ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board (STAFF)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2, pp.2-5 and pp.12-13

Question(s):

Enbridge Gas has proposed a revised performance incentive structure that includes shareholder incentives dedicated to various targets – both short term and long term, scorecard related and net benefits driven.

a) Please provide the following example shareholder incentive calculations that are based on the proposed incentive structure (including the maximum incentive amount of $19.89m) and using the 2016 to 2020 program year results (including draft 2020 results if final verified results are not yet published):
   i. Calculate the annual scorecards achievement and net benefit incentives from the 2016-2020 program years using the proposed incentive structure (the net benefits should use the proposed structure outlined in Table 10: Net Benefits Shared Savings Schedule).
   ii. Using an even allocation of the proposed maximum incentive amount of $19.89m to each of the annual scorecard incentives and net benefits incentive amounts.
   iii. Using an allocation of 25% to the annual scorecard incentives and 75% to net benefits incentive amounts.

b) Please discuss the impact of shifting a greater portion of the maximum shareholder incentive from the annual scorecards to overall net benefits.

c) Please discuss the benefits of the proposed approach that includes most of the shareholder incentive resulting from the annual scorecards dedicated to gas savings (88%) and the net benefits incentive that is entirely based on gas savings. In your response, discuss how this does not represent a significant overlap in incentives that rewards Enbridge Gas for the same savings in two incentive mechanisms.

d) Please discuss the benefit of the proposed approach that weights each net benefit range equally, particularly the lower ranges.

e) Please discuss the impact of shifting the majority of the percentage of net benefits shared to savings in the higher ranges in an effort to provide an incentive for Enbridge Gas to pursue significantly greater net benefits, for example:

Net Benefit Range	% of Net Benefits Shared	Max Annual Incentive By Range
$0-100M	0.00%	$0
$100-200M	0.25%	$250,000
$200-300M	0.25%	$250,000
$300-400M	0.50%	$500,000
$400-500M	2.50%	$2,500,000
$500M+	3.75%	$3,130,000
	TOTAL	**$6,630,000**

Response

a) Please see the following tables displaying the annual shareholder incentives for the requested scenarios. For the benefit of the reader, the 2016-2020 original actual shareholder incentives achieved in the respective years are presented below, along with the percentage of the maximum shareholder incentive achieved.

Historical DSMI with Current (2015-2020 Framework) Method	**2016**	**2017**	**2018**	**2019**	**2020 [1]**
LEG	$6,365,751	$2,120,130	$3,982,872	$6,717,372	$3,586,470
LUG	$4,120,731	$5,519,140	$6,366,226	$5,950,363	$2,726,196
Total DSMI	**$10,486,482**	**$7,639,270**	**$10,349,098**	**$12,667,735**	**$6,312,667**
% of maximum shareholder incentive	**50.2%**	**36.6%**	**49.5%**	**60.6%**	**30.2%**

1. 2020 calculations are based on are draft audit results.

i)

Historical DSMI Recalculated with Proposed 2023+ Hybrid Method (66.7% Annual Scorecard & 33.3% Net Benefits shared savings)	**2016**	**2017**	**2018**	**2019**	**2020 [1]**
EGD Annual Scorecard	$4,474,354	$2,081,735	$3,271,039	$4,656,529	$3,092,722
Union Annual Scorecard	$3,145,609	$4,010,523	$4,469,683	$4,172,206	$2,511,067
Annual Scorecard DSMI	$7,619,963	$6,092,259	$7,740,722	$8,828,735	$5,603,789
Net Benefits Shared Savings	$1,774,981	$1,543,661	$1,490,472	$2,627,210	$1,178,443
Total DSMI	**$9,394,944**	**$7,635,919**	**$9,231,194**	**$11,455,945**	**$6,782,231**

1. 2020 calculations are based on are draft audit results.

ii)

Historical DSMI Recalculated with Proposed 2023+ Hybrid Method (adjusted for 50% Annual Scorecard & 50% Net Benefits shared savings)	2016	2017	2018	2019	2020 [1]
EGD Annual Scorecard	$3,355,765	$1,561,302	$2,453,279	$3,492,397	$2,319,541
Union Annual Scorecard	$2,359,207	$3,007,893	$3,352,262	$3,129,155	$1,883,300
Annual Scorecard DSMI	$5,714,972	$4,569,194	$5,805,541	$6,621,551	$4,202,841
Net Benefits shared savings	$1,774,981	$1,543,661	$1,490,472	$2,627,210	$1,178,443
Total shareholder incentive	**$7,489,953**	**$6,112,855**	**$7,296,013**	**$9,248,761**	**$5,381,284**

1. 2020 calculations are based on are draft audit results.

iii)

Historical DSMI Recalculated with Proposed 2023+ Hybrid Method (adjusted for 25% Annual Scorecard & 75% Net Benefits shared savings)	2016	2017	2018	2019	2020 [1]
EGD Annual Scorecard	$1,677,883	$780,651	$1,226,640	$1,746,198	$1,159,771
Union Annual Scorecard	$1,179,603	$1,503,946	$1,676,131	$1,564,577	$941,650
Annual Scorecard DSMI	$2,857,486	$2,284,597	$2,902,771	$3,310,776	$2,101,421
Net Benefits shared savings	$1,774,981	$1,543,661	$1,490,472	$2,627,210	$1,178,443
Total shareholder incentive	**$4,632,467**	**$3,828,258**	**$4,393,242**	**$5,937,986**	**$3,279,863**

1. 2020 calculations are based on are draft audit results.

b) OEB Staff and some intervenors have asked various questions that commonly are seeking additional understanding or explanation for how/why the Company proposed a hybrid shareholder incentive structure detailed in Exhibit D, Tab 1, Schedule 2 and illustrated in the infographic at page 2 of that schedule. T his response aims to address those collective interrogatories.

The OEB continues to support DSM programming as a means of substantially meeting its statutory objectives specifically including promoting energy conservation and energy efficiency. To deliver on this objective, the OEB has historically approved a performance mechanism that includes shareholder incentives to motivate and recognize performance as the gas utilities actively pursue OEB defined DSM goals, objectives and priorities. Given the scope of proposed DSM programming (with a budget of more than $140 million beginning in 2023), there is clear rationale for a performance mechanism that provides appropriate governance on behalf of ratepayers. Both the 2015-2020 Framework and the Proposed Framework utilize a shareholder incentive model, budget weightings, scorecards and performance metrics as key components of the overall governance and performance structure. The OEB's approved scorecard structure and performance metrics are intended to provide direction as to key operating parameters, defining how successful DSM Programs should be operated and is not solely for determination the shareholder incentive.

The OEB has continued, in its December 1, 2020 DSM Letter, to acknowledge the need and appropriateness for a shareholder incentive to attract management's attention and to incent the utilities to aggressively pursue DSM activities and generate results consistent with the approved framework and performance metrics. Enbridge Gas management would not accept putting the Company at risk of earning absolutely nothing to operate a suite of program offerings which will benefit ratepayers and society generally. The Company expects, as it has in the past, that the OEB will approve, DSM incentive methodologies and performance metrics that provide both clear operational guidance and appropriate opportunity for the Company to earn a shareholder incentive based upon the generation of reasonable results.

