Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

June 2, 2020

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Christine E. Long, Registrar & Board Secretary

Dear Ms. Long:

Re: OEB Staff Interrogatories
Enbridge Gas Inc.
2020 Federal Carbon Pricing Program Application
OEB File Number: EB-2019-0247

Pursuant to Procedural Order No. 2, please find attached the interrogatories of OEB staff in the above referenced proceeding. This document has been sent to Enbridge Gas Inc. and all intervenors.

Yours truly,

Original signed by

Michael Parkes
Project Advisor, Application Policy and Conservation

cc: All Parties in EB-2019-0247

Encl.

ONTARIO ENERGY BOARD

OEB Staff Interrogatories

Enbridge Gas Inc.

2020 Federal Carbon Pricing Program Application

EB-2019-0247

June 2, 2020

Enbridge Gas Inc.

2020 Federal Carbon Pricing Program Application

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OEB STAFF INTERROGATORIES

June 2, 2020

Staff IR-1

Topic: Timing of Application Filing

Ref: Application Cover Letter (Updated)

Preamble:

Enbridge Gas filed its updated Application on May 14, 2020, to include actual December 31, 2019 balances in the Federal Carbon Pricing Program (FCPP)-related deferral and variance accounts for which disposition is being sought.

Questions:

a) Please indicate the approximate date by which Enbridge Gas would expect to be able to file FCPP applications requesting updated rates for the Federal Carbon Charge and Facility Carbon Charge in future years, absent extraordinary circumstances such as this year's COVID-19 emergency.
b) Please indicate the approximate date by which Enbridge Gas would expect to be able to file FCPP applications requesting disposition of FCPP-related deferral and variance account balances (based on actual year-end balances) in future years, absent extraordinary circumstances such as this year's COVID-19 emergency.

Staff IR-2

Topic: Methodology for Federal Carbon Charge and Facility Carbon Charge

Ref: Exhibit A (updated) / p. 6 of 15, Exhibit B (updated), Exhibit D (updated)

Preamble:

Enbridge Gas' methodology for determining its Federal Carbon Charge cost and Facility Carbon Charge cost, for both the EGD and Union rate zones, is described in Exhibit B, and its methodology for cost recovery of these costs, including unit rates for the Federal Carbon Charge and Facility Carbon Charge, is described in Exhibit D.

Questions:

a) At this time, does Enbridge Gas anticipate making any changes in future FCPP applications to the methodology used in Exhibit B and Exhibit D to determine either the Federal Carbon Charge or the Facility Carbon Charge, beyond incorporating the numerical adjustments that follow from the annual changes in the Federal Carbon Charge Rates for Marketable Natural Gas under the *Greenhouse Gas Pollution Pricing Act* (GGPPA), as outlined in Table A-1? If so, please describe.

Staff IR-3

Topic: Customer Exemptions from Federal Carbon Charge

Ref: Exhibit B (updated) / pp. 2-4 of 5

Preamble:

Enbridge Gas describes how it determines which customers are exempted from being charged the Federal Carbon Charge on their natural gas bills.

Questions:

b) Please clarify whether the "exemption certificate" Enbridge Gas uses as a basis to exempt customers from being billed the federal carbon charge is a certificate issued by the Canada Revenue Agency (CRA) or a self-declaration form which does not receive CRA approval.
c) If the latter, does Enbridge Gas have any additional measures in place to prevent misuse of this form by customers who should be subject to the federal carbon charge?

Staff IR-4

Topic: Forecast Facility Carbon Charge

Ref: Exhibit B, Tab 1, Schedule 4 / p. 1 of 1

Preamble:

Enbridge Gas forecasts its Output-Based Pricing System (OBPS) obligation for the EGD rate zone, which includes an estimate of average emissions intensity for Enbridge Gas' compressor facilities (based on historic values).

Questions:

a) Please explain why the average emissions intensity for EGD's OBPS volumes (compressor facilities) was much higher for 2016-2018 (0.664 t CO_2e/MWh), than for 2016-2017 (0.599 t CO_2e/MWh).[1]

Staff IR-5

Topic: Administration Costs – General

Ref: Exhibit C (updated) / pp. 5-11, 13-18 of 18

Preamble:

Enbridge Gas seeks approval to recover 2019 administration costs of $1.60 million, and forecasts administration costs of $3.54 million in 2020.

Questions:

a) Please describe any actions Enbridge Gas has taken to minimize FCPP-related 2019 actual and 2020 forecast administration costs as per the OEB's direction in EB-2018-0331 that Enbridge Gas "look for ways to administer the new program in a cost efficient manner" (Decision and Order, August 22, 2019, p. 10).

Staff IR-6

Topic: Administration Costs – IT Billing System

Ref: Exhibit C (updated) / p. 7, pp. 14-15 of 18

Preamble:

Enbridge Gas seeks approval to recover 2019 administration costs of $0.41 million of revenue requirement associated with Cap-and-Trade (C&T) related billing system functionality costs re-purposed to collect GGPPA-related charges, and forecasts an additional $0.40 million of revenue requirement in 2020 for these billing system costs.

