

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. and Union Gas Limited, pursuant to section 43(1) of the *Ontario Energy Board Act, 1998*, for an order or orders granting leave to amalgamate as of January 1, 2019.

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. and Union Gas Limited, pursuant to section 36 of the *Ontario Energy Board Act, 1998*, for an order or orders approving a rate setting mechanism and associated parameters during the deferred rebasing period, effective January 1, 2019.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

MAADs Application Issues

“No Harm” Test (Issues 1 and 2)

1. Please provide a detailed organizational chart for Enbridge Inc., both today and as forecast after the amalgamation, if any changes will result. Please identify and describe all direct and indirect reporting relationships from Amalco executives to Enbridge Inc. executives.
2. [B/1, p. 40] Please provide copies of all material contracts, agreements, understandings, or similar documents, whether or not legally binding, relating in whole or in part to the distribution, transmission or storage of gas in the province of Ontario, in which Enbridge or its affiliates and Union or its affiliates were parties or signatories immediately prior to the acquisition by Enbridge of Spectra. For each such document, please describe how its terms are impacted by the proposed amalgamation, if at all. Please explain in detail how Amalco will “treat current contractual arrangements as continuing services for the existing term of the pre-amalgamation contracts”.
3. Please provide copies of all material provided to the Competition Bureau for its assessment of the transaction between Enbridge Inc. and Spectra Energy, dealing in whole or in part with the impact of the transaction on the Ontario distribution, transmission, and/or storage market.

4. [B/1, p. 2] Please file any studies or analyses of the “significant and sustainable benefits to current and future ratepayers in Ontario” of the proposed amalgamation.
5. [B/1, p. 3, 4] Please provide any studies or analyses by the Applicants or any of their affiliates on diseconomies of scale, reduction of competition, or any other disbenefits that could arise out of the proposed amalgamation or the acquisition by Enbridge of Spectra.
6. [B/1, p. 4] Please provide the full calculations of the \$410 million figure, including all assumptions, in spreadsheet format.
7. [B/1, p. 10] Please provide an estimate (with breakdown) of the combined employees of Amalco 24 months after the completion of the amalgamation.
8. [B/1, p. 14] Please provide the “ten-year discounted cash flow analysis” in spreadsheet format.
9. [B/1, p. 20] Please provide full back-up calculations supporting Table 3.
10. [B/1, p. 23] Please describe in detail the extent, if any, to which the Applicants are proposing that changes in “the economic environment with respect to interest rates and the move to a lower carbon economy” are to be treated as Z factors in the proposed rate-setting framework.
11. [B/1, p. 26] Please provide full back-up calculations supporting Table 4.
12. [B/1, p. 35] Please describe in detail the Applicants’ plans to integrate the DSM activities of Enbridge and Union. Please provide any internal memos, analyses, or other such documents dealing with the integration of DSM between the two utilities.

Rebasing Deferral (Issues 3 - 5)

13. In EB-2012-0459, Enbridge filed an Asset Plan for the period 2013-2022 as Exhibit B2/10/1. With reference to asset planning:
 - a. Please file the most recent Asset Plan or comparable document for Enbridge. If no such up to date document exists, please explain why, and provide in response to this interrogatory as much actual and forecast information comparable to that in the cited Exhibit as the Applicants can provide.
 - b. Please file for Union Gas the most recent asset plan or other document that most completely provides the information found in the cited Exhibit for the Union service territory. If no such up to date document exists, please explain why, and provide in response to this interrogatory as much actual and forecast information comparable to that in the cited Exhibit as the Applicants can provide.
14. Please provide information, in the same format as found in EB-2012-0459, Exhibit B3/2/1, on actual and forecast customer additions for Enbridge for the period

commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.

15. Please provide information, in the same format as found in EB-2012-0459, Exhibit C1/2/1, Appendix A, on actual and forecast normalized average use for Enbridge for the period commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.
16. Please provide information, in the same format as found in EB-2012-0459, Exhibit C3/1/1, on actual and forecast operating revenue for Enbridge for the period commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.
17. Please provide information, in the same format as found in EB-2012-0459, Exhibit D1/3/1, Table 1 and Table 2, on actual and forecast OM&A for Enbridge for the period commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.
18. Please provide information, in the same format as found in EB-2012-0459, Exhibit E1/1/1, Table 1, on actual and forecast cost of capital for Enbridge for the period commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.
19. Please provide information, in the same format as found in EB-2012-0459, Exhibit F1/1/1, Table 1, F1/1/2, and F3/1/2, on actual and forecast regulatory income, return and deficiency/sufficiency for Enbridge for the period commencing 2014 and continuing as long as Enbridge has forecast information. Please provide a similar table for Union covering the same period.
20. Please provide the most recent Rating Agency reports dealing with either Enbridge or Union, or their parent companies.
21. [B/1, p. 38] Please provide details on the proposed biennial customer engagement process. [See also Issue 16 in 0307]
22. [B/1, Attach 11, p. 2] Please provide a forecast of this Income Statement, on an annual basis, for the full deferred rebasing period. Please provide any internal memos or analyses dealing with gross and/or net income for the deferred rebasing period.

