGE GAS INC.**

**EB-2021-0002**

**NOVEMBER 15, 2022**

## OEB-Approved DSM Program Scorecards, Metrics and Targets

| Program and Offering(s) | Metric | DSMSI Allocation | 2023 Scorecard Targets | | | | 2024 Scorecard Targets | | | | 2025 Scorecard Targets | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Metric Weighting | Lower Band (75%)[1] | 2023 Target (100%) | Upper Band (125)[1] | Metric Weighting | Lower Band (75%)[1] | 2024 Target (100%) | Upper Band (125)[1] | Metric Weighting | Lower Band (75%)[1] | 2025 Target (100%) | Upper Band (125)[1] |
| ***Residential Program Scorecard*** | | | | | | | | | | | | | | |
| Residential Whole Home | Net Annual Gas Savings (m3) | 22% | 100% | 16,601,933 | 22,135,911 | 27,669,889 | 100% | TAM x 75% | TAM [3] | TAM x 125% | 100% | TAM x 75% | TAM [3] | TAM x 125% |
| Residential Single Measure | | | | | | | | | | | | | | |
| Residential Smart Home | | | | | | | | | | | | | | |
| ***Low Income Program Scorecard*** | | | | | | | | | | | | | | |
| Home Winterproofing | Single Family Net Annual Gas Savings (m3) | 22% | 50% | 2,154,597 | 2,872,796 | 3,590,995 | 50% | TAM x 75% | TAM [3] | TAM x 125% | 50% | TAM x 75% | TAM [3] | TAM x 125% |
| Affordable Housing Multi- Residential | Multi-Residential Net Annual Gas Savings (m3) | | 50% | 3,761,703 | 5,015,604 | 6,269,505 | 50% | TAM x 75% | TAM [3] | TAM x 125% | 50% | TAM x 75% | TAM [3] | TAM x 125% |
| ***Commercial Program Scorecard*** | | | | | | | | | | | | | | |
| Commercial Custom | Large Customer Net Annual Gas Savings (m3)[2] | 22% | 50% | 11,580,961 | 15,441,281 | 19,301,601 | 50% | TAM x 75% | TAM [3] | TAM x 125% | 50% | TAM x 75% | TAM [3] | TAM x 125% |
| Prescriptive Downstream | | | | | | | | | | | | | | |
| Direct Install | Small Customer Net Annual Gas Savings (m3)[2] | | 50% | 6,685,547 | 8,914,062 | 11,142,578 | 50% | TAM x 75% | TAM [3] | TAM x 125% | 50% | TAM x 75% | TAM [3] | TAM x 125% |
| Prescriptive Midstream | | | | | | | | | | | | | | |
| ***Industrial Program Scorecard*** | | | | | | | | | | | | | | |
| Industrial Custom | Net Annual Gas Savings (m3) | 22% | 100% | 37,782,673 | 50,376,897 | 62,971,121 | 100% | TAM x 75% | TAM [3] | TAM x 125% | 100% | TAM x 75% | TAM [3] | TAM x 125% |
| ***Large Volume Program Scorecard*** | | | | | | | | | | | | | | |
| Direct Access | Net Annual Gas Savings (m3) | 3% | 100% | 6,975,000 | 9,300,000 | 11,625,000 | 100% | TAM x 75% | TAM [3] | TAM x 125% | 100% | TAM x 75% | TAM [3] | TAM x 125% |
| ***Energy Performance Program Scorecard*** | | | | | | | | | | | | | | |
| Whole Building Pay For Performance | Number of Participants | 1% | 100% | 19 | 25 | 31 | 50% | 19 | 25 | 31 | 50% | 37.5 | 50 | 62.5 |
| | Net Annual Gas Savings (m3) | | 0% | 0 | 0 | 0 | 50% | 93,750 | 125,000 | 156,250 | 50% | 187,500 | 250,000 | 312,500 |
| ***Building Beyond Code Program Scorecard*** | | | | | | | | | | | | | | |
| Residential Savings By Design | Number of Energy Star Homes | 8% | 30% | 1,088 | 1,450 | 1,813 | 15% | 1,500 | 2,000 | 2,500 | 15% | 2,069 | 2,759 | 3,448 |
| | Number of Net Zero Ready Homes | | 0% | 0 | 0 | 0 | 15% | 8 | 10 | 13 | 15% | 10 | 13 | 16 |
| Commercial Savings By Design | Number of Participants | | 30% | 21 | 28 | 35 | 30% | 23 | 31 | 39 | 30% | 26 | 34 | 43 |
| Affordable Housing Savings By Design | Number of Participants | | 30% | 14 | 18 | 23 | 30% | 16 | 21 | 26 | 30% | 18 | 25 | 31 |
| Commercial Air Tightness Testing | Number of Participants | | 5% | 4 | 5 | 6 | 5% | 5 | 6 | 8 | 5% | 5 | 7 | 9 |
| | Number of Qualified Agents | | 5% | 8 | 10 | 13 | 5% | 8 | 10 | 13 | 5% | 8 | 10 | 13 |

**Notes:**

1. The calculation of the Upper and Lower Bands of the 100% Targets result in non-integer amounts and the Scorecard Incentive will be calculated based on these precise thresholds.
2. Large commercial customers have a 3 year average annual consumption greater than/or equal to 100,000 m3/yr. Small commercial customers are below 100,000 m3/yr.
3. The 100% Target is calculated according to the TAM methodology set out in Schedule E, DSM Framework, Section 5.2

# SCHEDULE D

# NATURAL GAS DEMAND SIDE MANAGEMENT PLAN

# STAKEHOLDER ADVISORY GROUP ACTIVITIES

**DECISION AND ORDER**

**ENBRIDGE GAS INC.**

**EB-2021-0002**

**NOVEMBER 15, 2022**

# DSM STAKEHOLDER ADVISORY GROUP

As described in the Decision and Order, the OEB is establishing a new DSM Stakeholder Advisory Group chaired by OEB staff, with the primary objective of providing input on Enbridge Gas's next DSM plan.

References to activities that the OEB expects the Stakeholder Advisory Group will take on have been made throughout the Decision. Those activities, who is responsible and their relative priority levels are noted below. In addition to the development of a Terms of Reference for both the new Stakeholder Advisory Group and Evaluation Advisory Committee, high priority items noted below are expected to be completed during the 2023-2025 term, while medium and low priority items should be considered for completion if and when the high priority items are already underway and/or have been completed.

## DSM STAKEHOLDER ADVISORY GROUP ACTIVITIES

| Activity | Responsibility | Priority Level | Reference |
|---|---|---|---|
| Updated Natural Gas Conservation Potential Study | OEB Staff | High | OEB staff will lead a new natural gas conservation potential study to help inform the next DSM Plan, with input provided by the Stakeholder Advisory Group. To guide OEB staff, Enbridge Gas and the SAG, the OEB is interested in at least three scenarios being considered in the analysis: an annual reduction in natural gas sales year-over-year of 0.5%, 1% and 1.5%. The study should focus on how these levels of annual natural gas reductions can be achieved through DSM programs in the most cost-effective manner while still providing opportunities for all customer segments to participate in DSM programs. (4.6 Issue 9 – Performance Scorecards<br><br>The OEB expects that Enbridge Gas's next DSM Plan will result in meaningful reductions to annual natural gas sales volumes beginning with 0.6% in 2026, 0.8% in 2027 of annual gas sales, and 1% of annual gas sales in each of 2028, 2029 and 2030, relative to each prior year on a weather normalized basis. This target should be used as the basis for the next natural gas achievable potential study, with alternative scenarios, such as 0.5% and 1.5% reductions in annual gas sales also considered to provide alternatives and allow the plan to be responsive to future policy direction. (4.13 Issue 17 – Stakeholder engagement)<br><br>The OEB is of the view that a greater understanding is required of the relationship between adjustments to targets and budgets and the impacts of increases to either has on the overall DSM plan, including performance metrics, program opportunities, and overall costs including rate impacts. (4.6 Issue 9 – Performance Scorecards) |
| DSM SAG report on the next DSM Plan application before it is filed with the OEB | OEB Staff | High | Program design and delivery of the future DSM Plan should also be reviewed to ensure the proposed programs are as effective as possible and that cost-effective opportunities for greater natural gas reductions are not missed. (4.13 Issue 17 – Stakeholder engagement)<br><br>Ultimately, the OEB expects that the DSM SAG will develop a report that will be filed by Enbridge Gas with the next DSM plan application. The SAG's report should include members' comments on Enbridge Gas's 2026-2030 DSM Plan, including material concerns about the DSM plan that remain unresolved within the SAG. (4.13 Issue 17 – Stakeholder engagement) |

| Activity | Responsibility | Priority Level | Reference |
|---|---|---|---|
| Input on Future DSM Programs | Enbridge Gas | High | The OEB expects that Enbridge Gas will seek input from the SAG to identify programs that should be expanded as part of the next DSM plan. It is expected that Enbridge Gas will also consider the program recommendations that were advanced by experts in this proceeding. Based on the input provided by the SAG, Enbridge Gas should propose expanded delivery of those programs that will result in the greatest natural gas savings, particularly those that are the most cost-effective and which have the greatest opportunity for significant upgrades to efficiency. Additionally, it will also be important for Enbridge Gas to identify any customer segments and programs that lend themselves most favourably to integration with electricity CDM programs as well as those areas of the market that have the greatest potential for further fuel switching and seek input from the SAG. (4.2 Issue 10 – Programs) |
| Opt-out Protocols for the Large Volume Program | Enbridge Gas | Medium | With respect to an opt-out framework, more evidence is required before an opt-out provision can be implemented. Enbridge Gas is expected to work with relevant stakeholders, such as IGUA, to develop opt-out protocols and share with the SAG for input. The resulting opt-out framework should be included as part of Enbridge Gas's next DSM plan application. (4.2.5 Large Volume Program) |
| Research and development Plan | Enbridge Gas | Medium | The OEB expects that Enbridge Gas will, at a minimum, share its research and development plan with the SAG for comment. (4.7 – Issue 11 – Research and Development Activities) |
| Review Target Adjustment Mechanism | OEB Staff | Medium | As the OEB has allowed the continuation of the TAM for the three-year term, Enbridge Gas's proposal to continue adjusting both targets and evaluated results in a given year to account for updated input assumptions is reasonable. However, the OEB would like the SAG to review this practice and provide recommendations on the most ideal balance of risk between Enbridge Gas and customers based on changes to input assumptions and adjustment factors. (4.9 Issue 13 – Input Assumptions, Cost-Effectiveness and Avoided Costs) |
| Consideration of New Programs | Enbridge Gas | Low | The OEB expects that the additional program opportunities identified by parties in this proceeding, including retro-commissioning, an Energy Manager Subsidy program and Municipal Support and Incentive programs should be explored by Enbridge Gas with input from the SAG. It is the OEB's expectation that Enbridge Gas's next DSM plan application will address the nature of these discussions and include any program opportunities that will result in material benefits. (4.2.10 Issue 10j – Other Programs) |
| Review of Avoided Costs | OEB Staff | Low | The SAG should review key avoided costs, namely electricity avoided costs, and coordinate with the IESO as necessary. The outcomes of this review and any new proposals or updated avoided cost figures should be included as part of Enbridge Gas's next DSM plan application. (4.9 Issue 13 – Input Assumptions, Cost-Effectiveness and Avoided Costs) |

