

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas
Distribution Inc. for an order or orders approving or fixing rates
for the sale, distribution, transmission and storage of gas
commencing January 1, 2014.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 13, 2013

**ENBRIDGE GAS DISTRIBUTION INC.
EB-2012-0459**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

I.A1.EGDI.EnergyProbe.1

Ref: Exhibit A2, Tab 3, Schedule 1

- a) Please explain why the Board needs to approve preliminary allowed revenue amounts for 2017 and 2018 as part of this proceeding.
- b) Could the Board only approve the components of the 2017 and 2018 allowed revenue that will not change (OM&A, other revenues, municipal taxes, income tax rates, debt rates, return on equity rates, equity ratio)?
- c) Please explain why the volume forecasts for 2015 and 2016 should not be considered final as part of this application, eliminating the need to review the forecasts in the setting of 2015 and 2016 rates.
- d) Please explain why the volumetric forecasts would be updated on an annual basis while the other revenue forecast would not.

I.A6.EGDI.EnergyProbe.2

Ref: Exhibit A1, Tab 2, Schedule 1, page 2

Please explain why Allowed Revenues need to be adjusted in 2017 and 2018 based on updated forecasts of capital spending, cost of capital, taxes and depreciation, while these items are not among the adjustments proposed for 2015 and 2016.

I.A6.EGDI.EnergyProbe.3

Ref: Exhibit A2, Tab 1, Schedule 1, page 6

EGD states that *"The operating costs, municipal taxes and other revenues components of the 2017 and 2018 Allowed Revenue amounts will be set in the 2014 proceeding, based upon an adjustment of the forecast 2016 operation costs."*

- a) What does EGD mean by "based upon an adjustment of the forecast 2016 operation costs"?

- b) How would 2016 operation costs be adjusted to determine other revenues in 2017 or 2018?

LA10.EGDI.EnergyProbe.4

Ref: Exhibit A2, Tab 1, Schedule 1, page 6

- a) With respect to the Z factor mechanism, please provide possible examples of unexpected cost decreases that would qualify for this reduction.
- b) Does the Z factor mechanism apply to unexpected revenue increases or decreases that are outside of management control, such as the loss or gain of a major customer?
- c) How will the difference in the ROE used in setting rates in any of 2014 through 2018 and the corresponding figure for the year in question that is calculated using the Board's most up-to-date formula be accounted for in the off-ramp provision? For example, if the ROE used in setting 2016 rates is 10% and the Board's most-up-to-date formula has an ROE of 12%, would the off-ramp provision be triggered if EGD's normalized ROE for 2016 was less than 9%?

LA10.EGDI.EnergyProbe.5

Ref: Exhibit A2, Tab 1, Schedule 1, pages 36-37

On page 36, paragraph 117 indicates that the ROE formula from the Board's EB-2009-0084 Cost of Capital Report would be used for earnings sharing calculations, while on page 37 at paragraph 119, EGD indicates that the off-ramp would be triggered if the weather normalized utility earnings are more than 300 basis points above or below the amount calculated annually by the application of the Board's then-current ROE formula.

Given that the Board may review the cost of capital and the formula in the 2014 to 2018 period, does this mean that there could be two different ROE formulae used - one for earnings sharing, and one for off ramps?

LA10.EGDI.EnergyProbe.6

Ref: Exhibit A2, Tab 1, Schedule 1, page 37 &
Exhibit F1, Tab 1, Schedule 2

EGD is proposing a threshold for the Z-factor of \$1.5 million.

- a) What is \$1.5 million as a percentage of the fiscal 2014 allowed revenue, excluding gas costs?
- b) Please explain why EGD believes \$1.5 million is a material amount.
- c) Please confirm that the allowed revenue for fiscal 2014, excluding gas costs is \$1,011.7 million based on the figures shown in Exhibit F1, Tab 1, Schedule 2. If this is not confirmed, please show the calculation of the allowed revenue excluding gas costs for 2014.

LA10.EGDI.EnergyProbe.7

Ref: Exhibit A2, Tab 4, Schedule 1

- a) Please comment on the applicability to EGD of the agreed upon Z-factor criteria in the Union Gas EB-2013-0202 evidence (Section 4.8). Please explain fully if EGD does not believe it could accept the same Z-factor agreement as did Union Gas.
- b) Does EGD plan to continue to share any tax changes on a 50:50 basis as it did under the previous IRM plan and has been approved for Union Gas (see Section 4.9 in the EB-2013-0202 evidence)? If not, why not?
- c) Does a loss of revenue due to the loss of a large customer qualify as cost increase? Does the gain of a large customer qualify as a cost decrease?

