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Our File No. 175290

November 2, 2017

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli
Board Secretary

Dear Ms. Walli:

Re: EB-2017-0086: Enbridge Gas Distribution Inc., 2018 Rate Adjustment Application

Pursuant to Procedural Order No. 1, please find enclosed herewith BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

Tom Brett per

Thomas Brett
TB/dd
cc: All Parties *(via email)*

EB-2017-0086

ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc.

2018 Rates

Interrogatories of

Building Owners and Managers Association, Greater Toronto ("BOMA")

November 2, 2017

Tom Brett
Fogler, Rubinoff LLP
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Counsel for BOMA

Interrogatories of BOMA

1. ***Ref: Exhibit C1, Tab 2, Schedule 1, p2***

   What are the 2017 actuals – year to date for Table 1?

2. ***Ref: Exhibit C1, Tab 2, Schedule 1, p13***

   How many contract customers were "lost"? What does "lost" mean in this context? What volumes do they represent, and how was it calculated?

3. ***Ref: Appendix A, p2, Table 1 re: normalized actual use***

   Please add 2017 actual average use to date number to Tables 1 and 2.

4. ***Ref: Exhibit C1, Tab 2, Schedule 1, Appendix B, p1***

   (a) Where is the forecast 2018 customer additions of 30,449 shown in the Tables and Schedules?

   (b) Please explain how the number is derived, including the relative importance of each factor considered, for both rate 1 and rate 6 customers.

5. ***Ref: Exhibit C1, Tab 2, Schedule 1, Appendix 1, Table 5***

   (a) Please explain the variation in the rate of increase in unlocked meters from January through to December.

   (b) Please explain the derivation of the baseload average use (line 4) in the Table for the months other than July and August, which are set at zero.

(c) What influencing factors are used, and what is the weight accorded to each of these factors? Please explain for each of the ten months, separately.

6. ***Ref: 2018 Volumes***

(a) Please confirm that for general service normalization, there are thirty-six grouping of revenue classes/operating regions, and weather zones. If not, please list the groupings and describe each one.

(b) Please outline, with a map, the six operating regions and the three weather zones, showing borders among them.

7. ***Ref: Exhibit C1, Tab 2, Schedule 1, p14***

Please explain why balance point degree days do not affect the company's degree day forecast. Does the degree day forecast still reflect only degree days below 18°C? Should they not be the same, given that degree days are used to normalize the actual monthly consumption? What is the impact on the volume forecast of using the degree days shown on this page, rather than the 18°C?

8. ***Ref: Exhibit C1, Tab 2, Schedule 1, Appendix A, p6, Table 5***

(a) Please show the calculation for each grouping's average load, base load and heat load for each month, and show those amounts for each month for each grouping.

(b) Please show the number of monthly customers and monthly total consumption for each revenue class for each of rate 1 and rate 6.

(c) Please provide the aggregation of the results provided for each grouping asked for in (b) above, to the numbers that are shown in Tables 5 and 6.

(d) Do the balance point degree days vary for different groupings, other than between the three weather regions on p14? If so, please explain why and how.

(e) Has EGD made empirical studies of the influence of higher or lower gas prices on demand, in addition to the results supplied by the econometric model? If so, what are the results?

9. ***Ref: Exhibit C2, Tab 1, Schedule 1***

Can EGD update the Economic Outlook to 2017 Q3 Economic Outlook?

10. ***Ref: Exhibit C2, Tab 1, Schedule 2, p10, Conversion of Degree Days***

Please explain why the actual Environment Canada degree days and the Gas Supply degree days bear no constant relationship to one another over the multiyear period, and in the 2018 Forecast at Table 10, p10.

11. ***Ref: Exhibit C2, Tab 1, Schedule 3, p3***

Please provide a copy of the cited AGA Forecasting Review, and of each of the articles in footnotes 2 and 3.

12. ***Ref: Ibid, p20***

Please explain what is meant by balance point heating degree days <u>adjusted by billing cycles</u> (our emphasis).

