



150 Ferrand Drive, Suite 208
Toronto, Ontario M3C 3E5
T 416.926.1907 F 416.926.1601
www.pollutionprobe.org

Ms. Christine Long
Registrar & Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

July 6, 2020

Re: EB-2020-0094 Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor - Pollution Probe Interrogatories

Dear Ms. Long:

Please find enclosed Pollution Probe's Interrogatories for Enbridge on the above noted proceeding.

Respectfully submitted on behalf of Pollution Probe.

Michael Brophy, P.Eng., M.Eng., MBA
Michael Brophy Consulting Inc.
Consultant to Pollution Probe
Phone: 647-330-1217
Email: Michael.brophy@rogers.com

cc: Rakesh Torul , Enbridge (email via EGIRegulatoryProceedings@enbridge.com)
Tania Persad, Enbridge Legal (via email)
Interested Parties (via email)
Richard Carlson, Pollution Probe (via email)

ONTARIO ENERGY BOARD

**Harmonized System Expansion Surcharge, Temporary Connection Surcharge
and Hourly Allocation Factor**

POLLUTION PROBE INTERROGATORIES

July 6, 2020

**Submitted by: Michael Brophy
Michael Brophy Consulting Inc.
Michael.brophy@rogers.com
Phone: 647-330-1217
28 Macnaughton Road
Toronto, Ontario M4G 3H4**

Consultant for Pollution Probe

Pollution Probe #1

[Ex. A, T2, Sch. 1]

Reference: "... the SES, TCS and HAF will allow Enbridge Gas to accommodate the anticipated demand for Community Expansion Projects and Development Projects or other distribution extension projects or attachments without having to seek Ontario Energy Board ("OEB" or the "Board") approval for the surcharge or allocation methodology on a project specific basis".

- a) Please provide a summary of the expected "Community Expansion Projects and Development Projects or other distribution extension projects or attachments" referenced.
- b) Please describe the current approach that has been used for all Community Expansion Projects and Development Projects or other distribution extension projects or attachments and why a change to that approach is prudent at this time.
- c) Does Enbridge have OEB capital approval to meet the anticipated demand for Community Expansion Projects and Development Projects or other distribution extension projects or attachments? If not, please explain what approvals are still required for those projects.
- d) If Enbridge's request is approved by the OEB, what mechanism is in place to report details of the portfolio for all Community Expansion Projects and Development Projects or other distribution extension projects or attachments?
- e) Please confirm that Enbridge did not mean that it is seeking approval related to "all Community Expansion Projects and Development Projects ~~or~~ and other distribution extension projects ~~or~~ and attachments".
- f) Given the portfolio policy changes since EBO 188 and the large number of projects that Enbridge anticipates, please explain why it wouldn't be better for the OEB to update the entire EBO 188 Guideline and include these elements in that consolidated document.

Pollution Probe #2

[Ex. A, T2, Sch. 1, Page 2 of 4]

- a) Please confirm that only projects with the characteristics outlined in Exhibit A, Tab 2, Schedule 1, Page 2 of 4 would receive the treatment for SES, TCS and/or HAF. If not correct, please explain.
- b) Please explain how Enbridge selected “50 potential small volume general service customers” as the limit before having to go back to the OEB for additional SES, TCS or HEF approval.
- c) Please confirm that if Enbridge negotiates an SES with a customer different than \$0.23/m³, the negotiated SES would require OEB approval. If not, please explain.
- d) Please file the proposed amendments to the Company’s feasibility policies required to implement the HAF, SES and TCS.

Pollution Probe #3

[Ex. A, T2, Sch. 1]

- a) Please confirm that Enbridge already has the ability to charge customers a contribution in aid of construction (“CIAC”) to make a project feasible. If correct, please provide the OEB decision reference which enabled that ability. If not correct, please explain why.
- b) Please explain what factors need to be considered when developing an SES rate.
- c) Please provide the calculation and rationale behind selecting \$0.23/m³ as the SES value.
- d) Please explain the difference if an SES of less than \$0.23/m³ (e.g. \$0.20/m³) was applied to a project as long as the term enables the project to achieve a PI=1.0.
- e) Please confirm that the OEB has not previously approved an SES of \$0.23/m³ for generic use. If this assumption is incorrect, please provide the reference to the OEB’s generic approval.

Pollution Probe Interrogatories

- f) Has Enbridge and Union Gas constructed expansion projects with a $PI < 1.0$? If yes, please provide a list and the project PI (used for regulatory approval purposes).
- g) Since EBO 188 allows project with a $PI \geq 0.8$, please explain why Enbridge is requesting an SES that would bring projects to a $PI = 1$.
- h) Please explain the difference in profitability to Enbridge between the following scenarios:
 - Enbridge builds a project with a $PI = 1.0$
 - Enbridge builds a project with a $PI < 1.0$, but the portfolio PI is 1.0 or greater.
- i) Please provide details on the Company's current Rolling Portfolio PI.
- j) Please explain how Enbridge intends to determine the term of the SES for projects.

Pollution Probe #4

- a) It appears that there have been similar System Expansion Surcharges (SESs) used by Enbridge and Union Gas, but that variations may have been applied for specific expansion projects. Please provide a table comparing all the different System Expansion Surcharges that have been used by Enbridge or Union Gas to-date from 2015 to present. For each SES type, please detail all elements approved by the OEB, including (but not limited to) the following information:
 - SES Rate (\$/m³) for each customer type (i.e. residential, commercial, industrial)
 - Term of the SES
 - Calculation or rate used for any customer classes not covered by the SES rate mentioned above
 - A list of community expansion projects (name and case reference number) where that specific SES was applied
 - Payback period applied (e.g. 20 years, 40 years or until project achieved a $PI = 1.0$).

