Enbridge Gas Inc.

2018 Deferral Account Disposition and Utility Earnings

EB-2019-0105

OEB STAFF INTERROGATORIES

October 8, 2019

General

Staff-1

Ref: Harmonization of Deferral Account Disposition Approach
Exhibit A / Tab 3 / pp. 3-4
EB-2018-0300/0301 / Decision and Rate Order / May 23, 2019

Preamble:

In the 2016 DSM deferral and variance account disposition proceeding[1], the OEB stated that a common approach to the disposition of deferral and variance accounts should be established by Enbridge Gas Inc. (Enbridge) for its Enbridge Gas Distribution (EGD) and Union Gas Limited (Union) rate zones. In future proceedings, Enbridge is expected to adopt a common approach to the extent practical, and if not, explain the rationale for continuing a different approach.

As part of the current proceeding, Enbridge proposed to dispose of the deferral and variance accounts consistent with the current practices of legacy EGD and Union as follows.

- For the EGD rate zone, Enbridge proposed to dispose of the deferral account balances as a one-time adjustment for both general service and contract rate classes.

- For the Union rate zones, Enbridge proposed to dispose of the deferral account balances prospectively over 6 months for general service customers and as a one-time adjustment for in-franchise contract and ex-franchise rate classes.

[1] EB-2018-0300/0301.

Enbridge stated that it is not currently able to administer one-time adjustments for general service customers in the Union rate zones because of limitations in the system used to bill this group of customers. Enbridge further stated that it is in the early stages of integrating internal systems and processes between legacy EGD and Union and is not able to introduce any further commonality to the disposition approaches at this time.

Question(s):

a) Please advise whether it would be possible to dispose of the deferral account balances prospectively over 6 months to general service customers in the EGD rate zone.

b) Please confirm that it is Enbridge's position that one-time adjustments are the most accurate manner in which to refund / recover deferral account balances to / from ratepayers.

c) Please advise whether Enbridge is currently working towards updating its systems to allow one-time adjustments to be applied to general service customers in Union rate zones. If so, please provide expected timelines for that functionality.

<u>Enbridge Rate Zone</u>

<u>Staff-2</u>

Ref: Deferral and Variance Account Balance Summary
Exhibit B / Tab 1 / Appendix A / Schedule 1 / p. 1

Preamble:

Enbridge provided a summary of the actual 2018 deferral and variance account balances restated at April 30, 2019 and the forecast for clearance amounts at January 1, 2020 for the EGD rate zone.

Question(s):

a) For the accounts that Enbridge is seeking to clear as part of this proceeding for the EGD rate zone, please provide an updated version of the summary table that includes: (i) December 31, 2018 balances; (ii) explanations for the differences between the December 31, 2018 balances and the restated balances as of April 30, 2019. In addition, for the accounts where the restated balance as of April 30, 2019 is different from the amount that Enbridge is seeking to clear in January 1, 2020, please explain those differences.

b) Please confirm that the December 31, 2018 balances for the EGD rate zone are consistent with the account balances reported in Enbridge's 2018 RRR filing (2.1.7) and its 2018 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 for the EGD rate zone but have not been listed in the Deferral and Variance Account Balance Summary (with the exception of the QRAM-related deferral accounts, the Demand Side Management (DSM)-related deferral accounts, and the cap and trade-related deferral accounts). If so, please list each account name and the corresponding balance in the account as at December 31, 2018 (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 were never disposed.

d) Please advise whether there have been any adjustments made to deferral and variance account balances sought for disposition in the current proceeding 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-3

Ref: Storage and Transportation Deferral Account
Exhibit B / Tab 1 / p. 3
Exhibit B / Tab 1 / Appendix A / Schedule 2
EB-2017-0086 / Exhibit D1 / Tab 2 / Schedule 6

Preamble:

Enbridge provided a detailed breakdown of the $1.8 million debit balance included in the Storage and Transportation Deferral Account at Exhibit B / Tab 1 / Appendix A / Schedule 2.