13. ***Ref: Ibid, p21***

Please provide copies of the model/equation used to forecast average gas use in 2018 for each of the rates 1 and 6, with explanatory note that illustrates the relative strength of each driver in the equation, eg. heating degree days, vintage (rate 1 only), employment, Ontario grid gross domestic product, vacancy rates (rate 6 only), real energy prices, and a time trend. Please describe and illustrate by, an example, the relative impact of the "time trend" EGD uses.

14. ***Ref: Ibid, p20***

Is a constant basis used between Hub price forecasts and gas prices in the basins from which EGD obtains its gas? What are those bases?

15. ***Ref: Ibid, p22***

What is the current average furnace efficiency across the EGD service territory, in each of its weather zones?

<u>Gas Supply Plan</u>

16. ***Ref: Exhibit D1, Tab 2, Schedule 11, p3***

What is the status of the Vaughan Mainline Express Project completion date, and for the Rover Pipeline completion date?

17. ***Ref: Exhibit D1, Tab 2, Schedule 2, pp8-9***

Please explain the reason for using the eighteen multi-peaks in the 2018 Supply Plan and show their directional impact on the Gas Supply Plan and ensuing contracts for commodity and transportation, relative to using a single peak day demand.

18. ***Ref: Ibid, p10***

(a) Why is longer recurrence interval assumption associated with a more conservative gas plan? Given the one in five recurrence interval and eighteen multi-peaks, where does EGD's plan rank on the conservative/less aggressive spectrum, and why?

(b) Does the recurrence interval determine the number of multi-peaks, and how, or are the two assumptions independent? Please explain and relate to the risk table on Figure 3 at p10.

(c) Please show the illustrative impacts on a gas plan with one in ten recurrence interval.

19. ***Ref: Ibid, p18***

(a) Please provide the amount of storage that EGD leases in Michigan, the owner of the facility, and the transportation it holds on pipelines in Michigan to move the gas to Ontario. At what point(s) does that gas enter Ontario, and by what route(s) does it reach Dawn?

(b) Please provide a breakdown of the 24.4 PJs storage at market based prices that EGD has. How much of that is Union Gas? What other storage provider does EGD contract with, other than Union and the owner of the Michigan storage facility? When Union and EGD merge, will the existing Union storage be treated as EGD's own storage and available at cost based rates, or the lower of cost based or market based rates?

20. ***Ref: Ibid, p18***

Please explain the need for additional discretionary requirements (purchase) during the winter to ensure that maximum deliverability from storage would be maintained until the end of February, and such that deliverability from storage would be sufficient to meet a March peak day as late as March 31st. How much additional winter discretionary purchase needs to be made and when would this purchase normally be made? Does EGD have an alternative to purchase additional storage capacity and deliverability instead, or is there no further storage capacity available? Please explain the interrelationship of the two commitments in more detail, perhaps with a numerical example. Did EGD have to purchase additional storage capacity, or deliverability, to implement the revised storage plan? Did it have increased pipeline capacity from Dawn? Please explain.

21. ***Ref: Ibid, p18***

Please provide examples of "hybrid services" combining aspects of physical and synthetic storage. Please explain how each one works to provide enhanced operational flexibility to the company.

22. ***Ref: Ibid, p19***

(a) How many unbundled large industrial customers does EGD have? Is the option restricted to large industrials? While not in the gas supply plan, would EGD not be <u>expected</u> to backstop? Please confirm that EGD has no legal obligation to do so. Does it have a backstop rate?

(b) Has EGD had to provide this "emergency service" in the past? If so, how many times? Please discuss.

(c) Please describe the nature of the load balancing service that EGD supplies to OTS customers. Can you provide a contractual template for the service?

23. ***Ref: Ibid, p21***

For what period does a "medium term weather forecast" make predictions? How accurate has it been since EGD began using it?

