Enbridge Gas Inc.

2021 Deferral and Variance Account Disposition and Utility Earnings

EB-2022-0110

OEB STAFF INTERROGATORIES

August 5, 2022

Staff-1
Ref: Exhibit B, Tab 3, Schedule 1, p. 3

In the discussion on Utility O&M for 2020 and 2021, Enbridge Gas noted that outside services increased by $11.3 million over the prior year due to an increase in integrity spending, higher locates costs due to higher contact rates, higher postage costs from lower e-bill utilization, higher contract costs for call centre, back-office billing and collections support.

a) Please provide the postage costs and e-bill utilization rates for 2020 and 2021.
b) Please explain the reasons for the drop in e-bill utilization and confirm if the trend is likely to continue in future years.

Staff-2
Ref: Accounting Policy Changes Deferral Account
Exhibit C, Tab 1, p. 2

As part of the settlement proposal in the 2019 Deferral and Variance Account (DVA) disposition proceeding (EB-2020-0134), parties agreed to defer the review, allocation and disposition of all balances in the Accounting Policy Changes Deferral Account (APCDA) until the end of Enbridge Gas's deferred rebasing term (2023). The company continues to track the annual revenue requirement impact of accounting policy changes made as of the amalgamation date (January 1, 2019) as well as any further accounting policy changes adopted since that time.

Please identify any accounting policy changes made in 2021 that are in addition to those made in 2019 and 2020. Please provide details of the additional changes and the impact of those changes on the balances in the APCDA.

Staff-3

Ref: Enbridge Gas Tax Variance Deferral Account
Exhibit C / Tab 1 / pp. 12-14

The balance in the 2021 Tax Variance Deferral Account (TVDA) also includes balances related to accelerated CCA impacts of capital additions related to amalgamation/ integration capital projects. In accordance with the Decision and Order in the 2020 DVA proceeding (EB-2021-0149), the balances related to amalgamation/integration capital projects will be reviewed in Enbridge Gas's 2024 rebasing application. The 2021 balance for amalgamation/integration projects is $10.463 million.

a) Please provide a table identifying the specific projects categorized as amalgamation/integration spending and the accelerated CCA amount associated with each project. Please also provide the reasons for classifying these projects as amalgamation/integration related capital spending.
b) Please confirm if Enbridge Gas funded amalgamation/integration capital projects in 2021 through synergies. If yes, please establish a link between the achieved synergies and the related amalgamation/integration projects.

Staff-4

Ref: Storage & Transportation Deferral Account – EGD
Exhibit D, Tab 1, p. 2

The balance in the EGD rate zone Storage and Transportation Deferral Account (S&TDA) is $7.9 million plus interest to be recovered from ratepayers. The primary driver for the balance in the 2021 S&TDA is higher than forecasted transportation prices and higher than forecast market-based storage costs in 2021.

Please provide the average market-based storage costs for 2020 and 2021. Why have market-based storage costs increased in 2021?

Staff-5

Ref: Transactional Services Deferral Account - EGD
Exhibit D / Tab 1 / p. 4 and Exhibit D / Tab 1 / Schedule 2

Transactional services refer to optimization of storage and transportation assets. Storage optimization transactions rely on the storage of or the loan of gas between two points in time at the same location. The evidence indicates that there were no storage optimization revenues for 2021.

Why was Enbridge Gas not able to optimize any storage transactions for the EGD rate zone in 2021?

Staff-6

Ref: Unabsorbed Demand Costs Variance Account – Union Gas
Exhibit E, Tab 1, pp. 1-4

In order to meet customer demands across the Union rate zones and to meet the planned storage inventory levels as of October 31, approved rates for the Union rate zones in 2021 included planned unutilized pipeline capacity of 11.3 PJ in Union North West, 3.1 PJ in Union North East and 0 PJ in Union South. The actual unutilized capacity in 2021 was 28.5 PJ of which 19.6 PJ was in Union South. There is a debit balance of $3.145 million applicable to sales service customers related to the cost of the unutilized capacity in Union South.

a) Please confirm that the planned unutilized capacity in Union South is set at 0 PJ as any excess pipeline capacity is used to fill storage at Dawn in a typical year.
b) Please explain why the 19.6 PJ of unutilized pipeline capacity in 2021 was not used to fill storage levels.
c) Please outline the measures that Enbridge Gas implemented in order to reduce the total actual unutilized capacity in 2021.

