

OSEA INTERROGATORY #1

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, Page 3 of 48

Preamble:

Enbridge has identified the following primary concerns with the Board Staff coordinated 2015 verification process and results:

- The evaluation and audit process lacked the appropriate and necessary degree of transparency, collaboration, efficiency and balanced stakeholder input to ensure a fair and credible process and result;
- The retroactive application of the NTG ratios from the NTG Study is inappropriate and contrary to the Board's earlier Direction and is both inappropriate and inconsistent with best practices.
- The determination of NTG ratios in the NTG Study by DNV are inappropriate and flawed in that the NTG Study deviated from the appropriate scope of work and did not reflect industry best practice.

- a) Please outline the timetable and major events for:
 - i. the 2015 evaluation and audit process completed by the Evaluation Contractor
 - ii. the evaluation and audit process for previous years when Enbridge managed the process with participation of the Technical Evaluation Committee (TEC) and each of the company specific Evaluation Committee (EC) post 2011.
- b) Please advise what Enbridge recommends to reduce delays seen in the 2015 EM&V process.
- c) Please advise what takeaways from the previous process, where the Technical Evaluation Committee (TEC) and company specific Evaluation Committees operated primarily on a consensus basis with intervenor representatives, can be used to improve collaboration within the EM&V process moving forward.
- d) Please list the major decisions during the EM&V process that were directed by Board staff rather than the EAC.
- e) Was Enbridge informed whether the expert members of the EAC were informed of these directions in advance?
- f) Please describe any specific improvements in the current EM&V process compared to the Stakeholder developed process approved by the Board in the 2011 proceeding.

Witnesses: D. Bullock
D. Johnson

- g) Please outline the impacts of the delayed 2015 EM&V process on the following:
- i. Customers and customer representatives
 - ii. Company Evaluation Staff
 - iii. Commercial and Industrial Customer representatives
 - iv. Company Program Development Staff.
- h) Please outline the impact of the lack of transparency on the following, including any differences between the process established in 2011 and the current process:
- i. Decision making
 - ii. Participation of Enbridge representatives on the EAC
 - iii. Participation of Expert representatives, and
 - iv. Enbridge's ability to replicate evaluation results and understand the application of the modelling and other processes used by the Evaluation Contractor and the direction provided to subcontractors.
- i) Please describe the top three major impacts to audit results resulting from any deviation from best practices.
- j) Please describe Enbridge's view of the process and results of the following:
- i. Free Riders, including the validity of survey results, transparency of modelling survey comments, and assessment of customer responses.
 - ii. Spillover, including the application of deemed results from study estimates in the United States.

RESPONSE

- a) i) See the response to SEC Interrogatory #21, found at I.EGDI.SEC.21.
- ii) See the response to BOMA Interrogatory #6, found at I.EGDI.BOMA.21.
- b) Enbridge shared recommendations for improvements with Board Staff including:
- the establishment of a charter/terms of reference to clearly outline roles and responsibilities for the EAC.
 - the establishment of a single comprehensive project timeline with input from all stakeholders at the outset of the process with constant updates and reviews throughout the process to better manage priorities, activities and deadlines, and reset as needed.

Witnesses: D. Bullock
D. Johnson

- Reconsider having the EC use its own tool to make adjustments and calculate CCM, DSMI and LRAM. Given it was challenging and time consuming to reproduce the adjusted results (and errors were identified), and work back into the utilities calculation tools in order to finalize the Company's Annual Report and file a Clearance application.
- Inclusion of live calculations by EC to support understanding of adjustments and avoid unnecessary comments/review.

c) Lessons from the previous process:

- Ensure that there is an EAC charter established which outlines that the EAC with OEB staff have a primary objective of striving for consensus; and clarifies the roles/responsibilities of the various parties
- Ensure appropriate transparency and consultation is maintained, and ensures no single party makes decisions on material matters.
- Record meeting discussions, outcomes, agreements and takeaways to avoid confusion and ensure transparency
- Ensure a clear comprehensive timeline is laid out in advance which addresses all planned activities, with input from all stakeholders
- Ensure scopes of work are established and agreed to early in the process and fully adhered to throughout
- Involve stakeholders ("EAC") in the contractor selection process and fully disclose budgets for evaluation activities

d) For clarity, the EAC is an advisory committee formed as part of the OEB-led governance structure to provide input, advice and expert guidance to the EC and OEB Staff on evaluation activities undertaken. All decisions relating to the 2015 process were ultimately made by the EC and / or OEB Staff. Though Enbridge can only comment on actions that were apparent to the Company, there were occasions where OEB staff directed the EC, or decided with the EC, to take action without EAC consultation. See the response to SEC Interrogatory #5, found at I.EGDI.SEC.5 for details.

Witnesses: D. Bullock
D. Johnson

- e) Enbridge has no record and is therefore unaware of any communication which would indicate that the expert members of the EAC were informed of these directions in advance.
- f) See the response to SEC Interrogatory #2, found at I.EGDI.SEC.2.
- g) i. Impacts to customers and customer representatives:
- Customers involved in the CPSV / NTG reviews were confused by the delay. In some cases staff had changed or were no longer employed with the customer and knowledgeable contacts involved at the time of the evolution and implementation of the project were no longer accessible. In other cases, given the time elapsed, customers had to investigate project details to attempt to answer verification questions. Additionally, since customers may undertake more than a single project at a facility and in some instances, with limited details regarding the interviews in advance, customers reported being unprepared for which particular projects were in question. Enbridge expects this was compounded with the delay between project implementation and verification/NTG follow-ups.
 - Clearance of 2015 variance account amounts will not impact customers (will not be cleared in rates) until 2018, and delays increase the likelihood that customer composition in each rate class will not be consistent from 2015. In addition, depending on the timing of the 2016 and 2017 evaluation processes, customers could see rate impacts for multiple DSM program years over a short time period.
- ii. Company Evaluation Staff
- The delayed 2015 process has meant that evaluation staff have not been able to relay audit recommendations and outcomes to the DSM group in a timely manner. As such, outcomes from the 2015 audit, delivered in late 2017, can only be considered for the 2018 program year.
 - Given uncertainty with budgets for OEB-led evaluation efforts that are spanning multiple years, evaluation staff had difficulty planning other evaluation work to help evolve program improvements.
 - Resourcing issues with evaluation staff supporting various evaluation efforts across multiple years has proved challenging.

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iii. Commercial and Industrial Customer representatives

- Commercial/Industrial ESCs have been called upon to research details/contact information and source data for projects which were completed two years prior. This was compounded with internal staff changes/turnover. These ESCs also fielded questions/concerns from customers through the process as addressed in part i. above.

iv. Company Program Development Staff

- Program development staff are responsible for the evolution of programs. The delay in the 2015 evaluation meant that program development/management staff were not able to consider audit findings and recommendations in a timely manner in an effort to enhance/improve programs in 2016 or 2017.
- h) i. The nonexistence of a clear charter outlining the roles and responsibilities of the EAC, including transparency in decision making caused confusion and uncertainty for the utility. Enbridge is of the view that while some decisions were made by the EC and OEB staff with appropriate EAC input and consultation, some key decisions were made without appropriate consultation. Enbridge cannot qualify the impact of these actions to the 2015 outcomes, but is nonetheless concerned about the appropriateness of these actions.
- ii. Enbridge is of the view it was not always able to fully act within its advisory role as it was not always consulted on decisions as outlined in evidence.
- iii. Enbridge cannot comment on the impact to other members of the EAC. However, similar to the prior evaluation process, through the TEC and the audit committees, including experts in the current evaluation process through the EAC is positive. These experts have continued to provide insights, historical context and perspective to evaluation efforts.
- iv. Enbridge had no involvement in the direction provided to subcontractors so it is unable to comment.
- i) The three major impacts to audit results due to deviation from best practices are:
1. The retroactive application of NTG values relative to targets set using a different set of inputs. As outlined in evidence, Enbridge is of the view that the Board's Revised Decision and Decision in respect of the Company's 2015 -2020 Multi-

