

SCHOOL ENERGY COALITION

**CROSS-EXAMINATION
MATERIALS**

UNION/ENBRIDGE DSM PLANS

EB-2015-0029/49

ENBRIDGE PANELS 1 - 4

1 discrete measurement of consumption data.

2 MR. BRETT: Okay. So they would be more intensely
3 metered, effectively.

4 So in a sense you've -- okay. Now the third thing is:
5 "analysis of efficiency at a single meter point is highly
6 challenging, raising questions regarding what changes
7 within a building the utility should adjust for, e.g.
8 changes in occupancy, building use, et cetera."

9 Now, could you explain that a bit to me? In your
10 experience with Run-it-Right and CEM, do you have -- do you
11 not have mechanisms for adjusting over time, if there are
12 changes in use or -- I mean we're talking about material
13 changes in use, or occupancy, or equipment.

14 I mean, I had assumed, perhaps wrongly, that these
15 adjustments would be built in to some degree, they would be
16 built into those programs. In fact, part of the program
17 would consist of -- could consist of upgrading certain
18 pieces of equipment, for example.

19 MS. SIGURDSON: Is it on? To be helpful here, I would
20 like to talk about our experience with Run-it-Right for
21 2013.

22 So with Run-it-Right, our experience has shown us that
23 it is difficult to -- you've got to measure actual data,
24 and then to understand what those changes are and how to
25 address those changes in those savings, is still a
26 challenge. And our auditor, in 2013, realized that and
27 said okay you need to -- we tried to establish a
28 methodology.

1 So I think even that auditor had said they hadn't seen
2 another jurisdiction running a program such as this in this
3 method.

4 So it is cutting edge. We realize that, it is
5 interesting, but we want to learn more as we go forward.

6 So that auditor had suggested doing a survey. So in
7 2014, we did conduct that survey. We still do have
8 challenges in catching or getting that information from
9 customers.

10 We are making enhancements to the offer, to now get
11 that information at the onset of the program so that we can
12 learn further.

13 MR. BRETT: The information being the square footage?

14 MS. SIGURDSON: Whatever information we need to -- or
15 building changes, occupancy, usage; all of that plays into
16 the actual results --

17 MR. BRETT: Yeah, so have you made these changes now
18 already?

19 MS. SIGURDSON: We're going to start making those
20 changes now, exactly.

21 MR. BRETT: You have made them or you're making them?

22 MS. SIGURDSON: Moving forward, for the next -- so
23 right now this has come through our 2014 audit, so that --

24 MR. BRETT: Yeah, okay. I see. So this was a result
25 -- so you had an audit, and the auditor made certain
26 observations. And is that audit report -- or can we see
27 that report? Can we see that part of the report?

28 MS. SIGURDSON: For the 2013 by way of undertaking we

SEC INTERROGATORY #16

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/2/1, p. 19-22

With respect to the Energy Leaders program:

- a. Please provide indicative information on how the incentives available to Customers in this program will differ from incentives paid in other C/I programs.
- b. Please confirm that projects accepted in this program will in all case be required To pass the TRC-plus test with a ratio of greater than 1.0.
- c. Please confirm that this program is available for customers with multiple locations, including but not limited to schools.
- d. Please identify in the evidence the Evaluation Plan for this program.

RESPONSE

- a. The intent of the Energy Leader initiative is to support Enbridge's customers who are forward thinking and are evaluating the installation of nontraditional or newer technologies that would fall outside typical projects. There will not be a predetermined incentive amount; rather Enbridge will work with customers who have already undertaken capital and operational improvements to help them address technical or other barriers that prevent them from further undertaking energy efficiency measures.
- b. Enbridge needs to maintain a positive TRC greater than 1.0 at a program level. Enbridge fully intends to maintain the required positive TRC of 1.0 for the Resource Acquisition program. Therefore, Enbridge cannot confirm that all projects will necessarily pass the TRC-plus test within this offer.
- c. The intent of the Energy Leads initiative is to be available to the entire commercial and industrial Markets.

Witnesses: P. Goldman
R. Kennedy
M. Lister
R. Sigurdson

- d. Since the intent of the Energy Leaders initiative was not to be a standalone offer or program but to be a marketing initiative within the Resource Acquisition pool of offers, there is currently no unique evaluation plan. However, given that any savings results would be claimed through the custom offer, they will be reviewed within the context of the custom offer evaluation plan.

Witnesses: P. Goldman
R. Kennedy
M. Lister
R. Sigurdson

1 MR. MILLAR: Given the time, why don't we do that?

2 MR. LISTER: Okay.

3 MR. MILLAR: That will be JT1.45.

4 **UNDERTAKING NO. JT1.45: ENBRIDGE TO ADVISE WHAT OTHER**
5 **CONSIDERATIONS BESIDES PAYBACK WERE CONSIDERED IN THE**
6 **DESIGN OF THE ELIGIBILITY REQUIREMENTS TO MINIMIZE**
7 **FREE RIDERSHIP**

8 MR. MILLAR: Thank you for that. Let's move, if we
9 could, to tab 5, Staff 18. This should be a quick one.

10 This was a question relaying to Energy Leaders, and I
11 think if you look down at the response to (a) under the
12 first (i), it says: "Enbridge would reach out to encourage
13 them," these are the Energy Leaders, "to explore additional
14 non-traditional or newer technologies through technical
15 and/or financial support."

16 Really this was just a follow up question. Can you
17 give us some examples of what types of non-traditional or
18 newer technologies you might be referring to here?

19 MR. LISTER: Probably not sitting here right now, by
20 virtue of the fact they are non-traditional or newer. We
21 could give some thought to what they might be.

22 Hold on one moment, please.

23 [Witness panel confers]

24 MR. LISTER: One example might be, as a result of our
25 conferring, ground source heat pumps. Although they have
26 been around for a while, one could consider them, I
27 suppose, non-traditional, at least to date.

28 So this could be an effort to try and encourage the

1 customer to apply that type of technology.

2 MR. MILLAR: In fact, I think there were some
3 questions -- I can't recall from whom, but you did speak
4 about the ground source heat pumps earlier.

5 So I had a question about that, but I think it was
6 already answered.

7 But if you turn to staff 19 which is also under tab 5,
8 we were going to ask you why you hadn't explored ground
9 source heat pumps a little bit more. But we also wanted to
10 know about advanced air source heat pumps and why you
11 haven't looked at that a little bit more.

12 Are you able to give us some more information on that?
13 You will see that is in response to (c).

14 MR. LISTER: I was just going to point you to (c) and
15 simply submit that we have identified that we're happy to
16 further explore opportunities in this area.

17 But as yet, the conversation we were having before --
18 and I will speculate that it is very much the same for the
19 type of technology that you're talking about now, which is
20 that the payback periods for these technologies have, thus
21 far, proved to be -- I will say prohibitive, or at least
22 exclusionary.

23 So as a result, we haven't included them as a direct
24 measure in our programs to date. But again, as the
25 response indicates, we're happy to continue to explore
26 opportunities in the area.

27 MS. OLIVER-GLASFORD: And I think the only thing I
28 would add to Mr. Lister's comments is that, you know, in

SEC INTERROGATORY #3

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/1/2, p. 17

With respect to the Collaboration and Innovation Fund:

- a. Please provide details on how Enbridge plans to obtain input from stakeholders and others on new CIF projects and potential projects.
- b. Please confirm that Enbridge will annually produce a plan for the CIF in advance of the year, and discuss the plan with stakeholders and/or the DSM Consultative prior to its implementation.
- c. Please provide details with respect to how Enbridge proposes to include CCM or other results from CIF projects in the scorecards.

RESPONSE

- a. As Enbridge is increasingly involved in collaborative activities, and as the electric utilities develop or pursue their CDM plans, the potential projects that may be appropriate for CIF funding will be clearer. Enbridge has and will continue to assess opportunities against the needs of the customer as well as the priorities as identified by the Board in its DSM Framework. Enbridge proposes the use of two thresholds for proceeding on a project:
 - i) It has been reviewed and endorsed by an LDC, several LDCs, and/or the IESO
 - ii) It drives forward study on a new approach and/or technology that helps drive CO₂ reductions

CIF projects will be discussed with the Consultative and included in the end of year audit review as well.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott
R. Sigurdson

- b. Enbridge cannot confirm that it will annually be able to produce a plan for the CIF in advance of the year. However, best efforts will be made to plan for and communicate the CIF plan. As described above, Enbridge will, at a minimum, discuss the CIF with the Consultative and within the end of year audit annually. The Company's concern is that working with 26 LDCs in a fluid market may result in a need to be flexible and nimble. Enbridge is concerned that it would not have absolute clarity at the beginning of the year as to how and in what areas collaboration may advance. Further to annual discussions and reporting, Enbridge does view the CIF as being a ring-fenced budget of one million dollars where any amounts not used would be returned to the ratepayer.
- c. Enbridge intends to count any results arising from collaboration in the scorecard metric to which it is related. That is, collaboration in a Commercial Custom setting, for example, would be counted as resource acquisition CCM.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott
R. Sigurdson

1 around confidentiality, and we're trying to work through
2 them.

3 MR. JANIGAN: Okay. Thank you very much. Those are -

4 MR. DeROSE: Michael? Sorry, it is Vince DeRose.

5 Would you mind if I just asked one follow-up question on
6 that last IR --

7 MR. JANIGAN: Sure, go ahead.

8 MR. DeROSE: I hope the folks from Enbridge don't mind
9 me jumping in.

10 The legal costs -- you mentioned that Toronto Hydro is
11 seeking recovery of its legal costs from the IESO. Is
12 Enbridge incurring legal costs, and if so, are you seeking
13 recovery of your legal costs?

14 MS. OLIVER-GLASFORD: It's a good question, Vince. I
15 think, you know, as we kind of explore this collaboration
16 discussion more and more over the coming month and a half,
17 it will become more and more clear that the electric
18 administrative processes and their framework just is set up
19 differently.

20 So what they're allowed to cover, based on their ECA,
21 or their environmental -- or their environmental -- or,
22 sorry, energy conservation agreement is very specific, and
23 this was seen as outside of that for them, and the IESO as
24 such has set up separate pools of funding to cover such
25 administrative and additional costs.

26 So it's a bit different. Like, they've got a budget,
27 but then they've got additional budgets that they can
28 access through IESO for different items.

1 We function differently, in that we've got our budget
2 and we are determining that budget on the needs of running
3 our business. So we're not going to be seeking cost
4 recovery to the ISO for those costs.

5 But it does raise a good point because collaboration,
6 especially at the front end, is going to be costly in terms
7 of time and resources. So that is certainly a
8 consideration as we move forward.

9 MR. DeROSE: And so, at least from the gas side or
10 from your perspective, from the Enbridge perspective, you
11 see those type of costs as being already included in the
12 budget, and not something that would be incrementally
13 recovered on a going forward basis.

14 I'm not sure where you would recover it, but it's part
15 of the DSM budget; it's not something outside of the DSM
16 budget?

17 MS. OLIVER-GLASFORD: Correct. And when we
18 established the collaboration and innovation fund, that
19 fund was really -- and hence, why we talk about the need
20 for flexibility in that fund. That fund was really
21 established to enable collaboration.

22 And so if we found that there were incremental costs
23 related to doing collaborative work --whether it be in our
24 main portfolio, in a pilot -- that, you know, would be an
25 appropriate place to have those funds recovered,
26 essentially within that pool of funds, because that is what
27 they're for is enabling collaboration and integration.

28 But it would not be on top of the budget that we've

1 increasing your emphasis on small commercial industrial
2 programs. Is that fair?

3 [Witness panel confers]

4 MS. OLIVER-GLASFORD: Yes. I would say that certainly
5 our residential program is budget-driven because of the
6 expense of the HEC program, relatively speaking, as we
7 projected out targets.

8 MR. SHEPHERD: What I'm trying to get at is that this
9 is not being driven by changes in expected load over that
10 period of time. It's being driven by budget, right?

11 MS. OLIVER-GLASFORD: Correct.

12 MR. SHEPHERD: Okay, thanks. That's everything in
13 binder number 1.

14 And my next question relates to, under tab 5, SEC
15 number 3, and this is with respect to your collaboration
16 and innovation fund.

17 And what we -- the key part of this is B, where we
18 asked whether you are going to produce a plan for it each
19 year.

20 And what you said is you're not necessarily going to,
21 and obviously the concern is that you sort of have
22 this million dollars to spend as you feel like during the
23 year, as opposed to having a specific approach that you are
24 going for.

25 Can you sort of flesh it out for me a little bit?

26 MS. OLIVER-GLASFORD: Yes. I can certainly understand
27 the concern, and what I would say is that as we see the
28 LDC's programming evolve, and as we see what's starting to

1 percolate through collaborative discussions and, you know,
2 design, collaborative discussions, that it's becoming more
3 clear what we're going to see coming into a collaboration
4 innovation fund for 2015.

5 But certainly I couldn't, with any accuracy, project
6 out in 2016 or beyond what might come into that.

7 But certainly we know that what we don't spend, or
8 what we've proposed that we don't spend here would go back
9 to rates.

10 So it is kind of a holding account, if you will, as we
11 saw it. We have expectations or hopes that we would be
12 doing significant collaboration to use it, but we don't
13 know for sure and on what particular projects at this
14 point.

15 MR. SHEPHERD: Yes. What I'm driving towards here is
16 not so much the ratepayers getting the money back, but
17 rather the -- I understand in 2015, you've got a very fluid
18 situation.

19 But as the plan goes further on, you'll have a much
20 clearer picture of what has to be done each year to move
21 your relationships with the LDCs forward, right?

22 MS. OLIVER-GLASFORD: Possibly, yes. We certainly
23 hope so.

24 I can't say for certain that we won't see ideas kind
25 of appear in the middle of the year that we weren't
26 expecting. So, you know, I think we do mention here that
27 we will make best efforts to plan for and communicate the
28 collaboration and innovation fund, and we certainly would

1 undertake to do that in consultative sessions and share the
2 ideas and suggestions that we have.

3 MR. SHEPHERD: What I'm trying to get at is before
4 2016, for example, will you assign to somebody in your
5 staff the responsibility to have a plan for this money?

6 MS. OLIVER-GLASFORD: Certainly we will have somebody
7 accountable for keeping track of what the plan entails.
8 So, I guess, yes is the short answer for that.

9 MR. SHEPHERD: Okay. Next is in the next
10 interrogatory, tab 5, SEC number 7.

11 So in commercial custom, you're proposing to increase
12 the incentives from a flat ten cents per cubic metre to an
13 escalated amount for deeper savings.

14 The reason you're doing that is because the deeper
15 savings are harder to get, right? So you're incenting them
16 more, so you will get people to do them. Is that right?

17 MR. LISTER: That is in part correct, yes, that is one
18 of the reasons to have inclining incentives.

19 MR. SHEPHERD: Okay. But what I don't understand is
20 you've said that you don't expect to get any increased
21 market penetration from that.

22 Why not? If you're paying more money, I mean, isn't
23 that part of the point, to get more penetration?

24 MR. LISTER: I think where we indicate in the response
25 further down, on page 1 of 2, second sentence of the last
26 paragraph to your question on that point we say:

27 "Rather, Enbridge sees the need for changed
28 incentive levels to simply remain relevant to

Discussion around IRP – Call – March 19 @ 2pm

Attendees:

Ken Ross – Manager, IRP and EEC Reporting, Fortis BC (Ken looks after IRP and long term DSM Planning)

Dana Wong – Manager, IRP – Fortis BC

Fiona Oliver-Glasford and Hilary Thompson – EGD

Notes:

- IRP is very time intensive process, strategic and analytic
- Gas not the same thing
- Submit every 2 -3 years
- Working on the last 3 iteration
- Planning process never stops
- Take our snapshot at a given time
- Have IRP planning guidelines....Dana will send them over
- Everyone thinks electric
- Difference is resource options – upstream generation.....build or buy electricity.
- Don't allow much gas generation in BC
- Participate in the IRP technical committees for some of the jurisdictions around (mostly in US)
- Gas IRPs in other jurisdictions primarily about gas purchases.....pipeline and storage resources.
- Start with Demand forecast – 20 year planning horizon at Fortis BC
 - End-use model used from Marbek
- Show what demand side measures could impact
 - Marbek also done DSM planning work
- Account for 95% of the gas supply in BC
- Not impacting build as the DSM found not to impact peak at this point
- 4 years in on DSM
- Not being asked by commission to look at interruptible customers as a solution in IRP
- Only considering firm customers
- A few large Industrial customers coming on line as firm customers
- Been conservative as they “have to serve load on coldest day”
- Annual demand is dropping
- Little analysis of demand side measures on peak to-date – embarking on this now
- Considerations – everyone is going to use a different model for forecasting peak. Everyone has different customer characteristics. Peak demand is mostly residential.

- Launching a Conservation Potential Report (CPR) – both electric and gas – splitting costs with BCHydro (between two orgs cover 99% of energy needs) – starting shortly.
- 3 people in department – Ken, Dana, Tom – used to be 1.5 people but wasn't enough. Needed analytical power.
- Need to pull together a lot of departments and information....
- Project management is primarily the work – system (design) planning, dsm
- Long term planning for DSM also with Ken (EEC) – 5 year planning...
- They see others doing IRP having a mixed bag of approach to org planning, but seem to always have an IRP person or group
- Avista – have an IRP person for gas side and electric side....
- Puget Sound Energy – electric gas combined IRP – small team (5 -6 people doing IRP). Much more prescriptive process....
- In some places it's just about energy purchases versus dsm, in other places it is about build of infrastructure

SEC INTERROGATORY #20

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/2/1, p. 71-75

Please explain what steps, if any, Enbridge has taken to offer the Home Rating program jointly with electricity distributors and/or the OPA/IESO, and the results of those steps.

RESPONSE

The focus of the Home Rating offer is on energy awareness, literacy, and obtaining an energy rating and report for customers. Without direct and measureable energy savings associated, LDC's / IESO discussions to date have suggested there is currently no interest in pursuing collaboration on this offer.

