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**File No. 061604.000050**

February 10, 2023

**BY EMAIL AND RESS**

Ms. Nancy Marconi  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

**Re: Enbridge Gas Inc. (“EGI”) Application for 2024-2028 Natural Gas Distribution  
Rates (EB-2022-0200) (“Proceeding”)  
Ontario Energy Board (“OEB”) - Interrogatories**

We represent the Association of Power Producers of Ontario (“APPrO”) in relation to the above-noted Proceeding. Please find attached our interrogatories. Same have been filed by RESS on the OEB’s website.

APPrO recognizes that the OEB directed parties in Procedural Order No.2 to limit interrogatories to Phase 1 issues. Some of APPrO’s interrogatories touch on Phase 2 issues to the extent they are relevant to topics underpinning Phase 1 issues. Certain matters, such as bill impacts, may be difficult to disentangle and are relevant throughout Phase 1 and Phase 2.

Please contact the undersigned with any questions.

Yours truly,

A handwritten signature in black ink, appearing to read 'Colm Boyle', written in a cursive style.

Colm Boyle

**ONTARIO ENERGY BOARD**

**IN THE MATTER** OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B; and in particular section 90(1) and section 97 thereof;

**AND IN THE MATTER** OF an application by Enbridge Gas Inc. to change its natural gas rates and other charges beginning January 1, 2024

**INTERROGATORIES**

**Filed: February 10, 2023**

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**INTERROGATORIES**

**IR #1:**

Please complete the following table:

| Rate           | Current Monthly Customer Charge | January 1, 2024 as proposed Monthly Customer Charge | April 1, 2026 Month Customer Charge (Harmonized Rates) | Current Demand Charge (cents/m3) | January 1, 2024 as proposed Demand Charge (cents/m3) | April 1, 2026 Demand Charge (cents/m3) | Current Total Bill for Large-volume customer (excluding commodity costs) | January 1, 2024 Total Bill for Large-volume customer (excluding commodity costs) | April 1, 2026 Total Bill for Large-volume customer (excluding commodity costs) |
|----------------|---------------------------------|---|--|----------------------------------|--|--|--|--|--|
| EGD 125        |                                 |   | n/a  |                                  |  | n/a                                    |  |  | n/a  |
| Union South T2 |                                 |   | n/a  |                                  |  | n/a                                    |  |  | n/a  |
| Harmonized E24 | n/a                             | n/a   |  | n/a                              | n/a  |  | n/a  | n/a  |  |

**IR #2:**

**Reference:** Exhibit 7 Tab 1 Schedule 1 and Exhibit 7, Tab 1, Schedule 3

**Preamble**

The cost allocation studies were based on sound cost allocation principles and long-standing methodologies that categorized and allocated costs based on EGD and Union's system operations and customer rate classes. Enbridge Gas has reviewed each of the methodologies and to the extent possible, incorporated those same principles and approaches into the integrated cost allocation study for the amalgamated utility. Please see Exhibit 7, Tab 1, Schedule 3 for a comparison of the EGD and Union OEB-approved cost allocation methodologies.

- Please indicate for each of the categories in Exhibit 7, Tab 1, Schedule 3 where the new cost allocation has increased or decreased the total cost allocation for the different functional classifications for EGD 125 and Union South T2 customers.
- Please provide any classifications where the new allocation increases/decreases cost allocation by 10% or greater.

**IR #3:**

**Reference:** Exhibit 7 Tab 1 Schedule 1 Plus Attachment Page 12 of 12

**Preamble**

Enbridge Gas is increasing the revenue deficiency by \$0.7 million to update the market-based storage costs from \$13.2 million as provided at Exhibit 4, Tab 2, Schedule 1, Attachment 1, page 4, line 14 to \$13.9 million. The adjustment of \$0.7 million is to include the market-based storage fuel costs in the total cost of market-based storage as the fuel costs were not included in the 2024 Test Year Forecast revenue requirement provided at Exhibit 6, Tab 1, Schedule 2.