Staff-7

Ref: Upstream Transportation Optimization Variance Account – Union Gas Exhibit E / Tab 1 / p. 6

Consistent with the method approved in EB-2011-0210 Decision and Rate Order, the legacy Union Gas credited $15.392 million in rates to ratepayers during 2021. The company earned $7.529 million in net revenues from upstream transportation optimization during 2021, of which 90% or $6.776 million was credited to ratepayers. The balance in account is a debit of $8.616 ($15.392 minus $6.776) million to be recovered from ratepayers.

a) In response to an interrogatory in the 2020 DVA and Earnings Sharing proceeding (OEB Staff IRR#16, EB-2021-0149), Enbridge Gas noted that reduced price volatility and market spreads limit Enbridge Gas's ability to earn optimization revenues. Please explain whether the same drivers resulted in lower optimization revenues for 2021. Was the price volatility greater in 2021 than 2020?
b) Considering the recent natural gas price volatility, does Enbridge Gas expect to earn higher transportation revenues for 2022 as compared to 2020 and 2021? Please explain your response.

Staff-8

Ref: Short-term Storage and Other Balancing Services Deferral Account – Union Gas Exhibit E, Tab 1, pp. 8-9 and Exhibit E, Tab 1, Schedule 2

The Short-term Storage and Other Balancing Services Deferral Account includes revenues from C1 Off-Peak Storage, Gas Loans, Supplemental Balancing Services and C1 Short-Term Firm Peak Storage. The net revenues from services provided was 1.082 million of which the ratepayer share is $974,000. The balance in the deferral account is a debit from ratepayers of $3.577 million ($4.551 million - $0.974 million). The schedule (Exh. E, Tab 1, Sch. 2) provides a calculation of the net revenues for 2020 and 2021.

a) The Short-term Storage and Other Balancing Services revenue for 2020 was $4.735 million, which dropped to $2.610 million in 2021. However, O&M costs for 2021 ($1.0 million) are significantly greater than the $782,000 observed in 2020.

Please explain why the O&M costs for 2021 are greater than 2020 despite lower revenues.

b) The unaccounted for gas (UFG) costs for 2021 were $266,000 as compared to $114,000 in 2020. Please explain why UFG costs increased for 2021 considering that revenues for 2021 were lower than 2020.

Staff-9

Ref: Normalized Average Consumption Deferral Account – Union Gas
Exhibit E / Tab 1 / pp. 12-15

The Normalized Average Consumption (NAC) deferral account balance is calculated by multiplying the variance between the weather normalized target NAC and the weather normalized actual NAC by the 2013 OEB-approved number of customers and the 2021 OEB-approved delivery and storage rates for each general service rate class. For the rate classes M1, M2, 01 and 10, two variances have been calculated for each rate class to determine delivery and storage revenues: one is the variance between target and actual NAC for base rates and the other similar variance for Y-factor rates. The Variance (Target minus Actual NAC) differs under both calculations (Base Rates and Y Factor Rates)

Please provide a detailed calculation that shows how the variance calculations (Target minus Actual NAC) for base rates and Y-factor rates are used to determine the NAC deferral account balance. Please identify the specific components to which the base and Y-factor rates adjustments apply.

Staff-10

Ref: NAC Deferral Account – Union Gas
Exhibit E, Tab 1, pp. 13-15

For 2021, the balance in the NAC deferral account is a debit to ratepayers of $18.998 million plus interest. The 2019 actual NAC, weather normalized using the 2021 weather normal was used to determine the 2021 target NAC for each rate class to calculate base rates. The 2021 actual NAC for each rate class is weather normalized using the 2021 weather normal, which is produced using the OEB-approved weather methodology. For 2021, the target NAC was greater than the actual NAC across all rate classes (Rate 01, Rate 10, Rate M1, Rate M2).

Please provide a rate class graphical representation of normalized average use per customer for the years 2019 to 2021(show forecast and actual).

Staff-11

Ref: Unaccounted for Gas Volume Deferral Account – Union Gas Exhibit E, Tab 1, pp. 31-37

Union Gas's 2021 approved rates includes $10.1 in Unaccounted for Gas (UFG) costs. Enbridge Gas's actual UFG costs for 2021 were $35.9 million of which Enbridge Gas recovered $10.4 million. After considering the symmetrical dead-band of $5.0 million, the balance in the UFG Volume Deferral Account is $20.5 million plus interest. The average UFG percentage has been 0.356% for the years 2013 through 2021. However, the UFG percentage for 2021 was 0.672%. The UFG volume for 2020 was 74,120 10^3 m^3 while for 2021, the UFG volume was 252,582 10^3 m^3. The company has identified that the true-up of estimated consumption based on the calendarization of UFG volumes has contributed to volatility between 2020 and 2021. The true-up between the December 2020 estimate and the actual billed volumes resulted in a decrease to the delivery volumes recorded in January 2021. When billings related to December 2020 were completed over the following month, it was determined that there was an over-estimate of gas deliveries for December 2020.

