IGPC INTERROGATORIES TO ENGLP

1-IGPC-1

Reference: Exhibit 1 Tab 1 Schedule 1 Page 5 of 63

Preamble: *"6. In addition, starting in late 2017, ENGLP began implementing its shared service model that has enabled the utility to reasonably and prudently take advantage of economies of scale and scope by accessing an experienced core of management and subject matter expert resources and expertise that were previously unavailable to the utility. This expertise includes safety, information technology, engineering, regulatory, treasury, human resources and general management. The 2019 Bridge Year and 2020 Test Year for this Application therefore reflects the proposed cost structure of ENGLP under its new owner. This cost structure is also reflected in the forecast 2018 financials."*

Questions: (a) Please provide any study carried out by ENGLP or an affiliate, or by a third party on their behalf, that supports the allocation of shared services, including:

- Proof of the value of and need for services for which a cost has been allocated;
- Detail of the basis of allocation of each cost;
- Identification of any duplications, or evidence that there are no duplications;
- Clarification as to whether the basis of the transfer price is fully allocated cost or market, and why, and
- Identification of any service for which a market value can be determined.

(b) Please provide a table that breaks down the shared services by type of service, provider, total cost, amount allocated to ENGLP(Aylmer), and percentage allocated to ENGLP(Aylmer).

Responses: (a)

1-IGPC-2

Reference: E1/T2/S1/p4 Table 4, Corporate and Affiliate Shared Service Costs

Preamble:

Questions:

(a) Please indicate whether known increases in the activity of Epcor affiliates in Ontario is expected to significantly change the magnitude of ENGLP (Aylmer)'s allocation of shared costs. Explain why or why not.

(b) Describe any factors that would change or qualify your response to (a).

Responses: (a)

2-IGPC-3

Reference: E2/T1/S1/T5 Table 2.2.1-2, line 7
E2/T1/S1/ page 24, Table 2.5.4-3
EB-2018-0235, IGPC-10 (a) and (b)

Preamble: IGPC is interested in understanding the amount and basis for the expenditures in the bridge year and the establishment of the opening balance for the Test Year.

Questions:

(a) In response to an IR-10 from IGPC, filed October 24, 2018, ENGLP indicate that the station replacement was forecasted to be $600,000 and the pigging installation project was forecasted to be $50,000. Three months later, the Pigging Installation is now included at $337,266 in the present application. Please provide a detailed explanation regarding the variance in costs of the Pigging Installation?

(b) When was the pigging installation completed?

(c) How often is the pigging of the pipeline required to be performed? Is this a code requirement?

(d) Please confirm the date of first operation of the pipeline serving IGPC.

Responses: (a)

2-IGPC-4

Reference: E2/T1/S1/p21 Table 2.5.3-1 and 2.5.3.-2, 2.5.4-3
EB-2018-0235, IGPC-10 (a) and (b)
E2/T3/S1/page 17

Preamble: IGPC understands the IGPC Realignment Project is being driven by the proposed work of the Ministry of Transportation of Ontario (MTO).

Questions: (a) Confirm the planned capital expenditures for Rate Class 6 in the bridge year are $1,242,800. Please describe the nature of the capital expenditures.

(b) Please provide a detailed calculation showing how the the MTO's anticipated contribution was determined.

(c) Has there been agreement with the MTO on these amounts?

(d) Confirm there are no additional planned capital expenditures during the IR period in respect of the IGPC pipeline and meter facilities.

(e) Has MTO provided a final plan for the proposed MTO work?

(f) Please provide an updated schedule for the completion of the ENGLP work on the IGPC Pipeline Realignment. What is the anticipated duration of construction of the project?

Responses: (a)

2-IGPC-5

Reference: E2/T1/S1 page 5, Table 2.2.1-2, line 7

Preamble: IGPC is interested in understanding the development of rate base, in particular the significant capital spend in the Bridge Year.

Questions:

(a) Explain in detail the additions to Gross Plant for Ethanol Pipeline – IGPC Project for 2017A, 2017Stub, 2018F and 2019 Bridge. In particular, what led to the increase of $1,279,200 from 2017 Stub to 2018F.

(b) ENGLP has proposed significantly larger capital expenditures in the Bridge year than the typical historical year, the Test Year and subsequent years in the rate period. Please explain how ENGLP plans (e.g. resources deployed) to complete all such work in the Bridge Year.

(c) Can the IGPC Realignment be deferred to the Test Year?

Responses: (a)

3-IGPC-6

Reference: Exhibit 1, Tab 2, Schedule 1, Page 3 of 4, Table 3, OM&A

Preamble: IGPC is interested in understanding the costs of ENGLP.

Questions:

(a) Please explain the increase in salaries expense between the bridge year and the test year. Specifically, please break down the increase between salary increases to the bridge year complement and any increase in complement projected for the test year. If an increase in complement is planned, please identify the new positions and the reason why they are needed.

(b) Please explain the projected decrease in insurance cost between the Bridge Year and the Test Year. Please clarify the change in risk, if any, that is reflected. Please indicate what component, if any, of the insurance cost relates to the IGPC dedicated line or any other identifiable aspect of service to IGPC. Please indicate where, in the Cost Allocation study, the insurance expense is functionalized, classified and allocated.