Question(s):

a) Please confirm that the sum of Line 1 and Line 2 (Column 2) in Exhibit B / Tab 1 / Appendix A / Schedule 2 is meant to reconcile to Line 2 (Column 1) in EB-2017-0086 / Exhibit D1 / Tab 2 / Schedule 6.

b) Please explain the negative costs both forecast and actual related to the Dawn T-Service (shown in Line 2 / Columns 2 & 4 of Exhibit B / Tab 1 / Appendix A / Schedule 2).

c) Please provide a detailed calculation supporting the actual cap and trade costs incurred (shown in Line 3 / Column 4 of Exhibit B / Tab 1 / Appendix A / Schedule 2).

d) Please explain why the forecast third-party market-based storage value of $20.1 million (shown in Line 4 / Column 2 of Exhibit B / Tab 1 / Appendix A / Schedule 2) does not reconcile to Line 1.4 (Column 1) in EB-2017-0086 / Exhibit D1 / Tab 2 / Schedule 6.

e) Please advise whether there any amounts associated with the disposition of other utilities deferral accounts for 2018 recorded in the Storage and Transportation Deferral Account. If yes, please provide the amount and details supporting the amount. If not, please explain.

<u>Staff-4</u>

Ref: Unaccounted For Gas (UAF) Variance Account
Exhibit B / Tab 1 / pp. 5-6

Preamble:

Enbridge stated that the OEB approved a 2018 UAF forecast of 106,077 10^3m^3. Due to a clerical error, all subsequent calculations have used an incorrect UAF forecast volume of 106,677 10^3m^3. The gas supply plan and resulting rates were designed based on the higher forecast UAF value and have been used as the benchmark comparator for the UAF variance account. As such, it is appropriate that the UAF forecast volumes remain at the higher value. Using the approved UAF forecast (106,077 10^3m^3) instead of the UAF value of 106,677 10^3m^3, increases the debit balance in the account by $0.096 million.

Enbridge also noted that it was directed to file a report on the issue of UAF for both the legacy EGD and Union rate zones by December 31, 2019.

Question(s):

a) Please provide a reference to the EGD 2018 rates proceeding[2] where both the approved UAF value and the UAF value including the clerical error can be found.

b) Please provide a detailed calculation supporting the $5.6 million principal balance in the account.

c) Please advise when (i.e. in which proceeding) Enbridge intends to file the study on UAF.

Staff-5

Ref: Average Use True-Up Variance Account
Exhibit B / Tab 1 / pp. 9-10
Exhibit B / Tab 1 / Appendix A / Schedule 4
EB-2017-0086 / Amended Settlement Proposal / December 6, 2017

Preamble:

Enbridge noted that the 2018 budget annual use amount for Rate 1 is 2,358 m^3 and for Rate 6 is 28,656 m^3.

Question(s):

a) OEB staff is unable to reconcile the 2018 budgeted annual use amounts provided in the evidence to the Amended Settlement Proposal in EGDs' 2018 rates proceeding[3], dated December 6, 2017, where certain adjustments were made to the 2018 load and average use forecasts. Please provide a reference from the 2018 rates proceeding supporting the 2018 budgeted average use amounts (if available). Otherwise, please provide a supporting calculation.

Staff-6

Ref: Electric Program Earnings Sharing Deferral Account
Exhibit B / Tab 1 / p. 20

Preamble:

[2] EB-2017-0086.
[3] EB-2017-0086.

The $1.2 million credit recorded in the 2018 Electric Program Earnings Sharing Deferral Account reflects the ratepayers' 50% share of the net recovery generated by providing conservation and demand management (CDM) activities.

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 2014-2018.

b) Please advise whether 2018 is the last year that there is expected to be revenues recorded in this account.

Staff-7

Ref: Dawn Access Costs Deferral Account
Exhibit B / Tab 1 / p. 24

Preamble:

The $1.2 million debit balance in the account reflects the 2018 revenue requirement associated with the capital spending incurred to accommodate the Dawn Transportation Service (DTS) and heat value changes, which were placed into service in 2017.

Question(s):

a) Please advise whether the tax rule change associated with Bill C-97 (effective November 20, 2018) has any impact on the revenue requirement calculation for the DTS and / or heat value changes. If yes, please confirm that the impact of the tax rule change has been included, in its entirety, in the 2018 revenue requirement calculation for these assets. If not, please explain.

Staff-8

Ref: Manufactured Gas Plant Deferral Account
Exhibit B / Tab 1 / p. 29

Preamble:

The $0.967 million debit balance included in the Manufactured Gas Plant deferral account represents the accumulation of costs incurred since 2006, the year in which the account was first approved.

