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VIA EMAIL and RESS

Ms. Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board ("OEB") File Number EB-2020-0134
2019 Deferral and Variance Account Clearances Application ("Application")
ADR Information Request Responses**

Attached are responses to supplementary requests for information that were made in the recent ADR process for this case. All parties agreed that it is appropriate for these items to be included on the public record for this proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

Anton Kacicnik
Manager, Rates
Regulatory Affairs

cc: Mr. D. Stevens, Aird & Berlis LLP (via email, without attachment)
All Interested Parties EB-2020-0134 (via email, without attachment)

ENBRIDGE GAS INC.

Answer to ADR Information Request #1

Question:

Please provide details of the alignment of elements within the calculation of utility results for earnings sharing purposes, as referenced at Exhibit I.STAFF.2.

Response

Reference: Exhibit I.STAFF.2

Utility Alignment Item	Revenue Requirement Increase / Decrease	Revenue Requirement Impact (\$Millions)	Alignment Justification
1. Removal of Accounts Receivable Rebillables from Rate Base (adopted UGL approach)	↓	(0.1)	Administrative ease and efficiency.
2. Removal of Customer Deposit Interest Payable from Rate Base (adopted EGD approach)		0.0	Rational for UGL approach was not documented.
3. Removal of the Elimination of Shared Asset Impacts (adopted UGL approach)	↑	0.3	Administrative ease and efficiency.
4. Treatment of Pension and OPEB Costs for Utility Income Tax Purposes (adopted EGD approach)	↑	2.7	<u>Treatment of Pension and OPEB Costs for Utility Income Tax Purposes</u> – For utility income tax purposes, in the determination of utility income subject to tax, legacy EGD has added back accrual based pension and OPEB costs (which had previously reduced utility income subject to tax through its inclusion in O&M) and deducted cash based pension and OPEB costs, which is consistent with how corporate income taxes are calculated in accordance with CRA rules. By contrast, in the determination of utility income subject to tax for legacy Union, there was no adjustment made to taxable income to reflect the difference between accrual based pension and OPEB costs versus cash based pension and OPEB costs (i.e. accrual based costs included in utility O&M were deducted in the determination of utility taxable income). The legacy EGD approach was adopted because it agrees with how corporate income taxes are calculated, and results in fewer adjustments between corporate and utility results.
5. Treatment of Interest During Construction (IDC) for Utility Income Tax Purposes (adopted UGL approach)	↓	(0.9)	<u>Treatment of Interest During Construction (IDC) for Utility Income Tax Purposes</u> – For utility income tax purposes, in the determination of utility income subject to tax, legacy EGD has not included a deduction for IDC (consistent with interest recoverable in utility rates, the interest that was deducted for utility income tax purposes was the amount determined through the utility capital structure). By contrast, in the determination of utility income subject to tax for legacy Union, a deduction for IDC has historically been included, consistent with the how corporate income taxes are calculated in accordance with CRA rules, along with interest determined through the utility capital structure. The legacy Union approach was adopted because it agrees with how corporate income taxes are calculated, and results in fewer adjustments between corporate and utility results. Reflecting IDC as a deduction is also appropriate, as once it is capitalized as part of property plant and equipment, it is not added to un depreciated capital cost (UCC) pools which drive capital cost allowance (CCA) tax deductions (i.e. it is not captured as part of CCA tax deductions).
6. Assignment of LTD to Unregulated Activities Within the Determination of Utility Capital Structure (adopted UGL approach)	↓	(1.4)	<u>Assignment of LTD to Unregulated Activities Within the Determination of Utility Capital Structure</u> – Within the determination of Utility Capital Structure and the corresponding interest financing expense to be recovered in rates/reflected in utility results, legacy Union has eliminated or reduced the long-term debt (LTD) component (and associated interest carrying charges) of its capital structure to reflect the assignment of a portion of its LTD towards financing unregulated activities/storage (based on a ratio of unregulated rate base to total rate base). The impact of this is that a lower portion of utility rate base is financed through LTD, with a higher portion financed through short-term debt (STD) (which is typically at a lower cost or interest rate). Legacy EGD by contrast, did not reflect the assignment of LTD to unregulated operations in the determination of its utility capital structure, resulting in all LTD being included within the utility capital structure, and thus a lower STD financing requirement (by default it implied that unregulated activities were financed through STD). Legacy EGD did assign a mix of LTD and STD financing costs to unregulated activities within its corporate results, but because corporate interest charges are eliminated and replaced with interest determined through the utility capital structure, the assignment LTD charges was missed in the determination of utility results. The legacy Union approach was adopted because it appropriately reflects, within utility results, that a portion of LTD financing is supporting unregulated activities.
7. Recognition of Unamortized Debt Issuance Costs as an Offset to LTD Available to Fund Rate Base in the Determination of Utility Capital Structure (adopted EGD approach)	↑	0.3	Aligned treatment reflects that the incremental funds available from debt issuances is net of any issuance costs.
		0.9	

Why were these not included in the APCDA?