24. ***Ref: Exhibit D1, Tab 2, Schedule 3, p4, Nexus Delivery***

(a) Will the landed price of the gas purchased in Chicago to backfill the delayed Nexus supply to Vector cost more or less than gas purchased pursuant to the Nexus contract? Has EGD already purchased gas for delivery via Nexus? Does EGD have FM or other contracted protection on gas it has already purchased at Dominion North or other Marcellus/Utica purchase points?

(b) What is the contingency plan?

(c) Has FERC now approved the Nexus pipeline for 2018? If not, when is FERC approval likely to occur? Is there material risk that Nexus will not be approved?

25. ***Ref: Ibid, p7, paragraph 6***

Why is it necessary for EGD to receive its delivery volume to the service area through additional peaking service, to replace deliveries to the franchise area by Ontario T-Service customers opting to move to Dawn delivery service? Please explain fully. What notice does EGD require from migrant customers prior to their switching to Dawn delivery service? What has been the incremental cost to ratepayers (in 2017) and forecast in 2018 to backfill the missing supply with peaking service?

26. ***Ref: Ibid, p8***

Please provide illustration of potential high deliverability seasonal exchange to meet a winter Dawn requirement.

Pension

27. ***Ref: General***

Please provide a description of the proposed changes in the new EGD pension plan from the current plan. Please describe in sufficient detail to allow parties to understand clearly what the changes were, and why they were made.

28. ***Ref: Exhibit D1, Tab 5, Schedule 1, p2***

(a) Please provide the 2016 and 2017 actual and forecast/actual to date in the Table at p2 of 4.

(b) Please provide any internal study or report conducted on the harmonization of the pension plans for employees of Enbridge Inc. and Spectra Inc.

(c) Please provide an explanation as to why the forecast 2018 cash requirement is approximately $6 million higher than the 2018 accrual expense in the 2018 utility placeholder in the Table on p2.

(d) Please provide an explanation in text of each of the entries (columns) on the two tables in Appendix C to the Mercer Report (pp14 and 15). Please explain the changes shown in each of lines 1 through 9 for the 2018 Pension Plan accounting expenses, and cash requirements determinants, which, when aggregated, produce the numbers shown on p2 of 4, for each of listed plans.

(e) Please provide copies of the "Report" and the two "Presentations" referred to at p7 of the Mercer Report.

29. ***Ref: Mercer Report, p2***

(a) Please provide a copy of the Ontario Minister of Finance's proposed reforms to the funding framework for Ontario registered deferral benefit pension plans.

(b) Have the details of the proposed reform been made available? If so, please provide them. Please provide a copy of the 2015 Quebec registered deferral benefit plan reforms.

(c) Please provide the impact of each of EGD's June 2, 2017 proposed changes (effective January 1, 2018), summarized in Appendix B, Tables 1, 2 and 3, on EGD's 2018 forecast accrued expenses, and forecast cash requirements.

(d) Please show separately the impact on EGD's forecast 2018 accrued expenses and cash requirements from the proposed changes flowing from EGD's regular review of its pension investments (first bullet on p2 of Mercer Report), and the changes that would flow from the Ontario reform proposals, once they have been adopted into law.

(e) Have the Ontario reform proposals been incorporated in legislation/regulation yet? If not, when is it likely that they will become law?

(f) If the Ontario proposed reforms are not yet law, why is EGD proposing to make changes in its funding (cash contributions) prior to the legal requirement to do so?

(g) With respect to adjustments proposed due to EGD's regular review of its pension plan investments, are they done annually? What aspects of the plans are reviewed annually, other than expected returns and discount rates? Why are changes proposed to both expected returns and discount rates? Please show the impact the modifications to the expected returns and discount rates have on EGD's annual accrual expenses and funding obligations in 2018.

(h) Please provide a copy of the ASC 715 (MS GAAP) Actual Valuation Report as of December 31, 2016.

(i) Are EGD's May and June 2017 assumptions likely to be revised prior to January 2018? What is the likely impact, directionally, and in order of magnitude, on the forecast 2018 accrued expenses and cash requirements? Does EGD intend to make any changes to its forecast requirements as a result of any revisions to the June assumptions? Please discuss.

