

# ONTARIO ENERGY BOARD

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

**AND IN THE MATTER OF** an application by Enbridge Gas Inc. pursuant to section 36(1) of the Ontario Energy Board Act, 1998 for an Order of Orders approving or fixing just and reasonable distribution rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2021.

## INTERROGATORIES

### FROM THE

### SCHOOL ENERGY COALITION

1. [Ex. B/2/1, p. 3, Ex. C/2/1, section 6.1, and many other references] SEC is interested in better understanding how the Applicant establishes its annual capital budget, given its recognition that it has “finite resources to complete capital projects”. We understand the current process to be that the Applicant determined Base Capital for 2021 by calculating the ICM Materiality Threshold for that year, and has then escalated that amount by a forecast growth factor to estimate Base Capital for 2022-2025. The Applicant then prioritizes its capital projects to fill up its Base Capital figure for each year. After that, the Applicant identifies projects that it believes would qualify for ICM treatment under the Board’s rules, but are not included in the Base Capital. Those projects may then be included in an ICM application with respect to the year they are expected to be in service. With respect to this capital budget process:
  - a. Please confirm that the above description is correct in all material respects, or provide corrections to the description so that it represents a reasonable understanding of the process.
  - b. Please confirm that for each of the years 2021-2025, the total of all capital projects that met the Applicant’s criteria to proceed was more than the threshold calculated for Base Capital, although in two years (2023 and 2025), the capital projects in the EGD rate zone were below the threshold, offset by capital projects in the Union rate zone that were above the threshold.
  - c. Please describe the process, if any, that the Applicant uses to identify years in which it can bring capital into service in total amounts below the ICM Materiality Threshold.
  - d. Please confirm that the Base Capital in each year includes projects that would, if the total otherwise exceeded the ICM Materiality Threshold, in the Applicant’s opinion qualify for ICM treatment under the Board’s rules.
  - e. Please identify any factors other than the Board’s ICM Materiality Threshold formula that the Applicant uses to establish an amount of Base Capital for a year. If there are any such factors, please identify for which years they were used, and how.

- f. Please advise whether the current system of establishing Base Capital is different from the system used by either EGD or Union in the period prior to the merger and, if so, what changes were made from the previous system(s) to the current system.
  - g. The Asset Management Plan describes (p. 255) a process where “*ICM-eligible investments that were likely to be causing the optimization runs to fail were removed from optimization, providing EGI with the best understanding of an optimized typical base spend profile.*” Please describe that activity (its purpose, steps and impacts) in more detail, including in particular how some ICM-eligible investments were identified as causing run failures, and how removing them helped the Applicant understand the best base spend.
  - h. Please provide any memoranda, reports, presentations, analyses or other documents, whether provided to the Executive Management Committee or the Board of Directors, or otherwise, that set out the process (and results) for identifying ICM-eligible projects and allocating them to Base Capital, ICM application, or any other category (e.g. no claim).
2. [Ex. B/2/1, p. 15, and App. C] Please confirm that the ROE of 10.475% cited was equal to \$495.5 million, and was \$70.7 million in excess of the Board-approved level of 8.98%.
  3. [Ex. B/2/1, p. 17, 20, 23] Please provide a full description of all steps taken by the Applicant to reduce or defer the proposed spending on the London Line Replacement Project through non-pipes alternatives.
  4. [Ex. B/2/1, p. 18, 25] Please file the full economic analysis for the Sarnia Industrial Line project. Please provide details of all non-industrial customers that will be served by this reinforcement, and reconcile that information with the proposed allocations of the costs of this project between rate classes.
  5. [Ex. B/2/1, App. A] Please describe in detail the process, if any, that was used to identify reductions to these budgets in order to make room for the three ICM projects in this Application.
  6. [Ex. C/1/1 and Ex. C/2/1] SEC is seeking to better understand how the Applicant, which is in the business of distributing a carbon-based fuel, is planning for a lower carbon future, and for public policy initiatives that deliver on Canada’s COP21 Paris commitments, including a reduction to 511 megatonnes of GHG by 2030:
    - a. Please provide the Applicant’s current forecast of the GHG emissions of the Applicant and its customers (a proxy forecast based on forecast throughput is OK) for each of the years 2021 to 2030, based on the Applicant’s current growth forecasts as set out in the Utility System Plan and the Asset Management Plan.
    - b. For the Applicant to deliver its proportionate share of GHG reductions for Canada to meet its COP21 commitment, what is the estimated maximum distribution throughput the Applicant could have in 2030?
    - c. Please confirm that the current USP contemplates rate base growth for each year, and provide an estimate of the total rate base, broken down by major asset group, at the end of 2025. Please estimate the weighted average remaining useful life for each of those major asset groups at that time.
    - d. Please reconcile the goal of “being part of the transition to a lower carbon economy” (page 6) with the goal of increasing rate base and profits.

