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

Ontario

BY E-MAIL

July 6, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Long:

Re: Enbridge Gas Inc.
Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor
OEB Staff Interrogatories to Applicant
OEB File No. EB-2020-0094

In accordance with Procedural Order No. 1, please find attached the OEB staff interrogatories for the above proceeding. This document has been sent to Enbridge Gas Inc. and intervenors.

Enbridge Gas Inc. is reminded that its response to the interrogatories are due by July 27, 2020.

Yours truly,

Original signed by

Azalyn Manzano
Advisor

c. Applicant, Parties in EB-2020-0094

Encl.

ENBRIDGE GAS INC.
HARMONIZED SYSTEM EXPANSION SURCHARGE, TEMPORARY CONNECTION SURCHARGE AND HOURLY ALLOCATION FACTOR
EB-2020-0094

OEB STAFF INTERROGATORIES

OEB Staff No. 1

Ref.: Exhibit B, Tab 1, Schedule 1, Pages 1-6
EB-2015-0179, Applicant's response to CPA IR# 4 (a-i, l)

Preamble

Enbridge Gas is requesting OEB approval to apply the System Expansion Surcharge (SES) for future projects in accordance with pre-set criteria consistent across the Enbridge Gas rate zones. The SES will be applicable to each Community Expansion Project, defined as a natural gas system expansion project for which the profitability index (PI) is less than 1.0 and which will provide first-time natural gas system access to a minimum of 50 potential small volume general service customers, each of whom consume no more than 50,000 m^3 per year (SES project or community expansion project). Customers who consume more than 50,000 m^3 per year will have the option of paying the SES or negotiating another method of contribution to the project.

Enbridge Gas states that while Enbridge Gas's approved rates will change over time, the SES will not. The SES will apply for a period of up to 40 years. The term of the SES for each project will be set such that the project will achieve a PI of at least 1.0.

Enbridge Gas notes that there is currently a difference in approach between the EGD and Union rate zones with respect to updating the project's PI and its impact on the duration of the SES. Enbridge Gas is proposing to adopt the SES on the same basis as was approved in the 2015 Community Expansion (EB-2015-0179), as it has for previously approved projects in the Union rate zones. As such, Enbridge Gas is not proposing to periodically update the project's PI for the duration of the SES term.

Enbridge Gas references the OEB's recent North Bay decision (EB-2019-0188) concerning the extension of natural gas service to the Northshore and Peninsula

Roads area in the City of North Bay, where the OEB noted that under the same proposal as that outlined above the increased profitability of a project would be captured in the base upon which rates are set, resulting in reduced rates for all customers.

Enbridge Gas states that its proposal for the SES has been set out such that it meets the criteria as defined in the Generic Proceeding (EB-2016-0004). However, in its predecessor Union Gas Limited's (Union) response to an interrogatory in EB-2015-0179, Union stated that it did not believe that it was the intent of the EB-2016-0004 decision for community expansion area ratepayers to subsidize pre-existing ratepayers, and that extending the term of an SES charge beyond that required for an overall PI of 1.0 is inappropriate.

Enbridge Gas states that following the end of each SES project's rate stability period (RSP), the following information will be reported for the most recently ended fiscal year for which actual information is available on a project specific basis:

- Budgeted and actual capital costs, both at a gross level, and net of any contribution in aid of construction (CIAC), as of a project's in-service date;
- Cumulative forecasted customer and actual customer attachments for the duration of a project's 10-year customer addition forecast period; and
- Project's PI updated to reflect the project's actual capital cost and revenues over its RSP

Questions

a) How does Enbridge Gas intend to differentiate between expansion projects that Enbridge Gas would have normally constructed requiring only a PI of 0.8 (even after a CIAC was collected from customer/s) and community expansion projects that Enbridge Gas would apply an SES to and therefore require a PI of 1.0 for the project?

b) Please confirm that in the event that Enbridge Gas does not meet the customer attachment forecast and has significant revenue shortfall related to its SES project, Enbridge Gas will not seek to change the SES rate charged to customers nor extend the SES term for which the $\$0.23/m^3$ surcharge will be applied.

