ENBRIDGE

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February 19, 2021

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: EB-2020-0134
2019 Utility Earnings and Disposition of Deferral & Variance Account Balances Application – Supplemental Interrogatory Responses

In accordance with the Decision and Order on the Settlement Proposal issued on January 25, 2021, enclosed please find the Supplemental Interrogatory Responses from Enbridge Gas in the above noted proceeding.

For consistency and ease of reference, the interrogatories submitted by OEB Staff and intervenors have been renumbered to be in sequential order from the previously filed interrogatory responses in this proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Digitally Signed)

Anton Kacicnik
Manager, Regulatory Applications

c.c.: David Stevens, Aird and Berlis LLP (via email)
Fred Cass, Aird and Berlis LLP (via email)
EB-2020-0134 Intervenors (via email)

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, pp. 2 and 10.

Question:

The balance in the Tax Variance Deferral Account (TVDA) as of December 31, 2019 is a credit of $30.03 million not including interest. The account balance is related to Bill C-97 CCA rule changes which became effective November 21, 2018. The OEB in its July 25, 2019 letter noted that the OEB's long standing practice of sharing the impact of changes in taxes due to regulatory or legislated tax changes during an incentive rate-setting period between utility shareholders and ratepayers on a 50/50 basis should not be expected to necessarily apply in respect of CCA rule changes, and determinations as to the appropriate disposition methodology will be made at the time of each utility's cost-based application.

a) Please reference and summarize any OEB decisions or settlement proposal approvals that Enbridge Gas is aware of where the OEB has made a determination on the disposition methodology related to account balances resulting from Bill C-97 CCA rule changes.

Response:

a) Without intending to imply that these decisions involved any determination of "disposition methodology", Enbridge Gas notes that it is aware of two decisions in which the OEB approved settlement proposals that included agreement on disposition of account balances resulting from Bill C-97 CCA rule changes.

   In its EB-2020-0059 Decision and Rate Order issued on December 10, 2020, the OEB approved a settlement proposal in which Waterloo North Hydro Inc. agreed to refund 100% of the 2019 and 2020 AIIP impacts to customers.

   In its EB-2020-0040 Decision and Rate Order issued on February 4, 2021, the OEB approved a settlement proposal in which Niagara Peninsula Energy Inc. agreed to refund 100% of the prorated 2018 (November 20, 2018 to December 31, 2018), 2019 and 2020 actual AIIP impacts up to the amount that represents the PILs amount that underpins NPEI's 2015 Test Year rates, in the amount of $238,188, to customers

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, pp. 6 - 16

Question:

Enbridge Gas estimates that the total cumulative balance in the TVDA account for the 2019 to 2023 period will be a credit balance in the range of $80 to $115 million. In its evidence Enbridge Gas has proposed to use 100% of the cumulative balance in the TVDA over the 2019 to 2023 period as a source of funding for two initiatives: the Economic Development Project and the Integrated Resource Planning (IRP) pilot projects. Enbridge Gas has proposed to use a portion of the TVDA balance up to $115 million towards funding the capital investment of the combined Hamilton-Nanticoke-Dunnville (HND) project that has been filed under the OEB's Natural Gas Expansion Program (EB-2019-0255). Enbridge Gas has further proposed to access up to $20 million of the TVDA balance to use towards the IRP pilot projects.

a) Is any portion of the investment for the HND project and the IRP pilot projects likely to be funded through direct government contribution or contribution from industry group/customers?
b) How many customers are expected to be connected if the HND project is approved and constructed? Please provide a breakdown on the basis of residential, commercial and industrial customers.
c) If ratepayers were to fund the HND project and the IRP pilot projects through a rate increase/rate rider, will the cost allocation amongst the rate classes for the funding mechanism be different from the disposition methodology of the TVDA balances (if the TVDA balance is credited to ratepayers). Please explain your response.
d) If the costs of the HND and IRP pilot projects are funded through a rate increase/rate rider, will the capital costs related to the projects be added to rate base upon rebasing?
e) Enbridge Gas expects to accumulate up to $115 million in the TVDA over the 2019 to 2023 period. As part of this evidence, Enbridge Gas has proposed to direct up to $115 million towards the HND project and up to $20 million towards the IRP pilot projects. Assuming the balance in the TVDA is $115 million at the end of 2023, how

does Enbridge Gas propose to allocate the amounts between the HND and IRP pilot projects?

f) If a portion of the HND and IRP pilot projects are funded through the TVDA balance, how will the costs of the projects be treated from a rate base perspective?

Response:

a) Aside from the NGEP, there are no other funding sources known at this point for either Economic Development projects or IRP pilot projects. Note that both kinds of projects will require approval by the Board to proceed to be built. Should other sources of funding become available, any funding from such sources would reduce the funding needed from the TVDA balance.

b) The Large Volume customer counts for each of the Hamilton, Nanticoke and Dunnville (HND) projects are included in their respective sections of the NGEP applications:

   a. Dunnville – 6 agricultural, 1 commercial (Schedule 8T-2)[1]
   b. Nanticoke – 2 agricultural, 4 commercial, 3 industrial (Schedule 8U-2)[2]
   c. Hamilton – 12 commercial (Schedule 8V-2)[3]

   The HND projects are part of the Eastern Transmission System and the additional facilities also benefit small volume customers within that system. The forecast small volume component of the projects includes 1,262 residential, 65 small commercial, 4 large commercial and one small industrial customer.

c) Yes. The cost allocation amongst the customer classes for the combined HND projects and the IRP pilot projects would be different than the disposition methodology for the TVDA balance. The cost of HND projects and IRP pilot projects would most likely be allocated to the customer classes based on forecast peak demand of each customer class. For the TVDA balance, Enbridge Gas would propose to dispose the balance using the rate base allocator as described at Exhibit I.STAFF.8 and Exhibit I.EP.13.

d) Yes. The capital investment net of contributions in aid of construction (CIAC) for these projects would be added to rate base at the time the projects go into service and included in base rates as part of rebasing.

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[1] https://www.rds.oeb.ca/CMWebDrawer/Record/694386/File/document page 62 of 160
[2] Ibid., page 104 of 160
[3] Ibid., page 147 of 160

Please also see response to part f) below, as well as, response to Exhibit I.IGUA.1 for the approximate level of capital investment that would be added to the rate base for the Economic Development projects and the HND project specifically.

e) Enbridge Gas does not have a specific proposal at this point to allocate the TVDA balance between the HND project and IRP pilot projects. The Company would find it helpful if the Board provided some direction on such an allocation or prioritization in their findings.

f) From a rate base perspective, the Company's proposal anticipates that if the HND project and/or IRP pilot projects are funded through the TVDA balance, the amount that would be included in rate base would be each project's capital cost, net of any funding provided through the TVDA balance. As alluded to in paragraph 45 of Exhibit H, this would be analogous, or consistent, with how a CIAC would be treated from a rate base perspective. Also, please see response to Exhibit I.IGUA.1 for a further detail.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, p. 17

Question:

Enbridge Gas has proposed that 100% of the TVDA balance be used as a source of funding for Economic Development projects and IRP pilot projects. If the OEB does not accept Enbridge Gas's proposal, then the alternate proposal in the evidence is that the TVDA balance should be cleared in accordance with the OEB's longstanding practice that impact of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis.

a) Would Enbridge Gas support disposing 50% of the TVDA balance in favour of ratepayers and the remaining 50% used to fund the Economic Development (HND) and IRP pilot projects? If not, please explain your response.

Response:

No, Enbridge Gas is not supportive of such a disposition of the TVDA balance for two reasons. The proposed approach is not aligned with the OEB's longstanding practice of 50/50 sharing. It also does not entirely commit to the original premise of the AII which is helping business grow with investments and jobs.

In other words, the proposed approach diminishes objectives/incentives that were meant to be provided by the AII or by the Board's longstanding practice of 50/50 sharing.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit H Page 6 and Page 11 paragraph 42

Preamble:

Enbridge Gas estimates that the total cumulative balance in the TVDA account for the 2019 to 2023 period will be in the range of $80 to $115 million. It should be highlighted that this range is a ball-park estimate and that the actual balance recorded in the account will be a function of the actual level and asset mix of qualifying capital additions.

Question:

a) Confirm that in 2018, and 2019 respectfully, $4.9 million and 25.1 million credits were recorded in the TVDA,

b) Does this include interest? If so, confirm the total. If not, provide actual balance for disposition.

c) Please provide the TVDA balance estimate for 2020.

d) Confirm EGI is proposing to dispose of only the 2018/2019 Balances and/or is the $3 per customer including other years? Please clarify

e) Please provide the allocation of the TVDA Balance by Rate Zone and Class assuming 100% allocation to ratepayers.

Response:

a) Confirmed. Both amounts noted for 2018 and 2019 totaling $30.03 million are recorded and recognized in the TVDA account 179-383.

b) The amount(s) noted in a) do not include interest. Accrued interest through December 31, 2020 was $0.698 million. The total balance for disposition as of December 31, 2020 was $30.728 million including interest. Accrued interest updated to July 1, 2021 is provided at Exhibit N1, Tab 1, Schedule 1, page 25. Enbridge Gas will update the interest balance for disposition, to reflect the Board's findings and the date of disposition as required, as part of the draft rate order.

c) The estimated TVDA balance for 2020 is a credit of $12.9 million, not including interest.

d) Not confirmed. The Company's proposal is not limited to 2018/2019 TVDA balance only. The Company's proposal for disposition of the TVDA balance takes into account/reflects the total TVDA balance that will accumulate in the TVDA over the 2019 – 2023 period. The $3 per customer per year referenced at Exhibit H, page 11 is an approximate annual amount per customer for the 2019 – 2023 period based on 50:50 sharing of the TVDA balance.

e) Enbridge Gas would propose to split the ratepayers' share (assumed 100% in this illustration) of the TVDA credit balance plus interest between the EGD and Union rate zones in proportion to the 2018 actual rate base for each rate zone of $6,729 million and $6,018 million, respectively. 100% of the TVDA credit balance of $30.728 million[1] split in proportion to 2018 actual rate base results in $16,221 million credit being cleared to the EGD rate zone and $14,507 million credit being cleared to the Union rate zones. Please see Attachment 1 for the details of the split to legacy utility rate zones.

   The Company would further propose 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 zones. The rate base allocation for each rate zone is taken from the last fully allocated cost study prepared for each rate zone. Please see Attachment 2 and 3 for the allocation to rate classes and resulting rate impacts for EGD and Union rate classes, respectively.[2]

   Please note that the Company made the same proposal for the allocation of the TVDA balance between the EGD and Union rate zones and customer classes in response to Board Staff interrogatory #8, part b) (Exhibit I.STAFF.8, part b), pages 1 and 2, plus Attachments. In response to Board Staff interrogatory #8, the Company assumed 50:50 disposition of the TVDA balance.

[1] Interest accrued to December 31, 2020 per part b).
[2] For purposes of this illustration, the rate impacts for Union general service customers assumed a prospective January 1, 2021 to March 31, 2021 disposition period consistent with the pre-filed evidence for consistency and comparability.

