

BOARD STAFF INTERROGATORY #5

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, p. 9

Preamble:

Enbridge states: The Board's letter dated March 4, 2016 outlined the transition of the, then current, ongoing DSM evaluation activities from the TEC to the EAC.

Questions:

- a) Per the OEB's March 4, 2016 letter, Enbridge Gas and Union Gas, with the endorsement of the TEC, procured DNV GL to complete a net-to-gross study for custom commercial and industrial projects. When the OEB released its March 4, 2016 letter; more than two years following when Enbridge Gas and Union Gas initiated the procurement process, the study's work plan had not as of yet been completed.
 - i. Please provide the timeline for this project. Specifically, please identify:
 - The date the RFP was posted;
 - The date DNV GL (formerly KEMA) was selected as the successful proponent of the procurement;
 - The date DNV GL was contracted to complete the project;
 - The date of the first meeting between DNV GL and the TEC;
 - The date the first draft of the work plan was completed;
 - The date the final work plan was completed;
 - The date DNV GL began implementing the final work plan; and,
 - A description of the final project deliverable provided to Enbridge Gas, Union Gas and the TEC by DNV GL as well as the date it was provided (i.e., the last deliverable before the project was transitioned to the OEB).
 - ii. Please provide any documentation related to methodological discussions that were undertaken before the study was transitioned to the OEB.
 - iii. Please provide the draft work plan that was to be presented to the TEC on March 10, 2016.

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- iv. Please describe the original timing for when the TEC expected the net-to-gross study to be completed.
 - v. Enbridge Gas states that the TEC resolved that net-to-gross ratios developed through the study were “to be used on a go-forward basis.” Please indicate the first year the TEC expected that updated net-to-gross ratios would be applied to Enbridge Gas’ DSM results.
 - vi. Please describe the reasons for the significant delays and specifically why it took an extended period of time to complete the first stage of the project.
- b) Per the OEB’s March 4, 2016 letter, as part of OEBs Decision issued in 2015, Enbridge and Union Gas were “directed to complete a Boiler Baseline Study in 2015, with the findings incorporated in the evaluation of 2014 results.”
- i. Please provide a status update on the Boiler Baseline study.
 - ii. The OEB’s March 4, 2016 letter states “This study was the result of OEB decisions for both Enbridge and Union Gas and therefore the utilities are expected to complete it.” Please confirm that Union Gas and Enbridge have always retained responsibility for completing the boiler baseline study.
 - iii. Please provide an expected timeline for completion of the study.
 - iv. Please describe the magnitude of impact the study may have on Enbridge’s DSM results for years 2014, 2015, 2016, 2017 and 2018.
 - v. Given the OEB’s direction that the results of the Boiler Baseline Study are to be retroactively applied to 2014 results, please describe why Enbridge believes the retroactive application of 2015 NTG study results to 2015 results may be inappropriate.

RESPONSE

- a)
- i)
 - The RFP for the NTG Study was posted on November 1, 2013;
 - DNV Kema (now DNV GL) was selected by the TEC as the successful proponent on February 17, 2014;
 - The NTG Study contract was executed with DNV on May 5, 2015;
 - The first meeting of DNV and the TEC was March 10, 2014;
 - The date of the work plan developed under the oversight of the TEC March 2, 2016;
 - After the study was transitioned to the OEB as outlined in the Board’s letter of March 4, 2016 regarding transition of TEC activities to the OEB, the scope of work was revised to include the annual CPSV, a draft scope

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of work was provided to the EAC on October 8, 2016 and the final scope of work was dated December 14, 2016;

- DNV did not begin implementation of the final work plan until after the study was transitioned to the OEB as outlined in the Board's letter of March 4, 2016 regarding transition of TEC activities to the OEB. The first request for custom project data to support the sample verification was made to the utility on November 8, 2016; and,
- The TEC (including the utilities and Board Staff) were provided with the March 2, 2016 NTG Study Scope of Work at the March 10, 2016 TEC meeting as referenced in the Board's March 4th letter regarding transition activities.

