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Nov. 4, 2020

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

Dear Ms. Long,

RE: EB-2020-0134 - London Property Management Association Interrogatories for Enbridge Gas Inc. – 2019 Utility Earnings and Disposition of Deferral & Variance Account Balances

Please find attached the interrogatories of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken
Digitally signed by Randy Aiken
DN: cn=Randy Aiken, o=Aiken & Associates, ou, email=randy.aiken@sympatico.ca, c=CA
Date: 2020.11.04 09:00:45 -05'00'

Randy Aiken
Aiken & Associates

c.c. EGI Regulatory Proceedings (e-mail only)

Enbridge Gas Inc.

Application for 2019 Earnings Sharing and Disposition of Deferral & Variance Account Balances

INTERROGATORIES OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Interrogatory #1

Ref: Exhibit A, Tab 3, Paragraph 11 & EB-2020-0067, Exhibit I.LPMA.2

Paragraph 11 states that EGI is not able to introduce any further commonality to the disposition approaches at this time. The response to I.LPMA.2 in EB-2020-0067 states that there are no impediments to EGI disposing of the 2017/2-018 DSM deferral and variance account balances over a three-month period. Given that the disposition proposed in both cases begins January 1, 2021, please reconcile these responses.

Interrogatory #2

Ref: Exhibit A, Tab 3, Paragraph 11 & EB-2020-0067, Exhibit I.LPMA.4

Paragraph 11 states that EGI is not able to introduce any further commonality to the disposition approaches at this time. The response to I.LPMA.4 in EB-2020-0067 states that it is technically feasible to have different disposition periods for different general service rate classes in the Union rate zones. Given that the disposition proposed in both cases begins January 1, 2021, please reconcile these responses.

Interrogatory #3

Ref: Exhibit A, Tab 3, Paragraph 12

a) When does EGI expect that all of the Parkway West project costs will have been incurred?

b) What was the approved capital cost of the Parkway West project?

c) What is the most up-to-date projection of the actual capital cost of the Parkway West project?

Interrogatory #4

Ref: Exhibit C, Tab 1, pages 9-15

EGI is not proposing any change to the recovery of the pension expense that is included in the APCDA account and will continue to drawn down the regulatory asset balance throughout the deferred rebasing period. These costs will therefore be recovered over time, as currently approved by the OEB.

a) Is the recovery of these pension related expenses currently built into distribution rates? If no, please explain how these costs are being recovered.

b) Are the costs being recovered from both the EGD and Union rate zones or only one of the rate zones? If the latter, which rate zone?

c) If the costs are recovered only from one rate zone, please explain fully why these costs of the amalgamated utility are recovered from only one rate zone.

Interrogatory #5

Ref: Exhibit C, Tab 1, pages 13-15

The OEB's July 25, 2019 letter indicates that unless the OEB orders otherwise, the balance in the tax variance deferral account would be disposed of in a manner designated by the OEB and that this would generally coincide with the utility's next cost-based rate application.

a) Other than this letter, does EGI have any other reasons for not requesting clearance of the balance in this account as part of the current proceeding?

b) Given the impact of numerous changes to rates expected to occur on January 1, 2021 or April 1, 2021 (including 2021 rate increases, DSM related account disposition, the increase in the federal carbon charges and the potential for higher gas commodity costs, as examples), does EGI agree that the disposition of the credit in this account to ratepayers would help offset these other increases at a time when many residential and small business customers are suffering from the economic impacts associated with COVID-19? If not, why not?

Interrogatory #6

Ref: Exhibit C, Tab 1, pages 13-15

a) If the OEB were to determine that the portion of the balance in this account that is to the credit of ratepayers should be disposed of as part of this application, does EGI agree that the ratepayer portion should be split between the EGD and Union rate zones in proportion to the 2018 actual rate base for each zone and that within each zone these balances would be allocated to rate classes in each rate zone in proportion to the 2018 rate base for the EGD rate zone and the 2013 rate base for the Union rate zone (i.e. the last fully allocated cost study prepared for each rate zone), as is proposed for the APCDA account? If not, please provide an alternative allocation and fully explain why it would be preferable to that noted above.

b) Based on the response above and any proposed allocation methodology, please show the amounts that would be allocated to each rate class in each of the EGD and Union rate zones.

Interrogatory #7

Ref: Exhibit C, Tab 1, Schedule 2

a) Please show the calculations used to arrive at the cost of capital figures shown in line 2 for each of columns 1, 2 and 3 and how they relate to the figures shown in the footnote.

b) Please show the calculations/derivations used to arrive at the rate base figures shown in line for each of columns 1, 2 and 3 and how they relate to the accounting changes shown.

c) Please confirm that the tax rate used in the schedule is 26.5%.

d) Please show the calculations/assumptions that result in the Excluding tax shield figures shown on line 8 for columns 1 and 2 and how they correspond to the accounting changes shown.