## DSM EVALUATION ADVISORY COMMITTEE

| Activity | Responsibility | Priority Level | Reference |
|---|---|---|---|
| Evaluation Methodology | OEB Staff | High | OEB staff and the expert evaluation consultants retained to undertake this important work will adhere to industry best practice and continue to provide an independent assessment of program results. (4.8 Issue 12 – Evaluation, Measurement & Verification) |
| Transparency | OEB Staff | Medium | The DSM Evaluation Advisory Committee should ensure that its work products are readily available so they can be accessed by those that are interested. (4.8 Issue 12 – Evaluation, Measurement & Verification) |
| Building Beyond Code Evaluation | OEB Staff | Medium | The Evaluation Advisory Committee is to conduct an evaluation of the Savings by Design offering(s), leveraging historic data if required, to provide greater evidence of the merits of these offerings and the influence they are having on building practices, including seeking input from electricity distribution companies to help inform accomplish the evaluation. (4.2.7 Issue 10g – Building Beyond Code Program) |
| Process Evaluation | Enbridge Gas | High | Enbridge Gas will continue to lead process evaluations for the upcoming 2023-2025 DSM term. However, the OEB expects that Enbridge Gas will share a full process evaluation plan with OEB staff, the EAC and EC for integration into the broader EM&V plan developed for the OEB by the EC. All process evaluation work plans and draft reports should be shared with OEB staff, the EAC and EC for review and comment, with Enbridge Gas (or its consultant) providing responses to all comments, similar to the expectation of the OEB's evaluation consultants. At a minimum, Enbridge Gas should also share the draft work plan of its free ridership fast feedback surveys with OEB staff, the EAC and EC for comment. (4.8 Issue 12 – Evaluation, Measurement & Verification) |

# SCHEDULE E

# ONTARIO ENERGY BOARD

# NATURAL GAS DEMAND SIDE MANAGEMENT

# POLICY FRAMEWORK

# DECISION AND ORDER

# ENBRIDGE GAS INC.

# EB-2021-0002

# NOVEMBER 15, 2022

# Ontario Energy Board

# Natural Gas Demand Side Management Framework

# Effective Date: January 1, 2023

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# Ontario Energy Board

# Natural Gas Demand Side Management Framework

## 1. Background

The Ontario Energy Board's (OEB) natural gas demand side management (DSM) framework provides the basis for planning, consideration and decision-making related to ratepayer funded natural gas DSM activities in Ontario. The DSM framework will be effective on a going forward basis beginning January 1, 2023.

The 2023 DSM Framework makes updates to various elements of previous OEB policy regarding ratepayer funded DSM, namely two companion documents – the Demand Side Management Framework for Natural Gas Distributors (2015-2020) and the Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020)[1] and is intended to provide guidance to DSM planning and execution.

## 2. Objectives of Ratepayer Funded Natural Gas DSM

The OEB is of the view that it is important that DSM programs result in more meaningful reductions in overall natural gas sales volumes. The OEB provided guidance related to primary and secondary objectives for ratepayer funded DSM in the OEB's December 1, 2020 letter.[2] These objectives largely remain relevant, however, the OEB has made key updates to reflect the important role that natural gas DSM can play in providing value to customers in terms of overall lower natural gas sales volumes and resulting lower overall costs, while also contributing to the broader policy objective of reducing greenhouse gas (GHG) emissions. Therefore, the main objective for ratepayer funded DSM is:

- Ratepayer funded DSM programs should result in meaningful reductions in overall annual natural gas sales volumes with consequent cost savings for ratepayers.

- Efforts dedicated to achieving this objective will continue to be assessed to ensure proposed activities will assist customers in making their homes and business more efficient in order to help lower overall natural gas bills. The OEB recently established a first-generation integrated resource planning (IRP)

[1] EB-2014-0134
[2] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 2.

framework that provides direction on the OEB's requirements as Enbridge Gas considers IRP to meet its system needs.[3] As experience is gained with the IRP framework, future considerations should be given to the role of DSM and how that relates to IRP activities as there is significant benefits to deferring and/or avoiding future natural gas infrastructure projects.

## 3. Guiding Principles

The guiding principles set out below are intended to support DSM plan and program development. In the 2015 DSM Framework, the OEB outlined a list of guiding principles which it expected would help the gas utilities to develop their multi-year DSM strategies and assess the appropriateness of their overall DSM plans.[4] The updated guiding principles below should continue to be used by stakeholders when considering elements to include in future DSM plans and to help inform program development.

- **DSM plans should balance the achievement of cost-effective natural gas savings and customer bill impacts.** The appropriate level of ratepayer funding expended for DSM programs must weigh the benefits of the level of cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts. The OEB expects that all requests for ratepayer-funding to support DSM programs be accompanied by detailed evidence that shows how the programs will result in meaningful natural gas savings to the benefit of Ontario's natural gas customers by reducing overall natural gas usage and costs, and contributing towards meeting the Government's goals to reduce greenhouse gas emissions.

- **DSM plans should balance the expectation that cost-effective natural gas savings should be maximized while still providing opportunities for a broad spectrum of consumer groups and customer needs to encourage widespread customer participation over time and ensure all segments of the market are reached in some capacity.** Programs should be designed to remove financial, information and other barriers in the marketplace to increase uptake of DSM programs" over time. While those programs that are most cost-effective should be prioritized for expansion in order to maximize the level of natural gas reductions and general efficiency improvements, programming should still be provided to all

[3] EB-2020-0091, Appendix A
[4] EB-2014-0134, OEB Report of the Board Demand Side Management Framework for Natural Gas Distributors (2015-2020) (December 22, 2014), p. 6.

consumer groups so that a broad spectrum of customers can realize the direct benefits of increased energy efficiency.

- **DSM plans should ensure that small volume, low-income and on-reserve First Nations communities are well-served.** Income qualified programming should be screened at a lower threshold than other programming and be available across the province.

- **DSM plans should include strategies to increase the natural gas savings by targeting key segments of the market and customers where opportunities for efficiency improvements have been identified.**

- **DSM plans should minimize lost opportunities for energy efficiency and should be designed to pursue long term energy savings.** DSM programming should pursue opportunities such as replacement of equipment with long lives that, if not undertaken during the current planning period, will no longer be available or will be substantially more expensive to implement in a subsequent planning period.

- **Where appropriate, Enbridge Gas should coordinate and integrate natural gas DSM, with other conservation initiatives, including electricity CDM efforts and municipal energy plans.** Consistent with the Ministerial Directive issued to the Independent Electricity System Operator (IESO) on September 30, 2020, the OEB expects that Enbridge Gas will endeavor to coordinate the delivery of DSM programs with electricity CDM programs where possible.

- **Enbridge Gas should not have a disincentive to coordinate DSM efforts with external energy conservation and carbon reduction initiatives**. Enbridge Gas should endeavor, where appropriate, to coordinate its DSM activities with other external parties such as government partners, to achieve efficiencies and maximize results.

- **DSM plans should support innovation, technology development and adoption of lower-carbon alternatives to enable longer-term energy efficiency and conservation opportunities, consistent with the advancement of provincial policy goals.**

- **Enbridge Gas will be able to recover costs and lost revenues associated with the delivery of DSM plans.** Enbridge Gas will be permitted to recover spending associated with the administration and delivery of DSM programs, lost revenues, and shareholder incentive amounts.

- **Shareholder Incentives will be commensurate with both performance and efficient use of funds.** The amount of shareholder incentive will depend on overall level of natural gas reductions, performance against DSM targets, and will take into consideration the relative difficulty in achieving other objectives and guiding principles Enbridge Gas is expected to achieve.

## 4. DSM Budgets

In order to fund the costs of administering and delivering DSM programs, including marketing efforts, financial incentives to participants, and educating consumers, long-term and annual DSM budgets must be developed that will enable the achievement of DSM objectives over the duration of a DSM plan period.

The OEB's objectives with respect to natural gas include the requirement to protect the interests of consumers with respect to prices, reliability, and quality of gas service. The OEB also has an objective to promote energy conservation and energy efficiency but with consideration for the consumer's economic circumstances. Therefore, in approving any budget amount, it is necessary for the OEB to consider the rate impacts, or overall cost impacts, to customers, as all DSM costs are recovered through distribution rates.

The appropriate level of ratepayer funding expended for DSM programs must weigh the benefits of cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts.

While some customers will participate in the programs offered by Enbridge Gas and benefit from the natural gas savings, given DSM budget constraints and for other reasons, many customers may not participate. Many elements of DSM programs that offer the greatest opportunity to realize long-term natural gas savings (and bill reductions) are related to the installation of energy efficient products, such as a building envelope improvements. However, with the availability of other technologies, such as smart thermostats, there should be a possibility that some form of energy efficiency opportunity exists for many customers. In any event, as there will always be customers who do not participate in any DSM program, they will end up cross-subsidizing, through natural gas distribution rates, energy efficiency upgrades for those customers who do participate. Because of this, the OEB must be mindful of the overall impact additional costs have on all customers (both participants in DSM programs and non-participants).

