ENBRIDGE

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November 11, 2021

VIA RESS AND EMAIL

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

Dear Christine Long:

Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2021-0149
2020 Utility Earnings/Disposition of Deferral Variance Account Balances
Supplementary Interrogatory Responses

In accordance with the OEB's Decision on Settlement and Procedural Order #2 dated October 21, 2021, the supplementary interrogatory responses of Enbridge Gas in this proceeding are enclosed with this letter.

In addition, while reviewing the in-service dates of the 2020 amalgamation/integration projects, Enbridge Gas realized that a portion of the SCADA and Gas Control Consolidation project was implemented in November, 2019. This portion of the project was included in the TVDA calculation for 2019, but this was not reflected in the earlier interrogatory response. Please find the enclosed updated exhibit.

Exhibit	Correction
Exhibit I.STAFF.7, part b	To include the 2019 portion of the SCADA and Gas Control Consolidation project as an amalgamation/integration project addition, in both the narrative and table.

If you have any questions, please contact the undersigned.

Sincerely,

Richard Wathy
Digitally signed by Richard Wathy
Date: 2021.11.11 12:40:58 -05'00'

Richard Wathy
Technical Manager, Regulatory Applications

c.c.: David Stevens, Aird and Berlis LLP
Intervenors (EB-2021-0149)

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, p. 1

Question(s):

The evidence states that the Tax Variance Deferral Account (TVDA) is intended to capture the variance in revenue requirement from CCA changes, in relation to capital that is being recovered through rates. Enbridge Gas's position is that no aspect of the revenue requirement related to the amalgamation/integration project capital additions is currently recovered in rates, and as a result, there is no variance to be captured in the TVDA (or other deferral accounts).

Please indicate whether Enbridge Gas included the variance in revenue requirement in 2019 and 2020 TVDA balances that is related to CCA changes for capital projects (excluding amalgamation/integration projects) that are not currently recovered through rates.

Response:

The only 2019 and 2020 capital project additions, for which the revenue requirement impact of accelerated CCA has not been captured in the TVDA or another deferral account mechanism (i.e. ICM and Capital Pass-through deferral accounts), are the 2020 amalgamation/integration project additions listed in the table provided on page 3 of the supplemental evidence (Exhibit H). Except for amalgamation/integration project capital additions, the revenue requirement impact of all other utility capital additions is presumed to be recovered through rates (inclusive of ICM and Capital Pass-through unit rates).

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, pp. 1 – 2

Question(s):

The 2020 TVDA balance of $16.9 million (credit to ratepayers), which is solely comprised of Bill C-97 accelerated CCA impacts, reflects the exclusion of accelerated CCA impacts attributable to capital additions related to amalgamation/integration capital projects.

a) Please confirm that Enbridge Gas will request the addition of the net value of the amalgamation/ integration capital projects (excluded in the 2020 TVDA balance) to rate base at rebasing (in 2024) and recover the associated revenue requirement through rates.

b) Please provide the estimated net value of the amalgamation/integration capital projects (excluded from the 2020 TVDA balance) at rebasing (2024) that would be added to rate base.

Response:

a) Enbridge Gas confirms that it will request the addition of the net property, plant, and equipment value of amalgamation/ integration capital projects (excluded from the TVDA balance) to rate base at rebasing (in 2024), and to recover the associated revenue requirement through rates. The Company also notes that at rebasing, any ongoing synergies/savings resulting from these projects will also be reflected in the requested revenue requirement (or rates).

b) The estimated 2024 opening net property, plant, and equipment value of the 2020 amalgamation/integration capital projects (excluded from the 2020 TVDA balance) that would be reflected in rate base at rebasing is $12.8 million. Please see response to Exhibit I.SEC.2, which provides details of the estimated 2024 opening net property, plant, and equipment value by project.

