VINCENT J. DEROSE
T 613.787.3589
vderose@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com

Borden Ladner Gervais

File No. 339583-000206

June 2, 2015

By electronic filing

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

Union Gas Limited ("Union") and
Enbridge Gas Distribution Inc. ("EGD")
Demand Side Management Plans 2015-2020
Board File Nos.: EB-2015-0029 and EB-2015-0049

Pursuant to Procedural Order No. 1 dated May 12, 2015, please find attached the Interrogatories of Canadian Manufacturers & Exporters ("CME") to Union and EGD, respectively.

Yours very truly,

Vincent J. DeRose
VJD/kt
Encls.
c. Vanessa Innis and Patrick McMahon (Union)
Alexander Smith (Torys)
Andrew Mandyam (EGD)
Dennis O'Leary (Aird & Berlis)
Intervenors EB-2015-0029 and EB-2015-0049
Paul Clipsham and Ian Shaw (CME)

OTT01: 7029272: v1

EB-2015-0029
EB-2015-0049

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF Applications by Union Gas Limited and Enbridge Gas Distribution Inc. pursuant to Section 36(1) of the Ontario Energy Board Act, 1998, S.O. 1998, for an order or orders approving their Demand Side Management Plans for 2015-2020.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO UNION GAS LIMITED ("UNION")

CME 1

Ref: Exhibit A, Tab 1, page 3 of 23

Union has stated that its DSM Plan for the six-year period of 2015-2020 has been prepared in accordance with the Board's Demand Side Management Framework for Natural Gas Distributors (the "Framework Guidelines"). Does Union believe that any aspect of its DSM Plan differs from the Board's Framework Guidelines? If so, please identify all elements of the proposed DSM Plan which differ from the framework and guidelines.

CME 2

Ref: Exhibit A, Tab 1, page 5 of 23

Union states that since 1997 its DSM programs have helped save an estimated $2.6 billion in total resource costs and $7.5 billion cubic metres of natural gas. CME would like to have a better understanding of the ratepayer cost to achieve those savings. Please provide the cost of all of Union's DSM programs since 1997. In calculating the cost, please ensure that you include all costs of the DSM programs including direct costs, indirect costs, LRAM costs, SSM costs and DSMVA costs.

CME 3

Ref: Exhibit A, Tab 1, page 6 of 23

Union states that it will perform a study commencing in 2015 to determine the potential effects DSM can have on deferring, postponing or reducing future capital investments. Please provide an update on when that study will be completed. Specifically, does Union anticipate that the study will be completed prior to the hearing of this case?

CME 4

Ref: Exhibit A, Tab 1, page 8 of 23

Union states that it will use the DSM Incentive Deferral Account ("DSMIDA") and that beginning in 2016, it will build 100% of the DSM incentive target into rates. CME would like to better understand the rationale for building 100% of the DSM incentive target into rates prior to the targets being achieved. To this end:

(a) Has Union ever incorporated 100% of the incentive target into rates in advance of achieving or exceeding the target?

(b) Does the fact that Union proposes to build 100% of the DSM incentive target into rates mean that Union expects to achieve the incentive target for every year of the multi-year plan?

CME 5

Ref: Exhibit A, Tab 1, pages 9-10 of 23

Union has stated that it is taking a more holistic approach to the market in all program areas. In this regard, Union separates its program areas into residential program, low income program, commercial program and industrial program. CME is interested in obtaining a better understanding of which programs can potentially benefit manufacturers. In order to obtain this understanding, please provide the following information:

(a) Please identify which rate classes Union considers to include manufacturers;

(b) Does Union consider that its commercial programs and industrial programs both include offerings that can benefit manufacturers?

(c) Please confirm that Union does not consider any of the DSM programs offered to the residential or low income program areas to benefit manufacturers. If this is not accurate, please identify which programs benefit manufacturers in the residential and low income programs.

(d) Of the commercial and industrial programs, please specifically identify the DSM programs which Union believes can benefit manufacturers. For each of these programs, please identify the following:

   (i) The cost of the program for each year of the multi-year plan;

   (ii) The projected savings for each year of the multi-year DSM plan;

   (iii) The rate classes which will benefit from the DSM programs.