1. Please explain the driver for the increase in fuel costs related to market-based storage.

**IR #4:**

**Reference:** Exhibit 7 Tab 1 Schedule 3 Plus Attachment Page 2

**Preamble**

Due to the different allocation approaches and the availability of information for Enbridge Gas, the Company cannot provide a complete comparison of the proposed cost allocation methodologies to the OEB-approved cost allocation methodologies for the EGD and Union rate zones in aggregate. The Company was not able to recreate two stand-alone cost allocation studies for the EGD and Union rate zones in the same format that was approved in EGD's and Union's respective 2013 Cost of Service proceedings. The proposed Cost Allocation Study and methodologies used provide an allocation of costs based on cost causation principles similar to the OEB-approved methodologies.

1. Can Enbridge confirm that it is unable to recreate a uniform cost allocation methodology for the EGD and Union rate zones on an individual basis.

2. If the answer to 1 is yes, please explain.

**IR #5:**

**Reference:** Exhibit 7 Tab 1 Schedule 3 Plus Attachment Page 6 of 6

**Preamble**

Union's Cost Allocation Study allocates costs within a functional classification in various manners depending on the specific cost item. In some cases, costs within a functional classification may all be allocated using the same allocation factor while in other cases, costs within a functional classification may have multiple allocation factors depending on the cost item. This approach

1 resulted in a high number of allocation factors relative to the EGD Cost Allocation Study, with  
2 over 100 allocation factors and almost 40 direct assignments in the Union Cost Allocation Study.

3 Enbridge Gas has prepared its 2024 Cost Allocation Study with one allocation factor reflective of  
4 the incurrence of costs for each functional classification category when possible. Where there were  
5 costs within a given functional classification that required a different allocation approach,  
6 Enbridge Gas has direct assigned certain costs. Given the varied nature of the costs in the  
7 distribution function, certain costs were classified as specific, as they required a distinct allocation  
8 specific to the cost item, such as bad debt and DSM. In total, there are 34 proposed allocation and  
9 direct assignment factors in the 2024 Cost Allocation Study. A detailed description of the proposed  
10 allocation methodology is provided at Exhibit 7, Tab 1, Schedule 2, Section 3. A list of the factor  
11 descriptions for functionalization, classification and allocation is provided at Exhibit 7, Tab 2,  
12 Schedule 1, Attachment 11.

13 1. Please provide functional classifications where the allocation factor was reduced to a single  
14 value.

15 **IR #6:**

16 **Reference:** Exhibit 7 Tab 1 Schedule 4 Plus Attachment Page 6 of 20

17 **Preamble**

18 The Panhandle System and St. Clair System are westerly peaking systems serving in-franchise  
19 demands on design day. To the extent ex-franchise Rate C1 and Rate M16 customers use  
20 contracted capacity on design day, the demands would flow easterly to Dawn (counter flow).  
21 Accordingly, the proposed cost allocation methodology does not allocate costs to ex-franchise rate  
22 classes but will instead recognize the use of the Panhandle System and St. Clair System to provide  
23 ex- franchise transportation under Rate C1 and Rate M16 through the rate design process. Enbridge  
24 Gas is proposing to calculate a cost-based demand and commodity rate for these rate classes in  
25 order to provide a contribution towards the recovery of the Panhandle System and St. Clair System  
26 related transmission costs. Please see Exhibit 8, Tab 2, Schedule 5, Section 2.1 for the proposed  
27 rate design for Rate C1 on the Panhandle System and St. Clair System.

28 1. Please provide the increase in costs allocated to ex franchise customers on Rate C1 and  
29 M16 as part of the move to a cost-based demand and commodity rate.

30 **IR #7:**

31 **Reference:** Exhibit 7 Tab 1 Schedule 4 Plus Attachment Page 11 of 20

32 **Preamble**

33 Enbridge Gas is proposing to change the classification of Dawn Parkway measuring and regulating  
34 costs, including plant and O&M costs, to Dawn Station demand and allocate the costs to rate

1 classes based on bi-directional design day demands at Dawn without a distance weighting. This  
2 proposal recognizes that measuring and regulating costs are not affected by the distance gas is  
3 transported, and therefore the use of a distance weighted methodology does not best represent cost  
4 causality. This cost allocation methodology also ensures that similar transmission measuring and  
5 regulating costs on the Dawn Parkway System (Dawn, Kirkwall and Parkway) are allocated based  
6 on bi-directional design day demands without a distance weighting.

7 1. What is the impact of this change for EGD 125 and Union South T2 customers.

