Enbridge Gas Inc.

2019 Deferral and Variance Account Disposition and Utility Earnings

EB-2020-0134

OEB STAFF INTERROGATORIES

November 5, 2020

Staff-1

Ref: Exhibit A / Tab 3 / pp. 3-4 and Exhibit F / Tab 1 / p.8

Consistent with the 2018 Deferral and Variance Account (DVA) clearance proceeding (EB-2019-0105), Enbridge Gas proposes to dispose of the balances in the DVAs consistent with the past practices of legacy Enbridge Gas Distribution (EGD) and Union Gas Limited (Union Gas)

- For the EGD rate zone, Enbridge Gas proposes to dispose of the DVA balances as a one-time adjustment for both general service and contract rate classes.

- For the Union rate zones, Enbridge Gas proposes to dispose of the DVA balances prospectively over three months for general service customers and as a one-time adjustment for in-franchise contract and ex-franchise rate classes.

Enbridge Gas has indicated that it is currently not able to administer one-time adjustments for general service customers in the Union rate zones because of limitations in the system used to bill this group of customers. Enbridge Gas has further stated that mid-2021 is the earliest it will be able to adopt a common disposition approach across the legacy EGD and Union rate zones.

a) Please advise if Enbridge Gas will be able to adopt a common disposition approach across the EGD and Union rate zones if the rate changes resulting from this application are implemented along with the July 2021 QRAM.

Staff-2

Ref: The calculation of utility earnings
Exhibit B, Tab 1, Schedule 2

a) Is the calculation of utility earnings consistent with the methodology used to calculate the earnings in prior years? If not, please explain any differences and provide rationale for any deviations from the approach used in prior years.

Staff-3

Ref: Utility Earnings and Earnings Sharing Calculation – Merger-related Costs
Exhibit B, Tab 1, Schedule 2, Notes on adjustments (i) and (v)

Enbridge Gas made an adjustment to its utility earnings calculation to account for "Reclassification of Union rate zone optimization revenue as a cost of gas reduction" ($17.5 million). The Note of adjustment (i) indicates a total amount of $28.8 million subtracted from the total Gas sale and distribution. Further, as per note (v), Enbridge Gas made an adjustment to its utility earnings calculation to remove the EGD / Union amalgamation transaction costs of $0.1 million. However, OEB staff found no direct references to Enbridge Inc. and Spectra Energy merger costs and savings in the current application.

a) Please confirm that the $17.5 million Reclassification of Union rate zone optimization revenue as a cost of gas reduction adjustment is not double counted in Enbridge Gas's Utility Income.

b) Please explain if the EGD/Union amalgamation transaction costs are ongoing or a one-time adjustment.

c) Please indicate whether the merger-related costs referenced above, and associated savings have been included in the earnings sharing calculation for Enbridge Gas. If so, please provide the rationale supporting the inclusion of these costs and savings in the earnings sharing calculation.

Staff-4

Ref: Utility Earnings and Earnings Sharing Calculation – Capital Cost Allowance (CCA) Tax Deduction
Exhibit B / Tab 1 / Schedule 3
OEB Accounting Direction regarding Bill C-97 – July 25, 2019
EB-2018-0305, Decision and Order dated September 12, 2019

The OEB's accounting direction regarding Bill C-97, dated July 25, 2019[1], states that the

> " The OEB expects Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate sub-account of Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules. Natural gas utilities are to create separate sub-accounts within their respective similar accounts to record the same impacts."

In its evidence, Enbridge Gas has noted that the accelerated CCA impact related to capital pass-through projects/incremental capital module projects was fully reflected in the determination of the variances recorded in the respective capital cost project deferral accounts.

a) Please confirm that any changes in CCA that are not reflected in base rates and not reflected in the individual capital pass-through deferral accounts, were captured in the Tax Variance Deferral Account approved in the OEB's 2019 Rates (EB-2018-0305) Final Rate Order Decision[2] and in accordance with the directions specified in the OEB's July 25, 2019 letter.

b) Please provide the 2019 CCA impact (Bill C-97) that has been reflected in the respective deferral accounts:
    - Parkway West Project Costs
    - Brantford-Kirkwall/Parkway D Project Costs
    - Lobo C Compressor/Hamilton-Milton Pipeline Project Costs

[1] OEB - Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance – July 25, 2019.
[2] EB-2018-0305, Final Rate Order Decision dated September 30, 2019, Exhibit F1, Tab 3, Rate Order, Appendix I, page 10.