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Supplementary Evidence, p. 3

Question(s):

In its evidence Enbridge Gas noted that the 2020 accelerated CCA revenue requirement impact associated with 2020 amalgamation/integration related capital additions which has been excluded from the 2020 TVDA balance is $3.7 million. Enbridge Gas's 2019 accelerated CCA revenue requirement impact associated with 2019 amalgamation/integration related capital additions was not consistent with the current proposed treatment of accelerated CCA impacts, as the $3.3 million impact was included in the 2019 TVDA balance for disposition to ratepayers. The change in treatment results from the evolution of Enbridge Gas's proposed treatment of accelerated CCA impacts as informed by the OEB's findings in the 2019 TVDA Decision and Order dated May 6, 2021. The evidence further states that since the 2019 amalgamation/integration related capital additions were to the Class 12 (100% CCA rate pool), the credit provided to ratepayers through the 2019 TVDA was reversed as part of the determination of the 2020 TVDA balance.

a) On page 3 of the evidence, Enbridge Gas provided a table outlining the 2020 amalgamation/integration capital project additions. Please indicate when these projects were completed and implemented.

b) In footnote 3, Enbridge Gas states, "The change in treatment results from the evolution of the Company's believed appropriate treatment of accelerated CCA impacts, as informed by the OEB's findings in the 2019 ESM TVDA decision". Please explain this statement in more detail.

c) The evidence indicates that the credit provided to ratepayers through the 2019 TVDA was reversed as part of the determination of the 2020 TVDA balance. Please explain the reversal of the credit. Has Enbridge Gas reversed the credit in the 2019 TVDA balance that was approved by the OEB in its May 6, 2021 Decision and Order (EB-2020-0134)? If so, please provide the underlying calculation and explain the reasons for doing so.

d) Does Enbridge Gas propose to adjust the credit related to 2019 amalgamation/integration related capital additions in the 2020 TVDA balance? If so, please explain how the proposed treatment is not contrary to the OEB's 2019 TVDA Decision and Order of May 6, 2021 that approved disposition of 100% of the 2019 TVDA balance in favour of ratepayers?

Response:

a) The Scada and Gas Control Consolidation projects were implemented in November, 2019. The remaining portion of the SCADA and Gas Control Consolidation project additions were put into service during 2020.

   CIS Phase 1 (Hana Upgrade) was implemented in July, 2020.

   Customer Experience was implemented in December, 2019. The capital additions during 2020 relate to project completion clean-up costs.

   Bill Print and Presentment project was implemented in May, 2020.

b) At the time the OEB determined that 100% of the accelerated CCA benefit was to be returned to ratepayers, and specifically noted "…that refunding 100% of the 2019 TVDA balance to ratepayers is consistent with the "benefits follow costs" principle and ensures that ratepayers are no worse off under an IR plan than under a Cost of Service"[1], it caused the Company to re-evaluate the appropriate treatment of accelerated CCA in relation to its amalgamation/integration related capital spending. As a result, given Enbridge Gas was to fund, or absorb the cost, of all its amalgamation/integration related capital over the deferred rebasing term (i.e. they are not funded through rates), it is the Company's position that it is appropriate for all the benefits related to those costs (including accelerated CCA) flow to the Company over the deferred rebasing term (subject to earnings sharing). Further, Enbridge Gas' position that no aspect of the revenue requirement related to amalgamation/integration project capital additions is currently recovered in rates, therefore there is no variance to be captured in the Tax Variance Deferral Account. This is consistent with the OEB Accounting Direction letter dated July 25, 2019[2] which specifically references recording tax rate and rule change impacts (inclusive of accelerated CCA) relevant to the tax amount that underpins rates.

c) Enbridge Gas has not and is not proposing to adjust the credit provided to ratepayers through the approved 2019 TVDA balance, nor has or is it proposing to

[1] EB-2020-0134, Decision and Order, May 6, 2021, p.15.
[2] OEB letter, dated July 25, 2019, Re: Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance.

make any adjustments to the requested 2020 TVDA balance, in relation to the 2019 amalgamation/integration related capital additions which were reflected in the determination of those balances. Please see response to Exhibit I.SEC.3, for a full explanation of how the credits provided in the 2019 TVDA, in relation to the 2019 amalgamation/integration related capital additions, naturally reverse in the determination of TVDA balances for 2020 and subsequent years.

d) Please refer to the response to part c) above.

