EB-2019-0194

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 Inc., pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2020.

Interrogatories - Phase 2

Energy Probe Research Foundation

February 4, 2020

Enbridge Gas 2020 Rates -Phase 2
Energy Probe Interrogatories

2020 ICM Applications

ICM Framework

EP-1
Reference: Exhibit B, Tab 2, Schedule 1, Page 4, Tables 1 and 2

a) Please explain the category of capital expenditures shown in Tables 1 and 2 as Total Overheads.

b) Please explain how the amount of Total Overheads was determined in each table.

c) Please file a table showing the percentage of capital costs that are due to Total Overheads for each year from 2014 to 2023 for the EGD Rate Zone and for the Union Rate Zone.

d) Please explain the differences from year to year and between EGD and Union Rate Zones in the percent of capital costs that are due to Total Overheads.

EP-2
References: EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.17. Exhibit B, Tab 2 Schedule 1, Page 10, Table 3

Please provide the Working Papers for the Rate Zone threshold calculations, including all relevant references and assumptions and explanatory notes

EP-3
References: EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.20; Exhibit B, Tab 2 Schedule 1, Page 11- Growth factor

Preamble: ACM Report*: "The value for g is the percentage difference in distribution revenues between the most recent complete year and the approved base year, for ICM requests and for ACM rate rider approvals in a Price Cap IR application. In the first or second IR years following rebasing, a distributor may not have a complete year of data following the cost of service base year. Therefore, for these years, the growth factor may be updated to the difference between the Board approved distribution revenues from the last cost of service application and the most recent complete year prior to the rebasing year."*

a) For the Union rate Zone the average growth rate from 2013-2018 has been used; for the EGD Rate zone a single year 2017-2018 is used. Please indicate EGI's interpretation of how the ACM Report applies to calculation of the annual growth rates post amalgamation.

b) Please provide the actual annual growth rates for each of Union and EGD for each of the last 5 years and calculate the average for each and the standard deviation.

c) Please provide for each rate zone the growth rates and threshold calculations using
   i) the 5-year average growth rate
   ii) the last complete rate year
   iii) 2019 rate year.
d) Compare the percentages to those filed at Exhibit B, Tab 2, Schedule 1, Appendix B, Page 4 and Page 8.

EP-4
References: EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.22; Exhibit B Tab 2 Schedule 1, Page 14 Eligible Capital Amount Tables 2, 5 and 6.

Preamble: The ACM Report indicates *"If the forecasted total capital expenditures identified in a Price Cap IR application, are higher than what the distributor documented in its DSP in its previous cost of service application, the distributor needs to document the increases and the reasons for these. This approach is unchanged from the current ICM policy".*

a) Please provide a version of Table 2 showing Actual and Forecast capital expenditures for 2017, 2018 and estimate for 2019.

b) Please indicate at, a high level, changes from the DSP filed in the EB-2017-0306/0307 amalgamation/rebasing application, including those listed in paragraph 5, and the impact of the changes on the 2018 Rate base.

c) Specifically, indicate the impact of the delays and increase in costs of the Don River Replacement Project on the 2018 and 2019 capital expenditure budgets and the 2020 ICM Threshold.

Don River Replacement

EP-5
Reference: Exhibit B, Tab 2, Schedule 1, Pages 18 and 19

Preamble: "Consistent with Enbridge Gas AMP principles, as noted in EB-2018-0305, Exhibit C1, Tab 2, Schedule 1, Page 87 of 1459**,** 'EGD acknowledges that the identification of risks and the execution of projects is dynamic. As a result, the portfolio is reviewed twice following optimization, to account for execution status, outstanding risks and opportunities, and emerging risks and opportunities. During the year, the project scope may change or new projects may arise, resulting in cost pressures to the current portfolio. As these pressures are identified, trade-off decisions are made based on risk and available capital, a direct demonstration of EGD's Plan-Do-Check Act model'."

a) Please file the portfolio list of projects as it was at the time of the EB-2018-0305 and the current portfolio list of projects and explain the changes if any.

b) Please explain the process for identification of risks and file a portfolio risk analysis or a similar report that is presented to management to assist them in investment decisions. If there is no such report, please explain why not and how managers are informed of portfolio risks without it.

c) What is EGD's Plan-Do-Check Act model. Please file a document that explains to employees how to use the model.

d) Please explain how the Plan-Do-Check Act model was used in the Don River Replacement Project.

EP-6
References: Exhibit B, Tab 2, Schedule 1, Pages 20-22, Table 8

a) Please provide a table that shows the amounts spent on the Don River Replacement project in 2019 and expected to be spent in 2020.

b) Please provide more details on the almost $10 million increase in Don River Replacement Project costs from that approved in EB-2018-0108.

c) Please Explain the ICM Project Revenue Requirement calculation based on Capex of $26,293 million at Exhibit B, Tab 2, Schedule 1, Appendix E, Page 1.