# 5. DSM Targets

It is important that Enbridge Gas's DSM programs result in meaningful reductions in overall natural gas sales volumes. To achieve this, a combination of annual and longer-term targets will be established for the DSM plan.

A target refers to the level against which the actual result of a DSM program offering will be assessed. A target level could be set at a metric level (e.g., saving 100,000 $m^3$ of natural gas) and at a scorecard level (e.g., achieving score of the combined scorecard metrics of 100%).

DSM targets, including annual natural gas savings targets and other performance metrics are the achievement standards that Enbridge Gas will strive to accomplish (or exceed), both annually and throughout the term of the DSM plan.

## 5.1 Annual Targets

Net annual natural gas savings targets ($m^3$), will be set for most resource acquisition type program offerings. The annual savings targets proposed will be informed by the following: an updated analysis of the level of natural gas energy efficiency potential available in Ontario; market opportunities; past DSM program experience; new innovations; and, industry capacity to deliver DSM program offerings.

It is important for the OEB and ratepayers to have certainty in the overall level of natural gas savings that will result from DSM programs. The OEB expects that natural gas savings levels going forward will have fixed targets to allow for greater certainty.[5] This is important as a number of interested stakeholders, including the OEB, ratepayers and the provincial and federal governments will have interest in understanding the contributions that ratepayer funded DSM in Ontario will provide towards GHG emissions reduction goals. In some instances, annual fixed targets for each program may be appropriate. In other instances, a fixed target may be more appropriately set for the end of the term to allow greater flexibility in achieving the overall goals of the DSM plan. The OEB appreciates that there may be a level of uncertainty related to some programs, depending on if the program is new, if there are key efficiency technologies that are in jeopardy to continue in the future or new technologies that are emerging, or if there is uncertainty over the rate of market adoption. For these reasons, it will be important for Enbridge Gas to consider the reasonableness of annual fixed targets or end-of-term fixed targets for programs or the DSM plan as a whole. In some cases, DSM program

[5] The OEB has approved the application of the Target Adjustment Mechanism for the 2023-2025 term. However, it expects that following the completion of the 2023-2025 term, fixed targets will be set for future DSM plans.

offerings may be “multi-year” in nature, such that activities and participant involvement may span more than one year and may include a progression of related activities or an initial ramp-up in the first year(s). The annual targets for these program offerings should reflect the relative activities year to year and consideration should be given as to whether different metrics and targets are appropriate to reflect the objective during the ramp-up period and as the program offering evolves.

Enbridge Gas will respond to target guidance provided by the OEB and propose targets for metrics specified across defined scorecards. Three levels of achievement will be established for each individual metric on a given scorecard: one at 75%, 100% and 125%. To achieve the maximum shareholder incentive designated for achievement on each scorecard, Enbridge Gas will be required to meet the maximum score of 125% on the respective scorecard. No shareholder incentive will be paid on a given scorecard for achieving a scorecard weighted result of less than75%. For a given scorecard, 40% of the maximum shareholder incentive designated to that scorecard will be awarded for a weighted scorecard performance of 100% on that scorecard. Where more than one metric is defined on a given scorecard, the minimum achievement for each individual metric will be 0% and the maximum achievement will be 200%.

## 5.2 Target Adjustment Mechanism

Where appropriate, Enbridge Gas may continue to employ a target adjustment mechanism (TAM) for the 2023-2025 DSM term to establish metric targets for years subsequent to the metric targets approved for the first year of a multi-year plan.

The formula for the TAM is:

Year 2 100% Metric Target =

(Year 1 Performance[(i)] ÷ Year 1 Spend[(ii)]) x Year 2 Budget[(iii)] x (productivity factor ÷ inflation adjustment)

(i) Performance is the audited metric achievement in the given year. For natural gas savings ($m^3$) metrics, the formula utilizes the LRAM natural gas savings achievement that calculates savings using best-available assumptions.
(ii) Spend is the spend attributable to the respective metric excluding overheads.
(iii) Budget is the approved next year budget (escalated for inflation) attributable to the respective metric excluding overheads.

A productivity factor of 2% will factor into TAM in the continued pursuit of efficiencies.

An inflation adjustment will recognize that the value of incentives and other program costs should be stated in real terms.

*By way of illustration: if the utility's 2023 verified net annual gas savings achievement for a given metric is 15 million $m^3$ with an audited spend of $7.50million (excluding overheads), this can be expressed as 2.00 $m^3$ per dollar spent.*

*To calculate the 2024 metric target:*

| | | |
|---|---|---|
| *the 2023 outcome:* | | *2.00 $m^3$/$ multiplied by* |
| *the 2024 budget:* | *x* | *$7,700,000* |
| *which equals:* | *=* | *15,400,000 $m^3$, multiplied by* |
| *2% productivity factor* | *x* | *1.02* |
| *adjustment for inflation* | *÷* | *1.02* |
| *resulting in 2024 100% metric target of* | | *15,400,000 $m^3$* |

The lower and upper bands are calculated by multiplying the 100% target by 75% and 125% respectively.

*In the illustration the lower band will be 11.55 million $m^3$ (75% of 15.4 million $m^3$) and the upper band will be 19.25 million $m^3$ (125% of 15.4 million $m^3$).*

### 5.3 Multi-Year Gas Savings Target

As discussed above multi-year, or end-of-term targets, should be considered and proposed as part of a DSM plan. These targets will largely focus on overall natural gas reductions. Ontario has set a target to reduce GHG emissions by 30% from 2005 levels by 2030, which is approaching quickly.[6] The natural gas that Enbridge Gas delivers to customers in Ontario is a significant contributor to Ontario's GHG emissions and Enbridge Gas's own forecast does not envision an overall reduction in total natural gas consumption in the province by 2030. While Enbridge Gas has successfully delivered the DSM plans previously approved by the OEB, leading to more efficient use of natural gas and reducing the natural gas consumption of many customers, greater effort is required if Ontario is to meet its GHG target. Ontario has identified several initiatives to

[6] Preserving and Protecting our Environment for Future Generations A Made-in-Ontario Environment Plan

achieve its target, including the continuation of DSM programming for natural gas customers through 2030. End-of-term targets and incentives that aim to motivate reductions in the total volume of natural gas consumed Enbridge Gas's Ontario customers should be proposed as part of the DSM plan.

## 6. Shareholder Incentive

To effectively encourage the gas utility to pursue DSM, shareholder incentives are intended to motivate the gas utility to both actively and efficiently pursue DSM savings and to recognize performance.

The annual maximum shareholder incentive related to annual performance scorecards totals $20.9 million. Subsequently, just as the DSM budget will be increased for inflation, this maximum incentive should be increased annually for inflation over the course of the next multi-year plan.

An additional $30 million, incremental to the maximum shareholder incentive related to performance scorecards, is also available for the 2023-2025 term. Enbridge Gas will be eligible for the End-of-Term Natural Gas Reduction Incentive if, at the end of the 3-year term, total volume of natural gas sold to Enbridge Gas's Ontario customers in 2025 is 1.5% less than total volume of natural gas consumed by Enbridge Gas's Ontario customers in 2022 on a weather normalized basis. Additionally, a 75% achievement threshold of the 1.5% reduction target (or a 1.125% reduction in total volume of natural gas) will result in Enbridge Gas receiving $15 million. There is no linear relationship between the 75% threshold and 100% target. Rather, they will each act as discrete incentive points.

The new End-of-Term Natural Gas Reduction Incentive will be allocated to rate classes in an equal manner, consistent with the approved shareholder incentive related to program scorecards.

End-of-term incentives are important in motivating meaningful action towards the objective of DSM, which is that DSM programs should result in meaningful reductions in overall annual natural gas sales volumes. The End-of-term incentive should be based on the level of overall annual natural gas sales volumes proposed to be reduced to act as an effective motivator of meaningful results.

# 7. DSM Plan and Program Considerations

Enbridge Gas's multi-year DSM plan should focus on addressing the objectives and guiding principles outlined in Section 2 and 3. Ultimately, Enbridge Gas has flexibility in deciding what programs to include in its proposed multi-year DSM plan to ensure it is cost-effective and will enable the achievement of significant benefits, particularly long-term natural gas savings. Where fuel switching away from natural gas aligns with the OEB's stated DSM objectives Enbridge Gas may pursue these activities.

To help ensure that an appropriate balance among the guiding principles are maintained and that changes to the DSM plan are consistent with the other elements of the DSM framework, Enbridge Gas should apply to the OEB for approval if they decide to re-allocate funds from programs that have been approved as part of the multi-year DSM Plan application to new programs that are not part of their OEB-approved DSM Plan. However, if Enbridge Gas decides to re-allocate funds amongst existing, approved DSM programs, Enbridge Gas should inform the OEB, as well as stakeholders, in the event that cumulative fund transfers among OEB approved DSM programs exceed 30% of the approved annual DSM budget for an individual DSM program (either the program the funds are being transferred from, or the program the funds are being transferred to). This level of guidance is meant to ensure that adequate flexibility in DSM program and portfolio design is maintained, while recognizing that Enbridge Gas is ultimately responsible and accountable for its actions. This flexibility should ensure that Enbridge Gas can appropriately react to and adapt with current and anticipated market developments.

## 7.1 Program Types

### 7.1.1 Resource Acquisition

These programs seek to achieve direct, measurable savings customer-by-customer and often involve the installation of energy efficient equipment or may involve the adoption of more energy efficient operations or the implementation of process improvement(s) to optimize energy use.

### 7.1.2 Market Transformation

These programs are focused on helping to facilitate fundamental changes that lead to greater market adoption of energy-efficient products and services. These programs should also focus on influencing consumer behaviour and attitudes that support reduction in natural gas consumption. They are designed to make a permanent change

in the marketplace over a long period of time. These programs include a wide variety of different approaches.

