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**BY E-MAIL**

December 21, 2020

Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. 2021 Rates Application – Incremental Capital Module  
Funding Request  
OEB File Number: EB-2020-0181**

In accordance with OEB's Procedural Order No. 1 dated November 27, 2020, please find attached written interrogatories of OEB staff with respect to all matters in the above noted proceeding. The attached document has been forwarded to the applicant and to all other registered parties to this proceeding.

Yours truly,

*KNViraney*

Khalil Viraney  
Project Advisor

Encl.



## **OEB Staff Interrogatories**

### **Enbridge Gas Inc. 2021 Rate Application Incremental Capital Module Funding**

**EB-2020-0181**

**December 21, 2020**

**B.Staff.1**

**Ref: Exhibit B, Tab 2, Schedule 1, pp. 4-5**

Enbridge Gas has provided capital expenditures by category for the Enbridge Gas Distribution (EGD) and Union Gas Limited (Union Gas) rate zones for the period 2016 to 2025.

- a) Please update the table with Actual 2020 data and any changes for the 2021 to 2025 period.
- b) If there are any changes in capital expenditures from that filed in the evidence, please explain the changes.

**B.Staff.2**

**Ref: Exhibit B, Tab 2, Schedule 1, pp. 16-20**

Enbridge Gas requested Incremental Capital Module (ICM) funding for the St. Laurent NPS 12 Replacement Project. The project will be completed in multiple phases over multiple years. The evidence indicates that the project is required to address integrity issues with the existing pipeline and is considered necessary to maintain the safe and reliable delivery of natural gas to the Ottawa and Gatineau regions. The St. Laurent project consists of four phases. Phase 2 of the project was approved as part of the Decision and Order in EB-2019-0006 and was placed into service in September 2020. A leave to construct application is expected to be filed in December 2020 for the remaining two phases of the project. For ICM eligibility purposes, each phase of the project has been evaluated individually based on the total in-service capital of that phase. In this application, Enbridge Gas is seeking ICM funding for Phase 3 of the project with a projected in-service date of December 2021. Phase 3 of the project involves replacement of approximately 9 kms of the pipeline. The total budgeted capital spend is \$15.3 million of which Enbridge Gas has requested \$13.0 million in ICM funding representing the in-service capital spend in 2021.

- a) Please indicate whether Enbridge Gas requested ICM funding for Phase 2 of the project which was approved in EB-2019-0006.
- b) Has Enbridge Gas completed other pipeline replacement projects in multiple phases during the 2016 to 2020 period? If yes, please provide a list of such projects.
- c) The OEB's Advanced Capital Module funding report (EB-2014-0219) states that the amount requested for incremental capital funding must be based on discrete projects

and should be directly related to the claimed driver. Please explain how the St. Laurent project which is being completed in four phases is a discrete project.

- d) If the Ontario Energy Board (OEB) does not approve ICM funding for Phase 3 of the project, will Enbridge Gas proceed with completing the remaining phases of the pipeline replacement project?

### **B.Staff.3**

#### **Ref: Exhibit B, Tab 2, Schedule 1, p. 17-24 and Interrogatory Responses in EB-2020-0192**

Enbridge Gas has requested ICM funding for the London Line Replacement project in the amount of \$124.0 million. Enbridge Gas filed a leave to construct application with the OEB for the project on September 2, 2020 under docket number EB-2020-0192. This project is needed to replace the existing London Lines in their entirety. The proposed project involves replacing the existing London Lines with approximately 90.5 km of NPS 4 and NPS 6 dual feed pipeline. Analysis conducted by Enbridge Gas Inc. has shown that the existing London Lines are in poor condition and have several active degradation factors, including loss of containment, shallow depth of cover, and corrosion induced wall loss. Enbridge Gas has identified that the existing lines are an operational risk and should be replaced to manage the safety and reliability of the natural gas distribution in the area. The total budgeted cost of the project is \$161.1 million of which the in-service capital spend for 2021 is \$124.0 million.

- a) Is there any incremental revenue associated with the project? If yes, please provide the incremental revenue for the 2021 to 2023 period.