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
Energy Probe (EP)

Interrogatory

Reference:

Exhibit H, Page 3, Paragraph 7

Preamble:

"Within Customer Care, the CIS Project updated and integrated systems and processes previously managed in separate systems (SAP and Banner). The first phase of the project involved the upgrade of existing software that was completed in mid-2020. Over the course of 2020, integration work was carried out on detailed planning, system design, and system build." (Exhibit I.Staff.3, page 2)

Question(s):

Please break out the line CIS Phase 1 (Hana Upgrade) shown in the table in Paragraph 7 into two separate lines with appropriate amounts shown in each column:

- Upgrade of Existing Software
- Integration Work (Detailed Planning, System Design, and System Build)

Response:

The CIS Phase 1 (Hana Upgrade) project is related to upgrading the existing software to the S4 platform. The upgrade was necessary to ensure ongoing support from SAP, as it was the chosen software solution for the integrated utility, and thus served as the foundation for all CIS Phase 2 project integration work, which went into service in 2021.

ENBRIDGE GAS INC.

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

Interrogatory

Reference:

Exhibit H, paragraph 2

Question:

Please provide a copy of the accounting order for the Tax Variance Deferral Account.

Response

Please refer to Attachment 1 for the Tax Variance Deferral Account accounting order.

<u>ENBRIDGE GAS INC.</u>

Accounting Entries for
Tax Variance Deferral Account
<u>Deferral Account No. 179-383</u>

The purpose of the Tax Variance Deferral Account is to record 50% of the revenue requirement impact of any tax rate changes, versus the tax rates included in rates that affect Enbridge Gas Inc. As part of the EB-2017-0306/EB-2017-0307 Decision and Order, the OEB amended the former Union Gas Limited Tax Variance Deferral Account to expand its applicability to record the impact of any tax rate changes for both the legacy Enbridge Gas Distribution and Union Gas Limited areas (i.e. to all of Enbridge Gas Inc.).

However, in accordance with the OEB's July 25, 2019 letter, *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance*, within a sub-account of the Tax Variance Deferral Account, Enbridge Gas will record 100% of the revenue requirement impact of any changes in CCA rules that are not reflected in base rates. This will include impacts related to Bill C-97 CCA rule changes, which became effective November 21, 2018, as well as any future CCA changes instituted by relevant regulatory or taxation bodies.

Tax rate and CCA rule change impacts recorded in the account will however exclude tax rate and rule change impacts that are captured through other deferral account mechanisms (i.e. through the Incremental Capital Module Deferral Account).

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved EB- 2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate hearing.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No.179-383 Tax Variance Deferral Account
Credit	-	Account No. 300 Operating Revenues

To record as a debit (credit) in Deferral Account No. 179-383, 50% of the revenue requirement impact resulting from the difference between the actual tax rates and the approved tax rates included in rates as approved by the Board.

Debit	-	Account No.179-383 Tax Variance Deferral Account – CCA Changes
Credit	-	Account No. 300 Operating Revenues

To record as a debit (credit) in a sub-account of Deferral Account No. 179-383, 100% of the revenue requirement impact resulting from the difference between actual CCA rules and the approved CCA rules included in rates as approved by the Board.

Debit	-	Account No.179-383 Tax Variance Deferral Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-383, interest on the balance in Variance Account No. 179-383. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the OEB in EB-2006-0117.

ENBRIDGE GAS INC.

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

Interrogatory

Reference:

Exhibit H, paragraph 7 & Exhibit I-Staff-7a

Question:

Please provide a table for each of 2019 through the first rebasing year following the end of current IRM period that shows the difference between the accelerated and regular CCA for all of the projects in the same level of detail as shown in the table in paragraph 7 (from I-Staff-7a).

Response

Please see response to Exhibit I.SEC.2, which provides a comparison of the accelerated CCA versus regular CCA that is or would be available in each of 2020 through 2024, in relation to the 2020 amalgamation/integration capital additions that are reflected in the referenced exhibits.