Market transformation programs can be applicable to lost opportunity markets where, for example, equipment is being replaced or new buildings are being built. Lost opportunity markets refer to DSM opportunities that, if not undertaken during the current planning period, will no longer be available or will be substantially more expensive to implement in a subsequent planning period. An example of preventing a lost DSM opportunity would be improving the thermal envelope of a building at the time the building is undergoing unrelated major renovation work.

Some programs are a mix of market transformation and resource acquisition programs and seek both fundamental changes in markets and direct, measurable energy savings.

Market transformation programs operate where competitive forces are not expected to yield the results sought or not within an acceptable timeline. Enbridge Gas can help fill in some of the gaps in achieving market transformation results or accelerate the achievement of those results.

Market transformation programs are not amenable to a mechanistic cost-effective screening approach and should be reviewed on a case-by-case basis instead.

### 7.1.3 Low Income Program

The purpose of DSM programs tailored to lower income consumers is to recognize that these programs more adequately address the unique challenges involved in providing DSM programs for, and the special needs of, this customer segment. The Low Income program is a set of program offerings designed for low income residents of both single and multi-residential housing which may include resource acquisition or market transformation type offers. Hence, the distinctive features of these types of offerings result from additional guiding principles and design characteristics, as opposed to the nature of the program.

This programming is critical in helping the most vulnerable customers manage their natural gas bills. A list of program requirements, specific to the challenges and needs of this segment has been included to assist in the development of Low Income programming. Consistent with the precedent that was set with the Board approved 2012-2014 Multi-year DSM Plan and associated Settlement Agreement for Enbridge Gas Distribution, “parties agree that free ridership for all low-income measures both

prescriptive and custom shall be set at zero."[7] This direction will be consistent franchise-wide for all Enbridge Gas low income programming.

Low Income Program Considerations[8]

In addition to general requirements of DSM programming, income qualified natural gas DSM programs, accessible to low income natural gas consumers, should include the following features:

- Be accessible province wide where gas is available;
- Be available for both single and multi-residential buildings, both social housing and privately owned, including the private rental market;
- Require no, or low, upfront costs to the income qualified energy consumer. Where costs are required, Enbridge Gas will be required to make an application to the OEB for approval.
- Address non-financial barriers (e.g. communication, cultural, linguistic).
- Be delivered in a cost-effective manner
  - While the Low Income program may not have a positive total resource cost test result, it is still important for Enbridge Gas to be efficient in managing costs to achieve the maximum results for the budget
- Provide a simple, non-duplicative, integrated and coordinated application, screening and intake process for the Low Income program that covers all the segments of the low income housing market including, for example, homeowners, owners and occupants of social and assisted housing, and owners of privately owned buildings that have low income residents.
  - Enbridge Gas will develop specific criteria for determining eligibility criteria.
- Provide integrated, coordinated delivery, wherever possible, with CDM programs; provincial and municipal agencies; social service agencies and agencies concerned with health and safety issues;
  - Encourage collaboration with partners such a private, public and not-for-profit organizations for program delivery
- Include direct install elements:
  - Provide a turnkey solution where appropriate from the perspective of the participant such that the participant deals with one entity which coordinates all elements of delivery;

[7] EB-2012-0394, Enbridge Gas Distribution Inc. Update to the 2012 to 2014 DSM Plan, Settlement Agreement (February 28, 2013) at Exhibit B, Tab 2, Schedule 9, p. 9.
[8] Updated from: EB-2014-0134, OEB Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020) (December 22, 2014), p. 9.

  - Capture potential lost opportunities for energy savings, including new construction of low income/affordable housing.
- Provide an education and training strategy that:
  - Encourages behaviour change of program participants;
  - Helps low income energy consumers help themselves; and
  - Helps program participants to understand the benefits of participating in the income-qualified DSM program and conservation, in general.
- Help channel partners attain necessary skills.

Income Eligibility

Thresholds and approaches for establishing income eligibility criteria for low income programming should be periodically examined to ensure programming is being delivered to the intended population and consistent with other energy efficiency and energy conservation providers in Ontario, namely the IESO.

Specific details regarding income screening and Low Income Program eligibility will be detailed in Enbridge Gas's multi-year DSM Plan and revisited as appropriate to ensure it remains effective.

### 7.1.4 Pilot and Test Programs

In addition to delivering established program offerings to its customers, Enbridge Gas should consider how pilot programs and tests can help to better understand new program designs and delivery concepts, leading to greater natural gas savings and market penetration of programs. Pilot programs should involve the testing or evaluation of energy efficient technologies or detailed, customer-specific natural gas usage information that may serve as the model for DSM program development. With a multi-year DSM planning cycle, a forward-looking focus is prudent.

**Pilot programs** are new initiatives with uncertain outcomes. Pilots allow risks to be taken to try something new in a controlled manner to gauge how the market reacts. Successful pilot programs should be graduated using the pilot results to develop the roll-out. Unsuccessful pilots are learning opportunities. Active prioritization should be applied to identify the best potential pilots with the most potential for success.

**Tests** are marginal changes to an existing program. Tests may be changes to targeting, program criteria or incentive levels. Tests allow changes to be made without compromising or adding significant risk to the underlying program. The OEB

encourages employing tests to actively pursue continuous improvement for established programs. If designed and tracked appropriately, test and control groups would provide the data required to make informed roll-out decisions based on revised targets, TRC-plus ratios, and incentives.

Pilots and tests could be included within Resource Acquisition and Market Transformation programs and are necessary to evolve the current portfolio of DSM programs. This year's pilots and tests may be next year's programs.

### 7.2 Coordination of Natural Gas DSM And Electricity CDM Programs

The OEB expects that Enbridge Gas will endeavor to coordinate the delivery of DSM programs with electricity CDM programs where possible, including modifying the participant eligibility requirements of its current low-income program in order to be consistent with the electricity income-tested CDM program eligibility requirements. The centralization of electricity CDM programs under the IESO may lead to new opportunities for DSM-CDM collaboration and a greater level of overall energy savings. The OEB expects Enbridge Gas to file evidence addressing linkages to the electricity CDM framework and to identify opportunities for efficiencies, program cost reductions, and increased natural gas savings.

### 7.3 Attribution

Attribution relates to whether the effects observed after the implementation of a natural gas utility’s DSM activity can be attributed to that activity, or at least partly results from the activities of others. Given the potential for coordination of natural gas DSM programs with electricity CDM programs, the guidance on attribution is divided into two categories: attribution between Enbridge Gas and the IESO (including electric Local Distribution Companies (LDC), and attribution between Enbridge Gas and other parties (e.g., non- rate-regulated entities such as agencies and various levels of government, non-rate regulated private companies, etc.).

#### Attribution of Benefits Between Enbridge Gas and the IESO or LDCs

For electricity CDM and natural gas DSM programs jointly delivered with IESO (or in coordination with an LDC), all the natural gas savings should be attributed to Enbridge Gas and vice versa for electricity savings. This represents a continuation of the simplified approach adopted in the 2006 Generic Proceeding and continued through to the 2015-2020 DSM Guidelines.

### Attribution of Benefits Between Enbridge Gas and Other Parties

Attribution of savings between Enbridge Gas and other parties (e.g., governments, non-rate-regulated private sector, etc.) should be based primarily on the shares established in a partnership agreement reached prior to the program's launch.

Where Enbridge Gas's allocated share of natural gas savings in the partnership agreement is more than 20% of the share that would have been allocated based on a "percentage of total dollars spent" basis, an explanation for the difference should be provided.[9] In this case, Enbridge Gas is also expected to file anticipated spending in the delivery of the program before the program is launched and the actual amount spent within each program year that has taken place. As partnerships do not always evolve as originally planned, this additional information will help the OEB and stakeholders to assess the reasonableness of the shares allocated in the partnership agreement reached prior to the program's launch and the actual contribution Enbridge Gas made to the program.

The share allocated to Enbridge Gas will be used to determine the credited achievement for each of the relevant metrics used to evaluate the program.

## 7.4 Energy Efficiency and Integrated Resource Planning

Consistent with the OEB's IRP Framework Decision, future IRP Plan applications (which may include enhanced targeted energy efficiency (ETEE) will be separately reviewed and approved by the OEB, and, the costs and results associated with future IRP Plans and any associated ETEEs, if applicable, will be attributable to that IRP Plan and remain separate and distinct from the DSM Framework and the OEB-approved DSM plans and budgets.

It should be noted however, that the energy efficiency measures that underpin both DSM programming and ETEEs intended to target a defined constrained area as part of an IRP plan may, in some cases, encompass the same measures, aimed at the same customer group(s). It is also likely that the staff supporting DSM delivery of these energy efficiency measures may also support delivery of an ETEE for an IRP project. Accordingly, even though there may be incremental budget/resources allocated to delivering one or more ETEEs as part of an IRP Plan, it is appropriate that some costs, such as existing DSM administration and overheads, should be re-allocated to, or from,

[9] For example, if the partnership agreement allocates a share of 50% of the natural gas savings to the gas utility, but the actual share of "dollars spent" by the utility is 30% or less, an explanation should be provided to justify why the 50% share is more reflective of the gas utility's actual contribution.

the DSM plan/budget to reflect such shared costs. It is therefore reasonable to establish a threshold of materiality to address such consideration as follows:

- Any requisite re-allocation of costs amounting to $1,000,000 or more in a given year will require Enbridge Gas to file for an adjustment to the DSM Plan.

In addition, again consistent with the OEB's IRP Framework Decision, any IRP Plan funded ETEE(s) results will be solely attributed to the IRP Plan in which the ETEE(s) was approved. If the impact of an IRP Plan or the cumulative impact of multiple IRP Plans is projected to reduce DSM Plan results of any single DSM scorecard by more than 10% in a given year, Enbridge Gas will be required to file an application to adjust the DSM Plan targets accordingly.

