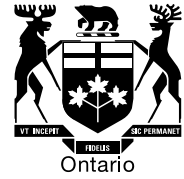


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BY E-MAIL

February 17, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc.
Cap and Trade Compliance Plan
Ontario Energy Board File Number: EB-2016-0300**

In accordance with Procedural Order No. 2, please find attached OEB staff's public interrogatories related to the above noted proceeding.

In addition to the enclosed Interrogatories that OEB Staff is filing on the public record of this proceeding, OEB staff has also submitted interrogatories to Enbridge with respect to strictly confidential information (Strictly Confidential IRs) seeking further details on information and evidence filed by Enbridge that has been designated as strictly confidential. Accordingly, the Strictly Confidential IRs cannot be filed on the public record of this proceeding. Similarly, the interrogatory responses that Enbridge will file in response to the Strictly Confidential IRs will not be placed on the public record unless Enbridge indicates that it is providing non-confidential information in response to a Strictly Confidential IR.

The Strictly Confidential IRs address the strictly confidential evidence and consist of the following topics on the Issues List:

Issue 1.4 – Is the gas utility's Compliance Plan overview reasonable and appropriate?

Issue 1.5 – Has the gas utility reasonably and appropriately conducted its Compliance Plan option analysis and optimization of decision making?

OEB staff has submitted 9 Interrogatories consisting of 50 questions on components of Enbridge's proposed Compliance Plan and compliance options discussed in the sections of the evidence that have been designated as strictly confidential in Exhibits C, Tab 1, Schedule 1 and Exhibit C, Tab 2, Schedule 1.

Issue 1.6 - Are the proposed performance metrics and cost information reasonable and appropriate?

OEB staff submitted one interrogatory consisting of 3 questions on sections of the evidence that have been designated as strictly confidential in Exhibit C, Tab 3, Schedule 1.

Issue 1.7 - Has the gas utility reasonably and appropriately presented and conducted its Compliance Plan risk management processes and analysis?

OEB staff submitted 4 interrogatories consisting of 27 questions on allowance price and volume variability mitigation measures and risk management which is contained in portions of the evidence designated as strictly confidential in Exhibit C, Tab 4, Schedule 1.

Yours truly,

Original signed by

Josh Wasylyk
Project Advisor, Application Policy & Climate Change

OEB STAFF PUBLIC INTERROGATORIES

Enbridge Gas Distribution Inc. Cap and Trade Compliance Plan EB-2016-0300

February 17, 2017

Issue 1 – Cost Consequences

Staff IR-1

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge notes that it has applied a key criterion for the purpose of determining the appropriateness of including costs in the GGEIDA. The criterion is that all costs included in the GGEIDA be incremental to the Company's current business and are required for the purpose of the Company meeting its Cap and Trade obligations.

Questions:

- a) Please discuss the process that Enbridge uses or intends to use to ensure that administrative costs are incremental to the Company's current business and are required for the purpose of the Company meeting its Cap and Trade obligations.

Staff IR-2

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge indicates that the capital costs incurred in 2016 for its IT billing system is forecasted to be \$516,000.

Questions:

- a) Please indicate how Enbridge proceeded with upgrading its IT billing system and if a third party IT consultant was retained. If a third party consultant was retained, please discuss if Enbridge followed a competitive procurement process.

- b) Please discuss the extent of the IT billing system upgrades that were undertaken and the exclusive need for the upgrades relative to Enbridge's Cap and Trade obligations.

Staff IR-3

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge indicates that a total of seven full time equivalents (FTEs) are required in 2017 (four FTEs beginning in 2016 at a total cost of \$0.75M and an additional three FTEs in 2017 at a total incremental cost of \$0.37M) at a total cost of \$1.12M.

Question:

- a) Please discuss the process that Enbridge employed in determining the appropriateness of developing a team of four FTEs to support the Cap and Trade program. In your response, please discuss how Enbridge considered and valued expertise in the areas of GHG emissions, carbon market experience, exchange trading experience, experience and understanding of the Cap and Trade program in California and Quebec, participation in the consultations to develop the Ontario Cap and Trade program and the OEB's Cap and Trade Framework.
- b) Please indicate why an average annual cost of \$187,500 is appropriate for each member of the 2016 Cap and Trade team.
- c) Please identify the titles and roles of the 2016 Cap and Trade team members.
- d) Please discuss the rationale and appropriateness of an average annual cost of \$160,000 for each new member of the Cap and Trade team in 2017. Please identify the titles and roles of the additional 2017 Cap and Trade team members.