- Lobo D/Bright C/Dawn H Compressor Project Costs
- Burlington-Oakville Project Costs
- Panhandle Reinforcement Project Costs
- Sudbury Replacement Project Costs

Staff-5

Ref: Exhibit B, Tab 1, Schedule 3 and Exhibit C, Tab 1, p. 9

On September 14, 2017, the OEB released a report titled, Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEB) Costs (the OEB Report) in which the OEB established a variance tracking account, effective January 1, 2018, to be used by all utilities that are approved to recover their pension and OPEB costs on an accrual basis.[3]

This account is used to track the difference between the forecast accrual amount that is recovered in rates and the actual cash payments made in respect to a utility's pension and OPEB costs. It provides ratepayers with an asymmetrical carrying charge on the cumulative differential balance in the account when the cumulative forecast accrual amount exceeds cash payments (i.e. the tracking account is in a credit position).

The OEB Report prescribes the use of the total gross accrual cost as calculated in an actuarial valuation as the default methodology for determining the forecast accrual amount in rates of a given year. However, the OEB Report further indicates:

> If a utility capitalizes a material portion of its total pension and OPEB accrual costs, and there is sufficient incremental value to warrant the added complexity of tracking amounts that are capitalized separately from those that are expensed, any party may propose an enhanced methodology for determining the reference amount (i.e. the forecast accrual amount).[4]

a) Exhibit B, Tab 1, Schedule 3 shows $49.4 million in Accrual based pension and OPEB costs (item #3) compared to $47.4 million mentioned in Exhibit E, Tab 1,

[3] EB-2015-0040, Regulatory Treatment of Pension and Other Post-employment Benefits ("OPEB") Costs, September 14, 2017, p. 2.
[4] OEB Report on the Regulatory Treatment of Pension and OPEB Costs / September 14, 2017 / p. 20.

p.59. Please reconcile these two amounts and confirm the actual pension/OPEB expense for 2019.

b) Please confirm that for the Union Rate Zone, it is Enbridge’s intention to propose the use of an alternate methodology (compared to the default methodology of the OEB Report) for the purposes of tracking the forecast accrual amount embedded in rates.

c) The OEB Report indicates that if a utility capitalizes a material portion of its pension and OPEB costs, it may propose an alternate methodology provided that there is sufficient incremental value to warrant the added complexity of tracking amounts that are capitalized separately. Please indicate what portion of the total pension/OPEB expense was capitalized in 2019 and how this compares to the capitalized ratio previously reported in the EB-2019-0105 application.

d) For 2020, please quantify the depreciation associated with the pension and OPEB costs that have been capitalized to date.

e) Please provide the actuarial valuations that underpin both the total pension and OPEB accrual expense for 2019 (i.e. $49.4 million) and the actual cash payments made for pension and OPEBs for the same period ($27 million).

Staff-6
Ref: Utility 2019 Actual O&M, Exhibit B / Tab 3 / Schedule 1

The 2019 actual operating costs shows compensation and benefits costs of $566.9 million.

a) Please provide the actual FTEs (full time equivalents) as of January 1, 2018 (EGD and Union Gas) and December 31, 2019 (Enbridge Gas).

b) Please provide the severance costs and/or costs for early retirement packages included in the net utility O&M expenses for 2019.

c) Please explain how the severance/early retirement package costs have been accounted for in 2019. Are any of these costs recorded as deferred expenses? Please explain your response.

Staff-7

Ref: Exhibit C / Tab 1 / pp. 1-3.

