December 16, 2021

Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms Long:

EB-2021-0002 – Enbridge Gas Inc. – 2023-2027 Demand Side Management Plan

Please find, attached, interrogatories on behalf of the Consumers Council of Canada pursuant to the above-referenced proceeding. The interrogatories are with respect to the following pieces of evidence:

- Exhibit L.GEC/ED.1 - Energy Futures Group
- Exhibits L.OEBStaff.1 and L.OEBStaff.2 – Optimal Energy Inc.
- Exhibit L.SBUA.1 – Green Energy Economics Group

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

INTERROGATORIES FOR ENERGY FUTURES GROUP

RE: EXHIBIT L.GEC/ED.1

FROM THE CONSUMERS COUNCIL OF CANADA

RE: EB-2021-0002/ENBRIDGE GAS INC. 2023-2027 DEMAND SIDE MANAGEMENT

10-CCC-1-GEC/ED.1
Re: Ex. L.GEC/ED.1/p. 8
The annual average reduction in natural gas use is projected to be 111.1 million m3 over the five-year plan. This is lower than the average savings captured from 2017-2019. Why is this the case given budget levels are projected to increase? From Mr. Neme and Ms Sherwood's perspective, how can Enbridge most effectively increase its savings over the plan term while adhering to the OEB's stated guideline of doing so with modest budget increases in the near term (set out by the OEB in its December 1, 2020 letter).

10-CCC-2-GEC/ED.1
Re: Ex. L.GEC/ED.1/p. 10
The evidence states that Enbridge's savings rates, both historically and as planned for 2023 to 2027, are substantially lower than those of leading gas DSM utilities. Why are Enbridge's savings rates substantially lower? Specifically, how could Enbridge improve its savings rates for the period 2023 to 2027 to bring them more in line with comparable utilities?

10-CCC-3-GEC/ED.1
Re: Ex. L.GEC/ED.1/p. 14
The evidence refers to an American Council for an Energy Efficient Economy (ACEEE) analysis that concluded that both electric and gas efficiency potential studies "typically use a generally conservative approach which means that there is a great deal of additional cost-effective savings available beyond what is identified." In this context how does the ACEEE define cost-effectiveness?

10-CCC-4-GEC/ED.1
Re: Ex. L.GEC/ED.1/p. 16
The evidence states that interpretations of whether or not rate impacts from DSM are "undue" should be contextual. "For example, all other things being equal, a 3% rate impact associated with DSM programs that provide $500 million in economic net benefits should be (and likely would be) seen as more acceptable than a 3% rate impact associated with DSM programs that provide only $50 million in economic net benefits." Please explain what is meant by "economic net benefits" in this context.

10-CCC-5-GEC/ED.1
Re: Ex. L.GEC/ED.1/p. 17

Please explain how the amounts found in Table 3 - line 6 – "Downward Rate Pressure from Avoided T&D, Price Suppression" were derived.

8-CCC-6-GEC/ED.1

Re: Ex. L.GEC/ED/p. 19

The evidence states, "The Board should consider adopting an adjustment that formulaically ties the maximum shareholder incentive to the level of gas savings achieved. This would mitigate against the current perverse incentive for Enbridge to propose plans with relatively low savings targets that are easy to beat." Has Mr. Neme or Ms Sherwood assessed the reasonableness of Enbridge's proposed targets? If so, can they be characterized by "relatively low savings targets that are easy to beat?

8-CCC-7-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 21

Enbridge has proposed that it be able to earn as much as $21 to $23 million per year in shareholder incentives for its efficiency programs with the amount actually earned a function of its success relative to a number of different performance metrics. How does that level of pay-out compare to incentives for similar sized utilities also pursuing DSM?

8-CCC-7-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 23

The evidence states that in Michigan, the principal shareholder performance metric for both electric and gas utilities is focused on lifetime savings. Please provide a detailed description of the performance metrics used in Michigan. Please provide an example of the annual level of incentives paid out relative to the annual budget.

8-CCC-8-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 18 and 24

The evidence states that, utility performance incentive structures and metrics: 1) should be tied to key policy objectives for DSM; and 2) should be designed to encourage and reward utility excellence in achieving those policy objectives. Please provide a list and description of shareholder incentive mechanisms in place in the US that Mr. Neme and Ms Sherwood view as effective, balanced and appropriately designed to encourage and reward utility excellence in achieving policy objectives.

8-CCC-9-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 33

The evidence states, "The OEB should consider whether the size of Enbridge's maximum shareholder incentive should be tied formulaically to the magnitude of savings – ideally lifetime savings – that it proposes in its plan (though actual incentive payments would obviously need to be tied to success relative to those plan goals). Such a formula should be established independent of what the Company proposed plan would achieve. That way Enbridge has an incentive to actually proposed higher levels of savings. This kind of approach could be put in place for the mid-term review as well as the next multi-year plan. It could even be adopted now if the Board agrees with our critique of the company's proposed savings goals and instructs the Company to increase them." Please fully describe how, from the perspective of Mr. Neme and Ms. Sherwood, Enbridge's shareholder incentive mechanism should be restructured.

10a-CCC-10-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 36

Mr. Neme and Ms Sherwood are recommending that Enbridge's proposed gas equipment rebates be removed from its proposed Whole Home retrofit program. They have estimated that eliminating such rebates would free up about $3.2 million for investment in more cost-effective building envelope measures. What building envelope measures are the most cost-effective? What incentive levels for those measures are the most appropriate?

10a-CCC-11-GEC/ED.1

Re: Ex. L.GEC/ED.1/p. 37

If Enbridge maintains its proposed budget levels, but increases its low-income spending, where should the corresponding budget reductions be made?

