MICHAEL R. BUONAGURO

Barrister and Solicitor

24 HUMBER TRAIL
TORONTO, ONTARIO, M6S 4C1
P: (416) 767-1666
F: (416) 767-1666
EMAIL: mrb@mrb-law.com

February 10, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Marconi,

RE: EB-2022-0200 Enbridge Gas Inc. 2024-2028 Rate Application

Please find enclosed the interrogatories filed on behalf of the Ontario Greenhouse Vegetable Growers (OGVG) for Enbridge Gas Inc. in the above noted proceeding.

If any further information is required, please do not hesitate to contact the undersigned.

Yours very truly,

Michael R. Buonaguro
Encl.

EB-2022-0200

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by Enbridge Gas Inc., pursuant to section 36(1) of the *Ontario Energy Board Act, 1998,* for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2024.

INTERROGATORIES TO

ENBRIDGE GAS INC. ("ENBRIDGE")

ON BEHALF OF THE

ONTARIO GREENHOUSE VEGETABLE GROWERS

1.1-OGVG-1

Exhibit 1 Tab 10 Schedule 4 Pages 18 and 19

. . . energy transition has become the most significant factor contributing to increased business risk for Enbridge Gas, as evidenced by findings in the Equity Ratio Study:

. . .

There is increased risk of stranded assets. This risk could be mitigated by accelerating depreciation rates (e.g., through an EPH), however this will increase rate pressure for customers and may result in natural gas becoming less competitive than alternative energy sources;

. . .

a) When does an EGI asset become stranded? For example, does it become stranded when the asset becomes unused by any customers, or does it become stranded when the costs of that asset is no longer allocated for recovery from any customers?

b) Please explain the status quo accounting and regulatory treatments of stranded assets and provide an example of how those treatments are applied.

c) Please confirm that EGI is not proposing any changes to the regulatory and accounting frameworks with respect to the treatment of stranded assets. If not confirmed, please explain how EGI is proposing to change those treatments.

d) Please provide EGI's actual annual stranded asset costs from 2013 to 2022. Please forecast EGI's stranded asset costs from 2023 to 2028.

e) Please provide the stranded asset costs included in the forecast 2024 revenue requirement, if any.

f) Please confirm that based on EGI's forecast of customer behaviour over EGI's 10-year forecast period (2023-2032) the risk of stranded assets relates almost exclusively to distribution level assets as opposed to storage or transmission assets; if not confirmed, please describe the circumstances that underpin a material risk of stranded storage and/or transmission assets in the 2024 to 2028 period.

1.10-OGVG-2

Exhibit 1 Tab 10 Schedule 4 Pages 17, 18

Enbridge Gas and Concentric concluded that introducing an EPH is not appropriate at this time. There remains uncertainty around the impacts that energy transition could potentially have on Enbridge Gas's system as discussed above. However, future depreciation studies may warrant the introduction of regional or system wide EPHs, as the energy transition unfolds and more information on the future utilization of Enbridge Gas's assets becomes available.

If a diversified pathway to net-zero is not adopted in Ontario, Enbridge Gas would seek to introduce an EPH on its system to mitigate the risk of stranded assets. For illustrative purposes, if a system-wide 2050 EPH were to be implemented starting 2024, the 2024 Test Year depreciation expense would increase by $282 million from $921 million to $1.2 billion. The depreciation study used to calculate this is provided at Exhibit 4, Tab 5, Schedule 1 Attachment 1.

a) Please confirm that regional EPHs in conjunction with EGI's one rate zone proposal would mean that customers in regions where natural gas use remains robust enough to obviate the need for an EPH would nevertheless experience increased rates associated with the more rapid depreciation of assets in regions with EPHs. If not confirmed, please explain how customers in a non-EPH region would be protected against the increased depreciation costs associated with a region where an EPH has been implemented.

b) Please confirm that were EGI to maintain separate rate zones for both cost allocation and rate design purposes, an EPH implemented in one (regionally based) rate zone would not adversely impact rates in any of the other rate zones.