(j) Preamble:

> *"The EGD RRP projections are based on the assumption that a new valuation will be filed at December 31, 2017, and that EGD would contribute the minimum amounts prescribed under the new Ontario framework, which we have assumed would be the same as those prescribed by the Supplemental Pension Plan Act and Regulations of Quebec (the "Quebec SPPA")".* (Mercer, p5)

Does EGD intend to file a revised actual valuation by December 31, 2017 with the FSO and the CRA? Why would it finalize payments pursuant to an Act that is not yet in force? Why does Mercer made the assumptions described in the quote above?

30. ***Ref: Exhibit D1, Tab 6, Schedule 2, p1***

Please explain in line 3, the reduction in accrued pension and OPEB costs by $5.4 million for the 2018 placeholder account of $26.2 million. Please show the calculation.

Rider D and Income Taxes

31. ***Ref:*** ***Exhibit D2, Tab 2, Schedule 1, p3; Site Restoration Cost Adjustment (Rider D)***

(a) How was Rider D constructed and designed? Please explain the arithmetic used to calculate Rider D in each of 2014, 2015, 2016, and 2017, both forecast and actual.

(b) Please explain the following sentence (the last sentence in paragraph 9):

> *"The main contributors to the anticipated debt variance balance are the higher actual volumes in 2014 and the higher Rider D unit rates that year versus the other years, partially offset by lower actual volumes in 2016 and 2017 due to warmer than normal weather".*

(c) Please confirm that in eliminating Rider D on December 31, 2017 and creating a deferral account and clearing that account in May 2018 in the ESM proceeding, EGD is removing a credit to rates of $31.4 million in 2018, and recovering its overpayment of about $35.1 million one year earlier than otherwise and thereby increasing its 2018 cash flow by about $66 million, before incorporating the income tax credit to ratepayers.

(d) What is EGD's most current forecast of the likely actual amount which will be collected from Rider D in 2018 if Rider D is left in place? What has been the amount collected to date, as at October 31st?

32. ***Ref:*** ***Exhibit D2, Tab 1, Schedule 1, p20***

(a) Please explain the intent and rationale for the proposal to record a credit of $11.2 million payable to ratepayers in the 2018 CDNSADA and to remove it from forecast $31.1 million tax reduction from the termination of the update of forecast 2018 allowed revenues in forecast.

(b) What is the arithmetic relationship between the $31.1 million tax reduction and the $11.2 million credit in the deferral account? How can a tax credit be used in a deferral account? Why is the tax credit not simply included in forecast 2018 rates?

33. ***Ref: Exhibit E1, Tab 3, Schedule 1, p1***

(a) Please confirm that the actual "effective costs" of the 2017 debt issuances are the costs, if the debt has been issued, which are reflected in Table 1 on p1 of the Exhibit. If other numbers are used in Table 1, please explain the difference between the Board approved costs, and provide the actual costs of debt issued.

(b) Are the terms (coupon rate excepted) of the forecast 2018 debt the same as the planned actual terms of the 2017 debt? Please describe any differences or likely differences.

(c) When in November is the 2018 debt likely to be issued, or has it already been issued? If issued, what were the terms?

(d) Please explain why the coupon rates of the 2018 ten and thirty year debt have been forecast to increase by forty-five and thirty-five basis points, respectively, over the updated forecast for 2017, ten and thirty year debt.

(e) What is the current yield on the ten and thirty year Canadian government bonds (average of first week in November)?

(f) Why is EGD proposing an increase of five basis points in the Corporate Spread over 2017 amounts?

(g) Please confirm that assuming the forecast debt issuances for 2017 takes place, the actual rates will be reflected in Table 6, the updated forecast of Term Debt shown at Exhibit E2, Tab 1, Schedule 2, p1.

34. ***Ref: Tab 1, Schedule 1, p2***

What is the unamortized financial cost and why is it deducted from debt? How is it accounted for in regulatory and commercial financial statements?