APPLICATION FOR CLEARANCE OF 2016 DSM ACCOUNTS

Request for Approval and Clearance of 2016 DSM Deferral and Variance Accounts

1. Enbridge Gas Distribution Inc. ("Enbridge" or the "Company") is applying to the Ontario Energy Board ("OEB" or the "Board") pursuant to Section 36 of the *Ontario Energy Board Act, 1998,* as amended ("Act") for an Order or Orders approving the final balances in 2016 Demand Side Management ("DSM") Deferral and Variance Accounts as outlined in Table 1 below. The Company is also seeking approval for the disposition of the balances in these accounts through a one-time adjustment in rates, within the next available QRAM following the Board's approval.

2. As outlined in the Filing Guidelines to the DSM Framework for Natural Gas Distributors (2015-2020) (EB-2014-0134) (the "Guidelines"):

> Consistent with past practices, recovery and disposition of DSM related amounts (i.e., DSM Variance Account ("DSMVA"), DSM Incentive Deferral Account ("DSMIDA"), and Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")) will be filed by the natural gas utilities annually, based on the actual amount of natural gas savings resulting from the utilities' DSM programs in relation to the annual plans targets. The DSM amounts include program spending, shareholder incentive amounts and lost revenues in relation to the DSM programs delivered by the natural gas utility.[1]

3. The deferral and variance accounts which are the subject of this proceeding relate to DSM activities in 2016. This is the second year of operation under the Multi-Year DSM Framework for Natural Gas Distributors (EB-2014-0134)[2] (the "Framework") and the Company's Multi-Year (2015-2020) DSM Plan approved by the Board in (EB-2015-0049)[3]. The methodologies and guidelines used by the Company to determine the amounts recorded in each of the 2016 DSMVA, LRAMVA, DSMIDA were the subject of the Framework, the Decision and Order of

[1] EB-2014-0134, Filing Guidelines to the DSM Framework for Natural Gas Distributors (2015-2020), p. 36
[2] EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020), December 22, 2014
[3] EB-2015-0049, Multi-Year Demand Side Management Plan (2015 to 2020), Enbridge Gas Distribution, April 1, 2015

the Board on the Company's Multi-Year (2015-2020) application[4] and the Board's Revised Decision[5] (together "Multi-Year Decision").

4. The accounts which are the subject of this Application and the balances recorded are as follows:

Table 1

2016 DSM Deferral and Variance Accounts and Balances	
Demand Side Management Variance Account (DSMVA) (to be reimbursed to Ratepayers)	***($ 712,832)
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (to be reimbursed to Ratepayers)	***($ 95,625)
Demand Side Management Incentive Deferral Account (DSMIDA)	$ 6,365,751
Total Amount Recoverable	$ 5,557,294

***** Negative values indicate amounts being reimbursed to ratepayers

Enbridge 2016 DSM Program Targets

5. As outlined in the Guidelines: "The Board expects that the utilities will use the results of the Final Audit & Evaluation Report when they file for disposition of their respective DSM deferral and variance accounts." Section 11.0 of the Guidelines states that:

> The natural gas utilities should apply annually for the disposition of any balances in their LRAMVA and DSMVA and, if applicable, apply for a shareholder incentive amount associated with the previous DSM program year and disposition of any 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 and DSMIDA.

[4] EB-2015-0049, Decision and Order, January 20, 2016
[5] EB-2015-0049, Revised Decision and Order, February 24, 2016

6. For the 2016 program year, the Annual Verification Report completed by the Evaluation Contractor ("EC"), DNV GL ("DNV"), was finalized on October 30, 2018. This report contains the evaluated results for the 2016 program year. Enbridge is now seeking approval for the amounts and clearance through to rates of its 2016 DSMVA, DSMIDA and LRAMVA accounts.

7. For clarity, Enbridge generally supports the application of the EC's 2016 verification (i.e., audit) of results with the exception of the failure to update the 2016 targets based on the best available information. Specifically, at the direction of Board Staff, the EC's report fails to update the 2016 targets based on the input assumptions and net-to-gross adjustment factors generated by the previous year's (2015) audit. Enbridge submits that this is inappropriate given the direction outlined in the Guidelines, confirmation of this direction in the Multi-Year Decision, and the Board's further confirmation of this expectation in its Decision dated July 12, 2018 in the 2015 DSM Clearance proceeding (EB-2017-0324) ("2015 Clearance Decision"). These references are discussed further below.