8 **IR #8:**

9 **Reference:** Exhibit 7 Tab 1 Schedule 4 Plus Attachment Page 14 of 20

10 **Preamble**

11 Enbridge Gas is proposing to change the allocation of Dawn Parkway transmission demand costs  
12 to in-franchise rate classes by assuming all in-franchise design day demands are served from Dawn  
13 in the derivation of the distance weighted allocation factor. This change will increase the costs  
14 allocated to in-franchise rate classes, as the design day demands supplied from Dawn are  
15 transported over a longer distance than design day demands supplied from Parkway, which will  
16 increase the distance-weighting applied to the in-franchise design day demands. Enbridge Gas is  
17 proposing to allocate PDCI costs in proportion to the allocation of Dawn Parkway transmission  
18 demand costs, which includes an allocation of costs to both in-franchise and ex-franchise rate  
19 classes. The proposal to allocate PDCI costs to both in-franchise and ex-franchise rate classes will  
20 more than offset the increase to in-franchise rate classes from the change in the distance weighted  
21 allocation factor.

22 1. What does Enbridge mean when it says the change “will more than offset the increase to  
23 in-franchise rate classes”? Is the offset recovered from ex franchise customers and, if so,  
24 what is the impact of the change between in-franchise and ex franchise customers?

25 **IR #9:**

26 **Reference:** Exhibit 7 Tab 1 Schedule 4 Plus Attachment Page 15 of 20

27 **Preamble**

28 Enbridge Gas is also proposing to continue to pay the PDCI on all DCQ quantities obligated at  
29 Parkway, as required by the utility, to account for the additional costs incurred by the customer of  
30 the PDO. As part of this Application, Enbridge Gas is proposing to expand the PDO and PDCI  
31 offering to customers located in the EGD rate zone who currently are contractually obligated to  
32 deliver gas at the Enbridge CDA. As provided at Exhibit 8, Tab 2, Schedule 2, Enbridge Gas is  
33 proposing to harmonize the rate design for DP customers located in the Enbridge CDA and the  
34 Union South rate zone, such that they pay common transportation rates. To recognize the system

benefit of delivering gas to Parkway, these customers will receive a PDCI payment as an offset to the gas supply transportation charges.

1. Will the PDCI payment fully offset all gas supply transportation charges? If not, please explain **and calculate the impact**.

**IR #10:**

Reference: Exhibit 8 Tab 1 Schedule 1 Attachment 1 Page 1 of 2

1. Please provide a high-level description and rational for the major increase in T2 Delivery Revenue through demand charges.
2. Is the increase offset in other components of the bill for T2 customers? If so, please explain.

**IR #11:**

**Reference:** Exhibit 8 Tab 1 Schedule 2 Plus Attachments Page 2 of 8

**Preamble**

Enbridge Gas is proposing a new energy transition technology fund (ETTF) effective January 1, 2024, to be used to advance and accelerate research, development and commercialization of low-carbon technologies. A description of the ETTF proposal is provided at Exhibit 1, Tab 10, Schedule 7.

1. Please provide any documents clearly detailing how this money will be spent.
2. Please provide any documents that show this money will not be used on unregulated activities.
3. Will the money be subject to OEB review on an annual basis?
4. Please describe what low-carbon technologies will receive funds from the ETTF.

**IR #12:**

**Reference:** Exhibit 8 Tab 1 Schedule 4 Attachment 2 Page 1 of 1

1. Confirm that the customer charge for EGD 125 increases to \$3K per month in 2024 and then additionally to more than \$15K by 2026.

**IR #13:**

**Reference:** Exhibit 8 Tab 2 Schedule 1 Plus Attachments Page 15 of 40



**Preamble**

As a result of the above, Enbridge Gas was only able to consider creating new rate zones by service area for gas supply and transmission costs. A one rate zone approach for storage and distribution costs is needed given the Enbridge Gas operations and the limited availability of information for different geographic regions. While Enbridge Gas could maintain the existing rate zones, it is not aligned with how Enbridge Gas operates as an amalgamated utility to serve customers. By maintaining existing rate zones, a large number of customers served by the same or similar systems, would continue to pay different costs for similar services. Existing rate zones are also inconsistent with the Company's distribution operations which are divided based on the geographic region or service area, not the EGD and Union franchise areas prior to amalgamation.