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Reference:

Par. 4

Question(s):

The Applicant states that it did not include capital projects related to the amalgamation/integration in the determination of annual ICM eligible amounts. Please confirm these projects were not included in the determination of annual ICM eligible amounts for both 2019 and 2020, and show where in each of those ICM applications the exclusion of these projects is shown/demonstrated.

Response

Confirmed.

The 2019 ICM application (EB-2018-0305) was supported by the 2019 Asset Management Plan (2019 AMP). The 2019 AMP reflected pre-integration planning. In its Decision on the 2019 Rate Application (including the ICM request), the OEB directed that Enbridge Gas remove certain projects from the 2019 capital budget (and from the determination of the ICM threshold).[1] As a result, the HANA Software Implementation and Customer Experience Transformation projects (totaling $13.4 million) were removed from 2019 in-service capital for ICM threshold determination (ICM eligible amounts) as directed in the EB-2018-0305 Decision and Order. Additionally, Enbridge Gas also removed other integration projects from its 2019 capital budget for ICM threshold determination (ICM eligible amounts) – specifically, the SCADA projects in both the legacy EGD and UG rate zones were reviewed and subsequently moved to integration capital. The associated spend of $2.5M in the EGD and $1.0M in the UG

[1] At page 19 of the 2019 Rates Decision (EB-2018-0305), the OEB stated: “The OEB directs Enbridge Gas to remove spending related to Customer Experience Transformation ($7 million) and HANA software implementation ($6.4 million) from the 2019 in-service capital forecast used to determine the maximum eligible incremental capital.”

rate zone was prioritized to other emerging work through the Asset Management Forecast process.

The 2020 ICM application (EB-2019-0194) was supported by the 2020 Enbridge Gas Asset Plan Addendum (2020 AMP Addendum), and the budget underlying the ICM threshold determination (ICM eligible amounts) reflected the 2020 projects in the 2020 AMP Addendum. The CIS replacement project (Phase 1), which is the largest capital project related to amalgamation/integration undertaken in 2020, was not part of the 2020 AMP Addendum and was not included in the budget underlying the ICM threshold determination (ICM eligible amounts). Other integration-related expenses were removed from the capital budgets, however, as explained in the response to Exhibit 1.STAFF 20 (EB-2019-0194), costs from other projects were prioritized for completion in 2020 in place of the integration projects and this partly offset the impact of removing the integration-related expenses.

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from School Energy Coalition (SEC)

Interrogatory

Reference:

Para. 7; I-Staff-7d

Question(s):

For each project listed in the Table included at paragraph 7:

a) Please provide a table that shows at rebasing the amount of CCA that will remain based on the Accelerated CCA rules, and as compared to that if using Regular CCA rules. Please detail all assumptions made.

b) Please provide a table that shows for each project, and the expected undepreciated capital costs that Enbridge expects to include as part of its opening rate base at its next rebasing application.

Response

a) In relation to the 2020 amalgamation/integration capital additions, the table below shows the annual amount of CCA available each year of the deferred rebasing term, the CCA that will remain at the end of the deferred rebasing term (i.e. the 2023 ending undepreciated capital cost (UCC) for tax purposes), and the CCA that will be available in the 2024 rebasing year, under accelerated CCA rules as compared to regular CCA rules.

2020 Amalgamation/Integration Project Additions

	CCA Pool		2020		2021		2022		2023		2024
Accelerated CCA	Capital Addition	CCA Class / Rate	Accelerated CCA	Ending UCC	Accelerated CCA	Ending UCC	Accelerated CCA	Ending UCC	Accelerated CCA	Ending UCC	Accelerated CCA
Scada and Gas Control Consolidation	711,933	Class 12 100%	711,933	-	-	-	-	-	-	-	-
Scada and Gas Control Consolidation	1,114,524	Class 50 55%	919,482	195,042	107,273	87,769	48,273	39,496	21,723	17,773	9,775
CIS Phase 1 (Hana Upgrade)	17,020,480	Class 50 55%	14,041,896	2,978,584	1,638,221	1,340,363	737,200	603,163	331,740	271,423	149,283
Customer Experience	44,854	Class 12 100%	44,854	-	-	-	-	-	-	-	-
Bill Print and Presentment	20,361	Class 12 100%	20,361	-	-	-	-	-	-	-	-
	18,912,152		15,738,526	3,173,626	1,745,494	1,428,132	785,472	642,659	353,463	289,197	159,058

