

John A.D. Vellone
T 416.367.6730
F 416.367.6749
jvellone@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000
F 416.367.6749
blg.com



April 5, 2019

Delivered by Email, RESS & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Application by Enbridge Gas Distribution Inc. and Union Gas Limited (amalgamated as Enbridge Gas Inc. on January 1, 2019) for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2019 Board File No. EB-2018-0305 Interrogatories from The Association of Power Producers of Ontario

Please find attached the interrogatories of The Association of Power Producers of Ontario to Enbridge Gas Inc.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A.D. Vellone

John A.D. Vellone

cc: David Butters, APPrO
John Wolnik, Elenchus
Kevin Culbert, Enbridge Gas Distribution Inc.
Crawford Smith, Lax O'Sullivan Lisus Gottlieb LLP
Vanessa Innis, Union Gas Limited
Mark Kitchen, Union Gas Limited
Intervenors of record in EB-2018-0305

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. and Union Gas Limited (amalgamated as Enbridge Gas Inc. on January 1, 2019), pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2019.

EB-2018-0305

Interrogatories

To

Enbridge Gas Inc.

From

The Association of Power Producers of Ontario (APPrO)

April 5, 2019

ISSUE 7: ARE ANY RATE DESIGN PROPOSALS APPROPRIATE IN THE CONTEXT OF PREVIOUS OEB DECISIONS, INCLUDING:

- a. **ONE-TIME ADJUSTMENT FOR CAPITAL PASS-THROUGH PROJECTS**
- b. **GENERAL SERVICE MONTHLY CUSTOMER CHARGE**
- c. **PARKWAY DELIVERY OBLIGATION ADJUSTMENT**
- d. **DSM BUDGET ALLOCATION?**

7-APPrO-1

Reference: Exhibit B1, Tab 1, Schedule 1 Section 2.2.6 Capital Pass Through Deferral Accounts – Union Rate Zones

Preamble: Enbridge proposes to make adjustments to rate base and depreciation based on the Board's direction in the EB-2017-0306/0307 to reflect certain capital pass-through during prior IRM. Enbridge has indicated that it proposes to continue to capture the utility tax timing variances in the respective deferral accounts to recognize the reversal of the benefits customers received in rates from 2014-2018. Over the following PCI period, Enbridge notes that it would receive \$124.1 million of utility tax timing differences based on the current forecast and without capturing the reversal in the deferral account, customers would receive a benefit of \$182.0 million.

Question:

Please identify if Enbridge raised the issue of tax timing differences in the above noted proceedings and if so, the Board's ruling on the matter.

ISSUE 12: ARE THE SUDBURY REPLACEMENT PROJECT IN THE UNION NORTH RATE ZONE AND THE KINGSVILLE TRANSMISSION REINFORCEMENT AND STRATFORD REINFORCEMENT PROJECTS IN THE UNION SOUTH RATE ZONE ELIGIBLE FOR ICM FUNDING?

A. IF YES, ARE THE ICM RATE RIDERS FOR THE SUDBURY, KINGSVILLE AND STRATFORD PROJECTS CALCULATED APPROPRIATELY?

12-APPrO-2

Reference: i) Exhibit B Tab 2 Schedule 1,

Preamble: Enbridge is seeking approval for revenue requirement associated with the replacement of the Sudbury lateral that was constructed in 2018. APPRO would like to better understand this investment. The Sudbury lateral LTC application was filed on May 5, 2017 and was approved by the Board on September 28, 2017 and was planned to be in service in 2018.

Questions:

- a) Please confirm that the project is operational and went into service in 2018. If it failed to go into service in 2018, please explain why Enbridge failed to meet its planned in service date.
- b) Enbridge notes that \$3.4 million is to go into service in 2019. Please explain what this amount is in relation to (i.e. is it related to remediation work or is a portion of the pipeline that will not go into service until 2019 or some other reason).
- c) Given that this project was approved for construction in 2017, did Enbridge seek approval for a capital pass through in its 2018 rate case? If no, why not? If yes, what was the determination?
- d) Please confirm that the 2014-2018 IRM expired on December 31, 2018.
- e) If the project went into service in 2018, please outline the income tax effects, if any, that were captured in 2018.
- f) If the Board does not approve the request to provide the full year revenue requirement of approximately \$9 million in 2019, how many basis points would this reduce Enbridge's ROE in 2019?

12-APPrO-3

Reference: i) Exhibit B1 Tab 2 Schedule 1,

Preamble: The ICM materiality threshold within the Union Rate Zone for 2019 is \$375.2 million. Enbridge is seeking ICM funding for amounts in excess of this threshold for several specific projects. Enbridge is seeking funding in 2019 to cover the \$91.9 million in capital associated with the Sudbury Lateral, as well as \$146.1 million associated with the Kingsville and Stratford reinforcements. \$2.8 million of these capital amounts may be below the threshold amounts and therefore not eligible for incremental ICM funding. Enbridge has applied this \$2.8 million to reduce the costs of the Kingsville and Stratford laterals.

Questions:

- a) Please explain why Enbridge is proposing to apply all of the capital amounts falling below the threshold amounts (i.e. \$2.8 million in this case) to the Union South projects only? Given that there are ICM projects in other rate zones, why wouldn't a proportionate allocation among both rate zones be more appropriate? Since projects occur in each rate zone, what is the rate impact in each rate zone under this alternate allocation methodology?
- b) In the event some of the other regularly occurring capital amounts are elevated over the historical average (e.g. General Plant) in the same year a major reinforcement project is also proposed, this could have the effect of increasing the ICM amount attributable to reinforcement than had these other capital expenditures not occurred. If the allocation methodology for the major reinforcements is different from the allocation methodology for the other asset types also experiencing higher spending, then the resulting rates could be distorted. APPrO would like to understand the cost allocation principles that Enbridge intends to apply during the IRM period should these situations occur.
- c) To the extent that the threshold capital amounts are not exceeded in any year, is it the company's intention to "bank" the differences to apply against future amounts that do exceed the threshold?

12-APPrO-4

Reference: i) Exhibit B1 Tab 2 Schedule 1, Table 10

Preamble: Enbridge has provided projections on the 2019 Incremental Revenue Requirement for the ICM projects.

Questions:

Enbridge notes that there were no material incremental O&M expenses associated with the 2019 eligible projects and therefore excluded in the incremental revenue requirement calculation.

- (a) Please confirm that the Sudbury lateral in fact lowers the O&M costs, due to the high historical integrity issues. If so, please explain why there would not be a reduction in O&M costs due to this ongoing savings.
- (b) Similarly, the Don River crossing replacement would also be expected to lower O&M costs as a result of removing exposed pipeline and a bridge that would otherwise require increased maintenance and inspection. Please explain why there would not be a credit to O&M expenses as a result of this replacement.
- (c) Please provide the annual O&M expenses incurred for each section of pipe that is being replaced for each of the above noted projects for the last 5 years.
- (d) Please indicate if potential O&M savings form a part of the business case to replace these facilities, if so please provide a copy of the respective business case.