8. In accordance with Section 11.0 of the Guidelines and for comparative purposes, Enbridge provides in Table 2 below, the DSM values based on the EC's verification report as well as the 2016 target adjusted values for which approval is sought in this 2016 DSM Clearance application.

9. Enbridge's target adjusted balances reflect the final 2016 audited DSM results, adjusted to update the 2016 Resource Acquisition scorecard targets to incorporate 2015 audit outcomes. More specifically, the Commercial / Industrial Custom and Run-it-Right net-to-gross ("NTG") adjustment factors were updated to reflect the 2015 Natural Gas Demand Side Management Custom Savings Verification and

Free-ridership Evaluation report (the “2015 NTG Study”);[6] and, the CPSV Participant Spillover Results report (the “2015 Spillover Study”).[7]

10. The impact of properly reflecting these 2015 audit adjustments to 2016 Resource Acquisition targets is evident in the DSMIDA amount as illustrated in Table 2.

Table 2

	2016 Verification (Audit) Report[8]	**Enbridge Target Adjusted†**
Shareholder Incentive (DSMIDA)	$ 4,480,052	$ 6,365,751
Lost Revenue Adjustment Mechanism (LRAM)**	$ 14,656	$ 14,656
LRAMVA **	Calculation not provided	*($ 95,625)
DSMVA	Not reviewed	* ($ 712,832)

† The Enbridge target adjusted values represent the 2016 audited deferral and variance account balances, adjusted to update the 2016 targets to reflect best available information from the prior year’s evaluation. Only DSMIDA and not LRAMVA or DSMVA are impacted by target adjustments.

* Negative values indicate amounts to be refunded to ratepayers.

** The Evaluation Contractor provided an opinion on the LRAM; the LRAMVA provides the variance amount relative to the forecasted impact already included in distribution rates.

11. Enbridge’s target adjusted DSMIDA determination is consistent with the Board’s guidance provided in various Board Decisions where the Board confirmed that input assumptions and NTG factors used for the setting of next year’s targets are finalized for a given year based on the previous year’s final DSM audit.

[6] 2015 Natural Gas Demand Side Management Custom Savings Verification and Free-ridership Evaluation, DNV GL for the Ontario Energy Board, August 15, 2017

[7] 2013-2014 CPSV Participant Spillover Results, DNV GL for the Ontario Energy Board, May 23, 2018

[8] Ontario Gas DSM Evaluation Contractor, 2016 Natural Gas Demand-Side Management Annual Verification, October 30, 2018, DNV-GL, page 1, https://www.oeb.ca/industry/policy-initiatives-and-consultations/natural-gas-demand-side-management-dsm-evaluation

12. In the Multi-Year Decision dated January 20, 2016, the Board directed the gas utilities as follows:

> There are three uses of input assumptions and net-to-gross adjustment factors in the evaluation of savings… The second is the use of the input assumptions and net-to-gross adjustment factors to calculate the next year's targets… **To calculate next year's targets, the OEB directs the utilities to use the new, updated input assumptions and net-to-gross factors that are the result of the annual evaluation process.**[9] [Emphasis Added]

13. In February 2016, Union sought clarification from the Board in its written comments on the Multi-Year Decision. In these comments, Union Gas requested clarity on the treatment of input assumptions and NTG adjustments by explicitly requesting confirmation as follows:

> Consistent with the Board's previous EB-2006-0021 Decision[2], Union interprets the above to mean that input assumptions and net-to-gross adjustment factors are finalized for a given year based on the previous year's final DSM audit. By way of example, upon the completion of the 2016 audit in June 2017, the best available input assumptions and net-to-gross adjustment factors used to determine the 2016 LRAM results will be used to determine the 2017 scorecard targets and the final 2017 savings results for the purpose of determining the 2017 DSM Incentive.[10]
>
> …**for the purpose of determining Union's 2016 DSM Incentive, the 2016 results will use the same input assumptions and net-to-gross adjustment factors that were used to determine Union's 2016 targets**.[11]
> [Emphasis added]