	CCA Pool		2020		2021		2022		2023		2024
Regular CCA	Capital Addition	CCA Class / Rate	Regular CCA	Ending UCC	Regular CCA	Ending UCC	Regular CCA	Ending UCC	Regular CCA	Ending UCC	Regular CCA
Scada and Gas Control Consolidation	711,933	Class 12 100%	355,967	355,967	355,967	-	-	-	-	-	-
Scada and Gas Control Consolidation	1,114,524	Class 50 55%	306,494	808,030	444,416	363,613	199,987	163,626	89,994	73,632	40,497
CIS Phase 1 (Hana Upgrade)	17,020,480	Class 50 55%	4,680,632	12,339,848	6,786,916	5,552,932	3,054,112	2,498,819	1,374,351	1,124,469	618,458
Customer Experience	44,854	Class 12 100%	22,427	22,427	22,427	-	-	-	-	-	-
Bill Print and Presentment	20,361	Class 12 100%	10,180	10,180	10,180	-	-	-	-	-	-
	18,912,152		5,375,700	13,536,452	7,619,907	5,916,545	3,254,100	2,662,445	1,464,345	1,198,100	658,955

b) The forecast net book value (NBV), for each of the 2020 amalgamation/integration capital additions, that is expected to be included as part of Enbridge Gas's 2024 opening rate base is shown in the table below.

2020 Amalgamation/Integration Projects	Forecast 2023 Ending Net Book Value
Scada and Gas Control Consolidation	148,970
CIS Phase 1 (Hana Upgrade)	12,618,907
Customer Experience	-
Bill Print and Presentment	3,230
	12,771,107

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Reference:

Para. 7, ft 3

Question(s):

The Applicant states: “However, because the 2019 amalgamation/integration related capital additions were to the Class 12, 100% CCA rate pool, the credit provided to ratepayers through the 2019 TVDA was reversed as part of the determination of the 2020 TVDA balance.” Please confirm that the 2019 TVDA balance was cleared on a final basis. If confirmed, on explain on basis can the Board reverse the impact of its decision absent of a motion to review?

Response

The Company notes that a corrected response to OEB Staff interrogatory 7b) (Exhibit I.STAFF.7) was filed in conjunction with these supplementary interrogatory responses. The corrected response reflects that Enbridge Gas had costs related to two amalgamation/integration projects (the Customer Experience and SCADA and Gas Control Consolidation projects) that were capitalized and captured in the 2019 TVDA balance, as opposed to just the Customer Experience project as originally indicated. The noted reference for this supplemental interrogatory, to paragraph 7, footnote 3, of the Exhibit H Supplementary Evidence, was a reference to the original response to OEB Staff interrogatory 7b), in which the Customer Experience project was identified as the only 2019 amalgamation/integration project included in the 2019 TVDA. The following response to this supplemental interrogatory reflects the corrected response to OEB Staff interrogatory 7b).

Enbridge Gas confirms that, in accordance with the OEB’s EB-2020-0134 Decision, the 2019 TVDA balance was cleared on a final basis. The Company is not asking the OEB to reverse or alter that decision.

However, because accelerated CCA does not change the total amount of CCA available, it simply allows more CCA to be taken in the first year with less available in subsequent years (as compared to regular CCA), the annual impact captured in the

TVDA is calculated based on a continuity schedule of cumulative annual capital additions which have qualified for accelerated CCA (as was noted in pre-filed evidence at Exhibit C, Tab 1, page 14). Therefore, the annual amount captured in the TVDA reflects the net impact/benefit of higher accelerated CCA available on current year additions, offset by lower CCA available on qualifying additions from prior years. The continuity of annual qualifying capital additions and associated accelerated CCA and regular CCA was provided in pre-filed evidence at Exhibit C, Tab 1, Schedule 3.