## 8. Program Evaluation

Evaluation, Measurement and Verification ("EM&V") is the process of assessing the impacts and effectiveness of a DSM program on its participants and/or the market. Moreover, EM&V of DSM activities is important to support the OEB's review and approval of prudent DSM spending, and requests to recover lost revenues and shareholder incentive amounts claimed by Enbridge Gas. As was initiated in the 2015 Framework, the OEB assumed the coordination function of the EM&V process, outlined a DSM Evaluation Governance Structure, and established the Evaluation Advisory Committee ("EAC"). Six general EM&V activities are defined below, along with the accountability of such activities.

- Gross Measurement
- Draft and Final DSM Annual Reports
- Evaluation, Measurement & Verification (EM&V) Plan
- Impact Evaluation and Annual Verification of DSM Results
- Technical Resource Manual ("TRM") updates
- Process Evaluation

## 8.1 Gross Measurement

Description: The method(s) used by the program administrator (Enbridge Gas) to determine the gross resource savings claimed by a DSM program offering. *Examples: Prescribed savings (as per TRM), and custom project modeling tools.*

Accountability: Enbridge Gas

Gross measurement approaches are a component of program design and delivery, which continue to be Enbridge Gas's accountability. Each DSM program offering proposed in the Multi-Year DSM Plan includes an approach to gross measurement.

It is critical that gross measurement approaches are considered for each program offering at the beginning of the DSM Multi-Year Plan term, as they directly impact how the program offerings are delivered, and how DSM budgets and targets are set. Any impact evaluation undertaken will typically align with the gross measurement approach, however, the final evaluation methodologies will be determined independently, usually by the OEB's Evaluation Contractor or similar independent evaluation expert retained by the OEB. Should a fundamental change to gross measurement approaches be recommended by Enbridge Gas (for example, to account for new/innovative ways of determining savings and delivering program offerings) Enbridge Gas will file a letter to the OEB advising of such change.

## 8.2 Draft and Final DSM Annual Reports

Description: Annual reporting of DSM activities and results.

Accountability: Enbridge Gas

Consistent with the 2015DSM Framework, Enbridge Gas will continue to provide a Draft DSM Annual Report (previously referred to as the Draft Evaluation Report) to OEB Staff by April 1st of the year following the DSM program year being reported on.[10] The Draft DSM Annual Report supports and informs the Evaluation Contractor (EC) in carrying out the evaluation and audit process of Enbridge Gas's DSM plan.

[10] Enbridge Gas's Draft DSM Annual Report requires finalized information from the previous year's DSM annual audit (for example, for target setting). Should a previous year's DSM annual audit not be concluded by March 1st (one month ahead of the April 1st submission date for the Draft DSM Annual Report), Enbridge Gas will propose an alternative approach and/or timeline to OEB Staff.

Enbridge Gas's Final DSM Annual Report will be filed following the conclusion of the annual DSM evaluation process, as part of Enbridge Gas's DSM Deferral and Variance Account Disposition application for the applicable program year.

### 8.2.1 Components of the DSM Annual Report

The DSM Annual Report will be used to inform the OEB on Enbridge Gas's year-over-year progress in the implementation of its multi-year DSM Plan by summarizing the savings achieved, budget spent and the process evaluations conducted by the utility in support of the draft results.

The DSM Annual Report should provide an overview of the DSM program results including the annual resource savings attributable to each program, presented as both net and gross of the adjustment factors. Enbridge Gas should include, as an appendix to their DSM Annual Report, any evaluation studies provided by third party evaluators, and any other relevant research.

Enbridge Gas should provide a statement that outlines the program year's:

- Gross and Net annual natural gas savings;
- Net benefits;
- Cost Effectiveness;
- Lost revenue amounts;
- Shareholder incentive amounts;
- Budget; and
- Actual spend.

Enbridge Gas should also indicate in their DSM annual report:

- Offering changes that occurred during the program year;
- Lessons learned over the course of the program year; and,
- Any planned activities or anticipated offering changes for the subsequent program year, if applicable.

At a minimum, the DSM annual report should include the following key elements, in a clear and concise manner, at the beginning of the report:

- Annual and long-term DSM budgets ($/year, and $/plan term);
- Actual annual total DSM costs (including total DSM spend, shareholder incentive, and lost revenues) for each rate class dating back 10 years;

- Historic actual annual DSM spending ($/year) dating back 10 years;
- Historic annual shareholder incentive amounts available and earned ($/year) dating back 10 years;
- Shareholder incentive earned as a percent (%) of DSM spend; and
- Total historic annual and cumulative gross and net natural gas savings ($m^3$) dating back 10 years;
- DSM spending as a percentage of distribution revenue;
- Historical annual natural gas savings targets (m3/year) dating back 10 years;
- Total historical annual and cumulative gross and net natural gas savings (m3) as a percentage of total annual natural gas sales dating back 10 years;
- Total historical natural gas sales (m3/year) dating back 10 years;
- and, Number of customers, by rate class and by customer type in each year dating back 10 years.

### 8.3 Evaluation, Measurement &Verification (EM&V) Plan

Description: Description of planned impact evaluation and verification, and process evaluation activities to be undertaken during the Multi-Year Plan. The purpose of the EM&V Plan is to outline the planned EM&V activities and their objectives.

Accountability: The OEB will retain a third-party EC to draft an EM&V Plan with advice and input from the EAC. In addition, the OEB expects that all process evaluations undertaken by Enbridge Gas will be included in the OEB's EM&V Plan.

### 8.4 Impact Evaluation and Annual Verification of DSM Results

Description: Post-implementation assessment and evaluation of the results of DSM program offerings. *Examples: Net-to-Gross evaluation, Custom Project Savings verification, Installation verification.*

Accountability: Coordinated by the OEB, the EC will be responsible for auditing annual DSM results based on the EM&V Plan and producing a Final Annual Verification Report.

Consistent with the 2015DSM Framework, the OEB will continue to coordinate impact evaluation and annual verification activities with input from the EAC. The OEB will be responsible for selecting a third-party EC who is responsible to carry out the evaluation process of Enbridge Gas's DSM program offerings. The EC will conduct their work and issue recommendations and proposed revisions for comment to the EAC and Enbridge Gas prior to the EC finalizing the Annual Verification Report. Furthermore, the scope

and deliverables of any specific impact evaluation and verification activities should include input from the EAC and Enbridge Gas.

### 8.5 Technical Resource Manual ("TRM") updates

Description: Updates to input assumptions for existing prescriptive DSM measures, and addition of new prescriptive DSM measures

Accountability: Coordinated by the OEB

Consistent with the 2015 DSM Framework, the OEB will continue to coordinate TRM updates with input from Enbridge Gas and the EAC. The currently established TRM process as described in the EC's November 2, 2017, document (Technical Reference Manual Maintenance and Update Process) should continue, with updates made as needed.

### 8.6 Process Evaluation

Description: Ongoing assessment of the effectiveness of DSM offerings (generally qualitative).

*Examples: Assessing the effectiveness of specific program design elements from the customer's perspective, etc.*

Accountability: Enbridge Gas

Process evaluation is directly related to program design and implementation. Coordination of process evaluations, including which programs to evaluate and when, selection of any third parties engaged for this work, and proposed scopes of work and methodologies, continue to be Enbridge Gas's accountability. Enbridge Gas will share a full, formal process evaluation plan with OEB staff, the EAC and EC for integration into the broader EM&V plan developed for the OEB by the EC. All process evaluation work plans and draft reports should be shared with OEB staff, the EAC and EC for review and comment, with Enbridge Gas (or its consultant) providing responses to all comments, similar to the expectation of the OEB's evaluation consultants. Attention should be paid to areas of overlap between the evaluation work led by OEB staff and that led by Enbridge Gas to strive for efficiencies and synergies where possible. At a minimum, Enbridge Gas should share the draft work plan with OEB staff, the EAC and EC for comment. Continual improvement of DSM programs is important to ensure that they are continuing to provide the greatest level of value for ratepayers.

### Evaluation Governance Terms of Reference ("ToR")

While the six main EM&V activities and their accountabilities are outlined above, multiple stakeholders are involved in these activities as part of the DSM evaluation governance process.

In order to ensure clear accountabilities and responsibilities, the Evaluation Governance Terms of Reference ("ToR") helps ensure:

- Effective outcomes of the evaluation governance process, by ensuring roles, accountabilities and critical processes are established and clarified in advance, rather than being managed in-year on a case-by-case basis.
- Clarity and consistency when stakeholder members change. Changes can include new EC's, OEB Staff, Enbridge Gas staff, non-utility stakeholders, and/or independent experts. This clarity and consistency support efficient use of DSM evaluation resources, resulting in efficient use of ratepayer funds.
- Reduced disputes between stakeholders during the DSM annual audit process and Enbridge Gas's DSM Deferral and Variance Account Disposition application proceedings, by ensuring all stakeholders have clear and consistent understanding of the stakeholder process.

## 9. Input Assumptions and Adjustment Factors

Enbridge Gas relies on a series of input assumptions and adjustment factors to estimate energy savings, as well as calculate shareholder incentive, lost revenues, and cost effectiveness achieved through the design and implementation of DSM program offerings.

### Input Assumptions

Various assumptions are used at different stages of a multi-year DSM Plan. Assumptions such as operating characteristics and associated units of resource savings for a list of DSM technologies and measures are referred to as "input assumptions".

For each applicable DSM measure, the following input assumptions are considered:

- Natural gas savings
- Electricity impacts
- Water impacts
- Estimated useful life
- Equipment cost

Input assumptions for applicable DSM measures are defined relative to a frame of reference ("base case" or "baseline") which represents either the existing condition, the code compliant requirement, or the standard practice. Specifying input assumptions relative to a frame of reference can be characterized by four general decision types:[11]

- Early Replacement: a measure category where a utility energy efficiency program has caused a customer to replace operable equipment with a higher efficiency alternative (also referred to as advancement). *Example: An operating unit heater is replaced with a more efficient radiant heater.*

- Natural Replacement: a measure category where the equipment is replaced on failure or where a utility energy efficiency program has not influenced the customer decision to replace but once the decision has been made, the utility program influences a higher efficiency alternative. *Example: An operational gas water heater is replaced because of visible rust, and a more efficient water heater, promoted by the program, is installed.*

- New Construction: efficiency measures in new construction or major renovations, whose baseline would be the relevant code or standard market practice. *Example: A project design team, influenced by the program, specifies a high efficiency boiler rather than the least cost code compliant, or predominant industry practice, option.*

- Retrofit: a measure category that includes the addition of an efficiency measure to an existing facility such as insulation or air sealing to control air leakage. *Example: An ozone treatment system is added to an existing commercial laundry system in order to facilitate using lower water temperatures.*

## 9.2 Adjustment Factors

To ensure that the energy savings claimed from DSM program offerings reflect those which Enbridge Gas directly influenced and are appropriately captured, adjustments can be made to gross savings. Adjustment factors may be applied to measures, and can include:

- Net-to-gross adjustments, to account for free ridership and spillover.

