

BOARD STAFF INTERROGATORY #2

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, p. 4

Preamble:

Enbridge states: In accordance with Section 11.0 of the Guidelines and for comparative purposes, Enbridge provides the DSM values based on the EC's recommended amounts and Enbridge's application as seen in Table 2 below:

| 2015 DSM Achieved Savings, Shareholder Incentive, and Lost Revenue | Enbridge Pre-Audit | Audit Opinion of EC | Enbridge Application |
|---------------------------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|
| Shareholder Incentive | \$10,318,594 | \$6,207,339 | \$10,077,965 |
| Lost Revenue | \$28,800 | \$16,405 | \$28,976 |
| DSMVA | \$825,460 | \$825,460 (not reviewed) | \$825,460 |

Questions:

- a) Please describe the various drivers of the variance (e.g., the use of differing NTG ratios, per unit savings assumptions, etc.) between the shareholder incentive calculated by Enbridge Gas (\$10,077,695) and that calculated by the EC (\$6,207,339).
- b) Please describe the various drivers of the variance (e.g., the use of differing NTG ratios, per unit savings assumptions, etc.) between the lost revenue calculated by Enbridge Gas (\$28,976) and that calculated by the EC (\$16,405).
- c) On a program-by-program basis, please demonstrate the dollar value of each variance driver in a) and b) as well as the process used by Enbridge Gas to calculate the value.
- d) Within Table 2, Enbridge Gas indicates that the "Audit Opinion of EC" is that the value of Enbridge Gas' DSMVA is \$825,460 (not reviewed). Please clarify whether or not the EC provided an opinion on the value of Enbridge Gas' DSMVA.
- e) Please indicate whether the NTG ratios Enbridge Gas used to calculate its shareholder incentive and lost revenue include spillover.
- f) Enbridge Gas indicates its current NTG assumptions are based on the results of a previous study.

Witnesses: D. Bullock
D. Johnson

- i. Please provide a copy of this study.
 - 1. If not included in the study report, please provide documentation showing details of the methodology used to develop the NTG estimate (e.g., the final scope of work)
 - ii. Please indicate the date this study was completed.
 - iii. Please provide copies of the calculation workbooks used to determine the NTG values in this study.
 - iv. Since the completion of that study, what efforts has Enbridge Gas undertaken in order to understand how effectively their DSM programs have been delivered to market?
 - v. What studies or other research has Enbridge Gas initiated since that study in order to ensure DSM programs achieve the high levels of performance and continually deliver ratepayer value?
 - 1. If applicable, how has Enbridge Gas reflected the findings, insights or lessons learned from these studies into their program design and delivery strategies?
 - 2. If such studies have not been completed, why not?
- g) If not for the 2015 program year, when does Enbridge Gas believe the results of NTG study completed by DNV GL should be used to calculate program performance?

RESPONSE

Please note that Enbridge filed updated evidence with the Board on March 26, 2018. As a result of a minor mathematical error identified in the calculation of LRAM, the LRAM was corrected to \$28,216 vs. \$28,976 in the December 19, 2017 application, a difference of (\$760). The edits contained therein affect the table referenced by Board Staff in the preamble above. For certainty, for the purposes of correctly addressing this IR response, Enbridge will be referring to the updated evidence which reflects the corrected LRAM of \$28,216.

In addition, please note, Board Staff has a minor typo on a value they have included in the table outlined in the preamble with respect to the Shareholder Incentive. The table referenced in Enbridge's evidence¹ specifies \$10,077,695 for the Shareholder Incentive in Enbridge's application. The table in the preamble provided by Board Staff has incorrectly shown the value of \$10,077,965.

¹ EB-2017-0324, Application and Evidence, Exhibit A, Tab 1, Schedule 3, page 4

Witnesses: D. Bullock
D. Johnson

a) & b)

In undertaking this comparison it appears that although the EC fully verified Enbridge’s performance with regard to the Low Income (Part 3) Building Performance Metric (i.e., 100% verified), which uses a percentage achievement value, the EC completed their calculation using a rounded percent score with fewer decimal places than the actual percentage achievement value used in Enbridge’s calculation. As such there is a rounding difference of \$44.

Otherwise Enbridge confirms that the only difference between the Shareholder Incentive and Lost Revenue values under the “Audit Opinion of EC” and “Enbridge Application” columns outlined below is that the Enbridge Application applied different (previous) custom measure NTG assumptions than those applied by the EC.

c) The shareholder incentive is calculated at the scorecard level, not the program level. As a result, please see the table below in response to this interrogatory for the dollar value of the shareholder incentive of each scorecard, based on the audit opinion of the EC and the Enbridge Application.