An incentive approach and performance metrics could be structured through various mechanisms but should ultimately support the objectives of the OEB and align with ratepayer interests. The various objectives, priorities, and key guidance principles Enbridge Gas has identified from the OEB's December 1, 2020 DSM Letter for DSM include:[1]

- Assist customers in making their homes and businesses more efficient in order to help better manage their energy bills
- Help lower overall average annual natural gas usage
- Play a role in meeting Ontario's greenhouse gas reductions goals
- Create opportunities to defer and/or avoid future natural gas infrastructure projects
- Expectation for modest budget increases
- Expectation for improved cost-effectiveness of programs
- Seek out elements of current programs that can be modified and consider new programs in order to optimize overall program results to make the best use of ratepayer funding
- Show how programs will benefit Ontario's natural gas customers
- Consider input received through the post-2020 DSM framework consultation, lessons learned from the past six years of activity, the OEB's evaluation reports and recommendations from the Evaluation Contractor, stakeholder feedback from the Mid-Term Review consultation and the recent 2021 DSM plan proceeding, the 2019 Achievable Potential Study, as well as the Government's Environment Plan

[1] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020)

- Target key segments of the market, including low-income and on-reserve First Nations communities, and customers with significant room for efficiency improvements
- Strategically incent customers to achieve more savings
- Actively seeking out customers who can most greatly benefit from the programs
- Endeavor to coordinate the delivery of DSM programs with electricity CDM programs where possible
- Provide all customer group the opportunity to participate in DSM programming suggesting metrics be proposed to ensure all segments of the market are reached
- Ensure small volume, low-income customers and on-reserve First Nations communities are well-served
- Develop a longer-term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term
- Expectation that the new multi-year DSM plan will be for a minimum term of three years up to a maximum of six years
- Expectation that future performance be assessed relative to measurable, outcome-based metrics

In response, Enbridge Gas has proposed a four pronged hybrid shareholder incentive opportunity as part of any overall rethinking of the performance incentive to align with the OEB's evolved objectives and expectations. The various relative weighting and thresholds encompassed in the four performance incentive opportunities represent the Company's best estimation of a sensible and reasonable effort to balance the performance metrics to reflect the underlying OEB priorities.

As detailed in evidence, $1.4 million annually of the $20.9 million maximum was allocated toward the achievement of the Long Term Scorecard Incentive ($400,000 for each of five years) as detailed in Exhibit D Tab 1 Schedule 2 Page 13 and $1 million for 5 years, or a total of $5 million was allocated to the achievement of a Long Term GHG Reduction incentive as detailed in Exhibit D Tab 1 Schedule 2, page 15. Of the remaining maximum annual incentive, beginning with $19.89 million in 2023, two-thirds were directed toward the achievement of annual gas savings targets as detailed in Exhibit D, Tab 1, Schedule 2, page 7, with the majority of the weighting focused evenly, 22% each, on the four major sectors (Residential, Low-Income, Commercial, Industrial) to ensure a continued and balanced focused across all customers groups. The remaining one-third of the maximum annual incentive is directed to a portfolio level Annual Net Benefits Shared Savings opportunity described in Exhibit D, Tab 1, Schedule 2, page 12. This component of the overall structure in intended to elevate the Company's focus on the achievement of overall net benefits and is responsive to calls from stakeholders to re-introduce efforts on driving net benefits. Attachment 1 to this interrogatory includes relevant slides from a presentation from GEC/ED in September 2018 advocating for the inclusion of such an approach.

The Company believes the one-third/two-thirds weighting between the Net Benefits Shared Savings incentives and the Annual Scorecards Incentives provides an appropriate focus on the multiple objectives.

c) As explained in part b), the proposed approach which encompasses a hybrid scorecard is intended to outline a performance governance model that splits the maximum shareholder incentive earning opportunity across a number of objectives and priorities both outlined by the OEB and raised by other interested parties prior to the development of this Application. In no way does the proposal overlap, to the contrary the hybrid scorecard proposal has divided the shareholder incentive such that it now provides a mechanism to ensure that the Company maintains an appropriate focus and balance across multiple objectives. The use of a multi-factored earning opportunity is not an uncommon approach in other jurisdictions.

d) & e)

The Annual Net Benefits shared savings mechanism has been incorporated to elevate the focus on the "how" the Company achieves gas savings reductions by putting in place a structure that evaluates the performance across the entire DSM portfolio inclusive of all costs and benefits to provide a shared savings opportunity for the utility based on optimization of net benefits achieved for ratepayers. Enbridge Gas recognizes that the bands or ranges and the payout percentages put forward in the Company's proposal could encompass a multitude of possible combinations, however the Company believes it has put forward a proposal which is reasonable and fair. An illustration of the comparison earnings using this proposed approach vs. the current (2015-2020 DSM Framework) shareholder incentive mechanism make clear this proposal is entirely reasonable.

OEB Staff has asked a number of IRs suggesting moving "this" or pushing "that" feature of the various aspects of the hybrid shareholder incentive mechanism. The Company points out that as illustrated in the example calculations of the proposed model on the 2016-2020 earning comparison as requested by OEB Staff in part a above, Enbridge Gas has proposed an entirely reasonable approach which in fact would have resulted in lower earnings in 2016-2020, but regardless is intended to be responsive to calls for attention on net benefits in addition to a focus on long term goals, and a balanced delivery of DSM opportunities across customer groups including harder to reach, low income and small volume customers.

With response to the Annual Net Benefits shared savings component and the scenario proposed by OEB Staff in part e), if the shared savings mechanism inputs are manipulated such that the thresholds/inputs are raised to such a degree as to make any reasonable incentive unachievable, then it is no longer an incentive at all.

Attachment 2 to this interrogatory response provides the excel tool used to calculate the Annual Net Benefits Shared Savings, allowing for modelling for adjusted ranges/thresholds.

Problem: No incentive to maximize net benefits

- Current model: utilities profit from meeting targets, but have:
  - No profit incentive to design optimal plans that **maximize net benefits**
  - No profit incentive to design the **most cost-effective** plans possible
  - Perverse incentives to propose **modest savings targets**
- Utilities are incentivized to *execute* DSM plans well, but not to *design and develop* optimal DSM plans

Solution: Incentivize maximization of net benefits & optimization

- Option 1: allow $10M incentive cap to rise if UCT net benefits rise
  - E.g., for every X% increase in net benefits over the previous year the incentive cap rises by Y%
    - E.g. hold the current ratio of net benefits to the $10M incentive pot constant
  - Incentives would still be earned for meeting targets, but the maximum incentives (~$10M) could increase if more net benefits are achieved via better conservation plans over time
- Option 2: pay all or a portion of incentives as a growing percent of net benefits
  - Illustrative example:
    - 0% for the first $100 million,
    - X% for the second $100 million,
    - Y% for the third $100 million, etc.
- Could be implemented now, but if it isn't, it should be flagged as a priority issue for the next DSM Framework

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Attachment 2 has been provided in excel

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2

Question(s):

The maximum annual shareholder incentive amount is approximately $20 million per year for the period 2022-2027. Please explain to what extent EGI undertook research regarding alternative approaches to shareholder incentives. Please provide any studies or reports that were produced regarding this research. Is EGI aware of any other jurisdictions where the level of shareholder incentives is comparable to that being proposed by EGI? If so, please provide detailed descriptions of those incentive mechanisms.