LA10.EGDI.EnergyProbe.8

Ref: Exhibit A2, Tab 5, Schedule 1

- a) Please add a column to the table on page 2 that shows the Board approved capital structure for 2013 from EB-2011-0354.
- b) Has EGD filed the update for 2017 and 2018 noted in paragraph 6?

LA10.EGDI.EnergyProbe.9

Ref: Exhibit A2, Tab 11, Schedule 1

Please add the data for 2010 to Table 1.

LA10.EGDI.EnergyProbe.10

Ref: Exhibit D1, Tab 3, Schedule 1

If the bad debt expense, which is forecast at \$9.5 million in each of 2014 through 2016 were to increase to \$11.5 million in one of those years, would that increase of \$2.0 million qualify as a Z-factor? Please explain.

LA16.EGDI.EnergyProbe.11

Ref: Exhibit A1, Tab 2, Schedule 1

Please provide a revised paragraph 6 that shows the impacts of the proposed application, excluding the impact of the proposed treatment of site restoration costs, including the five-year rate rider proposed by EGD.

LA16.EGDI.EnergyProbe.12

Ref: Exhibit A2, Tab 1, Schedule 1, page 8

- a) Does the customer bill include the commodity cost of gas? If yes, please provide the table showing distribution only average bill increases over the 2014 to 2016 period.
- b) Please split the total bill for an average residential customer increase over 2014 to 2016 into the reduction due to the treatment of the site restoration costs, distribution costs, gas costs and anything else at both a dollar level and percentage level.

I.B17.EGDI.EnergyProbe.13

Ref: Exhibit A2, Tab 1, Schedule 1, page 25

Please compare EGD's forecasted O&M budget for 2014 through 2016 to the budget level that would be expected under the I - X framework that existed for 2008 through 2012 if it only applied to O&M expenses. In particular, please use the most recent actual GDPIPIFDD figures from 2013 for 2014 (as would have been used under the 2008 through 2012 plan) and assume a 2% increase in the inflation factor for each of 2015 and 2016. Please also use the inflation coefficient of 0.45 that was used in 2012 to determine the total I - X factor. Please provide the results on a year to year basis as an additional line to the table provided on page 22.

I.B17.EGDI.EnergyProbe.14

Ref: Exhibit C1, Tab 4, Schedule 1

- a) Please provide a version of Table 1 that includes actual data for 2011, 2012 and updates the 2013 Board Approved forecast to reflect the most recent year-to-date figures for 2013, along with a forecast for the remainder of 2013. Please also include the forecasts for 2015 and 2016 in the requested table.
- b) Please provide the most recent year-to-date late payment penalty for 2013 and the figure for the corresponding period for 2012.

I.B17.EGDI.EnergyProbe.15

Ref: Exhibit C1, Tab 5, Schedule 1

- a) Please update the evidence, including appendices, to reflect the latest proposals affecting Rate 332.
- b) How has EGD reflected the forecast of revenues from Rate 332 in 2015 and 2016?

I.B17.EGDI.EnergyProbe.16

Ref: Exhibit D1, Tab 3, Schedule 1

There are numerous references to the rate of inflation in setting O&M costs. Please provide the forecast of inflation used for budgeting purposes for each of 2013 through 2016.

LB17.EGDI.EnergyProbe.17

Ref: Exhibit D1, Tab 3, Schedule 1

- a) Please add a column to Table 2 that shows actual expenditures in 2012.
- b) Please provide the most recent year-to-date actual expenditures for 2013 in the same level of detail as found in Table 2. Please also provide the 2012 expenditures for the same year-to-date period.

LB17.EGDI.EnergyProbe.18

Ref: Exhibit D1, Tab 3, Schedule 1

Please provide the interest rates used in the calculation of interest on security deposits for 2013, 2014, 2015 and 2016 (paragraph 19d).

LB17.EGDI.EnergyProbe.19

Ref: Exhibit D1, Tab 3, Schedule 1

- a) What is the estimate for the FTEs in 2013 in Table 4 based on and when was it done?
- b) Please update the 2013 estimate in Table 4 to reflect the most recent actual level of FTEs in the company.
- c) What was the 2013 test year forecast of FTEs in the EB-2011-0354 filing (in the same level of detail as shown in Table 4)? Please explain any difference between the 2013 figures from EB-2011-0354 and those shown in Table 4.