2.2-OGVG-3

Exhibit 2 Tab 2 Schedule 1

EGI's application includes forecast in service additions for 2024 of $1,504.3M. While EGI has broken out 2024 capital spending based on projects that require Leave to Construct, the 2024 in service additions are not broken out based on projects that require Leave to Construct.

a) Please update the forecast 2024 in service additions to reflect changes in the forecast since the application was filed.

b) Please break out the 2024 in service additions between spending on projects that do not require leave to construct and projects that do require leave to construct.

c) Please further break out the 2024 in service additions that require leave to construct between spending that has already received leave to construct and spending that has yet to receive leave to construct.

d) Please calculate the revenue requirement impact of the proposed in-service additions, split between non-leave to construct spending, leave to construct spending that has been granted leave, and leave to construct spending that has not been granted leave.

3.2-OGVG-4

Exhibit 3 Tab 2 Schedule 6 Attachment 2
Exhibit 3 Tab 2 Schedule 7 Attachment 1 Page 1
Exhibit 3 Tab 2 Schedule 8 Attachment 1 Page 2
Exhibit 3 Tab 2 Schedule 8 Attachment 2 Page 2

EGI has provided forecast average number of customers and annual throughput for the 2024 test year for each of the existing rate classes.

a) Please break out the forecast number of Greenhouse-Agricultural customers in each rate class and the forecast 2024 throughput for those Greenhouse-Agricultural customers within each rate class; OGVG has provided the preferred format of the answer below. When completing the answer, please use updated forecast customer numbers and throughput for 2024 as necessary. Please provide the answer in excel format.

Rate Class	2024 (Test Year Forecast)			
	Total (average) Customers	Annual Throughput- Total (average) Customers (10^3 m^3)	Greenhouse-Agricultural Customers	Annual Throughput- Greenhouse Agricultural (10^3 m^3)
General Service (EGD)				
Rate 1	2,158,512	5,001,000		
Rate 6 (including Rate 9)	172,843	4,795,700		
Contract (EGD)				
Rate 100	14	27,429		
Rate 110	416	1,068,281		
Rate 2115	22	381,873		
Rate 125	4	824,971		
Rate 135	41	52,646		
Rate 145	16	15,714		
Rate 170	22	323,254		
Rate 200	1	188,852		
Rate 300	0	0		
Rate 315	0	0		
General Service (Union)				
Rate M1	1,202,887	3,255,100		
Rate M2	8,069	1,319,400		
Rate 01	369,169	989,000		
Rate 10	2,204	328,000		
Contract (Union)				
Rate M4	225	593,900		
Rate M7	61	789,737		
Rate M9	4	90,073		
Rate M10	0	0		
Rate 20	62	929,101		
Rate 100	12	1,076,378		
Rate T1	39	431,289		
Rate T2	26	5,005,643		
Rate T3	1	249,200		
Rate M5	38	59,493		
Rate 25	25	126,831		
Rate 30	0	0		

4.4-OGVG-5

Exhibit 4 Tab 4 Schedule 3 Plus Attachments Page 3 Table 1
Exhibit 4 Tab 4 Schedule 3 Plus Attachments Page 8 Table 2

EGI provides the FTEs related to CFs from 2018 to 2024 in Table 1.

Costs for employees that are part of CFs have been excluded from EGI compensation amounts starting in 2018 following the Enbridge Spectra merger as costs are allocated through the Central Function Cost Allocation Methodology.

a) Please update Tables 1 and 2 to reflect actuals to the end of 2022.

b) Please provide the compensation amounts (broken out between Salaries/Wages and Total Benefits/Incentive Pay) associated with employees that are part of CFs for the years 2018 to 2024, with the data updated to reflect actuals to the end of 2022.