Impacts of the Merger (Issues 6 - 10)

23. With respect to the impact of the transaction on the storage market:
 - a. Do the Applicants believe that due to the proposed amalgamation, or due to the acquisition by Enbridge of Spectra, any of the findings on competition in the NGEIR Decision (EB-2005-0551) are now materially incorrect or should change? Please explain your response.

- b. Please provide a table showing, for each gas storage facility owned or operated by the Applicants or their affiliates, the name of the facility, details of the ownership or operational interest, its location, connecting transportation pipeline, capacity, and maximum daily deliverability.
24. Please provide a table showing, for each gas transportation pipeline owned or operated in whole or in part by the Applicants or their affiliates, the name of the pipeline, details of the ownership or operational interest, location, and capacity.
25. [B/1, p. 13] Please provide details of the proposed redemption of preference shares, and all impacts on costs, capital structure, and financial strength from those transactions. Please provide all internal memos or other analyses dealing in whole or in part with those impacts.
26. [B/1, Attach 8, p. 3] Please confirm that the head office of Amalco will remain in the service territory of Enbridge until the undertakings are changed or waived.
27. [B/1, Attach 8, p. 8] Please confirm that the Applicants are seeking approval to terminate the undertaking to maintain the Union head office in Chatham-Kent.

Rate-Setting Mechanism Issues

Rate Framework (Issues 1 - 11)

28. [A/2, p. 2] Please confirm that the Applicants are proposing that Z factors be available for all years starting in 2019.
29. [A/2, p. 3] Please explain why the equity thickness should not be reduced as a result of the amalgamation. Please provide any documents in the possession of the Applicants relating to the change of risk, if any, arising out of the combination of the operations of Union Gas and Enbridge Gas Distribution.
30. [B/1, p. 3] Please confirm that neither of the Applicants currently have approved rates applicable after December 31, 2018.
31. [B/1, p. 4, 12] Please confirm that the current Z factor threshold for Enbridge is \$1.5 million, and for Union Gas is \$4.0 million. Please explain why a substantially larger company, Amalco, should have a substantially lower threshold. Please provide the levels of expenditures at Amalco that will require a) CEO approval, b) Board of Directors approval, and c) Enbridge Inc. approval. If there is a document describing decided or proposed approval levels for Amalco, please file that document.
32. [B/1, p. 5] Please explain why the materiality thresholds for ICM purposes should be separate for the Union Gas and Enbridge franchise areas. Please calculate the threshold on a combined basis.
33. [B/1, p. 5] Please explain how the two proposed adjustments to revenue are different from other costs that have changed from the amounts baked into rates.

34. [B/1, p. 10] Please provide the current Board of Directors or management approved 2018 capital and operating budgets for each of Union and Enbridge.
35. [B/1, p. 12, 15] Please explain in more detail the Y factor treatment being proposed for interest rates.
36. [B/1, p. 12] Please confirm that the Applicants are proposing Z factor treatment for both positive and negative changes in their cost structure, and that the Applicants agree that they will have an obligation to make timely applications for Z factor treatment for changes in cost structure that would reduce rates.
37. [B/1, p. 14] Please apply the proposed threshold calculation to actual capital spending of both Union and Enbridge 2014-2017 and identify the threshold value and qualified ICM spending (relative to actual spending) for each year. For each year in which there was incremental capital recoverable under the then-applicable IRM regime, please describe how much was requested and how much was approved.
38. [B/1, p. 14] Please advise when the Applicants plan to complete, and file with the Board, a combined Asset Management Plan. Please provide the Applicants' most recent capital spending forecast, and provide an estimate for each year during the deferred rebasing period of the amount of ICM qualified spending.
39. [B/1, p. 19] Please explain how the proposed treatment of CIS and customer care costs is compliant with the EB-2011-0226 Settlement Agreement. If it is not, please describe the differences, and the relief being sought from the Board relative to that Agreement. Please file the full multi-year table of costs agreed to in that proceeding.
40. [Issue 6] [B/1, p. 24] Please provide a detailed continuity for the Constant Dollar Net Salvage Adjustment Deferral Account, from the inception of the account, and including the forecast true-up in 2018.
41. [Issue 6] [B/1, p. 25] Please provide a detailed breakdown of all entries to the Tax Variance Deferral Account since 2013.
42. [B/1, p. 25] Please explain why earnings sharing should not start in 2019.
43. [B/1, p. 26, 29] Please describe in detail the extent to which the Applicants are proposing to be allowed to propose new regulated services, changes to cost allocation, or new rate design proposals, during the deferred rebasing period. Please confirm that the Applicants are proposing that only the utility can propose changes, and other parties, including customers, cannot.
44. [B/1, p. 30] Please confirm that the Applicants are proposing to require advance Board approval for accounting changes that could have an impact on costs as calculated for regulatory purposes. If not, please describe what the Applicants are proposing in this context, and how they propose impacts on costs as calculated or regulatory purposes should be reflected in rates, if at all.