CME 6

Ref: Exhibit A, Tab 1, page 17 of 23

Union states that over the course of developing its 2015-2020 DSM plan, it consulted with stakeholders, including intervenors, customers, the IESO, electricity utilities, EGD and service providers. CME notes that details of some stakeholder sessions are provided at Exhibit A, Tab 2, Appendix A, and at Exhibit A, Tab 3, Appendix B. Please provide a copy of all written material exchanged with stakeholders in the development of Union's 2015-2020 plan, including PowerPoint presentations, that has not yet been provided. In providing this information, please include all written material exchanged between Union and the IESO, electricity utilities, EGD and service providers.

CME 7

Ref: Exhibit A, Tab 1, page 19 of 23

Union has proposed that in 2016, Rate T1 customers will be offered commercial/industrial programs within the resource acquisition scorecard rather than the large volume program (for which they are currently eligible). CME would like to better understand the impact which this proposed change would have on Rate T1 customers. In this regard, please provide the following information:

(a) How many Rate T1 customers have participated in the large volume program since the split of Rate T1 and T2 became effective on January 1, 2013?

(b) CME understands that Rate T1 customers have been offered programs which are consistent with commercial/industrial custom offerings on the resource acquisition scorecard. How many Rate T1 customers have participated in such offerings since the split of Rate T1 and T2 became effective on January 1, 2013? Also, please set out the type of programs which Rate T1 customers have received since January 1, 2013 and explain how they are inconsistent with the large volume program.

(c) If CME is correct and T1 customers have received programs consistent with commercial/industrial custom offerings on the resource acquisition scorecard, how have those costs been allocated to the various rate classes. Specifically, has Rate T1 been allocated costs arising from both the resource acquisition scorecard and the large volume program?

(d) Please explain why Rate T1 customers cannot be offered DSM programs under both the large volume program and the commercial industrial program.

CME 8

Ref: Exhibit A, Tab 3, page 6 of 73

At Table 2, Union provides the 2016-2020 DSM Plan Budget. Please expand this Table to include 2012-2014 actual costs and the proposed 2015 costs.

CME 9

Ref: Exhibit A, Tab 3, page 9 of 73

Union has stated that it will explore innovative DSM programs and market approaches which include cooperation with industry partners such as EGD, LDCs and the IESO. A number of such potential partnerships are identified throughout the application. Please explain how the savings achieved will be allocated for the purpose of Union's scorecard and DSM incentive. In addressing this question, please confirm whether the savings achieved will be allocated to each partner on the basis of financial contribution and, if not, on what other basis.

CME 10

Ref: Exhibit A, Tab 3, page 12 of 73

At Table 3, Union's 2016-2020 long-term natural gas savings estimates are provided. On a percentage basis, Union's budget is increasing at a much greater pace than the corresponding natural gas savings. Please explain why the increased budgets are not resulting in commensurate increase of the natural gas savings targets.

CME 11

Ref: Exhibit A, Tab 3, page 14 of 73

Union has described its target development approach as including three phases of analysis. Please provide all written summaries, including reports to management, on Phase 1, Phase 2 and Phase 3 of the target development analysis. In answering this question, please ensure that you include formal written reports, as well as PowerPoint presentations, written memoranda or summary emails.

CME 12

Ref: Exhibit A, Tab 3, Appendix E, Schedule 1

Union has provided an allocation of DSM budget by rate class in this Schedule. Please expand the Schedule to show the allocation of DSM budget by rate class from 2012 to 2020.

CME 13

Ref: Exhibit A, Tab 3, Appendix E, Schedule B

At this Schedule, Union has shown the bill impacts for its DSM plan comparing 2015 to 2020. Please confirm that this schedule includes the maximum shareholder incentive. If not, please re-do this Schedule including that information. Also, please re-do this Schedule comparing the actual DSM cost allocated to rate classes in 2014 compared to the proposed DSM budget in 2020.