Response:

The maximum annual shareholder incentive amount proposed is consistent with the maximum shareholder incentive directed by the OEB in the 2015-2020 DSM Framework for the Union Gas and Enbridge Gas Distribution legacy utilities.

On December 19, 2019 as part of the Post-2020 DSM Framework consultation (in which Enbridge Gas and CCC were involved), the OEB issued a letter outlining expectations for the consultation which included a list of topic areas proposed for review in the consultation which included Performance Incentives.[1] However, no further consultation took place. Instead in its December 1, 2020 DSM Letter the OEB invited Enbridge Gas to file a multi-year DSM plan application indicating, "the OEB is generally supportive of continuing the use of a utility shareholder incentive as a reward for meeting or exceeding performance targets. The OEB expects that future performance be assessed relative to measurable, outcome-based metrics."[2]

To inform the Company's application, the OEB further urged Enbridge Gas to consider input and feedback from stakeholders in the Post-2020 DSM Framework consultation,

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[1] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 19, 2019).
[2] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 2.

the Mid-Term Review consultation and lessons learned from the past six years of activity. Please also see Exhibit I.5.EGI.SEC.12 where the Company notes that the proposed shareholder incentives increase at lower than the rate of inflation but the proposed overall DSM budget grows faster than the rate of inflation.

Enbridge Gas has reflected stakeholder feedback in its Application including in its proposed shareholder incentive. The introduction of the Annual Net Benefits incentive is responsive to calls from intervenors for an increased focus on optimization of net benefits. In addition, the Company undertook research regarding alternative approaches to shareholder incentives to inform its proposal however no formal studies or reports were produced, except as provided in Exhibit I.7.EGI.STAFF.16. Enbridge Gas did not however specifically investigate maximum shareholder incentive caps imposed in other jurisdictions.

For a detailed discussion regarding the Company's shareholder incentive proposal please see Exhibit I.8.EGI.STAFF.18b.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2

Question(s):

For each year 2011-2021 please set out the maximum level of shareholder incentive available to both the former Union Gas Limited and the former Enbridge Gas Distribution Inc. and the actual incentive paid out. Please provide the totals for each year and at the program level.

Response:

Shareholder incentive (DSMI) is calculated at a scorecard level and not individual program levels, therefore scorecard level and total DSMI amounts are provided below.

Table 1 – EDG Rate Zone DSMI

	2011	2012	2013	2014
DSMI Available	$10,161,263	$10,450,000	$10,659,000	$10,872,180
Total DSMI Earned	**$6,769,535**	**$8,160,306**	**$4,538,188**	**$7,647,242**
Resource Acquisition	$5,914,951	$4,607,962	$1,545,045	$5,202,419
Low Income	$542,146	$2,228,489	$1,117,939	$375,059
Market Transformation	$312,438	$1,323,855	$1,875,204	$2,069,764
Total DSM Spend	$27,243,872	$30,606,510	$27,839,846	$32,511,266
DSMI Earned as % of DSM Spend	25%	27%	16%	24%

	2015	2016	2017	2018
DSMI Available	$11,089,624	$10,450,000	$10,450,000	$10,450,000
Total DSMI Earned	**$10,077,695**	**$6,365,751**	**$2,120,130**	**$3,982,872**
Resource Acquisition	$6,482,744	$4,658,886	$2,120,130	$2,955,435
Low Income	$1,483,792	$1,214,842	$0	$422,199
Market Transformation	$2,111,159	$492,023	$0	$605,238
Total DSM Spend	$35,779,972	$55,648,285	$62,363,439	$66,154,466
DSMI Earned as % of DSM Spend	28%	11%	3%	6%

	2019	2020 (Draft Audit)	2021 (Forecast)
DSMI Available	$10,450,000	$10,450,000	$10,450,000
Total DSMI Earned	**$6,717,372**	**$3,586,470**	**$4,241,971**
Resource Acquisition	$4,827,040	$2,904,033	$3,792,618
Low Income	$1,159,746	$501,162	$449,353
Market Transformation	$730,586	$181,276	$0
Total DSM Spend	$72,843,440	$64,548,153	$71,752,673
DSMI Earned as % of DSM Spend	9%	6%	6%

Table 2 – Union Rate Zones DSMI

	2011[1]	2012	2013	2014
DSMI Available	$9,243,367	$10,450,000	$10,681,990	$10,819,788
Total DSMI Earned	**$7,639,500**	**$8,210,417**	**$7,784,373**	**$8,987,690**
Resource Acquisition		$3,496,862	$3,143,206	$5,666,634
Low Income		$2,725,227	$2,728,501	$2,763,699
Market Transformation		$181,734	$550,259	$557,358
Performance-Based		N/A	N/A	N/A
Large Volume Rate T2/Rate 100		$1,806,595	$1,362,407	$0
Total DSM Spending	$27,970,646	$31,322,219	$32,838,926	$33,713,796
DSMI Earned as % of DSM Spend	27%	26%	24%	27%

1 - For 2011, targets and DSMI were calculated based on TRC results. EGD had an allocation by "scorecard" at the time, while Union only calculated and reported DSMI in aggregate.

	2015	2016	2017	2018
DSMI Available	$11,001,560	$10,450,000	$10,450,000	$10,450,000
Total DSMI Earned	**$7,472,481**	**$4,120,731**	**$5,519,140**	**$6,366,226**
Resource Acquisition	$4,443,225	$2,907,230	$4,753,191	$5,809,659
Low Income	$2,462,534	$1,151,656	$304,325	$350,811
Market Transformation	$566,721	$0	$461,623	$205,755
Performance-Based	N/A	$61,844	$0	$0
Large Volume Rate T2/Rate 100	$0	$0	$0	$0
Total DSM Spending	$32,392,645	$50,665,650	$64,581,110	$69,122,921
DSMI Earned as % of DSM Spend	23%	8%	9%	9%

	2019	2020 (Draft Audit)	2021 (Forecast)
DSMI Available	$10,450,000	$10,450,000	$10,450,000
Total DSMI Earned	**$5,950,363**	**$2,726,196**	**$3,776,467**
Resource Acquisition	$4,344,389	$2,307,872	$3,059,109
Low Income	$1,253,615	$0	$335,745
Market Transformation	$352,359	$193,812	$68,799
Performance-Based	$0	$0	$0
Large Volume Rate T2/Rate 100	$0	$224,513	$312,815
Total DSM Spending	$65,604,306	$54,488,582	$63,262,398
DSMI Earned as % of DSM Spend	9%	5%	6%

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2

Question(s):

Please explain the rationale for rewarding EGI's shareholders for performance at 50% of a proposed target. If only 50% of the target is achieved, should this not be considered a failure of the program?

Response:

Please see response to Exhibit I.5.EGI.SEC.10.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2, pages 6-11

Question(s):

Please explain how the DSM Incentive allocations (by program) were derived. Why not base these allocations on projected natural gas savings?

Response:

Please see the response to Exhibit I.9.EGI.EP.8a. for an explanation of the Annual Scorecards shareholder incentive allocations.

