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February 7, 2022

Nancy Marconi
Acting Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi,

RE: EB-2021-0002 – Enbridge Gas Inc. – Multi-Year Demand Side Management Plan (2022 – 2027) – LPMA Interrogatories

Please find attached the interrogatories of the London Property Management Association on the Enbridge reply evidence in the above noted proceeding.

Yours very truly,

Randy Aiken

Digitally signed by Randy Aiken
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Date: 2022.02.07 09:10:34 -05'00'

Randy Aiken
Aiken & Associates

ENBRIDGE GAS INC.

Application for Multi-Year Natural Gas Demand Side Management Plan (2022 to 2027)

INTERROGATORIES OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

7-LPMA-13

Ref: EGI Reply Evidence, Figure 2 & Table 2

Please provide two versions of Figure 2 using a discount rate of Enbridge's WACC (as shown in Table 2) plus and minus 2 percentage points.

7-LPMA-14

Ref: EGI Reply Evidence, Figure 2

a) Please explain why the recovery of the amortization and cost of capital associated with 2023 expenditures begins in 2024 rather than in 2023.

b) Please confirm that for pipeline assets included in rate base, depreciation and cost of capital begins in the year in which the capital expenditures are put into service.

c) Please provide a version of Figure 2 that reflects the recovery of the amortization and cost of capital beginning in 2023 (ignore the half year rule).

7-LPMA-15

Ref: EGI Reply Evidence, Figures 3 & 4

a) Please provide a version of Figure 3 that shows the revenue requirements for the 20-year portfolio, but assumes that the recovery of the amortization and cost of capital begins in the same year as the expenditures are made (again ignoring the half year rule) for each of the 20 years of DSM expenditures.

b) Please provide a version of Figure 4 that shows the asset balances over the period shown based on both the current methodology that is reflected in Figure 4 and based on the methodology in part (a) above where the recovery of the costs begins in the year the expenditure is made for each of the 20 years.

7-LPMA-16

Ref: EGI Reply Evidence, Page 12

The evidence states that:

"Figure 3 expands the analysis to cover 20 years of portfolio delivery. The analysis assumes that Enbridge delivers the DSM portfolio not only in 2023, but also in 2024 through 2027 (as outlined in Enbridge's proposed DSM plan), and then continuing out through 2042. Portfolio budgets grow consistent Enbridge's proposed DSM plan through 2027 (5% per year, including 2% inflation plus 3% real growth growth), and then at inflation out through 2042."

Does Figure 3 reflect the evidence at Table 1 of Exhibit B, Tab 1, Schedule 1 that indicates that only the program budget increases by 5% per year (3% policy growth + CPI inflation) through 2027 and that the portfolio admin, evaluation, and research & development budgets increase by only CPI inflation over this period? If not, please provide versions of Figure 3 and Figure 4 that reflects the figures in Table 1 and the recovery of the amortization and capital costs as requested in 7-LPMA-15 (i.e. recovery begins in the same year as the expenditures are made).

7-LPMA-17

Ref: EGI Reply Evidence, Page 10

a) Please confirm that under the current methodology of expensing all DSM budget related costs there is not tax relate component of the revenue requirement as the incremental revenue is equal to the DSM budget forecast of spending. If this cannot be confirmed, please explain fully. In any such explanation please differentiate the tax treatment/consequences of the DSM budget included in the revenue requirement and amounts included in any DSM related deferral and variance accounts.

b) If DSM costs are capitalized and amortized rather than expensed, what tax implications does First Tracks Consulting Service, Inc. believe may arise?

c) If DSM costs are capitalized and amortized rather than expensed, does Enbridge Gas Inc. expect that there would be, or may be, differences in the calculation of income tax for regulatory purposes as compared to that for Revenue Canada? For example, would the capitalized amount of DSM expenditures be eligible for capital cost allowance, and if so, in what CCA class and at what CCA rate would these expenditures be included?

7-LPMA-18

Ref: EGI Reply Evidence, Page 14

The evidence states that the BCUC authorized FortisBC to recover its DSM expenditures with amortization. How does FortisBC deal with this amortization for income tax purposes?

7-LPMA-19

Ref: EGI Reply Evidence

The reply evidence deals with the potential for recovery of DSM costs through the use of amortization and treating the DSM expenditures as regulatory assets earning a return on capital based on the weighted average cost of capital.

a) Do the DSM expenditures need to be treated as additions to rate base, or could the expenditures be treated as additions to a DSM deferral account to be recovered over future periods, with the amortized amounts included in rates treated as deductions to the DSM deferral account? If the deferral account approach is not possible, please explain fully why not.

b) What are the advantages and disadvantages of the deferral account approach as compared to the rate base approach?

c) Are there any income tax differences (both for regulatory purposes and for Revenue Canada purposes) of the deferral account approach versus the rate base approach? Please explain fully.

7-LPMA-20

Ref: EGI Reply Evidence, Pages 9 to 35

The evidence with respect to the amortization as a cost recovery mechanism assumes all DSM related expenditures are capitalized and amortized and recovered over a period of time that is the same for all expenditures.

a) Did First Tracks Consulting Service Inc. consider the potential for more than one amortization period depending on the expected life the benefits provided by the DSM expenditures? If not, why not?

b) Did First Tracks Consulting Service Inc. consider a hybrid cost recovery mechanism where part of the expenditures are expensed and recovered each year part of the expenditures are capitalized and amortized and recovered over either one period of time or over more than one period of time? If not, why not?

7-LPMA-21

Ref: EGI Reply Evidence, Pages 9 to 35 & Exhibit B, Tab 1, Schedule 1, Table 1

Please consider a scenario in which some of the DSM budget is expensed and some is capitalized/amortized for cost recovery purposes. In particular, consider a scenario in which the program budget shown in Table 1 in Exhibit B, Tab 1, Schedule 1 is capitalized/amortized while the remaining budgets related to portfolio admin, evaluation, research & development are expensed.

Please provide versions of Figures 1 through 10 based on the above scenario in conjunction with the recovery of the amortization and cost of capital costs beginning in the year that the expenditures are made, as requested in the previous interrogatories above.

7-LPMA-22

Ref: EGI Reply Evidence, Pages 9 to 35

Regulated utilities have an incentive to increase rate base as that allows them to recovery a higher dollar amount of return on equity. If the OEB were to approve amortization as a cost recovery mechanism, how should the OEB ensure that the amounts included in the regulatory asset has not been inflated? For example, should the OEB place a cap on the amount that is added to the regulatory assets each year based on the budgets inclusive of the allowance to spend up to 15% above the approved budget?

8-LPMA-23

Ref: EGI Reply Evidence, Tables 2 & 5

What is the net present value of the proposed maximum incentive levels shown in Table 5 using a discount rate equal to the weighted average cost of capital shown in Table 2?

8-LPMA-24

Ref: EGI Reply Evidence, Tables 6, 7, 8 & 9

Tables 6 through 9 all show a maximum 5-year incentive payment of $110.5 million. Tables 6 through 8 show this amount as 14.2% of the budget. However, Table 9 shows this amount of $110.5 million as being 15.5% of the budget. Please explain the difference in this percentage and what adjustments have been made to the budget to get the higher percentage.

8-LPMA-25

Ref: EGI Reply Evidence, Page 49 & Table 9

Please reconcile the figure of $105.5 shown in the middle of page 49 with the $110.5 million shown in Table 9.