Witnesses: S. Bertuzzi
M. Lister

1 you needed to increase each of these incentives in order to
2 drive participation? The reason I am asking this is
3 because the fact that they're mostly doubled when they're
4 all very different sort of measures makes me wonder, did
5 you have the same penetration problem with all of them?

6 [Witness panel confers]

7 MS. SIGURDSON: Jay, I believe there was an analysis
8 that was done in the program lead for that one. We can go
9 back and take an undertaking for this and get back to you.

10 MR. SHEPHERD: All I want to know is why each one of
11 these was increased the amount that it was and what the
12 market barrier was that was identified that required you to
13 increase it. Okay?

14 MR. MILLAR: So that is an undertaking?

15 MR. SHEPHERD: Yes.

16 MR. MILLAR: JT1.39.

17 **UNDERTAKING NO. JT1.39: TO EXPLAIN WHY EACH ONE OF**
18 **THESE FIGURES WAS INCREASED THE AMOUNT THAT IT WAS AND**
19 **WHAT THE MARKET BARRIER WAS THAT WAS IDENTIFIED THAT**
20 **REQUIRED INCREASING IT.**

21 MR. SHEPHERD: Next is SEC 18, still under tab 5. And
22 you will agree that savings by design -- or, sorry, that
23 savings by design would be enhanced if you could offer it
24 jointly with an LDC, right? Or with more than one LDC? Is
25 that right?

26 MR. LISTER: I don't think that is unfair. Certainly
27 electricity is part of the savings by design package, but I
28 think that is a fair statement. If we could jointly

1 deliver it, it might be beneficial.

2 MR. SHEPHERD: Okay. So we asked in the interrogatory
3 what steps are you going to take or have you taken and are
4 you going to take to create -- make this an integrated
5 electricity gas offering? And I didn't see anything here
6 that says what steps you are going to take. You just said
7 you are going to look for opportunities, but I am trying to
8 figure out, what's your plan?

9 MS. OLIVER-GLASFORD: So that's a good question.
10 We've had a number of discussions with LDCs, as well as
11 some -- the OPA and now the IESO that took place, I guess,
12 last year or the year before, kind of trying to understand
13 and to convey our interest in driving this program forward
14 in the marketplace.

15 We understand that, given the CDM framework and how it
16 is set up, it is really -- incents the most cost-effective
17 kilowatt-hour, and as such, we're certainly committed to
18 working with them, but I'm not entirely sure if the
19 interest level that we see on the electric side to pursuing
20 new construction programming.

21 MR. SHEPHERD: You said with respect to home rating in
22 SEC 20 that you're having resistance from the LDCs and IESO
23 because it doesn't have direct and measurable energy
24 savings. Is this the same thing for savings by design?
25 Same problem?

26 MS. OLIVER-GLASFORD: Not necessarily. That's
27 certainly a component of it. It is just the costs of new
28 construction programs are or have been historically higher

1 in their terms in kilowatt-hour, in our terms, you know, m-
2 cubed or CCM.

3 And so as such, based on how their framework is set
4 up, it is just a different driver.

5 MR. SHEPHERD: All right.

6 MS. OLIVER-GLASFORD: They don't have the scorecard
7 metrics that we have to -- to track other items.

8 MR. SHEPHERD: They have to deliver kilowatt-hours,
9 and if the program doesn't measure kilowatt-hours it is not
10 as attractive?

11 MS. OLIVER-GLASFORD: Yeah, but it is not quite about
12 measuring them, it's about doing it at the cost-effective
13 amount. They don't have any other scorecard metrics that
14 create an emphasis or priorities around other marketplace
15 areas.

16 MR. SHEPHERD: Do they not have the same driver of
17 lost opportunities that you do?

18 MS. OLIVER-GLASFORD: No, they don't.

19 MR. SHEPHERD: Ah. Interesting, okay.

20 Next is under tab 6, SEC number 4. And we were asking
21 about the stakeholder committees and, in particular, the
22 question of confidentiality and whether they should be
23 public.

24 And you've taken a view that generally speaking these
25 committee proceedings should be public and on the record,
26 and Union in their responses have taken the entirely
27 opposite view and said that generally speaking they should
28 be off the record like an ADR.

1 MR. BRETT: With respect to your collaboration with
2 the electricians, this has been -- you've discussed this with
3 some other parties, and I am not going to -- given the
4 time, I am not going to get into this in any detail. But I
5 guess I would ask -- you have made -- and I am looking here
6 at -- well, just perhaps I could summarize this in the
7 interests of time.

8 I think that you've referred in IR responses to BOMA
9 -- I'm looking at number 12, number 62, number 54 -- you've
10 referred to the competition aspect with electricians. You've
11 referred to the fact that the incentives in some cases are
12 quite a bit higher, and you also have, you know, talked
13 about your initiatives with the electricians and the IESO.

14 And my question to you is, are you -- are you spending
15 time and analysis -- are you doing research on what the
16 solutions will be to this problem at the moment?

17 Do you have people that are looking at how this
18 integration of design and implementation is going to work?
19 I mean, as an example, you've got an economic hierarchy of
20 initiatives that presumably cuts across the gas-electric
21 line, and you don't have, at the moment, kind of a single
22 focal point making decisions on who will do what.

23 I'm not going to bring the coals to Newcastle. You
24 certainly have been considering this in some fashion. But
25 have you considered the sort of packages that will emerge
26 that are gas-electric packages? How much work have you
27 done on this -- like, are you in a position where you can
28 begin to propose solutions to how this is going to work?

1 MR. LISTER: I think --

2 MR. BRETT: Granted that you are not the only actor in
3 the...

4 MR. LISTER: Let me try it this way, and you can tell
5 me if my answer has been responsive or not.

6 So you're quite correct. Throughout the body of the
7 case we've pointed out a variety of different challenges or
8 competitive -- you know, the competitiveness against
9 electric utilities in a variety of ways, some of which you
10 have just mentioned.

11 So I think generically what our plan has intended to
12 do is to meet those competitive threats, if I can call them
13 that, head-on.

14 So for example, one of the key things that we're
15 proposing is higher incentives, and as I talked before with
16 Mr. Shepherd about, that will help to keep us relevant.

17 Another thing that we've put forward in this case is a
18 different kind of focus on smaller-consuming customers,
19 where previously our scorecards would only reward really
20 large CCM projects.

21 We're trying to create an actual scorecard measure
22 that will help focus attention on a to date under-served
23 market.

24 And then of course the point that you were just
25 making, more collaboration with electric utilities to both
26 expand our reach, improve, we hope, cost-effectiveness, and
27 for the benefit of all Ontario ratepayers, be able to
28 accomplish more.

1 I think those are the key things, the key areas in
2 which we're trying to improve the competitiveness of where
3 we stand today.

4 Having said that, there will continue to be challenges
5 along the way, like different audit and evaluation
6 processes and the like, but I think that answers your
7 question.

8 MR. BRETT: Thanks. Those are my questions. Sorry
9 for the extension, but...

10 MR. MILLAR: Thank you, Mr. Brett.

11 **QUESTIONS BY MR. MILLAR:**

12 Good afternoon, panel. Michael Millar for Board
13 Staff. I hope to be quite brief so we can wrap up for the
14 day.

15 Could I ask you to turn to T2.Staff.8. And I have a
16 couple of questions just about how updates to input
17 assumptions will be incorporated over the course of your
18 plan.

19 Just to frame the question, I guess we have a quote
20 there from the DSM filing guidelines that you can see about
21 using the best available information.

22 As I understand it -- and in truth, I haven't looked
23 at DSM since your last five-year plan, which was a while
24 ago, so I may be a bit rusty, but as I understand it, input
25 assumptions can be updated in two ways. And the first is
26 at the recommendation of the auditor through the evaluation
27 and audit process. Is that correct? That's one way?

28 MS. SIGURDSON: Correct.

Target Adjustment Factor

53. Moving forward into a new DSM Framework Enbridge finds it appropriate to adopt 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.
54. Within the Resource Acquisition, Low Income and MTEM scorecards presented in this schedule are targets judged through a metric of CCM. The targets proposed by Enbridge and ultimately approved by the Board are based upon the best information available to all parties at the time of the Board’s decision approving the Company’s Multi-Year DSM Plan. These input assumptions can change over time as a result of evaluation and audit processes relating to Enbridge’s DSM business and other applicable market information.
55. As the Multi-Year DSM Plan progresses, Enbridge shall use the TAF for each CCM metric to determine the final targets which will apply to its results, based on the variance in CCM that is attributed solely to changes in input assumptions. Given that Enbridge’s lower and upper targets are the product of mid targets, lower and upper targets shall be adjusted concurrent with mid targets impacted by the TAF.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

56. Enbridge's TAF shall be calculated as follows:

$$\text{TAF} = \left(\frac{\text{CCM Based on Input Assumptions and Adjustment Factors at Time of Audit} - \text{CCM Based on Input Assumptions and Adjustment Factors at Time of Filing}}{\text{CCM Based on Input Assumptions and Adjustment Factors at Time of Filing}} \right)$$

57. Use of the TAF simply reflects the fact that input assumptions are likely to change during the six years of the 2015 to 2020 Multi-Year DSM Plan. The TAF will allow Enbridge to adjust targets to reflect the updating of input assumptions so that results reflect the best available information at the time.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

SEC INTERROGATORY #9

INTERROGATORY

Topic 13 - Other

Reference: Ex. B/1/4, p. 40

Please confirm that Enbridge proposes to reduce its targets for CCM on a go-forward basis if the input assumptions for any measure changes during the course of the plan. Please advise what Board approvals or review Enbridge is proposing for any proposed change in target resulting from this adjustment, and what Board approvals or review Enbridge is proposing with respect to the cost-effectiveness of programs affected by the changes in input assumptions.

RESPONSE

Enbridge has proposed a Target Adjustment Factor ("TAF") for the purpose of maintaining the balance that shall be struck by the Ontario Energy Board (the "Board") in this proceeding between the difficulty and achievability of DSM targets. In the Company's view, adjusting the natural gas savings achieved through a given DSM effort, whether that adjustment be up or down, without a commensurate adjustment to targets diminishes the hard work of the Board in evaluating the evidence brought before it to determine appropriate DSM targets. While situations could ensue which resulted in a decrease to Enbridge's CCM targets commensurate with decreases to natural gas savings claimed from a given DSM effort, it is equally likely that the TAF could adjust the Company's targets upwards to compensate for a new reality in which changing input assumptions or adjustment factors unduly benefitted shareholders through less challenging DSM targets. Enbridge believes that either of the above noted situations would diminish the effectiveness of the DSM shareholder incentive in driving aggressive DSM results.

In respect to the application of the TAF from a procedural prospective, Enbridge envisions that any adjustment calculations for a given program year would take place during the audit process relevant to that same program year. Subsequently, TAF calculations would be subject to the review of the Auditor, the Audit Committee, and ultimately all Intervenor and the Board through a Clearance of Accounts proceeding. Please also see the response to Board Staff Interrogatory #8 found at Exhibit I.T2.EGDI.STAFF.8

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

In response to SEC's final inquiry above, Enbridge has not proposed any formal approvals or review with respect to the cost-effectiveness of Programs affected by changes in input assumptions; a matter not addressed by the Company's TAF as outlined on page 40 of Exhibit B, Tab 1, Schedule 4. However, should a program or offer no longer be cost-effective, the Company would consult with stakeholders and make changes to the portfolio as appropriate.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

1 more.

2 MR. MILLAR: JT1.12.

3 UNDERTAKING NO. JT1.12: TO LOOK AT SOURCE DOCUMENTS TO
4 SEE IF THE ANSWER IN PART (E) IN THE TABLE CAN BE
5 DISAGGREGATED BY THE NUMBER OF PROJECTS AND AVERAGE
6 SQUARE FEET, PERHAPS, FOR THOSE PROJECTS THAT MEET THE
7 CRITERIA OF 50,000 SQUARE FEET OR MORE.

8 MR. POCH: Turning to topic 7. Question 18. GEC 18.
9 Page 564 of the PDF. In part (a) of your answer, you say
10 in the last part of that:

11 "To the degree that custom savings calculations
12 also incorporate pre-set, standard, or replicable
13 input assumptions across multiple projects of a
14 similar nature, those assumptions would be
15 subject to the TAF."

16 Target adjustment factor. We're trying to have
17 greater specificity about what that means.

18 Can you tell us what you mean by, you know,
19 specifically about by preset, standard, or replicable
20 assumptions, what that might be?

21 MR. OTT: Sure. Two points in response to that
22 request. I think the best way to address that question is
23 really by way of example. We have a significant portion of
24 our CCM, cumulative cubic metre, results being driven by
25 customer projects in the industrial and commercial sectors.

26 In the commercial sector, we are in the early stages
27 working with TEC of a boiler-based case study which, plus
28 or minus, could have significant impacts on the results

1 that are achieved through boilers, many, if not most, of
2 which are calculated on a custom basis.

3 But they do have some guidelines. We have in the past
4 filed custom measure life guidelines, and to the degree
5 that we saw one of those guidances change significantly,
6 the company finds that it would be just as appropriate to
7 apply the TAF to that situation as it would a prescriptive
8 situation.

9 Having said all of that, though, the company's intent
10 with the target adjustment factor, or TAF, as I have
11 already been referring to it, the company's intent is to be
12 as transparent as is possible with this adjustment factor.

13 We know that it is a concept that hasn't been used in
14 the recent past for our DSM portfolio. So with that in
15 mind, in our view, calculation of the TAF and which inputs
16 were or not subject to it and the way in which it is
17 applied in a given year would be reviewed by the auditor
18 and audit committee to ensure their reasonableness and
19 consistency with whatever it is the Board ultimately
20 decides in this proceeding.

21 So perhaps that's not a line item of every last input
22 that would be included in a custom calculation, but our
23 hope is that it offers some comfort that we really would
24 like to keep the calculation in use of this adjustment
25 factor as open and transparent as possible.

26 MR. NEME: So Brandon, I think the -- I think where
27 we're coming from on this is that because this hasn't been
28 done, hasn't been used before, if it were to be adopted by

1 the Board, it will be important to have some clarity about
2 what it is that it will actually be covering and what it is
3 that it won't be covering.

4 And in that context it seemed important to us not just
5 to assume that we will figure it out later, but to have
6 some clarity about, especially on custom projects, about at
7 least what you're proposing it covers.

8 What I think I've heard you say thus far is in two
9 examples is boiler base line assumptions and measure lives
10 are -- first of all, are we correct in hearing those two,
11 and are there any others besides those two?

12 MR. OTT: Hi, Mr. Neme. You are correct in hearing
13 those two. The one other thing to quickly cull out -- and
14 I know we have culled it out in our response here, but just
15 to state again today -- we are absolutely viewing this
16 adjustment factor to apply to other adjustment factors;
17 namely net to gross, or any persistent adjustment factor
18 that may come into play.

19 MR. NEME: Okay. So it would be those three, boiler
20 base line, measure lives and net to gross? Or net to
21 gross/persistent? For custom projects, it would be just
22 those three things -- or four, depending on whether you
23 treat "persistent" as separate from net-to-gross.

24 MR. LISTER: Sorry, Mr. Neme, we're just conferring at
25 the panel.

26 MR. NEME: Mm-hmm.

27 MR. OTT: Thank you for your patience, Mr. Neme. From
28 our perspective, the TAF should apply to any component of a

1 custom project, which is, for lack of a better word, a very
2 standard calculation.

3 So, to my knowledge, some custom projects will contain
4 prescriptive elements. To the degree that there is a
5 change in those prescriptive elements, the company is
6 seeking this adjustment factor to ensure that both sides of
7 the target equation are equalized for those changes.

8 And without being too repetitive, you are right. This
9 is a newer mechanism for Enbridge, at least in recent
10 history, and it is for that reason that we're hoping to
11 work with stakeholders, namely the audit committee, to
12 review how it is used and ensure that all parties are
13 comfortable as we move to the Board for a clearance.

14 MR. POCH: Chris, I will let you follow up with the
15 next one, which is part (b) which is related to this, which
16 is in the absence of measure by measure built-up targets,
17 how is this going to work. Chris, I will let you expand on
18 that.

19 MR. NEME: Yes. So we understand that you didn't
20 build up your targets on a measure by measure basis, that
21 you looked at typical yields per dollars spent that you
22 might expect from different programs and different market
23 sectors.

24 And we were wondering how does TAF work in that
25 context, because if you had built things up on a measure by
26 measure basis, we could look at measure X where you were
27 expecting to get 10 million CCM based in part on an assumed
28 ten-year measure life.

1 And if it turned out the measure life was adjusted to
2 8, we could lower your target by 2 million because it was a
3 20 percent reduction in measure life and you had -- your
4 target was comprised in part of 10 million CCM for that
5 measure.

6 Without it being built up measure by measure, how are
7 you anticipating the TAF would work --

8 MR. OTT: Fair question.

9 MR. NEME: -- mechanically?

10 MR. OTT: Of course. So fair question, Mr. Neme.
11 First, just as a point of clarification, while in creating
12 these targets the company did not create a specific or
13 illustrative measure by measure build up, we just wanted to
14 point out that there is implicitly a measure by measure
15 build up in the targets that we put forward to a degree,
16 because we did use past actuals and various averages and
17 analyses of those actuals to inform our targets. So there
18 is some element of that inherently embedded in them.

19 But more directly to your question, the TAF is like
20 best available information, as required by the Board in the
21 DSM framework, to be applied retroactively.

22 So to use your words, from a mechanical standpoint,
23 the way that we envision this taking place is that the TAF
24 will actually be calculated during the drafting of the
25 draft evaluation report early in the calendar year
26 following a given program year.

27 So at that time, based on actual results, the company
28 will have a measure by measure build up and will be able to

1 use that measure by measure build up to effectively run the
2 DSM results twice -- once using the most recent or best
3 available information and input assumptions, and once using
4 the input assumptions that were used to develop these
5 targets that are before us today.