Interrogatory #8

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

Please explain why the Accounting Policy Changes D/A shown on lines 43 and 48 of Schedule 1 are shown as account 179-120 while in Schedule 2 it is shown as account 179-381.

Interrogatory #9

Ref: Exhibit E, Tab 1

Please show the relationship between the actual 2019 UFG costs shown on page 28 of $15.748 million with the prices shown on page 37 and the volumes shown in Table 1 on page 38.

Interrogatory #10

Ref: Exhibit E, Tab 1, pages 35 & 40 & 51

Please explain why, in each of the tables on the above noted pages, the required return (line 8) is higher for the 2019 actuals than the Board-approved figures despite the average investment (line 3) being lower for 2019 actuals than the Board-approved figures.

Interrogatory #11

Ref: Exhibit F, Tab 1, pages 3-5

In relation to EGI's proposal to split the account balance between the EGD and Union rate zones, in proportion to the 2018 actual rate base for each rate zone:

a) would the split in future years continue to be based on the 2018 actual rate base for each zone, or would the split be updated each year to reflect the most recent year of actual rate base for each zone – for example, would the balance for 2021 use the 2020 actual rate base for each rate zone?
b) How does EGI propose to deal with rate base that is not rate zone specific (for example, some general plant, software, etc.) in determining the actual rate base for 2018 or subsequent years?

Interrogatory #12

Ref: Exhibit F, Tab 1, pages 4-5

EGI proposed to allocate the split balance to rate classes in each rate zone in proportion to rate base from the last fully allocated cost study for each of EGD (2018) and Union (2013). Is this because the three components proposed in this account proposed for disposition in this proceeding (capitalization policy, interest during construction and depreciation) are all capital related and closed related to rate base? If not, please explain fully.

Interrogatory #13

Ref: Exhibit F, Tab 1, pages 5-6

a) Is EGI requesting Board approval of the proposed allocation of the earnings sharing mechanism deferral account ("ESMDA") as part of this proceeding, despite having no earnings sharing for 2019? If so, please explain why.

b) The evidence states that consistent with the proposed allocation of the APCDA, EGI would propose a disposition methodology for an ESMDA account balance that splits the account balance between the EGD and Union rate zones.

> i) If there was a balance in the 2019 ESMDA to be split between the EGD and Union rate zones, would the proposed split be based on the proportion of 2018 actual rate base, as is proposed for the APCDA? If not, please explain any difference in the proposal for the ESMDA and the rationale for the difference.
>
> ii) If the proposal is to use the proportion of the actual rate base does the actual rate base get updated each year to reflect the most recent actual information available? For example, if there is an ESMDA balance to split for 2020, would the split be updated to reflect actual 2019 rate base for the EGD and Union rate zones? If not, please explain fully.

Interrogatory #14

Ref: Exhibit F, Tab 3, Schedule 4

Are the billing units shown on pages 2 and 3 annual billing units or billing units for the three-month recovery period? If they are annual billing units please explain why theses figures are being used rather than the forecast volumes for the January 1, 2021 through March 31, 2021 period shown on page 1 for the general service rate customers.

Interrogatory #15

Ref: Exhibit F, Tab 3, Schedule 4 & Exhibit F, Tab 3, Schedule 3, page 3

Please explain each of the following:

a) The gas supply commodity balance for recovery from the M5 rate class is $11,000 but the one-time adjustment for a large M5 customer for commodity is $35,523;

b) The gas supply commodity balance for recovery from the M7 rate class is $69,000 but the one-time adjustment for a large M7 customer for commodity is $284,180;

c) The gas supply commodity balance for recovery from the M9 rate class is $66,000 but the one-time adjustment for a large M9 customer for commodity is $110,273.

d) Please explain why the billing volume for large volume customers in these rate classes (Schedule 4) is more than the volume shown on Schedule 3 for the entire rate class. For example, the billing units shown in Schedule 4 for a large M9 customer is 20,178,000 m3, while the forecast volume shown in Schedule 3 is 12,173,000 m3.

Interrogatory #16

Ref: Exhibit F, Tab 3, Schedule 4

Given the magnitude of the one-time adjustments shown for some of the rate classes has EGI considered the need to mitigate the one-time impact on a customer bill of this recovery by spreading the adjustment out over a number of months? If not, why not?

Interrogatory #17

Ref: Exhibit F, Tab 3, Schedule 2

Please provide a version of Exhibit F, Tab 2, Schedule 3 for the Union rate zone that shows the classification and allocation of the Union deferral and variance account balances that result in the allocations shown in Exhibit F, Tab 3, Schedule 2.