The tables below isolate the impact that the 2019 amalgamation/integration capital project additions (the Customer Experience and SCADA and Gas Control Consolidation projects) had within the determination of the 2019 and 2020 TVDA balances and are forecast to have on the determination of TVDA balances for the remainder of the deferred rebasing term. The tables illustrate the natural reversal of the 2019 accelerated CCA impact/benefit that occurs over subsequent years.

In Table 1, which refers to the 2019 Customer Experience project addition, given the Class 12 100% CCA rate pool categorization, in 2019 accelerated CCA allowed the full amount of CCA to be claimed immediately, whereas under regular CCA (subject to the half year rule) only half of the available CCA would have been allowed. The higher CCA reduced taxes, as compared to what would have occurred under regular CCA, and as a result the grossed-up impact of $3.3 million was reflected as a payable in the 2019 TVDA. Conversely, in 2020, as full CCA was claimed in 2019 under accelerated CCA, there was no further CCA to be claimed in 2020, whereas under regular CCA, the remaining 50% would have been claimed. The lower CCA increased taxes, as compared to what would have occurred under regular CCA, and as a result the grossed-up impact of $3.3 million was reflected as a receivable in the 2020 TVDA, effectively reversing the credit reflected in the 2019 TVDA.

Table 1

2019 Amalgamation/Integration Customer Experience Project Additions

	CCA Pool		2019		2020		2021		2022		2023		Cumulative
	Capital Add.	CCA Class / Rate	CCA	Ending UCC	CCA	Ending UCC	CCA	Ending UCC	CCA	Ending UCC	CCA	Ending UCC	Variance
Accelerated CCA													
Customer Experience	18,131,540	Class 12 100%	18,131,540	-	-	-	-	-	-	-	-	-	
Regular CCA													
Customer Experience	18,131,540	Class 12 100%	9,065,770	9,065,770	9,065,770	-	-	-	-	-	-	-	
Variance - Accel. vs. Reg. CCA			9,065,770		(9,065,770)		-		-		-		-
Earnings (26.5% tax rate)			2,402,429		(2,402,429)		-		-		-		-
Grossed-up earnings impact reflected in annual TVDA balance			3,268,611		(3,268,611)		-		-		-		-

Table 2, which refers to the 2019 SCADA and Gas Control Consolidation project additions, shows the accelerated CCA versus regular CCA impact in a comparable manner to the Customer Experience project impacts shown above. However, because the 2019 SCADA and Gas Control Consolidation project additions were in part to the Class 50 55% CCA rate pool, and not solely to the Class 12 100% CCA rate pool, the

2019 accelerated CCA benefit of $0.3 million captured in the 2019 TVDA does not fully reverse itself in 2020. The reversal related to the Class 50 additions will occur over an extended period of time as the 55% CCA rate is applied to the differing undepreciated capital cost balances that persist under accelerated versus regular CCA. However, as illustrated in Table 2, the benefit of $0.3 million captured in the 2019 TVDA is expected to almost entirely reverse by the end of the deferred rebasing term, with an approximate difference of $10 thousand remaining.