6 And it would be with those two outcomes that the TAF
7 would be calculated, again at that time when preparing the
8 draft evaluation report.

9 MR. NEME: So can you talk us through an example of
10 how that would work? So if you had a measure that, in your
11 actuals, using the previously-assumed measure life of ten
12 years produced 10 million CCM, and the measure life was
13 adjusted down to eight, so you're only getting 8 million,
14 so you've got 2 million less CCM with the lower best
15 available information measure life, how would your target
16 be adjusted?

17 [Witness panel confers]

18 MR. NEME: Are you saying your target would also go
19 down by 2 million, or are you saying something else?

20 MR. OTT: The functionality of the TAF is more on
21 a percentage basis on each CCM target on the company's
22 weighted scorecard.

23 So it wouldn't be a firm CCM number reduction or
24 increase that resulted from the TAF. It would actually be
25 essentially a calculation of what is the percentage
26 difference between CCM under the old input assumptions and
27 CCM under these new input assumptions that are, at that
28 time, the best available information.

1 And that factor, the target adjustment factor, would
2 be applied to the company's target. Whether that be
3 downwards as a result of reduced savings from changes in
4 input assumptions, or especially as we start to talk about
5 more blended quantitative, qualitative analyses like net-
6 to-gross study, they could absolutely go the other way.

7 MR. LISTER: It might be helpful, Mr. Neme, to turn
8 your attention to tab 2, Board Staff Interrogatory No. 8.

9 What Mr. Ott has just described is presented there, I
10 think quite succinctly, in terms of the mechanics of the
11 TAF.

12 MR. NEME: Which part?

13 MR. LISTER: It is part (b), I believe -- let's see if
14 I have it right. It is tab 2, Board Staff Interrogatory
15 No. 8, pages 3 through 7 -- no, I'm sorry.

16 Part (c), pages 6 and 7, describe the mechanics of the
17 TAF at the level that Mr. Ott just described.

18 MR. NEME: Okay. I will take a look there. But can I
19 restate what I think you have just said, and you can tell
20 me if that is consistent with what is here?

21 MR. LISTER: Sure, why don't you try that.

22 MR. NEME: So it sounds like what you're saying, just
23 to use a concrete example, is that if your actuals with the
24 previous set of assumptions was a billion CCM, and after
25 making however many adjustments -- let's say it was ten
26 adjustments to different measures or programs, whether it
27 is net-to-gross or measure life, or savings, or whatever --
28 that billion cubic metres instead became 900 million or

1 10 percent less, then your target would also be reduced by
2 10 percent?

3 MR. LISTER: That's essentially correct. So I will
4 take you to page 7 of that response. I don't know if you
5 have it in front of you.

6 MR. NEME: I do.

7 MR. LISTER: We have it here. Essentially, that
8 example that you've just illustrated is presented in at
9 that table here. I used five percent, not ten percent.
10 But the mechanics of it work such as you've just described,
11 where a new input assumption information is revealed that
12 would generate otherwise lower achieved results.

13 So as a result, we adjust the target accordingly to
14 maintain our position of actual performance.

15 And, again, this goes back to the basis of the view
16 that if we're held to standards that we don't even know
17 about at this point, in terms of new input assumption
18 information, then we don't even know what standards we're
19 being held to.

20 MR. NEME: Okay, thank you.

21 MR. MILLAR: David would this be an appropriate time
22 for a break?

23 MR. POCH: Sure, that will work.

24 MR. MILLAR: We will take our morning break. It is
25 11:10 now. Given our very busy schedule, I will keep this
26 to 15 minutes right now. So the mics will be back on at
27 11:25.

28 --- Recess taken at 11:10 a.m.

1 MR. MILLAR: And the second way is through the
2 auspices, I guess, of the technical evaluation committee,
3 which may prepare various studies, for example, the
4 technical reference manual, net-to-gross studies, things
5 like that? That's the other way they can be updated?

6 MS. SIGURDSON: Yes.

7 MR. MILLAR: Okay. So I am right so far. I want to
8 talk to you about timing under those two scenarios.

9 Let's first look at if there's an update through the
10 evaluation and audit committee and the auditor. So under
11 your proposal, if the auditor reviews, let's say the 2014
12 programs and results, and recommends a change to a certain
13 input assumption, it doesn't matter which one for the
14 purposes of this example.

15 When would that change take effect?

16 MS. SIGURDSON: So in the current process it would be
17 immediate. So if we've got -- it's based on best available
18 information. So our draft evaluation report that is issued
19 approximately April of each year, that would represent best
20 available information.

21 So the Technical Reference Manual had all the updated
22 input assumptions, and that was built into our CCM and our
23 results and our DSM IDA that was reflected in the draft
24 evaluation report.

25 MR. MILLAR: Okay. So you said under the current
26 framework. Is that how it would work going forward as
27 well?

28 MR. OTT: In relation to the mechanism, the target

1 adjustment factor, or as a general comment how we would
2 incorporate input assumption changes?

3 MR. MILLAR: As a general comment.

4 MR. OTT: Okay.

5 MS. SIGURDSON: That would still be the case moving
6 forward.

7 MR. MILLAR: So if it's a recommendation of -- if it
8 comes from the auditor, it's implemented immediately. Do I
9 have that correct?

10 MS. SIGURDSON: Yes.

11 MR. MILLAR: Okay. And I guess the other way there
12 can be updates is through the technical evaluation
13 committee, as we discussed.

14 Imagine the years 2015, new studies have been prepared
15 and they show that an input assumption should be updated,
16 whatever that might be.

17 When would that take effect? Would it be in 2015, or
18 would it be in the next year?

19 MS. SIGURDSON: So it depends on the timing. So in
20 2015, just to help me out with your example there, so if
21 it's -- if there's an input assumption that's updated
22 today, this is post our audit process.

23 So typically, we will update -- our draft evaluation
24 report is around April of that time, and that is what's
25 provided over to the auditor. That is what is audited and
26 that is the scope of the audit.

27 MR. MILLAR: Okay.

28 MS. BENNETT: Hi, this is Valerie. Just a question

1 for the TAF specifically. How would it be impacted in each
2 of those cases? So when would -- the TAF for which year
3 would be impacted?

4 MR. OTT: For the purpose of simplicity, it would
5 actually be -- the TAF would be applied in the same manner
6 in both of those examples.

7 So the way that we've proposed the TAF is as a
8 mechanism that would be calculated and implemented while
9 preparing the draft evaluation report. So to the degree
10 we're taking those assumption changes into account for any
11 DSM results, we would at that time in the first quarter of
12 the year following the program year in question, calculate
13 full CCM achievement for a given metric based on the input
14 assumptions that we have filed these existing targets based
15 upon, and subsequently, calculate CCM results based on
16 these new input assumptions that we now have.

17 Using those two values in the formula outlined in
18 Board Staff 8, we would come up with a target adjustment
19 factor, a percentage factor that would be applied to the
20 target for a given scorecard. And that's effectively how
21 that mechanism would play out, as far as timing.

22 MS. BENNETT: Okay. So if there was -- if the auditor
23 makes a recommendation for the 2014 audit on an input
24 assumption, would the 2014 target change, or would the 2015
25 target change -- or both?

26 [Witness panel confers]

27 MR. OTT: So in the event that right now, today, the
28 2014 auditor made an audit recommendation, that would be on

1 a go-forward basis. So in the event that that was an input
2 assumption change, it would take place in 2015 -- and,
3 Ravi, you can step in if I characterized that incorrectly
4 at all.

5 MS. SIGURDSON: Just to walk us -- maybe I will help
6 with the timeline here; I think that is what you're getting
7 at here.

8 If you've got your draft evaluation in April of, say,
9 2016. So this whole year we've moved ahead with certain
10 assumptions and then if that was to change, the year is
11 over, but we will apply that to the draft eval -- at that
12 that point we issue that draft evaluation report.

13 So it applies to year audit before, if that makes
14 sense. So it would apply to the year prior.

15 And I think an important piece here is that those
16 targets have been set in accordance to our assumptions.
17 And that's what we're striving to do here is adjust those
18 targets in relation to the achievement.

19 MR. MILLAR: Could we turn to T5.Staff.15, please?
20 This was a series of questions related to some of your
21 custom program offerings.

22 In particular, question (b) -- and I will turn you to
23 page 3 of 3. I guess it is in the second-last sentence or
24 so that Enbridge notes that:

25 "No limits or minimum payback periods were
26 applied to the offer conditions, as they would be
27 perceived as barriers to participating in the
28 custom offers."

Enbridge provides the following response:

- a) Below please find the \$/ccm chart in the format requested. As noted above, Enbridge shall provide an excel format of the below directly to Energy Probe, copying the Board. Should any other party wish to receive this excel format they may contact Enbridge directly.

FORMAT REQUESTED									
Resource Acquisition	2012 \$/CCM ¹	2013 \$/CCM ¹	2014 \$/CCM ¹	2015 \$/CCM ²	2016 \$/CCM ³	2017 \$/CCM ³	2018 \$/CCM ³	2019 \$/CCM ³	2020 \$/CCM ³
Residential	\$0.154	\$0.068	\$0.096	\$0.102	\$0.103	\$0.091	\$0.084	\$0.083	\$0.081
Commercial	\$0.012	\$0.010	\$0.011	\$0.013	\$0.023	\$0.025	\$0.026	\$0.026	\$0.026
Industrial	\$0.009	\$0.012	\$0.012	\$0.014	\$0.020	\$0.021	\$0.022	\$0.023	\$0.023
Total Resource Acquisition	\$0.012	\$0.013	\$0.023	\$0.021	\$0.033	\$0.036	\$0.038	\$0.038	\$0.038
Low Income⁴									
Single Family - Part 9	\$0.233	\$0.141	\$0.175	\$0.185	\$0.199	\$0.206	\$0.212	\$0.218	\$0.225
Multi Residential - Part 3	\$0.032	\$0.026	\$0.044	\$0.041	\$0.056	\$0.055	\$0.055	\$0.054	\$0.054
Private	N/A								
Total Low Income	\$0.105	\$0.089	\$0.093	\$0.085	\$0.116	\$0.118	\$0.116	\$0.117	\$0.117
TOTAL RA & LI	\$0.018	\$0.019	\$0.029	\$0.028	\$0.040	\$0.043	\$0.045	\$0.045	\$0.045

1. 2014 \$/CCM, as per response to Energy Probe IR# 4
2. 2015 \$/CCM Forecast as of May 2015. \$/CCM calculations based on Forecasted Program Spending, not OEB Approved Budget (in EP# 7)
3. 2016-2020 C&I \$/CCM calculation includes CEM, RIR, Energy Compass, and budget from Energy Leaders
4. 2016-2020 Low Income \$/CCM calculation excludes LI New Construction

- b) Without further context, Enbridge does not have any qualifiers/comments regarding how these metrics fit with the pre-filed evidence and Interrogatory responses.
- c) Using the example provided (Exhibit B, Tab1, Schedule 2, Table 1 and CME Interrogatory #3 found at Exhibit I.T3.EGDI.CME.3), a reconciliation shows that the same evidence was presented in both the submitted plan and the interrogatory response.

Witnesses: K. Mark
 F. Oliver-Glasford
 B. Ott
 C. Welch

1 stricter rather than higher. That is, lower savings rather
2 than higher savings; isn't that right?

3 MS. LYNCH: I'd say there has been some that are
4 lower. There are some that would be higher as well. I
5 mean, we're also moving into new areas with new programs,
6 so there could be other adjustments that we would see as a
7 result of that. We're also going to be --

8 MR. SHEPHERD: That's non-responsive.

9 MS. LYNCH: -- more --

10 MR. SHEPHERD: Madam Chair, this is not responsive to
11 the question. The question is a very simple one: Do you
12 have a lot more changes to the input assumptions that make
13 them lower than higher over the last ten years? You can
14 undertake if you like. I mean, we know the answer.

15 MS. LYNCH: I'd say direction has been more down, yes,
16 as I said.

17 MR. SHEPHERD: Thank you. I want to talk about the
18 catch-up on the scorecards.

19 You have -- you have been using for the last three
20 years, and propose to continue, a method whereby if you
21 perform poorly on one area of your scorecard, you can make
22 it up by going over the maximum on another area of your
23 scorecard, right?

24 MS. LYNCH: Yes. It's -- the metrics can over -- be
25 higher or lower, but the scorecard is capped.

26 MR. SHEPHERD: So you talked to Ms. Girvan about this
27 yesterday, and I want to take you to a couple of examples
28 and try to understand how this works.

1 So take a look at page -- where is a good one? Let's
2 say page 17. This is your 2012 low-income scorecard. So
3 you did relatively poorly on multi-family, but you did very
4 well on single-family and as a result, you got your maximum
5 incentive, right?

6 MS. LYNCH: Yes, that's correct.

7 MR. SHEPHERD: And if you take a look at the next
8 page, the 2013 resource acquisition scorecard, you
9 actually, on deep saving -- on the commercial-industrial
10 deep savings, you were well below the minimum; you weren't
11 even half the minimum. But because you did well on
12 residential, and because you did well on CCM, you ended up
13 113 percent of your target, right, even though on
14 5 percent, you weren't even close?

15 MS. LYNCH: Just for clarity, our achievement on deep
16 savings, are you referring to the 8.97 --

17 MR. SHEPHERD: Yes.

18 MS. LYNCH: -- percent, compared to our lower band of
19 9.36 percent?

20 MR. SHEPHERD: So you got 31 percent of the metric?

21 MS. LYNCH: Yes.

22 MR. SHEPHERD: Okay. So the answer to my question is
23 correct, right? You didn't perform well on CI deep
24 savings, but you still got 113 percent of your incentive
25 because you did well on the other two, right?

26 In one case, your deep savings residential was above
27 the max?

28 MS. LYNCH: It was above the upper band.

1 MR. SHEPHERD: And we could see other examples of that
2 throughout, right? It's -- for example, in 2014, again you
3 did poorly on CI deep savings, but you got your maximum
4 incentive, right?

5 MS. LYNCH: In 2014 -- these are pre-audit numbers
6 that are shown here, but yes, there's variation in the
7 metrics.

8 MR. SHEPHERD: Well, sorry, I didn't ask whether there
9 is a variation in the metrics. I asked whether you got 150
10 percent of your target -- of your incentive -- or you say
11 you qualified for it, even though you were well below the
12 minimum on CI deep savings for the second year in a row,
13 right?

14 MS. LYNCH: Again, the lower band there is 8.97 and we
15 achieved 8.84. So I wouldn't characterize it is a way
16 below.

17 But I will say that certainly we were successful in
18 our residential market, as it shows. So we did achieve
19 above in that.

20 MR. SHEPHERD: So here's my problem and you've given
21 some examples -- some examples on the next page of draft
22 results as well, which show similar things. In fact, in
23 one case, you show you were minus 9 percent of your metric.

24 But here's my problem. I thought the point of the
25 scorecard approach was to ensure that you worked towards
26 multiple goals. Isn't that the whole point of it?

27 MS. LYNCH: Yes, and I would say that it does do that.

28 MR. SHEPHERD: But what this structure does is it

1 requires you, if you are not doing well in one area, to
2 stop focusing on it and focus instead on the area where
3 you're getting the easiest or the best results, right?

4 Your motivation is to shift focus, to go well above
5 the max on one thing to save yourself from the thing that
6 you are not doing well in; isn't that right?

7 MS. LYNCH: Certainly I would say we're always looking
8 to achieve more in areas where we are able to be
9 successful. But certainly with the metrics, because there
10 can be a negative as it's outlined in this particular
11 scorecard, we wouldn't remove our focus from any metric.

12 MR. SHEPHERD: Well, why wouldn't you? If you are not
13 going to make the amount anyway, and if you are going to
14 get your whole incentive by doing something else, that's
15 what you'd do, right?

16 MS. LYNCH: Again, I would say that we would still be
17 focused because we would not want to have a negative impact
18 from one metric. Yes, to the extent that we are
19 successful, we are going to look to achieve more in the
20 metrics where we are successful.

21 MR. SHEPHERD: If you weren't allowed to count, on any
22 of these scorecards, more than 150 percent -- or 125
23 percent in the case of your proposal -- that would mean you
24 would be forced to put more energy into the things you are
25 doing poorly in, right? Because you couldn't get your
26 incentive, except by bringing those ones up; true?

27 MS. LYNCH: It would certainly limit your ability to
28 achieve from any individual metric. But it would also mean

1 that there would not be motivations, where opportunities
2 are available, to continue to pursue programs that are
3 successful.

4 MR. SHEPHERD: Well, no. You have the DSMVA, right?
5 You could still spend more money.

6 But what I'm looking at is -- for example in low-
7 income; take a look at the 2013 low-income scorecard on
8 page 18.

9 If you were stopped at 150, if it was not possible for
10 to you count more than 150 percent of your single-family,
11 then your rational response is to put more effort into
12 multi-family, isn't it?

13 MS. LYNCH: Yes, although I'd say we're always putting
14 the effort in. It is just a matter of where the results
15 may come from. In certain years, certain areas can be more
16 successful; in other years, other areas are successful.

17 MR. SHEPHERD: And that's not affected by how much
18 effort you put into it?

19 MS. LYNCH: It is, but my point is that we are looking
20 for those opportunities.

21 MR. SHEPHERD: But if we are incenting to you chase
22 the single-family because that's the one that's working,
23 doesn't that mean that you are not chasing the multi-family
24 as much? You only have so many resources, right? You can
25 only do so much work.

26 MS. LYNCH: Again, I would say that it depends on
27 where the opportunities are within a given year. Certainly
28 we're working with multi-family and single-family in every

1 If we consider that in 2015, and then use inflation to
2 account for escalations in pricing, certainly all elements
3 of the plan will see certain impacts of that. So we've
4 said that we expect to need to use the inflation to account
5 for those cost changes.

6 MR. SHEPHERD: The Board's approval doesn't include
7 any restrictions on how you spend that money; right? Is
8 that correct?