- e. Please confirm that the Utility System Plan and the Asset Management Plan do not include any consideration of increases in the price of carbon beyond the forecast \$50 price previously known, and in particular do not include the recently announced increases in the price of carbon to \$170. Please describe in detail what assumptions were used as to carbon pricing and other carbon reduction policies in developing the capital plan for the next five years.
  - f. Please identify what changes will have to be made to the USP and AMP in light of the announcement of increases in the price of carbon to \$170. If the Applicant does not yet have information on what those changes will be, please describe the process the Applicant plans to undertake to identify and quantify those changes.
  - g. Please identify what changes will have to be made to the USP and AMP in light of the announcement that natural gas will no longer be included in the Clean Fuel Standard. If the Applicant does not yet have information on what those changes will be, please describe the process the Applicant plans to undertake to identify and quantify those changes.
  - h. Please file any memoranda, reports, presentations, analyses or other documents that deal with the challenges faced by the Applicant in a lower carbon future, or the plans the Applicant is considering or implementing to prepare for that lower carbon future.
7. [Ex. C/1/1 and Ex. C/2/1] SEC is concerned that schools and other customers may end up being saddled with the cost of stranded assets as a result of the Applicant's capital spending under the current and future utility system plans. SEC has been unable to identify any analysis in the USP or the AMP of the risk of overinvesting and being unable to recover capital costs at current rates, for example due to declining load.
- a. Please describe in detail the process, if any, the Applicant uses to assess the risk that the cost of capital investments may not be recoverable over their useful lives at current rate levels.
  - b. Please describe in detail all risk mitigation strategies used or considered by the Applicant to reduce the potential that current capital investments will become stranded.
  - c. Please provide details of any scenario analysis prepared by or for the Applicant to deal with the potential for lower than expected – including declining - load and its impact on capital recovery, and provide copies of any memoranda, reports, presentations, analyses or other documents that deal with that potential.
8. [Ex. C/1/1, p. 6] Please confirm that one of the corporate goals of the Applicant is to increase rate base and increase regulated profits over time.
9. [Ex. C/1/1, p. 10, 16, 32] Please file the most recent annual budget and multi-year long range plan and Financial Plan referred to, along with any memoranda, presentations or other summaries of its content used in presenting the budget and plan to the Executive Management Committee or the Board of Directors.
10. [Ex. C/1/1, p. 11] Please file any more recent forecasts of natural gas prices that include the \$170 price for carbon in Canada.
11. [Ex. C/1/1, p. 26] Please provide the most recent budgets for the Centralized Functions, together with the amounts and percentages allocated to the Applicant, and the rationale for those allocations.

12. [Ex. C/1/1, p. 39] Please explain why the discussion of the links between OM&A and capital does not include consideration of OM&A reductions as a result of a) newer assets, and b) capex intended to improve productivity.
13. [Ex. C/1/1, Fig. 6-8 and Ex. C/2/1, Fig. 6.2-1 and 6.2-2] Please restate all of the data on these tables so that the overheads in years 2016-2020 are allocated to the appropriate categories, making the historical and forecast information comparable. If it is necessary to estimate the allocations of overheads, please provide the basis for the estimates.
14. [Ex. C/1/1, Tables 4 and 5 and Ex. C/2/1, Tables 6.1-3 and 6.1-4] With respect to the ICM-eligible projects:
  - a. Please reconcile these tables, or if they are identical please so confirm.
  - b. Please confirm that the ICM-eligible projects identified by the Applicant in the AMP tables are as follows:
    - i. 2021 - \$206.0 million (7 projects)
    - ii. 2022 - \$405.3 million (10 projects)
    - iii. 2023 - \$233.7 million (9 projects)
    - iv. 2024 - \$488.5 million (9 projects)
    - v. 2025 - \$204.3 million (6 projects)
  - c. Please confirm that these projects totaling \$1,537.8 million, are in addition to more than \$6.0 billion of Base Capital the Applicant plans to put into service over the same period.
  - d. For each of the “ICM-eligible projects” for 2021, please explain why they are or are not included in this Application. If they are included in Base Capital, please also explain why.
15. [Ex. C/1/1, p. 63] The USP and the AMP assume that the EBO 188 and EBO 134 guidelines continue throughout the planning period. In light of the public policy pressures on carbon-dependent businesses like that of the Applicant, what are the Applicant’s views on whether the Board should reconsider the EBO 188 and EBO 134 guidelines to reduce the risk of overinvestment?
16. [Ex. C/2/1, p. 19] Please provide the 2020 Strategic Plan referred to.
17. [Ex. C/2/1, p. 32] Please provide a detailed breakdown of all actual and forecast reductions in capital spending in 2020 and 2021 as a result of Covid-19 or as a result of variations in load attributed to Covid-19.
18. [Ex. C/2/1, p. 37, 79] Please confirm that these customer and load forecasts do not include any assumption of downward pressure due to public policies associated with carbon reduction, including but not limited to carbon pricing.
19. [Ex. C/2/1, p. 42] Please confirm that Ex. C/3/1 is the full Ipsos study report. If it is not, please file the full report.
20. [Ex. C/2/1, p. 44] If the Integrated Management System (IMS) is a document, please file that document. If, on the other hand, it is a process, please provide any internal report, manual, or other document that summarizes how it works and how it is used.

