ENBRIDGE GAS DISTRIBUTION INC.

Deferral Account Disposition and 2017 Earnings Sharing

EB-2018-0131

OEB STAFF INTERROGATORIES

August 22, 2018

<u>Staff-1</u>
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 May 31, 2018 and the forecast for clearance amounts at January 1, 2019.

Question(s):

a) For the accounts that Enbridge is seeking to clear as part of this proceeding, please provide an updated version of the summary table that includes: (i) December 31, 2017 balances; (ii) explanations for the differences between the December 31, 2017 balances and the May 31, 2018 balances. In addition, for the accounts where the May 31, 2018 balance is different from the amount that Enbridge is seeking to clear in January 1, 2019, please explain those differences.

b) Please confirm that the December 31, 2017 balances are consistent with the account balances reported in Enbridge's 2017 RRR filing (2.1.7) and its 2017 audited financial statements. If any differences exist, please explain.

c) Please advise whether there are any deferral and variance accounts that are currently approved for 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, 2017 (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 2017 Results
Exhibit B / Tab 1 / Schedule 3 / Page 2
Exhibit B / Tab 1 / Schedule 4 / Pages 2-3

Preamble:

Enbridge noted that the distribution margin increase of $6.8 million was partially driven by higher than forecast customer unlocks attributable to higher than forecast customer additions.

Enbridge eliminated $0.2 million related to EGD / Union amalgamation transaction costs in calculating its 2017 utility income.

Question(s):

a) Please provide an explanation for the higher than forecast customer additions experienced in 2017 (Exhibit B / Tab 1 / Schedule 3 / p. 2).

b) Please explain the purpose of the Cap & Trade related adjustments (Exhibit B / Tab 1 / Schedule 4 / pp. 2-3).

c) Please advise whether the $0.2 million elimination of EGD / Union amalgamation transaction costs reflects the removal of all of the amalgamation-related costs incurred in 2017. If not, please provide the total amalgamation-related costs that were incurred in 2017, advise whether these costs impact the amount of earnings proposed to be shared with customers, and, if necessary, refile the earnings sharing calculation with all 2017 amalgamation-related costs removed.

Staff-3

Ref: Earnings Sharing Mechanism and Actual 2017 Results
Exhibit B / Tab 1 / Schedule 2

Preamble:

OEB staff understands that Enbridge changed its policy with respect to capital contributions for residential infill customers in 2015. OEB staff would like to better understand the policy change and its impact on the earnings sharing calculation.

Question(s):

a) Please provide a description of the capital contribution policy for residential infill customers prior to 2015.

b) Please provide a description of the capital contribution policy for residential infill customers after the policy change in 2015.

c) Please explain the rationale for the policy change.

d) Please provide the total amount of capital contributions that were collected from residential infill customers in each year 2010-2017. Please also provide the number of customers that were required to make a capital contribution in each of the noted years (and the average capital contribution collected).

e) Please explain how the change in policy has impacted utility earnings and the earnings sharing calculation.

f) If possible, please provide, for each year 2015-2017, the variance between the actual utility earnings amount and the utility earnings that would have occurred if the noted policy was not changed. At a minimum, please provide an illustrative example of the 2017 earnings sharing calculation using a reasonable estimate of the capital contributions that would have been collected under the previous policy (as opposed to the current policy).

g) Please explain what the impact will be on rate base and revenue requirement at the time of rebasing due to the change in the noted policy (relative to if the policy was not changed).

<u>Staff-4</u>

Ref: Manufactured Gas Plant Deferral Account (MGPDFA)
Exhibit C / Tab 1 / Schedule 1 / Page 1

Preamble:

Enbridge noted that it is not requesting clearance of the MGPDA and the amounts recorded in the account will be requested for disposition in a future proceeding.

Question(s):

a) Please provide an update on the Cityscape Residential Inc. legal proceeding and advise when Enbridge expects to seek disposition of the balance in the noted account.