9 MS. LYNCH: We have, again, provided directionally how
10 we would expect to spend it. We have not said specifically
11 how we would spend it, as we deem that we would need to
12 consider where our costs fluctuate over the term of the
13 plan.

14 MR. SHEPHERD: Madam Chair, with respect to the
15 witnesses, I've asked a question that has a very clear
16 answer. And I'm entitled to get a clear answer to the
17 question. I'm getting avoidance of the question, that the
18 witness has not said what restrictions on your approval of
19 \$15 million they're proposing. None, and I'm asking: Are
20 there any restrictions. The answer is no, and I'm entitled
21 to a straight answer.

22 MS. LONG: Ms. Lynch?

23 MS. LYNCH: So we have not said specifically where we
24 would allocate it.

25 MR. SHEPHERD: Thank you. And so my next question
26 relates to the efficiency carryover, and you'll recall in
27 the technical conference we had a whole discussion about
28 this, because originally you were thinking about the

1 efficiency carryover as being per scorecard; right?

2 MS. LYNCH: Yes, originally we hadn't specifically
3 said how we would determine -- in our evidence we hadn't
4 specifically said how we would determine achievement of the
5 cost-efficiency incentive.

6 MR. SHEPHERD: In fact, when we talked about it at the
7 technical conference you were proposing that it be on a per
8 scorecard basis; right?

9 MS. LYNCH: I had said at that time that we hadn't put
10 a specific proposal that we were -- we had -- we were
11 thinking about what it could be, whether a scorecard or
12 overall would make the most sense. We subsequently took an
13 undertaking and then provided our response in that
14 undertaking.

15 MR. SHEPHERD: And that undertaking is page 9 of our
16 material, and if I can paraphrase it, it is, if you meet
17 the target level of incentive, which means overall on all
18 the scorecards, then you've -- you're entitled to the
19 incentive if your total spend is less than the target
20 budget, right, without using the DSMVA?

21 MS. LYNCH: Yes, that's correct.

22 MR. SHEPHERD: Okay, and, now, that doesn't mean you
23 wouldn't use the DSMVA, right, because the DSMVA also
24 reallocates between rate classes; right?

25 MS. LYNCH: Yes, the DSMVA counts for every
26 allocation.

27 MR. SHEPHERD: So in your example on page 9 you say if
28 we spent 56 million out of a \$57 million budget,

1 that million dollars wouldn't be in the DSMVA and we'd get
2 to spend it the next year. But that million dollars could
3 actually be made up of 5 million less on residential and
4 5 million more on M-5; right -- or 4 million more, sorry,
5 whatever. It could be an adjustment --

6 MS. LYNCH: There could be variations in where the
7 scorecard achievement has come from.

8 MR. SHEPHERD: As long as the result is less than the
9 total?

10 MS. LYNCH: As long as the overall scorecard
11 achievement has hit a hundred percent.

12 MR. SHEPHERD: And part of what you believe the policy
13 says is that -- is that if you are able to deliver the
14 target level incentive at less than the budget, whatever
15 that difference is, that budget that you didn't spend, you
16 spend it anywhere you like. There are no restrictions on
17 that, is that right?

18 If you take a look at the bottom of page 7 of our
19 materials, you will see an answer you've given on that to
20 LPMA, which says:

21 "The flexibility is not limited by which program
22 the rolled-forward budget can be spent on."

23 You say part of the reason for having this is to give
24 you flexibility; isn't that right?

25 MS. LYNCH: Yes, and I would just say that response
26 was based on our view of the framework as outlined on page
27 24, that this is a benefit to the utilities to afford a
28 greater flexibility to achieve the target levels, if they

1 can efficiently produce results.

2 MR. SHEPHERD: Now you are proposing to continue the -
3 - what is it? A 30 percent limitation on moving between
4 budgets, is that right? You are familiar with what I'm
5 talking about?

6 MS. LYNCH: Yes, that was the direction given by the
7 Board.

8 MR. SHEPHERD: And so how does this additional sort of
9 discretionary amount that you may have because you've gone
10 under budget, how does this relate to the 30 percent? Is
11 this in addition?

12 MS. LYNCH: I see the 30 percent as the flexibility
13 that we have to move money around, based on where we see
14 the need. This is separate from that, in that it's meant
15 to be a cost efficiency incentive that we would utilize.

16 MR. SHEPHERD: And it, too, is something you can move
17 around to where you think you need it, right?

18 MS. LYNCH: Yes. As I said, as outlined in the
19 framework, that's what the Board has identified.

20 MR. SHEPHERD: So it's in addition to the 30 percent?
21 You could put it all in one budget in the following year,
22 right, no problem, and still move 30 percent into that
23 budget as well, right?

24 MS. LYNCH: Again, I see the 30 percent is the
25 flexibility that we have within a given year. And again,
26 based on where we see the requirements for funding for
27 achieving targets, we would use the cost efficiency
28 incentive pool.

1 MR. SHEPHERD: Once more, Madam Chair, I'm not getting
2 a straight answer. Are they additional or not?

3 MS. LYNCH: Where I'm struggling, Mr. Shepherd, is the
4 definition of "additional." There is a flexibility related
5 to the budget spending, and then there is the cost
6 efficiency incentive.

7 So yes, that flexibility exists to move between
8 programs. But the Board has identified, in addition, that
9 there's flexibility related to cost efficiencies that we
10 can then utilize in the following year.

11 MR. SHEPHERD: If the home reno rebate turns out to be
12 smashingly successful, and so in 2017 you say we're going
13 to move 30 percent from CI from -- let's say T1, we're
14 going to move 5 million from T1 into residential, you can
15 also then also add any carryover you had from the previous
16 year -- let's say you have another couple million there --
17 plus you can add your inflation amount. You can put it all
18 into residential and the Board is approving that today, if
19 they approve your application; isn't that right?

20 MS. LYNCH: You could; but the practical aspect of
21 where you'll need the funding for various aspects of the
22 budget, that's -- it would be an extreme example of what
23 could practically happen within a program year.

24 MR. SHEPHERD: Now, the efficiency carryover doesn't
25 involve adjusting any targets for the subsequent year, does
26 it?

27 The whole point of it of it is that it makes it easier
28 for you to meet your targets in the following year, because

1 Before we continue with the questions, I just wanted
2 to do a quick housekeeping item. I made an error earlier
3 today in marking an undertaking response.

4 If we can all cast our minds back to early this
5 morning, Ms. Oliver-Glasford volunteered to file a
6 presentation. Unfortunately, we don't have the transcript
7 finished, so I don't have any page numbers yet. But people
8 may recall I marked that as Exhibit KT1.2, when in fact it
9 was an undertaking.

10 So what I propose to do is just cross out the KT1.2,
11 and we will instead transfer that to the next undertaking,
12 which is JT1.37; does that make sense to everybody?

13 MR. O'LEARY: I had one or two --

14 MR. MILLAR: No, it was before the coffee had kicked
15 in, I guess. That takes care of that. Mr. Shepherd has
16 volunteered to go next?

17 MR. SHEPHERD: Yes.

18 **QUESTIONS BY MR. SHEPHERD:**

19 MR. SHEPHERD: These questions are, I think, all on
20 SEC interrogatories. The first one is under tab 3, SEC
21 number 6, where we were asking about the 4.92 million
22 incremental budget for 2015.

23 And you've talked about the fact that you don't know a
24 lot about the projects, it's still very iffy.

25 I just have one question. Where did you get the
26 4.92 million number, if you didn't have any real numbers to
27 base it on? Like it isn't a round number, like give us
28 five million and we'll figure it out. It is 4.92, but then

1 you still said we'll figure it out. I don't understand.

2 MR. LISTER: You're in SEC number 6?

3 MR. SHEPHERD: Yes, SEC number 6.

4 MR. LISTER: Right. The 4.92 was a mathematical
5 function derived as 15 percent of our proposed budget. We
6 then fit all of the incremental requirements, as we saw
7 them, within that limit.

8 MR. SHEPHERD: All right. Basically what you're
9 saying is we don't know what we're going to spend on this -
10 - is this right? -- but we'll keep it within the 15 percent
11 number?

12 MS. OLIVER-GLASFORD: Correct.

13 MR. LISTER: I think that is mostly fair. I think
14 what we were saying -- maybe different way to view it is
15 our requirements might actually be more than 4.92 million.

16 We saw that as a limit to spend on those incremental
17 initiatives.

18 MR. SHEPHERD: Okay, I got it. Then a couple of pages
19 on, at SEC number 8, still under tab 3, page 2, you have
20 the unit costs for each class for the DSM budgets.

21 I just want to understand one thing. I'm looking at
22 rates 1 and 6, right. So rate 1 and 6, the unit costs are
23 almost the same in 2015. There's slightly more for rate 1,
24 but it's almost the same.

25 But by the time you get to 2020, rate 1 is -- I don't
26 know, about 60 percent higher.

27 I take it that is because you're increasing your
28 emphasis on residential programs, more than you are

SEC INTERROGATORY #6

INTERROGATORY

Topic 3 - DSM Budgets

Reference: Ex. B/1/3, p. 17

Please provide a full explanation as to why Enbridge needs complete flexibility on the \$4.92 million incremental budget. Please confirm that the proposed flexibility would allow Enbridge to decide not to proceed with one or more of the 3 projects on pages 14-16. For each of the listed projects, please advise the total amount spent to date in 2015 on that project, and the total value of any 2015 financial commitments already made with respect to that project.

RESPONSE

As explained in Exhibit B, Tab 1, Schedule 3, page 13, Enbridge is proposing to spend \$4.92 million in 2015 in pursuit of the Ontario Energy Board's guiding principles and key priorities as contemplated by Section 15.1 of the DSM Framework. On this basis, Enbridge has provided a directional plan for the incremental budget based on several key identified projects, which include the Potential Study Update, Integrated Resource Planning ("IRP") Study, My Home Health Record Residential Behaviour Program (OPower), Green Button Initiative, Comprehensive Energy Management, Low Income New Construction, and the Collaboration and Innovation Fund. Other than the potential study project, the other projects are new and therefore, Enbridge does not have reference points upon which to draw for scope and costing. For example, Enbridge has put together a proposed project scope for the Integrated Resource Planning study which once approved, would commence a procurement process to crystalize milestones and associated pricing. Similarly, for the Green Button Initiative, Enbridge is venturing into the process without understanding the full extent of capacity requirements internally, and the timelines for implementation. As such, some of the projects are less certain in pricing estimates than others, and many have some uncertainty on timing. However, Enbridge is committed to all projects currently listed in the incremental budget.

Please see Enbridge's response to Board Staff Interrogatory #9 in Exhibit I.T3.EGDI.STAFF.9 for commentary on the 2015 incremental spending and commitments to-date.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

1 **T3.EGD.CCC.5, TO FURTHER BREAK DOWN THE CATEGORIES.**

2 MS. GIRVAN: All right, thank you. If you could turn
3 to -- let me just see where I should go next. CCC number
4 3, which is T5.CCC.3. And what we were really looking for
5 is sort of your -- some assessment of your customer
6 engagement with respect to your 2015 to 2020 plan.

7 I just wanted to confirm, if you go down to the
8 bottom, it talks about your Customer Forum Panel and how
9 the last time you utilized that group was in August 2014.

10 So can I take from that, in terms of the present plan
11 as designed right now, you didn't go back to your customers
12 and get some input on it?

13 [Witness panel confers]

14 MR. PARIS: So thanks for the question. So that
15 meeting in August 2014 would have -- I mean, we were in the
16 process of starting to develop these plans even back then.

17 I believe shortly thereafter is even when we had one
18 of our first stakeholder sessions with the broader
19 intervenor group, so we --

20 MS. GIRVAN: This was even prior to the Board's
21 guidelines being published, right?

22 MR. PARIS: Yes. But it didn't stop us from
23 developing feedback from our stakeholders as to -- we knew
24 that there was a plan coming up.

25 MS. GIRVAN: All right, thank you.

26 Could you turn to CCC number -- it is tab 5, number
27 18, please. And this is regarding the Green Button
28 Initiative, and you've got within the context of your

1 budget for 2015 \$300,000 as a part of the Green Button
2 Initiative.

3 I am just wondering if you can explain to me what is
4 the \$300,000 specifically for, because from what I
5 understand there's still working groups with respect to the
6 Green Button Initiative.

7 MR. PARIS: Yeah. You're correct. So we've really
8 started very preliminary meetings with the working group
9 for Green Button, and the \$300,000 was kind of a number
10 that was based on our conversations with those groups as to
11 their experience with the initial phases when they launched
12 this for the LDCs.

13 MS. GIRVAN: But you don't --

14 MR. PARIS: Unfortunately I am not able to give you
15 anything specific, concrete, as to what it is, because
16 we've had very -- you know, I believe we've had one meeting
17 thus far with respect to Green Button.

18 MS. GIRVAN: Okay. So you don't really -- this is
19 just almost like something that is earmarked, but you don't
20 really know what we're going to get for the \$300,000?

21 MR. PARIS: I don't know specifically what the
22 \$300,000 will be spent on at this moment.

23 MS. GIRVAN: Okay, thanks.

24 So if you could turn to CCC T5, number 29. And I
25 guess -- sorry. This is with respect to NRCan and whether
26 you sought funding from either the federal or provincial
27 government.

28 It says you haven't -- you're not aware of any

1 If you just scroll down, back again -- sorry, on
2 page 1.

3 So your proposal is, in addition to what -- I guess
4 this is included in the 37 million, this 4.92. But your
5 proposal is also incremental to this, that if you have an
6 extra 15 percent, you want to spend an additional
7 4.92 million. Is that your request?

8 "...while maintaining the ability to spend up to
9 an additional 4.92 million..."

10 MR. LISTER: Just to clarify, what we've applied for
11 is the 2015 rollover as directed by the Board, in addition
12 to -- or on top of that 15 percent, which the Board invited
13 us to do in the framework, specifically to get moving on
14 the items listed in the table on the next page. But that
15 is exclusive of, or independent of the DSM variance
16 account, which may be up to 15 percent as well.

17 MS. GIRVAN: Okay, that's clear. Okay, so just stay
18 on this page for a second. And I'm just wondering -- what
19 this does is takes a look at those particular items that
20 are sort of non-program specific items related to your
21 resource acquisition and market transformation.

22 These initiatives -- and it tell us as of June 2nd
23 what you have spent to date. Has this changed at all,
24 these amounts like in any big way? Or is this fairly
25 representative of where you are today?

26 MS. OLIVER-GLASFORD: I think, just to clarify, this
27 spending as of June 2nd are items that have actually hit
28 our books.

1 So if we're talking about projected, it would be
2 slightly different. But as of today, the actual spending
3 is roughly in line with what we're showing here.

4 MS. GIRVAN: Okay. And let me just --

5 So would it be possible to move some of these into
6 2016, given the fact we're in the middle of 2015 now.

7 {Witness panel confers}

8 MR. LISTER: Yes. Pending Board approval, that would
9 be our intended or our expected path forward.

10 For example, Mr. Paris just talked about the Green
11 Button initiative, which is an initiative being led through
12 a working group with a number of other parties.

13 There's no way for us to exactly predict, as he was
14 indicating, what the costs will be and also when the costs
15 will be.

16 So it is possible that we won't even get to completing
17 the Green Button initiative before the end of this year, at
18 which point we would look to carry over these monies to
19 help fund that exercise.

20 MS. GIRVAN: Okay. So some of these may well move
21 into the next year?

22 MR. LISTER: Correct.

23 MS. GIRVAN: Okay, but what are you seeking in terms
24 of approval for 2015? I guess you're seeking the full
25 amount?

26 MR. LISTER: Yes, that's correct. The ability to
27 spend the full amount, and whether or not we needed to roll
28 them forward through the DSM CEIDA, that would be a

1 piece. The incentive itself is based off of CCM. I think
2 that is an important reminder.

3 MR. POCH: That's helpful. I assume you are still
4 going to be using avoided costs or TRC for --

5 MS. SIGURDSON: Absolutely.

6 MR. POCH: -- screening purposes of custom projects,
7 specific project screening and so on?

8 MS. SIGURDSON: Absolutely, yes.

9 MR. POCH: I am wondering if you have a proposal, if
10 you have put forward a proposal anywhere yet about whatever
11 vetting process will apply to these new avoided costs
12 before you use them?

13 MS. SIGURDSON: So we file the avoided costs -- and
14 this is what Ms. Oliver-Glasford was referring to earlier
15 -- with our draft evaluation report.

16 That is subject to an audit review. So in that way,
17 there can be questions around the avoided costs used and
18 the methodology used.

19 MR. NEME: But, Ravi -- this is Chris -- you know, I
20 have been on your audit committee for a long time. I don't
21 recall the auditor ever scrutinizing the accuracy, or the
22 calculations, or anything underpinning any new proposed
23 avoided costs.

24 Are you suggesting that will start happening in the
25 future?

26 MS. SIGURDSON: The auditor -- we don't direct the
27 auditor on what piece of evidence they should look at.
28 They have never been prohibited from that if that is an

1 Could you discuss for us whether pre-qualification
2 criteria other than payback period were considered as part
3 of custom project eligibility?

4 And I think what we're getting at is what -- what
5 types of things might you have looked at to screen-out free
6 riders?

7 [Witness panel confers]

8 MS. OLIVER-GLASFORD: Sorry, I am just going to --
9 we're still conferring.

10 But just to, I guess, add one thought on your question
11 is that -- I'm hearing a question about this payback equate
12 to free rider, and I would just say in determining free
13 rider rates, there are many aspects that go into
14 understanding what a free rider is. So payback would be
15 but one of the considerations.

16 MR. MILLAR: Yes, understood.

17 [Witness panel confers]

18 MR. LISTER: So, Mr. Millar, the question -- specific
19 question was what other considerations besides payback were
20 considered in the design of the eligibility requirements to
21 minimize free ridership?

22 MR. MILLAR: Yes, I think that's right.

23 MR. LISTER: There is, I thought, an IR response to
24 that. It might not have been a Staff response.

25 MR. MILLAR: If we missed it I am happy to have you --

26 MR. LISTER: I won't be able to recollect it in my
27 head that fast. If it's acceptable, we'd be happy to take
28 an undertaking.