As explained above, the variance between the EC’s audit opinion and Enbridge’s application is wholly attributable to applying different custom NTG assumptions. Please note, however, the \$44 variance in the Low Income program is a rounding error and was explained in parts a) and b) above.

| 2015 DSM Program | EC’s Audit Opinion Shareholder Incentive* | Enbridge’s Application Shareholder Incentive** | Variance* |
|-------------------------|--------------------------------------------------|-------------------------------------------------------|------------------|
| Resource Acquisition | \$ 2,612,431 | \$ 6,482,744 | \$ 3,870,313 |
| Low Income | \$ 1,483,748 | \$ 1,483,792 | \$ 44 |
| Market Transformation | \$ 2,111,159 | \$ 2,111,159 | \$ - |

* Totals may not add up due to rounding

** EB-2017-0324, Application and Evidence, Exhibit B, Tab 1, Schedule 1, page 107, Table 9.6

The following table provides the LRAM for each program scorecard, comparing the value reflected in the audit opinion of the EC and the LRAM outlined in the Enbridge Application.

Witnesses: D. Bullock
 D. Johnson

| 2015 DSM Program | EC's Audit Opinion Lost Revenue* | Enbridge's Application Lost Revenue** | Variance |
|-----------------------|----------------------------------|---------------------------------------|-----------|
| Resource Acquisition | \$ 16,405 | \$ 28,216 | \$ 11,811 |
| Low Income | \$ - | \$ - | \$ - |
| Market Transformation | \$ - | \$ - | \$ - |

* EB-2015-0245, 2015 Natural Gas Demand Side Management Annual Verification, December 20, 2017, page i

** EB-2017-0324, Application and Evidence, Exhibit B, Tab 1, Schedule 1, page 104, Table 8.0

In order to calculate both the shareholder incentive and lost revenue amounts outlined in Enbridge's evidence, Enbridge used the EC's audit opinion, and recalculated the amounts by replacing the NTG assumptions proposed by the EC with the previous NTG assumptions.

- d) The EC did not provide an opinion on Enbridge's DSMVA.
- e) Enbridge does not have a current spillover estimate and has not applied a spillover value in its determination of CCM, DSMI or LRAM outlined in this application. Enbridge has similarly not applied a spillover value in determination of results in prior years. Based on the NTG Study scope of work, Enbridge understood that the spillover value would be contained in the recent NTG Study. Instead the NTG Study only included an adjustment for free-ridership.
- f) For clarity, Enbridge stated that its current commercial / industrial custom program NTG assumptions were based on audited outcomes of the 2014 audit process. Nowhere in evidence did Enbridge state "its current NTG assumptions are based on the results of a previous study." as suggested in the question.
 - i. A copy of this Summit Blue study has been included as an attachment in response to SEC Interrogatory #52, found at Exhibit I.EGDI.SEC.52.
 - 1. Methodology details are included in the study.
 - ii. The study was completed on October 31, 2008.
 - iii. Enbridge is unable to locate and therefore unable to produce worksheet calculations used to determine NTG values determined in the study. This is not surprising given the date that they were produced and that Enbridge personnel involved at the time have since retired or moved on from the DSM group.

Witnesses: D. Bullock
 D. Johnson

- iv. Since the completion of the study, Enbridge has undertaken a number of activities over the years to gain input and feedback in an effort to enhance program offerings.

These include, but are not limited to, focus groups, surveys, market assessments and stakeholder consultations. Many of these have focused on the Commercial and Industrial area and have included a broad range of stakeholders including customers, channel partners as well as Intervenors.

These activities are additional to the consistent interaction Enbridge ESCs have with customers through the delivery of the custom programs, which provides a continuous source of feedback for program improvements.

- v. Beginning with the earlier Evaluation & Audit Committee established following the DSM Generic proceeding of 2006, and then transitioning to the Technical Evaluation Committee (“TEC”) beginning in 2012, evaluation priorities have been established in consultation with these committees through a stakeholder engagement process. (For the 2015-2020 framework evaluation responsibility and oversight has moved to the OEB with advisory input from the EAC). These committees established evaluation priorities which resulted in the following studies and activities (Findings and lessons learned from these studies are considered and adopted in evolving program design and delivery):