4.4-OGVG-6

Exhibit 4 Tab 5 Schedule 1 Attachment 2 Page 8 of 8

EGI forecasts a depreciation expense increase of $168.9M relative to a "current rates" cost of $752.5M, resulting in a total 2024 forecast depreciation expense of $921.4M.

a) Please confirm that the "current rates" cost of $752.5M is based on the two distinctly different depreciation methodologies and procedures for each of the legacy Union and EGD rate zones as described at Exhibit 4 Tab 5 Schedule 1 Page 5 Table 2; if not confirmed, please explain the basis for the "current rates" calculation. Please comment on whether the "current rates" scenario could be used by EGI going forward.

b) Relative to the claimed depreciation expense of $921.4M based on the use of Equal Life Groups (ELG), please calculate the equivalent depreciation expense for 2024 assuming, all else remaining the same, the use of Average Life Groups (ALG) instead; in providing the calculation please update the claimed depreciation expense under both scenarios to reflect updates and corrections in the application to date.

c) Please extend the forecast of depreciation expense under both the ALG scenario and the proposed ELG scenario (both as updated) over the 5 years of EGI's proposed IRM term, assuming the 2024 to 2028 proposed capital spending as set out in Exhibit 2 Tab 6 Schedule 1 Page 36 (as updated).

	2024	2025	2026	2027	2028
ALG					
ELG	921.4M				

d) Please confirm that the use of ALGs remains acceptable for EGI even though EGI prefers ELGs; if not confirmed please explain why EGI cannot use ALGs as the basis for its depreciation expense.

e) If the test year depreciation expense were set based on Average Life Groups with a (OGVG assumes) corresponding reduction in EGI's materiality threshold during the

proposed IRM period, how would EGI's forecast need for access to ICM relief change in the 2025 to 2028 period?

4.5-OGVG-7

Exhibit 4, Tab 5, Schedule 1, Attachment 1, Page 19
Exhibit 1 Tab 10 Schedule 4 Page 18

Concentric has attached Appendix 1 that shows the depreciation rate calculations using the same recommended depreciation parameters as the current study, with the introduction of a 2050 EPH [economic planning horizon]. While Concentric is not recommending this move at this time, the calculations are provided as an example of what would be expected if a 2050 EPH were approved.

EGI estimates the impact of the theoretical EPH relative to the applied for depreciation expense of $921.4M to be an additional $282M in 2024.

a) Please describe how the level of depreciation expense would be impacted in the years following 2024 assuming an EPH of 2050 were to remain in place. If feasible, please estimate the annual depreciation expense using the 2050 EPH for the 2024 to 2028 period based on EGI's proposed capital spending as set out in Exhibit 2 Tab 6 Schedule 1 Page 36 (as updated).

b) Please break out the estimated $282M impact of the theoretical EPH into storage, transmission, and Distribution related impacts.

c) Please comment on the feasibility of, instead of implementing an EPH, increasing EGI's depreciation rates by a fixed amount, either across all assets or across specific asset types (for example, a scenario where the depreciation rates applied to all distribution assets were to be increased by 10%) as a measure to mitigate against the risk of future stranded asset value. Please describe the impact such increases would have (for example, does a 10% increase in a depreciation rate correlate to a linear 10% increase in depreciation cost for the affected asset class?).

4.5-OGVG-8

Exhibit 4 Tab 5 Schedule 1 Attachment 2 Page 8
Exhibit 6 Tab 1 Schedule 2 Attachment 2 Page 2

The new depreciation study is cited as contributing to a 168.9M increase in depreciation in Exhibit 4; in Exhibit 6 the new depreciation study is cited as contributing to a 198M increase in depreciation.

a) Please reconcile the two different depreciation study impacts on the 2024 revenue requirement, cited as 168.9M in Exhibit 4 and 198M in Exhibit 6; when doing so please account for any updates to the 2024 depreciation expense.

7.1-OGVG-9

Exhibit 7 Tab 1 Schedule 1 Page 5

The 2024 Cost Allocation Study is prepared based on one rate zone for all costs and rate classes with the exception of transportation service options that provide regional transportation service, such as ex-franchise transportation service options and transportation services for semi-unbundled and unbundled customers. A one rate zone approach to the Cost Allocation Study allows for consistent pricing of like services across rate classes and geographic regions.

a) Please comment on the impact, if any, that EGI's one zone proposal will have on rate stability if fully implemented both at the cost allocation phase and the rate design phase.

b) Please explain what impact, if any, the proposal to implement one rate zone for both cost allocation and rate design purposes has on the recovery of costs associated with stranded assets.

