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May 17, 2013

VIA COURIER, EMAIL, RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

**Re: Enbridge Gas Distribution Inc. (the "Company" or "Enbridge")
Update to the 2012 to 2014 Demand Side Management ("DSM") Plan
Ontario Energy Board ("Board") File No.: EB-2012-0394**

In accordance with Procedural Order NO.3 of the Board dated May 3, 2013 which directs Enbridge to provide all interrogatory responses by May 17, 2013. Attached, please find the Company's interrogatory responses to Environmental Defense.

The submission has been submitted through the Board's Regulatory Electronic Submission System ("RESS"). A copy of the on-line confirmation RESS submission reference number has also been included in this package.

If you have any questions, please contact the undersigned.

Yours truly,

(Original Signed)

Stephanie Allman
Regulatory Coordinator

cc: EB-2012-0394 Intervenors
Dennis O'Leary, Aird & Berlis

EXHIBIT LIST

B- EVIDENCE

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Title</u>	<u>Description</u>	<u>Witness(es)</u>
<u>B</u>	2	4		Not Used	
		5		Not Used	
		6		Not Used	
		7		Not Used	
		8	Lura Report	Presents the findings of stakeholder consultation conducted in 2012 in the Commercial and Industrial sectors	A. Mandyam R. Sigurdson
		9	Settlement Agreement	Presents the full text of the Settlement Agreement reached with respect to the 2013-2014 Update to the Enbridge 2012-2014 DSM plan.	P. Goldman A. Mandyam J. Paris E. Reimer R. Sigurdson J. Tideman

I – INTERROGATORIES

<u>Exhibit</u>	<u>Issue</u>	<u>Schedules</u>	<u>Title</u>	<u>Description</u>
<u>I</u>	1	ED-1 to ED-9	Interrogatory Responses	Enbridge responses to interrogatories from Environmental Defence

Witnesses: A. Mandyam
 R. Sigurdson

ENVIRONMENTAL DEFENCE INTERROGATORY #1

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-1 Overall Bill Impacts and Total Resource Cost ("TRC")

Reference: Ex. B, Tab 2, Schedule 2 & Ex. B, Tab 2, Schedule 3, page 3, Table 2

- a) In 2014, the overall TRC benefit-cost ratio of Enbridge's proposed resource acquisition programs (including residential, commercial, and industrial programs) is 4.17¹. Does that mean that, on average, a \$100 investment in Enbridge's resource acquisition programs will result in approximately \$417 in benefits to consumers (present value)? If not, please explain why not and provide an estimate of the resulting benefits. Do these benefits consist largely of the avoided costs of gas, electricity, and water saved as a result of the program?
- b) Overall, do Enbridge's resource acquisition programs result in net *savings* for customers as a whole after the costs and benefits of the programs are considered? Please explain why or why not.
- c) For Enbridge's 2014 resource acquisition programs as a whole, please state (i) the estimated cumulative gas savings (m³) resulting from the programs; and (ii) an estimate of the present value of those cumulative gas savings to customers (i.e. the present value of the lifetime bill reductions from lessened gas usage).
- d) In 2014, the overall TRC benefit-cost ratio of Enbridge's large industrial resource acquisition programs is 7.02². Does that mean that, overall, every \$100 invested in Enbridge's industrial programs results in approximately \$702 in benefits to industrial consumers as a whole (present value)? If not, please explain why not and provide an estimate of the resulting benefits.

¹ Ex. B, Tab 2, Schedule 3, page 3, Table 2.

² Ex. B, Tab 2, Schedule 3, page 3, Table 2.

RESPONSE

- a) Enbridge screens DSM Programs using the formulae and criteria as outlined by the Board; this includes applying the costs and benefits for the TRC test as stated in the *DSM Guidelines, Section 5.1, Screening test*.

The TRC test reflects the net present value of benefits to society as a whole from the DSM programs. Under the TRC test the benefits entirely consist of the avoided costs of gas, electricity, and water over the lifetime of the measure installed as a result of the program. The TRC costs are the incremental cost of the measure and the utility's costs to promote the measure. The DSM program incentive costs are not included in the TRC test. The TRC benefit-cost analysis does not consider the total cost of the "investment" in resource acquisition programs made by the utility.

Based on the TRC analysis of the 2014 DSM Plan, on average, a \$100 investment in Enbridge's resource acquisition programs (excluding the cost of incentives) will result in approximately \$417 in benefits to society as a whole.

