ONTARIO ENERGY BOARD STAFF INTERROGATORIES

ON EVIDENCE OF ENBRIDGE GAS DISTRIBUTION INC.

Ontario Energy Board Community Expansion Proceeding

EB-2016-0004

Interrogatory # 1

Ref: Evidence of Enbridge Gas Distribution, Page 3, Point No. 9 and evidence of Union Gas Limited EB-2016-0004, Pages 13 and 14

With respect to requirements in the EBO 188 economic assessment, Union Gas Limited (Union) has proposed that a maximum 40 year term (in place of 20) be used for heat and water heating load for commercial and industrial customers. Similarly, Union has proposed that the maximum customer forecast period be extended from 10 to 25 years.

Does Enbridge Gas Distribution Inc. (Enbridge) agree with Union's proposed changes?

Interrogatory # 2

Ref: Evidence of Enbridge Gas Distribution, Pages 4-5, Para. 14 and 15

In its evidence, Enbridge has commented:

> It is somewhat ironic that a proposal has been made that would result in more natural gas utilities at the same time the province is promoting the consolidation of energy distributors in the electricity sector.

a) Is it the opinion of Enbridge that the Ontario Energy Board (OEB) should only approve applications from the incumbent utilities for community expansion projects and not approve the applications of new entrants?
b) Enbridge further notes that more regulated utilities would increase the level of effort and cost required to regulate them. Is Enbridge of the opinion that the OEB should not permit new entrants as it would increase the regulatory burden?

Interrogatory # 3

Ref: Evidence of Enbridge Gas Distribution, Page 17, Para. 50

Enbridge has indicated that it has identified a subset of communities where gas service could be more economically provided through the utilization of Liquefied Natural Gas (LNG) as an alternative to transmission.

Did Enbridge consider the carbon footprint of transporting the LNG from the liquefaction facility to the distribution network in its determination of providing transmission services using LNG?

Interrogatory # 4

Ref: Evidence of Enbridge Gas Distribution, Pages 20-21, Para. 59, (a) to (e), and Evidence of Adonis Yatchew for Epcor Utilities Inc., Page 9, Paras 22

Enbridge has provided the elements of its proposal in paragraph 59 which is similar to the Union proposal outlined in EB-2015-0179. EPCOR in its evidence has noted that Summit Natural Gas of Maine offered innovative approaches to expand into previously unserved areas including accepting a rate of return that was below industry standards for the initial years of the tariff plan.

Would Enbridge consider accepting a return on equity that is lower than the OEB approved Return on Equity to expand into the new communities? If no, why not?

Interrogatory # 5

Ref: Evidence of Enbridge Gas Distribution, Pages 21-22, Para. 61 and 62 and Union Gas Limited Evidence in EB-2015-0179, Page 18

Enbridge has proposed a System Expansion Surcharge (SES) which is similar to the Temporary Expansion Surcharge (TES) proposed by Union in EB-2015-0179. Union in its evidence noted that the TES would only apply to general service customers and not contract customers. Enbridge in its evidence has indicated that the surcharge would apply to all customers until the project achieves a Profitability Index (PI) of 1.0.

a) Please confirm that Enbridge's proposal would apply to all customers including contract customers.
b) Does Enbridge propose a maximum monthly or annual surcharge for contract customers or would it be a straight volumetric charge irrespective of the amount?

Interrogatory # 6

Ref: Evidence of Enbridge Gas Distribution, Pages 21-22, Para. 61 and 62 and Union Gas Limited Evidence in EB-2015-0179, Pages 19-21

Enbridge has proposed that the SES would be paid by all customers in the new communities for up to 40 years or until the project has achieved a PI of 1.0. Enbridge has proposed a surcharge of 0.23/m^3 which is the same as Union in its application. However, Union has proposed a maximum term of 10 years for the TES.

a) Please provide a revised table (similar to Table 3 on page 19) limiting the SES term to 10 years and using a rate of 0.18m^3 for the first three years of the project and 0.27m^3 for the next seven years of the project. For this calculation, also assume an upfront capital contribution of $500 from each new customer.
b) Would using a lower rate in the first three years of the project impact the uptake of natural gas service in the new communities? If yes, please quantify the potential uptake in the first 3 years of the project.

Interrogatory # 7

Ref: Evidence of Enbridge Gas Distribution, Page 25, Para. 76

Enbridge has noted that part of its proposal suggests a recovery of the revenue requirement prior to the end of the current incentive regulation plan.

Please confirm whether Enbridge`s current incentive regulation plan permits recovery of the revenue requirement associated with community expansion projects. If yes, please specify the criteria under which revenue recovery is permitted.

Interrogatory # 8

Ref: Evidence of Enbridge Gas Distribution, Page 26, Para. 81

Enbridge has noted that the main factor leading to the low PIs for the potential projects are high capital costs that are driven by long distances from the existing gas distribution system, difficult terrain and large contingency amounts that have been factored into these estimates.

Please provide the contingency percentage used for each of the 39 projects.

Interrogatory # 9

Ref: Evidence of Enbridge Gas Distribution, Pages 29-30, Para. 88 and 89

Enbridge has provided data showing the LNG alternative for all communities. Based on the company`s analysis it is estimated that it would be more economical to serve nineteen of these communities with the LNG alternative. Implicit in Enbridge`s approach is the understanding that the incremental cost of the LNG as compared to the normal cost of system supply required to serve these communities would be included in Enbridge`s rates and recovered from all customers in the same manner as the Company`s gas supply plan.

a) Why would the incremental cost of LNG supply be recovered from all customers?
b) Is it possible for Enbridge to isolate and determine the incremental cost of LNG supply to each of the communities?

Interrogatory # 10

Ref: Evidence of Parkland Fuel Corporation

The evidence filed in this proceeding by Parkland Fuel Corporation offers an extensive critique outlining a number of concerns with the use of cross subsidies to support system expansion.

Is Enbridge able to provide a high level response to the concerns regarding cross subsidies raised by Parkland Fuel Corporation’s evidence?

Interrogatory # 11

Ref: Evidence of Canadian Propane Association, Exh. 3, Tab 3, Page 6

The evidence of Canadian Propane Association (CPA) notes that in the event the OEB authorizes cross-utility subsidization to occur, such that customers of one utility subsidize the expansion undertaken by another distributor, the OEB can mitigate some of the adverse impacts by removing the return on rate base component embedded in the subsidy so that there is only a return “of” and not “on” the capital investment associated with the expansion. With the return component removed, utilities will continue to benefit from the remaining non-financial, social and other benefits of natural gas expansion.

a) Please provide Enbridge's opinion on the approach proposed by CPA.
b) Does Enbridge agree with the proposed approach of the CPA? If no, why not?