ENBRIDGE GAS INC.
Split of EGI Tax Variance Deferral Account Balance to Rate Zones

Line No.	Particulars ($000's)	Allocator: 2018 Actual Rate Base (1) ($ millions)	Account Balance: Principal (2)	Interest (2)	Total
		(a)	(b)	(c)	(d) = (b+c)
	Tax Variance Deferral Account				
1	EGD	6,729	(15,852)	(368)	(16,221)
2	Union	6,018	(14,178)	(329)	(14,507)
3	Total (3)	12,748	(30,030)	(698)	(30,728)

Notes:
(1) 2018 actual rate base per EB-2019-0105, Exhibit B, Tab 2, Appendix B, Schedule 1 for the EGD rate zone and EB-2019-0105, Exhibit C, Tab 2, Appendix A, Schedule 4 for the Union rate zones.
(2) Allocated in proportion to column (a).
(3) TVDA balance to be cleared to ratepayers calculated as 100% of total account balance.

ENBRIDGE GAS INC.
Allocation of Tax Variance Deferral Account
EGD Rate Zone

Line No.	Particulars ($000's)	2018 Board Approved Rate Base (1)	Deferral Account Balance	
		(a)	(b)	
1	RATE 1	3,836,631	(10,642)	
2	RATE 6	1,636,861	(4,540)	
3	RATE 9	0	0	
4	RATE 100	0	(0)	
5	RATE 110	70,161	(195)	
6	RATE 115	25,744	(71)	
7	RATE 125	56,370	(156)	
8	RATE 135	3,223	(9)	
9	RATE 145	5,770	(16)	
10	RATE 170	8,088	(22)	
11	RATE 200	14,641	(41)	
12	RATE 300	449	(1)	
13	RATE 332	189,704	(526)	
14	Total	5,847,642	(16,221)	(2)

Notes:
(1) 2018 Board Approved Rate Base per EB-2017-0086, Exhibit G2.
(2) Exhibit I.EP.13, Attachment 1, Column (d).

ENBRIDGE GAS INC.
EGD Rate Zone
Bill Adjustment in Jan 2021 for Typical Customers
2019 Tax Variance Deferral Account Clearing

Item No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
			Unit Rates				Bill Adjustment			
	GENERAL SERVICE	Annual Volume	Sales	Ontario TS	Dawn TS	Western TS	Sales Customers	Ontario TS Customers	Dawn TS Customers	Western TS Customers
		m3	cents/m3	cents/m3	cents/m3	cents/m3	$	$	$	$
1.1	**RATE 1 RESIDENTIAL**									
1.2	Heating & Water Heating	2,400	(0.1986)	(0.1986)	(0.1986)	(0.1986)	(4.8)	(4.8)	(4.8)	(4.8)
2.1	**RATE 6 COMMERCIAL**									
2.2	General Use	43,285	(0.0857)	(0.0857)	(0.0857)	(0.0857)	(37.1)	(37.1)	(37.1)	(37.1)
	CONTRACT SERVICE									
3.1	**RATE 100**									
3.2	Industrial - small size	339,188	(0.0000)	(0.0000)	(0.0000)	0.0000	(0.0)	(0.0)	(0.0)	-
4.1	**RATE 110**									
4.2	Industrial - small size, 50% LF	598,568	(0.0222)	(0.0222)	(0.0222)	(0.0222)	(133.1)	(133.1)	(133.1)	(133.1)
4.3	Industrial - avg. size, 75% LF	9,976,121	(0.0222)	(0.0222)	(0.0222)	(0.0222)	(2,217.9)	(2,217.9)	(2,217.9)	(2,217.9)
5.1	**RATE 115**									
5.2	Industrial - small size, 80% LF	4,471,609	(0.0162)	(0.0162)	(0.0162)	0.0000	(723.0)	(723.0)	(723.0)	-
6.1	**RATE 135**									
6.2	Industrial - Seasonal Firm	598,567	(0.0142)	0.0000	(0.0142)	(0.0142)	(84.9)	-	(84.9)	(84.9)
7.1	**RATE 145**									
7.2	Commercial - avg. size	598,568	(0.0526)	0.0000	(0.0526)	0.0000	(314.7)	-	(314.7)	-
8.1	**RATE 170**									
8.2	Industrial - avg. size, 75% LF	9,976,121	(0.0078)	(0.0078)	(0.0078)	0.0000	(781.6)	(781.6)	(781.6)	-

Notes:
Col. 7 = Col. 2 x Col. 3
Col. 8 = Col. 2 x Col. 4
Col. 9 = Col. 2 x Col. 5
Col. 10 = Col. 2 x Col. 6

ENBRIDGE GAS INC.
Allocation of Tax Variance Deferral Account
Union Rate Zones

Line No.	Particulars ($000's)	2013 Board Approved Rate Base (1)	Deferral Account Balance	
		(a)	(b)	
1	Rate M1	1,441,171	(5,631)	
2	Rate M2	218,198	(853)	
3	Rate M4	54,282	(212)	
4	Rate M5	46,034	(180)	
5	Rate M7	18,903	(74)	
6	Rate M9	3,583	(14)	
7	Rate M10	138	(1)	
8	Rate T1	37,645	(147)	
9	Rate T2	166,378	(650)	
10	Rate T3	21,976	(86)	
11	Total Union South In-franchise	2,008,308	(7,847)	
12	Excess Utility Space	21,463	(84)	
13	Rate C1	6,894	(27)	
14	Rate M12	765,897	(2,993)	
15	Rate M13	521	(2)	
16	Rate M16	947	(4)	
17	Total Ex-franchise	795,722	(3,109)	
18	R01	659,805	(2,578)	
19	R10	101,689	(397)	
20	R20	72,027	(281)	
21	R100	55,496	(217)	
22	R25	19,712	(77)	
23	Total Union North In-franchise	908,729	(3,551)	
24	In-franchise (line 11 + line 23)	2,917,038	(11,398)	
25	Ex-franchise (line 17)	795,722	(3,109)	
26	Total	3,712,759	(14,507)	(2)

Notes:
(1) 2013 Board Approved Rate Base per EB-2011-0210, Exhibit G3.
(2) Exhibit I.EP.13, Attachment 1, Column (d).

ENBRIDGE GAS INC.
Union Rate Zones
General Service Customer Bill Impacts
2019 Tax Variance Deferral Account Clearing

Line No.	Particulars	Unit Rate for Prospective Recovery/(Refund) (cents/m^3) (1)	Volume (m^3) (2)	Bill Impact ($)
		(a)	(b)	(c) = (a x b) / 100
	Small Volume General Service			
	Rate M1 - Union South			
1	Delivery	(0.3825)	1,120	(4.28)
2	Sales Service			(4.28)
3	Direct Purchase			(4.28)
	Rate 01 - Union North West			
4	Delivery	(0.5333)	1,120	(5.97)
5	Sales Service			(5.97)
6	Direct Purchase Bundled T			(5.97)
	Rate 01 - Union North East			
7	Delivery	(0.5333)	1,120	(5.97)
8	Sales Service			(5.97)
9	Direct Purchase Bundled T			(5.97)
	Large Volume General Service			
	Rate M2 - Union South			
10	Delivery	(0.1594)	36,281	(57.83)
11	Sales Service			(57.83)
12	Direct Purchase			(57.83)
	Rate 10 - Union North West			
13	Delivery	(0.2625)	38,640	(101.43)
14	Sales Service			(101.43)
15	Direct Purchase Bundled T			(101.43)
	Rate 10 - Union North East			
16	Delivery	(0.2625)	38,640	(101.43)
17	Sales Service			(101.43)
18	Direct Purchase Bundled T			(101.43)

Notes:
(1) Average consumption, per customer, for the period January 1, 2021 to March 31, 2021.
Rate 01 volume based on annual consumption of 2,200 m^3.
Rate 10 volume based on annual consumption of 93,000 m^3.
Rate M1 volume based on annual consumption of 2,200 m^3.
Rate M2 volume based on annual consumption of 73,000 m^3.

ENBRIDGE GAS INC.
Union Rate Zones
Calculation of One-Time Adjustments for Typical Small and Large Customers
2019 Tax Variance Deferral Account Clearing

Line No.	Particulars	Deferral Unit Rate (cents/m^3)	Billing Units (m^3)	Bill Adjustment ($)
		(a)	(b)	(c)
	Union North			
	Small Rate 20 - Union North West			
1	Delivery	(0.0541)	3,000,000	(1,624)
2	Sales Service Impact			(1,624)
3	Bundled-T (Direct Purchase) Impact			(1,624)
	Large Rate 20 - Union North West			
4	Delivery	(0.0541)	15,000,000	(8,121)
5	Sales Service Impact			(8,121)
6	Bundled-T (Direct Purchase) Impact			(8,121)
	Small Rate 20 - Union North East			
7	Delivery	(0.0541)	3,000,000	(1,624)
8	Sales Service Impact			(1,624)
9	Bundled-T (Direct Purchase) Impact			(1,624)
	Large Rate 20 - Union North East			
10	Delivery	(0.0541)	15,000,000	(8,121)
11	Sales Service Impact			(8,121)
12	Bundled-T (Direct Purchase) Impact			(8,121)
	Average Rate 25 - Union North West			
13	Delivery	(0.0650)	2,275,000	(1,479)
14	Sales Service Impact			(1,479)
15	Bundled-T (Direct Purchase) Impact			(1,479)
	Average Rate 25 - Union North East			
16	Delivery	(0.0650)	2,275,000	(1,479)
17	Sales Service Impact			(1,479)
18	Bundled-T (Direct Purchase) Impact			(1,479)
	Small Rate 100			
19	T-Service (Direct Purchase) Impact	(0.0213)	27,000,000	(5,741)
	Large Rate 100			
20	T-Service (Direct Purchase) Impact	(0.0213)	240,000,000	(51,035)
	Union South			
	Small Rate M4			
21	Delivery	(0.0315)	875,000	(275)
22	Sales Service Impact			(275)
23	Direct Purchase Impact			(275)
	Large Rate M4			
24	Delivery	(0.0315)	12,000,000	(3,778)
25	Sales Service Impact			(3,778)
26	Direct Purchase Impact			(3,778)

ENBRIDGE GAS INC.
Union Rate Zones
Calculation of One-Time Adjustments for Typical Small and Large Customers
2019 Tax Variance Deferral Account Clearing