2008

- TAPS PROGRAM VERIFICATION STUDY
- NOVITHERM HEAT REFLECTORS VERIFICATION STUDY
- MULTI-RESIDENTIAL SHOWERHEAD PROGRAM VERIFICATION STUDY
- COMMERCIAL SECTOR CUSTOM PROJECTS VERIFICATION
- INDUSTRIAL SECTOR CUSTOM PROJECTS VERIFICATION
- ENERGUIDE AWARENESS SURVEY OF THE ENERGUIDE LABEL
- HOME PERFORMANCE CONTRACTOR MARKET TRANSFORMATION PROGRAM STUDY
- BOILER MARKET TRANSFORMATION PROGRAM 2008: CONTRACTOR, ENGINEER & CUSTOMER AWARENESS RESEARCH

- BUSINESS PARTNER MARKET TRANSFORMATION PROGRAM: PERCENTAGE INCREASE IN DESIGN INCORPORATION PLANS
- BUSINESS PARTNER MARKET TRANSFORMATION PROGRAM: TECHNOLOGY AWARENESS
- EXAMINING THE IMPACT OF LOW FLOW SHOWERHEADS ON WATER HEATER CONSUMPTION
- NATURAL GAS ENERGY EFFICIENCY POTENTIAL: UPDATE 2008
- RESIDENTIAL MEASURE FREE RIDERSHIP AND INSIDE SPILLOVER STUDY
- RESOURCE SAVINGS VALUES IN SELECTED RESIDENTIAL DSM PRESCRIPTIVE PROGRAMS
- COMMERCIAL/INDUSTRIAL CUSTOM PROJECTS ATTRIBUTION STUDY
- MEASURE LIFE FOR RETRO-COMMISSIONING AND CONTINUOUS COMMISSIONING PROJECTS
- PRESCRIPTIVE DESTRATIFICATION FAN PROGRAM STUDY
- PRESCRIPTIVE COMMERCIAL BOILER PROGRAM STUDY
- COLD WEATHER DESTRATIFICATION HUNTER DOUGLAS MONITORING RESULTS
- PRESCRIPTIVE BOILER SCHOOL PROGRAM RESEARCH

2009

- TAPS PARTNERS PROGRAM 2009 FOLLOW-UP STUDY
- TAPS PARTNERS PROGRAM 2009 LOW INCOME ANALYSIS
- SHOWERHEAD AND AERATOR AUDIT STUDY MULTI-RESIDENTIAL RENTAL BUILDINGS STUDY
- VERIFICATION STUDY OF COMMERCIAL CUSTOM PROJECTS
- VERIFICATION STUDY OF INDUSTRIAL CUSTOM PROJECTS
- ENERGUIDE FOR NATURAL GAS FIREPLACES
- HOME PERFORMANCE CONTRACTOR MARKET TRANSFORMATION PROGRAM: 2009
- DRAIN WATER HEAT RECOVERY SYSTEM MARKET TRANSFORMATION PROGRAM 2009 BUILDER KNOWLEDGE RESEARCH
- ANALYSIS OF LOW INCOME WEATHERIZATION PROGRAM RESULTS
- ANALYSIS OF SHOWERHEAD FLOW RATES RESIDENTIAL SECTOR EXAMINING THE IMPACT OF LOW FLOW SHOWERHEADS ON WATER HEATER CONSUMPTION

Witnesses: D. Bullock
D. Johnson

- PRESCRIPTIVE DESTRATIFICATION FAN PROGRAM
PRESCRIPTIVE SAVINGS ANALYSIS
- PRESCRIPTIVE COMMERCIAL BOILER PROGRAM
PRESCRIPTIVE SAVINGS ANALYSIS
- SAS ANALYSIS: ESTIMATING THE IMPACT OF LOW-FLOW
SHOWERHEADS
- MEASURE LIFE FOR RETRO-COMMISSIONING AND
CONTINUOUS COMMISSIONING PROJECTS REPORT

2010

- TAPS PARTNERS PROGRAM 2019 FOLLOW UP STUDY
- TAPS PARTNERS PROGRAM 2010 LOW INCOME ANALYSIS
- SHOWERHEAD VERIFICATION AMONG RENTAL BUILDINGS
RESEARCH REPORT
- VERIFICATION STUDY OF COMMERCIAL CUSTOM PROJECTS
- VERIFICATION STUDY OF INDUSTRIAL CUSTOM PROJECTS
COMMERCIAL HYDRONIC BOILER BASELINE STUDY
- STEAM TRAP MEASURE LIFE RESEARCH