- b) The TRC test as a screening mechanism ensures that the programs and projects undertaken will be cost effective from a societal point of view. As stated in a) above, the benefits considered in the TRC test are the avoided costs of gas, electricity, and water over the lifetime of the measures installed as a result of the program.

Overall, Enbridge's resource acquisition programs provide net benefits for society as a whole, and net savings for customers that participate.

- c) (i) 1,079.9 Million CCM - EB-2012-0394, Exhibit B, Tab 1, Schedule 2, page 4, Table 4.
- (ii) Under the current DSM Guidelines the TRC test is used to screen EGD's DSM Programs. The TRC test measures the benefits and costs of DSM Programs, under this test, benefits are driven by avoided resource costs. The TRC test does not estimate the bill reductions for participating customers over the lifetime of the installed measures.
- d) Based on the TRC analysis of the 2014 DSM Plan, on average, a \$100 investment in Enbridge's large industrial resource acquisition programs (excluding the cost of incentives) will result in approximately \$702 in benefits to society as a whole. Please also see item a) above.

ENVIRONMENTAL DEFENCE INTERROGATORY #2

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-2 Free Riders

The *DSM Guidelines* define a free rider as a "program participant who would have installed a measure on his or her own initiative even without the program."¹ The *DSM Guidelines* further state that "[p]rograms that have high free ridership rates will be less cost effective (as measured by the TRC test) since their Program Costs will be included in the analysis while their benefits will not."²

- a) Does the TRC calculation for Enbridge's resource acquisition programs account for free riders (i.e. account for the fact that some DSM activities would have occurred without the program incentives)? Are the related program costs included in the TRC calculation but not the benefits? Please explain Enbridge's answer.
- b) Please explain how Enbridge's free-ridership rate for its resource acquisition programs is established, tested, evaluated, and approved.

RESPONSE

- a) Yes. The TRC calculation for Enbridge's resource acquisition programs accounts for free ridership. All related Program costs (excluding incentive costs) associated with free riders are included in the TRC analysis.

Enbridge screens its DSM Programs using the formulae and criteria as outlined by the Board; this includes applying the costs and benefits as stated in the DSM Guidelines, Section 5.1 Screening Test.

While energy savings from free riders are not included in TRC benefits, they could be considered as part of natural conservation.

¹ *DSM Guidelines*, p. 13.

² *DSM Guidelines*, p. 15.

- b) Enbridge has a number of different free ridership rates for various sectors/measures within its resource acquisition program. These have been established over time with stakeholder consultation, auditor recommendations and/or evaluation research. The most recent free ridership rates were filed and approved in EB 2011-0295 and EB-2012-0441.

ENVIRONMENTAL DEFENCE INTERROGATORY #3

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-3 Rate Impacts and Rate Predictability

Reference: Ex. B, Tab 2, Schedule 1

- a) In 2014, what would the rate impact be of Enbridge's proposed DSM budget averaged across all rate classes as a percentage of total customer gas costs? Please make and state reasonable assumptions and estimates as needed.
- b) Please provide a chart of the monthly natural gas commodity price over the past ten years. Please choose a source (or sources) that best reflects the price fluctuations faced by Enbridge and its customers.

RESPONSE

- a) In 2014, Enbridge's proposed DSM budget is \$32.16M. Total Forecast gas costs for 2013 (the most recent forecast) are \$1,342,758,800¹. This includes all upstream purchases: commodity, transportation, and storage for EGD customers who purchase related services from the Company. Enbridge does not have equivalent information on gas costs of those customers who purchase gas and transportation from gas marketers and who account for approximately 40% of total volumes. Based on this information, the proposed 2014 DSM budget is 2.08% of the 2013 forecast gas costs for Enbridge system supply customers. This percentage would be significantly lower if the gas costs of non system supply customers could be taken into account.

¹ EB-2011-0354, Exhibit N1, Tab 1, Schedule 1, Appendix B, Page 2, Line 17, Filed 2012-10-03

- b) The price fluctuations faced by Enbridge's customers over the past ten years is best reflected by the gas supply charge established via the Quarterly Rate Adjustment Mechanism. The commodity prices below reflect only those prices paid by customers on system supply and do not incorporate commodity prices offered by independent natural gas marketers.