45. [Issue 5] [B/1, Attach 3] Please describe why each account is still required, and why each account should not be consolidated between Union and Enbridge. Please provide the balance of all listed accounts as of December 31, 2017.

Other (Issues 12 - 16)

46. [Issue 12] [B/1, p 4, 29] Please explain why different rates are appropriate for Union and Enbridge rate zones that are contiguous and/or similar, such as the Niagara Peninsula, the Ottawa Valley, and the GTA.
47. [Issue 13] [B/1, Attach 5] For each of the directives and commitments listed:
- a. Please explain in detail why compliance with the directive or commitment should be delayed until 2029;
 - b. Please provide details of the work done to date on the directive or commitment, including copies of all reports, memos, analyses, or other documents prepared to date.
48. [Issue 14] [B/1, p. 21] Please provide a detailed table showing the actual performance of each of Enbridge and Union under the proposed scorecard metrics for each of the years 2012-2017. If it is possible to estimate a combined score for any metrics for those years, please provide those combined scores as well.
49. [Issue 14] [B/1, Attach 5, p. 2] Please file a copy of the agreement, if any, between the parties to the EB-2013-0202 Settlement Agreement amending that agreement to remove the requirement to “prepare a full cost-of-service filing at the time of rebasing”. If an amending agreement cannot be filed, please advise how the Applicants plan to comply with the legal requirements of that agreement, or confirm that they propose to be in breach of that agreement.
50. [Issue 15] [B/1, p. 22] Please explain why the Applicants are not proposing to report on regulatory return on equity as well as financial statement return on equity.
51. [Issue 16] [B/1, p 27] Please explain why the Applicants are proposing to change stakeholder meetings from every year to every second year.

Questions for Dr. Makhholm (Issue 1)

52. [B/2, p. 3] Please provide a copy of the cited PhD dissertation.
53. [B/2, p. 4] Please provide a copy of the report, if any, prepared for Ontario Hydro Services Company.
54. [B/2, p. 7] Please explain why cost plus regulation is an “unfortunately simplistic label”.
55. [B/2, p. 9] Please confirm that, in the expert’s opinion, the RPI-X method pioneered in the UK is out of date and no longer a good idea in most jurisdictions.

56. [B/2, p. 10] Please explain how lengthening regulatory lag acts as a competitive market proxy.
57. [B/2, p. 11, 20] Please confirm that what the Board refers to as a productivity factor is in fact composed of two parts: a) the differential between industry-specific inflation and economy-wide inflation, and b) the actual measured ability of companies in the industry to produce greater outputs for the same cost inputs.
58. [B/2, p. 14] Please confirm that, in the expert's opinion, stretch factors should only be used when a company is transitioning to PBR from another rate-setting framework.
59. [B/2, p. 15] Are there any other reasons why the expert believes that EGD and Union should not be subject to stretch factors?
60. [B/2, p. 15, 19] Please confirm that, consistent with the expert's opinion, the stretch factors in electricity distribution should be variations around zero, rather than all positive stretch factors. Please explain how the Ontario electricity distribution stretch factors are different from those discussed by the expert before the AUC.
61. [B/2, p. 16] Please confirm the expert's opinion that it is not possible to derive empirically a frontier cost level, and it is not possible with the data available in Ontario to determine empirically the productivity of the Applicants. Please explain how it is possible to implement econometric benchmarking if there is insufficient data to identify a cost frontier or a cost formula.
62. [B/2, p. 17] Is it reasonable to conclude that all TFP growth studies, if properly done, should end up at zero, as the data is insufficiently robust to produce reliable results either positive or negative?
63. [B/2, p. 19] Please explain the relevance of "most of Ontario's electricity distribution utilities are in the public sector", and how it impacts the appropriateness of productivity benchmarking.
64. [B/2/, p. 20] Please discuss how, if at all, the use of PBR emulates competitive markets by forcing utilities to be more price-takers rather than price-setters.
65. [B/2, p. 22, 24] Please explain why exogenous cost changes should be dealt with separately. Aren't all companies in the economy subject to exogenous cost changes? How, in a PBR scheme, are exogenous cost changes specific to the company separated from cost changes that apply to other companies as well? Please confirm that, in competitive markets, exogenous cost changes only impact prices if they apply to all companies that are competing with each other in the sector.
66. [B/2, p. 34] Please confirm that, in the expert's opinion, input price inflation for gas distributors in Ontario is the same as input price inflation for the economy as a whole. If not confirmed, please explain.

67. [B/2, p. 39-50] Please list all of these items that involved preparation of an empirical TFP study. Please describe, for each of those engagements, the work done.
68. [B/2, p. 52] Please provide copies of the May 2012 Electricity Journal article, the chapter in Voll and King, and the December 1997 Public Utilities Fortnightly article.
69. [B/2, p. 71] Please confirm that Dr. Agustin J Ros is not involved in the report filed in this proceeding. If he is, please describe his role in detail.

Respectfully submitted on behalf of the School Energy Coalition this March 9, 2018.

Jay Shepherd
Counsel for the School Energy Coalition