[1] EB-2018-0205, Exhibit B, Tab 1, Schedule 4

Questions:

a) Please provide a detailed explanation of the C&T related billing system functionality changes that have been re-purposed to collect GGPPA-related charges.
b) Please clarify the total amount of Enbridge Gas' capital spending by year on C&T related billing system functionality that has been re-purposed to collect GGPPA-related charges (for all years where such capital costs were incurred), and the calculation of the revenue requirement in each year (including years beyond 2020, if applicable) for these capital costs.
c) Does Enbridge Gas have any C&T related billing functionality system capital costs that are not fully depreciated, for changes that could not be re-purposed to collect GGPPA-related charges, and if so, does Enbridge Gas intend to seek recovery of these costs in any future proceeding? If so, please describe.

Staff IR-7

Topic: Administration Costs – Bad Debt

Ref: Exhibit C (updated) / p. 17 of 18; Exhibit C (original) / p. 15 of 16

Preamble:

Enbridge Gas notes that "ongoing COVID-19 related conditions may impact bad debt related to the GGPPA costs beyond what Enbridge Gas would typically forecast" and that "absent COVID-19 impacts", Enbridge Gas forecasts $1.84 million in bad debt costs in 2020.

Questions:

a) Please provide Enbridge Gas' methodology to calculate the forecast bad debt cost of $1.84 million for 2020, and explain why the forecast cost is higher than Enbridge Gas' 2020 bad debt forecast ($0.9 million) in its original EB-2019-0247 Application and Evidence filed November 11, 2018.
b) Please confirm that the forecast bad debt cost of $1.84 million in 2020 does not account for any potential COVID-19 impacts.
c) Does Enbridge Gas have any updated estimate of forecast bad debt in 2020, accounting for potential COVID-19 impacts? If so, please provide.

Staff IR-8

Topic: 2019 Facility-Related Costs Recorded in the Federal Carbon Charge - Facility Variance Account (FCCFVA)

Ref: Exhibit C (updated) / pp. 12-13, 16 of 18

Preamble:

Enbridge Gas seeks to dispose of the 2019 balance in its FCCFVA, and notes 2019 costs of $2.2 million from its OBPS obligation. Enbridge Gas also notes that its 2019 OBPS report will be verified in 2020 by a third-party auditor.

Questions:

a) Please confirm whether the deadline for remitting payment to the federal government for Enbridge Gas' 2019 OBPS obligation is December 15, 2020, and indicate whether or not Enbridge Gas has already remitted payment of its 2019 OBPS obligation to the federal government.
b) Is Enbridge Gas considering options to meet its 2019 OBPS obligation other than paying the federal carbon price on excess emissions, such as purchasing surplus credits or offset credits? If so, please describe, and provide any additional information on policy or regulatory developments that affect the use of these options, subsequent to Enbridge Gas' interrogatory response in its 2019 Federal Carbon Pricing application.[2] If Enbridge Gas has already remitted payment for its 2019 OBPS obligation, please describe whether and how Enbridge Gas considered these options prior to remitting payment.
c) If Enbridge Gas' final 2019 OBPS obligation ends up being different from the value of $2.2 million used in Enbridge Gas' calculations in this Application for the balance in the FCCFVA account, e.g., due to use of surplus credits or offset credits, or adjustments due to the third-party verification of Enbridge Gas' 2019 OBPS report, please indicate whether and how Enbridge Gas would seek to dispose of this variance.

Staff IR-9

Topic: 2019 Facility-Related Costs Recorded in the FCCFVA

Ref: Exhibit C / pp. 12-13 of 18; Exhibit B, Appendix A, p. 2 of 3

Preamble:

Enbridge Gas notes 2019 facility-related costs of $2.58 million for its regulated operations, and records a variance (undercollection) of $1.22 million in the FCCFVA as

[2] EB-2018-0205, Exhibit I.STAFF.3

of December 31, 2019, attributable in part to a variance of $0.25 million between forecast and actual facility-related costs.

Questions:

a) Please provide the supporting calculations used to determine Enbridge Gas' actual 2019 regulated facility-related costs due to OBPS and Company Use volumes/emissions that are shown in Column 5 of Table C-2 (e.g. tables similar to Exhibit B, Tab 1, Schedules 2-5 and Exhibit B, Tab 2, Schedules 2-5, but for actual 2019 values instead of 2020 forecasts).
b) From the above data, please provide a comparison of the 2019 average emission intensity for Enbridge Gas' compressor emissions in the EGD and Union rate zones to the 2019 Sector Emissions Intensity target established by the federal government, and to 125% of the Sector Emissions Intensity target.
c) Enbridge Gas' application (Exhibit B, Appendix A, p. 2 of 3) indicates that 125% of the Sector Emissions Intensity target equals the federal government's estimate of the production-weighted average emissions intensity of companies in the natural gas pipeline sector. If the 2019 average emissions intensity for Enbridge Gas' compressor emissions differs significantly from this value, please explain why.
d) In Enbridge Gas' view, is it feasible to reduce the emissions intensity of Enbridge Gas' compressor emissions to the Sector Emissions Intensity target? Why or why not?
e) Please explain why Enbridge Gas' 2019 regulated facility-related volumes/emissions (and thus facility-related costs) were substantially higher than previously forecast, as shown in Table C-2.
f) Did Enbridge Gas undertake any actions to reduce 2019 regulated facility-related volumes/emissions (either Company Use or OBPS), and hence, to reduce 2019 facility-related costs? If not, why not? If so, please provide details on the actions undertaken and the estimated reductions in regulated facility-related emissions and costs.
g) Please provide an update on Enbridge Gas' Facility GHG Emission Reduction Program,[3] including any planned actions in the Program intended to reduce regulated facility-related volumes/emissions and facility-related costs in 2020 and subsequent years.