In order to align performance with objectives a performance incentive provides an opportunity to prioritize and balance areas of focus. Accordingly, the proposed performance incentive structure is designed to appropriately reflect the OEB's objectives, guiding principles and reflect commentary regarding expected areas of focus.

Allocations of DSM incentive wholly based on natural gas savings would have positioned the Company to place an unbalanced focus on large volume industrial customers at the expense of residential, low-income or small volume commercial customers. Harder to reach low-income, and small volume customers were highlighted by the OEB as an expected area of focus.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2, page 16

Question(s):

EGI is proposing a Long Term GHG reduction target with a total shareholder incentive over the plan term of $6,000,000. Please explain how this amount will be allocated to the various customer classes.

Response:

The total shareholder incentive for the Long Term GHG Reduction Target over the plan term is $5,000,000 (Exhibit D, Tab 1, Schedule 2, page 4). In accordance with the Proposed Framework, “Incentive amounts paid to Enbridge Gas should be allocated to rate classes in proportion of the amount actually spent on DSM activities on each rate class.” (Exhibit C, Tab 1, Schedule 1, page 55). Therefore, the potential $5,000,000 incentive at the end of 2027 would be allocated to rate classes in proportion with the program spending of the programs contributing to the achievement of the Long Term GHG reduction target over the 2023-2027 period. For example, if the amount spent directly on DSM activities in Rate 1 of the EGD rate zone over the 2023-2027 period was 15% of the total amount spent on DSM activities contributing to the Long Term GHG reduction target, then 15% of the $5,000,000 ($750,000) incentive will be allocated to Rate 1 of the EGD rate zone.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2, pages 6-11

Question(s):

EGI has set its Annual Scorecards by Program, which includes the maximum DSM Incentive payment amounts by Program. For each of those programs please identify which rate classes will be allocated the incentive payments. For example, are the residential classes responsible for 30% of the Building Beyond Code Program shareholder incentive amount?

Response:

The shareholder incentive amount earned on each scorecard will be allocated to rate classes in proportion to the customer incentive payments to each rate class for the applicable programs (Exhibit C, Tab 1, Schedule 1, page 53). Based on 2018 - 2020 DSM participation, the following rate classes are expected to have, but not limited to, allocation of a proportion of the shareholder incentive from respective Program's Annual Scorecards.

Residential Program

- EGD rate zone: Rate 1
- Union rate zones: Rate M1, 01

Low Income Program

- EGD rate zone: Rate 1, 6
- Union rate zones: Rate M1, M2, 01, 10

Commercial Program

- EGD rate zone: Rate 6, 100, 110, 115, 145, 170
- Union rate zones: Rate M1, M2, M4, M5, M7, T1, 01, 10, 20

Industrial Program

- EGD rate zone: Rate 6, 100, 110, 115, 135, 170
- Union rate zones: Rate M1, M2, M4, M5, M7, T1, 01, 10, 20

Large Volume Program

- EGD rate zone: N/A
- Union rate zones: Rate T2, 100

Energy Performance Program

- EGD rate zone: Rate 6
- Union rate zones: Rate M1, M2, 01, 10

Building Beyond Code Program

- EGD rate zone: Rate 1, 6
- Union rate zones: Rate M1, M2, 01, 10

Low Carbon Program

- EGD rate zone: Rate 1, 6
- Union rate zones: Rate M1, M2, 01, 10

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Issue 8

Reference:

Question(s):

Please explain the extent to which EGI has undertaken consumer engagement with respect to its DSM shareholder incentive mechanisms. If no consumer engagement has been undertaken, please explain why.

Response:

In the Mid-Term Report in 2019, the OEB stated that "the OEB will review the appropriateness of the shareholder incentive, including the structure and overall amount available to the natural gas utilities, as part of the post-2020 DSM framework development."[1] From this Enbridge Gas understood that the shareholder incentive mechanism was to be reviewed as part of the OEB-led Post-2020 Framework process. On December 19, 2019 as part of the Post-2020 DSM Framework consultation (in which Enbridge Gas, CCC and most parties granted intervenor status in this proceeding were involved), the OEB issued a letter outlining expectations for the consultation which included an Appendix summarizing a list of topic areas proposed for review in the consultation which included Purpose of DSM, Targets, Programs, Budgets, and Performance Incentives.[2] No further consultation took place beyond a half day stakeholder meeting on January 29, 2020 to consider the proposed approach to the consultation exercise.

Subsequently, the OEB issued a letter on December 1, 2020, which stated the following:

> Given the passage of time, and in an effort to achieve efficiencies and increase the timeliness of OEB approval of a new multi-year natural gas DSM plan, the OEB is concluding the consultation process in favour of an adjudicative process. The OEB invites Enbridge Gas to file a comprehensive multi-year DSM plan application for the

[1] Report of the Ontario Energy Board, Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020) EB-2017-0127/EB-2017-0128, 20 November 29, 2018 p. 20

[2] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 19, 2019).

> OEB to review new conservation programs, budgets, and targets for the post-2021 period. With the existing 2015-2020 DSM framework set to expire on December 31, 2020, forgoing additional pre-hearing consultation will allow the process to be streamlined through the OEB's adjudicative process. The OEB and interested parties will have the opportunity to undertake a detailed review and comprehensive analysis of the application in order to assess the value and merit of all proposals related to ratepayer-funded DSM programs. This will ensure that the initial goal of the policy consultation, which was to undertake a comprehensive review of the central elements of a DSM plan, can still be achieved.[3]

The December 1, 2020 letter also confirmed support for the continuance of a shareholder incentive and provided guidance, as follows:

> The OEB expects that future performance be assessed relative to measurable, outcome-based metrics. Additional metrics should also be proposed to ensure all segments of the market are reached and small volume, low-income customers and on-reserve First Nations communities are well-served. The OEB encourages Enbridge Gas to develop a longer term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term.[4]

The DSM Letter further outlined that "the OEB expects Enbridge Gas to submit an application for a new DSM plan that includes proposed targets, budgets, programs, and performance metrics no later than May 1, 2021," [5] with the OEB further urging Enbridge Gas to consider input received through the DSM framework consultation, feedback from the Mid-Term Review consultation and lessons learned from the past six year of activity. Accordingly, in developing the Proposed Framework and DSM Plan, including the shareholder incentive mechanism, Enbridge Gas considered feedback provided by stakeholders, including input from those representing consumer interests.

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[3] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 2.
[4] Ibid, p. 5.
[5] Ibid, p. 6.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-Housing Providers of Ontario (FRPO)

Interrogatory

Issue 8

Reference:

Exhibit B, Tab 1, Schedule 1, page 8

Preamble:

EGI evidence states: "*"It is important to acknowledge that Ontario's DSM frameworks have consistently maintained the goal of facilitating energy efficiency and conservation of natural gas in a manner that benefits natural gas ratepayers through, inter alia, bill reductions while at the same time making the shareholder eligible to earn an incentive and providing certainty that the utility is not unduly exposed to risk."*

Question(s):

Please identify the type of risks that parties were exposed to in the previous framework.

a) Please describe the risk, what party bore the risk (utility, participant, ratepayer) and how it was mitigated.