ii) Discussions pertaining to the NTG study methodology and approach undertaken before the study was transitioned to the OEB are documented in a number of TEC quarterly reports that are available on the OEB website:

- TEC Q3, 2015 Report, Section 3
(https://www.oeb.ca/documents/TEC/Quarterly%20TEC%20Reports/Q3%202015%20TEC%20Report_March%20TEC.pdf)
- TEC Q1, 2015 Report, Section 3
(<https://www.oeb.ca/documents/TEC/Quarterly%20TEC%20Reports/TEC%202015%20Q1%20Report.pdf>)
- TEC Q4, 2014, Section 2
(<https://www.oeb.ca/documents/TEC/Quarterly%20TEC%20Reports/TEC%202014%20Q4%20Report.pdf>)
- TEC Q2, 2014, Section 1
(<https://www.oeb.ca/documents/TEC/Quarterly%20TEC%20Reports/TEC%202014%20Q2%20Report.pdf>)
- TEC Q1, 2014, Section 2
(<https://www.oeb.ca/documents/TEC/Quarterly%20TEC%20Reports/TEC%202014%20Q1%20Report.pdf>)

In addition attached the this IR response is an email provided by DNV dated June 9, 2015 capturing parking lot issues discussed and resolved with the TEC (a copy of the memo is attached to this IR response as Attachment 1).

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- iii) The work plan dated March 2, 2016, presented to the TEC and Board Staff at a TEC meeting on March 10, 2016 was included in Enbridge's evidence at Exhibit B, Tab 5, Schedule 1.
- iv) As identified on page 32 of the March 2, 2016 Scope of Work, the schedule outlined that the project would be completed by November 16, 2016.
- v) As outlined in evidence and reflected in the TEC Q1 2014 Quarterly Report, the TEC and DNV agreed that the primary objective of this project is to develop a transparent, reputable study that produces strong, credible, and defensible NTG ratios to be used on a go forward-basis. This objective was reflected in the Scope of Work. "The overall goal of this evaluation is to develop transparent free ridership and spillover factors for custom commercial and industrial programs, to be used for future programs."¹ Further the NTG RFP outlined that the selected proponent was expected to provide guidance on the development of a strategy for the application of free-ridership and spillover data collected on previous program participation to forward looking DSM program activity.
- vi) Much of the discussion which precipitated the completed NTG Study Scope of Work dated March 2, 2016 is captured in the attached DNV Memo and is summarized in the following topic groupings:
 - Contact/input from program staff regarding specific projects;
 - Determinations of attribution due to financial incentives and other services;
 - Effort regarding self-direct customers;
 - The use of a dual baseline NTG calculation;
 - Time period over which influence would be assessed; and,
 - Addressing spillover with large industrial customers

Enbridge understands that efforts during the April, May, June and July meetings focused on arriving at agreements on most of these topics.

In July 2014, the TEC agreed that with anticipation that the OEB would be providing a new DSM Framework shortly it would be prudent to get clarity on the key policy framework before continuing with the NTG Study and the

¹ EB-2017-0324, Application and Evidence, Exhibit B, Tab 5, Schedule 1, Page 5 of 48

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TEC halted the project until the new DSM Framework was made available.

Following the release of the new DSM Framework in December 2014, the TEC resumed focus on the Study and worked to reach agreement on the remaining methodological issues. Following the TEC meetings in July 2015, and October 2015, the remaining items were addressed with agreed approaches. Board Staff was in attendance at TEC meetings in the fall of 2015 and the group began to address the proposed transition of TEC projects to the new governance structure. On March 10, 2016 DNV provided their scope of work (date March 2, 2016) to the TEC (including Board Staff). This was the final deliverable on the project prior to Board Staff assuming oversight of the NTG study.