Line No.	Particulars	Deferral Unit Rate (cents/m³)	Billing Units (m³)	Bill Adjustment ($)
		(b)	(c)	(d)
	Union South (continued)			
	Small Rate M5 Interruptible			
1	Delivery	(0.2446)	825,000	(2,018)
2	Sales Service Impact			(2,018)
3	Direct Purchase Impact			(2,018)
	Large Rate M5 Interruptible			
4	Delivery	(0.2446)	6,500,000	(15,898)
5	Sales Service Impact			(15,898)
6	Direct Purchase Impact			(15,898)
	Small Rate M7			
7	Delivery	(0.0136)	36,000,000	(4,908)
8	Sales Service Impact			(4,908)
9	Direct Purchase Impact			(4,908)
	Large Rate M7			
10	Delivery	(0.0136)	52,000,000	(7,089)
11	Sales Service Impact			(7,089)
12	Direct Purchase Impact			(7,089)
	Small Rate M9			
13	Delivery	(0.0135)	6,950,000	(938)
14	Sales Service Impact			(938)
15	Direct Purchase Impact			(938)
	Large Rate M9			
16	Delivery	(0.0135)	20,178,000	(2,722)
17	Sales Service Impact			(2,722)
18	Direct Purchase Impact			(2,722)
	Rate M10			
19	Delivery	(0.1374)	94,500	(130)
20	Sales Service Impact			(130)
21	Direct Purchase Impact			(130)
	Small Rate T1			
22	Direct Purchase Impact	(0.0336)	7,537,000	(2,536)
	Average Rate T1			
23	Direct Purchase Impact	(0.0336)	11,565,938	(3,891)
	Large Rate T1			
24	Direct Purchase Impact	(0.0336)	25,624,080	(8,620)
	Small Rate T2			
25	Direct Purchase Impact	(0.0157)	59,256,000	(9,312)
	Average Rate T2			
26	Direct Purchase Impact	(0.0157)	197,789,850	(31,082)
	Large Rate T2			
27	Direct Purchase Impact	(0.0157)	370,089,000	(58,158)
	Large Rate T3			
28	Direct Purchase Impact	(0.0303)	272,712,000	(82,639)

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit H Page11 paragraph 41

Preamble:

Enbridge Gas recognizes that the 2019 balance could be cleared now in accordance with the OEB's longstanding practice of 50/50 sharing, but also notes that a) the OEB indicated that sharing on a 50/50 basis should not be expected to necessarily apply in respect of CCA rule changes, and b) the clear indication from the OEB is that disposition of the balance will coincide with a utility's next cost based application.

Question:

a) Please provide examples (electricity and gas) where the impact of tax changes have been credited 50:50 to shareholder and ratepayers

b) Please provide any examples (electricity or gas) where CCA-related Tax changes have been allocated 50:50 to shareholders and ratepayers.

Response:

a) As described in supplemental evidence at Exhibit H, pages 6 to 9, aside from decisions the OEB made in EGD and UGL rate cases, with respect to electric utilities the OEB referred to the EB-2007-0606/0615 decision in its 2008 supplemental report on 3rd generation incentive regulation for electricity distributors. There, the OEB said it had not identified any reasons to adopt a different approach than that in place for the gas distributors. Therefore, the OEB determined that 50/50 sharing of the impact of tax changes, as applied to the tax level reflected in OEB-approved base rates, was appropriate.

   The OEB's longstanding practice with respect to sharing of impacts of tax changes is also referred to in the 2020 edition, for 2021 rate applications, of the filing requirements for electricity distribution incentive rate-setting applications. These filing requirements say that OEB policy, as described in the 2008 supplemental report, prescribes a 50/50 sharing of impacts of legislated tax changes from distributors' tax rates embedded in the OEB-approved base rate.

b) Legacy EGD and ULG both shared (50/50) CCA related changes that occurred over their 2008 – 2012 IR terms, as per the EB-2007-0606 and EB-2007-0615 Board Decisions/Approved Settlement Agreements.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit H Page13 paragraph 51

Preamble:

The NGEP and these proposals support the Ontario government's intentions with respect to "Access to Natural Gas Act, 2018", which amended the Ontario Energy Board Act, to provide a mechanism to "financially support the expansion of natural gas distribution for projects that would otherwise be considered uneconomic under existing policies.

Question:

a) Confirm if the 4 proposed economic Development Projects would be candidates for funding under the NGEP and therefore be funded out of ratepayer sourced funds.

b) Discuss why EGI is proposing to provide funding from the TVDA rather than the usual NGEP mechanism.

Response:

a) The four Economic Development Projects mentioned are candidates under NGEP Phase 2. They were submitted to the Board under EB-2019-0255 and they were included in the report from the Board to the Minister[1] (identified as projects 71, 72, 73 and 79)

[1] Report to the Minister of Energy, Northern Development and Mines and to the Associate Minister of Energy, dated Oct. 30, 2020. https://www.oeb.ca/sites/default/files/OEB-Natural-Gas-Expansion-Report-to-Ministers-20201030.pdf

b) The report from the Board to the Minister[2] shows that the NGEP is significantly oversubscribed with 210 projects that collectively require or are requesting over $2.5 billion of funding from a program that only has about $130 million available.

Directing the TVDA funds towards the Economic Development projects, in whole or in part, would reduce and/or eliminate the amount required for these projects through NGEP funding.

Furthermore, as laid out in the Company's supplemental evidence the Economic Development projects are aligned with and supportive of the original premise of the accelerated CCA program which is to "encourage more businesses to invest in assets that will help drive business growth over the long term, setting the stage for more good middle class jobs." as well as, the Ontario government's "Access to Natural Gas Act, 2018". By using TVDA balance for this purpose, the dollar value of the amounts recorded in the account will be augmented to deliver public and ratepayer benefits of greater value.

[2] Ibid.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit H Page16 paragraph 62

Preamble:

Enbridge Gas proposes that it be able to access up to $20 million of the TVDA balance to use towards the IRP pilot projects. The TVDA balance would be available to fund the costs of the pilot projects that would otherwise be recovered from ratepayers. The current (and potentially future) TVDA funds that are allocated towards funding of IRP pilot projects would not be used for that purpose until the specific IRP pilot project (including forecast costs and benefits) is approved by the OEB.

Question:

a) Confirm the proposed IRPA Pilot projects may not occur and that if they are approved the mechanism for funding of these is to be determined.

b) Does EGI agree the proposal to use TVDA balances is premature and not a proposition that can be considered at this time. If not, explain why not

Response:

a) The Board will determine the IRP Framework and the appropriateness, timing and cost treatment for IRP pilot projects in EB-2020-0091 - Enbridge Gas Integrated Resource Planning Proposal. The EB-2020-0091 proceeding is currently in progress in front of the Board.

b) The Company disagrees. It is not premature to determine the use of the TDVA balance as a source of funding for Economic Development Projects and IRP pilot projects.

The Economic Development Projects proposals have been filed with the Board in response to the Board's NGEP. The projects' details, costs, requested funding, as well as, public benefits in terms of private investment and job creation have been assessed and quantified. A sufficient level of funding, however, is the outstanding item that is needed for these projects to proceed and for public benefits to materialize.

While specific IRP pilot projects have yet to be developed, it is Enbridge Gas' expectation that the Board will support/direct IRP pilot projects as part of an IRP Framework for Enbridge Gas. The learnings from IRP pilot projects will help inform suitability and effectiveness of various IRPAs for Enbridge Gas, and will provide guidance and experience as the Company implements IRP more broadly under the to-be-issued IRP Framework. As noted, any portion of the TVDA balance allocated towards funding of IRP pilot projects would not be used for that purpose until the specific IRP pilot project (including forecast costs and benefits) is approved by the Board. If there is no funding for the pilot projects from the TVDA, Enbridge Gas plans to record and recover project costs from ratepayers through a deferral account.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit H, paragraph 64

Preamble:

If the OEB does not accept the proposal that 100% of the TVDA balance be used for these purposes, Enbridge Gas proposes that the TVDA balance be cleared in accordance with the OEB's longstanding practice that the impacts of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis.,

Question:

a) Does this proposal deal with the impacts of the AII until EGI rebases, or would this apply to changes in CCA available beyond the rebasing year as of the result of the AII over the 2018 through 2027 period?

b) Please explain why ratepayers should not be allocated 100% of the AII CCA changes, since they will have to repay this in the Future?

Response:

a) The Company's preferred (utilize TVDA balances to fund Economic Development and or Integrated Resource Planning Pilot Projects) and secondary (share TVDA balances 50/50 between ratepayers and shareholders) TVDA disposition proposals pertain to Accelerated Investment Incentive (AII) impacts over the deferred rebasing period (i.e. until rebasing).

   At rebasing, the Company anticipates that utility income taxes, that will be included within its application and proposed rates, will reflect the cumulative impact of the AII to that point (i.e. opening 2024 undepreciated capital cost (UCC) balances will reflect the impact of accelerated CCA amounts claimed or forecast through 2023), and will also reflect the actual/anticipated AII tax rules for 2024 (i.e. that the suspension of the half-year rule will be in place), as well as other actual/anticipated income tax rates and rules for 2024. To the extent 2024 tax rules and rates are as forecast for 2024, there would be no need to record anything in a TVDA (assuming a TVDA is in place, as there would be a match between the rates and rules underpinning revenues and costs).

Subsequent to 2024, and through the next incentive regulation term, assuming a TVDA is in place, the Company anticipates that amounts would only be recognized in a TVDA once tax rates and rules differed from those included in the 2024 base rates. Specifically, with regards to the AII, a rule change and corresponding impact would only be recognized in 2028, when the suspension of the half year rule ends. These assumptions are, however, just hypothetical, as the parameters of the Company's next incentive regulation framework are unknown at this point.

Also, please see response to Exhibit I.LPMA.29.

b) As laid out in supplemental evidence at Exhibit H, pages 11 and 12, Enbridge Gas' preferred proposal (the preferred option) is to use the 100% TVDA balance for purposes that will deliver significant public and ratepayer benefits.

This would be accomplished by using the TVDA balance as a source of funding for two initiatives (Economic Development projects and IRP pilot projects) that are aligned with and supportive of the original premise of the AII which is to help drive investment, business growth, and job growth over the long term.

Enbridge Gas' secondary option proposes that the TVDA balance be cleared in accordance with the OEB's longstanding practice that the impacts of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis.

The Company is currently subject to an IR plan, whose term spans from 2019 to 2023. Previously, the OEB found that 50/50 sharing was a reasonable balance for utilities subject to an IR plan given the impacts tax changes may have on inflation and, therefore, on the inflation factor used in the IR formula and, consequently, on revenue.

Should ratepayers be allocated 100% of the TVDA balance, it would diminish objectives/incentives that were meant to be provided by the AII or by the Board's longstanding practice of 50/50 sharing.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

EB-2020-0181 Application

Question:

a) Confirm that in the EB-2020-0181 application, EGI has requested approval of two ICMs for Projects that have received an LTC approval - London Lines and Sarnia Industrial Line

b) Please provide the annual revenue requirements for each of these 2 Projects and the expected allocations to each Rate Zone and Rate class.

c) If the balance in the TVDA was applied to these LTC projects what would be the resulting Rate Base amounts and revenue requirements and allocations for the Rate zones and rate classes

Response:

a) Confirmed. Enbridge Gas has requested ICM funding for both the London Line Replacement project and the Sarnia Industrial Line Reinforcement project. Enbridge Gas has received LTC approval from the Board for both projects.

b) The average annual revenue requirements for the two projects are presented in the pre-filed evidence of EB-2020-0181 at Exhibit B, Tab 2, Schedule 1, Appendix E, pages 2 and 3. Both projects are located in the Union South rate zone. The proposed allocations of the average annual revenue requirements to the customer classes are presented in the pre-field evidence of EB-2020-0181 at Exhibit B, Tab 2, Schedule 1, Appendix F, page 2. Please see Attachment 1 for the EB-2020-0181 schedules.