Staff-5

Ref: Storage and Transportation Deferral Account (S&TDA)
Exhibit C / Tab 1 / Schedule 2 / Page 1 and Attachment 1
Exhibit A / Tab 2 / Schedule 1 / Appendix A

Question(s):

a) Please reconcile the $101.3 million Union transmission costs line item to the referenced schedule in Note 2 (EB-2016-0215 / Ex. D1 / Tab 2 / Schedule 6 / Item 2). Please explain the comment “excluding impact of Dawn T-Service.”

b) Please provide the detailed calculation for the $1.9 million Cap & Trade cost amount in Column 4 and explain why it forms part of the variance calculation in the account.

c) Please explain how the $0.7 million credit amount related to Enbridge’s share of Union’s disposition of deferral account balances / ESM is calculated.

d) Please explain the variance between the $21.9 million principal balance for the S&TDA calculated in Exhibit C / Tab 1 / Schedule 2 / Attachment 1 and the $22.6 million principal balance cited at Exhibit C / Tab 1 / Schedule 2 / p. 1 and shown in the summary table at Exhibit A / Tab 2 / Schedule 1 / Appendix A. Please advise which amount is correct and for which Enbridge is seeking clearance as part of the current proceeding.

Staff-6

Ref: Transactional Services Deferral Account (TSDA)
Exhibit C / Tab 1 / Schedule 2 / Attachment 2

Question(s):

a) Please discuss the variance year-over-year (2016 to 2017) related to storage optimization revenues.

Staff-7

Ref: Unaccounted for Gas Variance Account (UAFVA)
Exhibit C / Tab 1 / Schedule 3
EB-2017-0102 / Settlement Proposal / Page 14
EB-2017-0086 / Settlement Proposal / Page 18
EB-2017-0307 / OEB Staff Submission / Page 39

Preamble:

In OEB staff's submission in EB-2017-0307, OEB staff argued that the OEB should order Amalco to file the specified reporting on Unaccounted for Gas (UAF) during the deferred rebasing period that Enbridge agreed to file as part of its 2018 Rates proceeding. OEB staff did not see a response to this in the reply argument.

Question(s):

a) Please provide a brief update with respect to the UAF investigation that Enbridge agreed to undertake in its 2016 deferral account proceeding and its 2018 rates proceeding. Please advise whether Enbridge will provide the relevant evidence as part of its 2019 rates proceeding.

Staff-8

Ref: Average Use True-Up Variance Account (AUTUVA)
Exhibit C / Tab 1 / Schedule 4 / Pages 1-2 and Appendix A
EB-2017-0102 / Tab 1 / Schedule 5 / Appendix A

Question(s):

a) Please provide a table showing the variance between 2016 and 2017 normalized actual average use for Rates 1 and 6 and provide an explanation for the variances.

Staff-9

Ref: Electric Program Earnings Sharing Deferral Account (EPESDA)
Exhibit C / Tab 1 / Schedule 10 / Page 1

Preamble:

Enbridge noted that the $0.7 million credit recorded in the account reflects the ratepayers 50% share of the net revenues generated by providing electric conservation and demand management (CDM) activities, using a fully allocated costs methodology.

Question(s):

a) Please provide a table showing a detailed breakdown of both the costs and revenues that comprise the net revenue balance in the account for each year 2014-2017.

Staff-10

Ref: Ontario Energy Board Cost Assessment Variance Account (OEBVCAVA)
Exhibit C / Tab 1 / Schedule 11 / Page 2

Preamble:

Enbridge noted that it utilized the average of the OEB's fiscal 2015/2016 quarterly invoiced amounts, under the previous CAM, as representative of the OEB costs embedded in 2017 rates.

Question(s):

a) Please confirm that this is the same comparator that was used for calculating the 2016 balance in the account.

