April 28, 2023

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

Dear Ms. Marconi,

RE: EB-2022-0200 Enbridge Gas Inc. 2024 Rebasing Application
Energy Probe Interrogatories on Board Staff and Intervenor Evidence

Attached are the interrogatories of Energy Probe on Board Staff and intervenor evidence.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
Digitally signed by Tom Ladanyi
Date: 2023.04.28 14:36:12 -04'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe Research Foundation)
Roger Higgin (Sustainable Planning Associates Inc.)
Vanessa Innis (Enbridge Gas Inc.)

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EB-2022-0200 EGI 2024 Rebasing
Energy Probe Interrogatories on Intervenor and Staff Expert Evidence

M2 Staff-London Economics International for Board Staff

M2. Energy Probe. 1

Reference: LEI Report Page 1
Preamble: LEI Concludes
"There is a modest increase in business risks for Enbridge Gas despite the advantages from amalgamation, particularly due to <u>increase in risks associated with energy transition.</u>
• Since the amalgamation, Enbridge Gas is more capable of managing risks (including energy transition risk), owing to its larger customer base and the opportunity for increased operating efficiencies from economies of scale;
• There is no material increase in financial risks, particularly with regard to risk of credit rating downgrade, consideration of environmental, social and governance ("ESG") factors in credit rating analysis, and accessibility to debt markets; and
• The current equity ratio of 36% is lower compared to Canadian peers (averaging 37.2% customer-weighted average equity ratio) and US peers (averaging ~51.4% customer-weighted average equity ratio)."

a) Please confirm that both LEI and Dr. Cleary (IGUA) agree there is no change in EGI's Financial Risk and EGI's Credit metrics are sound.

b) When will the increase in risks related to the energy transition materialize?
   i. in the next 3 years
   ii. in 3-5 years
   iii. in 5-10 years

c) Why is a comparison to a US peer group appropriate, given the different rates of return awarded by Canadian Regulators?

d) How much weight did LEI place on the US peer group and Canadian peer group to determine comparability?

e) How much weight did LEI place on Energy Transition risk vs Comparability to peer group in arriving at its 38% equity thickness recommendation?

M2. Energy Probe. 2

Reference: LEI Report Page 19
Preamble: "While LEI acknowledges that energy transition is a significant concern for Enbridge Gas in the coming decades, the transition is expected to play out over multiple decades, which provides Enbridge Gas time to prepare and mitigate the risks while opening up new opportunities. Green hydrogen, which is one of the future alternatives to natural gas identified by Enbridge Gas, has seen significant policy support in North American jurisdictions (see discussion in sub-section below). Further, it is unlikely that Enbridge Gas will face significant difficulties in financing new gas infrastructure between 2024 and 2028 owing to a favorable

policy and regulatory environment, with a stable outlook for the near-term from credit rating agencies."

a) How is the above statement consistent with the conclusion that overall, LEI agrees that there is an increase in risk for Enbridge Gas from changes in the policy environment despite its advantages from being a large utility operating within a relatively favorable regulatory environment.

b) How much is the increase in risk during the proposed rate term to 2028 (%)?

M2. Energy Probe. 3
Reference: LEI Report, Page 23 and Figures 14 and 15
Preamble: "Additionally, Enbridge Gas projects a steady growth in number of customers served and sales volume between 2022 and 2028 (i.e., Compound Annual Growth Rate or "CAGR" of: 1% for customers served; and 0.9% for sales volumes)."

a) Please provide the historic growth (CAGR) for the US sample
   i. Customers
   ii. Annual Volumes distributed.

b) How much do the EGI Community Expansion Projects increase customers/volumes and reduce volumetric and business risks during the rate term?

M2. Energy Probe. 4
Reference: LEI Report, Page 23
Preamble: "LEI finds that there has been a reduction in annual natural gas pipeline additions observed in the US in the last 5 years. Between 2018 and 2022, new pipeline capacity additions averaged 8,656 MMcf/d annually compared to the annual average of 15,576 MMcf/d observed between 2013 and 2017 (see Figure 10)."

a) Please provide the Canadian pipeline capacity additions over the past 5 years.

b) Please provide the Union/Enbridge Gas Distribution/EGI pipeline capacity additions
   i. over the past 5 years and
   ii. projected 2024-2028

Compare to Canada and to US

M2. Energy Probe. 5
Reference: LEI Report, Page 33
Preamble: "LEI believes that regulatory risk has remained unchanged compared to 2017/2018. In the recent 2022 DBRS report, it classified Enbridge Gas' *low-risk regulated operations* as one of Enbridge Gas' strengths in its rating considerations.[97] This is similar to DBRS' assessment in 2018, when it considered the regulatory environment as one of the strengths for EGD and Union Gas."

a) Has LEI assessed the Regulatory Risk reduction related to EGI's proposed SFD rate design?
If so, please provide LEI's estimate the impact on regulatory and overall risk.

b) If not, please provide that estimate.