Interrogatory #18

Ref: Exhibit F, Tab 1, pages 3-5 & Exhibit C, Tab 1, pages 4-8

a) Has EGI harmonized the depreciation rates across the EGD and Union rate zones by asset class or do some classes of assets still have different depreciation rates between the EGD and Union rate zones?

b) Is the only change made with respect to the depreciation expense is a change in Union rate zone to match that of the EGD rate zone? If not, what other changes have been made. Please identify the impact of any such changes on each rate zone.

c) The evidence states that since many projects go into service late in the year the EGD/EGI policy would typically result in a lower first year depreciation expense than following the Union policy. Since there does not appear to be any change in the EGD policy, does this mean that the reduction in the gross revenue requirement associated with the depreciation policy change is all associated with the Union rate zone? If not, please explain fully.

d) Please confirm that the previous Union policy of using half year depreciation in the first and last year of service, regardless of the month that the asset went into service, results in a higher depreciation expense relative to the EGD/EGI policy and that this higher amount was built in the Union zone base rates at the last rebasing application. If this cannot be confirmed, please explain fully.

Interrogatory #19

Ref: Exhibit F, Tab 1, pages 3-5 & Exhibit C, Tab 1, pages 4-8

Two changes have been made with respect to the interest during construction policy, which result in a net small gross revenue requirement decrease.

a) Does the replacement of the Union policy where IDC was only calculated on projects with a capital spend of $1 million or more and that had a duration of greater than 12 months in favour of the EGD policy result in an increase or decrease in the gross revenue requirement?

b) Does the replacement of the EGD policy of using the weighted average cost of debt in favour of the Union policy of using the OEB prescribed interest rate for CWIP result in an increase or decrease in the gross revenue requirement?

c) If the results of (a) and (b) above result in one increase and one decrease in the gross revenue requirement, please break out the net gross revenue requirement into its two components. If both policy changes in (a) and (b) result in reductions to the gross revenue requirement, no breakdown is required.

Interrogatory #20

Ref: Exhibit F, Tab 1, pages 3-5 & Exhibit C, Tab 1, pages 4-8

With respect to the capitalization policy changes:

a) Please confirm that with respect to non-integrity digs changes in policy, there is no change in the expenses incurred in the Union rate zone while in the EGD rate zone there is an increase in expenses and a reduction in capital expenditures/rate base. If this cannot be confirmed, please explain fully.

b) Please confirm that with respect to the integrity digs change in policy, there is no change in the expenses or capital expenditures incurred in the EGD rate zone while in the Union rate zone there is a decrease in expenses and an increase in capital/expenditures/rate base. If this cannot be confirmed, please explain fully.

c) Please split the gross revenue requirement associated with the capitalization policy changes based on the two changes (non-integrity digs and integrity digs) into amounts for each of the EGD and Union rate zones.
d) Please confirm that the increase in expenses and reduction in capital in the EGD rate zone and the decrease in expenses and increase in capital in the Union rate zone were not built into base rates in the last rebasing application of either EGD or Union. If this cannot be confirmed, please explain fully.

Interrogatory #21

Ref: Exhibit C, Tab 1, Schedule 2 & Exhibit F, Tab 1, Schedule 1

a) Based on the responses provided above in interrogatories 18, 19 and 20, please split columns 1, 2 and 3 into the separate impacts related to the each of the EGD and Union rate zones.

b) Based on the above split of the gross revenue requirement into the EGD and Union rate zones, please provide a version of Exhibit F1, Tab 1, Schedule 1 that shows the allocation of the APCDA to the EGD and Union rate zones.

Interrogatory #22

Ref: Exhibit F, Tab 2 & Exhibit F, Tab 3

Please provide revised versions of all schedules in Tabs 2 and 3 of Exhibit F that would be impacted by the change in the split of the APCDA between the EGD and Union rate zones based on the rate zone attribution requested in the above interrogatories. Please continue to allocate the split balance to rate classes in each rate zone in proportion to 2018 rate base for the EGD rate zone and 2013 rate base for the Union rate zone, as currently proposed by EGI.

Interrogatory #23

Ref: Exhibit F, Tab 1, pages 3-5

EGI proposes to split the balance in the APCDA account between the EGD and Union rate zones in proportion to the 2018 actual rate base. Interrogatories 18 through 21 above provide another potential methodology to split the balance in the three components of the APCDA account between the EGD and Union rat zones based on cost incurrence by rate zone.

a) Does EGI believe its proposed approach is fairer and more equitable than the methodology that would result from the interrogatory responses? Please explain fully.

b) Please explain how the split of the balance in the APCDA account based on the EGI proposal is just and reasonable when some expense and gross revenue requirement reductions are allocated to both rate zones but only included in base rates in one zone and some expense and gross revenue requirement increases are allocated to both rate zones while none of the increase is included in base rates for one zone.

c) Is there any reason, regulatory or otherwise, that the APCDA account could not be split into two sub-accounts, one for each rate zone, and cleared separately to each rate zone, as is proposed for the majority of the EGD and Union specific deferral and variance accounts? Please explain fully.