Enbridge Gas is no longer requesting clearance of the 2019 Gas Supply Plan Cost Consequences Deferral Account (2019 GSPCCDA), which has a balance of $3.9 million to be collected from ratepayers. The account was approved in the 2019 rates proceeding (EB-2018-0305) to capture the revenue deficiency impact of changes to the 2019 gas supply portfolio, for disposition at a later date. Enbridge Gas has indicated that the balance will not be carried forward, and Enbridge Gas will not maintain the account in future years. Enbridge Gas will continue to update prices in the EGD rate zone quarterly through QRAM applications while holding the gas supply plan constant and will capture variances between actual and forecast prices in existing deferral and variance accounts.

a) Enbridge Gas is not requesting to dispose of the balance in the 2019 GSPCCDA and will not carry the balance forward. Does Enbridge Gas intend to forgo the balance in the 2019 GSPCCDA? If not, Is Enbridge proposing to transfer the balance in this account to another DVA? If so, please indicate which DVA this balance would be recorded in and disposed of?

b) Is Enbridge Gas requesting closure of the 2019 GSPCCDA in this proceeding? If not, when will Enbridge Gas request closure of the account?

Staff-8

Ref: Enbridge Gas Tax Variance Deferral Account
Exhibit C / Tab 1 / pp. 13-15

The balance in the Enbridge Gas Tax Variance Deferral Account is a credit of $30.030 million plus interest. Enbridge Gas is not requesting clearance of the balance in this account as part of this proceeding. The purpose of the account is to record 50% of the revenue requirement impact of any tax rate changes versus the tax rates included in rates and 100% of the revenue requirement impact of any changes in Capital Cost Allowance (CCA) related to Bill C-97 CCA rule changes.

a) In the OEB’s letter dated July 25, 2019, the OEB stated that impacts arising from CCA rule changes will be disposed of in a manner designated by the OEB in a future rate hearing and would generally coincide with the utility’s next cost-based rate application. Please confirm if Enbridge Gas intends to request disposition of this account at the next rebasing in 2024.

b) Please explain the disposition methodology and the resulting rate impacts if the balance in the Tax Variance Deferral Account is disposed of in this proceeding.

Staff-9

Ref: Summary Table of Deferral and Variance Account Balances
Exhibit C / Tab 1 / Schedule 1

Enbridge Gas has provided a summary table with all the DVAs that are included for disposition in this proceeding.

a) Please confirm that the December 31, 2019 balances for the EGD rate zone are consistent with the account balances reported in Enbridge's 2018 RRR filing (2.1.7) and its 2019 audited financial statements. If any differences exist, please explain.

b) Please advise whether there are any DVAs that are currently approved for use by Enbridge Gas for the EGD rate zone but have not been listed in the Deferral and Variance Account Balance Summary (with the exception of the QRAM-related deferral accounts, the Demand Side Management related deferral accounts, and the cap and trade-related deferral accounts). If so, please list each account name and the corresponding balance in the account as at December 31, 2019 (including interest). Please also explain the nature of each account and why it is not being brought forward for disposition as part of this proceeding. This should include any accounts that had been opened in previous years but were never disposed of.

Staff-10

Ref: Storage and Transportation Deferral Account - EGD
Exhibit D / Tab 1 / Schedule 1/ p. 1

Enbridge Gas provided a detailed breakdown of the $2.5 million debit balance included in the 2019 Storage and Transportation Deferral Account. There is an increase of $1.5 million related to Union Gas and Third-Party Market Based Storage as compared to forecast.

a) Please explain the reason for the increase in actual market-based storage costs as compared to the forecast ($21.6 million versus $20.1 million).

Staff-11

Ref: Transactional Services Deferral Account - EGD
Exhibit D / Tab 1 / p. 4 and Exhibit D / Tab 1 / Schedule 2

Enbridge Gas has provided a breakdown of 2019 transactional services revenue. Revenues related to storage optimization show a significant decline as compared to previous years (2014 to 2018).

a) Please confirm that storage optimization revenues were only $60,700. What is the reason for the decline in storage optimization revenues?

b) Were average storage rates also lower for third-party storage services in 2019 as compared to 2018? If yes, please explain the increase in market-based storage costs as reflected in the Storage and Transportation Deferral Account.