- b)
- i) & ii)

It should be noted that while the preamble to this question is accurately stated, the Board also noted at the end of the same paragraph of the same March 4, 2016 letter that the TEC developed a scope of work and issued a RFP for the Boiler Baseline Study in October 2015 and received proposals from consultants but that the: “TEC has not proceeded with the evaluation of the proposals as it is awaiting further instructions from the OEB”. As then outlined in the Transition Plan portion of the Board’s March 4, 2016 letter, Enbridge and Union Gas were directed to complete the Boiler Baseline Study. The letter specified that once proposals had been evaluated and a consultant selected, input on the study would be provided to the utilities by the EAC and OEB Staff. A Boiler Baseline Committee (sub-committee) including members from the EAC and Board Staff was convened and in the fall of 2016 following selection of ICF as the consultant the committee reviewed and refined the scope of work, a contract was executed with ICF in March, 2017 and the study commenced shortly after. As a result of challenges faced identifying sites that met the study criteria as well as customers willing to participate, ICF prepared a memo in October, 2017 that outlined some of the specific challenges they were having as well as presenting options to consider, including a request for additional funding, in an effort to complete the study, (a copy of this memo is attached to this IR response as attachment 2).

Both Enbridge and Union Gas met with the boiler baseline sub-committee in December, 2017. The sub-committee agreed to a revised approach incorporating payment of increased incentives; however they decided it

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was not appropriate to provide additional funds for the project as costs were fixed in accordance with the original proposal. The utilities conveyed the sub-committees recommendations in December 2017 and met with ICF in January 2018 to come to a resolution.

ICF is now proceeding with gauging the success of higher incentives for participation in the study. In March 2017 ICF provided a memo outlining their go forward approach (a copy of this email is attached to this IR response as Attachment 3). The sub-committee agreed that execution of the revised plan will be monitored closely to determine if the new approach delivers results. If there is limited incremental success, the utilities will meet with the boiler baseline sub-committee to discuss recommended next steps. As outlined in the enhanced ICF plan, there is a risk ICF will be unable to collect data on the required number of sites to successfully complete the study.

- iii) The recent memo from ICF indicates the study is expected to be completed by the end of July, 2018.
- iv) Until the study has been successfully completed, it would be speculative to estimate the magnitude of the impact on DSM savings. That said, boilers represent 12% of Enbridge's total CCM results on an m³ basis in 2016.
- v) First, it should be recognized that the reference to the Board requiring the results of the 2015 Boiler Baseline Study being applied to 2014 results arose in the context of the decision in respect of the Clearance Application for 2013 DSM deferral and variance accounts (EB-2014-0277). It is also important to note that both of the 2013 and 2014 DSM Plans operated under an entirely different DSM Framework. 2015 of course is the subject of the subsequent 2015-2020 Framework approved in EB-2014-0134.

As well, the Company does not believe that it is reasonable or appropriate to apply adjustments retroactively given that the Boiler Baseline Study is not yet complete. As outlined in the 2015 to 2020 Framework, "the gas utilities should roll-forward their 2014 DSM plans, including all programs and parameters (i.e., budget, targets, incentive structure) into 2015." 2015 targets were set based on a set of input assumptions including boiler baseline assumptions. In the case of boiler projects, the same baseline assumption is used in both custom and prescriptive calculations. The baseline does not change from custom project to custom project and is

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consistently applied across the measure.

Similarly as stated in evidence it is not appropriate nor in line with the Board's decision to apply NTG study results retroactively to 2015.

The Board's Decision and Order clearly states, "The OEB does not expect the gas utilities to rely on a predetermined free ridership rate for the duration of the **2017** to **2020** [*emphasis added*] term. In 2016, the free rider rates will be updated based on the results of the net-to-gross study and the annual evaluation process. Annually, the evaluation process will continue to inform the free rider rates for custom programs."²

Additionally, since 2015 budgets and targets were established in line with the Board's direction to roll over 2014 budgets and targets, it is inappropriate to retroactively apply adjustments to a program year derived from a different set of input assumptions, including NTG values. Enbridge believes this is unreasonable and inconsistent with the spirit of the Board's instructions as part of the Multi-Year DSM Framework. In its 2015 to 2020 DSM Plan Decision, the Board confirmed this interpretation by stating that: "input assumptions and net-to-gross adjustment factors are finalized for a given year based on the previous year's final DSM audit."³

² EB-2015-0049 Decision and Order, January 20, 2016, p. 21

³ EB-2015-0049, revised Decision and Order, February 24, 2016, p. 3

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