Table 2

2019 Amalgamation/Integration SCADA and Gas Control Consolidation Project Additions

	CCA Pool Capital Add.	CCA Class / Rate	2019 CCA	2019 Ending UCC	2020 CCA	2020 Ending UCC	2021 CCA	2021 Ending UCC	2022 CCA	2022 Ending UCC	2023 CCA	2023 Ending UCC	Cumulative Variance
Accelerated CCA													
Scada and Gas Control Consolidation	501,208	Class 12 100%	501,208	-	-	-	-	-	-	-	-	-	
Scada and Gas Control Consolidation	1,183,709	Class 50 55%	976,560	207,149	113,932	93,217	51,269	41,948	23,071	18,876	10,382	8,494	
			1,477,768	207,149	113,932	93,217	51,269	41,948	23,071	18,876	10,382	8,494	
Regular CCA													
Scada and Gas Control Consolidation	501,208	Class 12 100%	250,604	250,604	250,604	-	-	-	-	-	-	-	
Scada and Gas Control Consolidation	1,183,709	Class 50 55%	325,520	858,189	472,004	386,185	212,402	173,783	95,581	78,202	43,011	35,191	
			576,124	1,108,793	722,608	386,185	212,402	173,783	95,581	78,202	43,011	35,191	
Variance - Accel. vs. Reg. CCA			901,644		(608,676)		(161,132)		(72,510)		(32,629)		26,697
Earnings (26.5% tax rate)			238,936		(161,299)		(42,700)		(19,215)		(8,647)		7,075
Grossed-up earnings impact reflected in annual TVDA balance			325,083		(219,455)		(58,095)		(26,143)		(11,764)		9,625

ENBRIDGE GAS INC.

Answer to Supplementary Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Reference:

Para.8

Question(s):

The Applicant states "Given the amalgamation/integration capital is not recovered in rates, the Company does not believe it is appropriate to credit ratepayers for 100% of the accelerated CCA benefit associated with these projects through the Tax Variance Deferral Account." Is it the Applicant's position that 100% of the benefit of the accelerated CCA should not flow through the TVDA or that no amount should flow through the TDVA (i.e. not even 50% under regular tax sharing rules)?

Response

It is EGI's position that because amalgamation/integration capital projects are not funded through rates, neither 100% or 50% of the associated accelerated CCA benefits should flow through the TVDA.

However, as was noted in pre-filed evidence at Exhibit C, Tab 1, page 14, and in supplementary evidence at Exhibit H, page 3, during the deferred rebasing term the Company's position is that any financial implications (costs and savings, including accelerated CCA impacts) relevant to amalgamation/integration projects are to be reflected as part of actual utility results subject to the ESM calculation (and shared as appropriate).

Further, as was articulated in the response to OEB Staff interrogatory 7, at Exhibit I.STAFF.7, consistent with the aligned treatment of amalgamation/integration project financial implications (costs and savings), the Company believes that upon rebasing, the revenue requirement related to any undepreciated capital should be reflected in rates (inclusive of any residual CCA/tax impacts), along with any ongoing synergies/savings related to those projects. The existence of accelerated CCA (versus regular CCA) does not necessitate any changes in the treatment of amalgamation/integration projects prior to or after rebasing.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Enbridge Gas Tax Variance Deferral Account
Exhibit C / Tab 1 / pp. 14-15

Question(s):

The balance in the 2020 TVDA is a credit of $16.874 million plus interest. The accelerated CCA impacts related to Bill C-97 were the only tax rate changes that impacted the 2020 balance. The evidence notes that the TVDA does not include the accelerated CCA impacts related to capital pass-through and incremental capital module projects, and amalgamation/integration capital projects. Enbridge Gas noted that it is expected to fund amalgamation/integration type projects during the deferred rebasing period through synergies. In such cases, Enbridge Gas does not believe that it is appropriate to credit ratepayers for 100% of the accelerated CCA benefit associated with amalgamation/integration projects through the TVDA.

a) Please provide the capital costs incurred for amalgamation/integration type projects in 2020. Please provide a table identifying the specific projects and the accelerated CCA amount associated with each project (that has not been recorded in the TVDA).
b) Did Enbridge Gas incur capital costs for amalgamation/integration projects in 2019? If yes, please provide capital costs incurred and the accelerated CCA benefits associated with such projects. Were the accelerated CCA benefits related to 2019 amalgamation/integration projects included in the 2019 TVDA and cleared to the benefit of ratepayers?
c) In its evidence, Enbridge Gas noted that it funded amalgamation/integration type projects in 2020 through synergies. Please identify the type of synergies referred to in the evidence and explain how these synergies were used to fund amalgamation/integration projects. Please also establish a link between the achieved synergies and the related amalgamation/integration projects.
d) Please confirm that Enbridge Gas will include any undepreciated capital costs associated with integration/amalgamation as part of its opening rate base figures at its next rebasing application, and the undepreciated capital costs would be recovered from ratepayers through the revenue requirement. If not, please provide a detailed response.

e) Please confirm that when Enbridge Gas rebases, absent inclusion of the accelerated CCA impacts in the TVDA, customers will also be responsible for funding a greater amount of taxes payable embedded in the revenue requirement (by virtue of Enbridge Gas having less CCA deductions available in the test year). If this is not the case, please clarify.