Staff-12

Ref: Unaccounted For Gas (UAF) Variance Account - EGD
Exhibit D / Tab 1 / pp. 6-10 and FRPO Interrogatory #17 (EB-2019-0194)

UAF is the difference between natural gas delivered into the distribution system and natural gas consumed by customers in the EGD rate zone as well as EGD own use gas and line pack gas. Table 2 shows that UAF volumes for the EGD rate zone was the highest since 1991 for the last two years (2018 – 142,086 10^3m^3, 2019 – 140,594 10^3m^3). In its evidence, Enbridge Gas has stated that no significant factors are known to have occurred in 2019 that would have contributed to a higher UAF than previous years.

a) Please provide a detailed calculation supporting the $4.9 million principal balance in the account.

b) Did Enbridge Gas investigate the reasons for the high UAF in 2018 and 2019? Please provide a detailed response.

c) Are the UAF numbers provided in Table 2 based on actual UAF or do they result from a forecasting methodology?

d) Considering the high UAF for two consecutive years (2018 and 2019), what steps has Enbridge Gas taken to reduce UAF in the EGD rate zone.

e) In response to an interrogatory (FRPO #17) with respect to the UAF report filed as part of the 2020 rates proceeding (EB-2019-0194), Enbridge Gas confirmed that it is in the process of redesigning the Victoria Square Gate Station in order to reduce gate station meter variations. The project is scheduled to commence in 2020. Please confirm if the Victoria Square Gate Station project has been completed. If yes, please indicate if Enbridge Gas has measured the benefits of redesigning the Victoria Square Gate Station with respect to UAF.

Staff-13

Ref: Average Use True-Up Variance Account - EGD
Exhibit D / Tab 1 / p. 11

The credit balance in the Average Use True-Up Variance Account is attributable to actual Rate 1 and Rate 6 average uses being higher than 2019 forecast levels. Higher weather-normalized average use is primarily attributable to lower actual natural gas prices and better economic conditions than forecast.

a) Please explain how the higher than forecast average use has impacted storage and transportation optimization revenues.

Staff-14

Ref: 2019 Deferred Rebate Account - EGD
Exhibit D / Tab 1 / p. 13

The $1.0 million recorded in the 2019 Deferred Rebate Account reflects the outstanding amount resulting from the clearance of DVAs in the EGD rate zone which occurred during 2019 and the inability to locate all the intended customers.

a) What is the driver of the $1.0 million balance in the account? Is the balance related to previous DVA proceedings or other proceedings (Demand Side Management, Cap and Trade)?

b) Does the balance in the account reflect any over-collection or under-collection related to the disposition of 2018 DVA balances?

Staff-15

Ref: Electric Program Earnings Sharing Deferral Account - EGD
Exhibit D / Tab 1 / pp. 14-15
EB-2019-0105, Exhibit B / Tab 1 / p. 20

The account tracks and records the ratepayer share of all net revenues generated by demand side management (DSM) services provided for electric conservation and demand management (CDM) activities. The balance in the account is $175,000 which reflects the ratepayers' 50% share of the net recovery generated by providing CDM activities. The IESO Whole Home Pilot was launched in May 2017 and leverages the existing Enbridge Gas DSM Home Energy Conservation program offering by adding an electric assessment component and offering prescriptive electric incentives to participants. The pilot program was extended into 2018, with enrollments of residential homeowners into the Whole Home Pilot continuing to the end date of the pilot program of October 31, 2018. In 2018, the balance in the Electric Program Earnings Sharing Deferral Account was $1.2 million.

a) Please provide a table showing a detailed breakdown of both the costs and revenues that comprise the net revenue balance in the account for each year, from 2017 to 2019.

b) Please explain the significant decline in the net revenues generated in the account as compared to 2018.

c) Is the IESO Whole Home Pilot program expected to restart or become permanent in the future?