Question(s):

a) Please provide an excerpt from the decision where the Manufactured Gas Plant deferral account was first approved that discusses this account.

b) Please explain why the $0.967 million debit included in the Manufactured Gas Plant deferral account should be considered recoverable from ratepayers.

Staff-9

Ref: Utility Earnings and Earnings Sharing Calculation – Capital Cost Allowance (CCA) Tax Deduction
Exhibit B / Tab 2 / pp. 1-2
Enbridge Letter on CCA Tax Deduction Issue / August 30, 2019
Exhibit C / Tab 1 / Appendix A / Schedule 8
OEB Accounting Direction regarding Bill C-97 / July 25, 2019
EB-2018-0305 / Decision and Order / September 12, 2019

Preamble:

Enbridge noted that for the EGD rate zone, the impact of the change in CCA rules resulting from Bill C-97 is reflected in the earnings sharing calculation.

In the pre-filed evidence, Enbridge stated that its earnings sharing calculation was updated to reflect a revised CCA tax deduction. The revision was made to reflect the impact of the enactment of accelerated CCA provisions contained in Bill C-97, which received Royal Assent on June 21, 2019, and to reflect an updated level of 2018 capital additions to asset pools. The impact of these changes caused a $5.2 million increase in the gross sufficiency to be shared with ratepayers, and a corresponding $2.6 million increase to the earnings sharing amount.

In its letter dated August 30, 2019, Enbridge stated that, in the EGD rate zone, the change in CCA rules is reflected in the utility income tax calculation, which impacts the gross sufficiency and the corresponding amount of earnings sharing payable to ratepayers. The 2018 impact on earnings to be shared with ratepayers related to the CCA rule change is $1.5 million (which reflects 50% of the total impact of the CCA rule change).

The OEB's accounting direction regarding Bill C-97, dated July 25, 2019, states that the OEB expects utilities to record the impacts of the CCA rule changes in the appropriate account for the period November 21, 2018 until the effective date of a utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate sub-account of Account 1592 – PILS and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules. Natural gas utilities are to create separate sub-accounts within their respective similar accounts to record the same impacts.

In the Decision and Order on Enbridge's 2019 rates application[4], the OEB stated that it is appropriate for Enbridge to follow the OEB's accounting direction set out in its July 25, 2019 letter.

Question(s):

a) Please explain the difference between the $2.6 million impact on the earnings sharing amount discussed in the pre-filed evidence at Exhibit B / Tab 2 / p. 2 and the $1.5 million impact on the earnings sharing amount discussed in the August 30, 2019 letter.

b) Please provide a detailed calculation showing the impact of the CCA rule change for the EGD rate zone in a similar format to what was provided for the Union rate zones at Exhibit C / Tab 1 / Appendix A / Schedule 8.

c) Please advise whether Enbridge agrees that a tax variance account (with a sub-account for CCA rule changes) should be established for the EGD rate zone for 2018 to record the impact of the CCA rule change in accordance with the OEB's July 25, 2019 letter and the OEB's findings in Enbridge's 2019 rates application.

d) Please provide an alternative Earnings Sharing Mechanism (ESM) calculation with the impact of the CCA rule change removed with the assumption that the entirety of the CCA rule change is recorded separately in a tax variance account.

<u>Staff-10</u>

Ref: Utility Earnings and Earnings Sharing Calculation – 2018 Capital Expenditures
Exhibit B / Tab 2 / Appendix B / Schedule 4 / p. 4

Preamble:

[4] EB-2018-0305.

Enbridge stated that the increased capital spend on Information Technology was primarily due to the implementation cost of EGD's Customer Experience Program of $14.4 million. Enbridge noted that this project aims to make interaction with customers easier, provide seamless customer service experiences, and lower OM&A costs.

Question(s):

a) Please provide further details on how EGD's Customer Experience Program provides an easier and seamless customer service experience.

b) Please provide the original and final capital costs for this project.

c) Please provide the expected OM&A savings resulting from this project.

