

ENBRIDGE GAS INC.

First Tracks Consulting Service Inc. Answers to  
Interrogatory from Pollution Probe (PP)

**Exhibit I.3.EGI.PP.1**

- a) Is Mr. Edward Weaver being put forward as an expert witness in this proceeding? If yes, please specify which specific areas of DSM expertise that Mr. Weaver represents for this proceeding.
- b) Please provide any Ontario-related DSM experience since the attached resume does not appear to include any. If the witness does not have any Ontario-related DSM experience, please summarize the process used to ensure that findings and recommendations from the report are relevant for Ontario.
- c) In how many jurisdictions does First Tracks Consulting Service Inc. (First Tracks) have experience with amortization of DSM-related costs?

**Response:**

- a) Enbridge Gas Response:

Yes Mr. Weaver is being presented as an expert witness in this proceeding as evidenced by the completed Form A which was filed as Appendix A to EGI's Reply Evidence. As demonstrated by the resume also included with his report, Mr. Weaver's experience in DSM is vast. With particular consideration for this hearing Mr. Weaver has been engaged to provide expert testimony in the area of cost recovery approaches (including amortization as a DSM cost recovery model); consideration of performance incentives; and to review, consider and provide context and recommendations relating to the expert evidence submitted by other parties to this proceeding.

- b) Mr. Weaver contributed to reports in the early 1990s completed for Ontario Hydro surveying DSM programs in North America. In the mid-1990s, Mr. Weaver also performed a series of trainings on integrated resource planning for the Canadian Electrical Association that were provided to staff from Ontario Hydro and from several Ontario electric distributors.
- c) Mr. Weaver has worked with clients on amortization and performance incentives in Indiana, Iowa, Colorado, Illinois, Missouri, and Michigan. Mr. Weaver also contributed to a series of multi-clients studies in the 1990s that surveyed amortization and performance incentive mechanisms in place in all 50 states in the

USA.

**Exhibit I.3.EGI.PP.2**

Reference: EGI Reply Evidence Page 3 of 59.

“Enbridge engaged First Tracks to support the utility’s understanding of amortization as a cost recovery model for DSM funding”

- a) Has First Tracks provided services to Enbridge prior to the Reply report? If yes, please explain if they related to DSM or cost recovery models.
- b) Was the First Tracks report filed the only tool used to support Enbridge’s understanding of amortization as a cost recovery model for DSM fund? If no, please summarize what else was leveraged to support Enbridge’s understanding of this topic.

**Response:**

- a) Enbridge Gas Response:

The current engagement is the first time First Tracks has provided services to Enbridge Gas.

- b) Enbridge Gas Response:

Included as a deliverable in his engagement, Mr. Weaver delivered a power point presentation to the Company in December 2021, to support understanding of this topic. Please see interrogatory response at Exhibit I.4.GEC.EGI.2 for further details.

**Exhibit I.3.EGI.PP.3**

Reference: EGI Reply Evidence Page 3 of 59.

“I was first engaged by Enbridge in the summer of 2021, and completed most of my work over the autumn and early winter.”

Reference: EGI\_Ltr\_20211210

“Enbridge Gas will be in a position to determine the need for Reply evidence once it has received responses to its interrogatories on the OEB Staff and intervenor evidence which are due January 19. 2022.”

It appears that the Reply evidence was initiated and materially completed prior to January 19, 2022. Please confirm that is correct. If that is incorrect, please provide the detailed timelines or work from commencement in summer 2021 to January 19, 2022.

Response:

Enbridge Gas Response:

Please see the response at Exhibit I.4.EGI.GEC.2

**Exhibit I.3.EGI.PP.4**

Reference: EGI Reply Evidence Page 3 of 59

“I was not involved in the original development of Enbridge’s portfolio, program designs, or budget allocations, nor was I involved in the original development of the Enbridge performance incentive mechanism. My opinions regarding the performance incentive mechanism and plan are therefore provided as an outside observer”

- a) Please explain what knowledge or understanding First Tracks has of the Enbridge evidence including the 2023-2027 DSM Plan and proposed DSM Framework?
- b) Given the limited understanding of Enbridge’s evidence, please explain how First Tracks can be confident that any of its information or recommendations can be relevant specifically to the Enbridge 2023-2027 DSM portfolio.
- c) Is the information and recommendations provided by First Tracks relevant to all proposed DSM portfolios or just the Enbridge proposal? If not, please explain.
- d) Is First Tracks knowledgeable of the OEB’s recent gas IRP decision which provides an option to capitalize DSM? If yes, please explain why DSM costs should be treated differently in this proceeding.