Staff-16

Ref: Pension and OPEB Forecast Accrual vs. Actual Cash Payment Differential Variance Account - EGD
Exhibit D / Tab 1 / p. 28

There is no balance in the Pension and OPEB Forecast Accrual vs. Actual Cash Payment Differential Variance Account (EGD rate zone) and therefore there is no balance requested for disposition.

a) Please explain what the Pension and OPEB Forecast Accrual vs. Actual Cash Payment Differential Variance Account records and why there is no balance in the account.

b) Does Enbridge Gas expect that the account will record amounts in the future? Please explain your response.

Staff-17

Ref: Dawn Access Costs Deferral Account - EGD
Exhibit D / Tab 1 / pp. 20-22

The $1.2 million debit balance in the account reflects the 2018 revenue requirement associated with the capital spending incurred to accommodate the Dawn Transportation Service (DTS) and heat value changes, which were placed into service in 2017. Capital costs of $6.5 million were incurred to develop, test and integrate enhancements to the functionality of Enbridge Gas's EnTRAC and connected systems.

a) Does the former Union Gas possess a similar system that provides the added functionality implemented by Enbridge Gas for the EGD rate zone?

b) Once Enbridge Gas completes the integration of Information Technology systems and software across the EGD and Union rate zones, will the EnTRAC and connected systems continue to be used?

Staff-18

Ref: Unabsorbed Demand Costs (UDC) Variance Account – Union Gas Exhibit E / Tab 1 / p. 4

The 2019 OEB-approved rates include $10.822 million of UDC costs associated with 14.4 PJ of planned unutilized pipeline capacity in Union North West and Union North East and no planned unutilized pipeline capacity in Union South. The actual unutilized capacity in 2019 was 2.3 PJ. The reduction in planned UDC was due to higher consumption than planned.

a) Please provide the individual planned unutilized capacity and actual unutilized capacity in 2019 for Union North West and Union North East zones.

b) Enbridge Gas noted that the reduction in planned UDC was due to higher actual consumption than planned in Union North. Please provide the reasons for the higher consumption (customer growth, higher average use, industrial use).

Staff-19

Ref: Upstream Transportation Optimization Variance Account – Union Gas Exhibit E / Tab 1 / p. 6

Consistent with the method approved in EB-2011-0210 Decision and Rate Order, the former Union Gas credited $17.489 million in rates to ratepayers during 2019, $4.063 million greater than the OEB-approved amount of $13.426 million.

a) Please provide the detailed calculation supporting the $17.489 million amount credited in 2019 rates.

Staff-20

Ref: Upstream Transportation Optimization Variance Account – Union Gas Exhibit E / Tab 1 / p. 7

Enbridge Gas has noted that the 2019 actual Upstream Optimization revenue in the Union rate zones is lower than 2013 OEB approved revenue due to:

- The elimination of the TransCanada FT-RAM program ($5.8 million)

- Changing market dynamics as evidenced by an increase in firm contracting on the TransCanada Mainline to major export points such as East Hereford, and the reversal of Niagara from an export point to an import point; and
- A decrease in market spreads for the year between Dawn and major export points, such as Iroquois.

a) Does Enbridge Gas expect to recognize lower transportation optimization revenues during the deferred rebasing period as compared to the revenues calculated according to the methodology approved in EB-2011-0210?

b) Has the amalgamation of EGD and Union Gas impacted the opportunity for transportation optimization activities? If yes, please explain your response.

c) Has the reversal of Niagara from an export point to an import point eliminated the opportunities for transportation optimization or reduced the opportunities for transportation optimization activities?

d) Enbridge Gas has indicated that one of the reasons for lower Upstream Transportation Optimization revenue is the decrease in market spreads for the year between Dawn and major export points. Please provide the average market spreads in 2019 between Dawn and major export points.

