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July 6, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Long

**RE: EB-2020-0094 Enbridge Gas Inc. Harmonized System Expansion Surcharge,
Temporary Connection Surcharge and Hourly Allocation Factor Application
- Energy Probe Interrogatories**

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) to Enbridge Gas Inc. in the EB-2020-0094 Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor Application proceeding.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.
Consultant representing Energy Probe

cc. Patricia Adams (President, Energy Probe Research Foundation)
Enbridge Gas Inc. (Regulatory Affairs)
Intervenors of Record

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sch. B), as amended (“OEB Act”);

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or orders under section 36 of the Act, approving certain rate mechanisms for expansion projects and a capital allocation factor for project economic feasibility as per the E.B.O. 188 Guidelines.

Enbridge Gas Application for Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor

Energy Probe Research Foundation Interrogatories

July 6, 2020

Enbridge Gas Application for Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor

Energy Probe Research Foundation Interrogatories

EP-1

Reference: Exhibit B, Tab 1, Schedule 1, page 4, paragraph 9

Preamble: The harmonized System Expansion Surcharge (“SES”), Temporary Connection Surcharge (“TCS”) and Hourly Allocation Factor (“HAF”) that are the subjects of this application are required to provide consistency between the EGD and Union rate zones.

- a) Please provide the following as related to the approved rate schedules for each of the rate zones:
 - I. Minimum and maximum volume per small volume residential customer
 - II. Minimum and Maximum volume consumed for a commercial rate customer
 - III. Minimum and maximum volume consumed per industrial customer
- b) For the existing Fenelon Falls and Scugog Island Community Expansion (“CEP”) projects, please provide the forecast average consumption for each rate class for each project and compare to the overall average annual volumes for EGD as a whole.
- c) For the existing Prince Township, Milverton, Rostock and Wartburg, and Kettle and Stony Point First Nation, CEP projects please provide the average forecast consumption for each rate class for each project and compare to the overall average annual volumes for Union Gas as a whole.

EP-2

Reference.: Exhibit B, Tab 1, Sch. 1, Page 5

Preamble: *“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 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. 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). As such, the Company is not proposing to periodically update the project’s PI for the duration of the SES term.”*

If more customers are added during the Rate Stabilization Period than originally expected, would the length of the SES period be reduced? Please explain the reason for your answer.

EP-3

Reference: Exhibit B, Tab 1, Schedule 1, page 5, paragraph 11

Preamble: EGI *“is not proposing to periodically update the project’s PI for the duration of the SES term.”*

- a) Will EGI provide the Board and interested parties with periodic updates related to the project’s PI during the RSP, as compared to the forecast?

- b) How will EGI and the Board ensure that other ratepayers do not end up subsidizing the expansion project, if the project fails to achieve a PI of 1.0 at the end of the period set for the project?

EP-4

Reference: Exhibit B, Tab 1, Sch. 1, page 7

Preamble: *“During the RSP, Enbridge Gas 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. 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, 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.”*

With respect to capital costs, Enbridge Gas proposes to treat these costs in the same manner as the costs of other capital projects.

- a) Why is Enbridge is proposing to freeze the projected volume and revenue forecasts of SES projects for up to 40 years for the purpose of setting rates. Please explain your answer.
- b) Is there a possibility the Enbridge’s proposal will result in cross-subsidies between SES project customers and other Enbridge customers.
- c) Does Enbridge believe that SES projects would be eligible for ICM funding? Please explain your answer.

EP-5

References: Exhibit B, Tab 1, Schedule 1, page 8, paragraph 20; Exhibit C, Tab 1, Schedule 1, Page 2

- a) Please provide a copy/extract of the DCF/PI analysis for the Fenelon Falls and Scugog Island Project, including all assumptions re government support and tax considerations.
- b) Provide an update on in-service dates.
- c) Please explain how project with a PI of less than 1 could be approved?