Response

Utility Risk

Enbridge Gas has operated under an DSM shareholder incentive based performance model for many years. Several DSM frameworks have recognized the utilities right to recover its cost, consistent with elementary regulatory principles. In the 2015-2020 DSM Framework the OEB stated:

> Natural gas utilities are not licensed by the Board. They operate under franchise agreements with the municipalities they serve. Therefore, there is no license condition mandating that the gas utilities undertake DSM activities. These activities therefore remain a voluntary business function.[1]

[1] EB-2014-0134, OEB Report of the Board Demand Side Management Framework for Natural Gas Distributors (2015- 2020) (December 22, 2014), p. 19.

There are a number of risks the utility is exposed to, including the following:

1. Utility disallowances. The utility is at risk for disallowances of DSM spending not explicitly approved by the board. For example, in January of this year, the OEB issued its decision on the 2017 and 2018 DSM Deferral and Variance Accounts Clearance Application (EB-2020-0067). In that decision it identified that Enbridge Gas should bear over $500,000 in costs related to spending on the DSM Tracking and Reporting system. Enbridge Gas attempted to mitigate this risk by only spending money it believed to be prudent but ultimately the cost was still disallowed.
2. Earnings risk. The Company has a target shareholder incentive opportunity of $8.4 million per year based upon the approved 2015-2020 DSM Framework and performance criteria. The shareholder incentive is subject to audit and a deferral proceeding that can result in significant earnings risk to the utility, in some cases multiple years after the year of the earnings. For example, the decision referenced above (EB-2020-0067) was decided in 2021 for earnings applicable to the 2017 year. The company and OEB staff have mitigated this risk by working together to shorten the audit and deferral timelines and the company continues to work to ensure its results are well documented and defendable. Going forward, the company is proposing to further mitigate this risk by proposing EM&V protocols (Exhibit E, Tab 4, Schedule 5) that it believes will help reduce audit risk by providing clear documentation of evaluation methodologies to all parties.
3. Reputational Risk: Enbridge Gas has delivered natural gas conservation programming for decades and the Company is associated with the natural gas conservation policies and all aspects of implementation of such policies. To the extent that there are changes to policies or implementation is delayed which are outside of the control of the Company, the Company’s reputation may be damaged.

Participant Risk

1. The participant is at risk if the energy efficiency measures they implement do not result in the savings anticipated. This risk is mitigated by financial incentives towards these measures provided by the DSM programs.
2. The participant will be adopting new technologies and processes that are new to their home or business, and not generally widely adopted in the province. This may create a performance risk for the participant that could impact their home/business. This risk is mitigated by the financial incentives for these measures provided by the DSM programs.

Ratepayer Risks

1. Rate impacts. The 2015-2020 DSM Framework allowed for recovery in rates of base DSM amounts and a variance account ("DSMVA") to capture changes in actual DSM spending relative to what was in rates.

   The 2015-2020 DSM Framework included a provision that allowed DSM programs that met or exceeded performance to utilize additional funding to continue to outperform. There were also flexibility provisions to allow the utilities to transfer budget amounts between programs. Changes in actual DSM spend relative to DSM amounts built into rates were captured in the DSMVA and recovered from ratepayers. The difference between actual spending versus those built into base rates could considered a risk to the ratepayer by creating rate uncertainty. However, the 2015-2020 DSM Framework provided direction from the OEB on a maximum rate impact, which mitigated potential impacts to ratepayers to known maximum amount of $2 per typical residential customer.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-Housing Providers of Ontario (FRPO)

Interrogatory

Issue 8

Reference:

Exhibit C, Tab 1, Schedule 1, page 14

Preamble:

EGI evidence states: *"Subsequently, just as the DSM budget will be increased for inflation, this maximum incentive should be increased annually for inflation over the course of the next multiyear plan."*

We would like to understand the premise behind the proposition that the maximum incentive should be tied to inflation.

Question(s):

Please explain the reason(s) why the maximum incentive should be inflated (i.e., based upon what principle(s) of need, increased financial risk or other econometric measure?

Response

Costs are proposed to be indexed to inflation so that the value is constant over time in real terms.

The Company notes that in the 2015-2020 Natural Gas DSM Framework (EB-2014-0134) in Section 5.2 the OEB concluded,

> The Board will make an annual shareholder incentive available to each Enbridge and Union that is equal to a total annual maximum of $10.45 million[18]. This amount represents the approximate shareholder incentive amount that was available to the companies at the start of the current the current DSM framework[19].[1]

[1] EB-2014-0134, OEB Report of the Board Demand Side Management Framework for Natural Gas Distributors (2015-2020)(December 22, 2014), p. 22.

The last ([19]) footnote reads, "*The gas utilities 2012 shareholder incentive amount was equal to $10.45M. This amount has subsequently been increased due to inflation in 2013 and 2014.*"[2] Increasing the shareholder incentive for inflation has a clear precedent in Ontario. The Company notes that since December 2014, the month during which the 2015-2020 Natural Gas DSM Framework report was issued, and September 2021, when Enbridge Gas filed the amended DSM Plan, inflation has reduced the value one dollar to only 87 cents[3]. As the purpose of the shareholder incentive is to incent the Company to successfully manage its portfolio of program offerings to the advantage of ratepayers over the entire terms of the plan, it follows that the incentive available on day 1 of a multi-year plan should not erode over the operation of the plan due to inflation making the incentive smaller and thereby less of an incentive in year 5.

Please see response to Exhibit I.5.EGI.SEC.12 where the Company notes that what is proposed for indexing the total maximum shareholder incentive is designed to be ***lower*** than inflation over the term. This is in direct contrast to the total budget that is proposed to be increasing by ***greater*** than inflation and directed towards program budgets, which increase the efforts required by the Company each and every year of the DSM Plan term. The overall proposal from the Company is responsive to the OEB's direction as the proposal formulaically ensures the shareholder incentive will decrease over the term, both in real terms and as a percentage of the total budget, in keeping with the goal of increasing cost effectiveness over time.

[2] EB-2014-0134, OEB Report of the Board Demand Side Management Framework for Natural Gas Distributors (2015-2020)(December 22, 2014), p. 22.
[3] Using CPI All-items, December 2014 index value of 124.5 and September 2021 value of 142.9.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Green Energy Coalition (GEC)

Interrogatory

Issue 8

Reference:

Exhibit D, Tab 1, Schedule 2

Question(s):

Please provide all communications, documents or presentations prepared by or for the company or its parent company that discuss DSM impacts on the short-term or long-term profitability of the company or its parent. Please include any communications, documents or presentations that reference the adequacy of shareholder incentives to offset long-term loss of business impacts to the company or its parent and related corporations due to DSM.

Response:

There are no communications, documents or presentations that were prepared by or for the Company that discussed DSM impacts on the profitability of the Company or its parent.

Please refer to interrogatory response at Exhibit I.8.EGI.STAFF.18 for more details on how and why the Company proposed the shareholder incentive structure as filed in this Application.

Please refer to interrogatory response at Exhibit I.1.EGI.CCC.1 for the process Enbridge Gas undertook to develop its DSM Framework and DSM Plan. As noted in the response there were no materials, including anything on the DSM shareholder incentive, that were provided to the Board of Directors.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Green Energy Coalition (GEC)

Interrogatory

Issue 8

Question(s):

a) Does the company agree that its proposed shareholder incentive structure is intended to incent performance relative to the plan targets and is not designed to incent the company to propose higher targets?

b) Does the company agree that the proposed incentive structure creates an incentive to set lower more easily achievable targets?