c) Please confirm whether Enbridge Gas is proposing to charge the SES for the full SES term set at the beginning of the project, and will not stop charging the SES even if the project PI reaches 1.0 prior to the end of the original SES

term. If so, please explain what Enbridge Gas will do with the excess SES revenues and why it believes that treatment is appropriate.

d) Please confirm whether Enbridge Gas will reduce or extend a project SES's term at the end of each project's RSP when it updates the project's PI.

e) Please explain why Enbridge Gas has proposed that it will not periodically update a project's PI for the duration of the SES term for future projects (and reduce the SES term accordingly) as it is required to do currently for projects within the legacy Enbridge rate zones.

f) Please explain the benefits and the drawbacks of providing periodic updates to the OEB on a project's PI for the duration of the SES term as Enbridge Gas is required to undertake currently for projects in the legacy EGD rate zone.

g) What is Enbridge Gas's understanding of the reasons for the requirement for periodic updates of the project PI for projects in the legacy EGD rate zones?

h) For the purposes of assessing the risks associated with customer attachment forecasts and the setting of an SES term, please provide the following information in a table (similar to that provided in EB-2018-0188 in IRR.ED.13(a)) for all community expansions where an SES charge has been applied. Please note if there are any large volume customers.

- Project Name
- In-service Date
- Ultimate potential attachments
- Forecasted attachments (#/yr)
- Actual attachments (#/yr)
- Forecast volumes (m^3/year)
- Actual volumes (m^3/year)
- Annual Demand (GJ)
- Forecast revenue ($)
    - Distribution Margin
    - System Expansion Surcharge
- Actual revenue ($)

OEB Staff No. 2

Ref.: Exhibit B, Tab 1, Schedule 1, Page 4
Exhibit C, Tab 2, Schedule 1, Pages 3 and 4

Preamble

Enbridge Gas states that the proposed rate of $0.23/$m^3$ is appropriate for small volume customers as it was derived from a study that reviewed small volume customers' energy costs and conversion costs. Larger volume customers typically have different costs and potential savings such that $0.23/$m^3$ would make conversion uneconomic. Feasibility for large volume customers within a Community Expansion Project will be calculated separately in accordance with the Board's E.B.O. 188 Guidelines and any required contribution in aid of construction ("CIAC") will generally be applied directly to those customers or addressed through the applicable large volume rate multi-year contracts. However, the option will be available to these customers to pay the SES in lieu of or in addition to a CIAC.

Refunds of CIAC may be requested by customers when the actual customer count on the system expansion exceeds the original forecast. For Rate 1 and Rate 6 customers, these refunds are processed at the end of five years from the date of construction. The system expansion project is then re-evaluated with the actual customer count to determine a revised contribution that is required to bring the NPV to the original targeted level. The difference between the revised contribution amount and the actual contribution paid by customers is the total amount to be refunded to original customers. Refunds are made based on the proportionate contribution of customers.

However, Enbridge Gas states that these refunds do not apply to the mains where SES and Temporary Connection Surcharge (TCS) rate riders have been applied in lieu of CIAC. The refunds are made only for the specific piece of main put into service; no refunds are payable for customers added downstream of the specific piece of main. No interest is payable, and only customers who made a contribution are eligible for a refund.

Refunds for large volume customers will be determined based on a re-evaluation of the system expansion project, taking into consideration extra investment and additional load brought on within five years to the specific piece of main constructed to serve the initial customer(s). Similar to system expansions, refunds for large volume customers will be evaluated subject to customer request.