2011

- TAPS 2011 FOLLOW UP STUDIES
- TAPS PARTNER PROGRAM – DIRECT INSTALL FOLLOW UP
STUDY
- TAPS PROGRAM – DIRECT MAIL AND BILL INSERT FOLLOW UP
STUDY
- TAPS PARTNERS PROGRAM 2011 LOW INCOME STUDY
- SHOWERHEAD VERIFICATION AMONG RENTAL BUILDINGS
RESEARCH REPORT
- VERIFICATION STUDY OF COMMERCIAL CUSTOM PROJECTS
- VERIFICATION STUDY OF INDUSTRIAL CUSTOM PROJECTS
- VERIFICATION STUDY OF PRE-RINSE SPRAY VALVES
- ON-DEMAND WATER HEATER RETROFIT PROJECT
- LI PART 9 WEATHERIZATION PROCESS EVALUTION

2012

- TAPS AND ESK PROGRAM 2012 VERIFICATION
- COMMERCIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY
- INDUSTRIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY
- 2012 MULTI-RESIDENTIAL LOW INCOME SHOWERHEAD VERIFICATION
- SAMPLING METHODOLOGY FOR CUSTOM C&I PROGRAMS (NAVIGANT)

2013

- COMMERCIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY
- INDUSTRIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY
- COMMERCIAL/INDUSTRIAL FREE RIDER JURISDICTIONAL SCAN
- TECHNICAL REFERENCE MANUAL
- RESIDENTIAL MARKET SURVEY
- LARGE VOLUME CUSTOMER SATISFACTION SURVEY
- GAS VENDOR RELATIONSHIP & SATISFACTION RESEARCH STUDY

2014

- DSM ACHEIVABLE POTENTIAL STUDY
- COMMERCIAL/LOW INCOME CUSTOM PROJECT SAVINGS VERIFICATION STUDY (CPSV) SUMMARY
- INDUSTRIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY (CPSV) SUMMARY
- TECHNICAL REFERENCE MANUAL
- CUSTOM C/I NTG STUDY INITIATION
- RIR POST INSTALLATION STUDY
- COMMERCIAL DSM CUSTOMER SATISFACTION SURVEY
- TORONTO COMMUNITY HOUSING ENERGY EFFICIENCY SURVEY
- SMALL COMMERCIAL TRENDS RESEARCH STUDY

Witnesses: D. Bullock
D. Johnson

2015

- STOCKPILE MOISTURE REDUCTION STUDY
- COMMERCIAL/LOW INCOME CUSTOM PROJECT SAVINGS VERIFICATION STUDY (CPSV) SUMMARY
- INDUSTRIAL CUSTOM PROJECT SAVINGS VERIFICATION STUDY (CPSV) SUMMARY
- COMMERCIAL BOILER BASELINE STUDY RFP
- ETOOLS VERIFICATION STUDY

g) This application specifically addresses the Company's request for approval of the Clearance of DSM Deferral and Variance Accounts in respect of its 2015 program year. As such, the application and evidence focuses on Enbridge's position and understanding that the Board's direction did not contemplate the retroactive application of the NTG Study for the calculation of program performance in 2015.

With regard to when the NTG Study should be used, the Company refers to the Board's Decision and Order of January 20, 2016, "The OEB does not expect the gas utilities to rely on a predetermined free ridership rate for the duration of the 2017 to 2020 term."²

It is apparent that at the time of the Board's Decision it expected that the NTG Study would soon be completed, "In 2016, the free rider rates will be updated based on the results of the net-to-gross study and the annual evaluation process."³ At the time, the Board had likely not contemplated the delays realized in the execution and completion of the NTG study (with the 2015 Final Annual Results reported in October 2017, and revised on December 20, 2017) and the resulting impact these delays would have on the confidence placed in the determination of the NTG Study outcomes and the subsequent complications this delay would have with respect to target setting.

As such, the Company is of the view that the determination of how the study should be used is a matter for Board deliberation in the mid-term review, where impacts on targets and scorecards can be appropriately considered and reassessed relative to the timelines of the 2015 and 2016 evaluation processes and in the context of the Board's earlier Decision.

² EB-2015-0029/0049, Decision and Order, January 20, 2016, page 21

³ Ibid.

Witnesses: D. Bullock
D. Johnson

Notwithstanding the foregoing, in accordance with positions outlined in evidence, Enbridge requests that the Board direct Board Staff to work with the EAC to finalize the NTG Study by requiring the EC to: (i) update the NTG study findings to include secondary attribution and spillover results; (ii) undertake a sensitivity analysis on the results for further review; and, (iii) act as a facilitator in respect of the determination of an appropriate NTG value through a collaborative, transparent, negotiated stakeholdering process in line with best practices in other leading jurisdictions.

Witnesses: D. Bullock
D. Johnson