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February 24, 2017

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: Applications by Union Gas Limited, Enbridge Gas Distribution Inc. and Natural Resource Gas Limited for approval of the cost consequences of Cap and Trade Compliance Plans and for interim rates effective January 1, 2017.
Written Interrogatories of the Association of Power Producers of Ontario ("APPrO")
Board File No. EB-2016-0296 / EB-2016-0300 / EB-2016-0330

Pursuant to Procedural Order No. 1 in the above referenced proceeding, please find enclosed the written Interrogatories of APPrO to Enbridge Gas Distribution Inc. and Union Gas Limited.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

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
Andrew Mandyam, Enbridge Gas Distribution Inc.
Fiona Oliver-Glasford, Enbridge Gas Distribution Inc.

Borden Ladner Gervais

Dennis O'Leary, Aird & Berlis LLP
Vanessa Innis, Union Gas Limited
Crawford Smith, Torys LLP
Brian Lippold, Natural Resource Gas Ltd.
Richard J. King, Osler, Hoskin & Harcourt LLP

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 Applications by Union Gas Limited, Enbridge Gas Distribution Inc. and Natural Resource Gas Limited for approval of the cost consequences of Cap and Trade Compliance Plans and for interim rates effective January 1, 2017.

EB-2016-0296 / EB-2016-0300 / EB-2016-0330

Interrogatories from

The Association of Power Producers of Ontario (APPrO)

February 24, 2017

INTERROGATORIES TO ENBRIDGE GAS DISTRIBUTION INC.

ISSUE 1 – COST CONSEQUENCES

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

1.1-APPrO-1

Reference: Exhibit B, Tab 2, Schedule 1, Page 2, Paragraph 5.

Preamble: In Exhibit C, Tab 4, Schedule 1 at page 10, Enbridge identifies a change in demand by natural gas fired power generators as a factor that influences volume variability.

Questions:

(a) Please identify the specific improvements Enbridge believes it can make in the future to develop a more accurate annual forecast for power generators?
(b) Please elaborate on why those specific improvements were not possible or practical to implement for the 2017 compliance period?
(c) What percentage of the volumes forecast for the unbundled Rate 125 and Rate 300 customers were derived directly from customer input, and what percentage of the volumes forecast for these customers were derived using historical consumption data? If any other methods were utilized to derive the volume forecasts for these customers, please explain each and identify the relative percentage of the total forecasts that utilized those methodologies.
(d) Please explain what risks arise from utilizing historical consumption data to provide an annual forecast for contract customers that declined to provide an annual forecast.
(e) All else being equal, would the use of historical consumption data have the likely effect of overestimating or underestimating the volumes forecast for these customers?
(f) Assuming your application is approved as filed, what are the financial consequences to each of:
   - Enbridge/its shareholder;
   - Rate 125 customers; and
   - Other customers,

   of overestimating volume forecasts and of underestimating volume forecasts.

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

1.2-APPrO-2

Reference: Exhibit B, Tab 3, Schedule 1, Tables 1 and 2.

Questions:

(a) The MOECC has published an updated Guideline for Quantification, Reporting and Verification for GHG Emissions - January 2017. What changes, if any, does this make to Enbridge forecasts of customer related GHG emissions by rate class?
(b) What opportunities are there to improve the methodology used by Enbridge to calculate GHG emissions? E.g. In the future, could Enbridge use actual GHG emissions data to the extent available, rather than utilizing the procedures to estimate missing data set out in the MOECC's Guideline for Quantification, Reporting and Verification for GHG Emissions - January 2016?
(c) Why were those opportunities not feasible or practical for the 2017 compliance period?

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

1.5-APPrO-3

Reference: Exhibit C, Tab 2, Schedule 1, Page 14, and Exhibit C, Tab 3, Schedule 4.

Questions:

(a) Did Enbridge engage in discussions with natural gas fired generators to explore options, including but not limited to abatement options, to meet its 2017 compliance obligations in the most cost effective manner possible to result in optimal decision making?
(b) Is Enbridge willing to engage in such discussions with natural gas fired generators in the future?

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

1.6-APPrO-4

Reference: Exhibit C, Tab 3, Schedule 1, Pages 2-3, Paragraph 8.

Questions:

(a) What other performance metrics, in addition to the “soft” ceiling price of $66.49, could assist the Board in assessing Enbridge’s performance in managing the following risks:
    a. Allowance price variability,
    b. Volume variability,
    c. Emission unit availability,
    d. Market risk,
    e. Non-compliance,
    f. Financial transaction risks, and
    g. Risk of data dissemination to market participants.
(b) Would Enbridge oppose a performance assessment which included a number of different metrics, rather than just a single metric - the “soft” ceiling price of $66.49.