### **B.Staff.4**

#### **Ref: Exhibit B, Tab 2, Schedule 1, pp. 25-27 and Applicant Evidence in EB-2019-0218**

Enbridge Gas has requested ICM funding for the Sarnia Line Industrial Line Replacement project. In a Decision and Order (EB-2019-0218) dated March 12, 2020, the OEB approved the leave to construct project. In the leave to construct evidence (p. 4), Enbridge Gas estimated the total cost of the project to be \$30.8 million. These costs include materials, construction and labour, environmental protection measures, land acquisition, contingencies, indirect overheads and interest during construction. In this application, the budget has been updated to \$32.9

million. The variance between the budget and the leave to construct is due to a change in overhead allocations.

- a) Please provide a table with the original and revised overhead allocations.
- b) Please explain the changes in overhead allocations and the reasons for the changes.
- c) Is there any incremental revenue associated with the project? If yes, please provide the estimated incremental revenue for the 2021 to 2023 period.

#### **B.Staff.5**

**Ref: Exhibit B, Tab 2, Schedule 1, p. 30**

The evidence states that incremental income taxes as a result of the 2021 ICM requested projects are calculated using the current tax rates. The income taxes calculated reflect 100% of the accelerated Capital Cost Allowance.

- a) Please provide the Accelerated CCA income tax (Bill C-97) calculations for the individual 2021 ICM requested projects.

#### **B.Staff.6**

**Ref: Exhibit B, Tab 2, Schedule 1, Appendix A**

Enbridge Gas has provided tables (Tables A to H) with a breakdown of capital expenditures by category for the period 2016 to 2025.

- a) Please update the tables with 2020 Actuals.

#### **B.Staff.7**

**Ref: Exhibit B, Tab 2, Schedule 1, Appendix A, Table A and EB-2019-0194**

Enbridge Gas provided General Plant Capital Expenditures by category for the EGD rate zone in the current application and the 2020 IRM rate application (EB-2019-0194). For the IT implementation category, the expenditures differ across the two applications.

<b>General Plant Capital Expenditures by Category - EGD Rate Zone (\$ Millions)</b>					
Category	2019 Actual	2020 Forecast	2021 Budget	2022 Budget	2023 Budget
IT Implementation - EB-2019-0194	43.0 (F)	15.1	21.5	24.9	22.3
IT Implementation - EB-2020-0181	32.7	14.6	28.3	39.4	30.8

F =Forecast

- What projects were postponed or cancelled in 2019 to reduce the spending in Information Technology (IT), from \$43.0 million to \$32.7 million.
- What are the drivers for the increased spending in 2021 to 2023 budget years as compared to that filed in the 2020 IRM application (EB-2019-0194)?

## **B.Staff.8**

### **Ref: Exhibit B, Tab 2, Schedule 1, Appendix A, Table G and EB-2019-0194**

Enbridge Gas provided expenditures related to integrity initiatives. The amounts differ in the two applications (EB-2019-0194 and EB-2020-0181) for the period 2020 to 2022.

<b>System Service Capital Expenditures by Category - EGD Rate Zone (\$ Millions)</b>				
Category	2020 Forecast	2021 Budget	2022 Budget	2023 Budget
Integrity Initiatives - EB-2019-0194	3.3	3.4	3.7	2.4
Integrity Initiatives - EB-2020-0181	15.1	31.2	21.7	6.7

- Please provide the reasons for the significant increase in the budget related to integrity initiatives for the years 2020, 2021 and 2022 in this application as compared to that filed in the 2020 IRM rate application (EB-2019-0194).
- Why were the integrity projects not identified in the 2020 IRM rate application?

## **Exhibit C: Enbridge Gas (EGI) Asset Management Plan – 2021-2025**

### **C.Staff.9**

#### **Ref: EGI Asset Management Plan, pp. 19-20**

Enbridge Gas has stated that given the impact of COVID-19 to resourcing and potential uncertainty surrounding longer term forecasting, the development of the Asset Management Plan (AMP) has been affected in 2020. Adjustments were made in these new working arrangements to 2020 planned activities as well as an adjustment to the scope of the 2021 AMP from ten years to five years.