1 MR. MILLAR: Given the time, why don't we do that?

2 MR. LISTER: Okay.

3 MR. MILLAR: That will be JT1.45.

4 **UNDERTAKING NO. JT1.45: ENBRIDGE TO ADVISE WHAT OTHER**
5 **CONSIDERATIONS BESIDES PAYBACK WERE CONSIDERED IN THE**
6 **DESIGN OF THE ELIGIBILITY REQUIREMENTS TO MINIMIZE**
7 **FREE RIDERSHIP**

8 MR. MILLAR: Thank you for that. Let's move, if we
9 could, to tab 5, Staff 18. This should be a quick one.

10 This was a question relaying to Energy Leaders, and I
11 think if you look down at the response to (a) under the
12 first (i), it says: "Enbridge would reach out to encourage
13 them," these are the Energy Leaders, "to explore additional
14 non-traditional or newer technologies through technical
15 and/or financial support."

16 Really this was just a follow up question. Can you
17 give us some examples of what types of non-traditional or
18 newer technologies you might be referring to here?

19 MR. LISTER: Probably not sitting here right now, by
20 virtue of the fact they are non-traditional or newer. We
21 could give some thought to what they might be.

22 Hold on one moment, please.

23 [Witness panel confers]

24 MR. LISTER: One example might be, as a result of our
25 conferring, ground source heat pumps. Although they have
26 been around for a while, one could consider them, I
27 suppose, non-traditional, at least to date.

28 So this could be an effort to try and encourage the

UNDERTAKING JT1.45

UNDERTAKING

Technical Conference TR, page 236

Enbridge to advise what other considerations besides payback were considered in the design of the eligibility requirements to minimize free ridership

RESPONSE

The Commercial and Industrial offers are designed and delivered to minimize free ridership as part of Enbridge's standard business practices. Enbridge leverages its internal expertise by providing educational elements to its customers and channel partners, such as webinars, training sessions, newsletters, and other similar efforts. These offer elements drive awareness of energy efficiency financial incentives, and create opportunities for Enbridge to provide technical support which leads to the encouragement, facilitation and validation of customers' decision making regarding operational practices and capital expenditures. In terms of delivery, Enbridge focuses on influencing decision making on projects in advance of implementation.

Witnesses: P. Goldman
R. Kennedy
M. Lister

UNDERTAKING JT1.44

UNDERTAKING

Technical Conference TR, page 218

To provide the 2013 audit.

RESPONSE

As requested below are the excerpts related to the Run it Right Audit Recommendations from the 2013 Audit Summary Report (EB-2014-0277 DSM Clearance – Pages 284-287).

10. Recommendation:

Establish a free rider rate for the Run It Right program. Currently, there is no OEB approved free rider rate for this program. As part of this audit process, Enbridge proposed a free rider rate. Optimal conducted an informal review of free rider rates for gas retro-commissioning programs in other jurisdictions and recommended adoption of Enbridge's requested rate for purposes of this audit. Enbridge should formally establish a free rider rate that is subsequently filed and approved by the OEB.

Enbridge Response:

This Audit Recommendation will be directed to the TEC, as Union has indicated that they have a similar program. As such, there may be value in developing a free ridership rate for both utilities through the TEC. If it is determined that this is not the case, Enbridge will proceed with establishing its own free ridership rate for the RIR offer.

AC Response:

The AC endorses this response.

11. Recommendation:

Survey Run It Right participants. Ideally, Enbridge or its evaluator should survey participants prior to any billing regression analysis. This would ensure better data and avoid noted problems with ex-post adjustments to the sample that resulted from exogenous factors affecting gas usage. The importance of conducting a survey prior to

Witnesses: R. Idenouye
R. Kennedy
R. Sigurdson

the analysis is that all data is treated equally, and any obvious outliers or other problem data can be removed or adjusted without bias. In addition, this process will allow for removal of any obviously bad or incomplete data. Surveys should accomplish the following:

- Determine whether the participant implemented the measures recommended in the timeframe indicated.
- Determine whether the participant made any significant changes to the facility, its operations, or equipment outside of the Run It Right Program. If changes were made, determine whether changes can be attributed to Run It Right spillover savings, are completely independent of the Program, or were already counted in another Enbridge program.
- Collect basic participant characteristics, including building type, occupancy load, usage, and size. Based on this information, the analyst can remove or adjust all data in a consistent fashion. For example, if a major piece of equipment was replaced with a more efficient one, it may be appropriate to adjust the ex-post data to subtract the expected additional savings. Further, if building usage or operations have changed significantly, the data can be adjusted if the impacts of these changes can be estimated with relative certainty. In some cases, it may be more appropriate to simply remove a participant from the sample.

Enbridge Response:

Enbridge agrees that completing a survey with a random sample of participants would be more appropriate in order to gain further insight into results. The random sample would be conducted in a manner similar to the CPSV process. A survey of all participants would be cost prohibitive (this is in line with recommendation #13).

AC Response:

The AC endorses this response.

12. Recommendation:

Include a “comparison group” of similar customers that did not participate in the Run It Right program. A comparison group of customers that are matched to the participant group (in terms of building type, major end-uses, size, and consumption) should be included in the analysis. Typically this would be done with a “dummy variable” that indicates whether the customer was a participant or not. The biggest benefit of including a comparison group is that it can more explicitly control for weather and other variations over time. Because all sites will have been exposed to the same weather, the analysis inherently controls for weather without the need to identify balance temperature points for each facility. It also avoids introducing uncertainty from determining a building

Witnesses: R. Idenouye
R. Kennedy
R. Sigurdson

specific relationship between weather and gas usage. This will significantly simplify the analysis and result in a more accurate isolation of weather effects.

A comparison group also can adjust for unknown variables that may be important but are difficult to identify and control for. For example, there may be natural growth in existing buildings' gas usage that would mask some of the true program savings. Comparing participants with similarly situated nonparticipants would automatically control for any such effects.

Enbridge Response:

Enbridge's proposal for recommendation #11 appropriately addresses the need for increased accuracy and information, without unduly increasing the cost and complexity of the offer.

AC Response:

The AC agrees that the revisions associated with Auditor recommendation #11 are a good next step in the evolution of the evaluation of this program, and that the addition of a control group is not necessary at this point in time. However, that decision should be revisited in the future as more experience with the program (and its evaluation) is gained, particularly if the program grows substantially in size.

13. Recommendation:

Consider sampling approaches that balance required resources with level of importance. When performing the analysis and incorporating the two previous recommendations, we recognize that this approach may add additional program costs related to surveying participants and using comparison groups. We also understand that Enbridge intends for this program to expand and hopefully have more participants in the future. As a result, it may be appropriate to analyze a sample of participants rather than a full census of participants. This is appropriate, particularly if the number of participants grows significantly. We recommend that the sample of participants first be stratified by size. The largest usage customers will tend to have a disproportionately high impact on overall savings. As a result, we recommend developing size strata and oversampling the largest stratum (depending on range of usage and number of participants, it may make sense to oversample more than one large stratum). Often, the very largest stratum might only have a few participants, who would all be included in the sample. This approach of devoting more resources to the largest projects will enhance the overall precision of the sample without the need to actually increase the numbers of participants sampled. Once the strata cut points are selected, the samples should be drawn in a randomized way (except for any strata where a full census is used).

Witnesses: R. Idenouye
R. Kennedy
R. Sigurdson

Similarly, the comparison group should align with the same strata and also be randomly selected.

Enbridge Response:

Please refer to the response to recommendation #11.

AC Response:

The AC endorses this response.

Witnesses: R. Idenouye
R. Kennedy
R. Sigurdson

SEC INTERROGATORY #25

INTERROGATORY

Topic 6 - Program Evaluation

Reference: Ex. B/2/2, p. 2

Please advise if Enbridge has any specific proposals with respect to stakeholder involvement in supervision of the annual audit, or supervision of evaluation and other studies. In EB-2015-0029, Union Gas has made specific proposals to continue with the audit committee, and modify the TEC to become the Evaluation Advisory Forum. Please provide Enbridge's views on those proposals in as much detail as possible.

RESPONSE

While Enbridge did not put forth a specific proposal, the Company suggested a number of principles for the Board's consideration in all stakeholder processes moving forward in the Multi-year filing (Exhibit B, Tab 1, Schedule 2, p. 25). Those principles are as follows:

- a) Transparency and openness;
- b) For evaluation work, a heavy weighting on members with objective evaluation expertise, but inclusive of an intervenor(s), the gas utilities, and Board staff;
- c) For audit work, continuing on with the currently productive process of an Audit Committee comprising intervenors and the Company, but with inclusion of a Board Staff member;
- d) For program design, including a broader range of stakeholders in discussions to promote a more inclusive and continuously improving dialogue, leading ultimately to improved results;
- e) Including Board Staff as an active member and/or coordinator on various committees and during stakeholder engagement activities;
- f) Scaling the level of stakeholder engagement and Board oversight activities relative to the risks and rate/customer impacts. Stated differently, the resources and level of effort that is invested should differ according to the nature and potential impact of an issue;
- g) Being cognizant of the concerns and investment of time of parties to help foster constructive working relationships, groups and committees;
- h) Be accommodating so as to allow differences to be communicated; and

Witnesses: F. Oliver-Glasford
R. Sigurdson

- i) Be consensus oriented by striving for mutual wins or productive compromises. While achieving a consensus is a goal, it may not always be possible. In such a case, the Company, as the entity ultimately accountable for its DSM activities must have the ability to determine that sufficient effort has been employed attempting to reach a consensus and that further efforts are not likely to produce results.

SEC INTERROGATORY #15

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/2/1, p. 17-19

With respect to the C/I Prescriptive (Fixed) Incentive Program:

- a. Please provide a complete list of the prescriptive and quasi-prescriptive measures currently offered in this program.
- b. Please identify which of the measures are listed in the current list of input assumptions filed with the Board.
- c. For each prescriptive measure on the list, please provide the amount of the incentive, or the formula for calculating the incentive where applicable, both as in effect in 2014, and as proposed for 2016.
- d. Please confirm that this program is available for schools in rates 6 and 100.

RESPONSE

- a. Please see Table 1 provided on the following page for a complete list of the prescriptive and quasi-prescriptive measures currently offered in the Prescriptive offer.
- b. Every measure in Table 1 is listed in the current list of input assumptions as filed with the Board.
- c. Included in Table 1 are the 2014 and 2016 incentive values for each technology.
- d. The prescriptive offer is available to all Commercial customers, including schools, that fall under rates 6, 100, 110, 115, 135, 145 and 170.

Witnesses: P. Goldman
R. Kennedy
M. Lister

Table 1.

Prescriptive Measures	2014 Incentive	2016 Incentive
Air Doors 8x8*	\$ 450	\$ 900
Air Doors 8x10*	\$ 600	\$ 1,200
Air Doors 10x10*	\$ 1,200	\$ 2,400
Air Doors Single*	\$ 50	\$ 200
Air Doors Double*	\$ 100	\$ 300
Demand Control Kitchen Vent	\$ 500	\$ 1,500
Demand Control Kitchen Vent 2	\$ 1,500	\$ 3,000
Demand Control Kitchen Vent 3	\$ 2,500	\$ 5,000
Energy Star Dishwashers Undercounter type - High Temperature	\$ 100	\$ 200
Energy Star Fryers	\$ 100	\$ 200
Energy Star Convection Oven	\$ 100	\$ 200
Energy Star Stationary Rack - HT	\$ 100	\$ 200
Energy Star Stationary Rack - LT	\$ 100	\$ 200
Energy Star Steam Cookers	\$ 100	\$ 200
Energy Star Rack Conveyor - Multi	\$ 400	\$ 600
Energy Star Rack Conveyor - Single	\$ 250	\$ 400
High Efficiency Under-Fired Broilers	\$ 100	\$ 200
Low-Flow Showerhead	\$ 6	\$ 6
High Efficiency Boilers for School Boards - Elementary	\$ 1,000	\$ 1,000
High Efficiency Boilers for School Boards - Secondary	\$ 4,300	\$ 4,300
Quasi-Prescriptive Measures		
Demand Control Ventilation - Single Zone Retail	\$0.04/ft2	\$0.04/ft2
Demand Control Ventilation - Single Zone Offices	\$0.04/ft2	\$0.04/ft2
Condensing Boilers Up to 299 MBH, 90% AFUE or greater	\$ 400	\$ 600
High Efficiency Boilers Up to 299 MBH, 90%AFUE or greater	\$ 400	\$ 600
High Efficiency Boilers 300 to 599 MBH, 85% to 88% Thermal Efficiency	\$ 400	\$ 600
High Efficiency Boilers 600 to 999 MBH, 85% to 88% Thermal Efficiency	\$ 850	\$ 850
High Efficiency Boilers 1000 to 1500 MBH, 85% to 88% Thermal Efficiency	\$ 1,400	\$ 1,400
High Efficiency Boilers 1501 to 2,000 MBH, 85% to 88% Thermal Efficiency	\$ 2,200	\$ 2,200
Energy Recovery Ventilators - Offices, Warehouses* & Schools	\$0.25/CFM	\$0.75/CFM
Energy Recovery Ventilators - Hotels, Restaurants & Retail	\$0.4/CFM	\$0.8/CFM
Energy Recovery Ventilators - Multi-family, Healthcare & Long-Term Care	\$0.75/CFM	\$1.5/CFM
Heat Recovery Ventilators - Offices, Warehouses* & Schools	\$0.2/CFM	\$0.4/CFM
Heat Recovery Ventilators - Hotels, Restaurants & Retail	\$0.3/CFM	\$0.6/CFM
Heat Recovery Ventilators - Multi-family, Healthcare & Long-Term Care	\$0.55/CFM	\$1.1/CFM
Infrared Heaters - Single Stage up to 300,000 BTU*	\$ 100	\$ 200
Infrared Heaters - Two Stage up to 300,000 BTU*	\$ 200	\$ 300
Condensing Make-Up Air Units - Single speed up to 14,000 CFM, Multi-family & Long Term Care	\$0.15/CFM	\$0.15/CFM
Condensing Make-Up Air Units - Two speed up to 14,000 CFM, Multi-family & Long Term Care	\$0.3/CFM	\$0.6/CFM
Condensing Make-Up Air Units - Single speed up to 14,000 CFM, Other Sectors*	\$0.075/CFM	\$0.15/CFM
Condensing Make-Up Air Units - Two speed up to 14,000 CFM, Other Sectors*	\$0.15/CFM	\$0.3/CFM
Ozone Laundry System - minimum 100,000 lbs/yr	\$0.006 x total annual lbs	\$0.01 x total annual lbs.
* Applicable to industrial customers for non-process, space-heating applicatons		

Witnesses: P. Goldman
 R. Kennedy
 M. Lister

SEC INTERROGATORY #7

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/1/4

Please confirm that Enbridge is, in several programs, proposing increases to the incentives provided to customers or channel partners for energy efficiency projects. Please provide details of all changes to targets and scorecards that have been made to reflect the increased market penetration these increased incentives are expected to generate.

RESPONSE

Resource Acquisition Program

Commercial:

Historically, the Commercial Custom offer has included a flat incentive rate of \$0.10/m³ to a maximum of 50% of the project cost, or \$100,000 per customer per year. Beginning in 2016, Enbridge is proposing an increased, tiered custom incentive structure where annual consumption savings from 0-10% has a \$.10 cent/m³ incentive, 10-20% savings has a \$.20 cent/m³ incentive and 20-30% has a \$.30 cent/m³ incentive.

The Industrial Custom offer for large gas users (annual consumption over 340,000 m³) will provide an incentive rate of \$0.10/m³, capped at \$100,000 or 50% of project cost for 2016. This is a small increase over our current tiered incentive structure which creates alignment between Enbridge and Union Gas in incentive offerings for industrial customers.

There is no expectation of increased market penetration as a result of these changes to the incentives for the Commercial or Industrial segments. Rather, Enbridge sees the need for the changed incentive levels to simply remain relevant to customers and competitive alongside electricity CDM incentives, and to drive CCM results going forward. In other words, failure to update the incentive levels will result in significantly declining results.

Witnesses: S. Bertuzzi
R. Kennedy
E. Lontoc

P. Goldman
M. Lister
J. Paris

The Home Energy Commissioning (“HEC”) program has put forth a modest increase in the total incentive from \$2000 to \$2100 for those customers who save 50% or more upon completion of a retrofit. This increase is designed to motivate customers to strive for deeper savings which will result in increased cumulative cubic meter (“CCM”) savings in alignment with the Board’s guiding principles and key priorities.

Low Income Program:

There are no changes proposed to Low Income incentives.

Market Transformation & Energy Management (“MTEM”) Program:

There are changes to both the Residential and Commercial versions of the Savings by Design (“SBD”) offer. Residential SBD is proposing to add lower incentives for repeat builders who have gone through the program in the past. Specifically, builders that complete the IDP portion of the offer for the first time are eligible to receive \$2000/home completed to the SBD standard (up to 50 homes). Builders that complete the IDP portion of the offer for the second time are eligible to receive \$1000/home completed to the SBD standard (up to 100 homes). Builders that complete the IDP portion of the offer for the third time are eligible to receive \$500 per home completed to the SBD standard (up to 200 homes). The objective is to continue to motivate builders and developers to build to the SBD standard resulting in more homes being built above Code.

SBD Commercial has lowered the threshold from 100,000 sq. ft to 50,000 sq. ft while the incentive structure has changed to a \$30,000 incentive from \$50,000. As in the case of SBD Residential, the objective of this change is to encourage more buildings to be built to the SBD standard.

The Home Labelling offer has changed in design and metrics and as such is not readily comparable to past versions. Please see Exhibit B, Tab 2, Schedule 2, pages 45 and 46 for further details.

Witnesses: S. Bertuzzi
R. Kennedy
E. Lontoc

P. Goldman
M. Lister
J. Paris

1 undertake to do that in consultative sessions and share the
2 ideas and suggestions that we have.

