



*PUBLIC INTEREST ADVOCACY CENTRE*

*LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC*

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January 26, 2010

**VIA E-MAIL/RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor; 2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: EB-2009-00172 Enbridge Gas Distribution Inc. 2010 Rates  
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed interrogatories on EGDI's Prefiled Evidence.

Yours truly,

*Original signed*

Michael Buonaguro  
Counsel for VECC

Encl.

## **EGD 2010 Rates EB-2009-0172**

### **Interrogatories of the Vulnerable Energy Consumers Coalition VECC**

#### *General*

#### **VECC IR#1**

No Reference

- a) Is EGD planning to file an application (similar to EB-2008-0055) regarding Earnings Sharing for 2009? Provide details.

#### *Inflation Factor*

#### **VECC IR#2**

Exhibit B Tab 1 Schedule 3 Page 1 Table 1

- a) Provide the 2009 Q3 and 2009 Q4 Indices and Annualized Inflation Growth Rates.
- b) Compare these to the values in Table 1.
- c) Discuss how timing of the IRM adjustment can/should affect the estimate of the Inflation factor.

#### **Customer Additions and Volume Forecast**

#### **VECC IR#3**

Exhibit B Tab 1 Schedule 4 Page 1; Exhibit B Tab 1 Schedule 5 Appendix B

- a) Does EGD have a econometric model to forecast residential customer additions?
- b) If so
  - i. provide details of the inputs ,dependent and independent variables coefficients etc.
  - ii. Show how the model was used to forecast the 2010 additions.
- c) If not provide a schedule that lists the sources of all significant inputs used by EGD to prepare the forecast, including employment, housing starts etc.
- d) How does EGD use the data for example use a median value of forecasts.
- e) Provide an update/comparison of 2009 actual data in column 7 of Table 1.

- f) Provide the latest 2010 forecast data from EGDs sources and provide a comparison the Data in Table 1, Column 8.
- g) Explain why forecast housing starts are so significantly reduced in 2010. given the continued expansion of the GTA. In particular address why new construction is severely affected (31,739 - 22,616). Include in the explanation both positive factors such as the availability of low cost financing for builders and new homeowners as cited in paragraph 5 as well as negative factors.
- h) Does EGD agree that higher customer additions than forecast would boost net income and earnings in 2010? Please comment.

#### **VECC IR#4**

Exhibit B Tab 1Schedule 5 Page 12 Paras 23-25

- a) Provide more details of the estimate of 6.5% savings from new construction basement insulation.
- b) Show how this translates to the  $1.8 \times 10^6 \text{ m}^3$  in Table 2.
- c) Does EGD have data on sales of mid- efficiency furnaces in 2009 (since the notice of Regulation was issued).
- d) Explain why an assumption of all new and replacement furnaces meeting 90% efficiency cannot be used.

#### **VECC IR#5**

Exhibit B Tab 1Schedule 5 Page 32 Para 51

- a) Update the 2009 total volumes to reflect actual.
- b) Discuss the main variances and implications for the 2010 forecast.

#### **VECC IR#6**

Exhibit E, Tab 1, Schedule 1- Settlement Agreement

- a) Provide the 2009 Average Use True Up Calculation in accordance with the EB-2007-0615 Settlement Agreement Paragraph 4.1 and the methodology regarding "Average Use True-Up Variance Account" or "AUTUVA").

- b) Discuss whether (given the timing) this adjustment should be included in the 2010 DRR calculation or retained in the AUTUVA for disposition in spring 2010.

### **Y factors**

*2010 DSM Y factor*

### **VECC IR#7**

Exhibit B-2- 2, Updated 2010-01-22. Table 2

- a) Provide details of the current 2010 low income program initiatives and Budgets including a breakdown between the Social Housing and owner occupied housing sectors.
- b) Detail what steps EGD will take if the Government provides direction on low income DSM during the rate year. EGD. Include the constraints on increasing the Low Income program budget and ramping up the delivery of the programs.
- c) Is EGD spending money on program development for the Multi-residential (non social housing )sector. If so provide details f the budgets initiatives and timing.
- d) What is the upset \$ limit on the use of the DSMVA for Low income spending relative to the \$1,666,980 base budget?
- e) What are the constraints on the use of DSMVA to enhance the LI programs (e.g. TRC).