Response:

a) No. The proposed incentive structure is intended to align with the priorities, goals and objectives of the OEB.

b) No. Please see response to a).

ENBRIDGE GAS INC.

Answer to Interrogatory from
Pollution Probe (PP)

Interrogatory

Issue 8

Reference:

EB-2021-0002, Exhibit D, Tab 1, Schedule 2, Page 2 of 16

Question(s):

Enbridge indicates that the "Shareholder incentives (DSMI) align the Company with ratepayer interests". Absent the DSMI, does Enbridge's interest not align with ratepayers/consumers? Please explain.

Response:

The DSM Shareholder Incentive is intended to align ratepayer interests of consuming less natural gas for economic benefit (i.e., lower gas bills) with the financial interests of the natural gas distribution Company that serves them. Helping customers to use less of the product a Company distributes is counter-intuitive to its financial interests. To overcome this misalignment of interests, the practice of providing a shareholder incentive for utilities undertaking energy conservation is widely common across North American jurisdictions.

The OEB in the EB-2014-0134 Framework stated that "Natural gas utilities are not licensed by the OEB. They operate under franchise agreements with the municipalities they serve. Therefore, there is no licence condition mandating that the gas utilities undertake DSM activities. These activities therefore remain a voluntary business function."[1]

To make DSM an attractive business function, the OEB has allowed for a shareholder incentive mechanism since the introduction of the Shared Savings Mechanism Formula in the 1999 DSM Settlement Agreement.[2] The OEB has since approved a shareholder incentive mechanism with each successive DSM plan to the present day, where the OEB confirmed the continued use of a utility shareholder incentive in the DSM Letter.[3]

[1] EB-2014-0134, Report of the Board, Demand Side Management Framework for Natural Gas Distributors (2015-2020) (December 22, 2014), p. 19.
[2] RP-1999-0001, Enbridge Consumers Gas Rate Proceeding, Settlement Proposal (August 23, 1999), Section 6 – DSM Plan, p. 28.
[3] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 5.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Pollution Probe (PP)

Interrogatory

Issue 8

Question(s):

a) Shareholder incentives for DSM are typically based on outcomes achieved for consumers or Ontario at large. Please specify what specific consumer outcomes will be achieved against each amount proposed under the Long Term Shareholder Incentive Amounts.

b) How would the Net Benefits Shared Savings (schedule and amounts) be impacted if TRC Plus benefits for a year were based on the updated carbon price (i.e. increasing by $15/tonne each year to $170 per tonne in 2030)?

Response:

a) The assertion stated is questionable. In the current DSM framework decision in relation to shareholder incentives the OEB stated:

> Natural gas utilities are not licensed by the Board. They operate under franchise agreements with the municipalities they serve. Therefore, there is no licence condition mandating that the gas utilities undertake DSM activities. These activities therefore remain a voluntary business function.[1]

and;

> To effectively motivate the gas utilities to both actively and efficiently pursue DSM savings and to recognize exemplary performance, the Board considers it appropriate to continue making a shareholder incentive available.[2]

In the DSM Letter the OEB stated,

> Further, the OEB is generally supportive of continuing the use of a utility shareholder incentive as a reward for meeting or exceeding performance targets. … The OEB encourages Enbridge Gas to develop a longer-term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term."[3]

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[1] EB-2014-0134, OEB Report of the Board, Demand Side Management Framework for Natural Gas Distributors (2015-2020), p. 19.
[2] Ibid, p. 20.
[3] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 5.

The long term shareholder incentive amounts proposed were in direct response to the clear direction provided by the OEB. Details of the Company's proposed long term shareholder incentive can be found at Exhibit D, Tab 1, Schedule 2.

b) The Net Benefits shareholder incentive forecast shown in Table 11 of Exhibit D, Tab 2, Schedule 2, page 13, includes the updated Federal Carbon Charge projections as per the Avoided Costs in Exhibit E, Tab 5, Schedule 1, Attachment 3 which is based on an increase of $15/tonne each year from 2022 increasing to $170/tonne by 2030.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Pollution Probe (PP)

Interrogatory

Issue 8

Question(s):

Is the Long Term GHG Reduction target (measured and paid to Enbridge) at the end of the five-year term just a sum of the GHG savings related to the m3 gas savings over the five years? Please explain how these are different outcomes for Ontario and not just incenting the same activity/outcome in a different manner.

Response:

Please see response to Exhibit I.8b.EGI.EP.6.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition (VECC)

Interrogatory

Issue 8

Reference:

Exhibit C, Tab 1, Schedule 1, page 14

Question(s):

The proposed maximum shareholder achievable for Enbridge Gas should be consistent with the total amount approved by the OEB for the two legacy utilities in the prior 2015-2020 framework. This annual maximum shareholder incentive totals $20.9 million. Subsequently, just as the DSM budget will be increased for inflation, this maximum incentive should be increased annually for inflation over the course of the next multi-year plan.

Please provide details/calculation of how the $20.9 million was determined.

Response:

As determined by the OEB, the annual combined maximum available incentive for the two legacy utilities (Enbridge Gas Distribution and Union Gas) was $20.9 million, or $10.45 million respectively) over the course of the 2015-2020 DSM Framework. The background regarding the OEB's determination of this amount can be found on page 22 of the 2015-2020 DSM Framework.[1]

[1] EB-2014-0134, OEB Report of the Board Demand Side Management Framework for Natural Gas Distributors (2015-2020) (December 22, 2014), p. 22.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Issue 8a

Reference:

Exhibit D Tab 1 Schedule 2 Table1 Max Annual Shareholder Incentive

Question(s):

a) Please provide the historic maximum and actual Shareholder Incentives for Legacy Union and EGD and Post merger 2017-2021E

b) Provide the Incentive as a % Budget/Spend

Response:

a – b) Please see response to Exhibit I.8.EGI.CCC.17.

ENBRIDGE GAS INC.

Answer to Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Issue 8a

Reference:

Exhibit D, Tab 1, Schedule 2, page 5

Question(s):

How did EGI determine that two-thirds of the maximum annual incentive should be allocated to achievement related to the annual scorecards?

Response:

Please see response to Exhibit I.8.EGI.STAFF.18b for a full discussion of the proposed shareholder incentive.

ENBRIDGE GAS INC.

Answer to Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Issue 8a

Reference:

Exhibit D, Tab 1, Schedule 2, page 3

Question(s):

Please confirm that the total maximum shareholder incentive proposed for 2023 is $21.3 million. If this cannot be confirmed, please provide the maximum shareholder inventive proposed for 2023 based on a 2% inflation rate.

Response:

As per Table 1 of Exhibit D, Tab 1, Schedule 2, the total maximum shareholder incentive that can be earned in 2023 is $19.89 million. The 2023 $1.4 million allocation of long term shareholder incentives presented in Table 2 of Exhibit D, Tab 1, Schedule 2, cannot be earned in 2023.

ENBRIDGE GAS INC.