21. [Ex. C/2/1, p. 48, 76] Please confirm that:
- a. Until the Board renders its decision in EB-2020-0091, the Applicant is not considering non-pipes alternatives as part of its capital planning. If that is not confirmed, please advise how the Applicant is currently considering non-pipes alternatives.
  - b. The USP and AMP do not include consideration of non-pipes alternatives or IRP in determining how to meet the needs of the customers as set out in the USP and AMP. If that is not confirmed, please provide references in the USP/AMP to consideration of non-pipes alternatives.
22. [Ex. C/2/1, p. 57, 59] Please provide the full investment value breakdown for each of the ICM projects in this Application, including the values assigned to each project under each of the categories listed. Please provide justification for each of the values assigned to each project.
23. [Ex. C/2/1, p. 64] With respect to the risk register:
- a. Who maintains the register?
  - b. What is its structure (e.g. categories, rankings, etc.)?
  - c. How many risks are currently listed on the risk register (by category and by severity if possible)?
  - d. How is the risk register used, if at all, by:
    - i. The Board of Directors
    - ii. Executive Management
    - iii. Departmental heads
    - iv. Line managers
    - v. Unionized and other on-the-ground workers?
24. [Ex. C/2/1, p. 82, 86] With respect to the design temperature for each location:
- a. Please provide a reference to the source document (study, first OEB decision, etc.) for each of those figures, and the year that design temperature was first determined.
  - b. Please explain why geographically similar locations have different design temperatures (e.g. Halton and Toronto, Hamilton and Niagara) and why Windsor has a higher design temperature than Toronto and Niagara.
  - c. Please provide details of any plan to develop and implement a design temperature system throughout the province that uses consistent methods for identifying the appropriate local design temperatures.
  - d. Please provide details of any studies the Applicant has done, or plans to do, of trends in “design day or peak hourly consumption”.
25. [Ex. C/2/1, p. 84] Please provide the most recent Long Range Plan for the EGD rate zone and Facilities Business Plan for the Union rate zone.
26. [Ex. C/2/1, p. 89] The customer connections forecast shows in the EGD rate zone \$150 million for commercial/industrial connections, and \$546 million for residential connections, while in the

Union rate zone it shows zero for commercial/industrial connections, and \$383 million for residential connections. Please explain the zero forecast for the Union rate zone over the next five years.