LB17.EGDI.EnergyProbe.20

Ref: Exhibit E2, Tab 1, Schedule 2

- a) Please provide the February, 2013 data and source of the consensus representing projections from seven financial institutions used to create the figures in Table 1.
- b) Please provide the data and models used in the mean reversion models referred to in paragraph 6.

I.B18.EGDI.EnergyProbe.21

Ref: Exhibit B2, Tab 1, Schedule 1

- a) Please add a column to Table 1 that shows the current estimate for capital expenditures for 2013 based on the most recent year-to-date expenditures available for 2013 along with an estimate for the remainder of the year.
- b) Please add a column to Table 2 that shows the current estimate for capital expenditures for 2013 based on the most recent year-to-date expenditures available for 2013 along with an estimate for the remainder of the year.
- c) Please provide the most recent year-to-date customer additions for 2013. Based on the last month currently available for 2013, please provide the number of customer additions since the corresponding month in 2012 (for example October, 2013 over October, 2012).
- d) Please break out the IDC costs shown in Table 5 for the GTA, Ottawa and WAMS projects, along with a line for the remainder of the capital expenditures that attract IDC.

I.B18.EGDI.EnergyProbe.22

Ref: Exhibit B3, Tab 1, Schedule 3 &
Exhibit B4, Tab 1, Schedule 3 &
Exhibit B5, Tab 1, Schedule 3

- a) Please show the derivation of each of the net lag days shown in the tables for each of 2014 and 2015.
- b) Please show the derivation of each of the net lag days used in the 2013 application in EB-2011-0354.
- c) Please explain the differences between the net lag days noted in parts (a) and (b) above. For example, what has changed that has resulted in the net lag days increasing to 8.8 in 2014 from 3.6 in 2013?
- d) Please show the calculation of the Harmonized Sales Tax amount for each of 2014, 2015 and 2016, along with the similar calculation for the amount in the 2013 rebasing filing.
- e) Has EGDI completed a new lead lag study for the application? If yes, please provide it. If not, when was the last lead lag study completed and reviewed by the Board?

LB18.EGDI.EnergyProbe.23

Ref: Exhibit B3, Tab 2, Schedule 1

Please provide a table that shows the actual year-to-date gross customer additions in 2013 for the most recent month available, in the same level of detail as shown in Table 1. Please also provide the corresponding budget forecast for the same year-to-date period.

LB18.EGDI.EnergyProbe.24

Ref: Exhibit B1, Tab 1, Schedule 2

- a) Please explain the reduction in customer security deposits in 2014 through 2016 relative to the forecast for 2013 despite the growing number of customers in each year.
- b) Please provide the most recent year-to-date level of customer deposits for 2013.
- c) Please provide the level of customer deposits for each of 2010 through 2012.

LB18.EGDI. EnergyProbe.25

Ref: Exhibit C1, Tab 2, Schedule 1, Appendix B &
Exhibit A2, Tab 3, Schedule 1

Paragraph 1 in Exhibit C1, Tab 2, Schedule 1, Appendix B refers to the "preliminary" customer forecast for 2015 and 2016. Paragraph 18 in Exhibit A2, Tab 3, Schedule 1 discusses the streamlining of the volumetric forecast by approving the customer additions within this proceeding for 2014 through 2016.

Is EGD proposing the Board approve customer additions for 2015 and 2016 in this proceeding, or that the customer additions for 2015 and 2016 would be approved on a preliminary basis and replaced with more current forecasts as part of the annual filing process for 2015 and 2016 rates?

LB19.EGDI.EnergyProbe.26

Ref: Exhibit E1, Tab 2, Schedule 2 &
Exhibit E1, Tab 1, Schedule 1

Please provide a table for 2017 and 2018 similar to Tables 1 through 4 in Exhibit E1, Tab 1, Schedule 1, that reflects the forecasts for 2017 and 2018 shown in Exhibit E1, Tab 2, Schedule 2.

I.C24.EGDI. EnergyProbe.27

Ref: Exhibit C2, Tab 1, Schedule 2

Paragraph 1 indicates that the purpose of the evidence is to provide the forecast methodologies for the various weather zones for the 2014 test year and over the customized IR term to 2016. Paragraph 21 indicates the methodologies that EGD is proposing to use over the term of the customized IR term.

- a) How will degree day forecasts be set for 2017 and 2018?
- b) Paragraph 22 appears to indicate that the methodologies approved for 2014 will continue to be those used in subsequent years, with the only change being the addition of actual data each year and the removal of one year (where applicable). Is this correct?