CME 14

Ref: Exhibit A, Tab 3, page 71 of 73

Union has proposed to address the 8.6% increase in DSM costs for Rate M7 by pooling the costs of Rates M4, M5 and M7. CME understands that a guiding principle for cost allocation in DSM is that (with the exception of low income programs), DSM costs are to be allocated on the basis of actual costs incurred in delivering DSM to any particular rate class. Does Union agree that this is a guiding principle of cost allocation in DSM? If Union's proposal is accepted, will customers in Rates M4 and M5 be cross-subsidizing customers in Rate M7? If yes, please explain why such a cross-subsidy is justified at this time. If no, please explain how Union's proposal does not result in an interclass cross-subsidy.

OTT01: 7027696: v1

EB-2015-0029
EB-2015-0049

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF Applications by Union Gas Limited and Enbridge Gas Distribution Inc. pursuant to Section 36(1) of the Ontario Energy Board Act, 1998, S.O. 1998, for an order or orders approving their Demand Side Management Plans for 2015-2020.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO ENBRIDGE GAS DISTRIBUTION INC. ("EGD")

CME 1

Ref: General

CME is interested in understanding the extent to which EGD's proposed DSM Plan has been prepared in accordance with the Board's Demand Side Management Framework for Natural Gas Distributors (the "Framework Guidelines"). Does EGD believe that any aspect of its DSM Plan differs from the Board's Framework Guidelines? If so, please identify all elements of the proposed DSM Plan which differ from the framework and guidelines.

CME 2

Ref: Exhibit B, Tab 1, Schedule 1, page 1 of 7

EGD states that between 1995 and the end of 2013 it has helped its customers save approximately $8.8 billion cubic metres of gas. Please provide the total cost of EGD's DSM activities between 1995 and the end of 2013 which has led to the $8.8 billion cubic metres of natural gas savings. In providing this calculation, please ensure that you include all direct and indirect DSM costs, as well as all costs associated with the LRAM, SSM and DSMVA.

CME 3

Ref: Exhibit B, Tab 1, Schedule 2, page 2 of 26, Table 1

Table 1 provides the 2020 goal, annual budgets and CCM targets for the years 2015-2020. CME believes that one way to assess the effectiveness of DSM is to consider the annual cost per CCM. In this regard:

(a) Please re-do Table 1 adding additional columns which show the cost per CCM for each of the years 2015 to 2020;

(b) It appears to CME that in 2015 EGD anticipates the cost per CCM will be $0.048 ($37,722,230 ÷ 774,359,281). By 2020, it appears that the cost per CCM will increase to $0.070 per CCM ($82,899,208 ÷ 1,182,290,348). Please explain why the cost per CCM increases so dramatically between the years 2015 to 2020;

(c) Between the years 2015 to 2020, EGD anticipates that the CCM will increase from 774,359,281 in 2015 to 1,182,290,348 in 2020. This represents an incremental CCM increase of 407,931,067 between the years 2015 and 2020. In that same time period, EGD's budget will increase from $37,722,230 to $82,899,208. This is a budget increase of $45,176,978. On this basis, it appears that the incremental CCM of 407,931,067 is being achieved at a cost of $0.11 per CCM ($45,176,978 ÷ 407,931,067). Please provide an explanation for the high cost of incremental CCM to be achieved between 2015 and 2020.

CME 4

Ref: Exhibit B, Tab 1, Schedule 2, page 7 of 26

EGD states that, pursuant to "Guiding Principle #3", it will coordinate and integrate DSM and electricity CDM efforts to achieve efficiencies. In this regard, EGD confirms that it will look to coordinate and integrate efforts between DSM and electricity CDM. Please advise how the savings achieved through such joint activities will be allocated between the various partners. In providing this explanation, please advise whether the allocation of savings will be based on budgetary contribution, and if not, on what other basis.

CME 5

Ref: Exhibit B, Tab 1, Schedule 2, page 11 of 26

EGD identifies "Guiding Principle #9" as confirming that shareholder incentives will be commensurate with performance and efficient use of funds. Does EGD agree that the targets to achieve shareholder incentives should increase commensurate to funding increases? For instance, if a program budget doubles, should the associated targets also double? If EGD does not agree with targets increasing commensurate with budgetary funding, please explain why not.