Response: With these alignment items, there was no underlying change in the way items were accounted for in corporate financial records. (i.e. they were alignments in the methodology for calculating utility results, not alignment of underlying corporate accounting policies). Although not recommended by Enbridge, if these items were included in the APCDA there would be a net receivable from ratepayers related to these items.

ENBRIDGE GAS INC.

Answer to ADR Information Request #2

Question:

Please provide details of the EGD Rate Zone storage capital expenditures for 2019 (see line D of Exhibit I.VECC.5, Table 1).

Response

The Table below sets out the elements included in the 2019 storage capital expenditures for the EGD Rate Zone.

	2019 Actual	Notes
Storage		
Records Integrity - Storage	(0.01)	
Integrity Initiatives - Storage	2.41	
Compressor Equipment	8.16	3.3M for Crankshaft replacement
Integrity Digs - Storage	(0.00)	
Wells and Well Equipment	6.94	
Field Lines	4.51	
Structures and Improvement - Storage	0.08	
Measurement and Regulating Equipment - Storage	0.02	
Storage - Meter Area Upgrade	9.32	
Storage Total	31.43	

Details of the main projects are set out below.

Top 5 Projects

SCOR: Meter Area – Upgrade	\$9,317,149
SCOR: 61005 Crankshaft – Replace	\$3,392,242
PDOW: TD28H NewHWell	\$1,837,695
PDOW: TD29H NewHWell	\$2,084,554
PDOW: TD26 A1 Observation Well	\$1,622,510

SCOR Meter Area Upgrade:

As a result of the 2013 Inventory Meter Upgrade project, which moved measurement from the Corunna Compression Station closer to the storage pool, the Meter Area simply became flow paths connecting Corunna Compressor Station to the associated pool pipelines. Limited cross flow functionality is provided in the current meter area piping creating an inefficient operational configuration to accommodate for the previous functionality. The design is not what would be built today to meet the operational needs for the plant. Through various assessment methods, including Hydraulic Modelling,

HAZOP, Risk Workshops and Thermal Stress Analysis the following risks have been identified:

- * Cross flow header can be subjected to very high pipe velocities creating flow induced vibration
- * Pressure control and over-pressure protection (OPP) is not currently to acceptable standards (CSA Z662-19 clause 14.1.18.2)
- * Thermal expansion stresses in the pipelines are exceeding allowable range of applicable code CSA Z662 in the design, normal operating, and minimum ambient expansion cases

Scope of work includes: Moving 2 meter runs, removing remaining 16 meter runs & replacing with buried pipe, installation of cross flow headers, pressure control and overpressure protection.

The scope of work eliminates the flow induced vibration risk associated with existing cross flow header. Pressure Control and Overpressure Protection (OPP) installed to address the range of MOPs in GDS storage system, systemic OPP compliance and provides operational flexibility. The new design eliminates thermal expansion stresses in piping that are exceeding allowable range as per CSA Z662. A reduction of fittings decreases the number of potential leak points.

The assets being replaced and upgraded through this project were installed for regulated gas storage operations. There are no unregulated assets associated with this project, and the costs are assigned to regulated gas storage.

SCOR:61005 Crankshaft-Replace

A crankshaft failure occurred on the K705 compressor unit (100% regulated asset) at the Corunna Compressor Station. During a routine bearing inspection, a crack was discovered in the crankshaft at the crank throw bearing surface for power cylinder #7. Subsequent inspection and testing, confirmed that the crankshaft was not repairable and needed to be condemned - retired from service. The K705 asset is needed to achieve the Gas Supply plan during peak day withdrawal nominations and needed to provide first stage compression during late season injections.

The assets being replaced is for regulated gas storage operations. The costs are assigned to regulated gas storage.

New Wells TD28H and TD29H

New I/W wells (TD28H and TD29H) occurred as a result of the need to abandon several existing wells due to micro-annulus leaks.

Enbridge Gas determined that these wells needed to be abandoned. Once the decision to abandon was made, it triggered the need for installation of new wells because the resulting capacity reduction would significantly impact design day deliverability.

The wells are regulated assets and new wells were drilled to recover lost deliverability for regulated gas storage operations.

TD26 Obs Well

The new A1 Obs well (TD26) was in the plan since 2013 or so (maybe 2012). At that time the OEB was very concerned about LUF and EGD committed to installing A1 Obs wells to demonstrate that there was no leakage through the A1 sucralose region surrounding its reservoirs. The A1 Obs well program was multi-year, and 2019 was simply the scheduled year for installation at DOW.