As shown in Attachment 1, the average annual revenue requirement for the London Line project is approximately $6.5M/year and for the Sarnia Industrial Line project is approximately $1.3M/year

c) In responding to part c) of this interrogatory question, Enbridge Gas would like to point out / recognize that the TVDA records the revenue requirement impact of accelerated Capital Cost Allowance (CCA) that resulted from the enactment of Bill C-97. The Board approved accounting order for TVDA is provided at Exhibit H, Appendix A, pages 1 and 2.

Given that the TVDA balance represents the revenue requirement impact (rather than cost impact), the TVDA balance could be used to offset/cover off the average annual revenue requirements of the London Line and Sarnia Industrial Line ICM projects.

The combined annual revenue requirement of the two projects is approximately $7.8M/year.

As laid out at Exhibit H, page 6, Enbridge Gas estimates that the total cumulative balance in the TVDA account for the 2019 to 2023 period will be in the range of $80 to $115 million.

By employing the revenue requirement approach, the Company would draw down the TVDA balance each year to cover off the revenue requirements of these projects rather than having the revenue requirements recovered from customers through ICM unit rates.

Having described the revenue requirement approach to the disposition of the TVDA balance and wishing to be as responsive as possible, the Company is also providing an illustrative response to part c) assuming that the TVDA balance would be used as a source of funding (i.e. analogous to providing contribution in aid of construction (CIAC)) for these projects. The TVDA balance of $30.728 million (including interest to December 31, 2020) was allocated to reduce the London Line and Sarnia Industrial Line ICM funding request in proportion to the ICM funding request as filed in EB-2020-0181.[1] Please see Attachment 2 for the rate base amounts, revenue requirements, and allocations to the customer classes of the updated EB-2020-0181 schedules as requested.

[1] Of the TVDA balance of $30.728 million, $24.940 million was allocated to reduce the ICM funding request of the London Line Replacement project from $124.039 million to $99.099 million and $5.788 million was allocated to reduce the ICM funding request of the Sarnia Industrial Line Reinforcement project from $28.787 million to $22.999 million.

UNION RATE ZONES
London Line Replacement - ICM Project Revenue Requirement

Line No.	Particulars ($000's)	2021	2022	2023	Average Annual (5)
		(a)	(b)	(c)	(d)
	Incremental Rate Base Investment				
1	Capital Expenditures	124,039	-	-	
2	Average Rate Base	5,168	122,266	118,721	
	Incremental Revenue Requirement Calculation:				
	Return on Incremental Rate Base: (1)				
3	Long-term Debt Interest	207	4,894	4,752	3,284
4	Short-term Debt Interest	(0)	(1)	(1)	(0)
5	Preference Shares	4	102	99	69
6	Equity	166	3,931	3,817	2,638
7	Total Return on Incremental Rate Base	377	8,926	8,668	5,990
	Incremental Operating Expenses:				
8	Depreciation Expense (2)	-	3,545	3,545	2,363
9	Total Incremental Operating Expenses	-	3,545	3,545	2,363
	Incremental Income Taxes:				
10	Return on Equity and Preference Shares (line 5 + line 6)	170	4,033	3,916	2,706
	Utility Timing Differences				
11	Add: Depreciation Expense (line 8)	-	3,545	3,545	2,363
12	Less: Current Year Tax Deductions	(18,989)	(6,206)	(5,834)	(10,343)
13	Taxable Income (line 10 + line 11 + line 12)	(18,818)	1,372	1,627	(5,273)
14	Income Taxes Before Gross Up (line 13 x 26.5%) (3)	(4,987)	364	431	(1,397)
15	Total Incremental Income Taxes After Gross Up (line 14 / (1-26.5%) (3) (4)	(6,785)	495	587	(1,901)
16	Total Incremental Revenue Requirement (line 7 + line 9 + line 15)	(6,408)	12,966	12,799	6,453

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

Capital Structure	Component %	Cost Rate	Return Component
Long-term Debt	61.30%	6.53%	4.00%
Short-term Debt	-0.03%	1.31%	0.00%
Preference Shares	2.74%	3.05%	0.08%
Equity	36.00%	8.93%	3.21%
Total	100.00%		7.30%

(2) Depreciation expense at Board-approved depreciation rates.

(3) Enbridge Gas's current provincial and federal tax rate is equal to 26.5%.

(4) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(5) Average annual revenue requirement calculated as the total revenue requirement from 2021 to 2023 recovered over the 36-month period from January 1, 2021 to December 31, 2023 expressed as an annual amount (12 months).

UNION RATE ZONES
Sarnia Industrial Line Reinforcement - ICM Project Revenue Requirement

Line No.	Particulars ($000's)	2021	2022	2023	Average Annual (5)
		(a)	(b)	(c)	(d)
	Incremental Rate Base Investment				
1	Capital Expenditures	28,787	-	-	
2	Average Rate Base	3,332	28,388	27,703	
	Incremental Revenue Requirement Calculation:				
	Return on Incremental Rate Base: (1)				
3	Long-term Debt Interest	133	1,136	1,109	793
4	Short-term Debt Interest	(0)	(0)	(0)	(0)
5	Preference Shares	3	24	23	17
6	Equity	107	913	891	637
7	Total Return on Incremental Rate Base	243	2,073	2,023	1,446
	Incremental Operating Expenses:				
8	Depreciation Expense (2)	57	685	685	475
9	Total Incremental Operating Expenses	57	685	685	475
	Incremental Income Taxes:				
10	Return on Equity and Preference Shares (line 5 + line 6)	110	936	914	653
	Utility Timing Differences				
11	Add: Depreciation Expense (line 8)	57	685	685	475
12	Less: Current Year Tax Deductions	(5,111)	(1,759)	(1,626)	(2,832)
13	Taxable Income (line 10 + line 11 + line 12)	(4,944)	(138)	(28)	(1,703)
14	Income Taxes Before Gross Up (line 13 x 26.5%) (3)	(1,310)	(37)	(7)	(451)
15	Total Incremental Income Taxes After Gross Up (line 14 / (1-26.5%) (3) (4)	(1,782)	(50)	(10)	(614)
16	Total Incremental Revenue Requirement (line 7 + line 9 + line 15)	(1,482)	2,707	2,697	1,307

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

Capital Structure	Component %	Cost Rate	Return Component
Long-term Debt	61.30%	6.53%	4.00%
Short-term Debt	-0.03%	1.31%	0.00%
Preference Shares	2.74%	3.05%	0.08%
Equity	36.00%	8.93%	3.21%
Total	100.00%		7.30%

(2) Depreciation expense at Board-approved depreciation rates.
(3) Enbridge Gas's current provincial and federal tax rate is equal to 26.5%.
(4) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.
(5) Average annual revenue requirement calculated as the total revenue requirement from 2021 to 2023 recovered over the 36-month period from January 1, 2021 to December 31, 2023 expressed as an annual amount (12 months).

UNION RATE ZONES
Allocation of 2021 ICM Project Revenue Requirement

Line No.	Particulars	London Line Replacement: Distribution Demand Allocator (1) ($10^3m^3/d$)	London Line Replacement: Project 2021 ICM Allocation (2) ($000's)		Sarnia Industrial Line Reinforcement: Other Transmission Demand Allocator (4) ($10^3m^3/d$)	Sarnia Industrial Line Reinforcement: Project 2021 ICM Allocation (5) ($000's)		2021 ICM Allocation ($000's)
		(a)	(b)		(c)	(d)		(e) = (b) + (d)
1	Rate 01	-	-		-	-		-
2	Rate 10	-	-		-	-		-
3	Rate 20	-	-		-	-		-
4	Rate 25	-	-		-	-		-
5	Rate 100	-	-		-	-		-
6	Total Union North	-	-		-	-		-
7	Rate M1	30,972	3,387		30,972	495		3,882
8	Rate M2	11,797	1,290		11,797	189		1,479
9	Rate M4 (F)	4,581	501		4,756	76		577
10	Rate M4 (I)	1	0		-	-		0
11	Rate M5 (F)	59	6		59	1		7
12	Rate M5 (I)	325	36		-	-		36
13	Rate M7 (F)	3,126	342		3,756	60		402
14	Rate M7 (I)	541	59		-	-		59
15	Rate M9	-	-		545	9		9
16	Rate M10	-	-		5	0		0
17	Rate T1 (F)	2,129	233		2,129	34		267
18	Rate T1 (I)	-	-		-	-		-
19	Rate T2 (F)	4,018	439		25,297	404		844
20	Rate T2 (I)	1,461	160		-	-		160
21	Rate T3	-	-		2,475	40		40
22	Total Union South	59,011	6,453		81,791	1,307		7,760
23	Excess Utility Storage	-	-		-	-		-
24	Rate C1 (F)	-	-		-	-		-
25	Rate C1 (I)	-	-		-	-		-
26	Rate M12	-	-		-	-		-
27	Rate M13	-	-		-	-		-
28	Rate M16	-	-		-	-		-
29	Rate M17	-	-		-	-		-
30	Total Ex-Franchise	-	-		-	-		-
31	Total Union Rate Zones	59,011	6,453	(3)	81,791	1,307	(6)	7,760

Notes:
(1) Distribution demand allocation in proportion to forecast 2021 Union South in-franchise firm and interruptible design day demands, excluding demands served directly off transmission lines.
(2) Allocated in proportion to column (a).
(3) Exhibit B, Tab 2, Schedule 1, Appendix E, p. 2.
(4) Other transmission demand allocation in proportion to forecast 2021 Union South in-franchise firm design day demands.
(5) Allocated in proportion to column (c).
(6) Exhibit B, Tab 2, Schedule 1, Appendix E, p. 3.

Filed: 2021-02-19
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Exhibit I.EP.18
Attachment 2
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UNION RATE ZONES
London Line Replacement - ICM Project Revenue Requirement
Updated for EB-2020-0134, Exhibit I.EP.18 part c)

Line No.	Particulars ($000's)	2021 (a)	2022 (b)	2023 (c)	Average Annual (5) (d)
	Incremental Rate Base Investment				
1	Capital Expenditures	99,099	-	-	
2	Average Rate Base	4,129	97,683	94,851	
	Incremental Revenue Requirement Calculation:				
	Return on Incremental Rate Base: (1)				
3	Long-term Debt Interest	165	3,910	3,797	2,624
4	Short-term Debt Interest	(0)	(1)	(0)	(0)
5	Preference Shares	3	82	79	55
6	Equity	133	3,140	3,049	2,107
7	Total Return on Incremental Rate Base	301	7,132	6,925	4,786
	Incremental Operating Expenses:				
8	Depreciation Expense (2)	-	2,832	2,832	1,888
9	Total Incremental Operating Expenses	-	2,832	2,832	1,888
	Incremental Income Taxes:				
10	Return on Equity and Preference Shares (line 5 + line 6)	136	3,222	3,129	2,162
	Utility Timing Differences				
11	Add: Depreciation Expense (line 8)	-	2,832	2,832	1,888
12	Less: Current Year Tax Deductions	(15,694)	(4,927)	(4,632)	(8,418)
13	Taxable Income (line 10 + line 11 + line 12)	(15,558)	1,127	1,329	(4,367)
14	Income Taxes Before Gross Up (line 13 x 26.5%) (3)	(4,123)	299	352	(1,157)
15	Total Incremental Income Taxes After Gross Up (line 14 / (1-26.5%) (3) (4)	(5,609)	406	479	(1,575)
16	Total Incremental Revenue Requirement (line 7 + line 9 + line 15)	(5,308)	10,370	10,236	5,099

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

Capital Structure	Component %	Cost Rate	Return Component
Long-term Debt	61.30%	6.53%	4.00%
Short-term Debt	-0.03%	1.31%	0.00%
Preference Shares	2.74%	3.05%	0.08%
Equity	36.00%	8.93%	3.21%
Total	100.00%		7.30%

(2) Depreciation expense at Board-approved depreciation rates.