Staff-21

Ref: Short-Term Storage & Other Balancing Services – Union Gas
Exhibit E / Tab 1 / p. 8 and Exhibit E / Tab 1 / Schedule 2

The Short-Term Storage and Other Balancing Services Deferral Account includes revenues from C1 Off-Peak Storage, Gas Loans, Supplemental Balancing Services and C1 Short-Term Firm Peak Storage. The deferral account compares the ratepayer share (90%) of net revenues for Short-Term Storage and Other Balancing Services with the amount credited to ratepayers in rates for Short-Term Storage and Other Balancing Services. The balance in the deferral account is a debit from ratepayers of $2.822 million plus interest for a total debit to be collected from ratepayers of $2.855 million.

a) On page 8 of the evidence (Exhibit E / Tab 1), the balance to be collected from ratepayers is stated as $2.822 million. In Exhibit E, Schedule 2, the balance is

$2.827 million. Please explain the discrepancy in the line items as noted in Table 3 (p. 9, Exhibit E, Tab 1) and Exhibit E, Tab 1, Schedule 2.

b) Revenues from balancing services (LBA) provided to EGD was $430,200 in 2018. The amount for 2019 is $5,940 which refers to a prior adjustment from 2018. Is there any revenue from balancing services provide to EGD in 2019? If not, please provide the underlying reasons.

c) Is the revenue from Enbridge LBA services impacted or changed as a result of the amalgamation? Please explain your response.

<u>Staff-22</u>

Ref: Conservation Demand Management Deferral Account – Union Gas
Exhibit E / Tab 1 / p. 14

The account tracks and records the ratepayer share of all net revenues generated by energy conservation services provided for electric CDM activities. The balance in the account is a credit to ratepayers of $138,000. The balance in the deferral account represents 50% of the net revenue from the “Whole Home Pilot Delivery” between Union Gas and the IESO for 2019. The Whole Home Pilot enrollment ended on September 30, 2018. All activity and payments related to the Pilot concluded in Q2 2019.

a) Please provide a table showing a detailed breakdown of both the costs and revenues that comprise the net revenue balance in the account for each year, from 2017 to 2019.

b) Please confirm that there were no payments beyond Q2 2019 and the balance in the account is as noted in the application.

<u>Staff-23</u>

Ref: Deferral Clearing Variance Account – Union Gas
Exhibit E / Tab 1 / pp. 16-17 and Exhibit E / Tab 1 / Schedule 5

The account captures the difference between forecast and actual volumes associated with the disposition of prior deferral account balances to the Union rate zones. The balance in the variance account is a credit to Union rate zone ratepayers of $1.748 million. The $1.748 million balance represents an over-recovery of $914,000 from Union Gas's 2017 Non-Commodity Deferral Disposition and Earnings Sharing proceeding (EB-2018-0105) and an over-recovery of $0.835 million from the OEB-approved disposition related to Union Gas's 2015 DSM Deferrals Disposition proceeding (EB-2017-0323).

a) Considering that Enbridge Gas has filed the 2019 DVA Disposition and Earnings Sharing application in the latter part of 2020, does the Deferral Clearance Variance Account reflect any under or over-recovery related to Enbridge Gas's 2018 DVA and Earnings Sharing proceeding? If no, why does the balance not capture activities related to the 2018 DVA proceeding?

<u>Staff-24</u>

Ref: Unaccounted for Gas (UFG) Volume Deferral Account – Union Gas
Exhibit E / Tab 1 / pp. 28-30

Based on 2019 actual volumes, Enbridge Gas recovered $9.187 million in UFG costs for 2019. Enbridge Gas's actual 2019 UFG costs were $15.748 million.

a) Please provide detailed calculations supporting the 2019 actual UFG costs and the actual 2019 revenues recovered in rates.

<u>Staff-25</u>

Ref: Parkway West Project Costs Deferral Account – Union Gas
Exhibit E / Tab 1 / pp. 30-33

The Parkway West Project Costs Deferral Account tracks the differences between the actual revenue requirement related to costs for the Parkway West Project and the revenue requirement included in rates. Plant infrastructure costs were $1.516 million lower than that included in 2019 OEB-approved rates largely due to the demolition of two heritage homes not proceeding as forecast. Operating and maintenance expenses were $294,000 below the costs included in 2019 OEB-approved rates. The decrease is a result of a long-term service agreement that the company elected not to enter, the costs of which were included in 2019 OEB-approved rates.

a) Please provide an update on the proposed demolition of the two heritage homes.

b) Is the forecasted cost of the demolition of the two heritage homes the same as that included in 2019 OEB-approved rates? If not, please provide the revised forecast.

c) What services were expected to be provided as a result of the long-term service agreement?

d) Does Enbridge Gas intend to provide the services in-house that were previously proposed to be provided through the long-term service agreement? If yes, what is the expected cost difference from the amount included in 2019 OEB-approved rates.