*Y-Factor- Generation Projects*

### **VECC IR#8**

Exhibit B Tab2 Schedule 1:

- a) Provide the total cost of each of the York Region and Greenfield South projects;
- b) Provide a summary of the EBO 188 Feasibility analysis for each project including NPV of costs and revenues and PI.
- c) Provide the in-service date) on the status of the York Regional Energy Centre project.

- d) Please provide an update (in-service date etc) on the status of the Greenfield Pipeline.
- e) Why should the Greenfield project be included in 2010 unless there is a firm contractual commitment?
- f) Please advise whether the Board has granted Leave to Construct for either or both of the York Region and Greenfield projects.

#### *Z Factors*

#### *Pension Funding*

#### **VECC IR#9**

Exhibit B Tab 3 Schedule 1 Page 4 Para 11 and 14

- a) Provide a summary of the December 2009 Pension Valuation.
- b) Compare this to the Mercer estimates at Para 14.
- c) Confirm whether or not the valuation has been filed with the FCSAO.
- d) Discuss the implications of the valuation for the Proposed Z Factor.
- e) Explain why EGD has not updated its Z factor request of \$18.9 million in the updated Exhibit B Tab 1 Schedule 2 at line 25?
- f) Provide a 2010 Revenue requirement calculation schedule for pension funding to reflect the updated December valuation.
- g) Confirm the Impact on the updated DRR of \$1 ,003.26 million at line 28 of B-1-2 page 1.
- h) Why should not the proposed pension cost variance account( Para. 29) use the December 2009 estimate as the “fulcrum” rather the \$18.9 million 2008 estimate?

#### **VECC IR#10**

Exhibit B Tab 3 Schedule 2, Page 4 Para's 11 and 12

- a) Provide the history of cross bore incidents and remediation costs since 2005.
- b) Explain why the problem was not part of the 2007 base capital and operating budgets leading into the IRM plan.

- c) Justify/qualify in more detail than provided at Para 33, the cross bore issue and proposed 2010 Z factor and DRR of \$3.64 million based on each of the Board's Z factor criteria.
- d) Provide a multi-year plan for Cross Bore work.
- e) Provide a Schedule that sets out the historic and projected cost by major capital and O&M cost category and the DRR corresponding to the multi-year plan.

*Proposed 2010 Rates*

**VECC IR#11**

Exhibit E Tab 1, Schedule 1 Page 55- Settlement Agreement

- a) Provide a schedule that compares the 2010 allocation to Rate Classes to that shown at page 55 of the EB-2007-0615 Settlement Agreement.
- b) Comment on the differences for the Rate 1 and Rate 6 classes.

**VECC IR#12**

Exhibit E Tab 1, Schedule 1 Page 58- Settlement Agreement

- a) Provide an update and comparison to the Schedule shown at Page 58, including actual and forecast rate impacts and actual and forecast base DRRs 2008-2012.
- b) Provide an update/comparison of Bill impacts 2008-2012 in the schedule on Page 59 of the settlement Agreement.

**VECC IR#13**

Exhibit B Tab 4 Schedule 1 Page 7 of 8 Plus Appendix

- a) Provide the details of the costs underlying new System Gas Administration charges (similar to Appendix A for DPAC, except include derivation of incremental costs).
- b) Compare to historic costs.
- c) Delineate the change in the allocation of this cost to system gas customers.
- d) Provide the 2010 (forecast) of system gas customers in each class compared to 2009 (forecast and Actual).
- e) Is the SG admin charge a fixed or variable cost (or both).

## **VECC IR#14**

Exhibit B, Tab 4, Schedule 6 Page 1 Item 1.01 Exhibit B Tab 4 Schedule 9 Page 2

- a) Provide details of the agreement in the EB-2007-0615 Settlement Agreement regarding Residential Customer Charges.
- b) Provide details of the 2007 (base), 2008 and 2009 residential customer charges.
- c) Explain why the Increase in the 2010 Customer charge from \$16.00 to \$18.00 is appropriate and in line with the Settlement Agreement.
- d) For a low volume Residential customer with most consumption in the first rate block provide a schedule that shows the impact on the Distribution portion of the bill and total bill impact of the \$2.00 change in customer charge. Compare this to the average DRR change of 1.7% and average total bill impact.