1. Please describe and quantify the bill impact of the move to one rate zone for large power generators?

**IR #14:**

**Reference:** Exhibit 8 Tab 2 Schedule 1 Plus Attachments Page 23

**Preamble**

Customer engagement results from phase three were more varied by rate zone than the responses from phase one and phase two. When provided with rate zone specific impacts, customers in rate zones who benefit from the changes had more support for one rate zone while customers in rate zones who did not benefit had more support for maintaining rate zones. Despite the shift in responses from phase two to phase three when presented with specific impact information by rate zone, there were 29% of customers in Union South (the rate zone with the greatest impact) still supporting one rate zone.

1. Did large customers show more/less support for one rate zone than small customers?
  - a) And was there a difference between customers in the Union South and North zones compared to the Enbridge zone?

**IR #15:**

**Reference:** Exhibit 8 Tab 2 Schedule 1 Plus Attachments, Page 27

1. Confirm that rate class E24 includes the current rate class Rate 125 and Rate T2, not Rate 100.

**IR#16:**

**Reference:** Exhibit 8 Tab 2 Schedule 4 Page 5 of 36

**Preamble**

Enbridge Gas is proposing to change this practice for this Application, as the average rate class interruptible unit rate changes proposed for 2024 are decreasing. Applying a common unit rate change to each customer would disproportionately impact customers and for some customers, the average unit rate change would result in a negative rate. To apply the rate changes to each customer in a fair and proportionate manner, Enbridge Gas proposes to adjust each customer specific negotiated rate by a common percentage based on the average unit rate change for each rate class in this Application. The common percentage changes for customer specific negotiated rates are provided in Rider O as part of the rate handbook provided at Exhibit 8, Tab 2, Schedule 7, Attachment 1. In subsequent rate applications, Enbridge Gas will resume the current practice of adjusting rates based on the average unit rate change.

1. Please provide the number of customers that would experience a bill impact of more than 10% as a result of the change.

2. Please provide whether any of these customers are power generators.

**IR #17:**

**Reference:** Exhibit 8 Tab 2 Schedule 4 Page 17 of 36

**Preamble**

Enbridge Gas proposes an interruptible transportation demand charge for interruptible CD which is a change from the current rate design. Under the current semi-unbundled rate classes in the Union South rate zone, interruptible transportation charges are set at a negotiated rate per cubic metre of gas consumed with no charges based on CD. Currently in the EGD rate zone, interruptible rate classes do contain a charge based on CD. As part of the rate harmonization proposal, Enbridge Gas has included a demand charge applied to the interruptible CD consistent with the straight fixed variable rate design methodology. The interruptible transportation demand charge is a common charge for each cubic metre of CD.

1. Please provide the bill impact of the change for customers in the Rate 125 and T2 rate classes.

**IR #18:**

**Reference:** Exhibit 1 Tab 10 Schedule 3

**Preamble**

Enbridge Gas is evaluating opportunities that can generate CFR credits which may include CNG vehicles, the voluntary RNG program and hydrogen blending. Enbridge Gas may register as a

1 credit creator to generate, trade and sell credits under the program where participation in the CFR  
2 credit market can support the Company and its customers in adopting lower carbon solutions.

3 1. How will Enbridge use any revenue from CFR credits?

4 2. Has Enbridge established any oversight or governance documents related to revenue from  
5 CFR credits? If so, please provide them.

6 **IR #19:**

7 **Reference:** Exhibit 1 Tab 10 Schedule 6

8 **Preamble**

9 Enbridge Gas has developed an ETP, including some “safe bet” actions and proposals, to recognize  
10 and incorporate, where possible, the current impacts of energy transition and to ensure that  
11 progress towards Ontario’s 2030 GHG emissions reduction targets and a net-zero future can  
12 continue despite the current pathway uncertainty.

13 The safe bet actions that have shaped Enbridge Gas’s ETP are:

14 a) Maximizing energy efficiency;

15 b) Increasing the amount of RNG in the gas supply;

16 c) Reducing GHG emissions from the industrial and transportation sectors via fuel  
17 switching and CCUS;

18 d) Integrating gas and electric system planning; and

19 e) Supporting consumer choice and the energy transition journey.

20 1. Has Enbridge ranked the proposed “safe bet” options on the underlying economic viability  
21 of each of the options? If so, please provide the ranking?