Answer to Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Issue 8a

Reference:

Exhibit D, Tab 1, Schedule 2, page 2

Question(s):

Please provide the amounts of the shareholder incentive that would be payable to EGI if it reached 75% and 125% of its 2023 targets. Please break down the amounts into each of the shareholder incentive proposed by EGI.

Response:

The following table displays the results of the requested scenarios with key assumptions and caveats listed in the footnotes.

2023 Shareholder Incentive Scenarios [1]	**75%**	**100%**	**125%** [2]
Annual Scorecards Incentive (Scenario)	$3,315,000	$6,630,000	$9,945,000
Annual Net Benefits Incentive (Scenario)	$1,898,266	$3,333,902	$5,203,180
Low Carbon Transition Scorecard (Scenario) [3]	N/A	N/A	N/A
Long Term GHG Reduction Target (Scenario) [4]	N/A	N/A	N/A
Total 2023 DSMI	**$5,213,266**	**$9,963,902**	**$15,148,180**

1. Assuming a linear relationship between program spend and budget for relevant programs, including Residential, Commercial, Industrial, Low Income, Large Volume and Energy Performance, which the Company specifically notes is unrealistic. Refer to Exhibit I.6.EGI.STAFF.13c which demonstrates a strong non-linear relationship in budget versus results that varies by sector.
2. The 125% scenario is only presented to fully respond to the question. As Stated in Exhibit B Tab 1 Schedule 1 Page 13 of the evidence, "DSM programming cannot simply be increased or decreased linearly based on the level by which budgets have been increased or decreased.". The 125% scenario cannot be achieved in reality with allowable overspend being capped at 15%.
3. The achievement of the Low Carbon Transition Scorecard Incentive is determined at the end of the 2024 program year and at the end of the 2027 program year. Re-assessed at the mid-point assessment.
4. The achievement of the Long Term GHG Reduction Target incentive is determined at the end of the 2027 program year.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Issue 8b

Reference:

Exhibit D Tab 1 Schedule 2 Page 4 Table 2

Preamble:

Enbridge Gas proposes allocating $1.4 million each year, or $7.0 million over the five-year term, toward the two longer term objectives outlined below, specifically the Low Carbon Transition Program and the Long Term GHG Reduction target. Table 2 below illustrates how the $2M for the Low Carbon Transition Scorecard and the $5M for the Long Term GHG Reduction Target accrues each year.

Question(s):

a) Confirm ratepayers are paying
   - The FCCP charge in Rates
   - The Carbon charge for EGI facilities
   - The Costs of EGI Administering the FCCP.

b) Why should ratepayers provide EGI an additional incentive for reducing GHG? Is this not part of EGI's mandate under the Act? Please discuss.

c) What other jurisdictions have supplementary incentives similar to the EGI proposal?

Response:

a) Confirmed, all costs related to the Federal Carbon Pricing Program ("FCPP") are recovered from ratepayers. The Company's obligations under the Greenhouse Gas Pollution Pricing Act ("GGPPA") as a distributor of fuel are to 1) register as a distributor with the Canadian Revenue Agency and 2) remit Federal Carbon Charges to the Government of Canada on a monthly basis. The GGPPA does not mandate Enbridge Gas to reduce GHG emissions.

b) As described in Exhibit D, Tab 1, Schedule 1, pages 2-3, the Company has included a "2027 long term GHG reduction goal ("GHG Goal"), which provides a means for aggregating the value, importance, and success of natural gas DSM in Ontario expressed in terms of associated GHG reductions." The GHG Goal is clearly described as a 15% stretch target over the five-year term. The proposed mechanism, as described fully in Exhibit D, Tab 1, Schedule 2, pages 15-16 (and shown in Table 14), does not provide any payout unless the stretch target is met or exceeded. Increased incentives for over achievement are not uncommon in other jurisdictions,[1] including in the 2015-2020 DSM Framework in Ontario.

As explained in Exhibit D, Tab 1, Schedule 2, page 15, the GHG Goal has been proposed in direct response to the OEB's DSM Letter, calling on "Enbridge Gas to develop a longer term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term," [2] Additionally, in the DSM Letter, the OEB stated that the DSM Plan should consider several secondary objectives, one of which is, "Play a role in meeting Ontario's greenhouse gas reductions goals."[3]

c) As explained above Enbridge Gas is not proposing a supplementary incentive. It has allocated a portion of its maximum annual incentive to the achievement of a stretch long term (five-year) target, separate from the annual targets as per the direction of the OEB.

[1] Nowark, S. et al., Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency, ACEEE (May 2015).
[2] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 5.
[3] Ibid. p. 2

ENBRIDGE GAS INC.

Answer to Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Issue 8b

Reference:

Exhibit D, Tab 1, Schedule 2, pages 3-4

Question(s):

a) How did EGI determine the amount of $1.4 per year to be allocated to long term shareholder incentives?

b) How did EGI determine the split of the $1.4 million between the low carbon transition scorecard and the long term GHG reduction target?

Response:

a - b) Please see the response to Exhibit I.8.EGI.STAFF.18b for a full discussion of the proposed shareholder incentive.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Sustainable Energy Association (OSEA)

Interrogatory

Issue 8b

Reference:

Exhibit D-1-2, Page 15-16 of 16

Preamble:

Enbridge has proposed a long-term GHG reduction target incentive that accrues over the 5-year DSM term. The target reduction is 2,616,351 tonnes from 2023 to 2027.

Question(s):

a) Please explain Enbridge's rationale for using Gross Natural Gas savings to determine the GHG reduction target. Please explain why net natural gas savings was not used to determine the GHG reduction target.

b) The GHG reduction incentive includes a single end of program assessment. Did Enbridge consider a two-step assessment for GHG reduction similar to the Low Carbon Transition program (e.g., a target and potential payout at the midpoint of the 2023-2027 DSM program)? If yes, please explain Enbridge's rationale for not including a two-step assessment for GHG reduction. If no, please explain why Enbridge did not consider a two-step assessment for GHG reduction.

Response

a) As per b) below, Enbridge Gas was specifically requested to have a long-term metric for the entirety of the plan term. One of the challenges with such a metric is to ensure that it provides the intended focus/incentive over the term. As noted in Exhibit I.5.EGI.STAFF.4b:

> The OEB's decision for the current multi-year DSM plan stated, "*the OEB supports the use of an adjustment mechanism to revise the targets continually for the 2017 to 2020 period relative to results.*"[1] The decision was based on the challenges of setting longer term targets due to several uncertainties that may have had an impact on the market. If anything, uncertainties with respect to forecasting are even greater today.

[1] EB-2015-0029 / EB-2015-0049, OEB Decision and Order (January 20, 2016), p. 69.

With the reasonable expectation that during the term there will be program impact evaluation and material changes to net to gross, net measurement imposes additional forecasting challenges for what a reasonable long-term target should be. Simplification through using gross measurement reduces the number of forecast elements required to mitigate complexity. Setting an unachievable target is also discussed in Exhibit I.5.EGI.STAFF.4c.

b) As stated in Exhibit D, Tab 1, Scheduled 2, page 15, “In response to the OEB’s DSM letter, calling on “Enbridge Gas to develop a longer-term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term.”[2]” The Company did not consider a two-step assessment as it would not have been responsive to the direction provided by the OEB.