<u>Staff-11</u>

Ref: Utility Earnings and Earnings Sharing Calculation – Merger-related Costs
Exhibit B / Tab 2 / Appendix D / Schedule 1 / p. 5
EB-2018-0105 / Exhibit B.Staff.16
EB-2018-0105 / Exhibit B.LPMA.13

Preamble:

Enbridge made an adjustment to its utility earnings calculation to remove the EGD / Union amalgamation transaction costs of $0.1 million. However, OEB staff found no direct references to Enbridge Inc. and Spectra Energy merger costs and savings in the current application. OEB staff notes that in Union's 2017 deferral account disposition proceeding[5], there were 2017 costs associated with the merger of Enbridge Inc. and Spectra Energy of $5.6 million (which reflected the utility portion). In addition, there were cost savings of $3.7 million associated with the merger.

Question(s):

a) Please provide the total 2018 merger-related costs and savings for the EGD rate zone (similar to the types of costs and savings provided in Union's 2017 deferral account disposition proceeding). Please also provide a detailed breakdown of these costs and savings.

[5] EB-2018-0105.

b) Please indicate whether these merger-related costs and savings have been included in the earnings sharing calculation for the EGD rate zone. If so, please provide rationale supporting the inclusion of these costs and savings in the earnings sharing calculation.

c) If applicable, please explain how the merger-related costs and savings were allocated (including rationale) between the EGD rate zone and the Union rate zones for earnings sharing calculation purposes. Please also provide any supporting calculations.

d) If applicable, please provide revised earnings sharing calculations for the EGD rate zone as follows:

    i. Merger-related costs removed
    ii. Merger-related costs and savings removed

Staff-12

Ref: Clearance of 2018 Union South Storage and Transportation Account to EGD Rate Zone Customers
Exhibit B / Tab 3 / p. 2

Preamble:

Enbridge stated that the 2018 Union South Storage and Transportation account will be disposed to EGD rate zone customers as part of the 2019 deferral account disposition proceeding.

Question(s):

a) Please further explain why a Union rate zone-related deferral account will be disposed to EGD rate zone customers. Please also explain why Enbridge intends to address this issue as part of the 2019 deferral account disposition proceeding (as opposed to the current proceeding).

Union Rate Zones

Staff-13

Ref: Deferral and Variance Account Balance Summary
Exhibit C / Tab 1 / Appendix A / Schedule 1 / p. 1

Preamble:

Enbridge requested disposition of gas supply, storage and other deferral accounts. The net balance in the deferral accounts for disposition for the Union rate zones is a $38.3 million credit to ratepayers as at January 1, 2020.

Question(s):

a) Please provide a statement confirming whether the balances proposed for disposition are consistent with the account balances reported in the applicant’s 2018 RRR filing (2.7.1) and its 2018 audited financial statements. If not, please provide a reconciliation of the balances.

b) For each account requested for disposition, please provide a continuity schedule for the period commencing from the establishment of the account or from the last approved disposition of the account, whichever is more recent, to the date of the most recent audited actuals. This continuity should show separate itemization of opening balances, new amounts recorded during the period, approved dispositions, other adjustments, interest, and closing balances.

c) Please advise whether there are any deferral and variance accounts that are currently approved for use by Enbridge for the Union rate zones but have not been listed in the Deferral and Variance Account Balance Summary (with the exception of the QRAM-related deferral accounts, DSM-related deferral accounts, and the cap and trade-related deferral accounts). If so, please list each account name and the corresponding balance in the account as at December 31, 2018 (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 were never disposed.

d) Were there any adjustments made to deferral and variance account balances that were previously approved by the OEB on a final basis? If so, please provide an explanation of the nature and amount of any adjustment and include any supporting documentation.

Staff-14

Ref: Upstream Transportation Optimization Variance Account
Exhibit C / Tab 1 / pp. 7-8

Preamble:

Enbridge noted that, on an actual basis, it credited $16.84 million in rates in 2018 related to optimization revenues. This is $3.41 million greater than the OEB-approved amount of $13.43 million.

Question(s):

a) Please provide the detailed calculation supporting the actual $16.84 million amount credited in rates.

<u>Staff-15</u>

Ref: Short-Term Storage and Other Balancing Services
Exhibit C / Tab 1 / pp. 9-11
Exhibit C / Tab 1 / Appendix A / Schedule 3

Question(s):

a) Please explain the year-over-year reduction from $0.71 million (2017 actual) to $0.14 million (2018 actual) for C1 Off-Peak Storage (Line 1 at Exhibit C / Tab 1 / Appendix A / Schedule 3).

b) Please explain the drivers for the difference between the compressor fuel costs (Line 10 at Exhibit C / Tab 1 / Appendix A / Schedule 3) of $1.20 million (2013 Board Approved) and $0.38 million (2018 actual).