(c) Please confirm the maintenance on the IGPC Pipeline and meter station is solely performed by third parties and not by ENGLP employees.

Responses: (a)

4-IGPC-7

Reference: E4/T1/S1 page 33

Preamble: "83. ENGLP is proposing to recover $91,806 for property taxes incurred in respect to the IGPC pipeline. This amount is based on a modest increase over 2018 actual property taxes of $87,853. Property taxes are based on a rate/foot ($45.939 per foot for IGPC) of pipeline."

IGPC understands the rate per foot has not changed since 2017 and will not change until 2020.

Questions:

(a) What is causing the 4.5% increase in property taxes?

(b) Please confirm the property tax assessment referred to is solely based upon the IGPC pipeline and does not incorporate any other assets into the computation.

(c) Please clarify whether the increase percentage 2018 to 2019 is computed from a property tax assessment received, or whether it is an estimate. If an estimate, please clarify whether this is the same or a different percentage increase than the overall property tax rate increase forecast by ENGLP.

Responses: (a)

4-IGPC-8

Reference: E4/T1/S1/Page 8 of 69

Preamble: "14. Consistent with prior approvals, ENGLP proposes a deemed UFG of 0% for use in this Application. As described in Section 9.3.1 of Exhibit 9, Tab 1, Schedule 1, ENGLP proposes to establish a variance account (Unaccounted for Gas Variance Account) to record the cost of gas associated with volumetric variances between the actual volume of UFG and the proposed deemed UFG of 0%. This will allow for the recovery of the cost of gas if the actual values vary from the 0% used in establishing rates."

Questions:

(a) Please confirm or clarify whether ENGLP is proposing a deferred recovery of actual UFG as incurred, rather than establishing an allowance.

(b) Would the costs of UFG apply to all customers, or only those taking system gas?

(c) To the knowledge of ENGLP, has this approach been approved by the OEB for any other utility?

(d) Please comment on whether, in ENGLP's opinion, the proposed deferral account mechanism increases, reduces, or has no effect on ENGLP's incentive to reduce UFG.

(e) Would IGPC, operating on a sole use pipeline, be tracked and accounted for separately from the remainder of the system and rate classes?

Responses: (a)

4-IGPC-9

Reference: E4/T1/S1/ Page 35 of 69

Preamble: ***Shared Services Provided by EWSI***

"90. The following is a general description of the Shared Services provided by EWSI to ENGLP for the 2020 Test Year:

(a) Supply Chain Management (SCM) - services for purchasing and strategic sourcing including management of the end-to-end procurement process for the goods required by ENGLP.

(b) Public and Government Affairs (P&GA) – services related to internal and external communication and stakeholder and public consultation requirements of ENGLP.

(c) Human Resources (HR) – provides human resource consulting; support of recruitment efforts and disability management for ENGLP employees.

(d) Training and Development – design, develop and delivery of required training, standard operating procedures and training documentation necessary for staff to provide utility services.

(e) Project Management Office (PMO) – provides project controls, governance and project standardization and support for ENGLP. ENGLP notes that PMO costs are capitalized.

"91. The Shared Services costs are determined on a cost recovery basis in accordance with the ARC, and ENGLP's ARC Compliance Plan and are reflected in a SLA between the parties.

The allocation methodologies have been designed to ensure that the allocation of EWSI's Shared Services costs are fair and reasonable, cost-effective, predictable and reflect the benefit received by function or cost causation. Costs are directly charged based on estimated time spent supporting the Aylmer operations."

Questions:

(a) Please confirm that the 18 staff in the ENGLP (Aylmer) organization chart provide no services with respect to Supply Chain Management, Public and Government Affairs, Human Resources, Training and Development, or Project Management Office. If this is not the case, please explain the division of effort between Aylmer local staff and the staff of EWSI?

(b) Does the Company have any benchmark data as to what other gas or electric utilities incur as costs overall or per customer for these 5 services? If so, please provide.

(c) Please explain the basis on which time spent is estimated with regard to each service. Is any time log maintained by the staff involved in these 5 services? Is there any year end true up to time either recorded or estimated after the fact?

Responses: (a)

4-IGPC-10

Reference: E4/T1/S1/ page 37 of 69

Preamble:

Table 4.3.3.3-4
Allocation of ECSI Costs – Cost Allocators

	Responsibility Centre and Function	A Allocator
1	Management Oversight	Estimated of time spent
2	Finance	Composite - Revenue, Assets, Headcount

97. For Finance, costs are first allocated to non-regulated activities based on an estimated time spent supporting these non-regulated activities which is approximately 25%. The remaining 75% of finance costs are then allocated to each Ontario operation (Aylmer, Southern Bruce and Collingwood) based on the Composite cost allocator which factors in the businesses' share of group revenues, assets, and headcount and is consistent with the approach for the allocation of EUI Corporate Shared Services as described in more detail below.

98. Table 4.3.3.3-5 below shows the 2018 Forecast, 2019 Bridge Year and 2020 Test Year's total ECSI Shared Services costs.