<u>Staff-26</u>

Ref: UFG Price Variance Account – Union Gas
Exhibit E / Tab 1 / pp. 37-38

Enbridge Gas noted that the actual cost of UFG purchases for the Union South rate zone in 2019 is $7.925 / 10^3m^3 higher than the OEB-approved reference prices included in rates, which results in a $0.458 million balance to be collected from ratepayers.

a) Please provide a detailed calculation supporting the price variance of $7.925 / 10^3m^3.

<u>Staff-27</u>

Ref: Lobo C Compressor/ Hamilton Milton Pipeline Project Costs Deferral Account – Union Gas
Exhibit E / Tab 1 / pp. 39-42

The Lobo C Compressor/ Hamilton Milton Pipeline Project Costs Deferral Account tracks the difference between the actual revenue requirement related to costs for the Project and the revenue requirement included in rates. The balance in the account is a debit from ratepayers of $0.277 million. Operating and maintenance expenses were $0.228 million higher than the costs included in 2019 OEB-approved rates. The increase is driven by unanticipated Lobo C incurring storm water management costs.

a) Please provide the amount incurred for storm water management costs in 2019.

b) Are the storm water management costs a one-time event or expected to be incurred on an annual basis?

<u>Staff-28</u>

Ref: Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account – Union Gas
Exhibit E / Tab 1 / pp. 44-49

The account tracks the difference between the actual revenue requirement related to costs for the project and the revenue requirement included in rates. Although actual 2019 capital expenditures were $0.852 lower than 2019 OEB-approved, spending in certain categories were higher than approved. These include structure costs for Dawn H Bright C and Lobo D, Bright C compressor costs and Dawn H compression equipment costs. Operating and maintenance expenses were $744,000 higher than the costs included in OEB-approved rates.

a) Please explain why increases in capital expenditures from 2019 OEB-approved for items noted above were not captured in contingency costs.

b) Please explain how the forecasted contingency costs were accounted for in the total project costs.

c) Please provide a breakdown and comparison of actual 2019 operating and maintenance costs versus OEB-approved.

<u>Staff-29</u>

Ref: Performance Scorecard
Exhibit G / Tab 1 / p. 1 and Exhibit G / Tab 1 / Schedule 1

Enbridge Gas has met or exceeded all elements of the performance scorecard apart from two measures. The measure Time to Reschedule Missed Appointments (TRMA) tracks the percentage of customers contacted to reschedule the work within two hours of the end of the original appointment time. The annual standard for TRMA is 100% and

Enbridge Gas achieved 97% in 2019. A cross-functional team has been set up to review performance and address issues.

a) Please explain the reasons for missing the metric on TRMA.

b) Is there a difference in the achieved performance between the former EGD and Union Gas service areas?

Staff-30

Ref: Performance Scorecard
Exhibit G / Tab 1 / p. 1 and Exhibit G / Tab 1 / Schedule 1

The measure Meter Reading Performance represents the number of meters with no read for four consecutive months or more divided by the total number of active meters to be read. The target for the metric is 0.5% and Enbridge Gas achieved a level of 0.7% in 2019. The evidence indicates that Enbridge Gas was unable to meet the Meter Reading Performance Measurement metric due to two main factors: extreme weather in the first and second quarters, and transition to a new vendor due to vendor-driven termination of the contract.

a) Is there a difference in the achieved performance between the former EGD and Union Gas service areas?

b) Is the vendor-driven termination of the contract driven by the amalgamation of the former EGD and Union Gas? Please provide a detailed response.

c) Is the transition to a new vendor expected to impact the Meter Reading Performance metric in the short-term? Please explain your response.