

ENBRIDGE GAS DISTRIBUTION INC.

Deferral Account Disposition and 2016 Earnings Sharing

EB-2017-0102

OEB STAFF INTERROGATORIES

June 29, 2017

Staff-1

**Ref: Deferral and Variance Account Balance Summary
Exhibit A / Tab 2 / Schedule 1 / Appendix A**

Preamble:

Enbridge provided a summary of the actual deferral and variance account balances at March 31, 2017 and the forecast for clearance amounts at October 1, 2017.

Question(s):

- a) Please confirm that the actual March 31, 2017 balances include only principal amounts as of December 31, 2016 (with interest to March 31, 2017).
- b) Please provide a statement confirming whether the balances proposed for disposition are consistent with the account balances reported in the applicant's 2016 RRR filing (2.1.7) and its 2016 audited financial statements. If a difference exists, please provide the nature of the difference along with an explanation to support why the balance being sought for disposition is appropriate.
- c) Please advise whether there are any deferral and variance accounts that are currently in use by Enbridge but have not been listed in the Deferral and Variance Account Balance Summary (with the exception of the QRAM-related deferral accounts). If so, please list each account name and the corresponding balance in the account as at December 31, 2016 (including interest). Please also explain the nature of each account and why it is not being brought forward for disposition as part of this proceeding. This should include any accounts that had been opened in previous years but never disposed.

- d) Please advise whether there have been any adjustments made to non-QRAM related deferral and variance account balances that were previously approved by the OEB on a final basis during the current custom IR term. If so, please provide an explanation of the nature and amount of any adjustment and include any supporting documentation. Please also advise how such adjustments have been recorded and what accounts were used to record them.

Staff-2

Ref: Earnings Sharing Mechanism and Actual 2016 Results

Exhibit B / Tab 1 / Schedule 3 / Page 2

Exhibit B / Tab 1 / Schedule 4

Exhibit B / Tab 4 / Schedule 2

Exhibit B / Tab 5 / Schedule 3

Preamble:

Enbridge noted that the distribution margin decrease of \$6.1 million was partially driven by lower than forecast customer unlocks attributable to lower than forecast customer additions.

Enbridge also noted that the unfavourable variances were partially offset by higher large volume customer contract demand revenues resulting from higher than forecast migration from interruptible to firm rate classes.

Enbridge also provided a reconciliation of 2016 audited consolidated income to utility income in which the reclassifications and elimination of revenue / expense items are highlighted.

Enbridge provided an explanation of variances between its 2016 actual utility O&M compared to its approved utility OM&A. Enbridge noted that RCAM is \$15.3 million higher due to the centralization of IT and HR services to Enbridge Inc.

Question(s):

- a) Please provide an explanation for the lower than forecast customer additions experienced in 2016 (Exhibit B / Tab 1 / Schedule 3 / p. 2).
- b) Please explain why Enbridge believes that there has been a higher than forecast migration of large volume customers from interruptible to firm rate classes (Exhibit B / Tab 1 / Schedule 3 / p. 2).

- c) Please explain the reason for the “US GAAP adjustment elimination - deferral clearance adjustment” (Exhibit B / Tab 1 / Schedule 4 / pp. 2-3).
- d) Please explain why interest during construction and interest on deferral accounts have been both added to and eliminated from the other revenue and income category (Exhibit B / Tab 1 / Schedule 4 / p. 2).
- e) Please advise whether the elimination of charitable donations includes political donations. If so, please provide the amount of the political donations (Exhibit B / Tab 1 / Schedule 4 / p. 3).
- f) Please advise whether there are any costs associated with the Enbridge / Spectra merger that impact the amount of earnings sharing. If so, please quantify the impact.
- g) Please advise whether the \$15.3 million RCAM increase has been offset by decreased costs in another category of OM&A. If so, please provide the amount of the offset (Exhibit B / Tab 4 / Schedule 2 / p. 2).
- h) Please explain why a 3-year note is being treated as short-term debt. Assuming this note had been classified as long-term debt, please provide the revised weighted average cost of debt (Exhibit B / Tab 5 / Schedule 3 / p. 2).

Staff-3

**Ref: Demand Side Management (DSM) related Deferral Accounts
Exhibit C / Tab 1 / Schedule 1 / Page 1**

Preamble:

Enbridge noted that it has included the DSM-related deferral account balances (2015 DSMVA, LRAMVA, DSMIDA) as part of the overall amounts requested for clearance. The noted accounts are currently under review as part of the OEB’s review of the 2015 DSM results.