<u>Staff-16</u>

Ref: Conservation Demand Management Deferral Account
Exhibit C / Tab 1 / p. 16

Preamble:

Enbridge stated that the balance in the CDM deferral account is a credit to ratepayers of $1.09 million, which reflects 50% of the net revenue associated with the “Whole Home Pilot Delivery” program.

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 2014-2018.

b) Please advise whether 2018 is the last year that there is expected to be revenues recorded in this account.

Staff-17

Ref: Tax Variance Deferral Account and Capital Pass-through Project deferral accounts (tax-related issues)
Exhibit C / Tab 1 / pp. 25-28
Exhibit C / Tab 1 / Appendix A / Schedule 8
Enbridge Letter on CCA Tax Deduction Issue / August 30, 2019
OEB Accounting Direction regarding Bill C-97 / July 25, 2019
EB-2018-0305 / Decision and Order / September 12, 2019

Preamble:

Enbridge noted that for the Union rate zones, 50% of the impact of the change in CCA rules resulting from Bill C-97 is reflected in the Tax Variance deferral account ($0.94 million) (except for capital pass-through projects). For capital pass-through projects, the impact of the change in CCA rules is reflected in the relevant capital pass-through project deferral accounts.

The OEB's accounting direction regarding Bill C-97 states that the OEB expects utilities to record the impacts of the CCA rule changes in the appropriate account for the period November 21, 2018 until the effective date of a utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate sub-account of Account 1592 – PILS and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules. Natural gas utilities are to create separate sub-accounts within their respective similar accounts to record the same impacts.

In the Decision and Order on Enbridge's 2019 rates application[6], the OEB stated that it is appropriate for Enbridge to follow the OEB's accounting direction set out in its July 25, 2019 letter.

Question(s):

[6] EB-2018-0305.

a) If the entirety of the impact of the CCA rule change for the Union rate zones were to be reflected in the Tax Variance deferral account (except for the impact associated with capital pass-through projects), please confirm that the value to be recorded in the account for the CCA rule change impact would be $1.88 million.

b) Please advise whether Enbridge agrees that a sub-account for CCA rule changes should be established within the Tax Variance deferral account for the Union rate zones for 2018 to record the impact of the CCA rule change (except for the impact associated with capital pass-through projects) in accordance with the OEB's July 25, 2019 letter and the OEB's findings in Enbridge's 2019 rates application.

c) Please confirm that 100% of the impact of the CCA rule change is reflected in the capital pass-through project deferral accounts.

d) Please confirm that the total impact of the CCA rule change related to the capital pass-through projects is $0.31 million.

e) Please explain why the CCA rule change impact is treated differently for the capital additions associated with the capital pass-through projects relative to the capital additions that are not associated with a capital pass-through project.

f) For each capital pass-through project deferral account, please provide the calculation of the CCA rule change impact in a similar format to Exhibit C / Tab 1 / Appendix A / Schedule 8.

Staff-18

Ref: Unaccounted for Gas (UFG) Volume Variance Account
Exhibit C / Tab 1 / pp. 29-30

Preamble:

Enbridge stated that, for its Union rate zones, based on actual volumes, it recovered $9.25 million in UFG costs in 2018. In comparison, actual UFG costs were $15.98 million.

Question(s):

a) Please provide detailed calculations supporting the 2018 actual UFG costs and the actual 2018 revenues recovered in rates.

Staff-19

Ref: UFG Price Variance Account
Exhibit C / Tab 1 / pp. 43-44

Preamble:

Enbridge noted that the actual cost of UFG purchases for the Union rate zones in 2018 is \$34.56 / 10^3m^3 higher than the OEB-approved reference prices included in rates, which results in a \$2.03 million balance to be collected from ratepayers.

Question(s):

a) Please provide a detailed calculation supporting the price variance of \$34.56 / 10^3m^3.

Staff-20

Ref: UFG Price Variance Account – Allocation Methodology
Exhibit C / Tab 3 / p. 6
EB-2018-0105 / Exhibit A / Tab 3 / p. 8

Preamble:

In the current proceeding, Enbridge proposes to allocate the balance in the UFG Price Variance Account to rate classes based on the actual UFG gas supply purchases made by Enbridge in 2018 for the Union rate zones.