In its revised Decision and Order, February 24, 2016, the Board provided the following confirmation:

> The OEB confirms that Union's interpretation is correct.[12]

[9] EB-2015-0029/0049, Decision and Order, January 20, 2016, page 75
[10] EB-2015-0029/0049, Union Gas Written Comments RE: Decision and Order, February 3, 2016, page 2
[11] EB-2015-0029/0049, Union Gas Written Comments RE: Decision and Order, February 3, 2016, page 3
[12] EB-2015-0029/0049, Revised Decision and Order, February 24, 2016, p.3

14. Importantly, the Board confirmed the above interpretation yet again in its 2015 Clearance Decision. Specifically, at page 6 of its Decision the Board stated the following:

> Union Gas submitted that it interpreted the OEB's 2015-2020 DSM Decision to mean that input assumptions and net-to-gross adjustment factors are finalized based on the previous year's audit. … On February 24th, 2016, the OEB issued a revised decision on the 2015-2020 DSM Plans confirming Union Gas' interpretation.[13]

15. The 2015 Clearance Decision also confirmed the Board's expectation regarding the manner of calculating program results for custom programs. The Board stated: "for custom programs, the result of the most recent program evaluation, including all updates to net-to-gross values, are to be used to derive custom program results."[14]

16. In respect of the LRAMVA, in the 2015 Clearance Decision, the Board cited its own earlier Multi-Year Decision on the 2015 to 2020 DSM Plan, which required Enbridge to use the best available information resulting from the 2015 audit process to calculate Enbridge's LRAMVA. The Board repeated the following quote from page 75 of the Multi-Year Decision:

> To calculate lost revenues, the OEB directs the utilities to use the final natural gas savings amounts calculated from the use of the best available information that are the result of the annual evaluation process.[15]

The OEB confirmed in its 2015 Clearance Decision that best available information entailed "using the verified 2015 natural gas savings, free

[13] EB-2015-0029/0049, Decision and Order, January 20, 2016, page 6
[14] Ibid., page 6
[15] Ibid., page 8

ridership values, and spillover value from the 2015 Annual Verification Report."[16]

17. Enbridge notes that the EC correctly applied the updated input assumptions and NTG factors resulting from the 2015 program evaluation to Enbridge's 2016 custom program results for the purposes of calculating a DSMIDA amount. The EC also completed its calculation of the 2016 LRAM value consistent with the Board's direction. The EC did not however, apply updated assumptions and NTG factors to the 2016 targets. Instead, at the direction of Board Staff, the EC did not adjust 2016 targets and asymmetrically applied the updated input assumptions and NTG factors to 2016 results only.

18. More specifically, the EC calculated the DSMIDA using 2016 targets which were generated using historical input assumptions and NTG factors which do not constitute best available information. Stated differently, the EC compared results generated using the most up to date information and compared these results to targets set using input assumptions and NTG factors that were out of date and therefore inappropriate to use. The EC did not use the previous year's 2015 DSM evaluation results, despite the clear direction and reconfirmations by the Board. Again, the Board confirmed the following interpretation by Union Gas:

> …for the purposes of determining Union's 2016 DSM Incentive, the 2016 results will use the same input assumptions and net-to-gross adjustment factors that were used to determine Union's 2016 targets.[17]

(Enbridge can be substituted for Union as the Board's confirmation applies to both utilities)

[16] EB-2015-0029/0049, Decision and Order, January 20, 2016, pages 1/2
[17] EB-2015-0029/0049, Union Gas Written Comments RE: Decision and Order, February 3, 2016, page 3

To be clear, the EC did not do what the Board confirmed on two occasions was appropriate, namely that the best available information from the prior year's audit should be used to determine the next year's scorecards and results.

19. To calculate the correct DSMIDA amount, Enbridge confirms that its target adjusted results are consistent with the Board's guidance. Enbridge's target adjusted DSMIDA balance, calculated using the revised targets, are consistent with the Board's confirmation that input assumptions and NTG factors are finalized for a given year based on that previous year's final DSM audit.[18]

20. Notwithstanding the concerns expressed by Enbridge in the 2015 DSM Clearance proceeding in regard to the 2015 NTG Study[19], the Company accepts the Board's direction in its 2015 Clearance Decision to apply the outcomes of the 2015 evaluation including the 2015 NTG Study to the determination of the 2015 LRAM. To reflect the Board's direction, Enbridge appropriately revised 2016 targets based on the same best available information which is the updated input assumptions and NTG factors updated in the 2015 evaluation.