ISSUE 4 – DEFERRAL AND VARIANCE ACCOUNTS

4-APPrO-5

Reference: Exhibit F, Tab 1, Schedule 1.

Questions:

(a) Is one practical consequence of the GGEIDA and the GGECFCVA that Enbridge will be held harmless from any cost consequences associated with its GHG compliance efforts?
(b) Did Enbridge consider any mechanisms that might serve to financially incent Enbridge to minimize the net cost consequences of its compliance efforts on ratepayers? If no, why not. If yes, please elaborate on each of these mechanisms.

ISSUE 5 – COST RECOVERY

5-APPrO-6

Reference: Exhibit G, Tab 1, Schedule 1, Page 3, Paragraph 9.

Question:

(a) If the actual WCI auction reserve price published by the Auction Administrator is now known (expected early 2017), please update the relevant parts of the Application to reflect the use of the actual price rather than a forecast.

INTERROGATORIES TO UNION GAS LIMITED

ISSUE 1 – COST CONSEQUENCES

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

1.1-APPrO-1

Reference: Exhibit 2, Page 4, Lines 5-17.

Questions:

(a) What percentage of the volumes forecast for natural gas fired generators were derived directly from customer input, and what percentage of the volumes forecast for these customers were derived using historical consumption data? If any other methods were utilized to derive the volume forecasts for these customers, please explain each and identify the relative percentage of the total forecasts that utilized those methodologies.

(b) Does Union believe that it can make improvements in the future to develop a more accurate annual forecast for power generators? If no, why not. If yes, please identify each of the specific improvements that might be made.
(c) All else being equal, would the use of historical consumption data have the likely effect of overestimating or underestimating the volumes forecast for these customers?
(d) Assuming your application is approved as filed, what are the financial consequences to each of:
    - Enbridge/its shareholder;
    - Rate 125 customers; and
    - Other customers,

    of overestimating volume forecasts and of underestimating volume forecasts.

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

1.2-APPrO-2

Reference: Exhibit 2, Page 6, Lines 13-21.

Questions:

(a) The MOECC has published an updated Guideline for Quantification, Reporting and Verification for GHG Emissions - January 2017. What changes, if any, does this make to Union's forecasts GHG emissions?
(b) What opportunities are there to improve the methodology used by Enbridge to calculate GHG emissions? E.g. In the future, could Enbridge use actual GHG emissions data to the extent available, rather than utilizing the procedures to estimate missing data set out in the MOECC's Guideline for Quantification, Reporting and Verification for GHG Emissions - January 2016?
(c) Why were those opportunities not feasible or practical for the 2017 compliance period?

Issue 1.3 - Is the carbon price forecast reasonable and appropriate?

1.3-APPrO-3

Reference: Exhibit 2, Appendix 1.

Question:

(a) Please reproduce this table after breaking column (b) into two components to show the customer related forecasts attributable to: (i) natural gas fired generators; and (ii) other contract customers.

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

1.5-APPrO-4

Reference: Exhibit 3, Pages 24-25.

Questions:

(a) Did Union engage in discussions with natural gas fired generators to explore options, including but not limited to abatement options, to meet its 2017 compliance obligations in the most cost effective manner possible to result in optimal decision making?
(b) Is Union willing to engage in such discussions with natural gas fired generators in the future?

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

1.6-APPrO-5

Reference: Exhibit 3, Pages 28-34.

Questions:

(a) What performance metrics could assist the Board in assessing Union's compliance plan performance?
(b) Are there any metrics which Union would propose to best assist the Board in measuring Unions' ability to manage the following risks:
  a. Allowance price variability (a.k.a. price and foreign exchange risk),
  b. Volume variability (a.k.a. forecast volume and auction purchase variability),
  c. Emission unit availability (a.k.a. liquidity risk),
  d. Market risk (a.k.a. project execution risk and credit and counterparty risk),
  e. Non-compliance risk, and
  f. Government and legislation risk.
(c) Would Union oppose a performance assessment which included a number of different metrics to assess performance across a variety of considerations?

ISSUE 4 – DEFERRAL AND VARIANCE ACCOUNTS

4-APPrO-6

Reference: Exhibit 6, Pages 1-2.

Questions:

(a) Is one practical consequence of Accounts 179-152, 179-154 and 179-155 that Union will be held harmless from any cost consequences associated with its GHG compliance efforts?

(b) Did Union consider any mechanisms that might serve to financially incent Union to minimize the net cost consequences of its compliance efforts on ratepayers? If no, why not. If yes, please elaborate on each of these mechanisms.