This project relates to regulated gas storage operations.

ENBRIDGE GAS INC.

Answer to ADR Information Request #3

Question:

Please provide details about the increase in Internal Allocations and Recoveries from 2018 to 2019, as seen at line 13 of Exhibit I.EP.3, Table 3.

Please also provide a reconciliation between the 2019 Inbound/Outbound Affiliate Services amounts shown at Exhibit I.VECC.2(b) and the 2019 Internal Allocations and Recoveries amounts shown at line 13 of Exhibit I.EP.3, Table 3.

Response

Costs related to STIP, stock-based compensation, software and cell phones were shifted from the Utility's O&M to the Corporate office in 2019 related to alignment and further centralization of Centralized Functions. Centralized Functions include shared service functions such as HR, Finance, IT, Legal, and Real Estate. This shift accounted for the increase in Allocations and Recoveries (line 13), as noted at Exhibit I. EP.3.

There is a corresponding decrease in Utility O&M. The decrease in Compensation and Benefits (line 1) is not evident as it is more than offset by a higher severance cost.

	Line 1 Compensation	Line 13 Allocations and Recoveries	All other lines Other O&M	Line 16 Total
2018 Total	546	45	308	899
Shift of Costs to Corporate:				
Compensation and Benefits	(14)	14		-
IT Software ¹ and cell phones		9	(9)	-
Higher Severance	29			29
Other ²	6	2	1	9
2019 Total	567	70	300	937

Note 1 – Includes corporate applications (e.g. Office, Teams, etc.) used across Enbridge.

Note 2 – no individually significant drivers.

As noted in Exhibit I.EP.3, severance is the primary driver for the change in O&M over the prior year representing \$29M of the \$38M change (Exhibit I.EP.3, Table 3, line 16). Excluding the impact of severance O&M increased by only 1% from the prior year.

The Tables below show continuity for between amounts shown at Exhibit I.EP.3 Tables 1, 2 and 3 for Internal Allocations and Recoveries, and a reconciliation of the relevant amounts shown in Exhibit I.EP.13 (Table 3) and Exhibit I.VECC.2(b).

Entity	Ref.	Line #	Line description	2018
EGD	EP.3 Table 1	19	Internal Allocations & Recoveries	(15)
EGD	EP.3 Table 1	26	RCAM	43
UGL	EP.3 Table 2	21	Outbound Affiliate Services	(10)
UGL	EP.3 Table 2	22	Inbound Affiliate Services	23
			Mapping differences	3
EGI	EP.3 Table 3	13	Total Internal Allocations & Recoveries	45

Entity	Ref.	Line #	Line description	2018	2019
EGI	VECC 2B	N/A	Inbound Services	101	133
EGI	VECC 2B	N/A	Outbound Services	(30)	(36)
EGI	VECC 2B/EP.3 Table 3	N/A/13	Net Inbound / Outbound Affiliate Services	71	97
EGI	EP.3 Table 3	13	Insurance Allocations	7	10
EGI	EP.3 Table 3	13	Capital Project Capitalization	(33)	(37)
EGI	EP.3 Table 3	13	Total Internal Allocations & Recoveries	45	70

ENBRIDGE GAS INC.

Answer to ADR Information Request #4

Question:

Please provide details of the supplemental services offered to Union North customers.

Response

Note: There are no supplemental services that impact the Upstream Transportation Optimization Deferral Account.
Any exchange done with a Union North customer would be subject to the Upstream Transportation Optimization Deferral Account

Supplemental Services

Balancing Transactions

In-Franchise Transfer (IFT)
Ex-Franchise Transfer (EFT)
Underground In-Franchise Transfer (UIFT)
DCQ Assignment
Suspension
Diversion
Incremental Supply
Loan
Short Term Storage
Discretionary Gas Supply Service (DGSS)
Daily Variance Account Transfer During Interruption at Dawn

Regulated service for balancing. No deferral.
Regulated service for balancing. No deferral.
Regulated service for balancing. No deferral. Applicable to T1/T2/T3.
Regulated service for balancing. No deferral. Applicable to Union South.
Regulated service for balancing. No deferral. Applicable to Union South.
Regulated service for balancing. No deferral. Applicable to Union South.
Regulated service for balancing. No deferral.
Utility service using excess utility storage space at negotiated rates. Subject to **Short-Term Balancing Deferral Account** - shared 90% with ratepayers.
Utility service using excess utility storage space at negotiated rates. Subject to **Short-Term Balancing Deferral Account** - shared 90% with ratepayers.
Regulated service for commodity at market prices. Applicable to Union South customers only - no deferral, pass-through of costs.
Regulated service for Customer Managed Service balancing. No deferral.

