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BY EMAIL

October 30, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. (Enbridge)
2018 Rate Adjustment Application
OEB Staff Interrogatories
OEB File Number: EB-2017-0086

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Enbridge and all intervenors have been copied on this filing.

Enbridge's responses to interrogatories are due by November 13, 2017.

Yours truly,

Original Signed By

Lawrie Gluck
Case Manager

Enclosure

ENBRIDGE GAS DISTRIBUTION INC.

2018 RATES

EB-2017-0086

OEB STAFF INTERROGATORIES

October 30, 2017

Staff-1

Ref: Allowed Revenue and Sufficiency / Deficiency Summary
Exhibit A1 / Tab 3 / Schedule 1 / Appendix B
Exhibit D1 / Tab 6 / Schedule 2 / Page 1

Preamble:

Enbridge provided a summary highlighting the allowed 2018 revenue and the revenue deficiency. The summary shows the proposed 2018 allowed revenue compared to the 2018 placeholder allowed revenue.

Question(s):

a) Please explain why the 2018 placeholder income tax shown at Line 16 of Exhibit A1 / Tab 3 / Schedule 1 / Appendix B / Page 1 does not match the placeholder income tax shown at Exhibit D1 / Tab 6 / Schedule 2 / Page 1. If the reason is that Exhibit D1 / Tab 6 / Schedule 2 / Page 1 does not include CIS / Customer Care-related income taxes, please provide a reference to where those taxes are shown. Please ensure that there is sufficient evidence on the record to allow for the reconciliation of the $34.2 million proposed 2018 income tax amount.

b) Please provide a variance analysis with the necessary explanations, in the same level of detail as Exhibit A1 / Tab 3 / Schedule 1 / Appendix B, highlighting the 2017 OEB-approved allowed revenues compared to the proposed 2018 allowed revenues.

Staff-2

Ref: Conditions of Service
Exhibit A1 / Tab 5 / Schedule 1 / Pages 5 and 17

Preamble:

Enbridge noted that it made a small number of revisions to its Conditions of Service.

Question(s):

a) Please confirm that the new language included in section 6.1 of the Conditions of Service is as follows: “If you do not set up a new Enbridge account, we will consider the premise vacant and eligible for discontinuance of service.”

b) If so, please advise whether this is the same treatment as has been previously applied but is now formally included in the Conditions of Service.

Staff-3

Ref: Rate Base – Gas in Storage
Exhibit B1 / Tab 1 / Schedule 1 / Page 3

Preamble:

Enbridge noted that the updated 2018 gas in storage value reflects July 2017 QRAM prices, whereas the 2018 placeholder gas in storage value reflected April 1, 2013 QRAM prices.

Question(s):

a) Please advise whether the gas in storage value (and the associated revenue requirement impact) will be updated at the time of Enbridge’s next QRAM application to reflect the January 1, 2018 PGVA reference price.

Staff-4

Ref: Operating Revenues – Average Use
Exhibit C1 / Tab 2 / Schedule 1 / Appendix A / Pages 6-7

Preamble:

In Tables 5 and 6 of Exhibit C1 / Tab 2 / Schedule 1 / Appendix A, Enbridge provided the monthly baseload average use per customer and heatload average use per customer for the Rate 1 and 6 classes.

Question(s):

a) Please provide the detailed calculation of the monthly baseload average use and heatload average use for each of Rate Classes 1 and 6.

Staff-5

Ref: Operating Revenues – Cap & Trade Impact on 2018 Volume Forecast
Exhibit C1 / Tab 2 / Schedule 1 / Appendix C
Ontario Climate Change Action Plan (https://www.ontario.ca/page/climate-change-action-plan)

Preamble:

Enbridge noted that it captured the impact of cap and trade on its 2018 volume forecast within the regression models through the gas price variable (as an addition to the commodity, transportation, load balancing and distribution component of Rate 1 and Rate 6 gas prices).

Enbridge noted that its average use regression models estimate an average price elasticity of demand of -0.04% for Rate 1 customers and -0.05% for Rate 6 customers for every 1% change in price.