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year DSM Plan (EB-2015-0049) and the DSM Framework does not provide that the net-to-gross factors which have been proposed by the EC are to be used in the evaluation of the Company's 2015 DSM program year results in a retroactive manner. Enbridge does not believe the Decision is consistent with the view of retroactivity promoted by Board Staff for the purposes of the evaluation of the Company's 2015 DSM results. As provided in evidence, leading jurisdictions are eliminating or reducing the retroactive application of NTG studies. As summarized in Navigant's Net-to-Gross Policies: Cross-Cutting Jurisdictional Review:

Net savings and NTG are one of the factors used in determining incentives and judging progress toward targets in each state; however, each state has developed structures that reduce the influence of after-the-fact (i.e., retrospective) application of NTG estimates. Massachusetts and Illinois do not apply retrospective NTG estimates for determining shareholder incentives, and California's new incentive structure reduces the effect of retrospective application of NTG estimates by making it only one of four factors that are used to determine incentives and by using retrospective NTG only for select programs.¹

The Navigant report further goes on to outline:

Applying NTG estimates prospectively reduces uncertainty for utilities by eliminating the risk of a retroactive application of a different NTG ratio than that assumed in program planning and avoids the controversy and arguments over attribution issues that have occurred in other jurisdictions.²

2. The free-ridership assessment through the NTG study was impacted due to the delay in executing the interviews inherent in the self-report method. Best practice for a self-report survey is to conduct the study as soon as possible after a project is complete to mitigate factors such as recall bias. Additionally, the full assessment of the utility's influence on customers was not factored into the EC's NTG determinations as a result of the EC's exclusion of secondary attribution in the estimates.
3. Enbridge lacks confidence in the results due to limited transparency and because the NTG scope of work was not followed. Leading jurisdictions have transparent stakeholder processes that aim to have consensus among all stakeholders. Key examples are survey instruments/questions and scoring algorithms.

¹ EB-2017-0324, Application and Evidence, Exhibit B, Tab 6, Schedule 1, Page 4 of 40

² Ibid.

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- j) i. Enbridge's view is that the delay in the implementation of the NTG study surveys from the time decisions were made to undertake projects by customers, resulted in incorrect and overstated free ridership values due to issues with recall bias, ability of reaching the appropriate person, as well as biases related to respondents providing socially desirable responses.

In addition Enbridge questions the omission in the process to undertake sensitivity analysis to examine the scoring methodology particularly where subjective classifications were outlined by the EC (for example, 0 to 48 month timeline parameters in the scoring methodology for accessing timing influence; and criteria for determining the inclusion of vendor survey feedback). Though the EC in its final report provided sample attribution scores, Enbridge was not provided with sufficient information to understand how scores were determined, particularly for timing related questions.

Enbridge was unsuccessful in getting an understanding and explanation from the EC with regard to the customer responses. This might have been accomplished by providing the Company with responses to the questions in the surveys in aggregate (to maintain customer anonymity). This would have allowed the utility to review the survey results in more detail with the consultant and support improved understanding regarding the various drivers in assessing program influence as well as providing more confidence in the translation of survey results and customer feedback into a scoring algorithm. Furthermore, Enbridge requested more understanding with regard to the verbatim customer responses summarized in the EC's CPSV / NTG report in Tables 8-17 through 8-23. Though the EC states these responses were not part of the scoring algorithm, Enbridge was not able to understand and therefore reconcile how some of the responses aligned with the indication of Full, Partial or None attribution categories indicated in the tables.

- ii. Enbridge does not believe it was appropriate for OEB Staff to direct the EC to undertake secondary research to identify and apply a spillover value from another jurisdiction without any EAC consultation and contrary to the approach outlined in the NTG Study scope of work.