In Union's 2017 deferral account disposition proceeding[7], Union allocated the balances in the UFG Price Variance Account to rate classes in proportion to the 2013 OEB-approved allocation of UFG costs to customers for which Union provides fuel.

Question(s):

OEB staff understands that Enbridge is proposing a change to the allocation methodology for the UFG Price Variance Account as part of the current proceeding. Please provide the rationale supporting this change in allocation methodology.

[7] EB-2018-0105.

<u>Staff-21</u>

Ref: Parkway West Project Costs Deferral Account
Exhibit A / Tab 3 / p. 5
Exhibit C / Tab 1 / pp. 31-36

Preamble:

Enbridge is seeking interim disposition of the 2018 balance in the Parkway West Project Costs Deferral Account consistent with the approvals granted in the 2016 deferral account disposition proceeding[8] and the 2017 deferral account disposition proceeding.[9] In the 2016 deferral account disposition proceeding, the OEB noted that "all parties agreed that the 2016 balance in the account should be disposed of only on an interim basis to allow the OEB to perform a prudence review of the capital overspend in the future prior to final disposition of the balances in the account."[10]

Enbridge stated that it will seek final disposition of this account as part of a subsequent proceeding when all of the project costs have been incurred and the prudence of the project costs can be assessed.

Question(s):

a) Please advise when (i.e. in which proceeding) Enbridge intends to file evidence supporting the final disposition of the Parkway West Project Costs Deferral Account.

<u>Staff-22</u>

Ref: Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account
Exhibit C / Tab 1 / pp. 51-52
Exhibit C / Tab 1 / Appendix A / Schedule 10

Preamble:

Enbridge noted that $0.917 million of the credit balance in the account relates to 2018 revenue generated through the sale of surplus Dawn Parkway system capacity of 30,393 GJ / day associated with the Lobo D / Bright C / Dawn H Compressor project. Enbridge further stated that as of November 2018, the surplus capacity had been deemed to be sold long-term.

---

[8] EB-2017-0091.
[9] EB-2018-0105.
[10] EB-2017-0091.

Enbridge stated that it also seeking approval of the final disposition of the 2017 revenue recorded in the account, which was approved in an interim basis in Union's 2017 deferral account disposition proceeding.[11]

Question(s):

a) Please further explain the statement that the surplus capacity had been deemed to be sold long-term. Please specifically advise whether the capacity has been actually sold on a long-term basis as of November 2018.

b) Please provide the actual average short-term firm daily contract demand plus interruptible average daily throughput volumes for easterly Dawn-Parkway system paths and the actual short-term revenue earned for November and December, 2018.

Staff-23

Ref: Pension and Other Post-Employment Benefits Variance Account
Exhibit C / Tab 1 / p. 69

Preamble:

On September 14, 2017, the OEB released a report titled, Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEB) Costs (the OEB Report) in which the OEB established a variance tracking account, effective January 1, 2018, to be used by all utilities that are approved to recover their pension and OPEB costs on an accrual basis.

This account is used to track the difference between the forecast accrual amount that is recovered in rates and the actual cash payments made in respect to a utility's pension and OPEB costs. It will provide ratepayers with an asymmetrical carrying charge on the cumulative differential balance in the account when the cumulative forecast accrual amount exceeds cash payments (i.e. the tracking account is in a credit position).

The OEB Report prescribes the use of the total gross accrual cost as calculated in an actuarial valuation as the default methodology for determining the forecast accrual amount in rates of a given year.[12] However, the OEB Report further indicates:

[11] EB-2018-0105.
[12] OEB Report on the Regulatory Treatment of Pension and OPEB Costs / September 14, 2017 / p. 20.