a) Please provide the average volume and UFG percentage for the years 2013 through 2020.
b) Please provide detailed calculations supporting the 2021 actual UFG costs similar to that provided in response to Staff IRR# 20c in EB-2021-0149.
c) The evidence notes that the primary sources of UFG include physical losses (eg. leaks, third-party damage and venting), metering variations, non-registering meters, theft, line pack and billing/accounting adjustments. Please provide a breakdown (if possible) for the UFG volumes in 2021. If UFG volumes for certain categories cannot be determined, please classify them as "Other".
d) Enbridge Gas has indicated that the true-up between December 2020 and January 2021 resulted in higher UFG volumes for 2021. Please provide the contribution of this adjustment to the UFG volumes in 2021 and the costs. Please also confirm that there was no double counting as a result of the true-up between the December 2020 estimate and the actual billed volumes. In other words,

please confirm that amounts recorded in the UFG Volume Deferral Account were not recovered through billing adjustments.

e) Please outline the measures that Enbridge Gas has implemented in order to reduce UFG.

Staff-12

Ref: IRP Operating Cost Deferral Account
Exhibit F, Tab 1, p.3

The 2021 Integrated Resource Planning (IRP) Operating Cost Deferral Account has a debit balance of $0.058 million (including interest). Consistent with the allocation of the TVDA balance, Enbridge Gas has proposed to split the debit balance of $0.058 million between the EGD and Union rate zones in proportion to the actual rate base for each rate zone.

a) Did Enbridge Gas consider other allocation methodologies to allocate the balance in the IRP Operating Cost Deferral Account? If yes, please describe the alternate allocation methodologies.
b) Please explain the rationale for allocating operating costs in proportion to rate base.
c) Has Enbridge Gas allocated operating costs in other deferral accounts to rate base? If yes, please provide details.

Staff-13

Ref: 2021 Performance Scorecard Results
Exhibit G / Tab 1 / pp. 1-2

The measure Time to Reschedule Missed Appointments (TRMA) tracks the percentage of customers contacted to reschedule the work within two hours of the end of the original appointment time. The annual standard for TRMA is 100% and Enbridge Gas achieved 97.0% in 2019, 97.3% in 2020 and 97.0% in 2021. The company has implemented several initiatives through 2019 and 2020 to improve performance and meet the metric.

a) Please explain why measures implemented in 2019 and 2020 have failed to improve the metric.

b) Has Enbridge Gas considered the option of contacting customers through text messaging or other means to reschedule the work within two hours of the end of the original appointment time.

Staff-14

Ref: 2021 Performance Scorecard Results
Exhibit G / Tab 1 / pp. 2-3

The measure Meter Reading Performance Metric (MRPM) represents the number of meters with no read for four consecutive months or more divided by the total number of active meters to be read. The target for the metric is 0.5% and Enbridge Gas achieved a level of 0.7% in 2019, 4.4% in 2020 and 5.0% in 2021. Enbridge Gas has attributed the reduction in performance to the COVID pandemic, extreme weather events and the move to a new vendor.

a) What are the reasons for further deterioration in the 2021 metric as compared to 2019 and 2020?
b) One of the factors that Enbridge Gas attributes to missing the performance standard is extreme weather events. In its evidence, Enbridge Gas noted that the 2021 winter was warmer than normal. Considering that winter related events are a normal occurrence in Ontario, why have extreme weather events impacted the performance standard in 2020 and 2021?

Staff-15

Ref: 2021 Performance Scorecard Results
Exhibit G / Tab 1 / p. 3

The Call Answering Service Level (CASL) measures the number of calls reaching the general inquiry number answered within 30 seconds divided by the number of calls received. The annual performance standard for CASL is 75% with a minimum monthly standard of 40%. The 2021 result was 64.3% while the result for 2019 was 79.0% and 75.2% in 2020. In July 2021, Enbridge Gas harmonized the two legacy utilities' Customer Information Systems (CIS), which involved moving 1.6 million customers and their associated data from one CIS system to another. The changes post integration resulted in higher call volumes. COVID also impacted the contact centres due to increased illness and absence. In order to improve performance on the CASL metric, Enbridge Gas implemented several initiatives including recruiting temporary employees to assist with high call volumes.

a) Please provide the monthly CASL data for 2021.
b) Why did Enbridge Gas not anticipate higher call volumes from migrating a large volume of customers to a different CIS?
c) Considering that both events were not unexpected (higher call volumes from moving customers to a different CIS and the fact that COVID has increased absences across all industries), why was Enbridge Gas not able to plan for these events and recruit temporary employees at the same time as the migration was implemented?
d) The evidence notes that Enbridge Gas implemented several initiatives to improve performance on the CASL metric. Please describe these initiatives.