Docket	Effective Date	Gas Supply Charge (¢/m³)
RP-2002-0133	May-03	26.6463
	June-03	26.6463
	July-03	26.6463
	August-03	26.6463
	September-03	26.6463
EB-2003-0229	October-03	23.4995
	November-03	23.4995
	December-03	23.4995
EB-2003-0288	January-04	21.2100
	February-04	21.2100
	March-04	21.2100
EB-2004-0209	April-04	24.0708
	May-04	24.0708
	June-04	24.0708
EB-2004-0266	July-04	28.0562
	August-04	28.0562
	September-04	28.0562
-2004-0428 Inte	October-04	28.5724
	November-04	28.5724
	December-04	28.5724
EB-2004-0492	January-05	31.0561
	February-05	31.0561
	March-05	31.0561
EB-2005-0229	April-05	27.8006
	May-05	27.8006
	June-05	27.8006
EB-2005-0291	July-05	31.0976
	August-05	31.0976
	September-05	31.0976
EB-2005-0461	October-05	35.3252
	November-05	35.3252
	December-05	35.3252

Docket	Effective Date	Gas Supply Charge (¢/m³)
EB-2005-0524	January-06	43.1228
	February-06	43.1228
	March-06	43.1228
EB-2006-0035	April-06	35.3960
	May-06	35.3960
	June-06	35.3960
EB-2006-0099	July-06	34.0717
	August-06	34.0717
	September-06	34.0717
EB-2006-0195	October-06	34.0717
	November-06	34.0717
	December-06	34.0717
EB-2006-0288	January-07	31.4844
	February-07	31.4844
	March-07	31.4844
EB-2007-0049	April-07	32.8599
	May-07	32.8599
	June-07	32.8599
EB-2007-0632	July-07	34.1108
	August-07	34.1108
	September-07	34.1108
EB-2007-0701	October-07	29.0978
	November-07	29.0978
	December-07	29.0978
EB-2007-0897	January-08	26.7601
	February-08	26.7601
	March-08	26.7601
EB-2008-0048	April-08	30.3556
	May-08	30.3556
	June-08	30.3556
EB-2008-0069	July-08	39.0121
	August-08	39.0121
	September-08	39.0121

Docket	Effective Date	Gas Supply Charge '(¢/m³)
EB-2008-0263	October-08	33.7551
	November-08	33.7551
	December-08	33.7551
EB-2008-0348	January-09	30.3652
	February-09	30.3652
	March-09	30.3652
EB-2009-0018	April-09	23.5363
	May-09	23.5363
	June-09	23.5363
EB-2009-0145	July-09	20.4349
	August-09	20.4349
	September-09	20.4349
EB-2009-0309	October-09	19.8615
	November-09	19.8615
	December-09	19.8615
EB-2009-0398	January-10	19.9690
	February-10	19.9690
	March-10	19.9690
EB-2010-0048	April-10	21.1631
	May-10	21.1631
	June-10	21.1631
EB-2010-0186	July-10	17.2987
	August-10	17.2987
	September-10	17.2987
EB-2010-0258	October-10	15.4224
	November-10	15.4224
	December-10	15.4224
EB-2010-0347	January-11	14.4229
	February-11	14.4229
	March-11	14.4229
EB-2011-0051	April-11	13.978
	May-11	13.978
	June-11	13.978

Docket	Effective Date	Gas Supply Charge '(¢/m³)
EB-2011-0129	July-11	14.9268
	August-11	14.9268
	September-11	14.9268
EB-2011-0296	October-11	13.6891
	November-11	13.6891
	December-11	13.6891
EB-2011-0390	January-12	11.8492
	February-12	11.8492
	March-12	11.8492
EB-2012-0054	April-12	9.415
	May-12	9.415
	June-12	9.415
EB-2012-0238	July-12	9.846
	August-12	9.846
	September-12	9.846
EB-2012-0352	October-12	10.7186
	November-12	10.7186
	December-12	10.7186
EB-2012-0428	January-13	12.8548
	February-13	12.8548
	March-13	12.8548
EB-2013-0045	April-13	12.1485
	May-13	12.1485

ENVIRONMENTAL DEFENCE INTERROGATORY #4

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-4 Comparison with Electricity Conservation Programs

Reference: Ex. B, Tab 1, Schedule 2, page 1-3 & Ex. B, Tab 2, Schedule 3, page 3, Table 2

A 2013 report of the Environmental Commissioner of Ontario states that "[o]verall utility spending on gas conservation was approximately \$55 million in 2011, ... quite small in comparison to spending on electricity conservation (\$270 million in 2011)."¹

The report also notes that the OPA's 2011 suite of programs has a TRC benefit-cost ratio of 1.23.² By comparison, according to Enbridge's evidence, the overall TRC benefit-cost ratio of Enbridge's 2014 proposed resource acquisition programs (including residential, commercial, and industrial programs) is 4.17.³

Relevant excerpts of the Environmental Commissioner's report are attached for your reference.