Questions

a) Please provide the study referenced in the application that demonstrates how the $0.23/m^3 surcharge was derived for small volume customers.

b) Would a small volume customer have the option to pay the CIAC required for the project upfront if the customer did not wish to pay the SES over 40 years?

c) Please provide information demonstrating how an SES charge for a large volume customer will be calculated. Please indicate if the SES would be standard or customer-specific.

d) Will large volume customers be permitted to pay only the SES charge in lieu of a CIAC?

e) Will Enbridge Gas use a ten- or 20-year customer revenue horizon for calculating the feasibility and any required contribution in aid of construction for large volume customers? Would Enbridge Gas extend large volume customers' contracts in place of requiring a CIAC?

f) If a CIAC were paid by either a small or large volume customer served by an SES project (either in combination with the SES or paid in full upfront), and the actual customer attachments and revenue for the system expansion exceeded the original forecast, would Enbridge Gas provide a CIAC refund at the end of five years from the date of construction? If so, how would the refund be paid out? If not, please explain why not.

OEB Staff No. 3

Ref.: Exhibit B, Tab 1, Schedule 1, Page 6
Exhibit C, Tab 2, Schedule 1, Page 2
Exhibit C, Tab 2, Schedule 2, Page 7

Preamble

Enbridge Gas states that the initial evaluation of a Community Expansion Project and the SES term are determined based on estimated capital costs and a forecast of customer attachments, revenue rates, and natural gas consumption.

For the Union rate zones, Enbridge Gas states that it will provide at its cost, up to 30 metres of service lateral to connect a residential customer, and charge any lengths in excess of 30 metres an excess charge of $45/metre. For commercial and industrial customers, Enbridge Gas states that it does individual PI

calculations based on the site-specific lateral length, pipeline sizing, costs, gas usage and margins.

For the EGD rate zones, Enbridge Gas states that it provides a service connection to new residential customers connecting to existing mains at no cost, up to a maximum of 20 metres. Any service length beyond 20 metres is charged to the customer at $32/metre.

Questions

a) How does Enbridge Gas currently recover the costs for the first 20 to 30 metres of the service lateral that it provides to new customers at no cost?

b) Please confirm that when Enbridge Gas does the feasibility analysis for a community expansion project (and determines the SES term), it includes the total forecast cost of constructing the customer connection lines, and not only the forecast costs of constructing the first 20 or 30 metres (in the EGD and Union rate zones, respectively) of these lines. If not, please explain.

c) If Enbridge Gas uses the full cost of constructing the customer connection lines in its feasibility analysis and in setting the SES term, would Enbridge Gas still charge $32/metre or $45/metre if a customer in a community expansion project required more than 20 metres or 30 metres of pipeline in the EGD or Union rate zones, respectively? Please explain.

OEB Staff No. 4

Ref.: Exhibit B, Tab 1, Schedule 1, Pages 5, 7-8
EB-2015-0179 Decision, Pages 8 and 15

Preamble

With respect to capital costs, Enbridge Gas proposes to treat these costs in the same manner as the costs of other capital projects. Enbridge Gas will bring forward its actual capital costs at the next rebasing proceeding following the 10-year RSP. Enbridge Gas states that this treatment of capital costs is the same as other distribution system expansion projects that form part of the common rate base. If the OEB grants leave to construct an Expansion Project, Enbridge Gas will include the forecasted capital costs of a project in rate base as of the in-service date.

In this application, Enbridge Gas is proposing to adopt the SES on the same basis as it has for previously approved projects in the Union rate zones (e.g.,EB-2015-0179). However, in EB-2015-0179, Union proposed to bring forward its actual capital costs in the next rebasing proceeding when the assets are placed in service. Union also proposed to bring forward any variance between actual and forecast capital costs in a future rate application, which would presumably occur before the end of the 10-year forecast period, after the assets are placed into service. If capital expenditures exceed forecast, Union stated that all customers would be liable for the additional costs as the rates are based on a common rate base. However, the prudency of excess capital costs incurred would be subject to an OEB review.

Questions

a) Please confirm that Enbridge Gas will not seek to include in rate base, prior to the end of a ten-year RSP, the costs of all projects implementing the previously approved SES for both EGD and Union rate zones, as well as the SES proposed in this application.

b) Please confirm that at the rebasing following the RSP, Enbridge Gas will seek to include in rate base any cost overruns for an SES project, subject to a prudence review by the OEB.

c) If a) and b) are both not confirmed, please explain the timeline for when Enbridge Gas will seek to include in rate base the costs of an SES project, and when it will seek to include in rate base any cost overruns. Please explain for both SES projects that require leave to construct and for SES projects that do not require leave to construct.