Enbridge stated that cap and trade obligations contribute to an incremental 9.8% to Rate 1 gas prices and 12.5% to Rate 6 gas prices. Using the estimated elasticities set out above, the impact of Cap and Trade costs is an incremental decrease in projected average use of 9 m^3 per Rate 1 customer and a decrease in projected average use of 174 m^3 per Rate 6 customer.

Enbridge further stated that as the price change is evident as a single price signal for customers, the impact on demand cannot be broken out into its potentially distinct impacts as it is not perceived separately. As a result, the impact on demand of cap and trade costs has to be assumed to have the same impact as a regular price change. No other intrinsic signal can be inferred.

Question(s):

a) Please confirm that this is the first year that Cap and Trade was reflected in the Enbridge's volume forecast.

b) Please advise whether the price elasticity of demand of -0.04% for Rate 1 customers and -0.05% for Rate 6 customers for every 1% change in price is the same as was used in previous years.

c) Enbridge stated that it has to assume that the impact of cap and trade is the same as a regular price change as it is not perceived separately by customers. OEB staff notes that cap and trade-related costs have been communicated to customers broadly through bill inserts, media reports, etc. Please discuss whether Enbridge believes that customer demand might be further impacted by cap and trade beyond the price elasticity of demand for non-economic reasons (e.g. environmental beliefs, etc.). Please discuss whether Enbridge has attempted to quantify the impact of these non-economic factors on demand for the 2018 volume forecast.

d) Ontario's Climate Change Action Plan includes funding for a number of activities that are designed to reduce energy use in homes and buildings in 2018. Furthermore, Enbridge proposed, in its originally filed evidence (prior to the removal of the cap and trade-related evidence in accordance with the OEB's Letter of Direction), to install geothermal loops for its customers in 2018. Please advise whether the estimated impact of these types of activities was reflected in Enbridge's 2018 volume forecast. Please provide supporting rationale.

Staff-6

Ref: Operating Revenues – Average Use Forecasting Model
Exhibit C2 / Tab 1 / Schedule 3 / Pages 9-10

Preamble:

Enbridge noted that diagnostic test results show that the models are statistically valid and no assumptions appear to be violated at the 95% confidence level except the 'No structural change' assumption for Metro region revenue class 20 (Rate 1) and Eastern region revenue class 73 models. The Chow forecast test result for those two models has indicated the existence of structural change in 2016. Dummy variables have been introduced to those models to correct this.

Question(s):

a) Please provide additional rationale supporting Enbridge's proposal to include a dummy variable in its average use models to address the structural change in 2016.

b) Please advise whether Enbridge has previously introduced a dummy variable in its average use models to address structural changes? If so, please provide the years for which a dummy variable was included and advise whether the OEB approved the use of the dummy variable.

c) Please provide the 2018 average use forecast for Rates 1 and 6 removing the dummy variable designed to correct for the 2016 structural change from the average use model. Please also provide a comparison of OEB staff's requested revised average use forecast and Enbridge's proposed average use forecast.

Staff-7

Ref: Operating Costs – Gas, Transportation and Storage Costs
Exhibit D1 / Tab 2 / Schedule 3 / Page 4

Preamble:

Enbridge noted that, for the purposes of its 2018 rates application, it has assumed the originally planned in-service date for NEXUS of November 1, 2017 and therefore the pipeline would be fully in place for the 2018 calendar year. Enbridge is aware however, that the in-service date has been recently delayed to 2018 as a result of NEXUS not receiving Federal Energy Regulatory Commission ("FERC") approval due to a lack of voting quorum. At this time the length of a delay is unknown. In order to mitigate the impact of the NEXUS in-service delay, Enbridge will continue to fill its Vector capacity with supply from Chicago until the contracted capacity on NEXUS comes into service. Enbridge proposed that any variances associated with a delay will be captured as a part of the 2018 PGVA.

Question(s):

a) Please advise whether Enbridge has an estimate with respect to the length of the expected delay to the NEXUS in-service date.

b) Please confirm that, on an actual basis, there are no costs incurred by Enbridge with respect to NEXUS until such time that the pipeline is placed in-service.

c) Please explain why Enbridge has continued to assume that NEXUS will be placed in-service during 2018 for the purposes of its gas supply plan. Please discuss why Enbridge has not removed NEXUS from its plan and replaced it with the gas supply and transportation that Enbridge will likely use on an actual basis.