CME 6

Ref: Exhibit B, Tab 1, Schedule 2, page 17 of 26

EGD has identified that its underserved markets include low income households, privately owned multi-residential facilities, and small industrial and commercial markets where customers may prioritize energy efficiency. In this regard, EGD confirms that it has worked closely and consistently with stakeholders to ensure its low income offering remains best in class, as well as pro-actively working with the private multi-residential sector. EGD does not, however, comment on how it intends to approach the small industrial and commercial markets where customers may not prioritize energy efficiency. Please set out all steps that EGD has taken, or will take, with respect to this identified underserved market.

CME 7

Ref: Exhibit B, Tab 1, Schedule 2, pages 20-22 of 26

EGD addresses its programs in the areas of residential, low income, commercial and industrial. CME would like a better understanding of the various manufacturing customers that EGD serves. In this regard:

(a) Please identify all of the rate classes which EGD believes serve manufacturers;

(b) Please confirm that the residential and low income programs do not serve any manufacturers. If CME is incorrect in this assumption, please identify which residential or low income programs can assist manufacturers;

(c) Please identify which commercial and industrial programs serve manufacturers. For each of these programs, please identify:

(i) The rate classes that benefit from the program;

(ii) The anticipated annual CCM from each program for the years 2015 to 2020; and

(iii) The total annual cost for each program for the years 2015 to 2020.

CME 8

Ref: Exhibit B, Tab 1, Schedule 3, page 5 of 19

Table 1 sets out the 2015 budget and maximum shareholder incentive. According to that Table, for 2015, the maximum shareholder incentive available to EGD will be $11,089,624. CME notes that the OEB's 2015 to 2020 Natural Gas DSM Framework stated, at page 22, that "the Board will make an annual shareholder incentive available to each Enbridge and Union that is equal to a total annual maximum of $10.45 million". Please explain how EGD's proposed incentive for 2015 is consistent with this direction by the Board.

CME 9

Ref: Exhibit B, Tab 1, Schedule 4, page 4 of 41

EGD has proposed a target adjustment factor ("TAF") for the purpose of ensuring that targets, and subsequent shareholder incentives, are "fair and predictable" for both ratepayers and shareholders. In this regard, at page 41 of 41, EGD's description of the TAF does not appear to include any form of "stretch factor". CME would have expected that a target adjustment formula not only adjusts for input assumptions changing over time, but also, expressly adjusts for the fact that the target should continue to be a difficult goal that incents the Company to over-achieve. Particularly in a multi-year DSM plan, obtaining additional efficiency gains in the context of DSM would be expected. In this regard:

(a) Has EGD included a form of stretch factor in its TAF? If yes, please provide an explanation; and

(b) If a stretch factor is not included, please explain why not.

CME 10

Ref: Exhibit B, Tab 2, Schedule 4, page 1 of 14

For the purpose of demonstrating the forecast rate allocations and bill impacts, EGD has assumed an achievement level of 100% of target, and not 150% on all of its DSM scorecards. CME wants a better appreciation of what the total rate impact exposure is of EGD's DSM plan. In order to achieve such an understanding, CME requires the rate impacts of the DSM budget, including shareholder incentives, to be shown on the assumption that EGD achieving a weighted score of 150% or greater on all of its DSM scorecards and that EGD spends the maximum available budget for every year. Please reproduce Tables 1 through 10 of Exhibit B, Tab 2, Schedule 4, on the basis that EGD spends the maximum budget available, and achieves the maximum shareholder incentive, in every year.

CME 11

Ref: Exhibit B, Tab 2, Schedule 4

CME wishes to have a more precise description of the allocation of EGD's DSM budget by rate class and of the bill impacts. In EB-2015-0029, which is Union's multi-year DSM plan, it has provided a schedule which sets out the required information. Please produce a schedule setting out the allocation of DSM budget by rate class in the same manner as Union has prepared at Exhibit A, Tab 3, Appendix E, Schedule 1, in EB-2015-0029. When preparing the schedule, please show the allocation of DSM budget by rate class from 2012 to 2020.

CME 12

Ref: Exhibit B, Tab 2, Schedule 4

At Exhibit A, Tab 3, Appendix E, Schedule 2 of Union's evidence in EB-2015-0029, Union has provided a bill impact comparison of 2015 to 2020. Please prepare a schedule in the same format as Union's Schedule comparing both 2015 to 2020, and comparing the actual DSM cost allocated to rate classes in 2014 to EGD's proposed DSM budget in 2020.