21. Enbridge submitted a letter to the Board dated August 1, 2018 (Exhibit B, Tab 5, Schedule 1) providing updated 2016 targets revised to reflect the Commercial and Industrial Custom Net-to-Gross adjustment factors and Run-it-Right Net-to-Gross adjustment factors that were updated as part of the 2015 NTG Study and the CPSV Participant Spillover Results ("2015 Spillover Study").[20] It should be noted that the scorecard impact of these adjustments to 2016 targets is limited to the Resource Acquisition scorecard.

---

[18] EB-2015-0029/2015-0049, Revised Decision and Order, February 24, 2016, page 3
[19] Full details regarding the concerns over the methodologies employed by DNV can be found in Enbridge's 2015 Clearance of Accounts application (EB-2017-0324, Exhibit A, Tab, Schedule 3)
[20] CPSV Participant Spillover Results, DNV GL, May 23, 2018

22. It should also be noted that in the process of preparing this 2016 Clearance submission it became apparent that there was a minor miscalculation reflected in the revised Resource Acquisition scorecard target outlined in the original Appendix included with the August 1, 2018 letter to the Board. Accordingly, the Appendix included with the August 1st letter included for reference, and filed at Exhibit B, Tab 5, Schedule 1 has been corrected. This correction resulted in a small reduction in the forecast DSMI for the Resource Acquisition scorecard based on the draft pre-audit values.

23. Enbridge's Resource Acquisition scorecard, reflecting 2016 adjusted targets and the resulting DSMI achievement based on the EC's audited results are outlined below in Table 3, as detailed in Enbridge's final 2016 DSM Annual Report: [21]

Table 3

Resource Acquisition						
Component	Metric	Weight	Targets: Lower Band	Targets: Target	Targets: Upper Band	2016 Result
Large Volume Customers	*Cumulative Savings (million m³)*	**40%**	249.1	332.2	498.3	**328.75**
Small Volume Customers	*Cumulative Savings (million m³)*	**40%**	224.2	298.9	448.4	**394.82**
Deep Residential Savings	*Participants*	**20%**	6,194	8,259	12,389	**12,986**
		Total Weighted Scorecard Target Achieved				**123.9%**
		Scorecard Incentive Achieved				**$4,658,886**

24. In order to adjust 2016 targets to incorporate the findings from the 2015 Annual Verification (i.e., free ridership and spillover values) Enbridge developed a methodology to apply an appropriate weighted 2015 NTG adjustment factor to the 2016 target. This action was required as the 2015 and 2016 program scorecards and targets assigned to the Commercial and Industrial program offerings are not

[21] Exhibit B, Tab 2, Schedule 1, 2016 Demand Side Management Annual Report, November 17, 2018, page 128

apples-to-apples. Specifically, Enbridge's 2015 Commercial and Industrial program targets are captured in a single metric for Resource Acquisition volumes which also includes residential target volumes. For the 2016 program year, the Board approved a scorecard with metric weightings and targets for the Commercial, Industrial, and Residential offerings split out between a Large Volume and a Small Volume gas savings target.[22]

25. To determine appropriate weighted 2015 NTG adjustment factors, Enbridge retrieved the pre-audit CCM results for the 2015 Commercial and Industrial Custom offerings and the pre-audit CCM results for the 2015 Run-it-Right offering. Enbridge next applied verified Commercial and Industrial Custom Net-to-Gross ("NTG") adjustment factors and Run-it-Right Net-to-Gross adjustment factors to the pre-audit CCM results to determine what the CCM results would be considering only the NTG adjustment factors. The respective program offering's pre-audit CCM results were then divided by the verified NTG CCM results to determine the 2016 NTG factor for the Custom and Run-it-Right offerings to be applied to the 2016 targets. These values are illustrated in Table 4 below:

<u>Table 4</u>

	Draft 2015 Pre-Audit Net Results (A)	**Column (A) values adjusted for 2015 NTG estimates* (B)**	**NTG differential/ adjustment factor = (B)/(A)**
Commercial and Industrial Custom	556,241,778	245,100,979	44.06%
Run It Right	2,684,105	1,343,663	50.06%

*Incorporates results from the 2015 NTG Study and 2015 Spillover Study

26. To determine how to appropriately apply the adjustment to each of the 2016 Large and Small Volume targets, it was necessary to break out the 2016 Large and Small

[22] EB-2015-0049, Decision and Order, January 20th, 2016, Schedule B

Volume targets into the respective program offerings. To accomplish this, Enbridge applied the target breakout detailed in the Board's 2015-2020 DSM Plan Decision[23] to determine the weighting of each offering within the broader Large and Small Volume CCM targets. In other words, the Company needed to incorporate the portion of the overall CCM target for a specific offering that contributed to each of the Large Volume or the Small Volume target.

27. Once the program offerings and targets were bucketed accordingly for 2016, Enbridge applied the respective adjustment for each 2015 program offering to the portion of the 2016 target of the same program offering. This resulted in an appropriate adjustment to the 2016 targets.

28. Enbridge submits that, as a result of Board guidance and as confirmed in prior Board decisions, it is appropriate to adjust its 2016 DSM targets, based on best available information, to reflect the updated input assumptions and NTG adjustment factors established in the 2015 evaluation process. Specifically the 2016 Resource Acquisition targets required updating to reflect the Board's expectation that these targets incorporate the updated NTG estimates for the Commercial and Industrial Custom and Run-it-Right offers.

29. Enbridge is therefore seeking approval for the target adjusted DSMIDA balance outlined in Table 1 above. Enbridge submits that the DSMIDA value determined in the EC's 2016 Annual Verification Report is incorrect.

30. Enbridge agrees with the EC's determination of LRAM and is seeking approval for the LRAMVA balance outlined in Table 1 above.

---

[23] EB-2015-0049, Decision and Order, January 20, 2016, Schedule A (Excel version provided to the Utilities by the OEB)

2016 Board Led EM&V Process

31. Enbridge acknowledges that for the 2015-2020 period the Board has assumed responsibility to coordinate the evaluation process. The 2015 transition year was the first year under the new Board Staff coordinated EM&V process. In Enbridge's 2015 Clearance Application (EB-2017-0324), the Company outlined a number of concerns it had with the Board Staff led process. In particular, the Company expressed concern with the delay in the annual evaluation effort. In its 2015 Clearance Decision the Board noted that the "2015 program year was the first of the OEB-led annual DSM evaluation process" and that the review of the evaluation process "was outside the scope of this proceeding[24]."

32. The Company concedes that since 2015 was a transition year and the first year of the new EM&V process, it is not unexpected that some delays occurred and that areas for improvement were identified. The Company does not wish to revisit in detail the reasons for the significant delays moving forward with the clearance of 2015 and 2016 deferral and variance account applications. Those concerns were articulated in the 2015 Clearance Application (EB-2017-0324). Nonetheless, it is important to highlight that the delay in the completion of the 2016 program year evaluation has caused the Company considerable difficulty. As per the Board's Decision on the 2015-2020 DSM Plan, the determination of 2017 targets requires, as a critical input, the final audited program results from 2016, and with the Final 2016 Annual Verification Results report not being completed until October 30, 2018, the Company was unable to determine accurate 2017 targets until well after the 2017 program year was concluded. Enbridge had no ability therefore to assess or adapt its program delivery, or consider its relative program efforts based on 2016 outcomes, or impacts to 2017 targets.

[24] EB-2017-0324, Decision and Order, July 12, 2018, p.8

33. Enbridge acknowledges and commends Board Staff's recent recognition of the importance of accelerating EM&V timelines. To have clarity with respect to annual targets, appropriately assess program delivery considerations, and have the ability to complete the clearance of DSM variance accounts in a timely manner, the Company urges Board Staff to continue to prioritize steps to expedite the EM&V process going forward.