10a-CCC-12-GEC/ED.1

Ex. L.GEC/ED.1/pp. 38-39

Enbridge is proposing to spend $8.4 million in 2023 and $9.5 million in 2024 in its Building Beyond Code programs. Mr. Neme and Ms Sherwood recommend that this program either be removed from Enbridge's portfolio with the budget allocated to other programs or to a third party with the appropriate expertise and no bias towards one fuel. What would be the most cost-effective way to reallocate those amounts to other programs?

INTERROGTORIES FOR OPTIMAL ENERGY INC.

RE: EXHIBIT L.OEBSTAFF.1 and L.OEBSTAFF.2

FROM THE CONSUMERS COUNCIL OF CANADA

RE: EB-2021-0002/ENBRIDGE GAS INC. 2023-2027 DEMAND SIDE MANAGEMENT

1. **Review and Assessment of Cost Recovery and Performance Incentive Options for Natural Gas Demand Side Management Programs**

7-CCC-1-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 16
The evidence states, "We believe that amortization of program expenses could be an elegant way to increase overall spending on gas efficiency programs so that a greater level of overall natural gas savings can be achieved in Ontario while avoiding sudden, large rate increases by aligning the timing of the costs and the benefits of the programs". What level of increases (over and above the proposed spending levels) would justify moving to an amortization approach?

7-CCC-2-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 16
The evidence states, "The interest rate can have a large impact on the success of amortization, as discussed above. This should be very low, as there is an extensive stakeholder process to develop, review and approve program budgets that are then approved by the OEB. This process ensures an extremely low risk that program expenditures will not be recovered. Further, the amortized balance will be approved annually and become a regulatory asset, further ensuring security to any potential lender. We therefore recommend that this be set at the utility's cost of debt. Should it be the cost of long-term debt or short-term debt? How often should it be reset? Given the statement that "it should be very low" what is the rationale for using the cost of debt?

8-CCC-3-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 28
Of the performance incentives listed in Table 6: Summary of Performance Incentives by Jurisdiction which does Optimal Energy view as the most successful or optimal approach?

8-CCC-4-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 37
Optimal Energy is recommending moving from the proposed annual targets approach to a true multi-year approach where budgets and targets are cumulative for the full 5-year plan period, and the performance incentive is ultimately determined on the Enbridge Gas's performance towards achievement of the end of term targets. Under this approach how can the OEB determine whether the 5-year targets are appropriate? Please explain, in detail, how this approach would work.

8-CCC-5-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 40
Optimal Energy has recommended assigning 70% of the overall performance incentive to a net benefit target and 30% of the overall performance incentive be allocated to a limited number of up to 5 “countervailing metrics” that are independent or actively harmful to net benefits or simply align with critical policy goals. What specific metrics would Optimal Energy recommend?

8-CCC-6-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 40
Optimal Energy is recommending that Enbridge Gas proposes natural gas savings targets for the Savings by Design and Low Carbon Transition programs. How should the OEB and stakeholders assess whether those targets are appropriate, once they are proposed by Enbridge Gas?

8-CCC-7-OEBStaff.1
Re: Ex. L.OEBStaff.1/p. 42
Optimal Energy is recommending that the OEB establish the overall incentive amount as a percentage of net benefits in advance of the planning process. How could this approach be implemented with respect to Enbridge’s current plan? Please provide examples of where this approach has been adopted.

2. Review and Comparison of Enbridge Gas Inc.’s Proposed 2023-2027 Natural Gas Demand Side Management Programs

10a-CCC-8-OEBStaff.2
Ex. L.OEBStaff.2/p. 10
Please describe, in detail, the best model from Optimal Energy’s perspective for facilitating coordination between Enbridge Gas and the IESO to offer an integrated Whole Home program. Please provide examples of natural gas and electric combined programs.

10a-CCC-9-OEBStaff.2
Ex. L.OEBStaff.2/p. 10
With respect to the Whole Home Program:

a) Has Optimal Energy reviewed the cost-effectiveness of the Whole Home program? If so, is the program cost-effective from your perspective?
b) If the audit was free instead of subsidized how would this impact the cost-effectiveness of the program;
c) Has Optimal Energy assessed whether the introduction of advanced thermostats at a significant discount or for free would be cost effective in the Ontario context?
d) What is a typical free rider rate for these types of programs?

INTERROGATORIES FOR GREEN ENERGY ECONOMICS GROUP INC.

RE: EXHBIT L.SBUA.1

FROM THE CONSUMERS COUNCIL OF CANADA

RE: EB-2021-0002/ENBRIDGE GAS INC. 2023-2027 DEMAND SIDE MANAGEMENT

6-CCC-1-SBUA.1
Re: Ex. L.SBUA.1/p. 29
Green Energy Economics Inc. is proposing that the Commercial Program spending be increased by adding additional eligible measures and increasing the incentive levels paid to small businesses. To what extent should these spending levels be increased? Given the OEB has proposed modest budget increases in the near term (as set out in the December 1, 2020 letter) should these resources be diverted away from other programs. If so, which programs?

8-CCC-2-SBUA.1
Re: Ex. L.SBUA.1/p. 31
Green Energy Economics Inc. has proposed; a) a reduction in the performance incentives for Enbridge to meet its targets as they are too generous; and b) to base the savings target on lifetime savings to promote longer-lived measures which provide more overall benefits.

1. On what basis has Green Energy Economics Inc. concluded that the performance incentives /shared savings mechanism is too generous;
2. How would Green Energy Economics Inc. structure a meaningful and fair performance incentive for Enbridge Gas Inc.?