

BOARD STAFF INTERROGATORY #1

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, p. 3

Preamble:

Enbridge states: 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. *Emphasis added*

Questions:

Please specify on what basis Enbridge Gas claims that the retroactive application of net-to-gross (NTG) ratios is "inconsistent with best practices." Specifically, please cite the jurisdictions which do not leverage best-available information when developing final estimates of efficiency program impacts and performance incentives as well as whether or not these jurisdictions' decision to not use best-available information has been sanctioned by their regulator.

RESPONSE

It is Enbridge's opinion that it is best practice for results to be assessed in line with the same inputs used to establish targets.

In the Board's 2015 to 2020 DSM Framework, the Board directed that "the gas utilities should roll-forward their 2014 DSM plans, including all programs and parameters (i.e., budget, targets, incentive structure) into 2015."¹ The Board further outlined, "in order to effectively estimate the amount of energy savings achieved through the delivery and implementation of DSM programs, the gas utilities rely on a set of approved engineering assumptions that represent the best available information regarding various characteristics of an energy efficient technology (e.g., life cycle, energy usage level, gas savings, etc.)."²

The Board further stated in its Decision & Order that it "approves Union and Enbridge's proposed 2015 metrics and targets for all scorecards. The OEB believes that it would

¹ EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020) p. 34.

² EB-2014-0134, Report of the Board, DSM Framework for Natural Gas Distributors (2015-2020) p. 31.

Witnesses: D. Bullock
D. Johnson

be **inappropriate** [emphasis added] at this time to make a change to the 2015 targets with the year completed.”³ It is important to note that Enbridge’s 2015 targets and scorecards were developed using the input assumptions and NTG factors that were used to determine 2014 DSM program results. This is in line with Enbridge’s understanding that 2015 targets should be set using best available information and subsequently that updated net-to-gross determinations should be applied prospectively to targets and results of future DSM program years.

Enbridge did not undertake research or analysis to ascertain general DSM policy approaches regarding best available information and/or whether such approaches are sanctioned by regulators. The Navigant report however did look at leading jurisdictions to identify current approaches to NTG estimation. Massachusetts, California, and Illinois were selected as each has sizeable investments in EE programs, has implemented programs over a long period of time, and has a long history of program evaluation. In addition, each state has recently used stakeholder processes to revise the methods used to estimate NTG and how NTG is applied for incentive calculations and program planning. Massachusetts, Illinois and California are also considered leading states with respect to evaluation and the American Council for an Energy Efficient Economy’s (“ACEEE”) State Energy Efficiency Scorecard rates Massachusetts #1, California #2, and Illinois at #11.

Further, in the Summary of Findings, Navigant states the following:⁴

Theme 1. Applying NTG estimates for incentive and target calculation. All three states have shareholder incentives, with California revising existing incentives programs in the past 2 years and Illinois designing an incentives program scheduled to start in 2018. 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.

³ EB-2015-0049, Decision and Order, Ontario Energy Board, page 63.

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

Witnesses: D. Bullock
D. Johnson