[11] OEB Natural Gas Demand Side Management Technical Resource Manual Version 5.0 (November 12, 2020) https://www.oeb.ca/sites/default/files/OEB-Natural-Gas-DSM-TRM-V5.0-20201112.pdf

- Verification adjustments, to account for verified implementation and persistence of measures, and verified savings claims.

### 9.2.1 Net-to-Gross Adjustments

Free ridership refers to savings claimed through a DSM program offering which would have occurred without intervention from the utility. In contrast, spillover refers to savings influenced by a utility's program-related information and marketing efforts but are not actually captured in the program. Net-to-gross adjustments reflect the program's savings ratio after consideration of free ridership and spillover effects (ex. Net-to-gross adjustment = 1 – free ridership adjustment + spillover adjustment).

Net-to-gross adjustments should considered for reasonableness prior to the implementation of the Multi-Year Plan and annually thereafter, as part of the annual evaluation process. Any NTG assessment should include measurement of free ridership and consider the merits and value of studying spillover.

### 9.2.2 Verification Adjustments

Verification adjustments reflect post-implementation assessments that have been conducted to verify actual installation of measures, as well as validate the calculations and inputs used to estimate savings claims.

- Installation and persistence: For some program offerings, it may be prudent to assess whether the measures claimed were in fact installed and remained installed at the time of the annual audit process. For example, if a mass-market utility program offering involved the distribution of 10,000 thermostats, it may be prudent to understand how many of those thermostats were in fact installed and remained installed. If it is found that 5% of the measures were not installed, a 95% adjustment factor should be applied to the program's results.

- Savings claims: For programs where the utility collects site-specific inputs to develop a savings claim for the project, it may be prudent to conduct a post-implementation savings verification study to assess the reasonableness of those inputs. For example, if a custom project utilized a site-specific temperature input that was found to be inconsistent, and resulted in a 5% over-estimation of savings, a 95% adjustment factor would be applied to the project's results.

## 9.3 Changes to Input Assumptions and Adjustment Factors (Shareholder Incentive and Cost-Effectiveness)

When input assumptions and adjustment factors are changed or updated, clear guidelines are needed to ensure the application of those changes (prospective vs. retroactive) are consistent and appropriate. The following paragraphs outline how changes to input assumptions and adjustment factors are applied.

### 9.3.1 Retroactive Changes

Retroactive changes are applied to the results of the program year being evaluated. Targets for the program year being evaluated will remain unchanged, while the change will be applied to the following program year's targets. For example, if a change is finalized by the Evaluation Contractor in mid-2024 as part of the evaluation of the 2023 program year, the change will be applied to the results of the 2023 program year. The 2023 program year targets will remain unchanged, while the change will be applied to the 2024 program year targets.

Retroactive changes are appropriate for factors that were directly within the utility's influence during the program year being evaluated. Specifically, any change to project-specific input assumptions are applied retroactively since those changes were developed by the utility during the program year in question. Additionally, any changes to NTG adjustments for offerings with one-to-one implementation approaches are applied retroactively since the utility had direct control of in-year application approvals for the offering.

Verification adjustments are retroactively applied for all situations.

Any changes to project-specific input assumptions resulting from changes to codes and standards will be included in both results and targets. This ensures targets are not inappropriately set based on outdated codes and standards. For example, if a code change comes into effect during the 2023 program year, the 2023 program year results and targets will be adjusted to account for the change to codes and standards.

### 9.3.2 Prospective Changes

Prospective changes are applied to the results and targets of the year following the year the change is finalized by the Evaluation Contractor. For example, if a change or update is finalized by the Evaluation Contractor in mid-2023, regardless of the year being evaluated, the change will come into effect as of 2024 for results and targets.

Prospective changes are appropriate for changes outside of the utility's direct influence during the program year. Any change to prescribed input assumptions are applied prospectively, since those changes are not controlled by the utility. Once the changes are known to the utility, the utility can plan accordingly and adjust as necessary for the following program year. Additionally, any changes to NTG adjustments for offerings with mass-market implementation approaches are applied prospectively since the utility cannot control individual in-year application approvals for the offering. Once a new NTG adjustment is known, the utility can adjust program parameters based on that information for the following program year.

Any changes to prescribed input assumptions (ex. TRM) caused by changes to codes and standards will follow the regular update process and policy for prescriptive input assumptions (i.e. applied to results and targets as of the year following the year the change is finalized by the Evaluation Contractor).

Table 1 provides a summary of when updates are treated as retroactive vs. prospective.

Table 1: Retroactive vs. Prospective Application of Input Assumptions and Adjustment Factors to Results *

| Timing | Input Assumptions | Adjustment Factors | |
|---|---|---|---|
| | | NTG Adjustments | Verification Adjustments |
| **Retroactive** | Changes to project-specific input assumptions (ex. unique savings calculations determined by the utility) ** | Changes to NTG for offerings with one-to-one implementation approaches (e.g., Offerings where the utility has the ability to approve/reject individual projects in-year on a case-by-case basis). | All adjustments |
| **Prospective** | Changes to prescribed input assumptions (ex. TRM or Custom Measure Life Table) | Changes to NTG for offerings with mass-market implementation approaches (e.g., Offerings where projects are approved/rejected based on established program screening parameters, rather than by the utility on a case-by-case basis). | N/A |

* Retroactive changes are applied to results of the program year being evaluated. Targets for the program year being evaluated will remain unchanged, while the change will be applied to the following program year's targets. Prospective changes are applied to results and targets of the year following the year the change is finalized by the Evaluation Contractor.

** Code changes as outlined in the paragraph above would adjust targets in the same year in which they come into effect.

### 9.4 Changes to Input Assumptions and Adjustment Factors (LRAM)

The OEB has determined that lost revenues related to reductions in customer gas consumption as a result of DSM programming should not be a disincentive to delivering DSM programs. As such, the OEB established a Lost Revenue Adjustment Mechanism (LRAM). For the purposes of determining LRAM amounts, all input assumptions and adjustment factor changes will be applied retroactively to the year being evaluated, regardless of the approach used for the purposes of determining shareholder incentive amounts and cost-effectiveness described in Section 9.3.

In other words, the evaluation of the achieved results for the purpose of determining the lost revenue adjustment mechanism ("LRAM") amounts should be based on the best available information which, in this case, refers to the updated input assumptions and adjustment factors resulting from the evaluation and audit process of the same program year.

### 9.5 New Input Assumptions for Prescriptive Measures

Enbridge Gas regularly conducts research to develop input assumptions for new prescriptive measures. Since the formal TRM update process and timelines are coordinated by the OEB (see Section 8.6), a significant gap can occur between the completion of Enbridge Gas's new measure research and its formalization within the OEB's TRM.

In order to allow for timely introduction of new prescriptive measures to customers, the currently established TRM process as described in the EC's November 2, 2017 document (Technical Reference Manual Maintenance and Update Process) should continue, with updates made as needed.

## 10. Cost-Effectiveness Screening

DSM programs should be screened using the Total Resource Cost-Plus ("TRC-Plus") test. The TRC-Plus test measures the benefits and costs of DSM programs for as long as those benefits and costs persist. Under this test, benefits are driven by avoided resource costs, which are based on the marginal costs avoided by not producing and delivering the next unit of natural gas to the customer. Those marginal costs avoided include the natural gas commodity costs (both system and customer) and transmission and distribution system costs (e.g., pipes, storage, etc.). The marginal costs also include the benefits of other resources saved through the DSM program, such as electricity, water, propane, and heating fuel oil, as applicable. A 15% non-energy

benefits adder is applied to each of these avoided resource costs. The TRC-Plus test also includes benefits driven by reductions in carbon emissions saved through the DSM program. The 15% non-energy benefits adder is not applied to carbon benefits. TRC Plus calculations are detailed in Section 10.3 below.

Enbridge Gas should include the cost of carbon as part of avoided costs.

For a program to be deemed cost-effective, it must achieve a screening threshold benefit/cost ratio of 1.0 or greater. This shows that the benefits of the program are equal to or greater than the costs of the program. To recognize that the Low Income natural gas DSM program may result in important benefits not captured by the TRC-Plus test, this program should continue to be screened using a lower threshold value of 0.7. Low Income offerings that fail to meet a TRC-Plus cost-benefit ratio of 0.7 can still be applied for, and approval of these programs will be considered on their merits.

Some programs, such as market transformation and pilot programs are not amenable to a mechanistic screening approach and should be reviewed on a case-by-case basis instead. Among the programs amenable to a mechanistic screening approach, Enbridge Gas is expected to only apply for approval of programs that are cost effective as determined by the particular screening test.

### 10.1 Net Equipment Costs

Net Equipment Costs relate to the costs of the more efficient equipment relative to the base case scenario. They include capital, installation, and where material, cost of removal less salvage value (e.g., in the case of a replacement), and operating and maintenance (“O&M”). As the TRC-Plus test assesses the benefits and costs of DSM programs from the perspective of the utility and participant, it does not differentiate between who (natural gas utility, customer, or third party) pays the cost of the equipment.