(3) Enbridge Gas's current provincial and federal tax rate is equal to 26.5%.

(4) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(5) Average annual revenue requirement calculated as the total revenue requirement from 2021 to 2023 recovered over the 36-month period from January 1, 2021 to December 31, 2023 expressed as an annual amount (12 months).

Filed: 2021-02-19
EB-2020-0134
Exhibit I.EP.18
Attachment 2
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UNION RATE ZONES
Sarnia Industrial Line Reinforcement - ICM Project Revenue Requirement
Updated for EB-2020-0134, Exhibit I.EP.18 part c)

Line No.	Particulars ($000's)	2021 (a)	2022 (b)	2023 (c)	Average Annual (5) (d)
	Incremental Rate Base Investment				
1	Capital Expenditures	22,999	-	-	
2	Average Rate Base	2,662	22,680	22,133	
	Incremental Revenue Requirement Calculation:				
	Return on Incremental Rate Base: (1)				
3	Long-term Debt Interest	107	908	886	633
4	Short-term Debt Interest	(0)	(0)	(0)	(0)
5	Preference Shares	2	19	18	13
6	Equity	86	729	712	509
7	Total Return on Incremental Rate Base	194	1,656	1,616	1,155
	Incremental Operating Expenses:				
8	Depreciation Expense (2)	46	547	547	380
9	Total Incremental Operating Expenses	46	547	547	380
	Incremental Income Taxes:				
10	Return on Equity and Preference Shares (line 5 + line 6)	88	748	730	522
	Utility Timing Differences				
11	Add: Depreciation Expense (line 8)	46	547	547	380
12	Less: Current Year Tax Deductions	(4,180)	(1,399)	(1,292)	(2,290)
13	Taxable Income (line 10 + line 11 + line 12)	(4,046)	(103)	(15)	(1,388)
14	Income Taxes Before Gross Up (line 13 x 26.5%) (3)	(1,072)	(27)	(4)	(368)
15	Total Incremental Income Taxes After Gross Up (line 14 / (1-26.5%) (3) (4)	(1,459)	(37)	(6)	(501)
16	Total Incremental Revenue Requirement (line 7 + line 9 + line 15)	(1,219)	2,165	2,157	1,035

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

Capital Structure	Component %	Cost Rate	Return Component
Long-term Debt	61.30%	6.53%	4.00%
Short-term Debt	-0.03%	1.31%	0.00%
Preference Shares	2.74%	3.05%	0.08%
Equity	36.00%	8.93%	3.21%
Total	100.00%		7.30%

(2) Depreciation expense at Board-approved depreciation rates.

(3) Enbridge Gas's current provincial and federal tax rate is equal to 26.5%.

(4) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(5) Average annual revenue requirement calculated as the total revenue requirement from 2021 to 2023 recovered over the 36-month period from January 1, 2021 to December 31, 2023 expressed as an annual amount (12 months).

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UNION RATE ZONES
Allocation of 2021 ICM Project Revenue Requirement
Updated for EB-2020-0134, Exhibit I.EP.18 part c)

Line No.	Particulars	London Line Replacement: Distribution Demand Allocator (1) ($10^3m^3/d$)	London Line Replacement: Project 2021 ICM Allocation (2) ($000's)	Sarnia Industrial Line Reinforcement: Other Transmission Demand Allocator (4) ($10^3m^3/d$)	Sarnia Industrial Line Reinforcement: Project 2021 ICM Allocation (5) ($000's)	Total 2021 ICM Allocation ($000's)
		(a)	(b)	(c)	(d)	(e) = (b) + (d)
1	Rate 01	-	-	-	-	-
2	Rate 10	-	-	-	-	-
3	Rate 20	-	-	-	-	-
4	Rate 25	-	-	-	-	-
5	Rate 100	-	-	-	-	-
6	Total Union North	-	-	-	-	-
7	Rate M1	30,972	2,676	30,972	392	3,068
8	Rate M2	11,797	1,019	11,797	149	1,169
9	Rate M4 (F)	4,581	396	4,756	60	456
10	Rate M4 (I)	1	0	-	-	0
11	Rate M5 (F)	59	5	59	1	6
12	Rate M5 (I)	325	28	-	-	28
13	Rate M7 (F)	3,126	270	3,756	48	318
14	Rate M7 (I)	541	47	-	-	47
15	Rate M9	-	-	545	7	7
16	Rate M10	-	-	5	0	0
17	Rate T1 (F)	2,129	184	2,129	27	211
18	Rate T1 (I)	-	-	-	-	-
19	Rate T2 (F)	4,018	347	25,297	320	667
20	Rate T2 (I)	1,461	126	-	-	126
21	Rate T3	-	-	2,475	31	31
22	Total Union South	59,011	5,099	81,791	1,035	6,134
23	Excess Utility Storage	-	-	-	-	-
24	Rate C1 (F)	-	-	-	-	-
25	Rate C1 (I)	-	-	-	-	-
26	Rate M12	-	-	-	-	-
27	Rate M13	-	-	-	-	-
28	Rate M16	-	-	-	-	-
29	Rate M17	-	-	-	-	-
30	Total Ex-Franchise	-	-	-	-	-
31	Total Union Rate Zones	59,011	5,099 (3)	81,791	1,035	6,134 (6)

Notes:

(1) Distribution demand allocation in proportion to forecast 2021 Union South in-franchise firm and interruptible design day demands, excluding demands served directly off transmission lines.
(2) Allocated in proportion to column (a).
(3) Exhibit I.EP.18, Attachment 2, Page 1, Column (d), Line 16.
(4) Other transmission demand allocation in proportion to forecast 2021 Union South in-franchise firm design day demands.
(5) Allocated in proportion to column (c).
(6) Exhibit I.EP.18, Attachment 2, Page 2, Column (d), Line 16.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Industrial Gas Users Association (IGUA)

Interrogatory

Reference:

Exhibit H, Pages 12-15. EGI is proposing to use a portion the TVDA balance to support an integrated Nanticoke/Dunville/Hamilton Airport expansion project.

Question:

a) Please advise whether these projects were, either individually or on an integrated basis, submitted to the OEB as part of EGI's Natural Gas Expansion Program proposals. If so, please confirm that the project(s) has/have not been chosen for funding under that program.
b) Please provide the aggregate dollar value that would be added to EGI's rate base should its proposal for funding of these projects be approved and the projects proceed.
c) Please provide a net present valued estimate of the revenue requirement attributable to return on the rate base value provided in response to part (b) over the useful life of the investment.
d) Please provide all internal presentations and analyses developed to aid in formulation, consideration or obtaining internal approval of the proposal now being advanced by EGI to use TVDA funds in support of "Economic Development Projects".

Response

a) The four projects were submitted for funding as individual projects under EGI's Natural Gas Expansion Program proposals. No funding has been awarded at this time.

b) The capital cost of the four projects is approximately $193.9 M and the associated Section 36 funding request for the four projects under EGI's Natural Gas Expansion Program proposals is approximately $169.1 M.

The funding requested under Section 36 is needed to make the projects feasible, so that projects can proceed to be built. In other words, the projected revenue from large volume customers connecting to the projects supports a part of the projects' cost that is not requested for funding.

As per the reference and laid out in the Company supplemental evidence at Exhibit H, page 15, three of the projects (Nanticoke, Dunnville, and Hamilton Airport) are in relatively close proximity and if Enbridge Gas were to integrate all three projects, significant synergies and economies of scale would be realized. Should these three projects receive funding in concert on an integrated basis then the funding needed to make the combined project economic is reduced by $45 M from approximately $185.7 M to approximately $140.7 M.

Section 36 funding request for these three projects would also decrease by $45 M from approximately $164.8 M to approximately $119.8 M.

If TDVA balance of $115 M were to be directed towards funding the capital investment of these three projects on an integrated basis and the projects proceed to be built, then the capital in-service additions to the Company's rate base would equal approximately $25.7 M (i.e. cost of the three projects on an integrated basis of approximately $140.7 M minus project funding using TVDA balance of $115 M).

Note that Enbridge Gas estimates that the total cumulative TVDA balance for the 2019 – 2023 period will be in the range of $80 M to $115 M. This estimate is a ball-park estimate and the actual balance recorded in the account will be a function of the actual level and asset mix of qualifying capital additions.

If the actual TVDA balance is less than $115 M and/or if the Board directs some of the TVDA balance to fund IRP pilot projects, then TDVA balance could be used to fund two of the three projects. In such a case, the amount that would be added to the Company's rate base would less than the $25.7 M referenced above.

c) The Company determines economic feasibility of proposed projects expressed in terms of Profitability Index (PI) or Net present Value (NPV) and as prescribed by EBO 188 and EBO 134. The PIs for the proposed Economic Development projects can be found at EB-2019-0255, Summary Schedule-Batch 7.

Note that the Company does not carry out net present value estimate of the revenue requirement attributable to return on the rate base and is not aware of any Board guidelines for such a derivation. Also please see response to Exhibit I.LPMA.32 which asks a similar question.

d) The Company prepared a presentation to help determine content of its supplemental evidence and its preferred options with respect to the proposed disposition of the TVDA balance. A copy of the presentation is attached to this interrogatory response. Discussion that followed the presentation led to adding the option to use TVDA balance as a source of funding for IRP pilot projects. This option was then added to the content of supplemental evidence.

Enbridge Gas prepared its supplemental evidence within the condensed timeline prescribed by the Board. The Company did not carry out any other steps in obtaining the internal approval on its supplemental evidence and proposals laid out in the evidence.

TVDA

Position and Supplementary Evidence

January 20, 2021

TVDA

Background

- **Proceeding:** EB-2020-0134: 2019 Deferral and Variance Account Clearance Application
- **Unsettled Item:** Tax Variance Deferral Account (TVDA)
- TVDA records the revenue requirement impact of accelerated Capital Cost Allowance (CCA) that resulted from the enactment of Bill C-97.
- Enbridge Gas did not propose disposition of the TVDA in this proceeding, to be addressed at rebasing as per the Board's July 25, 2019 letter of direction. Intervenors believe that the balance in the TVDA should be disposed of to customers in this proceeding.