> If a utility capitalizes a material portion of its total pension and OPEB accrual costs, and there is sufficient incremental value to warrant the added complexity of tracking amounts that are capitalized separately from those that are expensed, any party may propose an enhanced methodology for determining the reference amount (i.e. the forecast accrual amount).[13]

Question(s):

a) Please confirm that for the Union Rate Zone, it is Enbridge's intention to propose the use of an alternate methodology (compared to the default methodology of the OEB Report) for purposes of tracking the forecast accrual amount embedded in rates.

b) The OEB Report indicates that if a utility capitalizes a material portion of its pension and OPEB costs, it may propose an alternate methodology provided that there is sufficient incremental value to warrant the added complexity of tracking amounts that are capitalized separately. Based on the calculation provided in Table 25, please explain why Enbridge believes the use of an alternate methodology is appropriate in this case.

c) As part of its alternate methodology, why is Enbridge only proposing to track the depreciation associated with its pension and OPEB costs that have been capitalized from 2018 and onward, when it actually recovers more than that in the rates in a given year (i.e. it will recover the deprecation associated with the pension and OPEB costs that have been capitalized to date).

d) For 2018, please quantify the depreciation associated with the pension and OPEB costs that have been capitalized to date.

e) Please provide the actuarial valuations that underpin both the total pension and OPEB accrual expense for 2018 (i.e. $47.4 million) and the actual cash payments made for pension and OPEBs for the same period ($26.5 million).

<u>Staff-24</u>

Ref: Utility Earnings and Earnings Sharing Calculation – Merger-related Costs
Exhibit C / Tab 2
EB-2018-0105 / Exhibit B.Staff.16

[13] OEB Report on the Regulatory Treatment of Pension and OPEB Costs / September 14, 2017 / p. 20.

EB-2018-0105 / Exhibit B.LPMA.13

Preamble:

OEB staff found no direct references to Enbridge Inc. and Spectra Energy merger costs and savings in the current application. OEB staff notes that in Union's 2017 deferral account disposition proceeding[14], there were 2017 costs associated with the merger of Enbridge Inc. and Spectra Energy of $5.6 million (which reflected the utility portion). In addition, there were cost savings of $3.7 million associated with the merger.

Question(s):

a) Please provide the total 2018 merger-related costs and savings for the Union rate zones (similar to the types of costs and savings provided in Union's 2017 deferral account disposition proceeding). Please also provide a detailed breakdown of these costs and savings.

b) Please confirm that these merger-related costs and savings have been included in the earnings sharing calculation for the Union rate zones. If so, please provide rationale supporting the inclusion of these costs and savings in the earnings sharing calculation.

c) Please explain how the merger-related costs and savings were allocated between the EGD rate zone and the Union rate zones for earnings sharing calculation purposes. Please also provide any supporting calculations.

d) Please provide revised earnings sharing calculations for the Union rate zone as follows:

    i. Merger-related costs removed
    ii. Merger-related costs and savings removed

Staff-25

Ref: Utility Earnings and Earnings Sharing Calculation – Tax-related Adjustments
Exhibit C / Tab 2 / p. 4
Exhibit C / Tab 2 / Appendix B / Schedule 1

---

[14] EB-2018-0105.

Preamble:

Enbridge noted that for the Union rate zones it reduced gas sales revenue by $2.19 million to reflect the 2018 revenue requirement impact of the tax rule changes associated with Bill C-97. More specifically, Enbridge stated that the adjustment to gas sales revenue reflects the following reductions:

- $0.31 million associated with the impact of the tax rule change that is reflected in the capital pass-through deferral accounts

- $0.94 million to reflect the ratepayer share (50%) of the impact of the tax rule change that is reflected in the Tax Variance deferral account

- $0.94 million to reflect the shareholder portion (50%) of the impact of the tax rule change that should not be included in the determination of earnings sharing.

Enbridge also reduced gas sales revenue by $0.413 million to reflect the removal of the shareholder portion (50%) of the HST impact (the associated ratepayer share (50%) is recorded in the Tax Variance deferral account).

Question(s):

a) Please further explain the adjustments made to the earnings sharing calculation for the tax rule change associated with Bill C-97. Specifically, please confirm that the utility earnings, prior to the adjustments, includes the entire impact of the tax rule change.

b) Please confirm that no further adjustments to the earnings sharing calculation would be required if the OEB were to order that the entirety of the impact of the tax rule change associated with Bill C-97 is to the benefit of ratepayers.

c) Please advise whether the reduction to gas sales revenue of $0.413 million to reflect the removal of the shareholder portion of the HST impact was made in previous earnings sharing calculations. If not, please explain why this adjustment is appropriate with respect to the 2018 earnings sharing calculation.

d) Please explain why there is no adjustment to the earnings sharing calculation to remove the ratepayer share (50%) of the HST impact that is recorded in the Tax Variance deferral account.