- a) In 2011, was overall spending on gas conservation approximately 5 times lower than the overall spending on electricity conservation in Ontario? If not, please provide Enbridge's best estimate of that ratio.
- b) Is the TRC benefit-cost ratio of Enbridge's proposed 2014 resource acquisition programs over 3 times as high as Ontario's electricity conservation programs in 2011? If not, please provide Enbridge's best estimate of that ratio.

¹ Environmental Commissioner of Ontario, *Restoring Balance — Results, Annual Energy Conservation Progress Report — 2011 (Volume II)*, submitted January 8, 2013, <http://www.eco.on.ca/uploads/Reports-EnergyConservationI2012v2/I2CDMv2.pdf>, p. 23.

² *Ibid.* p. 42.

³ Ex. B, Tab 2, Schedule 3, page 3, Table 2.

- c) In proposing its 2014 DSM budget, did Enbridge consider the relative cost-effectiveness of Ontario's gas conservation programs vis-à-vis electricity conservation programs? Did Enbridge consider the relative magnitude of Ontario's gas conservation programs vis-à-vis electricity conservation programs?

RESPONSE

- a) The 2013 report by the Environmental Commissioner of Ontario, provided by Environmental Defense indicates that overall spending on natural gas conservation in the province was approximately five times lower than overall spending on electricity conservation in 2011.
- b) The 2013 report by the Environmental Commissioner of Ontario provided by Environmental Defense indicates that OPA's suite of CDM programs has a TRC benefit cost ratio of 1.23. The TRC benefit cost ratio for Enbridge's 2014 resource acquisition filed in Exhibit. B, Tab 2, Schedule 3, page 3, Table 2, shows portfolio benefit cost ratio of 4.17. Based on the information from the report of the Environmental Commissioner of Ontario and without Enbridge undertaking any inquiries into source of the figures, a comparison appears to indicate that Enbridge's 2014 resource acquisition programs have a budgeted TRC benefit-cost ratio that is over three times that of Ontario's electricity conservation programs in 2011.
- c) Enbridge did not consider the relative cost-effectiveness or the relative magnitude of Ontario's gas conservation programs vis-à-vis electricity conservation programs in proposing its 2014 DSM budget.

ENVIRONMENTAL DEFENSE INTERROGATORY #5

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-5 Greenhouse Gas Emission Reductions

Reference: Ex. B, Tab 1, Schedule 2, page 1-3

Attached is a table containing a breakout of Ontario's energy-related greenhouse gas ("GHG") emissions in 2010 prepared for Environmental Defence and submitted in EB-2012-0337 (Exhibit K 1.5, Tab 4). In that proceeding, Union Gas agreed that the estimates in that table look reasonable.¹

Also attached for your reference is a report from the Environmental Commissioner of Ontario which lists Ontario's GHG emission reduction targets as follows:

- i) 6% below 1990 levels by 2014 (to approximately 165 megatonnes or Mt);
- ii) 15% below 1990 levels by 2020 (to approximately 150 Mt); and
- iii) 80% below 1990 levels by 2050 (to approximately 35 Mt).²

The Environmental Commissioner report states that "[the] government, itself, has projected a 30 Mt gap by 2020."³

- a) Does Enbridge believe that the estimates in the attached table appear to be reasonable? If not, please provide alternative estimates.
- b) According to the attached table, natural gas was responsible for 34.5 percent of Ontario's total energy-related GHG emissions in 2010. When the coal phase-out is complete and the Pickering nuclear station comes to an end of its life, is it more likely than not that the greenhouse gas emissions from natural gas-fired power plants will rise as a proportion of the total (all other things equal)?

¹ Transcript, EB 2012-0337, Vol. 1, January 31, 2013, p. 92, Ins. 1-9.

² Environmental Commissioner of Ontario, *A Question of Commitment: Annual Greenhouse Gas Progress Report 2012*, <http://www.eco.on.ca/uploads/Reports-GHG2/2012/Climate-Change-Report-2012.pdf>, page 12.

³ *Ibid.* p. 14.

- c) Is it reasonable to assume that a cost-effective strategy to achieve Ontario's 2020 GHG emission target will require a significant increase in the energy efficiency of Ontario's natural gas consumption'?
- d) Are GHG emission reductions given a dollar value and factored into the TRC analysis for DSM programs?