Staff-8

Ref: Operating Costs – Gas, Transportation and Storage Costs
Exhibit D1 / Tab 2 / Schedule 3 / Page 5
Exhibit D1 / Tab 2 / Schedule 7

Preamble:

Enbridge stated that the impact of Direct Purchase customers shifting from Western or Ontario T-Service to Dawn T-Service is twofold: firstly, peak day deliveries to the franchise area via Ontario T-Service customers will decline (Line 8 of the Peak Day Supply Mix schedule); secondly, the Company needs to increase volumes delivered to the franchise area to replace the decline in volume delivered by Ontario T-Service customers (currently that deficiency is mostly visible as an increase in Peaking Service in Line 11 of Schedule 7).

Question(s):

a) At Line 11 of Exhibit D1 / Tab 2 / Schedule 7, there seems to be a decline in Peaking Service as between 2018 and 2017. Please explain the apparent discrepancy between Schedule 7 and the statement copied above.

Staff-9

Ref: Operating Costs – Gas, Transportation and Storage Costs
Rate Design – Gas Supply Revenues
Exhibit D1 / Tab 2 / Schedule 3 / Page 9
Exhibit H1 / Tab 1 / Schedule 1 / Page 8

Preamble:

Enbridge noted that the July 1, 2017 rates have a Purchased Gas Variance Account (PGVA) reference price of \$188.611 / 10^3m^3. The PGVA reference price is comprised of commodity, transportation and load balancing costs. Enbridge stated that “aligned with the Minimum Filing Requirements, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 rates, the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of \$188.611 / 10^3m^3.”

Question(s):

a) Please explain the statement, “aligned with the Minimum Filing Requirements, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 rates, the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of \$188.611 / 10^3m^3.” In the response, please include a reference from the Minimum Filings Requirements that is the basis for this statement.

b) Please advise whether the methodology used to establish the cost of the 2018 gas supply portfolio is different than what has been approved in the previous years of the current Custom IR term. If so, please explain the reason for the change, discuss the typical methodology utilized and provide the reference price that would have been applied arising from the typical methodology.

<u>Staff-10</u>

Ref: Operating Costs – Gas Supply Future Considerations
Exhibit D1 / Tab 2 / Schedule 11 / Pages 12-13

Preamble:

In the EB-2016-0142 proceeding, Enbridge agreed that “before the Company develops or acquires additional storage capacity for utility or regulated gas supply purposes it will file analysis with the Board setting out the need and justification for the incremental storage”. In the EB-2016-0215 proceeding, Enbridge agreed to file a copy of the study then being prepared by ICF International concerning Enbridge’s future storage requirements.

In March 2017, the Company filed the report developed by ICF International which evaluated incremental storage options that the Company might pursue.

At this time, as set out in the gas supply evidence in this proceeding, Enbridge is planning to acquire between 2 and 3 PJ of additional storage in April 2018. Furthermore, from time to time, the Company will consider shorter term high deliverability seasonal exchanges that provide operational flexibility to meet winter demand.

Question(s):

a) Please file a copy of the ICF International Report on the current record.

b) Please confirm that EGD's decision to acquire incremental storage capacity is in accordance with the ICF International Report. Please provide specific references from the noted report that support Enbridge's decision.

c) Please provide a detailed explanation setting out the need and justification for the incremental storage.

d) Please discuss the future implications on Enbridge's gas supply plan of a potential amalgamation with Union Gas Limited. Please advise when detailed evidence with respect to this issue will be filed.

<u>Staff-11</u>

Ref: Operating Costs – Customer Care / CIS Update
Exhibit D1 / Tab 3 / Schedule 1

Preamble:

The definition of customer used for determining Customer Care / CIS revenue requirement includes both active and locked customers.

Question(s):

a) Please explain how the combined active and locked customer count (2,197,291) is derived.

<u>Staff-12</u>

Ref: Operating Costs – DSM Budget Update
Exhibit D1 / Tab 4 / Schedule 1

Preamble:

Enbridge noted that in the EB-2015-0049 Decision, the OEB approved a 2017 DSM budget of $67.6 million.