Table 4.3.3.3-5
ECSI Shared Services Costs Allocated to ENGLP Aylmer
($)

	Shared Service	A 2018 F	B 2019 Bridge Year	C 2020 Test Year
1	Management Oversight	83,500	50,000	51,400
2	Finance	-	50,808	52,231
3	**Total**	**83,500**	**100,808**	**103,631**
4	Variance		17,308	2,823

Questions: (a) Are any finance services provided by the Aylmer staff complement? If so, how is the work allocated between these staff and ECSI staff and EOUI staff?

(b) Please provide a list of activities included as "finance".

Responses: (a)

4-IGPC-11

Reference: E4/T1/S1/page 39 of 69

Preamble:

Table 4.3.3.3-6
Allocation of EOUI Costs – Cost Allocators

	Responsibility Centre and Function	A Allocator
1	Management Oversight	Composite - Revenue, Assets, Headcount
2	Finance	Composite - Revenue, Assets, Headcount
3	Regulatory	Composite - Revenue, Assets, Headcount
4	HSE	Functional Cost Causation – Headcount
5	Board of Directors	Functional – Costs split evenly across locations
6	Ontario Facilities	Composite - Revenue, Assets, Headcount

Questions: (a) Please explain what headcount is used for purposes of these allocators, and provide the headcount number used in the formula for ENGLP Aylmer).

Responses: (a)

4-IGPC-12

Reference: E4/T1/S1/page 40 of 69

Preamble: "103. For the Board of Director function, the Board provides governance services to ENGLP Aylmer and Southern Bruce locations and the Board costs are split evenly across these two locations for 2019 and 2020. For 2018, all Board costs were allocated to the Aylmer location as it was the only location in service in 2018."

Questions: (a) Please clarify what entity's Board of Directors is referred to in this paragraph. Please provide the number of Directors comprising this Board, and the number of meetings held. Please confirm that no costs for the Board of Directors of any other entity are included in this cost.

Responses:

4-IGPC-13

Reference: E4/T1/S1/page 43 of 69, Table 4.3.3.3-9 EUI's Allocators to ENGLP Aylmer

Preamble:

Questions: (a) Please clarify that ENGLP (Aylmer) receives an allocation of costs from EUI for Supply Chain Management, Human Resources, Financial and Public Affairs services in addition to the allocation of costs for those service categories from EWSI and/or ECSI. Please clarify how the services provided by EUI are different in nature from, and add value to those provided by either EWSI or ECSI.

Responses: (a)

4-IGPC-14

Reference: E4/T1/S1, page 49 of 69

Preamble: *"128. The Asset Usage Fee for each category of corporate assets is comprised of two components: "return on" capital and "return of" capital (or depreciation expense). The return on capital component is calculated using the service recipient's weighted average cost of capital ("WACC")."*

Questions: (a) Please clarify if the WACC for this purpose is pre-tax or after tax, and also whether it is the regulator's approved WACC or the actual WACC achieved.

Responses: (a)

4-IGPC-15

Reference: Exhibit 4, Tab 1, Schedule 1, Page 66 of 69

"191. ENGLP's effective tax rate is 26.5% for 2018 to 2020 based on a provincial tax rate of 11.5% and a federal tax rate of 15.0%. The tax rate is applied to the forecasted taxable income to arrive at the income tax payable. Forecasted taxable income is based on distribution revenue, less O&M, property taxes, interest expense and capital cost allowance."

Preamble: IGPC would like to clarify ENGLP's proposal for recovery of income taxes, in view of the fact that ENGLP is a limited partnership and therefore all tax liabilities are flowed through to the limited partner(s).

Questions:

(a) Please provide the regulatory precedents, including the name of the regulatory agency and applicant, docket number, decision date, and page or paragraph references, that ENGLP is relying on to substantiate its proposal for recovery of income taxes. For this response, please provide either a copy of the decision or a link to the on-line source if available.

(b) Please explain ENGLP's proposal as to the income tax rate.

Responses: (a)

7-IGPC-16

Reference: Exhibit 7, Schedule 2, Functionalization of O&M, and further Schedules as Applicable

Preamble:

Questions: Under the proposed methodology, please clarify the amounts allocated to IGPC for:

(a) Insurance; and

(b) Property taxes.

Responses: (a)

7-IGPC-17

Reference: E7/T1/S1, page 2 of 28, Table 7.1-1

Preamble:

Questions:

(a) Please confirm the revenue to cost ratio for Rate 6 is 1.09 as compared to 1.06 from 2011.

(b) Upon what basis did ENGLP determine that this revenue to cost ratio was appropriate? Please explain which regulatory principles were relied upon.

(c) Please confirm that the Rate 6 revenue to cost ratio is likely to increase for each of the remaining years in the IR period.

(d) What is the forecast revenue to cost ratio for Rate 6 at the end of the IR period?

(e) Please confirm the proposed over payment by IGPC during the IR period will exceed $350,000.

Responses: (a)

9-IGPC-18

Reference:

Preamble:

Questions: (a) Please confirm that all balances in the deferral and variance accounts have been audited.

Responses: (a)