Net Equipment Costs can be either the cost difference between the more efficient equipment and a base measure (or the incremental cost) or the full cost of the more efficient equipment. When the investment decision is a replacement, the Net Equipment Costs will typically be incremental. For example, if a DSM program results in a high efficiency natural gas furnace being purchased instead of a standard model, the Net Equipment Costs would be incremental: they would be the cost differential between the two options. In contrast, retrofit and discretionary investments are typically associated with the full cost of the equipment. For example, if a DSM program results in a retrofit to improve the energy efficiency of an industrial process and, in the absence of such DSM

program, the status quo would have been maintained, then the Net Equipment Costs will be the full cost of the equipment. As these examples illustrate, Net Equipment Costs depend not only on the equipment costs but also on the costs that would have been incurred under the base case (i.e. in the absence of the DSM program).

A third type of equipment cost is the cost of the equipment that is assigned to a project when a replacement decision is done early, or advanced, because of a natural gas utility's DSM programming efforts. Early replacements occur when an older, but still working lower efficiency technology, is replaced with a more efficient piece of equipment. In these cases, Enbridge Gas should adjust both the equipment life and the project cost to reflect the advancement. This adjustment is akin to a net present value estimate.

O&M costs associated with the more efficient equipment are often not incremental (i.e., they would have been incurred under the base case anyway). However, there are some exceptions where the incremental O&M costs are significant, and these should be appropriately accounted for in the Net Equipment Costs. As a general rule, cost differential from the base case should be considered as part of the Net Equipment Costs for as long as they persist.

Free ridership and spillover effects, if applicable, should also be taken into account when calculating the Net Equipment Costs. A free rider is a "program participant who would have installed a measure on his or her own initiative even without the program."[12] In contrast, spillover effects refer to customers that adopt energy efficiency measures because they are influenced by a utility's program-related information and marketing efforts, but do not actually participate in the program. Net Equipment Costs associated with free riders are excluded from the TRC-Plus test.[13] However, as discussed in Section 10.2, all Program Costs associated with free riders should be included in the TRC analysis.

Spillover effects are essentially the mirror image of free ridership. Net Equipment Costs associated with spillover effects are included in the TRC-Plus test.[14] However, as

[12] Violette, Daniel M. (1995) *Evaluation, Verification, and Performance Measurement of Energy Efficiency Programs*. Report prepared for the International Energy Agency.
[13] Eto, J, (1998) *Guidelines for assessing the Value and Cost-effectiveness of Regional Market Transformation Initiatives*. Northeast Energy Efficiency Partnership, Inc.
[14] Eto, J, (1998) *Guidelines for assessing the Value and Cost-effectiveness of Regional Market Transformation Initiatives*. Northeast Energy Efficiency Partnership, Inc.

discussed below in Section 10.2, there are no Program Costs associated with spillover effects.

Information sources for equipment costs vary. For residential equipment, retail store prices are appropriate sources of information for many technologies including appliances and “do-it-yourself” water heater or thermal envelope upgrades. It is common practice to specify an average price based on a sample of retail prices. For utility direct/install programs, it is appropriate to use the cost to the utility of bulk purchase of the equipment. For commercial and industrial equipment, cost data can be more complicated to acquire due to limited access and confidentiality concerns. For larger “custom” projects, invoices or purchase orders may be necessary to support the cost estimate. Net Equipment Cost estimates should be based on the best available information known to Enbridge Gas at the relevant time.

### 10.2 Program Costs

For the purpose of the TRC-Plus test, the Program Costs related to DSM programs include the following components:

i) Development and Start-up;
ii) Promotion;
iii) Delivery;
iv) Evaluation, Measurement and Verification (“EM&V”) and Monitoring; and
v) Administration.

Of the above costs, only Start-up, Promotion, Delivery, and some Evaluation and Verification are applicable to programs. Other costs related to the design and the delivery of DSM program are appropriately considered at the DSM portfolio level. These include Development, some Evaluation costs, and Monitoring, Tracking and Administration costs. If certain costs are not assigned to an identified program, these costs should be accounted at the portfolio level.

Incentive costs are not included in Program Costs. Incentive costs may include cash incentives, in-kind contributions and/or tax benefits provided to participants to encourage the implementation of a DSM measure. Incentive costs are a transfer from a program-sponsoring organization to participating customers and consequently do not impact the net benefits or costs. As the TRC-Plus test assesses the benefits and costs of DSM programs, it does not differentiate between who (natural gas utility or third party) pays for the Program Costs. Program Costs components are further explained below.

i) Development and Start-up Costs

A DSM program may involve start-up costs in its early stages. For example, there may be costs incurred to train staff in the use of the DSM program's equipment or techniques. In general, start-up costs are only a small component of the total costs in the life cycle of a DSM program.

ii) Promotion Costs

Promotion costs may be incurred to educate the customer about a DSM program and will vary by program type and level of promotional effort. The cost of promotion depends on the method employed, the market segment and the DSM measures promoted.

As noted above, incentive costs are not included in Program Costs since they do not impact the net benefit or cost.[15]

iii) Delivery Costs

Delivery costs include any costs related to the implementation of the program, other than utility staff. This includes costs related to specialized software, and monies to third-party delivery agents or business partners.

iv) EM&V and Monitoring Costs

There are two broad categories of evaluation activity: impact evaluation and process evaluation. Impact evaluation focuses on the specific impacts of the program – for example, savings and costs. Process evaluation focuses on the effectiveness of the program design – for example, the delivery channel. Some of these costs will be assigned directly to a specific program or multiple programs, while a portion of the costs are more appropriately assigned across all programs (i.e., at the DSM portfolio level).

EM&V and monitoring costs are incurred for systems, equipment and studies necessary to track measurable levels of program success (e.g., number of participants/installations, natural gas savings, Net Equipment Costs and Program Costs) as well as to evaluate the features driving program success or failure.

[15] For clarity, while incentive costs are not included in the TRC-Plus test, incentive costs should be included in and reported as part of the Enbridge Gas's DSM program budget.

v) Administrative Costs

Administrative costs are generally the costs of staff who work on DSM activities. These costs are often differentiated between support and operations staff. Support staff costs are considered fixed costs or "overhead" that occur regardless of the level of customer participation in the programs. Operations staff costs are variable, depending on the level of customer participation. Enbridge Gas should include all staff salaries that are attributable to DSM programs as part of their Program Costs. For practical purposes, if certain administrative costs cannot be reasonably assigned to individual programs these costs should be accounted for at the portfolio level.

Program Costs should be considered as part of the TRC-Plus test for as long as they persist (e.g., monitoring and EM&V costs may be spread over a period of time).

All Program Costs associated with free riders should be included in the TRC-Plus analysis. Programs that have high free ridership rates will be less cost effective (as measured by the TRC-Plus test) since their Program Costs will be included in the analysis while their benefits will not.

The spillover effects are associated with customers that adopt energy efficiency measures because they are influenced by a utility's program-related information and marketing efforts, but do not actually participate in the program. Accordingly, there are no Program Costs associated with the spillover effects.[16] If the spillover effects are considered, then programs that have high spillover rates will be more cost effective (as measured by the TRC-Plus test) since they do not have Program Costs while they generate benefits.

Program Cost estimates should be based on the best available information known to Enbridge Gas at the relevant time.

### 10.3 TRC-Plus Test Calculation

For screening purposes, the TRC-Plus test should be performed at both the program and portfolio level.

At the program level, the TRC-Plus test takes into account the following:

- Avoided Costs (including the cost of carbon);

[16] An alternative way to explain this is that all Program Costs are allocated to program participants (including free riders) and there are no additional Program Costs generated by the spillover effect.

- Net Equipment and Program Costs;
- Adjustments Factors; and,
- A 15% non-energy benefit adder applied to all avoided costs except avoided carbon costs.

The results of the TRC-Plus test can be expressed as a ratio of the present value ("PV") of the benefits to the PV of the costs. For example, the PV of the benefits consists of the sum of the discounted benefits accruing for as long as the DSM program's savings persist. The PV of the benefits therefore expresses the stream of benefits as a single "current year" value.

If the ratio of the PV of benefits to the PV of the costs (the "TRC-Plus ratio") exceeds 1.0, the DSM program is considered cost effective as it implies that the benefits exceed the costs. An alternative way to consider the cost-effectiveness of a program under a TRC-Plus ratio threshold of 1.0 is to determine whether the TRC-Plus net savings (or net benefits) are greater than 0. The TRC-Plus net benefits are equal to the PV of benefits less the PV of costs.

To provide the OEB with an appropriate amount of information regarding cost-effectiveness, all programs should be screened with the TRC-Plus test. The TRC-Plus threshold test should be normally 1.0 for all programs amenable to this screening test, except the Low Income program. The following guidance offered by the OEB and outlined in the previous framework should continue:

> Some programs, although beneficial when reviewed from a broader perspective, may not pass a cost-effectiveness screening threshold of 1.0. The Board will consider these programs on a case-by-case basis. To recognize that all programs may not pass the TRC-Plus test, the utility should ensure its overall DSM portfolio has a TRC-Plus ratio of 1.0 or greater. Further, since low income natural gas DSM programs may result in important benefits not captured by the TRC-Plus test, these programs should be screened using a lower threshold value of 0.70 instead, but also may be considered at a lower threshold.

The TRC-Plus ratio is expressed mathematically below:

$$TRC\ Plus\ Ratio = \frac{PV_{Benefits}}{PV_{Costs}}$$

Where

$$PV_{Benefits} = \left(\sum_{t=1}^{N} \frac{UAC_t + TC_t}{(1+d)^{t-1}} + \sum_{t=1}^{N} \frac{UAC_{at} + PAC_{at}}{(1+d)^{t-1}}\right) \times (1 + 15\%) + \sum_{t=1}^{N} \frac{UACar_t}{(1+d)^{t-1}}$$

$$PV_{Costs} = \sum_{t=1}^{N} \frac{PRC_t + PCN_t + UIC_t}{(1+d)^{t-1}}$$

And where,

*UACt* = Utility avoided supply costs (gas, water, electricity and other resources as applicable) in year t (see Section 11) Avoided costs should be calculated using the input assumptions, savings estimates, and adjustment factors based on the best available information known to Enbridge Gas at the relevant time, as described in Section 9.1 and 9.2.