- a) What adjustments were made to the new working arrangements in 2020 and how did these working arrangements affect the completion of projects in 2020?
- b) Did Enbridge Gas postpone or cancel any projects in 2020 on account of the COVID-19 pandemic? If yes, please provide details including costs.
- c) Please confirm if Enbridge Gas has adjusted the scope of the 2021 AMP in this application. How does the scope differ from that filed in the 2020 rate application (EB-2019-0194)? Please provide a detailed response.
- d) Has Enbridge Gas postponed or cancelled any major projects (projects over \$2 million) in 2021 as a result of the COVID-19 pandemic? If yes, please provide details.

### **C.Staff.10**

#### **Ref: EGI Asset Management Plan, p. 151**

Enbridge Gas is forecasted to spend an average of \$42 million (EGD rate zone) and \$30 million (Union rate zones) for the distribution stations asset class during the 2021 to 2025 period.

- a) One of the projects includes Compressed Natural Gas (CNG) distribution stations. Please explain the need for CNG distribution stations and how they are different from the other distribution stations.

**C.Staff.11**

**Ref: EGI Asset Management Plan, p. 163**

Consistent with the majority of utilities, Enbridge Gas is considering the deployment of Advanced Metering Infrastructure (AMI). This initiative would modernize and allow two-way communication with the meters by way of a network. The project is expected to provide significant benefits to customers by reducing meter reading and call centre costs, and eliminating estimated bills while providing customers insight into their gas usage at a granular level to allow customers to make informed decision.

- a) Has Enbridge Gas implemented a pilot project to test the deployment of AMI? If yes, please provide the details.
- b) Will the entire metering infrastructure be moved to AMI or is the project expected to convert a subset of metering infrastructure?
- c) Is the AMI project expected to be completed during the planning period (2021 to 2025)?
- d) What is the estimated cost of the AMI project (if Enbridge Gas decides to proceed with the project)?

**C.Staff.12**

**Ref: EGI Asset Management Plan, pp. 196 and 204, Investment Code: 6377**

Wells at Crowland are much older than other wells. Most wells possess only two casings while the current standard requires a minimum of three casings. The Crowland storage pool in the Niagara region is used to balance natural gas demand in the local market. Enbridge Gas is currently evaluating local market options that may simplify the operation of the pool if sufficient market demand is available in the local distribution market. An integrity assessment of each well is required to determine if existing wells can be upgraded or will need to be abandoned. The condition of the Crowland compressor station facility is considered poor due to aging. Enbridge Gas intends to review alternatives regarding future operation of storage both with and without compression.

- a) Please confirm that the total spending on the Crowland wells including compression renewal is \$27.9 million for the planning period (2021 to 2025).
- b) How many storage wells are currently operating at the Crowland facility? How many



wells have been abandoned?

- c) Is Enbridge Gas planning to abandon additional wells during the plan period (2021 to 2023)? If yes, please indicate the number of wells that will be abandoned?
- d) If the Crowland operation proceeds without compression, what will be the estimated savings in capital spending?

### **C.Staff.13**

#### **Ref: EGi Asset Management Plan, Section 5.8 – Technology and Information Services**

The Technology Information Services (TIS) asset class includes the hardware, software and communications subclasses. In response to OEB staff interrogatory #67 in EB-2018-0305, Enbridge Gas indicated that it had not yet completed a detailed review of the EGD and Union Gas rate zones' Information Technology (IT) business applications. In response to OEB staff interrogatory #20 in EB-2019-0194, Enbridge Gas indicated that the review has been completed.

- a) Please outline the revisions to the Asset Management Plan and the capital budget that resulted from the detailed review of TIS.
- b) Did Enbridge Gas implement any packaged or custom-built applications that resulted solely from the amalgamation between EGD and Union Gas? If yes, please provide details including costs.
- c) Did Enbridge Gas discontinue the use of certain software applications as a result of the amalgamation? If yes, please provide details including when amounts were last spent on the particular application.