Enbridge stated that while it proposes clearing these accounts in conjunction with the other account balances approved for disposition as part of the current proceeding, the actual timing and final 2015 DSM-related account balances to be cleared will be approved by the OEB as part of its review process.

Question(s):

- a) Please advise as to the expected timing of the filing of the DSM deferral account disposition application.
- b) Please provide Enbridge's proposal in the situation where there is no approval of the final 2015 balances recorded in the DSM-related deferral accounts prior to the draft rate order stage in the current proceeding. Is it Enbridge's proposal that:
 - (i) the balances set out in the current application (Exhibit C / Tab 1 / Schedule / page 4) would be approved (and any variances arising from the separate DSM deferral account proceeding would be recorded for future disposition); or
 - (ii) no DSM-related amounts would be approved for disposition as part of the current proceeding. Please provide rationale supporting the proposal.

Staff-4

**Ref: Manufactured Gas Plant Deferral Account
Exhibit C / Tab 1 / Schedule 1 / Page 2**

Preamble:

Enbridge stated that it is not requesting clearance of the balance in the 2016 Manufactured Gas Plant Deferral Account. The balance in the account was transferred to the 2017 version of the account.

Question(s):

- a) Please explain why Enbridge is not seeking disposition of the balance in the account as part of the current proceeding.

Staff-5

**Ref: 2016 Storage and Transportation Deferral Account
Exhibit C / Tab 1 / Schedule 3 / Page 1**

Preamble:

Enbridge noted that one of the purposes of the Storage and Transportation Deferral Account is to record amounts received by Enbridge related to the deferral account dispositions of other utilities deferral accounts.

Question(s):

- a) Please explain the above cited statement and provide an illustrative example.
- b) Please provide a detailed table showing the calculation of the \$9.6 million balance in the Storage and Transportation Deferral Account (including a breakdown by cost variance driver).

Staff-6

**Ref: 2016 Transactional Services Deferral Account
Exhibit C / Tab 1 / Schedule 3 / Attachment 1
EB-2016-0142 Settlement Agreement / Pages 14-15**

Preamble:

In the EB-2016-0142 Settlement Agreement at pages 14-15, Enbridge agreed to file, in the 2016 earnings sharing and deferral account disposition proceeding, evidence about storage optimization transactional services, including: (i) any trends that are apparent in respect of these revenues; and (ii) details with respect of the separation of storage optimization responsibilities and activities as between utility and non-utility optimization storage accounts.

Question(s):

- a) Please provide the 2010-2016 actual storage and transportation optimization revenues (in the same format as Staff Interrogatory #3 in EB-2016-0142).
- b) Please explain variances year-over-year (2015 to 2016) for both storage and transportation optimization revenues.
- c) Please advise whether the evidence that Enbridge agreed to file as part of the EB-2016-0142 Settlement Agreement was filed in the current proceeding. If it was filed, please provide a reference. If it was not filed, please explain why not and file the necessary evidence (or advise when Enbridge proposes to file that evidence).
- d) Please explain Item 7.0 (ETT Revenue – Rider H) at Exhibit C / Tab 1 / Schedule 3 / Attachment 1.

Staff-7

**Ref: 2016 Unaccounted for Gas Variance Account
Exhibit C / Tab 1 / Schedule 4**

Preamble:

Enbridge noted that Unaccounted for Gas (UAF) is the difference between natural gas delivered into the distribution system as billed by third-party transmitters and natural gas that is billed as consumption by Enbridge.

Question(s):

- a) Please explain how the balance in the account is calculated.
- b) Please explain how Enbridge accounts for the difference in timing between when meters are read and year-end (December 31).
- c) Please advise whether metered amounts are prorated to estimate usage at year-end. If so, please advise whether Enbridge has assessed the accuracy of its proration exercise to determine if a high UAF in one year is the result of variances due to inaccurate forecasts in previous years.
- d) Please advise whether Enbridge intends to present further analysis on this issue in its next rebasing proceeding.

Staff-8

**Ref: 2016 Average Use True-Up Variance Account
Exhibit C / Tab 1 / Schedule 5 / Pages 1-3 and Appendix A**

Preamble:

Enbridge noted that the rate of decline in average use for Rate 1 was 3.8% in 2016. Since 1990, Rate 1 average use has followed a consistent downward trend, averaging an annual decline of 1% per year.