RESPONSE

- a) While Enbridge has not made any inquiries into the accuracy of the figures, the estimates in the attached table appear reasonable.
- b) Yes (all other things being equal) the proposition seems reasonable. Enbridge is however neither qualified nor in a position to comment on the Provincial Governments overall long term plans for operating power generation plants. It therefore cannot comment on whether it is reasonable to assume that 'all other things' will be equal. When the coal phase-out is complete and the Pickering nuclear station comes to an end of its life, greenhouse gas emissions from natural gas-fired power plants will be determined by how often and which of the gas-fired power plants are dispatched in a new supply mix environment.
- c) Natural gas energy efficiency contributes towards Ontario's pursuit of its GHG targets. Again, the Company is neither qualified nor in a position to comment on matters of overall Provincial Policy and Strategy as it pertains to Ontario's GHG emission target.
- d) No value for CO₂ is included in the TRC equation.

ENVIRONMENTAL DEFENSE INTERROGATORY #6

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-6 DSM Benefits: Protection from Energy Price Fluctuations, etc.

Reference: Ex. B, Tab 1, Schedule 2, page 3

A report by the Canadian Council of Chief Executives concluded as follows:

Fundamentally, however, Canada needs to begin with a renewed commitment to energy conservation. We must use existing and future energy supplies as efficiently as possible, embracing the maxim that the cheapest form of energy is the unit that is not used. Better conservation practices will help to insulate Canadians from volatile energy prices, reduce costs for public institutions such as hospitals, and improve the international competitiveness of Canadian companies.

...

The bottom line is that governments must resist the temptation to shield Canadians from higher energy prices. By any reasonable measure, energy remains a comparative bargain for Canadians.¹

The relevant excerpts are attached for your reference.

- a) Does Enbridge agree with the Council of Chief Executives that "[b]etter conservation practices will help to insulate Canadians from volatile energy prices, reduce costs for public institutions such as hospitals, and improve the international competitiveness of Canadian companies"? If no, why not?
- b) Please explain how better conservation practices will help to insulate Canadians from volatile energy prices.

¹ Canadian Council of Chief Executives, *Energy- Wise Canada, Building a Culture of Energy Conservation*, December 2011, <http://www.ceocouncil.ca/wp-content/uploads/2011/12/Energy-Conservation-Paper-FINAL-December-20111.pdf>, pp. 2 & 4.

- c) Please explain how better conservation practices will improve the international competitiveness of Canadian companies.
- d) Is the protection from volatile energy prices resulting from conservation given a dollar value and factored into the TRC analysis for DSM programs?

RESPONSE

a), b), c) & d)

Enbridge generally accepts that a sustained focus on energy efficiency assists with the long-term environmental sustainability and economic competitiveness of the Province. While energy efficiency helps customers lower their overall energy usage which in turn reduces one input cost for businesses, it does not directly address energy price volatility. Price volatility is outside the scope of conservation programming. Customers wishing to insulate themselves from price volatility could do so through fixed price commodity contracts.

ENVIRONMENTAL DEFENSE INTERROGATORY #7

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-7 DSM Benefits: Increased Productivity, GDP, etc.

Reference: Ex. B, Tab 1, Schedule 2, page 3

In 2011, the former Governor of the Bank of Canada, Mark Carney, gave a speech to the Empire and Canadian Clubs and stated that:

In a world where deleveraging holds back demand in our traditional foreign markets, the imperative is for Canadian companies to invest in improving their productivity and to access fast-growing emerging markets.

This would be good for Canadian companies and good for Canada. Indeed, it is the only sustainable option available. A virtuous circle of increased investment and increased productivity would increase the debt-carrying capacity of all, through higher wages, greater profits and higher government revenues. This should be our common focus.¹

The relevant excerpts are attached for your reference.

A report by Dr. Ernie Stokes of the Centre for Spatial Economics, which quantifies the economic benefits of energy efficiency investments which reduce Ontario's natural gas consumption, found that a 16.1% reduction in Ontario's natural gas consumption in 2021 would increase Ontario's GDP by \$5.5 billion, increase employment by 33,800 jobs, raise corporate profits by \$446 million and reduce the provincial deficit by \$479 million.² The relevant excerpts are attached for your reference.

¹ Mark Carney, *Growth in the Age of Deleveraging*, speech to Empire Club of Canada & Canadian Club of Toronto, December 12, 2011, <http://www.bankofcanada.ca/wp-content/uploads/2011/12/speech-121211.pdf>, p. 11.