### *Deferral and Variance Accounts*

## **VECC IR#15**

Exhibit B Tab 7 Schedule 1

- a) Provide details of the costs underlying the Manufactured Gas Plant D/A 2009 MGPDA and Balance of \$ 206,600 plus interest of \$10,500.
- b) Confirm that the balance in the 2009 Manufactured Gas Plant DA ("MGPDA") will be transferred into a 2010 MGPDA.
- c) With regard to Open Bill Service D/A 2009 OBSDA \$539,400 and. Open Bill Access V/A 2009 OBAVA \$476,700 confirm that the EB-2009-0043 Settlement Agreement indicates the balances in the 2008 Open Bill deferral and variance accounts would be transferred to 2009 accounts.
- d) Indicate when these balances will be subject to prudence review and disposition.

## **VECC IR#16**

Exhibit B Tab 7 Schedule 1

- a) Provide an updated copy of the IFRS Compliance Plan.
- b) With regard to the. International Financial Reporting Standards Transition Costs D/A (2009 IFRSTCDA) balance of \$2,060,300 provide more details of the Costs incurred relative to the milestones in the plan.

- c) Provide a forward projection 20010-2012 of IFRS Compliance costs relative to the Plan.

### **VECC IR#17**

Exhibit B Tab 7 Schedule 1

- a) With regard to 2009 Transactional Services D/A (2009 TSDA) and balance (\$7,062,100) and 2008 Transactional Services D/A (2008 TSDA) ( \$6,476,000) provide EGDIs plan for prudence review and disposition of these amounts.

### **VECC IR#18**

Exhibits B Tab 7 Schedule 1: C Tab 1 Schedule 1 Clearance of Accounts

- a) Confirm that 2007 Demand Side Management Account 2007 DSMVA (\$616,100) plus interest (\$127,500) and the 2008 Transactional Services D/A 2008 TSDA (6,476,000) plus interest(101,000) will be cleared in April/May 2010.
- b) Provide details of the derivation of the large amount of interest on the 2007 DSMVA.
- c) Provide details of the prudence review for the 2008 TSDA Balance.
- d) Why cannot the 2008 Demand Side Management Account 2008 DSMVA - - (\$73300) (\$56,200 interest) and 2009 Transactional Services D/A (2009 TSDA) (balance \$7,062,100) also not be cleared in April/May?
- e) Provide details of the derivation of the large amount of interest on the 2008 DSMVA.

*New 2010 Deferral and Variance Accounts*

### **VECC IR#19**

Exhibits B Tab 7 Schedule 1; C Tab 1 Schedule 1

- a) Confirm that the 2010 Pension Funding Cost VA ("PFCVA"), and 2010 Crossbores / Sewer Laterals Bore VA ("SLCBVA") accounts are contingent on the approval of the related Z-factors.

*Service Quality*

### **VECC IR#20**



Exhibit C Tab 1 Schedule 5 Page 1 of 3

Preamble

" The Ontario Energy Board's ("Board") Gas Distribution Access Rule ("GDAR"), Service Quality Requirements Performance and Measurement ("SQR") establishes the standards for Time to Reschedule Missed Appointments (TRMA). Under Section 7.3.4.2 of GDAR the distributor must attempt to contact the customer to reschedule the work within 2 hours of the end of the original appointment time, 100% of the time."

- a) Provide a copy of the Company's April 28, 2009 letter to the Board's Chief Regulatory Auditor.
- b) Provide the Response.
- c) Provide the 2010 plan and costs of compliance.
- d) Provide the 2010 target and comment when TRMA performance is expected to be in compliance.

**Return on Equity and Earnings Sharing**

**VECC IR#21**

Exhibit E Tab 3 Schedule 1 Pages 1 and 2

- a) Provide confirmation that EGD is not seeking to reopen the reconsideration of ROE during the IRM plan.
- b) Does EGD agree that to do so would constitute an off ramp?
- c) With regard to Section 10.1 of the Settlement agreement does EGD agree that this is subject to interpretation and to materiality considerations? Please discuss.
- d) Provide full details on the Earnings sharing calculations for 2008 and (unaudited) 2009.