27. [Ex. C/2/1, p. 103 ] Please confirm that, in its current planning, the Applicant is considering the future need for replacement or life extension of assets that will see a “sharp increase in failures per year” between 2037 and 2057.
28. [Ex. C/2/1, p. 105] Please describe the interaction, if any, between the NPS20 KOL – Cherry to Bathurst project with the project referred to in EB-2020-0198. Please advise whether a leave to construct has been filed for Cherry to Bathurst.
29. [Ex. C/2/1, p. 126] Please confirm that, if the Applicant manages its business on the assumption of a long term decline in demand for carbon-based fuels, then it is reasonable to expect that the average age of station assets should increase over time.
30. [Ex. C/2/1, p. 227] Please confirm that the 2021 capital budget includes the following \$39 million of real estate capital investments. For each investment, please describe why it could not have been deferred to make room for some of the ICM projects.
  - a. 50 Keil St. Renovations (\$4.7) – merger related
  - b. Dryden (\$3.0) – building in good condition
  - c. North Bay/Orillia (\$10.0) – buildings in good condition being replaced with a consolidated operations centre
  - d. Station B Eastern Avenue (\$15.5) – building in good condition being demolished and replaced
  - e. Belleville (\$5.8) – new building
31. [Ex. C/2/1, p. 252] It appears to SEC that some of the capital expenditures in this plan are driven by the merger, particularly in areas such as new technology. For the entire five year 2021-2025 capital plan as set out on pages 260 and 261, please identify for each line and each year all capital spending that the Applicant considers merger-related.
32. [Ex. C/2/1, p. 260-1] Please provide, for each year and line in the period 2021 to 2025, the amount that represents the labour costs of the Applicant (averaging 83% of the total).
33. [Ex. C/2/1, p. 260-1] Please confirm that the attached table entitled “Enbridge Capital Budget and Actuals 2016-2025” correctly sets out the combined capital spending plans set out in the AMP. Please confirm that all figures are in-service additions rather than capital expenditures. (The Excel spreadsheet that formed the basis of this table is also attached.)

Respectfully submitted on behalf of the School Energy Coalition this December 21, 2020.



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Jay Shepherd  
Counsel for the School Energy Coalition

## Enbridge Combined Capital Budget and Actual 2016-2025

Category	2016	2017	2018	2019	2020	Subtotal	2021	2022	2023	2024	2025	Subtotal	Increase
Utilization	\$76.7	\$81.4	\$80.3	\$99.3	\$82.5	\$420.2	\$110.5	\$110.3	\$117.8	\$123.4	\$124.9	\$586.9	39.7%
Trans. Pipe and U/G Storage	\$179.5	\$202.5	\$47.0	\$19.8	\$16.4	\$465.2	\$65.6	\$280.5	\$71.2	\$173.9	\$34.1	\$625.3	34.4%
TIS	\$78.3	\$52.0	\$56.6	\$48.8	\$46.1	\$281.8	\$39.5	\$57.6	\$45.0	\$64.7	\$58.0	\$284.8	-6.0%
Real Estate and Workplace Services	\$36.5	\$18.9	\$21.2	\$42.1	\$34.8	\$153.5	\$104.5	\$80.6	\$47.9	\$37.8	\$73.4	\$344.2	124.2%
LNG	\$1.1	\$2.4	\$0.1	\$0.0	\$0.3	\$3.9	\$0.3	\$0.2	\$16.0	\$0.2	\$8.7	\$25.4	551.3%
Growth	\$382.5	\$177.4	\$261.8	\$337.4	\$261.0	\$1,420.1	\$277.0	\$286.5	\$367.2	\$263.9	\$429.6	\$1,624.2	14.4%
Fleet and Equipment	\$7.7	\$18.0	\$15.3	\$26.3	\$17.5	\$84.8	\$22.6	\$23.1	\$24.6	\$24.6	\$26.7	\$121.6	43.4%
EA Fixed O/H	\$17.3	\$17.0	\$15.8	\$16.7	\$16.4	\$83.2	\$18.2	\$18.4	\$18.6	\$18.8	\$19.0	\$93.0	11.8%
Distribution Stations	\$39.4	\$39.0	\$35.3	\$39.7	\$51.2	\$204.6	\$94.4	\$96.9	\$65.4	\$52.7	\$53.0	\$362.4	77.1%
Distribution Pipe	\$137.7	\$142.6	\$139.6	\$173.9	\$279.9	\$873.7	\$482.4	\$344.9	\$232.1	\$289.5	\$255.4	\$1,604.3	83.6%
Compression Stations	\$457.7	\$190.1	\$50.4	\$25.7	\$17.1	\$741.0	\$55.4	\$107.2	\$157.5	\$303.2	\$28.9	\$652.2	-12.0%
TOTALS	\$1,414.4	\$941.3	\$723.4	\$829.7	\$823.2	\$4,732.0	\$1,270.4	\$1,406.2	\$1,163.3	\$1,352.7	\$1,111.7	\$6,304.3	33.2%
Overheads in Historical Data	\$216.5	\$209.7	\$206.9	\$207.9	\$207.8	\$1,048.8							
OH Included Total	\$1,630.9	\$1,151.0	\$930.3	\$1,037.6	\$1,031.0	\$5,780.8	\$1,270.4	\$1,406.2	\$1,163.3	\$1,352.7	\$1,111.7	\$6,304.3	9.1%