Response:

- a) I have a general understanding of the Enbridge evidence, including the filed 2023-2027 DSM plan and proposed DSM Framework.
- b) I have a thorough understanding of the issues related to amortization, performance incentives, and savings benchmarks which were covered in my evidence.

c) Some information is relevant to any proposed DSM portfolio: For example:

- The review of the amortization calculations in Section 2.1 of my report show trends and relationships that would be true for any portfolio (although the magnitude of the specific revenue requirements and cash flows are specific to Enbridge's proposed portfolio).
- The jurisdictional review of key amortization drivers provided in Tables 3 and 4 are not specific to Enbridge.
- My conclusions on savings benchmarks in Section 4 is not specific to Enbridge.

Other information and recommendations are specific to Enbridge

- All of the charts provided in Section 2.1 show requirements and cash flows specific to Enbridge's proposed portfolio.
- All of my recommendations are specific to Enbridge, since they respond to recommendations made by Optimal Energy and Energy Futures Group in their evidence.

d) I have reviewed the OEB's IRP decision. My understanding of the OEB's decision in the gas IRP case is that:

- The order did not specifically address capitalization of DSM assets and instead focuses on gas IRP assets. For example, on page 75, the OEB states: "The OEB finds that IRPA project costs, similar to the costs for infrastructure builds, should be eligible for inclusion in rate base where Enbridge Gas owns and operates the IRPA."
- The OEB specifically limited its decision to the first-generation IRP framework, but was also open to changes in the future. For example, on page 75-76, the OEB states: "The OEB finds that the inclusion in rate base for owned and operated IRPAs in this first-generation IRP Framework is preferred given its relative simplicity. The consultations under the FEI are at an early stage with the development of terms of reference and initial meetings for the FEI working group. While the FEI consultation is likely to address matters of utility remuneration in subsequent phases, the first-generation IRP Framework will proceed before any determinations have been made. The OEB is therefore providing guidance on the approach to recovery of costs for the first-generation IRP Framework."

### **Exhibit I.3.EGI.PP.5**

Reference: EGI Reply Evidence Page 4, Summary of Recommendations for the OEB

a) Has Enbridge accepted or endorsed any of the recommendations from First Tracks? If yes, please list which recommendations have been accepted or endorsed.

- b) Please provide a list of any North American utilities that currently apply any of the recommendations provided by First Tracks.

Response:

- a) Enbridge Gas Response:

Please see the response at Exhibit I.4.EGI.GEC.1

- b) Regarding amortization, Section 2.1 of my report identifies utilities applying my recommendations, particularly Sections 2.1.2 and 2.1.3. In Section 2.2, I also identify specific cases where my recommendation have been implemented by other North American utilities. Regarding performance incentives, my recommendations respond to recommendations from Optimal Energy and Energy Futures Group, and so my recommendations are generally specific to Enbridge in this proceeding and do not apply directly to other utilities in North America. However, I provide examples in Section 3.4 where my recommendations have been applied by other North American utilities.

**Exhibit I.3.EGI.PP.6**

Reference: EGI Reply Evidence Page 6

- a) Please explain what a “compromise proposal” is and how it relates to best practices for utility DSM.
- b) Please confirm that Enbridge has accepted or endorsed First Tracks’ compromise proposal.

Response:

- a) As I stated on page 36 of my report, the compromise proposal “adjusts Enbridge’s proposal by adopting some features recommended by Optimal and EFG” and is presented for the OEB’s consideration. It incorporates best practices employed by utilities in other jurisdictions and represents my recommendation to the OEB for a performance incentive that will provide the best outcome for Enbridge and its customers.
- b) Enbridge Gas Response:

Please see the response at Exhibit I.4.EGI.GEC.1.

**Exhibit I.3.EGI.PP.7**

First Tracks has added FortisBC as a utility example in its report.

- a) Does First Tracks consider the FortisBC DSM approach as leading practice in North America? If not, why not.
- b) Please provide a summary of any shareholder incentives that FortisBC is eligible to receive from DSM.