Staff-11

Ref: Constant Dollar Net Salvage Adjustment Deferral Account (CDNSADA)
Exhibit C / Tab 1 / Schedule 12 / Page 2
Exhibit C / Tab 1 / Schedule 12 / Attachment 1

Preamble:

Enbridge noted that, in accordance with the 2018 rates proceeding (EB-2017-0086) Amended Settlement Proposal, it requested the recovery of the $6.47 million final balance in the CDNSADA as part of the current proceeding.

Question(s):

a) Please provide the final balance in the CDNSADA that was forecasted as part of the EB-2017-0086 proceeding. Please explain why the balance sought for recovery as part of the current proceeding is different than the forecast that was made in the EB-2017-0086 proceeding.

b) Please provide additional evidence (volumes and unit riders) supporting the dollar amounts shown in Exhibit C / Tab 1 / Schedule 12 / Attachment 1.

Staff-12

Ref: Dawn Access Costs Deferral Account (DACDA)
Exhibit C / Tab 1 / Schedule 13 / Pages 1-7

Preamble:

Enbridge noted that all incremental costs to implement the Dawn Transportation Service (DTS) and heat value conversion modifications were capital in nature. In total, capital costs of $6.5 million were incurred to develop, test and integrate enhancements to the functionality of Enbridge's EnTRAC and connected systems.

Enbridge requested approval to credit $0.9 million to ratepayers, which represents the 2017 revenue requirement impact associated with the $6.5 million capital spending incurred. Enbridge noted that, in future years, there will also be larger revenue requirement amounts to be recorded in the account as the 2017 amount reflects only a partial year of in-service effectivity and benefits from a significant Capital Cost Allowance (CCA) tax deduction that will not repeat in subsequent years beyond 2018.

Question(s):

a) Please provide a detailed breakdown of the $6.5 million capital costs incurred related to the noted projects. Please include a breakdown as between the DTS-related costs and the heat value conversion-related costs.

b) Please advise whether there was a forecast of the DTS-related costs provided as part of the Dawn Access proceeding (EB-2014-0323).

c) Please confirm that the heat value conversion costs were originally estimated to be less than $0.5 million (EB-2016-0215, Settlement Proposal, Page 11).

d) Please explain the rate base amount of $0.26 million used in the revenue requirement calculation.

e) Please provide an estimate of the revenue requirement that will be recorded in the account in 2018 and 2019.

Staff-13

Ref: Clearance of Deferral and Variance Account Balances
Exhibit C / Tab 2 / Schedule 1 / Pages 1-2
Exhibit C / Tab 2 / Schedule 2 / Page 3

Preamble:

Enbridge proposed to dispose of the deferral and variance account balances (including the earnings sharing amount) as a one-time billing adjustment in the month of January 2019.

With respect to the DACDA, Enbridge proposed to allocate the balance on the basis of bundled annual deliveries (Exhibit C / Tab 2 / Schedule 2 / Page 3 / Column 11).

Question(s):

a) Please provide rationale supporting the change to a single-month billing adjustment as opposed to the typical two-month billing adjustment that has been approved in previous proceedings.

b) Please explain why allocating the heat value conversion-related costs recorded in the DACDA on the basis of bundled annual deliveries is appropriate.

Staff-14

Ref: Service Quality Indicators
Exhibit D / Tab 4 / Schedule 1 / Page 7
EB-2017-0102 / Interrogatory Responses / Staff-15

Preamble:

The minimum performance standard approved by the OEB for the time to reschedule a missed appointment metric is 100%. In 2017, Enbridge's performance relative to this metric was 96.8%. This reflects an improvement over 2016 (94.2%). However, the performance result still does not meet the minimum standard.

In the 2016 deferral account disposition proceeding (EB-2017-0102), Enbridge noted that it continues to place priority on this standard, striving to reach the OEB's target of 100%. Enbridge further stated that is examining different alert functionalities within its system to allow for proactive monitoring of customer appointments. Enbridge anticipates a system enhancement can be implemented by year-end.

Question(s):

a) Please provide a status update with respect to the system enhancements that were discussed in the EB-2017-0102 proceeding and advise on further developments with respect to progress towards meeting the noted performance standard in the future.