Pollution Probe #5

[Ex. C, T1, Sch. 1]

Pleas provide a table including all Enbridge and Union Gas expansion projects where an SES was applied and include the following information for each:

- Name of project
- OEB case reference number
- SES rate approved by OEB, if applicable
- Term of the SES
- Rate Stabilization Period, if applicable
- Revenue deficiency (to reach a PI=1.0) filled by SES revenue or other equivalent contributions.
- Actual Total Revenue collected from customers through the SES or other equivalent contributions.
- Forecasted PI (based on OEB application)
- Actual PI
- Number of customers in the community that could be served by the project by residential, commercial and industrial
- Number of customers proposed to be attached in the OEB application (per the PI calculation) by residential, commercial and industrial
- 10 Year customer forecast (based on OEB application) by residential, commercial and industrial
- Actual 10 Year number of customers attached by residential, commercial and industrial

Pollution Probe #6

[Ex. C, T2, Sch. 1]

Reference: “The Company manages both of its portfolio approaches to achieve a Profitability Index (“PI”) of greater than 1.0 as required by the Board under EBO 188.”

Reference: “Individual projects are required to achieve a PI of 1.0 or the customer shall be required to pay a Contribution-in-Aid-of-Construction (“CIAC”) to bring the project up to the required PI level. In exceptional circumstances, a project may be authorized at a lower PI levels (i.e. between 1.0 and greater than 0.8) as long the Company maintains its overall portfolio PI above 1.0.”

Reference: 'The Company evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1'

- a) If Enbridge has a Company policy requiring a CIAC to bring individual projects up to a PI=1, what is the purpose of a portfolio approaches to achieve a Profitability Index ("PI") of greater than 1.0 as required by the Board under EBO 188?
- b) Please provide a definition of 'exceptional circumstances'.
- c) Please provide a list of all projects with a PI<1.0 since EBO 188.
- d) If all projects had a PI=1.0, how can the system expansion portfolio achieve a portfolio PI of at least 1.1?

Pollution Probe #7

[Ex. C, T2, Sch. 1]

Reference: "A project specific revenue horizon is used when the project life cycle is deemed shorter than 20 years".

- a) Please provide details explaining when the Company would use a project life less than 40 years.
- b) Please provide a list of projects where a life of less than 40 years was used and explain why.
- c) Is OEB approval for the project life required or can Enbridge decide that number at its own discretion?

Pollution Probe #8

[Ex. B, T1, Sch. 1]

- a) Please provide a summary list and file a copy of all studies relied on (directly or indirectly) for this application related to the System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor.
- b) Please provide all material (not already filed in this proceeding) from past proceedings that Enbridge is relying to support its application.

Pollution Probe #9

[Ex. B, T1, Sch. 1]

- a) OEB approval of an SES in expansion project proceedings has included conditions (e.g. term of SES, total revenue to be collected, treatment for customers that move, etc.) beyond just the rate of the SES. Is Enbridge requesting generic approval of any of those other conditions? If yes, please provide a full list.
- b) Enbridge is proposing that it could 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. Why is a term of 10 years appropriate, especially if the SES term is greater than 10 years?
- c) What method does Enbridge plan to use to communicate the terms of the SES, TCS or HEF to a consumer before they commit to become a customer?
- d) Consumers have complained previously (e.g. EB-2017-0147) that they were not notified of the SES or its details prior to being converted to natural gas. Please provide a copy of all information provided to a consumer before they are signed up and/or converted to natural gas.
- e) If a consumer purchases a house where an SES was applied, how will they know if an SES has been applied to that premise?
- f) Enbridge is typically contacted prior to a house sale closing to confirm that there are no arrears or outstanding fees owing. Will Enbridge include information on any SES commitments during that process?

Pollution Probe #10

[Ex. B, T1, Sch. 1, Page 3 of 16]

Reference: "The SES will allow customers to be served by Community Expansion Projects to contribute a portion of their savings from converting to natural gas"

- a) Please provide any reports, calculations and other information Enbridge is relying on to ensure that the SES will be offset by monthly fuel savings for all customers.

- b) Please provide the average net monthly bill savings per customer switching to natural gas and paying an SES of \$0.23/m³?

Pollution Probe #11

Reference: “Enbridge Gas is at risk for potential revenue shortfalls during the 10-year RSP and will not seek recovery for any overages or shortfalls related to the RSP” [Ex. B, T1, Sch. 1, Page 7]

Reference: Enbridge indicated that in its experience with community expansion projects, projects have met 64-90% of the 10-year forecast earlier than anticipated (within years 1-4). [EB-2019-0188, Enbridge Reply Argument, Page 9 of 13]

- a) Please explain why Enbridge has been conservative in its customer attachment estimates for the first 10 years for community expansion projects.
- b) Please explain why Enbridge has not prorated or adjusted its project attachment rates to correct for the underestimation in the first 10 years.
- c) Please provide details on the projects and related data used to calculate Enbridge’s conclusion that for community expansion projects, projects have met 64-90% of the 10-year forecast earlier than anticipated (within years 1-4).

Pollution Probe #12

[Ex. B, T1, Sch. 1]

Please explain how Enbridge will determine the Hourly Allocation Factor (HAF) for customers that do not have gas meters that produce hourly data.

Pollution Probe #13

[Ex. B, T1, Sch. 1]

- a) Please explain if the HAF be calculated on a forecast or actual basis.
- b) Paragraph 42 refers to “large” and “small” projects. Please provide a definition for each.