EP-6

References: Exhibit B, Tab 1, Sch. 1, page 8, paragraph 21

Preamble: *“Capital costs included in rate base would be those costs outlined in the economic feasibility assessment of the project net of any third-party funding (such as government administered grants pursuant to O.Reg. 24/19, municipal contributions and any contribution in aid of construction from customers).”*

Is Enbridge proposing to treat funds collected through SES as contributions in aid of construction from customers? Please explain your answer.

EP-7

References: Exhibit B, Tab 1, Sch. 1, page 9 and Exhibit C, Tab 2, Sch. 1, page 2 and Exhibit C, Tab 2, Schedule 2, page 7

Preamble: *“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.”*

- a) Will EGD Rate Zone customers still be required to pay an up-front CIAC for a service line longer than 20 meters or will the cost of the service line be recovered through a TCS?
- b) Will Union Rate Zones customers still be required to pay an up-front CIAC for a service line longer than 30 meters or will the cost of the service line be recovered through a TCS?
- c) Why are the service line Rate Zone length criteria different? Please explain why EGI is not harmonizing service laterals for all rate zones.
- d) Please explain why the RSP for SES is up to 40 years but the RSP for TCS is up to 20 years.

EP-8

Reference: Exhibit B, Tab 1, Sch. 1, page 12, Footnote 10

Preamble: *“The Area of Benefit is defined as the geographic area, drawn as a polygon on a map, that includes all customers who will be served by, and benefit from, the infrastructure build or pressure increase from the Development Project.”*

- a) Will How will Enbridge determine the Area of Benefit (“AOB”)? Please provide a numerical and graphical example.
- b) How long will a particular AOB remain in effect?
- c) Can an AOB change over time?

EP-9

Reference: Exhibit B, Tab 2, Schedule 1, Page 14

Preamble: *“The concept of the Hourly Allocation Factor is to fairly and equitably share and allocate the costs and benefits of a Development Project that benefits multiple customers commensurate with peak hour demand. When a Development Project is proposed, it can be modelled to determine an Area of Benefit. The Area of Benefit is the geographic area that will see a noticeable increase in firm natural gas capacity as a result of the Development Project.”*

- a) Please confirm that rates of some customers located in the AOB could increase while the rates of others could decrease. Please explain your answer.

- b) Would the proposed HAF result in a movement away from the principle of postage stamp rates? Please discuss.

EP-10

Reference: Exhibit C, Tab 2, Schedule 1, Page 3

Preamble: *“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.”*

- a) Why are refunds only available for CIAC but not for SES and TCS? Please explain your answer.
- b) Would all customers who paid a CIAC get a refund or only those customers that request it? Please explain your answer.
- c) Please explain the procedure that a customer requesting a refund of CIAC would have to follow when requesting it.

EP-11

References: Exhibit C, Tab 2, Schedule 1, Page 4 and Exhibit C, Tab 2, Schedule 2, Page 4

Preamble: In the EGD Rate Zone, although the section heading is “*System Expansion Portfolios – Accountability*” there is no explanation of how accountability would be achieved

In the Union Rate Zones “*the Director, Distribution In-Franchise Sales is accountable for ensuring that the corporate Rolling Project Portfolio PI, excluding Community Expansion Projects, exceeds 1.0 on an ongoing basis.*”

- a) Why are there differences in accountabilities between the rate zones?
- b) Will Enbridge Gas shareholder be accountable if the Rolling Project Portfolio (“RPP”) is below 1.0?
- c) What action should the OEB take if the RPP is below 1.0?

EP-12

References: Exhibit C, Tab 2, Schedule 1, Pages 6 and Exhibit C, Tab 2, Schedule 2

Preamble: *“An incremental overhead allowance is added to the cost of mains and services and is incorporated in the feasibility analysis of all projects.”*

- a) Please explain what is “an incremental overhead allowance” and how it is calculated.
- b) Why is there no mention of the incremental overhead allowance for the Union Rate Zones?

EP-13

References: Exhibit C, Tab 2, Schedules 1 and 2

- a) Please file a copy of the EGI latest updated Natural Gas System Expansion materials (non-regulatory version) provided to potential customers, municipalities and other organizations.
- b) Please provide the link(s) to the Company's website(s)

Submitted on behalf of Energy Probe by its consultants:

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