EP-7
Reference: Exhibit B Updated, Tab 2, Schedule 1, Page 23

Preamble: Energy Probe believes that Incremental Capital Module funding for capital projects should not be used to recover non-incremental costs from ratepayers. Incremental costs are costs that would only be incurred if the project does proceed. Non-incremental costs are costs that would be incurred whether the project proceeds or does not proceed.

Please provide a detailed cost estimate of the Don River replacement project with supporting calculations for each cost. For each cost please indicate if the cost is an incremental cost or a non-incremental cost.

Windsor Line Replacement

EP-8
Reference: Exhibit B, Tab 2, Schedule 1, Page 19

Preamble: "The proposed NPS 6 pipeline is necessary to replace the existing pipeline due to integrity concerns. Results from surveys and inspections conducted as part of the Enbridge Gas Integrity Management Program identified multiple integrity and depth of cover issues which could pose safety and security of supply concern if not addressed."

a) Please explain the nature of integrity concerns and the year in which they were first raised.

b) Is the Windsor Line the only pipeline in the Enbridge Gas Inc. natural gas distribution and transmission system in Ontario that has integrity concerns? If there are other pipelines with integrity concerns, please file the list of these pipelines, describe the nature of the concerns, and explain the decision process used to prioritize pipeline replacement projects.

c) What are the "surveys" mentioned in the quote? How frequently were these surveys conducted and the length of pipeline surveyed? Were survey reports produced? If not, why not and how were the results communicated to management? If survey reports were produced, please file them.

d) What are the "inspections" mentioned in the quote? How frequently were these inspections conducted and the length of pipeline inspected? Were inspection reports produced? If not, why not and how were the results communicated to management? If inspection reports were produced, please file them.

e) Please describe the Enbridge Gas Integrity Management Program. How are results of the program communicated to management? If Integrity Management reports are produced, please file them. If they are not produced, please explain why not.

EP-9
Reference: Exhibit B, Tab 2, Schedule 1, Page 19

a) As a part of the consideration of Prudence of the Windsor Line Replacement project was management presented with a repair vs replace discounted cash flow analysis? If it was, please file a copy of the analysis. If not, please explain why not, and explain how a prudent decision could be made without such an analysis.

b) As a part of the consideration of Prudence of the Windsor Line Replacement project was management presented with an analysis of alternative replacement pipe sizes? If it was, please file a copy of the analysis. If not, please explain why not, and explain how a prudent decision could be made without such an analysis.

EP-10
Reference: Exhibit B, Tab 2, Schedule 1, Page 23

Preamble: Energy Probe believes that Incremental Capital Module funding for capital projects should not be used to recover non-incremental costs from ratepayers. Incremental costs are costs that would only be incurred if the project does proceed. Non-incremental costs are costs that would be incurred whether the project proceeds or does not proceed.

Please provide a detailed cost estimate of the Windsor Line replacement project with supporting calculations for each cost. For each cost please indicate if the cost is an incremental cost or a non-incremental cost.

EP-11
Reference: Exhibit B, Tab 2, Schedule 1, Page 23

a) Please provide a summary update of the capital expenditures and timing of the Windsor Line Replacement project

b) Please Explain the ICM Project Revenue Requirement calculation based on Capex of $80,448 million at Exhibit B Tab 2, Schedule 1 Appendix E Page 2

c) Please confirm there are no incremental revenues from the project.

Customer Consultation

EP-12
Reference: Exhibit B, Tab 2, Schedule 1, Page 27 - Customer Consultation

Please provide a copy of the specific Customer Consultation Reports for the Don River Replacement and Windsor Line Replacement.

Cost Allocation

EP-13
Reference: Exhibit B Updated, Tab 2, Schedule 1, Appendix F, Pages 1 and 2

a) Please reconcile the 2020 RR for Don River to Exhibit B, Tab 2, Schedule 1, Appendix E, Page 1, line 16.

b) Please reconcile the 2020 RR for Windsor Line to Exhibit B, Tab 2, Schedule 1, Appendix E, Page 2, line 16.

EP-14
Reference: Exhibit B, Tab 2, Schedule 1, Appendix G, Pages 1 and 2

a) Please reconcile the 2020 RR for Don River to Exhibit B, Tab 2, Schedule 1, Appendix F, Page 1, line 13.

b) Please reconcile the 2020 RR for Windsor Line to Exhibit B, Tab 2, Schedule 1 Appendix F, Page 2, line 12.

Cost Allocation Directive

EP-15
Reference: Exhibit B, Tab 1, Schedule 1, Appendix C, Page 5, Table 1

a) Confirm that the major impacts of the current Cost allocation are to Rates T2 and M1/C1 other that are paying too much.

b) Provide an analysis of the impact of the Revised Cost allocation on EGD Rate zone customers that pay the M1/C1 Rate for Dawn Parkway transportation.

c) Provide an analysis of the impact on T2 customers.