Question(s):

a) Please confirm that the DSM budget of $67.6 million is the amount included in the 2018 allowed revenue in accordance with Schedule A of the EB-2015-0049 Decision and Order.

Staff-13

Ref: Operating Costs – Pension / OPEB Update
Exhibit D1 / Tab 5 / Schedule 1 Updated

Preamble:

Enbridge noted that it undertook a review of pension plan design following the acquisition of Spectra Energy in order to harmonize programs for employees of both companies. Enbridge stated that the harmonized plan will be effective January 1, 2018.

The costs of the new pension plan for 2018 (on both an accrual and cash basis) are set out in Enbridge's evidence at Exhibit D1 / Tab 5 / Schedule 1 / Appendix 1 Updated.

Question(s):

a) Please provide an explanation supporting the inclusion of the pension plan changes arising from the acquisition of Spectra Energy as an update to the 2018 Pension / OPEB expenses in the context that 2018 is the final year of the current Custom IR term.

b) Please provide an estimate of the 2018 Pension / OPEB expenses (on both an accrual and cash basis) assuming there had been no acquisition of Spectra Energy (and therefore, Enbridge had not harmonized its pension plan).

Staff-14

Ref: Operating Costs – Utility Taxable Income and Income Tax Expense
Exhibit D1 / Tab 6 / Schedule 1

Preamble:

Enbridge noted that it removed the 2018 placeholder tax deduction ($31.1 million) for the site restoration cost (SRC) adjustment. The removal of the noted tax deduction is in accordance with Enbridge's proposal to discontinue Rider D in 2018 (and to move the tax deduction from 2018 allowed revenue to the Constant Dollar Net Salvage Adjustment Deferral Account).

Question(s):

a) Please provide Exhibit D1 / Tab 6 / Schedule 2 with the $31.1 million SRC adjustment related tax deduction included.

b) Please provide a revised 2018 allowed revenue and sufficiency / deficiency schedule (Exhibit A1 / Tab 3 / Schedule 1 / Appendix B) with the income tax line based on the inclusion of $31.1 million SRC-related tax deduction.

c) Please provide revised bill impacts for a typical Rate 1 and Rate 6 customer with the SRC-related tax deduction included in the 2018 allowed revenue.

Staff-15

Ref: 2018 Discontinuance of Site Restoration Cost Rider (Rider D)
Exhibit D2 / Tab 2 / Schedule 1

Question(s):

a) Please confirm whether OEB staff's understanding set out below is correct.

If the tax impact of Rider D is included in rates now, the 2018 allowed revenue amount would be reduced by $11.2 million and a forecast $4 million debit will be requested for recovery at the time that the Constant Dollar Net Salvage Adjustment Deferral Account is brought forward for disposition.

Staff-16

Ref: Cost Allocation
Exhibit G1 / Tab 1 / Schedule 1 / p. 4
Exhibit G2 / Tab 1 / Schedule 1 / p. 3

Question(s):

a) Please confirm that the cost allocation methodology for Rate 332 and the Dawn Transportation Service was previously approved by the OEB. Please confirm that the same cost allocation methodology was used and approved by the OEB in Enbridge's 2017 Rates proceeding (EB-2016-0215).

b) Pleas explain the minor variance between the $2,983.55 million figure cited in Table 1 (Exhibit G2 / Tab 1 / Schedule 1 / p. 3) and the proposed 2018 allowed revenue amount of $2,982.2 million.

Staff-17

Ref: Interruptible Service Program
Exhibit H1 / Tab 2 / Schedule 1

Preamble:

Enbridge provided a summary of the issues discussed at the July 2017 customer consultation on the Interruptible Service Program. Enbridge also provided its response to each issue.

Question(s):

a) For the issues where Enbridge has noted further review is required, please provide a discussion of the expected next steps.

<u>Staff-18</u>

Ref: Rate Handbook
Exhibit H2 / Tab 6 / Schedule 1

Question(s):

a) The energy content information does not seem to be properly reflected in the Rate Handbook. Please confirm that the Rate Handbook will be updated as part of the Draft Rate Order process to show the energy content.