TVDA

Background

- Estimated annual and cumulative TVDA balance: 2019 – 2023
  - Note: the estimated values are “ball-park” range

Year	Rev. Req. Impact $M	
2019	30.7	Actual
2020	23.9	Estimated
2021	22.0	Estimated
2022	20.2	Estimated
2023	18.6	Estimated
Total	115.4	

TVDA

Next Steps

- Based on a brainstorming session, the following options have been identified for further consideration:

- **Option #1: Precedent View:** Make a case for 50/50 sharing of tax savings between ratepayers and shareholders (i.e. support existing / historical precedent)
- **Option #2: Project Feasibility View:** Propose to use TVDA balance to make economic development projects feasible (i.e. use TVDA balance to fund the cost of the projects)
- **Option #3: Revenue Requirement View:** Propose to use TVDA balance to cover off the revenue requirement of the economic development projects (i.e. TVDA records the revenue requirement impact)

TVDA

Next Steps: Option #1

Option #1: Precedent View: Make a case for 50/50 sharing of tax savings between ratepayers and shareholders (i.e. support historical precedent)

Background: The OEB's long-standing practice during an IR period is to share the impacts between shareholders and ratepayers on a 50/50 basis.

Considerations:

- Accelerated CCA does not lead to lifetime tax savings
- There have been three (3) electric LDC cases where utilities refunded 100% of the balance to ratepayers.
- With 50/50 sharing there are no "strings attached" to how the utility uses its share of tax savings (typically flowed to earnings).

TVDA

Next Steps: Option #2

Option #2: Feasibility View: Propose to use TVDA balance to make economic development projects or other projects feasible (i.e. fund the cost of the projects)

- The cost of the four economic development project is approximately $194 M. The funding request under Section 36 is approximately $169 M.
- If the Board approves 100% of the balance to be used under this option, still need another $54 M to make the four projects feasible (i.e. $169 M - $115 M)
- The project cost that would close into rate base would be approximately $25 M (i.e. the project costs net of contributions in aid of construction). Still, the economic development customers would be added to the customer base.
- Supplemental benefits: Private investment in the communities (about $1.8 billion). Direct (about 8,200 jobs) and indirect (about 6,100) jobs will be created.

TVDA

Next Steps: Option #3

- **Option #3: Revenue Requirement View:** Propose to use TVDA balance to cover off the revenue requirement of the economic development projects (i.e. TVDA records the revenue requirement impact)

- This option recognizes that TVDA records the revenue requirement (or revenue) impact of accelerated CCA (rather than cost).
- The annual revenue requirement of the four economic development projects is approximately $15.5 M/year at $194 M.
- Full revenue requirement of the four the four projects could be covered off (with no impact on existing customers) from in-service date in November 2022 to rebasing in 2029 / 2030. (i.e. for a period of 7 to 8 years).
- It is likely we would need to commit to reporting requirements under this option (i.e. similar to ICM projects). Supplemental benefits same as Option #2.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, page 3

Question:

With respect to the accelerated CCA impact related to capital pass-through projects/incremental capital module projects:

a) Please explain how the accelerated CCA was fully reflected in the determination of the variances recorded in the respective project deferral accounts.

b) Please confirm that the accelerated CCA reduces the revenue requirement in the first year in which the expenditure goes into service and increases the revenue requirement in subsequent years as compared to regular CCA. Please explain fully if this cannot be confirmed.

Response

a) The impact of accelerated CCA was fully reflected in the determination of variances recorded in the capital pass-through and ICM deferral accounts, through the calculation of the actual annual revenue requirement for each of the capital pass-through and ICM projects. These calculations reflect the impact of accelerated CCA on qualifying capital additions to those projects. The capital pass-through deferral accounts capture the variance between the actual project revenue requirement and the forecast revenue requirement reflected in rates, while the ICM deferral account captures the variance between the actual revenue requirement of ICM projects and the actual revenues collected through ICM unit rates.

b) Confirmed. Accelerated CCA, as compared to regular CCA, results in a reduction to revenue requirement in the year a qualifying capital expenditure is placed into service and increases the revenue requirement in relation to that capital expenditure in subsequent years.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 14

Question:

a) Please confirm that with the exception of CCA Class 12 and the equipment noted in paragraph 17, the effect of the changes noted in paragraph 12 is to triple the CCA deduction available under the AII relative to the regular CCA deduction for assets that become available for use by the end of 2023. If not confirmed, please explain fully.

b) Please confirm that with the exception of CCA Class 12 and the equipment noted in paragraph 17, the effect of the changes noted in paragraph 12 is to double the CCA deduction available under the AII relative to the regular CCA deduction for assets that become available for use between the beginning of 2024 and the end of 2027. If not confirmed, please explain fully.

Response

a) The Company confirms that, with the exception of CCA Class 12 and the equipment noted in paragraph 17 (of Exhibit H), the effect of the Accelerated Investment Incentive (referenced in paragraph 12 of Exhibit H) is to triple the CCA deduction in the year the asset becomes available for use, relative to the regular CCA deduction, for expenditures/assets that are made/acquired after November 20, 2018 and which become available for use by the end of 2023.

b) The Company confirms that, with the exception of CCA Class 12 and the equipment noted in paragraph 17 (of Exhibit H), the effect of the Accelerated Investment Incentive (referenced in paragraph 12 of Exhibit H) is to double the CCA deduction in the year the asset becomes available for use, relative to the regular CCA deduction, for expenditures/assets that are made/acquired after November 20, 2018 and which become available for use between the beginning of 2024 and the end of 2027.

The Company would also note that for CCA Class 12, the effect of the Accelerated Investment Incentive (i.e. the suspension of the half year rule) is also to double the CCA deduction in the year the asset becomes available for use, relative to the regular CCA deduction, for expenditures/assets that are made/acquired after November 20, 2018 and which become available for use between the beginning of 2024 and the end of 2027.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 19 & Exhibit C, Tab 1 Schedule 3

Question:

a) Please confirm that as a result of the capital additions that qualified for the AII in 2018 and 2019 EGI will be able to claim less CCA than it otherwise would have been able to under the regular CCA. If not confirmed, please explain fully.

b) Please confirm that in the calculations shown in Exhibit C, Tab 1, Schedule 3, the CCA reflects lower amounts available in 2019 due to the accelerated CCA in 2018. If not confirmed, please explain fully.

Response

a) Confirmed. In relation to capital additions that qualified for the AII in 2018 and 2019, there will be less CCA available to claim in each subsequent year, as compared to what there otherwise would have been if CCA had been calculated under the normal method.

b) Confirmed. The calculation of the 2019 variance shown in Exhibit C, Tab 1, Schedule 3, reflects that 2018 capital additions which qualified for the AII have lower available CCA in 2019, as a result of a lower opening 2019 undepreciated capital cost (UCC) balance, as compared to CCA calculated under the normal basis.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 22

Question:

Please confirm that the CCA available for 2020 and subsequent years will reflect lower amounts available for the CCA in those years due to the accelerated CCA deductions in 2018 and 2019. If not confirmed, please explain fully.

Response

Confirmed. Capital additions that qualified for accelerated CCA deductions in 2018 and 2019, will result in lower available CCA in 2020 and subsequent years (in relation to those prior year additions), as compared to the CCA that would have been available under normal CCA rules.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 23

Question:

a) Please provide a breakdown of the range of $80 to $115 million noted in this paragraph by each year for 2019 through 2023.

b) What is the expected impact in 2024 and will this impact be reflected in the tax calculations assuming a rebasing application is filed for 2024?

c) Based on EGI's current forecast of capital additions being placed into service, when does the AII change from increased CCA deductions to decreased CCA deductions compared to the regulator CCA?

Response

a) The estimated range of potential accelerated investment incentive (AII) impacts over the deferred rebasing term was informed by the actual impact experienced for 2018 and 2019, and by high-level/ball-park estimates of how the impact of the AII would be expected to decline over time, due to the phased expiration of its components, and as a result of the benefit of current year additions beginning to be offset by the impact of lower available CCA deductions in relation to prior year additions that were subject to the AII (assuming a consistent level and mix of qualifying additions). The estimated revenue requirement impact for each year is shown in the table below.

Year	Revenue Requirement Impact ($M)	
2019 (incl. 2018)	30.7	Actual (incl. interest)
2020	23.9	Estimated
2021	22.0	Estimated
2022	20.2	Estimated
2023	18.6	Estimated
	115.4	

The range of AII impacts provided in evidence was to recognize that the actual impact of the AII over the deferred rebasing period will be greatly impacted by the actual annual level and mix of qualifying capital additions.

b) At rebasing, the Company anticipates that utility income taxes, that will be included within its application and proposed rates, will reflect the cumulative impact of the AII to that point (i.e. opening 2024 undepreciated capital cost (UCC) balances will reflect the impact of accelerated CCA amounts claimed or forecast through 2023), and will also reflect the actual/anticipated AII tax rules for 2024 (i.e. that the suspension of the half-year rule will be in place), as well as other actual/anticipated income tax rates and rules for 2024.

c) EGI does not have a forecast of annual capital additions for CCA purposes that identifies when the annual CCA deduction, that results from the cumulative impact of additions which have or are expected to qualify for the AII, will be less than the CCA that would otherwise have been available under regular CCA rules.

Further, the Company does not expect this to occur during the current 2019 to 2023 deferred rebasing period. As stated in the supplemental evidence, it is worthwhile to point out that the annual impacts will be a function of the actual level of investment and the actual mix of qualifying capital additions.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 64

Question:

Under EGI's secondary proposal of sharing the impacts of the AII between ratepayers and the utility on a 50/50 basis, does this proposal deal only with the impacts of the AII until EGI rebases, or would it also reflect the changes in CCA available beyond the test year as of the result of the AII over the 2018 through 2027 period? Please explain fully.

Response

At Exhibit H, paragraph 64, Enbridge Gas proposes that, if the OEB does not accept the Company's proposal that 100% of the TVDA balance be used as a source of funding for Economic Development projects and IRP pilot projects, then the TVDA balance be cleared in accordance with the OEB's longstanding practice that the impacts of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis.

The Company's 50/50 sharing proposal deals with balances that would accumulate in the TVDA during the current IR plan which spans the 2019 to 2023 period.

Subsequent to a cost-of-service rebasing in 2024, the Company at this point does not know parameters (or duration) of its next IR framework or if the TVDA will remain in place after rebasing.

Therefore, the Company cannot respond with any level of certainty about how any changes/impacts in CCA beyond rebasing would be reflected in rates or in a deferral account.

Also, please see response to Exhibit I.EP.17.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 50

Question:

a) Is EGI requesting approval as part of this application to apply the credits in the TVDA to the four projects listed in paragraph 50? Please explain fully how the Board would determine as part of this application that these four projects were appropriate for ratepayer funding.

b) Would any other projects be eligible for ratepayer funding through the TVDA and how would these projects be approved for funding?