[2] EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), p. 5.

ENBRIDGE GAS INC.

Answer to Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Issue 8b

Reference:

[Ex. D/1/2, p. 14-5]

Question(s):

Please calculate how many tonnes of GHGs would be saved in 2023 and 2024 if these metrics are met, and the cost per tonne of the program including the incentive.

Response:

The Low Carbon Transition Program, as stated in Exhibit E, Tab 3, Schedule 1, page 1, is designed to support the plans of the federal government to bring low carbon technologies to market. Nevertheless, carbon reduction is not the primary goal of the Program – addressing market barriers to support these technologies to eventually become cost effective DSM measures is. Enbridge Gas estimates the Low Carbon Transition Program will save 3,408 tonnes of C02e in 2023 and 2024 (combined) if the 100% targets are achieved.

The calculated cost per tonne of C02e of the program is $3,542 (i.e., 2023 + 2024 total budget = $12,073,748 / 3,408 tonnes).

On a lifetime basis, the program is expected to save 84,842 tonnes of C02e, which equates to a cost per tonne of $142 (i.e., 2023 + 2024 total budget = $12,073,748 / 84,842 tonnes).

ENBRIDGE GAS INC.

Answer to Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Issue 8b

Reference:

[Ex. D/1/2, p. 16]

Question(s):

Please provide the reference for the 242,805,492 cubic meters listed. Please confirm the Applicant's proposal that, having spent its $780 million budget or more, it expects to get an additional $5 million incentive if that results in 2.6 million tonnes of GHG savings over five years. Please confirm that the average cost of those GHGs (budget only) would be $300 per tonne, plus an additional $2 per tonne for the incentive.

Response:

The reference for the 242,805,492 m^3 is detailed in Exhibit D, Tab 1, Schedule 3, page 12.

Not confirmed. Enbridge Gas notes that the portrayal offered by SEC is misleading as it is only valid if no value whatsoever, realized from any other of the clear benefits of natural gas conservation, are considered beyond the GHG reductions. Attributing the entire cost of the DSM Plan solely to a cost per ton reduction in GHGs, without attribution cost or mention of the other benefits, such as reduced gas commodity savings and other benefits as have long been outlined in the DSM framework is both inappropriate and misleading

ENBRIDGE GAS INC.

Answer to Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Issue 8c/d

Reference:

Exhibit D Tab 1 Schedule 2 Page 12 Tables 10 & 11 Annual Net Benefits Shared Savings (NBSS)

Question(s):

a) Has the OEB approved the NBSS Scheme?

b) Does the NBSS apply to both RA and MT programs or RA only?

c) Provide a schedule that shows the forecast savings and shared savings if the annual savings in 2023 met target for all RA programs, if RA programs exceeded target by 10 and 20%.

d) Did EGI consider mirroring a traditional Earnings Sharing Mechanism scheme? For example if the RA programs in aggregate exceeded target and EGI earned >110% DSMI, the excess (>110% to max DSMI) would be shared with ratepayers 50:50 either as rebate contribution to next years' Budget? Please discuss

Response:

a) The shareholder incentive proposal, including the portion based on an annual net benefits shared saving approach as outlined in evidence, is before the OEB for review/approval as part of this Application.

b) As outlined at Exhibit D, Tab 1, Schedule 2, page 12, the Net Benefits Shared Savings would be based on the overall DSM portfolio annually.

c) Please see the following table for a schedule of the annual net savings (m3) and net benefits for the requested scenarios. Please note the assumptions made listed below the table in order to be responsive and caveats on reasonability in the proposed DSM Framework.

2023 Net Benefits Forecast Estimate [1] [2]			
	100% Target Scenario	**110% Target Scenario**	**120% Target Scenario [3]**
Forecasted 2023 Net Annual Gas Saving (M3)	**106,677,914**	**117,345,706**	**128,013,497**
Forecasted 2023 Net Benefits ($) Result	**$372,260,124**	**$412,419,666**	**$452,579,209**
Forecasted 2023 Net Benefit Incentive	**$3,333,902**	**$3,998,393**	**$4,801,584**

1. Assuming a linear relationship between program spend and budget for relevant programs, including Residential, Commercial, Industrial, Low Income, Large Volume and Energy Performance.
2. Forecast 2023 TRC-Plus Benefits are calculated using 2021 Avoided Costs (best available at the time of plan submission).
3. The 120% scenario is only presented to fully respond to the question. As Stated in Exhibit B Tab 1 Schedule 1 page 13 of the evidence, "DSM programming cannot simply be increased or decreased linearly based on the level by which budgets have been increased or decreased.". The 120% scenario cannot be achieved in reality with allowable overspend being capped at 15%.

d) Please see response to Exhibit I.8.STAFF.18b for a full discussion on the proposed shareholder incentive.

ENBRIDGE GAS INC.

Answer to Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Issue 8c

Reference:

Exhibit D, Tab 1, Schedule 2, page 12

Question(s):

a) How did EGI determine that one-third of the maximum annual incentive should be allocated to the annual net benefits shared savings?

b) Why has EGI proposed the net benefit ranges shown in Table 10 rather than a percentage of the forecasted net benefits actually achieved as is used for the annual scorecards?

Response:

a - b) Please see the response to Exhibit I.8.EGI.STAFF.18b for a full discussion of the proposed shareholder incentive.

ENBRIDGE GAS INC.

Answer to Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Issue 8c

Reference:

[Ex. D/1/2, p. 12]

Question(s):

Please explain the basis for the $100 million initial threshold, and the ranges above that. On what basis were these calculated, and what other options were considered? Did the Applicant consider making the initial threshold equal to the total amounts being charged to ratepayers for budgets, other incentives, and LRAMVA? Please provide any modeling done of the potential incentives that could be earned by Enbridge using this or any other ranges or thresholds.

Response:

The Annual Net Benefits Shared Savings methodology, including the $100 million threshold and ranges is responsive to a proposal put forward by GEC and ED at the Mid-Term Review. A copy of the relevant slides from the GEC/ED September 2018 presentation outlining such an approach can be found in Attachment 1 to Exhibit I.8.EGI.STAFF.18.

Enbridge Gas did not consider making the initial threshold equal to budgets/other incentives/LRMVA. The Company notes that the proposed Annual Net Benefits Shared Savings methodology is based on total portfolio level costs and therefore already nets off all DSM costs completely before any net benefits are earned, as such even an initial threshold of $0 would be reasonable.

Please see Attachment 2 at Exhibit I.8.EGI.STAFF.18 for the excel tool used to calculate the Annual Net Benefits Shared Savings allowing modelling of calculations utilizing other ranges or thresholds.

ENBRIDGE GAS INC.

Answer to Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Issue 8c

Reference:

[Ex. D/1/2, p. 13]

Question(s):

Please confirm that the Applicant is proposing to escalate the maximum shared savings to CPI starting in 2022, but is not proposing to escalate the threshold and ranges.

Response:

Please see response to Exhibit I.5.EGI.SEC.12.

Not confirmed. Since the 100% target is proposed to be calculated by the target adjustment mechanism which includes an inflation factor, and the thresholds are proportional to the 100% target, the thresholds are also escalated by inflation to account for real costs.