OEB Staff No. 5

Ref.: Exhibit B, Tab 1, Schedule 1, Page 7
EB-2019-0188, Decision, Page 13
Exhibit B, Tab 1, Schedule 1, Pages 3, 10-11

Preamble

During the RSP, Enbridge Gas states that it will include projected revenues as derived from the customer attachment and volumetric forecast inclusive of SES revenue for each particular project in the determination of any revenue sufficiency or deficiency in the process of setting of OEB approved rates.

Following the end of a project's RSP, Enbridge Gas will use the actual project revenues including actual SES revenues for ratemaking purposes subject to OEB review and approval. In other words, Enbridge Gas will not seek to recover from existing or new community expansion customers any shortfall in revenue requirement for the first 10 years of a project's in-service date. Enbridge Gas proposes that it would bring forward for approval any potential revenue requirement shortfalls or excesses for the future period in the next rates rebasing application after the 10-year RSP.

Enbridge Gas will not seek to reflect the actual revenues of a project in the determination of rates until after the RSP has expired. After the RSP has expired, Enbridge Gas proposes to use actual revenues for a particular project will be used for the determination of any revenue sufficiency or deficiency in the process for setting approved rates.

In the North Bay (EB-2019-0188) decision, the OEB required Enbridge Gas to seek no recovery of any shortfall that might occur in the first ten years for the project.

Enbridge Gas also states that the SES proposed in this application will be considered revenue and treated as such for the purpose of the economic feasibility analyses.

Question

Given the treatment of SES and TCS as revenue, please confirm that at rebasing, Enbridge Gas will use actual Year-10 SES revenue as an offset to its revenue requirement. If not, please explain how Enbridge Gas intends to treat SES revenue, so as not to recover SES revenue from both SES customers and existing customers.

OEB Staff No. 6

Ref.: Exhibit B, Tab 1, Schedule 1, Page 2
Exhibit C, Tab 1, Schedule 1, Page 1
Exhibit C, Tab 1, Schedule 2, Pages 2, 4, 5, 7
EB-2015-0179, Applicant's response to OEB Staff IR# 3(c)
EB-2017-0147, Decision, Pages 6 and 12

Preamble

Enbridge Gas states that if the OEB accepts Enbridge Gas's proposal, it would no longer be necessary for Enbridge Gas to seek approval under section 36 of the OEB Act for the SES and TCS on a project specific basis either for projects that meet the criteria for a leave to construct (LTC) application or for smaller distribution projects.

Enbridge Gas appears to propose to publish a list of SES projects and their SES terms in the EGD and Union rate zone Handbooks, and the geographic location, effective date and term of TCS project areas in the EGD rate zone on Enbridge Gas's website.

In its response to OEB staff's IR#3(c) in the 2015 Community Expansion proceeding (EB-2015-0179), Union stated that it would provide ongoing information on forecast achievement levels at the project level for the duration of the customer forecast period at the annual stakeholder meeting.

In the Fenelon Falls proceeding (EB-2017-0147), Enbridge proposed to report on all of its Community Expansion Projects at its annual Shareholder Day meetings. Enbridge stated it would report on the following:

- the budgeted and actual capital costs as of in-service date (gross and net of Capital Contribution)
- the PI for each project
- cumulative and actual customer attachments for the 10-year forecast period

The Scugog application (EB-2017-0261) was approved under the same generic approval granted in the Fenelon Falls case.

Questions

a) Please confirm that Enbridge Gas's list of TCS projects to be published on Enbridge Gas's website will include the TCS projects for both EGD and Union rate zones. If not, please explain.

b) Will Enbridge Gas continue to track and report on EGD rate zone SES projects, as was proposed in EB-2017-0147 and EB-2017-0261? If not, please explain.

c) Will Enbridge Gas continue to provide ongoing information on SES projects in the Union rate zones, as was proposed in EB-2015-0179? If not, please explain.

d) Given that Enbridge Gas will be applying the SES without requiring OEB approval on a project-specific basis, does Enbridge Gas plan on informing the OEB of projects it intends to apply the SES to? If so, how? If not, please explain.