I.C24.EGDI. EnergyProbe.28

Ref: Exhibit C2, Tab 1, Schedule 2

- a) Please provide the 2014 forecast of degree days for each of the top three methodologies from each of Tables 2, 4 and 6.
- b) Please add the simple average of the top three methodologies in each of the Central, Eastern and Niagara zones as a separate methodology and provide the same analysis as found in Tables 1 through 6.
- c) Please provide a revised Table 7 for the Central zone that includes the simple average of the three best individual methodologies from the Central zone.

I.C24.EGDI.EnergyProbe.29

Ref: Exhibit C2, Tab 1, Schedule 2

Please provide the analysis in Tables 1 through 6, but using only the last 10 years of actual data (i.e. 2003 to 2012) instead of the 1993 through 2012 period.

I.C25.EGDI.EnergyProbe.30

Ref: Exhibit C1, Tab 2, Schedule 1, Appendix A

Please add a column to Tables 2 and 3 that reflects the most recent year-to-date normalized average uses available for 2013, along with the remaining months from the Board approved forecasts for 2013.

I.C25.EGDI.EnergyProbe.31

Ref: Exhibit C1, Tab 2, Schedule 1, Appendix A

- a) Please confirm that Table 3 has normalized volumes all normalized to the 2014 test year degree day forecast.
- b) What is driving the accelerated decrease in the Rate 1 average use in 2014 of - 2.21% relative to the declines of -0.32%, -0.64% and -1.41% in the three previous years and the slower decreases shown for 2015 and 2016?

I.C25.EGDI.EnergyProbe.32

Ref: Exhibit C2, Tab 2, Schedule 1

- a) Table 5 contains a number of equations that include variables that are not statistically significant at a 95% level of confidence. Please re-estimate the Rate 1 equations to eliminate all explanatory variables that are not statistically significant at the 95% level of confidence.
- b) Please provide a table that shows the 2014 average use forecast for each of the equations in Table 5 based on the proposed equations and those estimated in part (a) above.
- c) Please show how the various average use forecasts from each of the equations in Table 5 are combined to result in the 2014 forecast Rate 1 average use of 2,433 shown in Table 3 of Exhibit C1, Tab 2, Schedule 1, Appendix A.
- d) Please provide a similar calculation if the average uses from the equations estimated in part (a) above were used. In particular, please provide the corresponding figure to 2,433 noted above in part (c).

I.C25.EGDI.EnergyProbe.33

Ref: Exhibit C2, Tab 2, Schedule 1

Table 8 contains two industrial average use equations where the coefficients for degree days are not statistically significant at the 95% level of confidence.

What is the impact industrial average use forecast for 2014 of 105,840 shown in Table 2 of Exhibit C1, Tab 2, Schedule 1, Appendix A if the two noted equations are re-estimated to remove the degree day coefficients that are not statistically significant at the 95% level of confidence?

I.D33.EGDI.EnergyProbe.34

Ref: Exhibit A2, Tab 1, Schedule 1, page 29

- a) Did EGD consider an alternative IR similar to that approved by the Board in EB-2013-0202 for Union Gas? If not, why not?
- b) In the view of EGD, does the Board approved plan for Union Gas (EB-2013-0202) meet the Board's objectives for incentive regulation for gas distributors? For any part of the plan that EGD does not believe meets the Board's objectives, please provide a complete explanation of why.

I.D34.EGDI.EnergyProbe.35

Ref: Exhibit A2, Tab 1, Schedule 1, page 29

Please provide a complete analysis as to why or why not each component in the approved EB-2013-0202 IR plan for Union Gas would be appropriate for EGD.

I.E36.EGDI.EnergyProbe.36

Ref: Exhibit C1, Tab 3, Schedule 1

- a) Has EGD's opinion/proposal related to the \$12 million revenue requirement credit and/or the sharing and/or the \$8 million guarantee changed as a result of the settlement agreement between EGD, Union, Gaz Metro and TCPL? Please explain fully.

- b) Please provide the year-to-date and full year forecast for 2013 based on these actuals for the transactional services. Please provide the figures for 2010 through 2012 as well. Please provide all years based on the type of transaction.
- c) Does EGD propose to lock the \$12 million credit into the revenue requirement for 2014 only or does this amount also get locked into the 2015 and 2016 rates?
- d) How does the credit get adjusted for the 2017 and 2018 rates?