Customer Balancing Service (CBS)
North T-Transportation from Dawn
Burner Tip Storage Service
T-Service Short Term Supplemental Storage
Discretionary Gas Supply Service (DGSS)

Regulated service for North T-Service balancing. No deferral.
Regulated service for transportation to Union North East from Dawn. No deferral except for the base service which has own deferral account.
Utility service using excess utility storage space at negotiated rates. Subject to **Short-Term Balancing Deferral Account** - shared 90% with ratepayers.
Utility service using excess utility storage space at negotiated rates. Subject to **Short-Term Balancing Deferral Account** - shared 90% with ratepayers.
Regulated service for commodity at market prices. Applicable to Union South customers only - no deferral, pass-through of costs.

ENBRIDGE GAS INC.

Answer to ADR Information Request #5

Question:

Please provide details of the changes to EGD Rate Zone Accounts as a result of the decision not to use the Gas Supply Plan Cost Consequences Deferral Account (GSPCCDA) for 2019.

Response

The Table below shows the consequences of the decision not to use the GSPCCDA.

2019 Deferral Account	Balance Reported at Year End	True Up Amount	Change in Balance of Not Utilizing GSPCCDA	Balance Requested for Clearance	Balance if GSPCCDA Utilized
EGD Rate Zone Accounts					
2019 S&T DA	\$ (7.84)	\$ -	\$ 10.32	\$ 2.48	\$ (7.84)
2019 UAF VA	\$ 6.79	\$ (2.15)	\$ 0.24	\$ 4.88	\$ 4.64
2019 GSPCCDA	\$ 3.86	\$ -	\$ (3.86)	\$ -	\$ 3.86
Sum	\$ 2.81	\$ (2.15)	\$ 6.70	\$ 7.36	\$ 0.66

As can be seen, the decision not to use the GSPCCDA results in changes to the 2019 S&TDA. Details of the as-filed 2019 S&TDA are found at Exhibit D, Tab 1, Schedule 1. The exhibit on the next page of this response shows details of the 2019 S&TDA prior to the decision not to use the GSPCCDA.

BREAKDOWN OF THE 2019 STORAGE AND TRANSPORTATION DEFERRAL ACCOUNT ("2019 S&TDA") - EGD RATE ZONE

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
	Budgeted Daily Contract Demand Volume	Monthly Demand Toll Assumed in 2019 Budget	Forecasted Annual Cost (3)	Actual Daily Contract Demand Volume	Monthly Demand Toll Effective January 1, 2019 to March 31, 2019	Monthly Demand Toll Effective April 1, 2019 to December 31, 2019	January 1, 2019 to March 31, 2019 (4)	April 1, 2019 to December 31, 2019 (5)	Annual Cost (6)	Balance in the 2019 S&TDA (7)
	(GJ)	(\$/GJ)	(\$Millions)	(GJ)	(\$/GJ)	(\$/GJ)	(\$Millions)	(\$Millions)	(\$Millions)	(\$Millions)
1. Union Gas Dawn to Lisgar	67,929	3.154	2.6	67,929	3.154	3.058	0.6	1.9	2.5	
2. Union Gas Dawn to Parkway	2,717,173	3.716	121.2	2,727,687	3.716	3.602	30.4	88.4	118.8	
3. Union Gas Dawn to Parkway (1)	75,000	3.716	0.6	75,000	3.716	3.602	-	0.5	0.5	
4. Union Gas Dawn to Parkway - M12X	200,000	4.590	11.0	200,000	4.59	4.45	2.8	8.0	10.8	
5. Union Gas Parkway to Dawn - C1	236,586	0.874	0.6	236,586	0.874	-	0.6	-	0.6	
6. Union Gas F24 T	85,000	0.070	0.1	85,000	0.07	0.071	-	0.1	0.1	
7. Union Transmission Costs			136.1				34.4	98.9	133.3	2.8
8. Dawn T Service Costs			(13.0)				(3.6)	(11.3)	(14.9)	1.9
9. Cap and Trade costs			1.7				-	0.3	0.3	1.4
10. Union & Third Party Market Based Storage			19.5				5.0	16.7	21.7	(2.2)
11. 2017 Deferral Disposition - UG (2)			-				(4.0)	-	(4.0)	4.0
12. Total			144.3				31.8	104.6	136.4	7.9

Notes

- (1) Demand volumes increase by 75K for M12234
- (2) M12 Transportation Deferral adjustment related to 2017 S&TDA reduced actual costs by \$4M
- (3) Col. 1 * Col. 2 * 12
- (4) Col. 4 * Col. 5 * 3
- (5) Col. 4 * Col. 6 * 9
- (6) Col. 7 + Col. 8
- (7) Col. 9 - Col. 3