OEB Staff No. 7

Ref.: Exhibit B, Tab 1, Schedule 1, Page 9 to 12

Preamble

Enbridge Gas is asking the OEB to approve a TCS which is similar to the SES but will be used for smaller distribution expansion projects that will provide natural gas system access to fewer than 50 potential small volume customers in homes and businesses. This will allow for these customers to gain similar benefits to those being served by larger Community Expansion Projects.

Availability of a TCS for small main extensions or attachments will provide an alternative to CIAC for those customers where attachment to Enbridge Gas's system is not economically feasible based on the use of current approved rates only.

Enbridge Gas's proposal for a TCS would apply to those small volume customers who would otherwise be required to pay a CIAC in order to make gas service to their property economically feasible at a PI of 1.0. In these situations, Enbridge Gas would have the ability to offer the TCS for up to 20 years as an alternative to these potential customers rather than requiring them to pay a lump sum CIAC prior to the in-service date of the facilities.

Enbridge Gas proposes that projects where a TCS rate rider is applied should be included in the Company's Rolling Project Portfolio and Investment Portfolios alongside other system expansion projects. Enbridge Gas states that this will provide an ongoing method of determining the financial feasibility and rate impact of expansion projects as prescribed in E.B.O. 188. As such, separate tracking and reporting on these projects will not be warranted.

Questions

a) Does Enbridge currently make a distinction between expansion projects involving more than 50 customers and projects with less than 50 customers? Please explain.

b) Is the TCS applicable to both new development/system expansion for less than 50 small volume customers and infill areas?

c) Please confirm the TCS is not applicable to customer-owned pipe downstream of the meter set. If this cannot be confirmed, please explain Enbridge Gas's intentions in this regard.

d) How does Enbridge Gas intend to differentiate between infill projects that would have normally been constructed requiring only a PI of 0.8 and TCS projects that require a PI of 1.0?

e) If Enbridge Gas's proposal is approved, will a PI of 1.0 apply to all projects going forward? Or will some projects still be considered feasible at a threshold PI of 0.8?

f) Did Enbridge Gas consider a different or higher rate for the TCS given the 20 year maximum term so that a CIAC would not be required if a project is not considered viable? If so, please explain.

g) Assume five residential customers in the EGD rate zone request to be connected, and connecting these customers requires a 100 metre main extension. In addition to the main extension, Customers A, B and C each require a 20 metre service line, and Customers D and E each require a 50 metre service line.

    i. Please describe how Enbridge Gas would determine the costs for the feasibility calculation to connect these customers. Does Enbridge Gas use the total actual/area-averaged costs of constructing the main extension and all the service lines, or does it only use the costs for the main extension and for constructing pipelines past the first 20 metres (i.e., 100 metre main extension + 30 metres x $32/metre x 2 customers)?

    ii. If Enbridge Gas uses the actual/area-averaged costs to build the lines to calculate the economic feasibility of connecting these customers, and the project PI is less than 1.0, how does Enbridge Gas determine the CIAC to be charged/TCS term for each customer? Does Enbridge Gas divide the cost of the main extension by five, and then add that

portioned out cost to the cost to connect an individual customer, for an individual feasibility analysis and a resulting individualized CIAC/TCS term? Or would Enbridge Gas combine all costs to calculate the feasibility for the project, apply a 20-year TCS, and divide any remaining CIAC required equally between the five customers?

iii. If Enbridge Gas conducts an individualized feasibility analysis, would Enbridge Gas charge $32/metre to Customers D and E, as per the EGD rate zone Customer Connection Policy, and thereby reduce their individual CIAC/TCS term?

h) Please answer g) using the Union rate zone customer connection policy.