² Centre for Spatial Economics, *The Economic Impacts of Reducing Natural Gas Use in Ontario*, April 2011, <http://www.cleanairalliance.org/files/cse.pdf>, p. 7.

- a) Does Enbridge agree with Mark Carney that Ontario would benefit if its industries increased their investment and productivity? Does Enbridge agree that this could lead to higher wages, profits, and government revenues?
- b) When a business participates in one of Enbridge's resource acquisition DSM programs, is that an investment that increases productivity? Please explain.
- c) Generally speaking, will Enbridge's DSM programs increase productivity and GDP? If not, why not?
- d) Are the economy-wide benefits of conservation spending, such those resulting from increased productivity, given a dollar value and factored into the TRC analysis for DSM programs?

RESPONSE

a), b), c) & d)

Mark Carney's remarks that increased investment results in increased productivity appear reasonable. It is the understanding of the Company that pervasive economic theory does suggest that higher productivity may lead to higher wages, profits and government revenues. Enbridge believes that when a business participates in DSM programs and invests in energy efficiency upgrades, all other things being equal, it may see increases in productivity. While Enbridge cannot specifically predict the future impacts of DSM on overall productivity and GDP, it believes that DSM initiatives can be a factor in elevated productivity and thus, GDP. These productivity gains – which may be difficult if not impossible to predict with any certainty – are not factored into the TRC analysis for DSM programs.

ENVIRONMENTAL DEFENCE INTERROGATORY #8

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-8 Factors Considered in Proposing 2014 DSM Budget

Reference: Ex. B, Tab 1, Schedule 2, page 1-3

- a) What factors did Enbridge consider in proposing an overall 2014 DSM budget of \$32.2 million?
- b) Did Enbridge consider whether a DSM budget greater than \$32.2 million would (i) be in the public interest, or (ii) would better further the three objectives set out on page 4 of the June 30, 2011 *Demand Side Management Guidelines for Natural Gas Utilities* ("DSM Guidelines")? If yes, please provide a copy of any reports and written documentation prepared by Enbridge in this regard and explain why Enbridge rejected the option of a larger budget. If no, please explain why not.
- c) Section 8 of the *DSM Guidelines* sets out certain budgets for Enbridge for the 2012 to 2014 DSM plan term. Enbridge's evidence in this proceeding refers to certain budget increases being "allowable" under the guidelines (Ex. B, Tab 1, Schedule 2, page 1). Is Enbridge's position that the budget figures set out in section 8 of the *DSM Guidelines* are binding? If yes, please explain how Enbridge's position differs from that of board staff in the attached affidavit, stating that the guidelines "are not binding on any party" and "the panel is not bound to follow them."

RESPONSE

a) & b)

The 2014 DSM plan is the third and final year in a multi-year plan. The budget parameters for the multi-year period were established in the 2012-2014 DSM Plan. The factors considered were:

- i. Program objectives as outlined in the DSM Guidelines:
 - a. "Maximization of cost effective natural gas savings;
 - b. Prevention of lost opportunities; and
 - c. Pursuit of deep energy savings."¹,
- ii. Market conditions affecting DSM programs,
- iii. The overall trends in program spending during the previous multi-year plan period,
- iv. Appropriateness of budget levels and escalators for inflation (GDP IPI) as recommended in the Board Guidelines, for the duration of the multi-year plan, and
- v. Stakeholder consultation.

As the third year of a multi-year DSM plan, the 2014 DSM budget represents a 2% increase from the 2013 budget based on projected GDP IPI.

c) No

¹ Demand Side Management Guidelines for Natural Gas Utilities, EB-2008-0346, June, 2011.

ENVIRONMENTAL DEFENCE INTERROGATORY #9

INTERROGATORY

Issue 1: "Is the 2014 DSM Budget (\$32.2M) reasonable and appropriate? Should the Board determine that the DSM budget for 2014 should be increased, what are the implications and required next steps."

Interrogatory No. 1-ED-9 Lost Opportunities

- a) Can delaying DSM spending result in lost opportunities such as when capital equipment is replaced with a less energy efficient option due to a lack of incentives to purchase the more efficient option?

RESPONSE

- a) The possibility for lost opportunities exists as it would in any market. However, cost-effectiveness and demand are key considerations. Customers, who are the drivers of demand, consider various factors in their decision making regarding energy efficient equipment; incentives are merely one of those factors.