Response:

a) The table below contains the 2020 in-service capital for amalgamation/integration projects, the associated accelerated versus regular CCA variance, as well as the resultant income tax (or earnings) impact and grossed up revenue requirement impact which was not recorded in the TVDA.

2020 Amalgamation/Integration Project Additions

	CCA Pool Capital Addition	CCA Class / Rate	Accelerated CCA	Regular CCA	CCA Variance	Earnings Impact (26.5% tax rate)	Grossed-up Earnings Impact
Scada and Gas Control Consolidation	711,933	Class 12 100%	711,933	355,967	355,967	94,331	128,342
Scada and Gas Control Consolidation	1,114,524	Class 50 55%	919,482	306,494	612,988	162,442	221,009
CIS Phase 1 (Hana Upgrade)	17,020,480	Class 50 55%	14,041,896	4,680,632	9,361,264	2,480,735	3,375,150
Customer Experience	44,854	Class 12 100%	44,854	22,427	22,427	5,943	8,086
Bill Print and Presentment	20,361	Class 12 100%	20,361	10,180	10,180	2,698	3,670
	18,912,152		15,738,526	5,375,700	10,362,826	2,746,149	3,736,257

b) Yes, Enbridge Gas did have two amalgamation/integration projects that were placed into service in 2019 (the Customer Experience and SCADA and Gas Control Consolidation projects), for which the accelerated CCA benefit was included in the 2019 TVDA for clearance to ratepayers. The table below shows the 2019 in-service capital for the amalgamation/integration projects, the associated accelerated versus regular CCA variance, as well as the resultant income tax (or earnings) impact and grossed up revenue requirement impact which was recorded in the TVDA. /u

2019 Amalgamation/Integration Project Additions

/u

	CCA Pool Capital Addition	CCA Class / Rate	Accelerated CCA	Regular CCA	Variance	Earnings Impact (26.5% tax rate)	Grossed-up Earnings Impact
Customer Experience	18,131,540	Class 12 100%	18,131,540	9,065,770	9,065,770	2,402,429	3,268,611
Scada and Gas Control Consolidation	501,208	Class 12 100%	501,208	250,604	250,604	66,410	90,354
Scada and Gas Control Consolidation	1,183,709	Class 50 55%	976,560	325,520	651,040	172,526	234,729
	19,816,457		19,609,308	9,641,894	9,967,414	2,641,365	3,593,693

c) Consistent with Exhibit C, Tab 1, pages 14 to15, the Company's amalgamation projects are to effectively be funded by Enbridge Gas through synergies over the deferred rebasing period. For more discussion on synergy savings realized during 2020, please see the responses at Exhibit I.STAFF.3 part c) and Exhibit I.CCC.3.

d) Confirmed. Undepreciated capital costs associated with integration/amalgamation projects will be included as part of Enbridge Gas' opening rate base figures at its next rebasing application, and the undepreciated capital costs would be recovered from ratepayers through the revenue requirement.

e) Enbridge Gas confirms that at rebasing, absent inclusion of the accelerated CCA impacts in the TVDA, customers will be responsible for funding a greater amount of taxes payable embedded in the Company's revenue requirement (by virtue of Enbridge Gas having less CCA deductions available in the test year).

   The undepreciated capital costs and higher taxes payable (as compared to had accelerated CCA not been taken), related to integration/amalgamation projects that will be included in the Company's revenue requirement at rebasing, reflects the fact that all outstanding costs as well as resultant ongoing synergies previously not reflected in rates, will be included at rebasing.