Staff IR-10

Topic: Bill Impacts of Carbon Charges

Ref: Exhibit D (updated) / p. 7 of 15, Exhibit D (original) / p. 7 of 12

[3] EB-2018-0205, Exhibit I.CME.1, April 29, 2019

Preamble:

Enbridge Gas' updated application noted a bill impact of the changes to the 2020 carbon charges of $47.07 per year for a typical residential customer in the EGD rate zone, whereas Enbridge Gas' original application noted a bill impact of $47.16.

Questions:

a) Please provide the reason(s) for the difference between the original and updated applications in the bill impact of the 2020 carbon charges for residential customers in the EGD rate zone, given that the application update does not change the requested rate of either of these charges.

Staff IR-11

Topic: Bill Impacts of Disposition of Deferral and Variance Account Balances

Ref: Exhibit D (original and updated), Tab 2, Schedule 5, p. 1 of 4, Exhibit D (original and updated), Tab 2, Schedule 6, p.1 of 1

Preamble:

There are differences in the bill impact for general service customers in Union rate zones associated with clearance of the FCPP-related deferral and variance accounts between the original and updated Applications; specifically, the bill impact is lower in the updated Application than in the original Application for rates 01, 10, and M1, but higher for rate M2.

Questions:

a) Please provide a detailed explanation as to why there are relatively large differences in bill impacts between the original and updated Applications for these rate classes, given that the total balance for disposition for each of these rate classes (shown in Exhibit D, Tab 2, Schedule 5, Page 1 of 4) has changed only slightly between the original and updated Applications.

Staff IR-12

Topic: Disposition of Deferral and Variance Account Balances

Ref: Exhibit D (updated) / p. 9 of 15

Preamble:

Enbridge Gas proposes to allocate FCCFVA balances to rate classes in proportion to actual in-franchise distribution and ex-franchise transportation volumes actual customer-related volumes from April 1, 2019 to July 31, 2019.

Questions:

a) Please explain why Enbridge Gas has proposed allocating FCCFVA balances to rate classes in proportion to actual customer-related volumes from April 1, 2019 to July 31, 2019, given that this four-month gap in collecting the Facility Carbon Charge is not the only source of the balance in this account, and whether any other allocation methodologies were considered.

Staff IR-13

Topic: Disposition of Deferral and Variance Account Balances

Ref: Exhibit D (updated) / pp. 10-15 of 15

Preamble:

After consideration of several disposition periods, Enbridge Gas proposes different approaches for disposition of FCPP-related deferral and variance accounts: prospective disposition over a six-month basis beginning October 1, 2020 for general service customers in Union rate zones, and a one-time adjustment based on actual consumption between April 1, 2019 to July 31, 2019, disposed of over a three-month period beginning October 1, 2020, for all other customers.

Questions:

a) Is a three-month prospective disposition beginning October 1, 2020 technically feasible for Union GS customers? If so, please explain why Enbridge Gas has a preference for the six-month disposition period, taking into account the monthly bill impact of the DVA disposition, the higher overall customer bills experienced during peak heating months, and any other factors that may be relevant.
b) Enbridge Gas notes that “it is not recommending the longer disposition period of six months in light of the billing system constraint for the EGD rate zone, which is limited to one set of volumes for disposition of deferral and variance accounts at a time.” Does the same constraint apply to non-GS customers in the Union rate zones? If not, please explain why Enbridge Gas believes that the three-month disposition period is the preferred approach for these customers.
c) Enbridge Gas notes that, for the EGD rate zone, “disposing of the FCPP-related deferral and variance accounts over one quarter provides the ability for other

account dispositions to begin the following quarter, such as the 2019 deferral and variance account balances and 2019 earnings sharing and the 2017 and 2018 Demand Side Management deferral and variance account balances." Please confirm whether it is Enbridge Gas' current intention to dispose of the balances in these named accounts in the quarter beginning January 1, 2020 for the EGD rate zone and/or the Union rate zones.

d) For its proposed disposition approach for general service customers in the Union rate zones, does Enbridge Gas anticipate any material misallocation of costs to individual customers in this class, arising from differences in their seasonal patterns of natural gas use (e.g. space heating only vs. space heating and water heating), due to the differing time periods when costs were incurred (April 1, 2019 – July 31, 2019) and the time period being proposed for disposition (October 1, 2020 – March 31, 2020)? If so, please explain why this consideration does not change Enbridge Gas' preferred disposition approach for these customers.