8.2-OGVG-10

Exhibit 8 Tab 2 Schedule 8 Attachment 10

This attachment calculates the total bill impact for each status quo rate class as a result of the implementation of the proposed 2024 rates.

a) Please confirm that for Direct Purchase (DP) customers EGI used the forecast 2024 sales service commodity charge as a placeholder for both the 2023 DP and 2024 DP commodity charges, such that the resulting Total Bill Impact for DP customers assumes no change in commodity costs from 2023 to 2024. If not confirmed please explain how EGI forecast the commodity portion of the 2023 and 2024 total bills for DP customers.

b) Please confirm that the actual total bill impact for any DP customer will depend on their actual 2023 and 2024 commodity charges from their supplier.

9.2-OGVG-11

Exhibit 9 Tab 2 Schedule 1 Plus Attachments Pages 16-19

Prior to December 31, 2018, Union recorded unamortized actuarial gains/losses and past service costs ("Actuarial Losses") in Accumulated Other Comprehensive Income (AOCI) and amortized the balance over the expected average remaining service life (EARSL) of employees in accordance with US GAAP Accounting Standards Codification (ASC) 715-30-35-24, Compensation-Retirement Benefits. This amortization expense was part of the pension and OPEB costs that were recognized annually and included in the forecast that underpinned rates.

The pension balance in the APCDA reflects the forecast December 31, 2023 balance of unamortized accumulated actuarial gains/losses and past service costs incurred by Union. The amortization of accumulated actuarial gains/losses and past service costs, and corresponding drawdown of the APCDA asset over the deferred rebasing term, is recognized as a component of accrual-based pension expenses, which are included in operating and maintenance expenses and recovered in rates. Through 2021, Enbridge Gas amortized $41.8 million of the $211.2 million pre-2017 balance originally transferred to the APCDA. Enbridge Gas forecasts additional amortization of $14.2 million over the 2022 Estimate to 2023 Bridge Year, resulting in a residual unamortized balance of $155.2 million as included in this evidence. The annual forecast

amortization amounts are derived by Mercer in accordance with U.S. GAAP and are provided at Attachment 8 along with the forecasted ending December 31, 2023, residual balance.

a) Please provide the most recent reference to any amounts included in Union's rates relating to the amortization of accumulated actuarial gains/losses and past service costs (OGVG expects that the most recently such amounts would have been specified in Union's rates would have been in Union's last rebasing application, EB-2011-0210, as that was the last (and final) time Union filed a cost of service application).

b) Please explain the basis upon which EGI has been forecasting the amortization amounts that it has been using to drawdown the APCDA asset since 2017, including an explanation as to why the amount fluctuates from year to year.

c) Please explain the basis upon which Union determined the amortization amount to draw down in the pre-2017 period that resulted in the $211.2 million pre-2017 balance that was originally transferred to the APCDA as a result of the amalgamation of EGD and Union.

d) Please confirm that it would be acceptable for both regulatory and accounting purposes to continue to draw down an annual amount against the remaining unamortized actuarial losses amount in the same or a similar manner as has been EGI's practice prior to this application; if not confirmed, please explain why it is necessary to dispose of the entire remaining balance in this proceeding.

9.1-OGVG-12

Exhibit 9 Tab 1 Schedule 3 Page 10

Enbridge Gas proposes that the LDSVA record the variance between the actual external costs for locate delivery services, and the external locate delivery costs included in base rates of $45 million. External locate delivery costs includes both the external costs to provide locate delivery services and receive locate delivery services for Enbridge Gas's own operations. The cost variance in the LDSVA will be offset by the revenue collected through the new locate delivery service charge applicable to third-party contractors and other utilities who request locate services from Enbridge Gas.

a) Please explain any objections that EGI may have with a proposal that would escalate the proposed $45 million annual threshold in accordance with any escalator applied to EGI's rates during any approved IRM term before EGI's next rebasing application?