M2. Energy Probe. 6
Reference. LEI Report, Page 49
Preamble: "The equity ratio for Ontario electricity distribution companies has consistently been higher than Enbridge Gas (and its predecessor companies, EGD and Union Gas) and was so in both 2012 and 2017. It is worth noting that Enbridge Gas currently has significantly higher customers than the largest electricity distributor in Ontario."

a) Hydro One is Ontario's Largest Electricity Transmitter/Distributor. Please confirm Hydro One debt/ equity Ratio as per the OEB Year Handbook is 1.71 and Interest coverage 3.2.

b) Please provide a side by side comparison of Hydro One Credit metrics with those of Enbridge Inc.

M2. Energy Probe. 7
Reference: LEI Report, Appendix B
Preamble: "To understand the impact of LEI's recommendation on Enbridge Gas' credit metrics over the 2024-2028 period, LEI performed a forward-looking credit metric analysis for the 2024-2028 period assuming an allowed equity ratio of 38% in conjunction with three scenarios of allowed ROEs (9.36% for the base scenario; 8.86% and 9.86% for the other two scenarios)."

a) Why are Scenarios with 7.36% and 6.36% ROE realistic to examine?

b) Please provide the credit metric thresholds for retaining EGI's A rating with the current ROE
    i. 36% Equity ratio
    ii. 37% Equity ratio
    iii. 38% equity ratio

M2. Energy Probe. 8
Reference: LEI Report Excel Working Papers, Tab Figures 34, 36, 37 and 38

a) Please confirm equity ratio assumption(s)

b) Please provide a Spreadsheet with Interest Expense and other ratios for 36% equity ratio.

c) Please provide a comparison Table for 36% equity ratio LEI recommended 38% equity ratio.

M2. Energy Probe. 9
Reference: LEI Report General

a) Please confirm Enbridge Gas Inc has over-earned its ROE by~ 1.5% from 2018-2022.

b) How does this directionally affect LEI's analysis on risks?

c) Please reproduce a summary table for each type of risk based on 1.5% higher Actual ROE

M4 FRPO Evidence Dawn-Parkway Turnback Dr. Rosencrantz

M4. Energy Probe. 1
Reference: Exhibit M4, Page 9
Preamble: "TransCanada entered into long-term contracts with LDCs and end users for 670,343 GJ/d of long-haul transportation service from Alberta. This includes new service to Iroquois (35,720 GJ/d), East Hereford (111,723 GJ/d), and Energir EDA (157,000 GJ/d)."

a) Please confirm the recent reduction in Energir volumes on Dawn-Parkway.

b) Please confirm Energir is also storing Gas from TCPL in Intragas storage instead of at Dawn. How much is the reduction GJ and %

c) How material is this change in the Energir Gas Supply Plan to Dawn annual volumes and Peak demand GJ and %?

M4. Energy Probe. 2
Reference: Exhibit M4, Pages 14 and 15
Preamble: To reduce the risk of undue cost shifting, EGI should put limits on the ex-franchise demands that will be used to allocate Dawn Parkway System costs at the next rate rebasing, based the requirements forecast that EGI uses to obtain Board approval for a Dawn Parkway System expansion. The objective would be to allocate Dawn Parkway System costs based on the demands for which the transmission facilities were constructed, not just the actual demands in effect at the time of rebasing.

a) Please comment on the following
    i) under reduced demand, transportation rates would need to increase for all D-P customers (in-franchise and ex-franchise)
    ii) if unit in-franchise unit rates were maintained ex-franchise customer rates would need to increase
    iii) De-contracting of ex-franchise customers would only occur at end of term.

M4. Energy Probe. 2
Reference: Exhibit M4, General
Preamble: Energy Probe would like Dr. Rosencrantz's opinion on the Parkway delivery Option PDO and PDCI payment given changes in supply sources and transportation.

a) Should the PDO and PDCI be continued based on the gas transportation outlook?

b) Should the PDCI be reassessed?

Submitted on behalf of Energy Probe by its consultant,

Roger Higgin
SPA Inc.