EP-16
Reference: Exhibit B, Tab 1, Appendix C, Working Papers, Schedule 3, Page 2

a) Please confirm that the revised Panhandle cost allocation shows Rates T2 and C1 Firm are currently overpaying.

b) Please show the Impact to these rates based on their total rate revenue.

c) Confirm that currently Rates M1, M2, M4 and M7 are underpaying. Show the relative impact based on total revenue, if these rates were increased.

EP-17
Reference: Exhibit B, Tab 1, Appendix C, Working Papers, Schedule 3, Page 3

a) Please confirm that Rates M1, M2 are under-paying and M12 are over-paying.

b) Please provide the relative impact on the above rates based on Total Revenue.

EP-18
References: Exhibit B, Tab 1, Appendix C, Schedule 5

a) Please indicate for each of the Cost Allocation changes, an assessment of the materiality of each to the Union Rate Zone rate classes and to Ex-franchise customers including EGD Rate zone customers over-paying the M12/C1 rate ($16.9 million?).

b) What advice does EGI have to the Board based on this assessment?

EP-19
Reference: Exhibit B, Tab 1, Appendix C, Schedule 6

Please discuss what if any, adjustment should be made due to the change in Cost Allocation on the S&T transactional Margin and Gas supply Optimization Margin.

Scott Madden Report on UFG

EP-20
References: Scott Madden Report, Figure 5, Page 16

a) Please provide the Statistics for each of the Groups/Lines on the Chart

b) Please provide the least squares trend lines for of the benchmark Utility groups and EGD and Union

c) Please discuss the resulting trends and if the Legacy EGD and Union are reducing UFG.

d) Please compare the average miles of Transmission and Distribution pipe for each group to EGD and Union.

e) Provide a discussion of why Union has much lower UFG, including an analysis of relative # Receipt and Delivery points.

EP-21
Reference: No reference

a) How many of the Comparator Utilities have Major Storage facilities like Union and EGD?

b) Please provide a discussion whether/how storage Injection Withdrawal and Losses contribute to UFG and if there are differences between Union and EGD.

EP-22
References: Scott Madden Report, Figure 7, Page 19

a) Please add Legacy EGD and Union to Figure 7.

b) Please discuss the apparent differences in Measurement Errors and Accounting Issues between the PURA report and the other Sample Utilities and EGD and Union. Which is correct?

EP-23
Reference: Scott Madden Report, Figures 8 and 9, Pages 20-21

a) Why does Union have a small Gate station Variation and EGD a higher Variation?

b) Please provide the relative gate station numbers and volumes.

c) How many of EGD gate stations are also Union Delivery Points?

d) List all EGD Delivery Points/gate stations counterparty and associated Volumes.

e) Please discuss the significance of the differences between Union and EGD

EP-24
References: Scott Madden Report, Figures 15 and 16, pages 36 and 38

a) How many Custody Meters does each utility have?

b) Please provide a profile of EGD custody meters- the number, the counterparty and Volumes

c) What are the reasons EGD third party custody meters show higher differences relative to Union.

d) Does Scott Madden have any comments or suggestions how EGD can reduce UFG related to Custody Meters?

EP-25
Reference: Scott Madden Report, Conclusion, Page 47

Going forward, based on the Scott Madden review, what are appropriate EGD/Union Reporting Requirements for UFG?

EP-26
Reference: Scott Madden Report, Appendix A, Forecasting UFG, Figure 18, Page 50

Preamble: The EGD Forecasting Model appears to predict lower UFG than actual.

a) Please provide the EGD UFG Forecast statistics for the Period 2014-2018.

b) How does this under forecasting affect the UFG payment from customers?

c) Please provide the corresponding Union Forecast vs Actual chart.

d) Discuss the Union and EGD forecasting approaches and recommend any changes (absent settlements and regulatory constraints).

Enbridge E-bill Practices

EP-27
Reference: Exhibit B Updated, Tab 3, Schedule 1, page 17; Negative Option Billing Regulations (SOR/2012-23) https://laws-lois.justice.gc.ca/eng/regulations/sor-2012-23/index.html

Preamble: "Having achieved 40% overall e Bill adoption by the end of 2018, 2019 was the appropriate time for Enbridge Gas to shift its approach and establish e Bill as the new default option for customers, whether interacting with them online or through Enbridge Gas's contact centres."

a) Did Enbridge consider the Negative Option Billing Regulations (SOR/2012-23) when it made its decision to change the default option? If the answer is yes, please describe the nature of the consideration including any legal opinions regarding Negative Option Billing Regulations. If the answer is no, please explain why not.

b) If Enbridge obtained any legal opinions regarding the change in the default option regarding the Negative Option Billing Regulations or any other default option legal issues, please file them.

c) Please file document(s) that were presented to Enbridge senior management in support of the decision to change the default option.

Respectfully submitted on behalf of Energy Probe by its consultants,

Roger Higgin SPA Inc.	Tom Ladanyi TL Energy Regulatory Consultants inc.