*UACat* = Utility avoided supply costs for the alternate fuel in year t

*UACart* = Utility avoided carbon costs in year t (see Section 11)

*TCt* = Tax credits in year t

*PACat* = Participant avoided costs in year t for alternate fuel devices

*PRCt* = Program costs in year t (see Section 10.2)
Program Costs should be calculated using cost estimates and adjustment factors based on the best available information known to Enbridge Gas at the relevant time, as further described in Sections 9.2 and10.2.

*PCNt* = Net Participant Costs

*UICt* = Utility increased supply costs in year t
Utility supply costs should be calculated using cost estimates and adjustment factors based on the best available information known to Enbridge Gas at the relevant time

*N* = Number of years that the savings are expected to persist or that the incremental costs are expected to be incurred, whichever is greater.

*d* = Discount rate (see Section 11.1)

# 11. Avoided Costs

Assumptions relating to the benefit of not having to supply an extra unit of natural gas or other resource (e.g., electricity, heating fuel oil, propane, or water) through the delivery of DSM programs are referred to as avoided costs. Avoided costs are required to quantify the benefits for the TRC-plus test.

Avoided costs are long-term estimates forecasted over the lifetime of DSM measures and include:

- Avoided natural gas commodity costs
- Avoided natural gas upstream transportation and third-party services costs
- Avoided natural gas seasonal storage requirement costs.
- Avoided unaccounted for natural gas fuel losses
- Avoided natural gas downstream infrastructure costs [17]
- Avoided costs, other resources (electricity, heating fuel oil, propane, and/or water)
- Avoided carbon costs

## 11.1 Inflation Rate

In some cases, avoided cost estimates are required to extend beyond their forecasted periods. If necessary, a four-quarter moving inflation rate based on the Gross Domestic Product Implicit Price Index for Final Domestic Demand will be used, based on the most recently available information at the time avoided costs are updated.

### 11.2 Discount Rate

For the purpose of the cost-effectiveness test (i.e. TRC-Plus), the total avoided costs resulting over the life of the DSM measures need to be discounted to a present value. Consistent with the 2015DSM Framework, the discount rate used to determine the net present value of avoided costs over the lifetime of DSM measures is 4% (real).

# 12. Accounting Treatment

Consistent with past practices, recovery and disposition of DSM related amounts (i.e., DSM Variance Account (“DSMVA”), DSM Incentive Deferral Account (“DSMIDA”), and LRAM Variance Account (“LRAMVA”)) will be filed annually by Enbridge Gas based on

[17] For DSM this reflects passive avoided distribution costs driven by broad-based DSM programs, rather than active/geo-targeted avoided distribution costs unique to a specific initiative.

the final audited results of its DSM programs in relation to the annual plans targets. The DSM amounts should include program spending, shareholder incentive amounts and lost revenues in relation to the DSM programs delivered. Further, lost revenues will not act as a disincentive to Enbridge Gas's delivery of DSM programs.

Financial and accounting elements related to Enbridge Gas's DSM Plans (e.g., budget, shareholder incentive structure, LRAM, DSMVA) will be established at the outset of a multi-year DSM Plan with the intention of applying the same process throughout the duration of the multi-year DSM Plan. Amounts in all DSM variance or deferral accounts should be recorded on an annual basis.

In line with historical practice, Enbridge Gas should, where appropriate, use a fully allocated costing methodology for all DSM activities. Capital assets (property, plant and equipment) associated with the multi-year DSM Plan will be included in rate base and will be treated in the same manner as distribution assets. DSM expenses incurred should be expensed in the normal course of the gas utility's operations.

Cost allocation in rates should be on the same basis as budgeted DSM spending by customer class. This allocation applies to both direct and indirect DSM program costs.

Enbridge Gas should apply annually for the disposition of any balances in its LRAMVA and DSMVA and, as applicable, apply for the shareholder incentive amount associated with the previous DSM program year and disposition of resulting DSMIDA balance.

This application should include the final results as outlined in the Final Evaluation and Audit Reports, and information setting out the allocation across rate classes of the balances in the LRAMVA, DSMVA, DSMIDA and any other DSM related deferral or variance account approved by the OEB.

### 12.1 Revenue Allocation

Any net revenues generated by a shareholder incentive for distribution rate-funded DSM should be separate from (i.e., not used to offset) the gas utility's distribution revenue requirement.

### 12.2 Demand Side Management Variance Account ("DSMVA")

This account should be used to track the variance between actual DSM spending by rate class versus the budgeted amount included in rates by rate class. Enbridge Gas should apply annually for disposition of the balance in its DSMVA, together with carrying charges, after the completion of the annual third-party audit.

The actual amount of the variance versus budget targeted to each customer class will be allocated to that customer class for rate recovery purposes. If spending is less than what was built into rates, ratepayers will be reimbursed for the full amount. If more is spent than was built into rates, Enbridge Gas may be reimbursed up to a maximum of 15% above its DSM budget for the year. All additional funding beyond the annual DSM budget must be utilized on incremental program expenses only (i.e. cannot be used for additional overheads).

The option to spend 15% above the approved annual DSM budget is meant to allow Enbridge Gas to pursue programs which prove to be very successful. Accordingly, Enbridge Gas will be permitted to recover from ratepayers up to 15% above its total annual DSM budget amount recorded in its DSMVA provided that it has achieved its weighted scorecard targets (i.e., 100%) on unverified basis for the program(s) prior to additional spending being made on those programs; and, the DSMVA funds were used to produce results in excess of those targets (i.e., in excess of 100%) on an unverified basis.

When applying for disposition of its DSMVA account, Enbridge Gas will have to provide evidence demonstrating the prudence and cost effectiveness of the amounts spent in excess of the approved annual DSM budget. In considering the prudence of any spending in excess of an approved annual budget, the OEB will consider the information available to Enbridge Gas at the time the program was implemented.

### 12.2.1. Deferred Participant Costs

Some program designs result in future financial commitments related to participants. In some cases, participants will undertake activities that may take several years to complete and therefore requires the Company to make financial commitments beyond the current period. For example, a New Construction program allowing participants up to three years to complete the construction of their project and have the energy performance of the final build validated, prior to payment of their incentives. In this case, the future financial commitments Enbridge Gas would need to account for would be the total of the cost of the incentives and the cost to validate that the participant successfully fulfilled their obligations.

This need to account for future financial commitments was recognized by the OEB in its report at the Mid-Term Review of the 2015-2020 Framework, where the decision was to allow Enbridge to use the “DSMVA to track future financial commitments for programs with deferred customer incentives.”

Enbridge Gas proposes to utilize the same principle for future financial commitments of both incentive and program costs, or collectively Deferred Participant Costs ("DPC"). The DPCs should be tracked in the DSMVA and should only include directly identifiable costs tied to participant commitments forecast to occur in future period(s) and should not include any internal salary or overhead allocation. The intent would be to hold the funds associated with meeting a future program commitment at the time the participant signs up for the program. It is important that the funds are available for the Company to meet these commitments, especially for payments expected to occur outside of the DSM Plan term.

Enbridge should explicitly identify programs that require DPCs when they request approval for the program.

### 12.3 LRAM Variance Account ("LRAMVA")

The LRAMVA should be used to track, at the rate class level, the actual impact of DSM activities undertaken by Enbridge Gas from the forecasted impact included in distribution rates. Enbridge Gas may only record an LRAM amount in relation to DSM activities undertaken within its franchise area by itself and/or delivered for the gas utility by a third party under contract.

Enbridge Gas should calculate the full year impact of DSM programs on a monthly basis, based on the volumetric impact of the measures implemented in that month, multiplied by the distribution rate for each of the rate classes in which the volumetric variance occurred.[18] LRAM amounts are only accruable and thus only recorded in the variance account until such time as the OEB sets distribution rates for Enbridge Gas based on a new load forecast.

The LRAM amount is recovered in rates on the same basis as the variances in distribution revenues were experienced at the rate class level. The LRAM therefore results in a true-up for each rate class. Enbridge Gas should apply annually for disposition of the balance in their LRAMVA, together with carrying charges, after the completion of the annual third party audit.

[18] Union 2014-2018 IRM (established in EB-2013-0202) states that LRAM is only applicable to the contract rate classes as volume variances for general service rate classes in the Union rate zones are captured in the Normalized Average Consumption ("NAC") deferral account. Similarly, LRAM is only applicable to contract rate classes in the EGD rate zone, as volume variances for general service rate classes are captured in the Average Use True-Up Variance Account ("AUTUVA").

### 12.4 DSM Incentive Deferral Account ("DSMIDA")

The purpose of the DSMIDA is to record the shareholder incentive amount earned by Enbridge Gas as a result of its DSM programs. This account will come into effect at the beginning of the term of the multi-year DSM Plan. Enbridge Gas should apply annually for disposition of the balance in their DSMIDA, together with carrying charges, after the completion of the annual third party audit.

Shareholder incentive amounts will be available in relation to the verified savings outlined in the Evaluation Contractor's Final Evaluation and Audit Reports (as outlined in Section 8.4). In some instances, for offerings where results span multiple years, results may not be available in the year the program was delivered. For these programs shareholder incentives will be applied for and awarded when the results are finalized and evaluation results become available, if applicable.

Incentive amounts paid to Enbridge Gas should be allocated to rate classes in proportion of the amount actually spent on DSM activities on each rate class.

### 12.5 DSM Activities Not Funded Through Distribution Rates

Any assets purchased with funds from third parties (i.e., not funded through distribution rates) will not be eligible for inclusion in rate base, nor will there be any distribution rate recovery of ongoing operating costs associated with the asset, or income taxes payable in relation to third-party funded activities. Likewise, DSM expenses funded by third parties should not be included in Enbridge Gas's distribution accounts.

Any third-party funding for DSM activities (as opposed to rate-funded DSM activities) should be classified as Non-Rate Regulated Activities. Consequently, the financial records associated with third-party funding should be separate from those associated with Enbridge Gas's distribution activities.

If Enbridge Gas receives third-party DSM revenues and incurs related DSM expenses and/or capital expenditures, these transactions should be recorded in separate non-utility distribution accounts. Sub-accounts may be used as appropriate to segregate these DSM activities from other Non-Rate Regulated Activities.