**Response:**

- a) I present FortisBC as an example of a utility that amortizes its DSM expenditures. Its approach is consistent with many other utilities in North America.
- b) FortisBC shareholders receive earnings in return for the capital they provide that allows FortisBC customers to pay for DSM investments over 10 year amortization terms. FortisBC shareholders do not receive additional incentives tied to the performance of the portfolio.

**Exhibit I.7.EGI.PP.8**

- a) Was First Tracks sole sourced to complete this report or did it respond to an RFP? If yes, please provide a copy of the RFP and First Tracks response.
- b) What additional details regarding the scope of work were provided to First Tracks beyond the RFP or contract document? Please provide copies of emails or any other documents provided by First Tracks.
- c) Please provide a copy of the contract, including the scope of work for First Tracks.
- d) Please produce any and all communications (including copies of emails, letters and draft reports with comments received from Enbridge) between First Tracks and Enbridge regarding the content of the reports submitted into evidence?

**Response:**

- a) Enbridge Gas Response:

Ted Weaver of First Tracks Consulting Services, Inc. was soled sourced by the Company following a recommendation provided to the Company in the course of

doing broad jurisdictional research across various utilities in the United States. As such there is no RFP document nor corresponding response.

b), c) and d)

Enbridge Gas responses:

Please see interrogatory response at Exhibit I.4.EGI.GEC.2.

**Exhibit I.7.EGI.PP.9**

Reference: EGI Reply Evidence Page 6

Please provide details on what First Tracks means as the “potential long-term regulatory risks facing the natural gas industry”. How has that impacted the amortization period for utility capital in similar jurisdictions?

Response:

Please see the discussion and references provided in Sections 2.1.2.2 and 2.2.2.4.1 of my report.

**Exhibit I.7.EGI.PP.10**

It is typical for utility resources and administrative costs to be capitalized when those resources support capital programs. Why should this be different if DSM is treated as a capitalized portfolio.

Response:

On pages 4-5 of its report, Optimal Energy identifies 10 policy goals the OEB may try to achieve through capitalizing DSM expenditures. While one goal is to “align supply- and demand-side resource investments”, many of the other nine goals are better achieved through full amortization. For example, intergenerational equity is best achieved by full amortization.

In addition, as Optimal points out in its recommendation on page 15, using a single cost recovery approach avoids “the complexity involved in using different approaches for different programs.”

**Exhibit I.7.EGI.PP.11**

Please recalculate the examples shown in Figures 1, 2, 3, 5 and 6 using the Enbridge cost of capital rather than the WACC and explain how the results differ from the examples in the report using WACC.

**Response:**

Enbridge's cost of capital is the WACC. There is no difference.

**Exhibit I.7.EGI.PP.12**

Reference: EGI Reply Evidence Page 14

"The size of this regulatory asset balance could be a concern to Enbridge investors and credit rating agencies ..."

Enbridge's core business of owning and operating pipelines relies on capital treatment of assets in the manner outlined above. Please provide all documentation that First Tracks is relying on for its belief that Enbridge investors and credit rating agencies are concerned with the regulatory asset balance created by capitalizing investments.

**Response:**

Please see interrogatory response to Exhibit I.7.EGI.GEC.7 a).

**Exhibit I.9.EGI.PP.13**

Please explain what level of detail and analysis First Tracks used in assessing whether program scorecard performance was appropriate (i.e. did it review the current program design relative to other jurisdictions, review audit reports, etc.)

**Response:**

I reviewed Enbridge's proposed performance incentive mechanism and scorecards outlined in EB-2021-0002 Exhibit D, Schedule 2, as well as the review and recommendations on performance incentive provided as evidence by Optimal Energy and Energy Futures Group. I also reviewed the descriptions of Enbridge's programs in EB-2021-0002 Exhibit E, as well as other portions of EB-2021-0002.



**Exhibit I.9.EGI.PP.14**

Reference: EGI Reply Evidence Page 6

First Track recommend to “Maintain long term scorecard component for Low Carbon Transition program, as proposed by Enbridge.”.

How did First Track come to that finding given that metrics are only available for a portion of the five year plan?

**Response:**

As described in EB-2021-0002 Exhibit D, Tab 1, page 15 of 16, Enbridge proposes to define performance metrics for the Low Carbon Transition program as part of the mid-point assessment. The performance incentive mechanism can be defined without these specific target values defined in advance.