i) In the scenario of a community expansion/SES project requiring a main extension to service more customers prior to the end of the SES term, would the customers being serviced by the main extension pay only the TCS or the SES or both? If the customer was to only pay the TCS, would it be possible for the TCS to expire prior to the SES from the original Community Expansion project?

j) Please confirm that in the event that Enbridge Gas has significant revenue shortfall related to its TCS project, Enbridge Gas will not change the TCS rate charged to customers or the TCS term for which the $0.23/$m^3$ surcharge will be applied. If not, please explain.

k) Please confirm that Enbridge Gas is proposing to charge the TCS for the full TCS term set at the beginning of the project, and will not stop charging the TCS even if the project PI reaches 1.0 prior to the end of the original TCS term.

l) Please explain the rationale for Enbridge Gas's proposal to not track and report on TCS projects, when they are substantially similar to SES project, barring the length of the SES term.

m) Please explain the benefits and the drawbacks of providing periodic updates on a project's PI for the duration of the TCS term as Enbridge Gas is required to undertake currently for SES projects in the legacy EGD rate zone.

n) If a CIAC were paid by either a small or large volume customer served by a TCS project, and the actual customer attachments and revenue for the system expansion exceeded the original forecast, would Enbridge Gas provide a CIAC refund at the end of five years from the date of construction? If so, how would the refund be paid out? If not, please explain why not.

OEB Staff No. 8

Ref.: Exhibit B, Tab 1, Schedule 1, Page 13
EB-2018-0188, Applicant's response to OEB staff IR# 2(a-b)

Preamble

Enbridge Gas is proposing that the OEB approve the use of the Hourly Allocation Factor (HAF) process as an allocation methodology for capital costs in future Development Projects. Enbridge Gas states that the previous four leave to construct projects approved by the OEB which employed the HAF approach had about 50% of the capacity committed or more prior to being advanced for LTC approval.

The HAF is to be derived by dividing the net forecasted capital cost of a project by the forecasted capacity that the project serves within the Area of Benefit, and is expressed as a capital cost for each cubic metre per hour of incremental capacity.

In the Chatham-Kent Rural Project (EB-2018-0188), the forecasted capacity of the project that was used to calculate the HAF differed from the total capacity generated by the project (65,000 m^3/hr). In the Chatham-Kent Rural Project, Enbridge Gas appeared to have used the original total forecasted demand required by large volume customers (30,045 m^3/hr) to calculate the HAF, rather than the total forecasted capacity of the project, or even the updated total demand growth forecast for large volume customers (31,895 m^3/hr).

Questions

a) Please explain the difference between an expansion project and a Development Project.

b) Please confirm that Enbridge Gas intends to use the forecasted capital cost of the project (net of grants and other upfront contributions) divided by the total forecasted capacity of the project, rather than the capacity allocated to identified large volume customers. If otherwise, please explain why.

c) Is Enbridge Gas proposing a 50% threshold in terms of how much capacity should be committed prior to a project either being advanced for LTC approval or approved for construction? Please explain why or why not.

d) Will Enbridge Gas report on whether the costs of a Development Project have been completely allocated? If so, how?

e) What if there is insufficient demand to ensure that the costs of the Development Project are completely allocated? Are existing customers expected to carry the cost of a Development Project that remains unallocated at the next rebasing? How does Enbridge Gas intend to prevent cross-subsidization of Development Projects by existing customers?

OEB Staff No. 9

Ref.: Exhibit B, Tab 1, Schedule 1, Page 14-15
Exhibit C, Tab 2, Schedule 1, Page 3-4

Preamble

Enbridge Gas is proposing that the threshold of eligibility be scaled with the size of the Development Project. For larger projects, Enbridge Gas would propose that the HAF apply only to large volume customers. For smaller projects, all customers, large and small, would be included.

The previous projects which primarily targeted large volume customers employed the HAF had a “floor” of HAF applicability set at 200 m^3/hr. In the future, for smaller projects targeting a mix of larger and mid-sized customers, Enbridge Gas states that a lower threshold may be more appropriate. Enbridge Gas is proposing that the threshold of applicability be set by Enbridge Gas on a case-by-case basis.