34. It should be noted that, as at the time of submitting this application, with the exception of a verification effort currently underway assessing the utilities' Commercial and Industrial prescriptive offers, the balance of the 2017 verification has not yet begun. The utilities and stakeholders at the EAC have provided feedback on potential evaluation approaches for 2017 and 2018. Given continuing concerns with delays, in the case of the Commercial and Industrial custom savings verification, the utilities had requested that the Evaluation Contractor proceed with the application of an average realization rate from the 2015 and 2016 verification studies, to the 2017 custom results, in order to expedite a more timely 2017 Clearance application. This was based on very stable realization rates in 2015 and 2016 that could reasonably be assumed to continue in 2017. As evidenced in the application of a weighted proxy value to the Low Income custom verification in 2017, the EC has agreed that this would be a reasonable approach. However, Board Staff has decided to proceed with a combined two program year effort. It is the utilities' understanding that it is Board Staff's intention to issue an RFP in the coming days to procure a verifier for a planned 2017/2018 combined impact verification and NTG evaluation on the Commercial/Industrial custom offers.

35. Based on the timelines experienced in both the 2015 and 2016 Commercial/ Industrial verification efforts, Enbridge remains concerned about the likelihood that the 2017 evaluation will not be completed until sometime in late 2019. The utilities are also concerned that until such time as the 2017 verification is completed,

Enbridge is unable to calculate targets for 2018 and in no position to file a 2018 Draft Annual Report. For these reasons, Enbridge requests that the Board provide guidance with respect to the utilities' proposal to apply a 2015/2016 average verification adjustment factor (realization rate) to 2017 custom results with the objective of bringing the evaluation timelines back on schedule, and focus upcoming evaluation efforts on the 2018 verification.

36. As Enbridge suggested in its 2015 Clearance Application, the determination of updated Commercial and Industrial Custom and Run-it-Right NTG ratios through the NTG Study was flawed. Notwithstanding Enbridge's continuing concerns with the execution of the 2015 NTG Study, including the survey instrument used and the scoring methodology employed by the EC, Enbridge accepts the application of the results of the 2015 NTG Study for the purposes of this 2016 Clearance Application. The Company however expects that the next NTG Study will fully reflect lessons learned from the 2015 NTG Study experience.

37. Enbridge believes it is important therefore to remind the Board of its concerns[25] as they pertain to the credibility of the 2015 NTG Study:

   i. Delay in Process / Timing Concerns: The significant delay in questioning customers (i.e., up to 3 years after project execution) likely increased recall bias and exaggerated free ridership estimates.

   ii. Scoring Algorithm: A sensitivity analysis should have been completed to assess the reasonableness of the scoring algorithm. Small variations of subjective cut-offs can have significant impacts on NTG estimates.

[25] Full details regarding the concerns over the methodologies employed by DNV can be found in Enbridge's 2015 Clearance of Accounts application (EB-2017-0324, Exhibit A, Tab, Schedule 3).

iii. Incentive Focused Questions: Questions were too focused on the incentive given to customers, and less on the influence of utility support, technical assistance and expertise.

iv. Cancellation of ESC Interviews: Energy Solutions Consultant interviews would have provided the EC with the necessary program information and their role in working with customers to better inform the survey questions.

v. Vendor Influence: The assessment of vendor feedback was significantly limited so that the customer could not appropriately assign influence to the role of the vendor in the project.

vi. Exclusion of Secondary Attribution: Although part of the NTG Study Scope of Work[26], Secondary Attribution was understated in the survey (i.e. one question versus a series of questions) and most significantly the measured results were completely excluded from the quantification of the final NTG Study values.

38. In the 2015 Clearance Decision, the Board did not comment on the omission of Secondary Attribution. Although it is not the Company's intent to restate all of its concerns in detail in this filing, Enbridge believes it is important to stress to the Board the importance of including any and all influences attributable to the Company, secondary or otherwise (i.e., direct or indirect).

39. Differentiation of primary and secondary attribution was a contested issue in the execution of the 2015 NTG Study. Because there was disagreement from certain stakeholder(s) on the Technical Evaluation Committee who were originally involved with setting the scope for the Study, the evaluator proposed the assessment of two

[26] Measurement of NTG Factors for Ontario's Natural Gas Custom Commercial and Industrial DSM Scope of Work for Ontario Natural Gas Technical Evaluation Committee (TEC), dated March 2, 2016, p. 44

aspects of attribution. "Primary attribution" was intended to capture the effect of the program(s) on the current project. The effect on the current project of prior and indirect program experience and utility influence was to be captured in a secondary question sequence and became known as "Secondary Attribution".