22 2. If not, how does Enbridge intend to target the options that provide the most value for  
23 ratepayers?

24 **IR #20:**

25 **Reference:** Exhibit 1 Tab 10 Schedule 7

26 **Preamble**

Enbridge Gas is proposing to create an ETTF in the amount of \$5 million annually, for a total of \$25 million over the period of 2024 to 2028. This funding is proposed to be collected through a rate rider rather than through base rates, with a new variance account established to record variances between the amounts collected by the ETTF rate rider and actual costs incurred for ETTF initiatives. Details on the proposed regulatory treatment are provided in Section 4.

While Enbridge Gas will continue to leverage this DSM funding to develop innovative energy efficiency technologies and programming, important aspects of energy transition “safe bets” like RNG, hydrogen and CCUS also require significant technology development in the province, thus requiring meaningful funding levels. For example, while initiatives such as blending renewable content into fossil fuels and increasing production of biogas and RNG have started, the full potential of related technologies is yet to be unlocked through technology advancement on a commercial scale.

The rate rider will be a fixed monthly customer charge to be collected from in- franchise customers so that each customer contributes equally to the development of low-carbon energy technologies. The forecast amount to be collected from customers is \$5 million per year, totaling \$25 million over the 2024 to 2028 period. As a result, the \$5 million proposed to be collected for the ETTF is incremental to the proposed 2024 revenue deficiency. Please see Exhibit 8, Tab 1, Schedule 2 for the rate design and recovery proposal of the ETTF.

The monthly bill impact of the ETTF is \$0.11 per customer. Enbridge Gas’s recent customer engagement shows that the majority of customers support contributing towards an innovation and technology fund with the goal of advancing low-carbon technologies. Please see Exhibit 1, Tab 6, Schedule 1, Attachment 1, pages 16-17 for a summary of these customer engagement results.

1. Please provide details on how the \$5 million in annual revenue will be spent.
2. Please provide details on how the \$5 million in annual revenue will not target unregulated activities.

**IR #21:**

**Reference:** Exhibit 8 Tab 4 Schedule 7

**Preamble**

For the cost allocation, Enbridge Gas is proposing to reduce the proportion of demand-related costs allocated to interruptible services in the 2024 Cost Allocation Study, relative to the proportion of costs previously allocated by EGD and Union in past cost allocation effective January 1, 2024. The cost allocation process is provided at Exhibit 7, Tab 1, Schedule 2. studies. A reduced proportion of allocated costs to interruptible services allows for an increase in the price spread between firm and interruptible services to incent adoption of the interruptible service by customers.

1. Please provide a bill impact for Rate 125 and T2 customers as a result of the change.

**IR #22:**

**Reference:** Exhibit 8 Tab 4 Schedule 7 Plus Attachment Page 22 of 26

**Preamble**

For the rate design, the Company is proposing to design harmonized rates based on a straight fixed variable rate design where fixed costs are recovered through a monthly customer charge and demand charges for all services including interruptible service. A straight fixed variable rate design with a demand charge provides a more consistent price spread between firm and interruptible services for all customers regardless of the customer's rate class, size or load factor. A more consistent price spread ensures customers will receive value from the interruptible service relative to firm service.

1. Please provide any analysis on the current price spread between firm and interruptible service and the spread once the straight fixed variable rate design is in place.

**IR #23:**

**Reference:** Exhibit 8 Tab 1 Schedule 3 Attachment 1; Exhibit 8 Tab 1 Schedule 3 Attachment 2; Exhibit 8 Tab 1 Schedule 4 Plus Attachments Page 6 of 9; Exhibit 8 Tab 2 Schedule 1 Attachment 2

**Preamble:**

According to the references above, EGI will be combining Rate 20 ( $CD \geq 1,200,000$  m<sup>3</sup>/day), Rate 100 and Rate T2 in the single rate class "Rate E24".

1. Please explain how the revenue to cost ratio for this rate class is 0.985 in 2024 when the revenue to cost ratio for Rate 20 is 1.598, Rate 100 is 1 and Rate T2 is 0.983.

2. Please provide the calculation on how the revenue deficiency is \$790,000.

3. Please explain how the proposed Monthly Customer Charge at Exhibit 8 Tab 1 Schedule 4 Plus Attachments Page 6 of 9 is calculated and relates to the revenue deficiency.