Response

a) The request made by Enbridge Gas is that the OEB approve disposition of the TVDA balance to fund projects as referred to in the supplementary evidence. This question asks how the OEB would determine that projects are "appropriate for ratepayer funding", but the proposal by Enbridge Gas is for funding of projects from amounts recorded in the TVDA. No determination has been made by the OEB that amounts recorded in the TVDA are, in whole or in part, "ratepayer funds". The supplementary evidence provides the basis for the OEB to make a determination in respect of the request made by Enbridge Gas, which, again, is that the OEB approve disposition of the TVDA balance for the purpose of funding projects as referred to in the evidence.

b) This question again asks about projects eligible for "ratepayer funding" through the TVDA, but the OEB has made no determination that any amounts recorded in the TVDA are "ratepayer funds". As referred to in the supplementary evidence (page 11, footnote 11), the TVDA balance could be used as a source of funding for other future projects that would provide public and ratepayer benefits and contribute to post-pandemic economic recovery. The supplementary evidence provides the basis for the OEB to approve disposition of the TVDA balance to fund projects that would provide public and ratepayer benefits and contribute to post-pandemic economic recovery.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 42

Question:

a) Is the $3 per customer refund based only the 2018-2019 TVDA or on the projected balance in the account through 2023?

b) For each rate class in each of the Union South, Union North and EGD rate zones, please provide the estimated refund to a customer based on the 2018 and 2019 TVDA balances assuming 100% allocation to ratepayers.

Response

a) The $3 per customer per year reference at Exhibit H, paragraph 42 is the estimated average refund for a residential customer based on 50/50 sharing of the TVDA balance each year of the 2019 to 2023 period.

   Therefore, the reference is not limited to the 2018-2019 TVDA balance only, but reflects the annual projected balance in the TVDA account through 2023.

b) Please see response to Exhibit I.EP.13.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 45

Question:

For the calculations that are requested below, please assume that $10 million from the TVDA is used partially fund an economic development project that has a life of 40 years using current/standard cost of debt and equity and depreciation rates.

a) Please calculate the reduction in the revenue requirement associated with this "contribution in aid to construction" for each of the 40 years of the life of the project.

b) Please calculate the net present value of this stream of revenue requirement reductions back to 2021.

Response

a) Attachment 1 to this response provides a calculation that illustrates the approximate annual revenue requirement impact of a $10 million contribution in aid of construction (or reduction in capital), in relation to an asset that is assumed to have a 40 year life (and corresponding depreciation rate of 2.5%). As seen in Attachment 1, the $10 million contribution in aid of construction results in a revenue requirement reduction of approximately $24.5 million over the life of the asset. Additional assumptions utilized in the calculation were:

- EGI's 2019 actual required rate of return (excluding the 150 bp deadband before earnings sharing),
- The asset was assumed to be in-service in June of 2021, with depreciation commencing the following month,
- The asset was assumed to be a transmission asset qualifying for an 8% CCA rate, and the impact of accelerated CCA was reflected.

b) The net present value of the annual revenue requirement amounts determined in response to part a) is approximately ($11.2) million, utilizing a discount rate of 5.27%.

Illustration of the Utility Revenue Requirement Impact of a $10M Contribution In Aid of Construction (CIAC)

Line No.	($000's)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	Cost of capital																				
1.	Rate base	(5,385.5)	(9,750.4)	(9,500.8)	(9,251.2)	(9,001.6)	(8,752.0)	(8,502.4)	(8,252.8)	(8,003.2)	(7,753.6)	(7,504.0)	(7,254.4)	(7,004.8)	(6,755.2)	(6,505.6)	(6,256.0)	(6,006.4)	(5,756.8)	(5,507.2)	(5,257.6)
2.	Required rate of return	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%
3.	Cost of capital	(323.7)	(586.0)	(571.0)	(556.0)	(541.0)	(526.0)	(511.0)	(496.0)	(481.0)	(466.0)	(451.0)	(436.0)	(421.0)	(406.0)	(391.0)	(376.0)	(361.0)	(346.0)	(331.0)	(316.0)
	Cost of service																				
4.	Gas costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Operation and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Depreciation and amortization	(124.8)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)
7.	Municipal and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Cost of service	(124.8)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)
	Misc. & Non-Op. Rev																				
9.	Other operating revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Misc, & Non-operating Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Income taxes on earnings																				
12.	Excluding tax shield	318.0	186.6	171.7	157.9	145.2	133.6	123.0	113.1	104.1	95.7	88.1	81.1	74.5	68.6	63.1	58.1	53.4	49.1	45.2	41.7
13.	Tax shield provided by interest expense	39.5	71.6	69.7	67.9	66.1	64.2	62.4	60.6	58.8	56.9	55.1	53.2	51.4	49.6	47.8	45.9	44.1	42.3	40.4	38.6
14.	Income taxes on earnings	357.5	258.2	241.4	225.8	211.3	197.8	185.4	173.7	162.9	152.6	143.2	134.3	125.9	118.2	110.9	104.0	97.5	91.4	85.6	80.3
	Taxes on (def) / suff.																				
15.	Gross (def.) / suff.	123.8	785.3	788.4	789.3	788.7	785.9	783.1	778.1	772.0	765.9	758.5	750.1	741.5	731.6	720.5	709.9	697.8	686.1	673.6	660.3
16.	Net (def.) / suff.	91.0	577.2	579.5	580.1	579.7	577.6	575.6	571.9	567.4	562.9	557.5	551.3	545.0	537.7	529.6	521.8	512.9	504.3	495.1	485.3
17.	Taxes on (def.) / suff.	(32.8)	(208.1)	(208.9)	(209.2)	(209.0)	(208.3)	(207.5)	(206.2)	(204.6)	(203.0)	(201.0)	(198.8)	(196.5)	(193.9)	(190.9)	(188.1)	(184.9)	(181.8)	(178.5)	(175.0)
18.	**Revenue requirement**	(123.8)	(785.5)	(788.1)	(789.0)	(788.3)	(786.1)	(782.7)	(778.1)	(772.3)	(766.0)	(758.4)	(750.1)	(741.2)	(731.3)	(720.6)	(709.7)	(698.0)	(686.0)	(673.5)	(660.3)

Line No.	($000's)	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	Total
	Cost of capital																						
1.	Rate base	(5,008.0)	(4,758.4)	(4,508.8)	(4,259.2)	(4,009.6)	(3,760.0)	(3,510.4)	(3,260.8)	(3,011.2)	(2,761.6)	(2,512.0)	(2,262.4)	(2,012.8)	(1,763.2)	(1,513.6)	(1,264.0)	(1,014.4)	(764.8)	(515.2)	(265.6)	(39.9)	
2.	Required rate of return	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	
3.	Cost of capital	(301.0)	(286.0)	(271.0)	(256.0)	(241.0)	(226.0)	(211.0)	(196.0)	(181.0)	(166.0)	(151.0)	(136.0)	(121.0)	(106.0)	(91.0)	(76.0)	(61.0)	(46.0)	(31.0)	(16.0)	(2.4)	(12,065.1)
	Cost of service																						
4.	Gas costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5.	Operation and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.	Depreciation and amortization	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(140.8)	
7.	Municipal and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.	Cost of service	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(249.6)	(140.8)	(10,000.0)
	Misc. & Non-Op. Rev																						
9.	Other operating revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10.	Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.	Misc, & Non-operating Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Income taxes on earnings																						
12.	Excluding tax shield	38.3	35.2	32.4	29.8	27.4	25.2	23.2	21.4	19.6	18.0	16.6	15.3	14.1	12.9	11.9	10.9	10.1	9.3	8.5	7.8	7.2	
13.	Tax shield provided by interest expense	36.8	34.9	33.1	31.3	29.4	27.6	25.8	23.9	22.1	20.3	18.4	16.6	14.8	12.9	11.1	9.3	7.4	5.6	3.8	2.0	0.3	
14.	Income taxes on earnings	75.1	70.1	65.5	61.1	56.8	52.8	49.0	45.3	41.7	38.3	35.0	31.9	28.9	25.8	23.0	20.2	17.5	14.9	12.3	9.8	7.5	4,040.4
	Taxes on (def) / suff.																						
15.	Gross (def.) / suff.	646.7	633.2	618.9	605.0	590.2	575.0	559.7	544.8	528.8	513.2	497.3	481.1	464.8	448.6	432.1	415.5	398.8	381.9	365.0	348.0	184.6	
16.	Net (def.) / suff.	475.3	465.4	454.9	444.7	433.8	422.6	411.4	400.4	388.7	377.2	365.5	353.6	341.6	329.7	317.6	305.4	293.1	280.7	268.3	255.8	135.7	
17.	Taxes on (def.) / suff.	(171.4)	(167.8)	(164.0)	(160.3)	(156.4)	(152.4)	(148.3)	(144.4)	(140.1)	(136.0)	(131.8)	(127.5)	(123.2)	(118.9)	(114.5)	(110.1)	(105.7)	(101.2)	(96.7)	(92.2)	(48.9)	(6,498.8)
18.	**Revenue requirement**	(646.9)	(633.3)	(619.1)	(604.8)	(590.2)	(575.2)	(559.9)	(544.7)	(529.0)	(513.3)	(497.4)	(481.2)	(464.9)	(448.7)	(432.1)	(415.5)	(398.8)	(381.9)	(365.0)	(348.0)	(184.6)	(24,523.5)

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 45

Question:

a) Please explain why EGI has not proposed to use the TVDA funds available from the 2018 to 2019 TVDA to reduce the amount of ratepayer funding needed for incremental capital projects, as requested in EB-2020-0181.

b) Would the benefits to ratepayers not be advanced by applying the TVDA funds to projects that have been approved by the Board (London Line and Sarnia Line) rather than to projects that have not been approved and would not be in service as quickly as those already approved by the Board?

Response

a) The Company has proposed to use the TVDA balance as a source of funding for Economic Development projects and IRP pilot projects rather than incremental capital projects because these two kinds of projects will provide greater public and ratepayer benefits and contribute to post-pandemic economic recovery.

   The two initiatives are also aligned with and supportive of the original premise of the accelerated CCA program which is to encourage more businesses to invest in assets that will help drive business and job growth over the long term.

b) Enbridge Gas does not disagree that using TVDA balance to fund incremental capital projects would provide ratepayer benefits. In the Company's view, however, Economic Development projects and IRP pilot projects have the potential to provide public and ratepayer benefits of greater value. For example, some incremental capital projects, including London Line, address the need to replace the existing/deteriorating pipelines. Using TVDA balance to fund those projects would reduce the amount of ratepayer funding needed, however, it would not generate similar level of public benefits (through private investment and jobs).

Also, please see response to Exhibit I.EP.18.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H, paragraph 48

Question:

Would the proposed allocation of the TVDA funds to the economic development projects be in addition to the funds approved by the government through the "Access to Natural Gas Act, 2018" or would they displace a portion of that funding? Please explain fully.