Enbridge Gas states that while the HAF will typically be applied in situations where natural gas service is being made available to large volume customers, it can also be used for projects involving small volume customers where one or more of them may be placing a larger peak demand on the system relative to others that are served by that project.

Enbridge Gas states that the HAF is meant to fairly and equitably share and allocate the costs and benefits of a project that benefits multiple customers commensurate with peak hour demand, ensuring that the first customer does not bear the entire economic burden, nor the last customer avoid theirs. Enbridge Gas states that the HAF will remain constant for all customers within an Area of Benefit who meet the threshold of applicability for a particular project. Enbridge

Gas will cease to allocate and apply the HAF to the economic feasibility analysis once the total incremental capacity has been fully allocated.

Refunds for large volume customers will be determined based on a re-evaluation of the system expansion project, taking into consideration extra investment and additional load brought on within five years to the specific piece of main constructed to serve the initial customer(s). Similar to system expansions, refunds for large volume customers will be evaluated subject to customer request. Enbridge Gas states that this policy is not available to large volume customers in Development Projects where an Hourly Allocation Factor process has been used for allocating project cost amongst the prospective customers.

Questions

a) Is Enbridge Gas only able to determine the threshold of a proposed HAF based on the known parameters of a particular project at the time the project is initiated? If so, does this not imply that Enbridge Gas will still need to seek the OEB's approval for the proposed HAF for an individual project? Please explain.

b) Please provide an example of a larger development project and of a smaller development project and the corresponding thresholds of eligibility. What criteria does Enbridge Gas intend to use to differentiate the two?

c) How would Enbridge Gas propose the threshold of eligibility be scaled?

d) How would costs be allocated if a Development Project included small volume customers? How does Enbridge Gas intend to ensure that large volume customers in a Development Project do not end up subsidizing smaller volume customers and vice versa?

e) Would residential customers qualify for the HAF as small volume customers?

f) For Development Projects like the Chatham-Kent Rural Project, where the project was primarily constructed for large volume customers, but also provided incremental capacity for low volume customers, does Enbridge Gas intend to exclude the costs related to the incremental capacity for low volume customers from the HAF calculation?

g) Please explain why Enbridge Gas does not intend to provide refunds to large volume customers in Development Projects where a HAF was used.

OEB Staff No. 10

Ref.: Exhibit C, Tab 2, Schedule 1, Page 4
Exhibit C, Tab 2, Schedule 2, Page 4

Preamble

Enbridge Gas manages separate Investment Portfolios and Rolling Project Portfolios for Union North (Rate 01 and 10) and Union South (Rate M1 and M2) rate zones. Excluding Community Expansion Projects, the Rolling Project Portfolio PI for each area must remain above 1.0 and the Net Present Value (NPV) must remain greater than $0 at all times.

Enbridge Gas's Investment Portfolio for the EGD rate zone evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1. All new customers attaching to new and existing mains are included in this portfolio. For its Rolling Project Portfolio, Enbridge Gas also maintains a rolling 12-month distribution expansion portfolio including the cumulative result of project-specific Discounted Cash Flow analyses. The Rolling Project Portfolio does not include customer attachments from existing mains constructed in prior years, and is maintained at a PI level greater than 1.0.

Questions

a) Are there plans to harmonize the EGD rate zone economic feasibility procedure and policy with Union rate zone distribution new business guidelines? If so when?

b) In the past year, how many projects has Enbridge Gas constructed where the PI of the project is less than 1.0, and what percentage of its Investment Portfolios and/or Rolling Project Portfolios do these projects make up?

c) Has Enbridge Gas included previous community expansion projects for which an SES has been approved in its Investment and/or Rolling Project Portfolios? Please explain why or why not.

d) Is Enbridge Gas planning to include future SES projects in its Portfolios?

e) Please provide the Net Present Value and PI of the Investment Portfolio for all rate zones.