Question(s):

- a) Please provide an explanation for the larger than forecast decline in Rate 1 average use.
- b) Please explain how the Unit Rate (Col. 10 of Exhibit C / Tab 1 / Schedule 5 / Appendix A) used in the calculation of the balance in the Average Use True-up Variance Account is derived.

Staff-9**Ref: 2016 Post-Retirement True-Up Variance Account
Exhibit C / Tab 1 / Schedule 6 / Pages 1-2**

Preamble:

Enbridge noted that the balance in the 2016 Post-Retirement True-Up Variance Account is a credit of \$9.7 million (calculated as the variance between the OEB forecast of \$34.6 million and the actual expense of \$24.9 million).

Enbridge stated that in accordance with its 2013 Rates Settlement Agreement (EB-2011-0354), the maximum clearance from the Post-Retirement True-Up Variance Account is \$5 million. Any remaining balances are carried forward to the following year so that large variances can be cleared over time. Therefore, in the current proceeding, Enbridge proposed to refund \$5 million to ratepayers with the remaining balance (\$4.7 million) transferred to the 2017 account for future treatment and disposition.

Question(s):

- a) In the context of the relatively large debit proposed for recovery as part of the current proceeding (\$42.2 million including interest and the DSM-related account balances), please discuss Enbridge's position on disposing of the additional \$4.7 million credit associated with the Post-Retirement True-Up Variance Account as a mitigation measure.

Staff-10**Ref: 2016 Deferred Rebate Account
Exhibit C / Tab 1 / Schedule 8 / Page 1**

Preamble:

Enbridge noted that the balance in the 2016 Deferred Rebate Account is a \$7.7 million debit and reflects the outstanding amounts resulting from the clearance of deferral and variance accounts which occurred during 2016 and the inability to locate all intended customers.

Question(s):

- a) Please show how the balance in the account was calculated.

- b) Please explain the statement “inability to locate all intended customers.”
- c) Please advise whether the large balance in this account is due to Enbridge’s retrospective approach to clearing deferral and variance account balances (i.e. application of a unit rate to each customer’s previous year’s actual consumption).

Staff-11

**Ref: 2016 Credit Final Bill Deferral Account
Exhibit C / Tab 1 / Schedule 12 / Page 2**

Question(s):

- a) Please provide an update with respect to the status of the potential incremental \$0.64 million refund.

Staff-12

**Ref: 2016 Ontario Energy Board Cost Assessment Variance Account
Exhibit C / Tab 1 / Schedule 13 / Page 1**

Preamble:

The purpose of the Ontario Energy Board Cost Assessment Variance Account is to record any material variances between the OEB costs assessed to Enbridge through the application of the revised Cost Assessment Model and the OEB costs which were included in rates during the Custom IR term (based on the prior Cost Assessment Model).

Enbridge noted that the 2016 Ontario Energy Board Cost Assessment Variance Account has a debit balance of \$1.93 million. The balance reflects the variance between the actual OEB costs assessed to Enbridge for each of the first three quarters of the OEB’s 2016 / 2017 fiscal year utilizing the revised Cost Assessment Model and Enbridge’s average actual quarterly OEB cost assessment for the OEB’s 2015 / 2016 fiscal year using the prior version of the Cost Assessment Model.

Question(s):

- a) Please advise whether Enbridge is recording in the account the variance between the actual cost assessments received for April 2016, July 2016, and October 2016, which are based on the revised Cost Assessment Model, and the

amount included in 2016 rates for OEB cost assessments. If not, please explain why and populate the following table:

	Revised CAM (a)	2016 Rates – Cost Assessment (based on previous CAM)* (b)	Variance (c = a-b)
April 2016	\$1.34 million		
July 2016	\$1.34 million		
October 2016	\$1.34 million		
Total	\$4.02 million		

*For each quarter, the amount included in the 2016 Rates – Cost Assessment column should equal the cost assessment amount included in 2016 rates divided by 4.

Staff-13

Ref: 2016 Greater Toronto Area Incremental Transmission Capital Revenue Requirement Deferral Account
2016 Rate 332 Deferral Account
Exhibit C / Tab 1 / Schedules 14-15

Preamble:

OEB staff notes that the 2016 Greater Toronto Area Incremental Transmission Capital Revenue Requirement Deferral Account, the 2016 Rate 332 Deferral Account and the forecast of Rate 332 revenues included in 2016 rates are related.