3 MR. SHEPHERD: What I'm trying to get at is before
4 2016, for example, will you assign to somebody in your
5 staff the responsibility to have a plan for this money?

6 MS. OLIVER-GLASFORD: Certainly we will have somebody
7 accountable for keeping track of what the plan entails.
8 So, I guess, yes is the short answer for that.

9 MR. SHEPHERD: Okay. Next is in the next
10 interrogatory, tab 5, SEC number 7.

11 So in commercial custom, you're proposing to increase
12 the incentives from a flat ten cents per cubic metre to an
13 escalated amount for deeper savings.

14 The reason you're doing that is because the deeper
15 savings are harder to get, right? So you're incenting them
16 more, so you will get people to do them. Is that right?

17 MR. LISTER: That is in part correct, yes, that is one
18 of the reasons to have inclining incentives.

19 MR. SHEPHERD: Okay. But what I don't understand is
20 you've said that you don't expect to get any increased
21 market penetration from that.

22 Why not? If you're paying more money, I mean, isn't
23 that part of the point, to get more penetration?

24 MR. LISTER: I think where we indicate in the response
25 further down, on page 1 of 2, second sentence of the last
26 paragraph to your question on that point we say:

27 "Rather, Enbridge sees the need for changed
28 incentive levels to simply remain relevant to

1 customers and competitive alongside electricity
2 CDM incentives, and to drive CCM results going
3 forward."

4 So another way of saying that is that the targets that
5 we've built include using these higher incentives to drive
6 results -- or said differently, if the incentives were not
7 increased, we could definitely expect much lower CCM.

8 MR. SHEPHERD: But not so much because the customers
9 wouldn't want to participate in conservation activities,
10 but rather their attention would be directed more towards
11 electricity because that is where the big bucks are?

12 MR. LISTER: That's correct.

13 MR. SHEPHERD: Okay, I get it.

14 On the next page you talk about savings by design
15 commercial, where you have changed both the threshold and
16 the incentive.

17 Now, there's no metric for that. But presumably you
18 have targets as to how much you want to get out of this
19 program, and those would have increased with these changes,
20 is that right?

21 MR. LISTER: Can you clarify your question? You're
22 asking about what the targets are for SBD commercial going
23 forward?

24 MR. SHEPHERD: Yes. I realize they're market
25 transformation programs, but you're still -- you still have
26 a goal.

27 [Witness panel confers]

28 MR. LISTER: We're just trying to locate where in the

1 periodic basis. So I could see this offer being captured
2 in that way as well.

3 MS. GIRVAN: Okay. And if you could turn to -- I
4 guess these are really questions -- if you can turn to
5 Exhibit B, tab 1, schedule 3, page 6, please?

6 Okay. So I'm looking at the -- there we go, it says:
7 "resource acquisition scorecard", and it says that in 2015,
8 your target for the Home Energy Program is lower 571,
9 middle 762, and upper 952.

10 And it's my understanding that in 2014, you had 5,200
11 participants in that program; is that correct?

12 MR. LISTER: That's correct.

13 MS. GIRVAN: Okay. And then as of -- I think already
14 you've got 4,000 participants in that program for 2015. Is
15 that correct?

16 MR. LISTER: Yes.

17 MS. GIRVAN: I think the reference is T5 CCC number
18 12?

19 MR. LISTER: That's correct.

20 MS. GIRVAN: So I'm just wondering, are you going to
21 revise your target for 2015?

22 MR. LISTER: No. We don't intend to revise our
23 targets for 2015.

24 MS. GIRVAN: Okay. But because we're in the middle of
25 2015, you don't have any intent to update either your
26 targets or your budgets going forward for 2015?

27 MR. LISTER: No, we don't have that intention, and I
28 would also just point out that while we may be

To determine Enbridge's 2014 targets in EB-2012-0394 the Board approved the following increases from the targets of 2013:

- Resource Acquisition
 - 2% for all targets
- Low Income
 - 2% for the Single-Family Part 9 target
 - 7% for the Multi-residential Part 3 target
 - No increase to the target for the percentage of Part 3 participants which enrolled in Run it Right / Utility Management
- Residential Savings by Design
 - 9% for the lower band of the Builder Enrollment target
 - 14% for the middle band of the Builder Enrollment target
 - 11% for the upper band of the Builder Enrollment target
 - 11% for all Completed Unit targets
- Commercial Savings by Design
 - 33% for the lower band target
 - 50% for the middle band target
 - 27% for the upper band target
- Home Labelling
 - No increase to the Realtor Commitment target
 - 300% increase to the Ratings Performed target

In keeping with the Board's direction in section 15.1 of the new DSM Framework and the escalation factors approved in EB-2012-0394 to increase DSM targets from 2013 to 2014, Enbridge applied the above noted escalations to its 2014 scorecard targets to establish 2015 targets.

c) Please see Enbridge's response to b).

Witnesses: K. Mark
F. Oliver-Glasford
B. Ott
C. Welch

SEC INTERROGATORY #5

INTERROGATORY

Topic 2 - DSM Targets

Reference: Ex. B/1/3, p. 6

With respect to the proposed 2015 Resource Acquisition scorecard:

- a. Please confirm that Enbridge does not expect to be able to achieve the lower bound for lifetime cubic meters. Please advise where Enbridge is on that metric as of May 31, 2015. Please provide Enbridge's current estimate of its 2015 full year achievement on that metric.
- b. Please advise the date in 2015 in which Enbridge has already passed the upper bound for participants in residential deep savings. Please provide Enbridge's current estimate of its 2015 full year achievement on that metric.

RESPONSE

- a) In combination with the CCM savings from Commercial, Industrial, and Residential programs Enbridge is currently forecasting to slightly surpass the lower bound metric for lifetime cubic meters. As of May 13, 2015 Enbridge had accumulated 66.2 million CCM towards the forecasted goal of 784.2 million CCM in comparison to the lower bound target of 758.9 million CCM.
- b) Enbridge surpassed the upper bound target of 952 participants in residential deep savings in February / March 2015. Current projections based on available budget suggest a forecast of 5,100 – 5,200 deep savings participants is achievable.

Witnesses: S. Bertuzzi
M. Lister
K. Mark
S. Moffat
F. Oliver-Glasford
B. Ott
J. Paris

1 25 percent savings per home, I think you've told us that
2 the estimate is that there are 400,000 homes in your
3 service territory that are likely candidates to be able to
4 get savings at that level.

5 And the question is now that you're focussing on a
6 broader swatch of the market by looking for homes that can
7 get at least 15 percent savings, how much larger does that
8 400,000 number grow to?

9 MR. LISTER: I guess just turning the page to start a
10 response to that, I will just say, maybe we could turn the
11 page.

12 We've attempted to provide what we see as -- I guess
13 you might call it a technical potential for this market by
14 making some assumptions.

15 To more directly answer your question, I am not sure
16 that we have undertaken the kind of kind of estimate that
17 you're now asking for.

18 There are some things that concern me a little bit
19 with that kind of estimation that you are asking for, and
20 relative to what numbers we might have provided you in the
21 past.

22 Essentially, the reason why we're dropping the minimum
23 requirement for the program to 15 percent is to, in fact,
24 broaden the market.

25 However, having said that, it's also very -- this is a
26 very budget-sensitive program. So to the extent we start
27 to really increase the target, the budget necessarily
28 follows. And it is an expensive program, because there are

1 so many residential customers.

2 So I guess we could endeavour to try and figure out
3 what that would mean in terms of the market size, which is
4 what you're asking. But the implication seems to be that
5 we could do more with this, and I guess what I'm suggesting
6 is that we couldn't do more with this program without
7 significant increases to the budget.

8 And we would also be looking at different budget
9 estimates for marketing the program, relative to what we've
10 built into the plan we've put before the Board.

11 MR. NEME: Well, I think we fully understand that this
12 program -- you know, how many participants you can get to
13 is at least partly a function of budget.

14 We are just trying to understand, you know, what
15 portion of the market that you could get to, are you able
16 to get to with the budget you've proposed.

17 And we know that you've tell us in the past that
18 400,000 homes could potentially get 25 percent savings.
19 Obviously, if you're talking about getting only at least
20 15 percent, that number grows bigger and -- I mean, it
21 sounds like you're saying that to this point, you haven't
22 estimated how much bigger and that might take a little
23 work.

24 I think we're just trying to get a sense of whether
25 there is an easy answer to that, and if there isn't, there
26 isn't.

27 MR. PARIS: Chris, sorry, it is Jamie. You're right,
28 we did a study in the past to find out how many customers

1 an arrangement for programs in ten of their schools.

2 What affect would it be to say each one of those
3 schools is treated as an individual participant? What does
4 that mean? Does that mean they each have a separate upper
5 limit on what you will give them? How does that work?

6 [Witness panel confers]

7 MS. OLIVER-GLASFORD: So my understanding, Jay -- and
8 Ravi, perhaps if I'm speaking out of turn -- but my
9 understanding is that the participant or measure is for the
10 purposes of paying out the incentive. Instead of pooling,
11 for example, five buildings and paying it to the school
12 board under the auspices of those five projects, we would
13 be understanding what each of those particular facilities
14 have for purposes of the incentive payment.

15 MS. SIGURDSON: I can confirm that's correct, yes.

16 MR. SHEPHERD: Sorry, I didn't hear that.

17 MS. SIGURDSON: I'm just confirming that Fiona's
18 statement is correct.

19 MR. SHEPHERD: Okay. All right. Next is SEC 15, and
20 I'm looking at page 2. And I'm looking down here, and
21 basically your 2016 incentives for these prescriptive and
22 quasi-prescriptive C/I measures are mostly doubled. In
23 some cases they're less than that. There is only a very
24 few of them that stay the same. Of course, two of them are
25 the school board boiler amounts, but I will leave that
26 aside for now. But all of the rest of them are going up --
27 almost all of the rest of them are going up substantially.

28 Have you done some sort of analysis to assess how much

1 you needed to increase each of these incentives in order to
2 drive participation? The reason I am asking this is
3 because the fact that they're mostly doubled when they're
4 all very different sort of measures makes me wonder, did
5 you have the same penetration problem with all of them?

6 [Witness panel confers]

7 MS. SIGURDSON: Jay, I believe there was an analysis
8 that was done in the program lead for that one. We can go
9 back and take an undertaking for this and get back to you.

10 MR. SHEPHERD: All I want to know is why each one of
11 these was increased the amount that it was and what the
12 market barrier was that was identified that required you to
13 increase it. Okay?

14 MR. MILLAR: So that is an undertaking?

15 MR. SHEPHERD: Yes.

16 MR. MILLAR: JT1.39.

17 **UNDERTAKING NO. JT1.39: TO EXPLAIN WHY EACH ONE OF**
18 **THESE FIGURES WAS INCREASED THE AMOUNT THAT IT WAS AND**
19 **WHAT THE MARKET BARRIER WAS THAT WAS IDENTIFIED THAT**
20 **REQUIRED INCREASING IT.**

21 MR. SHEPHERD: Next is SEC 18, still under tab 5. And
22 you will agree that savings by design -- or, sorry, that
23 savings by design would be enhanced if you could offer it
24 jointly with an LDC, right? Or with more than one LDC? Is
25 that right?

26 MR. LISTER: I don't think that is unfair. Certainly
27 electricity is part of the savings by design package, but I
28 think that is a fair statement. If we could jointly

UNDERTAKING JT1.39

UNDERTAKING

Technical Conference TR, page 176

To explain why each one of these figures was increased, the amount that it was and what the market barrier was that was identified that required increasing it.

RESPONSE

In Enbridge's pursuit of the Board's key principles and the desire to promote higher participation among Enbridge's customers in DSM programs and the pursuit of all cost effective DSM, Enbridge reviewed its prescriptive offers and rebates. The technologies where Enbridge chose to increase the incentive rebates are those that are typically marketed toward the typically hard to reach small Commercial and Industrial customers. For these customers, their decision criteria often relate to simple economics.

As a result, Enbridge chose to increase the incentive for these technologies such that the rebate would cover roughly 25-40% of the upfront costs for customers. The incentives for the other technologies such as Boilers, Demand Control Ventilation, and Condensing Make Up Air Units remain unchanged. These technologies are typically used in larger, more complex buildings.

Witnesses: P. Goldman
R. Kennedy
M. Lister

SEC INTERROGATORY #14

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/2/1, p. 11-14

With respect to the Custom Commercial program:

- a. Please explain why the tiered incentive proposal doesn't disincent customers who have already implemented energy efficiency measures, and thus have less room to reduce their usage in percentage terms.
- b. Please advise whether Enbridge considered establishing the tiered incentive Structure over a multi-year period, so that customers can propose multi-year Projects that, over more than one year, achieve higher percentage reductions, Rather than being required to achieve those reductions in one year.
- c. Please confirm that this program is available to school boards, and can be applied to multiple locations of a single customer. If so, how would the tiered structure and annual cap work in those cases? For example, if a school board achieves 30% savings in ten schools, with aggregate annual savings of 500,000 cubic metres, would the customer be limited by the \$100,000 annual cap?
- d. Please advise the number of school boards that participated in the Custom Commercial program in each of 2012-2014, and the total amount of incentives paid to those school boards in each of those years.

RESPONSE

- a. The 2012 to 2014 Commercial Custom offer provided customers with an incentive of \$.10/M3 saved regardless of the level of savings achieved through the implementation of capital or operational measures. The proposed Custom incentive structure is aimed at motivating customers to attain deeper savings when implementing capital or operational measures. The structure provides an incentive which is equal to the 2012 to 2014 offer for customers that saved less than 10% of their building consumption, with an increased incentive for those customers that save in excess of 10% of their consumption. Any customer with less room to reduce their usage in percentage terms will be inherently less motivated to participate in the standard custom DSM offer than another customer with more room to reduce their usage in percentage terms, regardless of the incentive level. Under the proposed

Witnesses: R. Kennedy
M. Lister
K. Mark

incentive structure, customers that are already higher along the efficiency scale are at least no worse off than the previous framework, may be perfectly suited to be eligible for the Energy Leaders Initiative, or may be able to take advantage of other behavioural offers.

- b. Enbridge has considered the use of a multi-year incentive mechanism, and is not specifically opposed to the idea. However, the Company believes that a multi-year incentive would raise a number of issues that would not necessarily be preferable to the incentive structure that has been proposed. It would be administratively more difficult to monitor, track, and audit;
 - In the Company's experience, most energy efficiency projects see a greater proportion of savings early on, so incentivizing the first year is to the benefit of customers;
 - The total cost of a multi-year incentive could be higher than the current proposal; and,
 - A multi-year incentive would create challenges and potential misalignment with annual budgets in that there would be years in which incentives were paid where no incremental efficiency changes have taken place.
- c. The Commercial Custom offer is available to all Schools that fall within the following rates classes: 6, 110, 115, 135, 145 and 170. Multiple buildings or multiple locations within the same ownership or management group can apply for the Custom offer. Each building or account will be treated as an individual participant.
- d. The following School Boards were provided incentives under the Commercial Custom offer from 2012 to 2014:

Witnesses: R. Kennedy
M. Lister
K. Mark

SEC INTERROGATORY #11

INTERROGATORY

Topic 10 - Accounting Treatment

Reference: Ex. B/1/6, p. 6

Please provide a draft accounting order for the proposed 2015 and 2016 DSMPIDA accounts. Please confirm that amounts to go into the DSMPIDA account in any year would be charged to the DSM budget for that year, as if paid to customers, and would be eligible for recovery under the DSMVA if the conditions of that account were met.

RESPONSE

Please find attached to this interrogatory response a draft accounting order for the proposed 2015 DSMPIDA. As per the response to Board Staff Interrogatory #28, filed at I.T10.EGDI.STAFF.28, the Company intends to use the same account for each year of the plan updated annually as approved by the Board during the annual clearance of DSM accounts. The DSMPIDA will record the difference between the budgeted forecast amount of incentives payable in each year of the DSM Multi-Year plan and the incentives actually paid. For more on the budgeting of incentive amounts, please see the response to SEC Interrogatory #12, filed at I.T5.EGDI.SEC.12.

Witnesses: M. Lister
F. Oliver-Glasford
B. Ott

ACCOUNTING TREATMENT FOR A
DEMAND SIDE MANAGEMENT PARTICIPANT INCENTIVE DEFERRAL ACCOUNT
("2015 DSMPIDA")

For the 2015 Fiscal Year
(January 1, 2015 to December 31, 2015)

The purpose of the 2015 DSMPIDA is to record and track the variance between the actual incentive amounts paid during 2015 and the forecast amounts that were expected to be paid to participants in Board-approved DSM offers, which were included within the Company's 2015 DSM budget. As a result of variances which can occur in the number of participants enrolling in the program, and due to the timing of the incentive payment amounts, which could occur over several years following a participant's participation, the DSMPIDA will ensure that the Company only recovers, and ratepayers only pay, the incentives that become earned and payable.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record the variance in incentive amounts paid:

Debit/Credit:	Operating & Maintenance	(Various accounts)
Credit/Debit:	2015 DSMPIDA	(Account 179. ---)

To record the variance in actual incentive amounts paid to program participants, and the forecast payments included within the 2015 DSM budget.

2. Interest accrual:

Debit/Credit:	Interest expense	(Account 323. 000)
Credit/Debit:	Interest on 2015 DSMPIDA	(Account 179. ---)

To record simple interest on the opening monthly balance of the 2015 DSMPIDA using the Board approved EB-2006-0117 interest rate methodology.

SEC INTERROGATORY #12

INTERROGATORY

Topic 5 - Program Types

Reference: Ex. B/1/6, p. 7

Please advise the amount of accrued SBD commitments Enbridge proposes to add to the 2015 DSMPIDA with respect to years prior to 2015. Please advise whether those amounts are in addition to the DSM budget for 2015, or part of that budget. If they are in addition to the budget, please confirm that they are spending commitments applicable to prior years that have not been included in the DSM spending for those prior years, and will not be included in the DSM budgets for any year after 2014 either.

