ONTARIO ENERGY BOARD

Enbridge Gas Inc.

Application to change its natural gas rates and other charges beginning January 1, 2024

INTERROGATORIES to INTERGROUP CONSULTANTS (Intergroup)

from

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

M1-IGUA-1

Preamble:

Intergroup considers asset life parameters for a number of asset accounts at pages through 45 of its report, and summarizes the impact on depreciation expense of its asset life recommendations for these accounts at page 45. IGUA understands that these impacts are calculated by Intergroup assuming the ELG procedure recommended by Concentric and proposed by Enbridge Gas Inc. (EGI) (as indicated at page 5 of the report).

Intergroup canvasses the disadvantages of adopting the ELG procedure as compared to the ALG/ASL procedure. IGUA has sponsored the evidence of Emrydia Consulting Corporation (Emrydia, Exhibit M5) which also favours use of the ALG/ASL procedure.

Questions:

a. Could Intergroup please recalculate the impacts of its recommended asset life parameters using the ALG/ASL procedure, and provide those impacts.

b. Please provide the underlying calculations of the impacts of Intergroup's recommended asset life parameters for both the figures presented in the evidence (based on the ELG procedure) and the figures requested in part of this question (based on the ALG/ASL procedure).

M1-IGUA-2

Preamble:

At page 56 of its Report Intergroup states (emphasis added):

> *Review of Enbridge Gas's evidence suggests that Concentric's proposal with respect to the net salvage rates is not well supported for several accounts discussed below. In particular, the findings raise concerns with peer information used for these accounts; accuracy of the retirement data; and reasonableness of the proposed net salvage rates.*
>
> *At the outset, it is important to note that the net salvage analysis is working with a very short record for many of the largest accounts, often only since 2010 or later. Also it is possible that the merging of data from the two utilities has proven more problematic in the case of salvage, as the data alignment and quality is significantly less coherent than the capital asset data used to assess life. Examples are given of this effect in the following* sections.

Emrydia in its evidence sponsored by IGUA makes the following recommendations in respect of net salvage considerations [Exhibit M5, pages 90-93];

a. That the OEB direct EGI to begin separately tracking and reporting the annual changes in the current net salvage liability; i.e. the existing balance in the account inclusive of any approved funding to the account and actual costs incurred. [Exhibit M5, page 90]

b. That there would be significant benefit from EGI calculating and reporting the expected future net salvage cost liability based on two assumptions:

    1. The applied for net salvage rates.

    2. The five-year average actual experienced net salvage costs for each account.

c. That the OEB consider directing EGI to conduct a study for its 10 largest property accounts and report on the following;

    1. The current approach to salvaging the assets, including the approximate unit material and labour costs to salvage assets.

    2. Alternative approaches available to salvage certain assets, such as abandonment in situ, and the implications such approaches may have on salvage costs.

    3. EGI's best estimate of the future costs to salvage the assets within each account, including the assumptions used to develop those estimates.

Mr. Madsen of Emrydia suggests that the information provided by the foregoing tracking, reporting and investigation would provide transparency on potential future salvage costs, and provide additional data points to assist in developing future net salvage estimates.

Question:

In light of the data concerns expressed by Intergroup does Intergroup see merit in the tracking, reporting and investigation recommendations offered by Mr. Madsen? Please discuss.

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