Staff IR-4

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge notes that it has retained two consultants, Alpha Inception LLC (AI) to assist in the development of a Carbon Market Report and Carbon Strategy Report (cost of \$84,000 USD) and ICF International to provide assistance in analyzing and reviewing the Ontario Cap and Trade program (\$187,000). Further, Enbridge has joined the International Emissions Trading Association (“IETA”) at a cost of \$20,000 CAD for 2016. Further, Enbridge has subscribed to the market intelligences service platform Californiacarbon.info at a cost of \$4,500 USD for 2016.

Questions:

- a) Please indicate if Enbridge undertook a competitive procurement process when selecting each of its consultants (AI and ICF).
- b) Please indicate how Enbridge determined the need to retain ICF in order to assist in its review of the Ontario government's Cap and Trade program details. In your response, please discuss the needs to retain ICF and if Enbridge considered solely relying on its internal Cap and Trade team.

Staff IR-5

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge indicates that its Customer Education and Outreach costs of \$46,000 in 2016 was to conduct customer focus groups related to how it should craft messaging related to the Cap and Trade program and for designing and printing customer bill inserts.

Questions:

- a) Please indicate the number of customer focus group sessions Enbridge held, the length of each session and the number of attendees at each session.

- b) Please discuss if Enbridge considered and/or pursued web-based and/or e-mail based outreach and education options as opposed to bill inserts where available. In your response, please indicate the cost of the web-based education and outreach efforts and compare these costs with the bill inserts.

Staff IR-6

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge notes that it will incur \$125,000 in external legal counsel fees in 2016 for assistance with its Regulatory submissions and detailed analysis of all Cap and Trade regulatory documents.

Questions:

- a) Please provide a breakdown of the activities/services and hours where external legal counsel was required in 2016.

Staff IR-7

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge indicates that in 2017, it forecasts a cost of \$561,000 for implementation, market intelligence and consulting support. Services and deliverables that will be provided to Enbridge include:

- market intelligence and monitoring
- development of an Enbridge specific marginal abatement cost curve (MACC)
- brokerage services
- assistance with offset regulations and implementation
- administrative support including additional IT upgrades for carbon procurement tracking
- attendance at Cap and Trade conferences
- consulting support in developing 2018 Compliance Plan

Questions:

- a) Please provide a breakdown of the forecasted \$561,000 between the activities listed above.
- b) Please discuss the rationale of Enbridge developing its own MACC when the OEB is already undertaking this task, with direct input and consultation from Enbridge.
- c) Please confirm that Enbridge will not incur any costs related to its consultants attending Cap and Trade conferences on behalf of Enbridge (paragraph 27).

Staff IR-8

Topic: Administrative Costs

Ref: Exhibit C, Tab 3, Schedule 6 – Administrative Costs

Preamble:

Enbridge has included a proposed bad debt amount of \$900,000 for 2017.

Questions:

- a) Please confirm that Enbridge intends to include increased bad debt related to the Cap and Trade program for the general service market.
- b) How will Enbridge ensure that the incremental bad debt is solely in relation to the cap and trade program?
- c) Please provide a summary of actual bad debt expenses compared to forecast bad debt expenses from 2013 to 2015 (and 2016 if available).

Issue 1.1 – Are the volume forecasts used reasonable and appropriate?

Issue 1.2 – Are the GHG emissions forecasts reasonable and appropriate?

Volume Forecasts

Staff IR-9

Topic: Volume Forecasts

Ref: Exhibit B, Tab 2, Schedule 1, pp. 6-7, Tables 1-3
Exhibit B, Tab 3, Schedule 1, pp. 3-5, Tables 1-5

Preamble:

In the tables referenced above, Enbridge provides the 2017 customer-related and facility-related volumes and related GHG forecasts.

Questions:

- a) Please discuss whether Enbridge's 2018 abatement activities (customer- and facility-related) should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
 - i. If in 2018, Ontario is linked with the WCI market, would Enbridge's answer above change?
- b) Please discuss whether Enbridge's 2018 offset activities should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
 - i. If in 2018, Ontario is linked with the WCI market, would Enbridge's answer above change?
- c) If details on abatement programs and offsets are marked as strictly confidential, how does Enbridge intend to present the volume and GHG forecasts as part of future Compliance Plans when it has abatement activities and offsets to propose?

Staff IR-10

Topic: Volume Forecasts

Ref: Exhibit B, Tab 2, Schedule 1, p. 1, para. 2

Preamble:

Customer-related and facility-related volumetric forecast are based on Enbridge's 2017 Rate Application.