RESPONSE

The amount of accrued Savings by Design (“SBD”) potential incentive payment commitments from the 2012 to 2014 period is not explicitly part of the 2015 budget. In 2013 and 2014 the Company did not pay out in incentive payments the amounts it forecasted and included in its budgets for these years. This remainder was added to the calculation of the DSMVA. Stated differently, the Company’s potential liability remains for the incentive payment amounts which were forecast and included in the budgets for these years as a result of these amounts being included in the DSMVA calculations as a credit to ratepayers. The DSMPIDA is intended to deal with this issue and insure that the difference between the forecast budgeted amount in each year and the actual amount of incentives paid is recorded and either used in future as intended to pay incentives earned by participants or returned to ratepayers.

The program design has always included a mismatch between incentives which may be paid out up to three years after the annual budget is included in rates. Over the 2012 to 2014 timeframe, for example, 53 IDPs were recorded, but only six have been paid out, leaving a total of 47 yet to be paid out. The funds that were previously collected in rates to cover amounts for incentive payouts that were not used were returned to ratepayers.

The table below shows the SBD Residential targets, Actual IDPs undertaken, and the number that have been paid an incentive, as well as the cumulative owing amount.

Witnesses: S. Bertuzzi
M. Lister
F. Oliver-Glasford
B. Ott

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Target	12	14	16
Actual	12	18	23
Paid Out	0	2	4
Cumulative Payouts owed	12	28	47
Cumulative Payouts owed	\$ 1,200,000	\$ 2,800,000	\$ 4,700,000

As can be seen, the difference has arisen since the timing of the incentive payout has been different than the year in which it is budgeted, and the actual amount paid out has not coincided with the budget. Amounts that were collected in rates and not used to pay program participants for previous year's budgets were accounted for through the annual DSMVA.

Two other issues arise with the use of multi-year incentives that are not aligned with the annual budget. The first is that the actual amounts may differ from the target. For example, in 2013 and 2014 Enbridge over-achieved the target by 11 IDPs, or \$1.1 M in incentive payments.

Keeping in mind that 2015 is a roll-over budget, the budget for the 2016 to 2020 timeframe represents the pace at which Enbridge expects, or forecasts, to pay out the incentives. A deferral account is needed not only to catch up on previous commitments not yet paid, but also to record differences between the budget and the actual amount that may arise either because Enbridge's forecast is inaccurate or, over time, if there are more or fewer IDPs than target.

Enbridge considered an alternative of simply collecting an amount in the budget every year associated with the target for that year (for example, with a target of 30 IDPs in 2016, Enbridge would have created a budget of \$3,000,000) however, this did not seem appropriate for two reasons. One, it is not consistent with how the budget has been created for 2013 or 2014 (and by extension 2015). For each of 2013 and 2014, the budget amounts for incentive payouts were limited through negotiated settlements to amounts that were forecast to be paid out. Second, since residential builders have three years in which to build their projects, creating the budget on the current year's target would be incorrect from the outset as it would be recovering monies possibly not due and payable for several years. Instead, Enbridge decided to present a forecast of the incentives it expects to payout for each year over the term of the Multi-Year Framework. The amounts associated with incentive payouts over the term of the framework are as follows:

Witnesses: S. Bertuzzi
 M. Lister
 F. Oliver-Glasford
 B. Ott

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Target	20	30	20	22	23	25
Budget for incentive payouts	\$1,619,000	\$2,050,000	\$2,300,000	\$2,250,000	\$2,295,000	\$2,315,000

Similarly, for the Company's Commercial SBD offer, there is a mismatch in the timing between when the IDP takes place and the customer makes a commitment to build, and when the build actually takes place which is when the incentive is paid out. Builders under the Commercial SBD offer have five years to complete eligible buildings.

The table below shows the SBD Commercial targets, Actual IDPs undertaken, and the number that have been paid an incentive, as well as the cumulative owing amount.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Target	8	8	12
Actual	9	12	19
Paid Out	0	0	0
Cumulative Payouts owed	9	21	40
Cumulative Payouts owed	\$ 440,000	\$ 1,155,000	\$ 2,200,000

The amounts associated with incentive payouts over the term of the framework are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Target	18	30	15	20	21	28
Budget for incentive payouts	\$540,000	\$900,000	\$450,000	\$600,000	\$630,000	\$840,000

Witnesses: S. Bertuzzi
 M. Lister
 F. Oliver-Glasford
 B. Ott

1 surpass the target for this year. I think we are
2 projecting somewhere in the 20 to 23 range. I don't
3 remember what the target is for 2015.

4 The second point is that the savings by design
5 commercial, the incentive hasn't changed going forward.
6 It's a bit different, but it is still by and large the same
7 level of incentive. What we've changed is the eligibility
8 criteria from --

9 MR. SHEPHERD: You increased the incentive from 30 to
10 50.

11 MR. LISTER: No. It remains at 30 in the new -- in
12 the 2016 and beyond.

13 MR. SHEPHERD: That's not what it says.

14 MR. PARIS: Yes, sorry.

15 MR. LISTER: We've actually lowered the incentive on
16 SBD commercial.

17 MR. SHEPHERD: Oh, it's lowered? Oh, I read that
18 wrong, my apologies, okay.

19 Next is SEC number 12. Still under tab 5. And I am
20 trying to understand how this payout thing would work. And
21 so let me go to page 2 of this response, where you have the
22 cumulative payouts on savings by design that you owe but
23 you haven't paid out yet. Right?

24 MR. LISTER: That's correct.

25 MR. SHEPHERD: So you've committed to customers that
26 you will give them \$4.7 million as of the end of last year,
27 and that was in your budget, right? Was that money in your
28 budget?

1 MR. LISTER: No. Well, let me try and describe this
2 as best I can.

3 Not all of it was in the budget at any given point in
4 time, because of course in years past we exceeded the
5 targets. So of course those customers could never have
6 been contemplated as part of any historical budget.

7 What we did include in budget in years past was --
8 Bonnie, if you don't mind scrolling down a little bit --
9 was amounts that we expected to pay out. Not necessarily
10 the full complement of builders who enrolled.

11 And of course, the dilemma that we face here is that
12 the program is a multi-year program where builders have
13 three years in which to build -- a little bit more, Bonnie,
14 I think to the next page. I think we show how we budgeted
15 going forward.

16 So what we've budgeted to pay out is not exactly equal
17 to the commitment we would make were we to hit our target
18 every year, and that is a reflection of the fact that
19 builders, in fact, have three years to build.

20 MR. SHEPHERD: All right. So, sorry, I don't see
21 where the budgets are. Tell me where the budgets are
22 there. The budgets going forward I see. I'm trying to
23 figure out -- you have, for example, on savings by design
24 residential, the previous page, you have -- you've
25 accumulated \$4.7 million that you owe to customers. But
26 some of that was budgeted in those three years, right?

27 MR. LISTER: Correct, yes.

28 MR. SHEPHERD: Do you know how much that was?

1 MR. LISTER: Sitting here off the top of my head, I
2 don't.

3 MR. SHEPHERD: Can you undertake to provide that for
4 both that and the Savings By Design commercial?

5 MR. LISTER: Yes, we will do that.

6 MR. SHEPHERD: Then in each case, in each of those
7 years 2012 to 2014, you didn't spend the whole budget,
8 actually paying it out to customers, right?

9 MR. LISTER: Correct.

10 MR. SHEPHERD: So what happened to that money?

11 MR. LISTER: It was through the clearance of accounts
12 returned to ratepayers.

13 MR. SHEPHERD: Well, except that you actually used it
14 for other things, right, because you didn't refund money to
15 ratepayers all through those years, did you?

16 [Witness panel confers]

17 MR. LISTER: I can't speak to whether or not
18 ratepayers actually got a global adjustment refund or not,
19 but I can say that the amounts not spent as a result of
20 savings by design residential and commercial would have
21 been accounted for as a credit to the global DSM VA in the
22 clearance of accounts.

23 So in other words, if it was -- I'm sort of making
24 this up. If it was a million dollars, then otherwise the
25 DSM VA would have been a million dollars the other way. So
26 it was accounted for in years past.

27 MR. SHEPHERD: Well, yeah. I'm not asking whether --
28 I don't think you just took the money. What I'm trying to

1 figure out is, did it go back to ratepayers, or did you use
2 it for something else? Because the DSM VA has puts and
3 takes, right?

4 [Witness panel confers]

5 MR. OTT: Mr. Shepherd, I think one way that we could
6 phrase this accurately would be that to the degree those
7 funds were spent on other items, that spending was in lieu
8 of additional DSM VA spending that would have been applied
9 for due to successful results in those other areas.

10 MR. SHEPHERD: But you would have to meet the criteria
11 in order to get your 15 percent, or up to 15 percent.

12 If you didn't meet the criteria, then it would just be
13 a credit back to ratepayers, right?

14 MR. LISTER: That's correct.

15 MR. SHEPHERD: All right.

16 MR. MILLAR: Mr. Shepherd, there was an undertaking --

17 MR. SHEPHERD: I was going to say, yes.

18 MR. MILLAR: So that is JT1.38.

19 **UNDERTAKING NO. JT1.38: TO TAKE THE TABLES ON PAGES 2**
20 **AND 3 AND JUST ADD THE BUDGET LINE FOR EACH YEAR**

21 MR. MILLAR: And I lost track of where we were with
22 that. Could you just repeat what the question is?

23 MR. SHEPHERD: Sure, to take the tables on pages 2 and
24 3 and just add the budget line for each year.

25 MR. MILLAR: Okay, thank you.

26 MR. SHEPHERD: And so if I understand what you're
27 doing with this, the \$6.9 million that you owed -- the 4.7
28 and the 2.2, the 6.9 you're not asking to recover it now,

1 right? You're not saying, okay, please give us an extra
2 %6.9 million to cover these costs, right?

3 MR. LISTER: That's correct.

4 MR. SHEPHERD: What you're doing instead -- if I
5 understand this right -- is you're saying, going forward
6 we're not going to forecast on the basis of the obligations
7 we incur. We're going to forecast based on the cash
8 incentive payouts we expect to make each year.

9 MR. LISTER: I think that is a good characterization,
10 yes.

11 MR. SHEPHERD: So to the extent this 6.9 million is --
12 has to be paid out to customers, it's going to be in the
13 future budget. These future budgets already include all of
14 that what you expect to pay?

15 MR. LISTER: Yes. And it will be complicated by the
16 interaction of the then-current builders that go through
17 the program, and whether or not we continue to over or
18 under-achieve.

19 So it will be -- I think that's the point of the
20 account, is that there will be a lot of puts and takes, if
21 I can use the phrase, with respect to our multi-year
22 obligation.

23 So it may, in fact -- the payouts may in fact be
24 related to the 6.9 million. They may be related to new
25 builders that go through and new builds, as time
26 progresses.

27 But somewhere in there, the 6.9 million will have to
28 be paid out in incentive as our obligation.

1 MR. SHEPHERD: Well, you're actually not expecting to
2 pay the 6.9 million though, right? You're going to pay
3 some lesser amount.

4 MR. LISTER: No, the 6.9 million is for builders who
5 have gone through the program to date.

6 MR. SHEPHERD: Some of them won't qualify to get paid.

7 MR. LISTER: Assuming some of them don't qualify to
8 get paid, that's correct.

9 MR. SHEPHERD: Because, I mean, your whole budget for
10 the next three years is only -- I don't know. It's not
11 much more than 6.9.

12 MR. LISTER: Correct, yes.

13 MR. SHEPHERD: So if your budget going forward is on a
14 cash basis, in effect --

15 MR. LISTER: Yes.

16 MR. SHEPHERD: -- then why do you need the account?

17 MR. LISTER: The alternative -- and I think we talk
18 about the alternative somewhere in this IR response --
19 would have been to otherwise simply say, we'll collect up
20 front everything that we would otherwise owe as per our
21 obligation in the program. We could have chosen to present
22 it that way.

23 But again it comes down to the uncertainty of when
24 builders will actually build, and it creates a real
25 mismatch.

26 So in effect, what would happen in that condition is
27 we would budget, say, the 6.9 million, plus what we're
28 anticipating to do, for example, in 2016. And it would be

1 complicated by the fact that we might over or under-achieve
2 our 2016 target. Those builders to whom the 6.9 million
3 are owed may or may not build.

4 So it would be a constant give and take of budget,
5 with respect to the program.

6 Our view was that a simpler, cleaner way of dealing
7 with this was for everyone -- for the Board to recognize
8 that this is the complication that arises out of having a
9 multi-year incentive and annual budgets in this way.

10 MR. SHEPHERD: Yes, I'm not disagreeing with the
11 concept. I'm trying to understand how it would work, and
12 make sure it is working effectively.

13 Let me give you an example; 2016. You have a budget
14 of 2,050,000 for residential and 900 for commercial. So
15 2,950,000 is what you expect to pay out in 2015, right?

16 MR. LISTER: Yes, that's correct.

17 MR. SHEPHERD: Now, this account would only cover the
18 variance to that, right?

19 MR. LISTER: Correct, yes.

20 MR. SHEPHERD: So the 6.9 is irrelevant, in the sense
21 that some of that might be included in there, but we're not
22 concerned with that.

23 MR. LISTER: Yes.

24 MR. SHEPHERD: We're only concerned with, you have a
25 budget for 2,950,000. If you actually pay out 2.6, then
26 there's 350 that is going to be charged to the account and
27 held because you're going to expect to pay it in the
28 future.

1 MR. LISTER: Let me play it back. If we under-spent -
2 - so we collect in rates \$2.95 million in 2016. If we
3 actually only pay out \$2.6 million, then we would return
4 the difference which, in my example, I think was \$350,000.

5 The following year, we've built in 2.75. If we spent
6 three million, we would collect \$250.

7 So the idea is to just keep the company whole and
8 ratepayers whole for the obligations owed to those who go
9 through the program.

10 MR. SHEPHERD: Okay. And so then if at the end of
11 this period -- you're expecting that this is going to go
12 right to the end of 2020, right?

13 At the end of 2020, let's say you've got a million
14 dollars sitting in this account that you haven't spent.
15 What happens to that?

16 [Witness panel confers]

17 MR. LISTER: Yes. It's a good question, and as a
18 result of this being a multi-year program and us having a
19 target in 2020, there is no condition in which incentive
20 won't be owed past 2020, for the very reason that it is a
21 multi-year program.

22 So we will have to deal with and account for that
23 post-2020 as necessary, and see where that account is. And
24 if the program continues, perhaps we can continue this
25 methodology. Perhaps it will have -- we don't know what
26 the future of DSM and budgeting will look like then.

27 Perhaps it's an item we can review at the mid-term
28 review, to see expectations and where we are with the

1 account.

2 MR. SHEPHERD: Okay. But you're not suggesting that
3 you would be able to use that million dollars for anything
4 else?

5 MR. LISTER: No.

6 MR. SHEPHERD: It will either stay in here, or go back
7 to ratepayers?

8 MR. LISTER: Yes.

9 MR. SHEPHERD: Okay. Next is SEC 14, and this is
10 about commercial custom. I'm looking at the second of
11 three pages and on that second page, you talk about
12 commercial custom being available for Schools.

13 But you say at the end: "Each building or account will
14 be treated as an individual participant."

15 What does that mean? What is the effect of that?

16 MR. LISTER: Yeah, what's meant by that phrase is --
17 as I'm sure you more than anyone knows, a school board will
18 be made up of many, many different schools.

19 So we don't -- our intention is not to limit DSM
20 activity to school boards only. If a particular school
21 wants to undertake DSM activity, then a particular building
22 should and can be able to do that.

23 MR. SHEPHERD: Sorry, I don't understand. You would
24 only ever deal with the school board, right? They're your
25 customer.

26 MR. LISTER: Okay, yes.

27 MR. SHEPHERD: So I can understand you could go to
28 Toronto District School Board, for example, and say -- have

UNDERTAKING JT1.38

UNDERTAKING

Technical Conference TR, page 169

To take the tables on pages 2 and 3 and just add the budget line for each year

RESPONSE

The tables referred to in the question relate to the tables on pages 2 and 3 in SEC Interrogatory Response#12 filed at Exhibit I.T5.EGDI.SEC.12. The tables below present the budget for incentive payouts for both the Residential and Commercial Savings by Design offers over the 2012 to 2020 time period.

Residential

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Builder Target	12	14	16	20	30	20	22	23	25
Budget for incentive payouts	\$ -	\$1,530,000	\$1,620,000	\$1,619,000	\$2,050,000	\$2,300,000	\$2,250,000	\$2,295,000	\$2,315,000

Commercial

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Development Target	8	8	12	18	30	15	20	21	28
Budget for incentive payouts	\$-	\$-	\$100,000	\$280,000	\$300,000	\$350,000	\$330,000	\$320,000	\$130,000

Note that the values for the incentive payouts budget for the Commercial Savings by Design offer for the period 2015 to 2020 were incorrectly presented in the response to SEC Interrogatory Response#12.

Witnesses: S. Bertuzzi
 M. Lister

Environmental Defence Question #2

Re Exhibit I.T3.EGDI.ED.6: This interrogatory requested the following: “Please re-calculate the rate allocation of the Small C/I Resource Acquisition Program’s for each year from 2016 to 2020 inclusive assuming that the Program’s expenditures are rate based and amortized over the expected lives of their lifetime cubic metre savings.” Enbridge indicated that it was unable to provide a response. However, Union was able to make appropriate assumptions and provide a response (see Exhibit B.T3.Union.ED.5). Environmental Defence asks that Enbridge provide a similar analysis as did Union.

Enbridge provides the following response:

Similarly to Enbridge’s response to Question #1, a re-calculation of rate allocation of Small C/I Resource Acquisition programs required Enbridge to make a series of untested assumptions with respect to accounting treatment and tax implications in the revenue requirement calculation. In sharing the following hypothetical accounting treatment (for illustrative purposes only), Enbridge does not endorse the notion of rate basing DSM expenditures.