Response

To the extent that any TVDA funds were directed, in whole or in part, to support one or more of the economic development projects currently before the Minister of Energy for NGEP Phase 2 funding, it could potentially reduce the amount of NGEP Phase 2 funding required for that project, subject to any restrictions or conditions put in place by the Board in this proceeding or the Minister of Energy.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

Exhibit H

Question:

Please show the allocation of 100% of the TVDA balances for 2018 and 2019 of $30.03 million (excluding interest) to each rate class in each of the Union South, Union North and EGD rate zones under each of the following scenarios. For each scenario, please also describe the allocator that would be used in each scenario:

a) The balances are refunded to ratepayers in 2021;

b) The balances are used as a contribution in aid of construction for 1 or more of the development projects noted in paragraph 50;

c) The balances are used as a contribution in aid of construction for IRP-related test pilots.

d) The balances are used to reduce the level of ICM funding related to the three projects highlighted in EB-2020-0181.

e) If the allocation to each rate class and to each rate zone is not the same for the scenarios noted in (b), (c), and (d) above as that in (a), please explain why the deviation is just and reasonable and avoids cross-subsidization.

Response

a) Please see response to Exhibit I.EP.13, part e). In this scenario the Company proposes to use the rate base allocator.

b) If the TVDA balance were to be used as a source of funding (i.e. contribution in aid of construction) for one or more Economic Development projects, then the cost of the project(s) (net of contribution of aid in construction) would be allocated to the various customer classes based on cost causality of the projects. Given that these are reinforcement projects, it is likely that the peak/design day demand allocator would be used for this purpose.

Also note that Enbridge Gas is currently subject to Price Cap IR term until 2023. Economic Development projects are estimated to close into service in Q4 2022 and the cost of the project(s) would start being recovered through the Company's base rates on rebasing in 2024 (i.e. this is when the project's cost would be allocated to the various customer classes). The Company is considering rate harmonization proposals, which it would file as part of its 2024 rebasing application. The Company, however, does not have proposals developed at this point on how it may harmonize customer classes or if the legacy rate zones will continue past rebasing in 2024.

c) If the TVDA balance were to be used as a source of funding (i.e. contribution in aid of construction) for IRP pilot projects, in such a scenario the Company anticipates that the entire cost of the IRP pilot projects would be funded by a share of the TVDA balance. In its supplemental evidence at Exhibit H, page 16, Enbridge Gas proposed that it be able to access up to $20 million of the TVDA balance to use towards the IRP pilot projects. If the entire cost of the IRP pilot projects is funded via TVDA balance, then there is no remaining cost that would need to be recovered from customers.

d) Please see response to Exhibit I.EP.18, part c), plus attachments. In this scenario the Company proposes to use the peak/design day demand allocator.

e) Enbridge Gas acknowledges that the EGD and Union rate zones will remain in place for the remainder of the deferred rebasing period, until 2023. Rate harmonization will be considered as part of the 2024 rebasing application. The Company also recognizes that the allocation/realization of benefits is not identical among the proposals.

Having said that, each proposal is supported by its own merits as laid out in the Company's supplemental evidence.

In light of the above, Enbridge Gas does not view the existence of legacy rate zones or complete symmetry of proposed allocations in different scenarios as determining factors for the Board in consideration of the Company's proposals.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
London Property Management Association (LPMA)

Interrogatory

Reference:

OEB Letter "Accounting Direction Regarding Bill C-97 and other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance" dated July 25, 2019.

Question:

The letter states that utilities should reflect any impacts arising from the CCA rule change in their cost-based applies for 2020 rates and beyond that that *"The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this."*

Is EGI considering a smoothing mechanism for AII impacts in the 2024 test year filing and subsequent years?

Response

At this time, the Company has not considered or assessed the need for a smoothing mechanism, in relation to AII impacts, for the 2024 rebasing year and subsequent years of the Company's next incentive regulation term.

The Company notes that the 2024 rebasing year aligns with the expiry of the 50% increase in the available CCA deduction provided by the AII (i.e. the 50% increase in available CCA deduction is only available for property acquired after November 20, 2018 that becomes available for use by the end of 2023), which removes a source of potential volatility in tax deductions that would occur over the 2024 – 2028 time period (as compared to if that CCA change occurred in the midst of an incentive regulation term).

However, the Company also recognizes that the suspension of the half year rule, included as part of the AII, is scheduled to expire at the end of 2027, which does mean there will still be a source for some potential volatility in tax deductions for 2028 (i.e. when additions will again be subject to the half year rule). As indicated previously, at present the Company has not assessed the potential impact of that volatility, or considered how best to address it as part of the next incentive regulation term (i.e. through a variance account, smoothing mechanism, etc.), the format of which is also still to be determined.

In terms of the impact of the AII that has been or will be recorded in the Tax Variance Deferral Account over the current 2019 – 2023 deferred rebasing term, if the Board were to defer rendering a decision on the disposition methodology in this proceeding, in favour of waiting until the rebasing proceeding as originally directed, it would likely warrant the Company to consider potential smoothing options for disposition of the account balance at that time.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Ontario Greenhouse Vegetable Growers (OGVG)

Interrogatory

Reference:

Exhibit H pages 6, 17

Preamble:

The magnitude of future annual credits will however depend on the actual level and mix (between classes of property) of qualifying capital additions. Enbridge Gas however generally expects the level of credit to decline from the amount recorded for 2019 (the first full year of the AII), as the AII benefit of future current year additions will be offset by the impact of lower available deductions in relation to prior year additions that were subject to the AII.

As set out above, Enbridge Gas proposes that 100% of the TVDA balance be used as a source of funding for Economic Development projects and IRP pilot projects. In the alternative, though, if the OEB does not accept the proposal that 100% of the TVDA balance be used for these purposes, Enbridge Gas proposes that the TVDA balance be cleared in accordance with the OEB's longstanding practice that the impacts of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis.

Questions:

a) Please confirm that the effect of "lower available deductions in relation to prior year additions that were subject to the AII" is a phenomenon that will persist for years and in some cases decades depending on the relevant asset class a capital addition is included within.

b) Assuming a) is confirmed, and specifically in relation to EGI's alternative proposal that utility ratepayers and shareholders share the impact of AII as tracked in the TVDA during the term of an IR Plan on a 50/50 basis, does EGI believe that utility ratepayers and shareholders should also share the impact of lower available deductions in the years following the initial first year impacts of AII? If so please explain how that sharing would be implemented; if not, please explain why not.

<u>Response:</u>

a) Confirmed.

b) During the deferred rebasing term, under the proposal that utility ratepayers and shareholders share the impact of AII on a 50/50 basis, yes EGI believes that utility ratepayers and shareholders should share both the impact of higher CCA in the first year and the impact of lower available deductions/CCA in the following years. This is consistent with how amounts/impacts have been recorded in in the TVDA to date (i.e. the 2019 impact of AII recorded in the TVDA reflects that 2018 additions subject to AII resulted in lower CCA in 2019, as compared to CCA that would have been available under regular CCA).

   The Company would like to highlight that the impact of the AII will be calculated in the same manner, regardless of whether it is shared 50/50 or utilized as funding for Economic Development projects and IRP pilot projects.

   The tracking and sharing of the net impact of the AII will be accomplished by maintaining a cumulative continuity schedule (throughout the deferred rebasing term) that calculates CCA on qualifying capital additions under the AII, as compared to the CCA that would have been calculated on those same qualifying additions under regular CCA.

   For clarity, a schedule similar to that provided at Exhibit C, Tab 1, Schedule 3, which calculates the impact of the AII that has been captured in the TVDA through 2019, will be continued throughout the deferred rebasing term.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Vulnerable Energy Consumers Coalition (VECC)

Interrogatory

Reference:

Exhibit H, page 7

Question:

a) Please provide a description of the nature of (all) the tax changes that were under consideration in EB-2007-0606. Please provide the amounts (relative impact) of the different types of tax change if there were more than one being considered in that decision.

Response

Within the EB-2007-0606/0615 Decision dated July 31, 2008, which ordered tax changes to be shared 50/50 between ratepayers and shareholders, the tax changes that were under consideration were reductions in federal and provincial income and capital tax rates, and changes in capital cost allowance rates. As noted in the Decision, the forecast impact of the tax changes (before sharing) was expected to be an approximate $80.5 million revenue requirement reduction over legacy Union Gas Limited’s 2008 – 2012 IR period. Of the $80.5 million reduction, approximately $19.3 million was forecast in relation to CCA rate changes, $34.0 million in relation to federal and provincial income tax rate changes, and $27.2 million in relation to capital tax rate changes.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Vulnerable Energy Consumers Coalition (VECC)

Interrogatory

Reference:

Exhibit H, page 8

Question:

a) Please provide the reference for footnote 7 – EB-2013-0322 UGL Settlement Agreement.

Response

a) The Settlement Agreement referred to in this question was filed on July 31, 2013 as an attachment to UGL's EB-2013-0202 application for approval of an incentive rate mechanism to determine rates effective January 1, 2014. It is attached at Exhibit A, Tab 2 of the EB-2013-0202 application.

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Vulnerable Energy Consumers Coalition (VECC)

Interrogatory

Reference:

Exhibit H, pages 13 -

Question:

a) Does EGI's proposal to use TVDA balances to fund infrastructure projects include the Grimsby-Lincoln Regional Expansion? Please provide the rationale for including or excluding (as the case may be) this project from the proposal.

Response

a) EGI has proposed to direct TVDA funding towards Economic Development projects, and as mentioned in footnote 11 on page 11 of 17 of the Supplemental Evidence *"Besides the Economic Development Projects described in the subsequent sections of the evidence the TVDA balance could also be used as a source of funding for other future projects that would provide public and ratepayer benefits and contribute to post-pandemic economic recovery.",* which could include the Grimsby-Lincoln Regional Expansion,

ENBRIDGE GAS INC.

Answer to Supplemental Interrogatory from
Vulnerable Energy Consumers Coalition (VECC)

Interrogatory

Reference:

Exhibit H, page 17

Question:

a) Please explain the difference in the allocation of benefits between the Union and Enbridge rate zones under the two proposals EGI has put forth (i.e., source funding for Economic Development Projects vis-à-vis 50/50 sharing between shareholder and ratepayers).

Response

Enbridge Gas acknowledges that the EGD and Union rate zones will remain in place for the remainder of the deferred rebasing period, until 2023. Rate harmonization will be considered as part of the 2024 rebasing application. The Company also recognizes that the allocation/realization of benefits is not identical between the two proposals.

Having said that, each proposal is supported by its own merits.

The preferred proposal to use 100% of the balance that will accumulate in the TVDA over the 2019 to 2023 period as a source of funding for two kinds of capital initiatives is based on public and ratepayer benefits that those projects will deliver. In other words, by using the TVDA balance in this way, the dollar value of the amounts recorded in the account will be augmented to deliver public and ratepayer benefits of greater value.

The alternate proposal to share the TVDA balance on a 50/50 basis is based on the OEB's longstanding practice that the impacts of tax changes during the term of an IR plan are shared between utility ratepayers and shareholders on a 50/50 basis. In this case, the balance is refunded to rate zones and rate classes in a manner that reflects the tax costs in base rates.

To summarize, Enbridge Gas does not view the existence of legacy rate zones as a determining factor for the Board to support either of the two proposals.