Questions:

- a) Please provide Enbridge's 2017 volume forecast and associated GHGs attributed to gas-fired generators.
- b) Please provide the most recent 2017 volume forecast and associated GHGs attributed to voluntary participants.
- c) Please provide the most recent 2017 volume forecast and associated GHG attributed to mandatory participants.

Staff IR-11

Topic: Volume Forecasts

Ref: Exhibit B, Tab 2, Schedule 1, p.7, Table 3
Exhibit B, Tab 3, Schedule 1, p. 4, Table 3 and p. 5, Table 5

Preamble:

Enbridge outlines total facility-related volumes in the tables referenced above.

Questions:

- a) In Tab 2, Table 3, the total facility-related volume is 122,407,000 m³. In Tab 3, Table 3, Col. 1, the total facility-related volume is 116,970,800 m³. Please reconcile these two amounts and confirm Enbridge's correct total facility-related volume.
 - i. Please confirm whether the emissions calculated in Tab 3, Table 3, Col. 5 (229,145.2 CO₂e) is correct. If not, please update all relevant evidence.
- b) In Tab 3, Table 5, Enbridge calculates its total compliance obligation of 21,136,767 CO₂e (which is based on total facility-related volumes of 116,971,000

m³). Please confirm whether this number is correct. If not, please update all relevant evidence.

Staff IR-12

Topic: GHG Emissions Forecasts

Ref: Exhibit B, Tab 3, Schedule 1, p.4-5, Table 4 and 5

Preamble:

Enbridge, in the table referenced above, shows line 2 (ON.400) is 0.001875 tonnes CO₂e/m³ and on line 5 (ON.20) is 0.001859 tonnes CO₂e/m³. Enbridge uses a budget heat value of 0.03769 GJ/m³ in Table 4, but indicates that in calculating actual emissions, higher heating value will be used instead of this value.

Questions:

- a) Please provide the inputs, assumptions and calculations used to compute 0.001875 CO₂e/m³ and rationale for applying this emission factor to fleet, buildings, and unaccounted for volumes (UAF).
- b) Please provide the inputs, assumptions and calculations used to compute 0.001859 CO₂e/m³ and rationale for applying this emission factor to boilers and compressor fuel volumes
 - i. Please explain whether Enbridge's CO₂ emissions for facility-related were calculated as per Calculation Methodology 2 of ON.23.
 - ii. Please explain whether Enbridge's CH₄ and N₂O emissions for facility-related were calculated as per Calculation Methodology 6 of ON.24 (c).
 - iii. Please explain why a higher heating value of 0.03769 GJ/m³ was chosen, and whether the higher heating value used to calculate actual emissions will be based on measurements taken from gas entering the boilers and compressors.
 - iv. If default CH₄ and N₂O emission factors from Table 20-4 were used for the calculation, please indicate which row of Table 20-4 was used to calculate the CH₄ and N₂O emission factors, and why.

Staff IR-13

Topic: Governance and Accountability

Ref: Exhibit C, Tab 1, Schedule 1, p. 8, 10 and 11, #16, #26

Preamble:

Enbridge indicates that it has assembled a team of employees to form the Carbon Procurement Governance Group (CPGG). In 2017, the team will implement Enbridge's carbon procurement strategy...and ensure secondary market procedures are drafted... Enbridge states that it will apply the Plan-Do-Check-Act/Review (PDCA) model for the implementation and review of its Compliance Plan.

Questions:

- a) Please explain how Enbridge's Cap and Trade strategy will be integrated into the company's business planning process.
- b) Please explain how Enbridge's facility-related abatement opportunities will be integrated into the CPGG decision making process and Enbridge's business planning process.
- c) Is Enbridge's PDCA model the same process as its natural gas supply development and review process? Please explain and identify any differences.
- d) Are the members on the CPGG similar to the team of employees that develop and review Enbridge's natural gas supply plan. Please explain and identify any differences.

Staff IR-14

Topic: Resources and Capabilities

Ref: Exhibit C, Tab 1, Schedule 1, p. 19; #59

Preamble:

Enbridge states that it has an experienced and qualified employee who is responsible for GHG reporting.

Questions:

- a) What is Enbridge's contingency plan to ensure business continuity in case of an employment disruption (i.e., the employee leaves the company, etc.)? Please explain.

Issue 1.8 - Are the gas utility's proposed longer term investments reasonable and appropriate?

Staff IR-15

Topic: Marginal Abatement Cost Curve

Ref: Exhibit C, Tab 2, Schedule 1, p. 15, #33

Preamble:

Enbridge indicates that it may seek to establish its own MACC or similar analysis for its unique facility-related or customer-related abatement initiatives as appropriate.