Witnesses: K. Mark
R. Small

ILLUSTRATIVE RATE BASE TREATMENT OF SMALL C/I RESOURCE ACQUISITION PROGRAM COSTS

		(\$000's)				
Line No.		2016	2017	2018	2019	2020
	Cost of capital					
1.	Rate base (1)	919.6	8,146.0	15,940.2	23,841.2	31,289.3
2.	Required rate of return (2)	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>
3.	Cost of capital	60.0	531.1	1,039.3	1,554.4	2,040.1
	Cost of service					
4.	Gas costs	-	-	-	-	-
5.	Operation and Maintenance	-	-	-	-	-
6.	Depreciation and amortization (3)	41.0	539.3	1,111.3	1,732.7	2,420.0
7.	Municipal and other taxes	-	-	-	-	-
8.	Cost of service	41.0	539.3	1,111.3	1,732.7	2,420.0
	Misc. & Non-Op. Rev					
9.	Other operating revenue	-	-	-	-	-
10.	Other income	-	-	-	-	-
11.	Misc. & Non-operating Rev.	-	-	-	-	-
	Income taxes on earnings (4)					
12.	Excluding tax shield (5)	(1,953.1)	(2,257.8)	(2,464.5)	(2,512.2)	(2,562.6)
13.	Tax shield provided by interest expense	<u>(7.6)</u>	<u>(67.6)</u>	<u>(132.2)</u>	<u>(197.7)</u>	<u>(259.5)</u>
14.	Income taxes on earnings	(1,960.7)	(2,325.4)	(2,596.7)	(2,709.9)	(2,822.1)
	Taxes on (def.) / suff. (4)					
15.	Gross (def.) / suff.	2,530.2	1,707.9	607.2	(785.0)	(2,226.4)
16.	Net (def.) / suff.	<u>1,859.7</u>	<u>1,255.3</u>	<u>446.3</u>	<u>(577.0)</u>	<u>(1,636.4)</u>
17.	Taxes on (def.) / suff.	(670.5)	(452.6)	(160.9)	208.0	590.0
18.	Revenue requirement	<u>(2,530.2)</u>	<u>(1,707.6)</u>	<u>(607.0)</u>	<u>785.2</u>	<u>2,228.0</u>

Notes / Assumptions:

- (1) Annual expenditures of \$7.37M in 2016, \$8.52M in 2017, \$9.30M in 2018, \$9.48M in 2019, and \$9.67M in 2020 are assumed to close into service in November each year.
- (2) The required rate of return assumed in this analysis is EGD's 2015 Approved rate from EB-2014-0276.
- (3) Depreciation expense is calculated based on a useful life of 15 years (annual depreciation rate of 6.67%).
- (4) Taxes are calculated using an assumed tax rate of 26.5%.
- (5) For tax purposes, annual expenditures (\$7.37M in 2016, \$8.52M in 2017, \$9.30M in 2018, \$9.48M in 2019, and \$9.67M in 2020) are assumed to be immediately deductible in the year of spend.

Witnesses: K. Mark
 R. Small

Environmental Defence Question #5

Re Exhibit I.T3.EGDI.ED.8 (a): The CCM increases indicated in the interrogatory response are dramatically lower than the budget increases. Does Enbridge have any evidence and/or analysis to support this pessimistic scenario? If yes, please provide.

Enbridge provides the following response:

The CCM values shown in the above noted interrogatory response are a function of the sensitivity analysis which Enbridge undertook first in response to the Board's DSM Framework and later in response to intervenor requests. For more detail regarding the approach and formulae behind the Company's sensitivity analyses please see Enbridge's response to GEC interrogatory #42, filed as Exhibit I.T9.EGDI.GEC.42.

Environmental Defence Question #6

Re Exhibit I.T3.EGDI.ED.8 (b): Please provide the requested rate basing analysis using an analysis similar to the one used by Union in Exhibit B.T3.Union.ED.5.

Enbridge provides the following response:

Exhibit B.T3.Union.ED.5 requests revenue requirement impacts from Union Gas for specified budget scenarios over 2016 and 2017, assuming the budgets are rate-based and amortized over the expected lives of the lifetime cubic metre savings.

Exhibit I.T3.EGDI.ED.8 (b) requests the following:

"For each year please show the impacts of the budget increases on the Program's CCM and net TRC benefits", building on ED 8 (a) which requests "a sensitivity analysis to calculate the impact of 25%, 50% and 100% increases in the budgets of the Small C/I Resource Acquisition Program for each year from 2016 to 2020."

Please see the requested scenarios below. In sharing the following hypothetical accounting treatment (for illustrative purposes only), Enbridge does not endorse the notion of rate basing DSM expenditures:

Witnesses: K. Mark
R. Small

ILLUSTRATIVE RATE BASE TREATMENT OF SMALL C/I RESOURCE ACQUISITION PROGRAM COSTS (25% BUDGET INCREASE)

		(\$000's)				
Line No.		2016	2017	2018	2019	2020
	Cost of capital					
1.	Rate base	1,148.9	10,178.2	19,919.7	29,792.7	39,106.4
2.	Required rate of return	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>
3.	Cost of capital	74.9	663.6	1,298.8	1,942.5	2,549.7
	Cost of service					
4.	Gas costs	-	-	-	-	-
5.	Operation and Maintenance	-	-	-	-	-
6.	Depreciation and amortization	51.2	673.6	1,389.4	2,165.8	3,024.2
7.	Municipal and other taxes	-	-	-	-	-
8.	Cost of service	51.2	673.6	1,389.4	2,165.8	3,024.2
	Misc. & Non-Op. Rev					
9.	Other operating revenue	-	-	-	-	-
10.	Other income	-	-	-	-	-
11.	Misc. & Non-operating Rev.	-	-	-	-	-
	Income taxes on earnings					
12.	Excluding tax shield	(2,440.1)	(2,822.0)	(3,079.6)	(3,141.1)	(3,204.2)
13.	Tax shield provided by interest expense	<u>(9.5)</u>	<u>(84.4)</u>	<u>(165.2)</u>	<u>(247.1)</u>	<u>(324.4)</u>
14.	Income taxes on earnings	(2,449.6)	(2,906.4)	(3,244.8)	(3,388.2)	(3,528.6)
	Taxes on (def.) / suff.					
15.	Gross (def.) / suff.	3,161.2	2,135.4	756.2	(981.0)	(2,782.7)
16.	Net (def.) / suff.	<u>2,323.5</u>	<u>1,569.5</u>	<u>555.8</u>	<u>(721.0)</u>	<u>(2,045.3)</u>
17.	Taxes on (def.) / suff.	(837.7)	(565.9)	(200.4)	260.0	737.4
18.	Revenue requirement	<u>(3,161.2)</u>	<u>(2,135.1)</u>	<u>(757.0)</u>	<u>980.1</u>	<u>2,782.7</u>

Notes / Assumptions:

- (1) Annual expenditures of \$9.21M in 2016, \$10.65M in 2017, \$11.62M in 2018, \$11.85M in 2019, and \$12.09M in 2020 are assumed to close into service in November each year.
- (2) The required rate of return assumed in this analysis is EGD's 2015 Approved rate from EB-2014-0276.
- (3) Depreciation expense is calculated based on a useful life of 15 years (annual depreciation rate of 6.67%).
- (4) Taxes are calculated using an assumed tax rate of 26.5%.
- (5) For tax purposes, annual expenditures (\$9.21M in 2016, \$10.65M in 2017, \$11.62M in 2018, \$11.85M in

Witnesses: K. Mark
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2019, and \$12.09M in 2020) are assumed to be immediately deductible in the year of spend.

Small C/I - Forecasted Revenue Requirement Allocation (25% Budget Increase)					
Rate Class	2016	2017	2018	2019	2020
Rate 1	\$0	\$0	\$0	\$0	\$0
Rate 6	-\$2,601,028	-\$1,756,756	-\$622,858	\$806,424	\$2,289,599
Rate 9	\$0	\$0	\$0	\$0	\$0
Rate 100	\$0	\$0	\$0	\$0	\$0
Rate 110	-\$184,360	-\$124,518	-\$44,148	\$57,159	\$162,286
Rate 115	-\$189,792	-\$128,187	-\$45,449	\$58,843	\$167,067
Rate 125	\$0	\$0	\$0	\$0	\$0
Rate 135	-\$48,301	-\$32,623	-\$11,566	\$14,975	\$42,518
Rate 145	-\$68,031	-\$45,948	-\$16,291	\$21,092	\$59,885
Rate 170	-\$69,689	-\$47,068	-\$16,688	\$21,606	\$61,345
Rate 200	\$0	\$0	\$0	\$0	\$0
Rate 300	\$0	\$0	\$0	\$0	\$0
Total Spending	-\$3,161,200	-\$2,135,100	-\$757,000	\$980,100	\$2,782,700

1. Small C/I spending includes Small C/I Custom, Small C/I Prescriptive, Small C/I Direct Install, Small Commercial New Construction, and Energy Leaders
2. Small C/I is forecasted to receive 50% of total Energy Leaders budget
3. Spending excludes Overheads and DSMI

Witnesses: K. Mark
 R. Small

ILLUSTRATIVE RATE BASE TREATMENT OF SMALL C/I RESOURCE ACQUISITION PROGRAM COSTS (50% BUDGET INCREASE)

Line No.	((\$000's))	2016	2017	2018	2019	2020
	Cost of capital					
1.	Rate base	1,378.5	12,213.5	23,903.3	35,751.8	46,928.6
2.	Required rate of return	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>
3.	Cost of capital	89.9	796.3	1,558.5	2,331.0	3,059.7
	Cost of service					
4.	Gas costs	-	-	-	-	-
5.	Operation and Maintenance	-	-	-	-	-
6.	Depreciation and amortization	61.4	807.8	1,666.3	2,597.9	3,629.4
7.	Municipal and other taxes	-	-	-	-	-
8.	Cost of service	61.4	807.8	1,666.3	2,597.9	3,629.4
	Misc. & Non-Op. Rev					
9.	Other operating revenue	-	-	-	-	-
10.	Other income	-	-	-	-	-
11.	Misc, & Non-operating Rev.	-	-	-	-	-
	Income taxes on earnings					
12.	Excluding tax shield	(2,928.0)	(3,386.2)	(3,695.5)	(3,769.4)	(3,844.6)
13.	Tax shield provided by interest expense	<u>(11.4)</u>	<u>(101.3)</u>	<u>(198.3)</u>	<u>(296.5)</u>	<u>(389.3)</u>
14.	Income taxes on earnings	(2,939.4)	(3,487.5)	(3,893.8)	(4,065.9)	(4,233.9)
	Taxes on (def) / suff.					
15.	Gross (def.) / suff.	3,793.5	2,562.3	910.6	(1,172.2)	(3,339.3)
16.	Net (def.) / suff.	<u>2,788.2</u>	<u>1,883.3</u>	<u>669.3</u>	<u>(861.6)</u>	<u>(2,454.4)</u>
17.	Taxes on (def.) / suff.	(1,005.3)	(679.0)	(241.3)	310.6	884.9
18.	Revenue requirement	<u>(3,793.4)</u>	<u>(2,562.4)</u>	<u>(910.3)</u>	<u>1,173.6</u>	<u>3,340.1</u>

Notes / Assumptions:

- (1) Annual expenditures of \$11.05M in 2016, \$12.78M in 2017, \$13.95M in 2018, \$14.22M in 2019, and \$14.51M in 2020 are assumed to close into service in November each year.
- (2) The required rate of return assumed in this analysis is EGD's 2015 Approved rate from EB-2014-0276.
- (3) Depreciation expense is calculated based on a useful life of 15 years (annual depreciation rate of 6.67%).
- (4) Taxes are calculated using an assumed tax rate of 26.5%.
- (5) For tax purposes, annual expenditures (\$11.05M in 2016, \$12.78M in 2017, \$13.95M in 2018, \$14.22M in 2019, and \$14.51M in 2020) are assumed to be immediately deductible in the year of spend.

Witnesses: K. Mark
R. Small

Small C/I - Forecasted Revenue Requirement Allocation (50% Budget Increase)					
Rate Class	2016	2017	2018	2019	2020
Rate 1	\$0	\$0	\$0	\$0	\$0
Rate 6	-\$3,121,201	-\$2,108,337	-\$748,993	\$965,635	\$2,748,227
Rate 9	\$0	\$0	\$0	\$0	\$0
Rate 100	\$0	\$0	\$0	\$0	\$0
Rate 110	-\$221,229	-\$149,438	-\$53,088	\$68,444	\$194,793
Rate 115	-\$227,748	-\$153,841	-\$54,653	\$70,460	\$200,533
Rate 125	\$0	\$0	\$0	\$0	\$0
Rate 135	-\$57,960	-\$39,152	-\$13,909	\$17,932	\$51,034
Rate 145	-\$81,636	-\$55,144	-\$19,590	\$25,256	\$71,881
Rate 170	-\$83,626	-\$56,488	-\$20,068	\$25,872	\$73,633
Rate 200	\$0	\$0	\$0	\$0	\$0
Rate 300	\$0	\$0	\$0	\$0	\$0
Total Spending	-\$3,793,400	-\$2,562,400	-\$910,300	\$1,173,600	\$3,340,100

1. *Small C/I spending includes Small C/I Custom, Small C/I Prescriptive, Small C/I Direct Install, Small Commercial New Construction, and Energy Leaders*
2. *Small C/I is forecasted to receive 50% of total Energy Leaders budget*
3. *Spending excludes Overheads and DSMI*

Witnesses: K. Mark
 R. Small

ILLUSTRATIVE RATE BASE TREATMENT OF SMALL C/I RESOURCE ACQUISITION PROGRAM COSTS (100% BUDGET INCREASE)

		(\$000's)				
Line No.		2016	2017	2018	2019	2020
	Cost of capital					
1.	Rate base	1,838.1	16,284.6	31,871.0	47,669.1	62,571.6
2.	Required rate of return	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>	<u>6.52%</u>
3.	Cost of capital	119.8	1,061.8	2,078.0	3,108.0	4,079.7
	Cost of service					
4.	Gas costs	-	-	-	-	-
5.	Operation and Maintenance	-	-	-	-	-
6.	Depreciation and amortization	81.9	1,077.5	2,222.5	3,464.3	4,839.8
7.	Municipal and other taxes	-	-	-	-	-
8.	Cost of service	81.9	1,077.5	2,222.5	3,464.3	4,839.8
	Misc. & Non-Op. Rev					
9.	Other operating revenue	-	-	-	-	-
10.	Other income	-	-	-	-	-
11.	Misc. & Non-operating Rev.	-	-	-	-	-
	Income taxes on earnings					
12.	Excluding tax shield	(3,904.0)	(4,515.1)	(4,927.4)	(5,026.0)	(5,126.5)
13.	Tax shield provided by interest expense	<u>(15.2)</u>	<u>(135.1)</u>	<u>(264.4)</u>	<u>(395.4)</u>	<u>(519.0)</u>
14.	Income taxes on earnings	(3,919.2)	(4,650.2)	(5,191.8)	(5,421.4)	(5,645.5)
	Taxes on (def) / suff.					
15.	Gross (def.) / suff.	5,057.7	3,416.5	1,214.1	(1,563.0)	(4,452.4)
16.	Net (def.) / suff.	<u>3,717.4</u>	<u>2,511.1</u>	<u>892.4</u>	<u>(1,148.8)</u>	<u>(3,272.5)</u>
17.	Taxes on (def.) / suff.	(1,340.3)	(905.4)	(321.7)	414.2	1,179.9
18.	Revenue requirement	<u>(5,057.8)</u>	<u>(3,416.3)</u>	<u>(1,213.0)</u>	<u>1,565.1</u>	<u>4,453.9</u>

Notes / Assumptions:

- (1) Annual expenditures of \$14.73M in 2016, \$17.04M in 2017, \$18.59M in 2018, \$18.97M in 2019, and \$19.34M in 2020 are assumed to close into service in November each year.
- (2) The required rate of return assumed in this analysis is EGD's 2015 Approved rate from EB-2014-0276.
- (3) Depreciation expense is calculated based on a useful life of 15 years (annual depreciation rate of 6.67%).
- (4) Taxes are calculated using an assumed tax rate of 26.5%.
For tax purposes, annual expenditures (\$14.73M in 2016, \$17.04M in 2017, \$18.59M in 2018, \$18.97M in 2019, and \$19.34M in 2020) are assumed to be immediately deductible in the year of spend.
- (5)

Witnesses: K. Mark
 R. Small

Small C/I - Forecasted Revenue Requirement Allocation (100% Budget Increase)					
Rate Class	2016	2017	2018	2019	2020
Rate 1	\$0	\$0	\$0	\$0	\$0
Rate 6	-\$4,161,547	-\$2,810,924	-\$998,054	\$1,287,761	\$3,664,659
Rate 9	\$0	\$0	\$0	\$0	\$0
Rate 100	\$0	\$0	\$0	\$0	\$0
Rate 110	-\$294,968	-\$199,237	-\$70,742	\$91,276	\$259,749
Rate 115	-\$303,660	-\$205,108	-\$72,826	\$93,965	\$267,403
Rate 125	\$0	\$0	\$0	\$0	\$0
Rate 135	-\$77,279	-\$52,198	-\$18,534	\$23,914	\$68,052
Rate 145	-\$108,846	-\$73,520	-\$26,104	\$33,682	\$95,850
Rate 170	-\$111,500	-\$75,313	-\$26,741	\$34,503	\$98,187
Rate 200	\$0	\$0	\$0	\$0	\$0
Rate 300	\$0	\$0	\$0	\$0	\$0
Total Spending	-\$5,057,800	-\$3,416,300	-\$1,213,000	\$1,565,100	\$4,453,900

- 1. Small C/I spending includes Small C/I Custom, Small C/I Prescriptive, Small C/I Direct Install, Small Commercial New Construction, and Energy Leaders*
- 2. Small C/I is forecasted to receive 50% of total Energy Leaders budget*
- 3. Spending excludes Overheads and DSMI*

Witnesses: K. Mark
 R. Small