Enbridge included no Rate 332 revenues as part of its 2016 rates application and on an actual basis \$2.3 million of Rate 332 revenues were generated through OEB-approved contract demand charges (between November 16 and December 31, 2016).

Question(s):

- a) Please show the calculation for the \$2.3 million of actual 2016 Rate 332 revenues (and provide a reference to the Rate Order where the OEB approved the Rate 332 contract demand charge).
- b) Please advise whether OEB staff's understanding of the interaction between the above noted accounts and 2016 rates as set out below is correct.

Category	Amount (\$M)	Description
Total Amount to be Recovered for the Transportation Portion of Segment A	\$18.0	This reflects the 2016 revenue requirement associated with the transportation portion (60%) of Segment A of the GTA Project that is to be recovered from ratepayers.
Forecasted Recovery		
2016 Rates - bundled customers	\$13.1	This reflects the amount associated with Segment A that was included in 2016 rates to be recovered from Enbridge's bundled customers.
2016 Rates – Forecast balance in the GTAITCRRDA	\$4.9	This reflects the amount that was forecast to be eventually recovered from Rate 332 customers once they began to take service on Segment A and represents the incremental capital cost associated with the upsizing of the pipeline. The assumption in the 2016 rates proceeding was that Rate 332 service would not begin in 2016.
Total Amount Recovered (Forecast Basis - 2016 Rates)	\$18.0	
Actual Recovery		
2016 recovery from bundled customers	\$13.1	This reflects the amount associated with Segment A that was included in 2016 rates to be recovered from Enbridge's bundled customers.
Actual balance in the GTAITCRRDA	\$4.3	This reflects the actual balance recorded in the GTAITCRRDA to be recovered from Rate 332 customers. As Rate 332 customers began taking service on November 16, 2016, the balance in the account is reduced by 12.5% (1.5 months of Rate 332 service).
Actual Rate 332 Revenues	\$2.3	This reflects that on actual basis Rate 332 customers did begin taking service on the pipeline in 2016 and generated \$2.3 million in revenues during 2016.
Total Recovery	\$19.7	Overall, Enbridge recovered \$19.7 million from both its bundled customers and Rate 332 customers (including the amount recorded in the GTAITCRRDA). This reflects an over-recovery of \$1.7 million. Therefore, Enbridge will refund \$1.7 million to its bundled customers through the disposition of the Rate 332 Deferral Account (to reflect their overpayment towards the costs of the transportation portion of Segment A) and will recover \$4.3 million from its Rate 332 customers through the disposition of the GTAITCRRDA (as opposed to the original forecasted amount of \$4.9 million).

Staff-14

Ref: Clearance of 2016 Deferral and Variance Account Balances Exhibit C / Tab 2 / Schedule 1

Preamble:

For the Rate 332 Deferral Account, Enbridge proposed to allocate the balance to customers on the basis of total deliveries.

For the Ontario Energy Board Cost Assessment Variance Account, Enbridge proposed to clear the balance to all customers based on the rate base factor, which mirrors how the Ontario Hearing Costs Variance Account was cleared in previous proceedings.

Enbridge proposed to clear the balances by way of two equal billing adjustments in the months of October and November 2017. The billing adjustments are calculated by applying unit rates to each customer's actual 2016 consumption volume for the period January 1, 2016 to December 31, 2016.

Question(s):

- a) Please provide rationale supporting Enbridge's proposal to use the total deliveries allocator for the disposition of the Rate 332 Deferral Account (Exhibit C / Tab 2 / Schedule 1 / page 3).
- b) Please discuss how OEB cost assessments are currently allocated in base rates. Please also advise as to the purpose of the Ontario Hearing Costs Variance Account and discuss whether this account was previously used to true-up variances in OEB cost assessments between actual and forecast.
- c) Please discuss the possibility of moving the second installment to some point in 2018 (instead of November) as a mitigation measure.
- d) Please discuss the implications of recovering the deferral and variance account balances on a prospective basis (i.e. application of a rate rider to customers forecasted balances over a period of 6 months or 1 year).

Staff-15

Ref: Service Quality

Exhibit D / Tab 4 / Schedule 1 / Page 7

- a) Please discuss the efforts that Enbridge will undertake to meet the "Time to Reschedule a Missed Appointment" metric in the future.