Questions:

- a) Does Enbridge intend to use the OEB MACC when developing its compliance plans? Please explain.

Staff IR-16

Topic: Customer Abatement Activities – Renewable Content Objectives for Natural Gas Pipelines

Ref: Exhibit C, Tab 3, Schedule 4, p. 4

Preamble:

Enbridge indicates that next to conservation, the addition of a renewable content objective for natural gas pipelines is expected to offer one of the more cost-effective carbon abatement measures for Ontario to broadly meet its GHG reduction and climate change mitigation goals.

Enbridge also indicates describes Renewable Natural Gas and power-to-gas as near-term market opportunities.

Question:

- a) Please provide an estimate (range is acceptable) of the cost-effectiveness of the renewable natural gas and power-to-gas, in a way that can be easily compared to an allowance or offset (e.g., Tonne GHG abated / \$).

Issue 1.9 - Are the gas utility's proposed new business activities reasonable and appropriate?

Staff IR-17

Topic: Customer Abatement Activities – Climate Change Action Plan (CCAP) Funding

Ref: Exhibit C, Tab 6, Schedule 1

Preamble:

Enbridge notes that has begun the process of evaluation longer-term GHG emission reduction strategies, some of which would entail the investment in capital assets and infrastructure.

Questions:

- a) Please discuss if Enbridge has made any proposals to the government for CCAP funding and the details of the proposal. In your response, please discuss if Enbridge has been approved for CCAP funding.

Issue 1.10 - Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?

Staff IR-18

Topic: Compliance Plan – Abatement Activities – Facility

Ref: Exhibit C, Tab 2, Schedule 1, para. 39

Preamble:

Enbridge states that it will leverage ongoing asset management projects to maximize the existing investment that is already built into the company's Custom Incentive Regulation.

Questions:

- a) Please explain how Enbridge intends to link abatement opportunities related to facility-related GHG emissions with the Company's existing business planning process.

Staff IR-19

Topic: Customer Abatement Activities

Ref: Exhibit C, Tab 3, Schedule 4, pp. 2-3

Preamble:

Enbridge refers to "DSM customer abatement activities" and "incremental ratepayer funded abatement activities" not being incorporated within its 2017 Compliance Plan, but that a focused evaluation of the level, pacing, and cost effectiveness of DSM as a compliance tool would allow the company to consider the inclusion of DSM within a Compliance Plan beyond 2017.

Question:

- a) Please clarify that the incremental rate payer funded abatement activities refer to the abatement activities that are a result of Enbridge's Cap and Trade Compliance Plan and are incremental to the programs approved in the DSM Decision (EB-2015-0029).
- b) Please indicate why no customer abatement programs, incremental to DSM and GIF, are being included in the 2017 Compliance Plan.

Staff IR-20

Topic: Facility Abatement Activities

Ref: Exhibit C, Tab 3, Schedule 5, p. 1

Preamble:

Enbridge indicates that it has already completed several key projects that have reduced facility-related GHG emissions to 20% below what they were in 1990, based on replacement of cast iron pipe, pneumatic controllers, damage prevention and improved leak detection & repair.

Question:

- a) Please provide more details on the three projects that achieved the largest GHG emissions, including project timing, scope, and size of reductions.
- b) Please comment on the remaining potential for facility abatement activities in Enbridge's distribution network.
- c) Please indicate why no facility-related abatement programs, incremental to DSM and GIF, are being included in the 2017 Compliance Plan.

Issue 2 - Monitoring and Reporting – Are the proposed monitoring and reporting processes reasonable and appropriate?

Staff IR-21

Topic: Monitoring and Reporting

Ref: Exhibit D, Tab 1, Schedule 1, p. 1, #2

Preamble:

Enbridge indicates that its annual monitoring report will capture all compliance instruments transactions throughout the year.

Questions:

- a) Please discuss whether Enbridge's monitoring and reporting processes will include monitoring and reporting of its customer-related and facility-related abatement activities.
- b) Does Enbridge have any concerns with the proposed reporting templates outlined in Union Gas Limited's Compliance Plan application – EB-2016-0296, Exhibit 4, Schedules 1 and 2? Please explain.

Staff IR-22

Topic: Monitoring and Reporting

Ref: Exhibit C, Tab 3, Schedule 4, p. 3

Preamble:

Enbridge indicates that Green Investment Fund (GIF) activities will be similar to Enbridge's existing DSM offering, the Home Energy Conservation program, and will be available to all customers regardless of primary fuel type. GIF funding will also support incentives for adaptive thermostats and educational / behavioural-based GHG reductions.