40. This broader, historical, longer-term and indirect, utility influence is particularly relevant in the case of mature DSM programs (such as Enbridge's) that have been in the market for many years and where the utility has provided long-term customer support.

41. As part of the 2015 NTG Study, though the EC had included an assessment of this historical, indirect utility influence in the Study's scope of work, and though the EC provided a numeric estimate (a percentage value) reflecting the impact of this broader attribution, ultimately the value quantified was not included in the final free ridership values included in the Study.

42. Enbridge notes that the effect of secondary attribution on the estimation of free-ridership can be significant. For example, in the 2015 NTG Study, the NTG ratio (although understated as a result of the EC's methodology) would have been approximately 10% higher if secondary attribution was correctly included, thus significantly adjusting results.[27]

43. For the time being, as secondary attribution was excluded from the 2015 NTG Study, Enbridge has not included secondary attribution in its calculation of the 2016 target adjustments nor the 2016 results. Such impacts are therefore not reflected in the deferral and variance account amounts proposed by the Company in this application. It should be noted that doing so would result in DSMI values not materially different than those outlined in this application since the adjustment would be made to both targets and results. Nonetheless, as a matter of policy, and

[27] EB-2017-0324, 2015 Application for Clearance of DSM Accounts, Exhibit A, Tab 1, Schedule 3, p.23

in anticipation of the next NTG Study (expected during 2019), Enbridge believes it is critically important that the Board understand the inappropriateness of the approach taken in the 2015 NTG Study with respect to the complete exclusion of the important and meaningful impact of Enbridge's longer-term influence on customers' completion of energy efficiency improvements.

Demand Side Management Variance Account ("DSMVA")

44. In the Report of the Ontario Energy Board Mid-Term Review, the Board requested that Enbridge file a draft accounting order to include the provision that the DSMVA be used to track future financial commitments for programs with deferred customer incentive payments, as part of its 2016 Clearance application.

45. This Board direction is a response to the Company's request, in its Mid-Term submissions, for a mechanism to track and carry forward approved DSM amounts for programs that span multiple years. These amounts would be used when a customer incentive commitment is due.

46. Accordingly, the Company has included in Exhibit B-6-2 a Draft Accounting Treatment for the Demand Side Management Variance Account to include the provision for tracking and carrying forward future customer incentive payments beginning with the 2017 program year.

Relief Sought through this Clearance Application

47. For the reasons set out in this Application, Enbridge respectfully requests that the Board make the following findings, determinations and orders:

a) Approval of the deferral and variance accounts balances for DSMVA, LRAMVA and DSMIDA as outlined in Table 1 (and restated below) based on 2016 targets being adjusted to reflect the updated input assumptions and net-to-gross factors that were the result of the 2015 evaluation process consistent with the Board's direction;

Table 1

2016 DSM Deferral and Variance Accounts and Balances	
Demand Side Management Variance Account (DSMVA) (to be reimbursed to ratepayers)	* ($ 712,832)
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (to be reimbursed to ratepayers)	* ($ 95,625)
Demand Side Management Incentive Deferral Account (DSMIDA)	$ 6,365,751
Total Amount Recoverable	$ 5,557,294

* Negative values indicate amounts being reimbursed to ratepayers

b) An Order providing for the clearance through to rates of a one-time adjustment of $5,557,294. The Company respectfully requests that this amount be cleared within the next available QRAM following the Board's approval.

c) Approval of the revised DSMVA draft accounting order in compliance with the Board's direction in the Report of the Ontario Energy Board Mid-Term Review (EB-2017-0128).

d) Direction from the Board that the 2017 Commercial/Industrial Custom project assessment effort be facilitated through the application of an average 2015/2016 realization rate. Doing so would allow for the 2017 Clearance of DSM deferral accounts to be expedited, which would then allow for upcoming verification activities to be focused on the 2018 DSM program year to bring the EM&V process back to a more timely execution.