Enbridge has identified 13,043,500 m³ of annual GIF-related program savings in 2017, indicating that this was a test case on reporting and submitting verified volume reductions and will be documented in the annual monitoring and reporting submitted to the OEB and used for true up purposes.

Questions:

- a) Please indicate how Enbridge intends to measure & verify the energy savings and carbon reductions achieved for non-Enbridge customers by the GIF program.
- b) Please indicate how Enbridge intends to measure & verify the energy savings and carbon reductions achieved for Enbridge customers by the GIF program, both in terms of the rebates offered for equipment not covered by DSM programs or the incremental rebate levels for measures that are included in DSM programs.

Issue 3 - Customer Outreach – Are the proposed customer outreach processes and methods reasonable and appropriate?

Staff IR-23

Topic: Customer Outreach

Ref: Exhibit E, Tab 1, Schedule 1, p. 2-6 and App A

Preamble:

Enbridge notes that it will continue its efforts to proactively communicate about the Cap and Trade program throughout 2017. Enbridge has also provided a communication plan in Appendix A.

Questions:

- a) Please discuss Enbridge's experience to-date related to the communication material distributed to its customers? In your response, please discuss how the information has generally been received by customers and the volume of inquiries/comments submitted to Enbridge's call centre.
- b) Is Enbridge planning on revising its communication plan based on feedback and customer response based on the early response to the Cap and Trade program in late-2016/early-2017?
- c) What tools has Enbridge developed to help customers quantify cap and trade costs? Is Enbridge developing any additional tools (i.e., calculators, etc.)?

Issue 4 – Deferral and Variance Accounts - Are the proposed deferral and variance accounts reasonable and appropriate? Is the disposition methodology appropriate?

Exhibit 6 – Deferral and Variance Accounts

Staff IR-24

Topic: Deferral and Variance Accounts

Ref: Exhibit F, Tab 1, Schedule 1, pp. 1-2

Preamble:

Enbridge proposes to bring forward its 2016 administrative costs either at the time it seeks clearance of other 2016 deferral and variance accounts or as part of its 2018 Compliance Plan filing (in August 2017).

Further, Enbridge proposes to establish a new variance account entitled the Greenhouse Gas Emissions Customer and Facility Costs Variance Account ("GGECFCVA") to track any over or under recovery between actual and forecast customer and facility-related obligation costs incurred in 2017. Enbridge has proposed to clear any variance in the GGECFCVA as part of its 2018 True-up filing or at the OEB's discretion.

Questions:

- a) How does Enbridge propose to dispose of any balances? For example, would this be as a one-time adjustment or would the balances be spread over time? If so, over what period of time? Would the recovery of these balances be included in the Delivery Charge or presented as a separate line item?

Issue 5 - Cost Recovery

5.1 Is the proposed manner to recover costs reasonable and appropriate?

5.2 Have the customer-related and facility-related charges been presented separately in the tariffs?

Staff IR-25

Topic: Cost Recovery Statements

Ref: Exhibit G, Tab 1, Schedule 1, App A, pp. 4 - 10

Preamble:

In Tables A4 and A5, Enbridge provides an outline of the proposed facility-related charges (in ¢/m³) by rate class:

- Rates 1, 6, 9, 100, 110, 115 – have a facility-related charge of 0.0337
- Rate 125 – has a facility-related charge of 0.0290
- Rate 125 Dedicated – has a facility-related charge of 0.00018

- Rates 135, 145, 170 – have a facility-related charge of 0.0337
- Rate 200 – has a facility-related charge of 0.0337
- Rate 300, 300 Interruptible – have a facility-related charge of 0.0290
- Rates 315, 316 – have a facility-related charge of 0.0048
- Rate 320 – does not have a facility-related charge
- Rates 325, 330 – have a facility-related charge of 0.0066
- Rates 331, 332 – have a facility-related charge of 0.0018

Questions:

- a) Please explain in detail why the above rates have different facility-related charges.
- b) Please explain in detail why Rate 320 does not have a facility-related charge.

Issue 6 - Implementation – What is the implementation date of the final rates and how will the final rates be implemented?

Staff IR-26

Topic: Implementation of Final Rates

Questions:

- a) Please discuss how Enbridge proposes to recover any variance between the OEB's Interim Decision issued on November 25, 2016 and the Decision and Final Rate Order for this proceeding. In your response, please also discuss if Enbridge proposes to clearly indicate any difference between the Interim Rates and Final Rates on a customer's bill.
- b) Please indicate how Enbridge proposes to reconcile the HST related to any differences between Interim Rates and Final Rates.