ENBRIDGE GAS INC.
2024 REBASING – PHASE 1

Written Interrogatories of Enbridge Gas Inc.

M1-EGI-1

Reference:

Exhibit M1

Preamble:

To understand which aspects were in and out of scope and what the mandate was.

Question(s):

Please provide the retainer agreement and the scope of work OEB Staff requested InterGroup to conduct in relation to depreciation and copies of all communications between OEB Staff and Intergroup that relate in any way to the opinions stated by Intergroup in its report.

M1-EGI-2

Reference:

Exhibit M1

Question(s):

Please identify where Intergroup considered in its report the initiatives being led by the OEB to examine energy transition and its impact on consumers and rate regulated utilities in Ontario? Please specifically list these initiatives. Please then reference the sections relied upon for the purposes of your report.

M1-EGI-3

Reference:

Exhibit M1

Question(s):

Did InterGroup review/discuss the evidence on depreciation prepared by Emrydia prior to submitting their report to the OEB? If so, please provide all communications between InterGroup and Emrydia.

M1-EGI-4

Reference:

Exhibit M1

Question(s):

Please confirm that InterGroup has not provided evidence, as part of any proceeding, that supports a depreciation method other than ALG or ASL methodology. If not confirmed, please identify the proceeding and a provide a complete copy of InterGroup's (or its predecessor's) evidence.

M1-EGI-5

Reference:

Exhibit M1, pages 1 and 12

Preamble:

At page 1, InterGroup states:

"Intergroup has also reviewed the previous depreciation studies prepared by the former Enbridge Gas Distribution ("EGD") and Union Gas ("Union") as they relate to the now amalgamated operations."

At page 12, InterGroup states:

"… Generation arrangement applies calculations to determine the depreciation accrual amounts that are normally the same as ASL (applied to each vintage) but can also use ELG methods."

Question(s):

a) Based on InterGroup's review of the prior Union depreciation study, please confirm that the depreciation calculations were performed using a generation arrangement that closely mirrors the ELG procedure.

b) If not confirmed, please describe the method used in the prior Union depreciation study in detail, comparing the procedure used to both ELG and ALG procedures.

M1-EGI-6

Reference:

Exhibit M1, page 2 and Section 6.2

Preamble

At page 2, Mr. Bowman states that he is a member of the Society of Depreciation Professionals (SDP).

At Section 6.2, Mr. Bowman describes Issues with the CDNS calculations prepared by Mr. Kennedy.

Question(s):

a) Please confirm if Mr. Bowman has attended any of the SDP training sessions or Open Mic Forums (OMF). If confirmed, please provide a listing of the courses or OMF's attended.

b) Please confirm that the SDP offers training in a number of specialized area of depreciation rate calculations, including the offering of a course titled "Analyzing Net Salvage in the Real World".

c) Please confirm that the teaching faculty of the titled "Analyzing Net Salvage in the Real World" course includes, Dr. Susan Jensen, Ph.D., CDP; Mr. William Stout, Mr. Ned Allis, CDP, and Mr. Dane Watson, PE, CDP.

d) Please also confirm that Mr. Kennedy is a member of the teaching faculty of the SDP training program.

e) Please confirm that the CDNS calculations are grouped in the teaching module related to Inflation Adjusted Net Salvage Models and are not discussed as a refinement to the Traditional Method of net salvage.

f) Please confirm that the calculations as prepared by Mr. Kennedy are in accordance with the calculations taught in the SDP course titled "Analyzing Net Salvage in the Real World". Specifically, please confirm Mr. Kennedy's calculations are consistent with those shown in the module titled Age/Inflation adjusted Analysis.

M1-EGI-7

Reference:

Exhibit M1, page 5

Preamble:

At page 5, InterGroup states:

"ELG is premised on highly accurate input data and does not match well with the concept of designing rates to reflect the average life performance of assets organized into groups (e.g. a set of trucks, or a set of pipes)."

At page 5, footnote 4, InterGroup states:

"EGD used the ASL procedure and Union used a different approach known as Generation Arrangement"

At page 5, bullet 1 part a., InterGroup states:

"…yet, the average performance across the group will be experienced by all generations of ratepayers. ELG excessively burdens the early generations of ratepayers with costs that do not reflect average or expected asset group performance."

Question(s):

a) Please confirm that the ELG procedure is also known as the "Unit Summation Procedure". If not confirmed, please describe the differences between the ELG and Unit Summation Procedures.

b) Please provide a detailed depreciation rate calculation for Account 462.00 using the Iowa 60-S4 and a net salvage percentage of negative 5% prepared in accordance with the ELG – Remaining Life procedure, the ALG – Remaining Life procedure and Generation Arrangement Procedure. Please respond with all the calculation details to support all three calculations.

c) Please confirm that over the life of a group of assets, all three procedures (ELG, AGL and Generation Arrangement) will recover only the prudently made investment in the group of assets – nothing more-nothing less.

d) Please confirm that the comments reflected in Reference 3 above, are based on a premise of Mr. Bowman that the same ratepayers are in both the early generation of ratepayers and later generations of ratepayers.

e) If part d) is not confirmed, please explain why later generations of ratepayers should bear a cost burden for a short-lived group of assets that were fully consumed by a differing set of ratepayers.

M1-EGI-8

Reference:

Exhibit M1, page 11
Exhibit JT4.17

Preamble:

At page 11, InterGroup has recommended changes to Enbridge Gas's depreciation proposal which directionally decrease annual depreciation compared to Enbridge Gas's proposal.

At Exhibit JT4.17, Concentric estimated the impact on depreciation expense from applying a 2050 EPH if it were to start being applied in future periods.

Question(s):

Please confirm that if Intergroup's recommended changes were adopted under each of the ALG and ELG procedures the impact of applying a 2050 EPH in a future period would further increase the depreciation expense impacts presented in the response to Exhibit JT4.17. Please provide the estimated impact on the response provided at JT4.17 at the times stated either specifically or directionally under both ALG and ELG. Please state any simplifying assumptions and caveats necessary to provide a response.

M1-EGI-9

Reference:

Exhibit M1, page 24

Preamble:

At page 11, Table 1 outlines Mr. Bowman's estimated impact of his recommendations related to Enbridge Gas's recommended depreciation rates.

At Exhibit I.4.5-STAFF-168, Enbridge Gas provided a working model of the CDNS calculations and depreciation rates based on selected scenarios of CDNS discount rates.

Question(s):

a) Please confirm that the $24.9 million variance as shown in Table 1 in Mr. Bowman's evidence is not based on a recalculated ELG annual accrual amount.

b) If the above is not confirmed, please provide the detailed ELG calculations in support of the "Annual Accrual in 2021" amounts in Attachment 2 to Mr. Bowman's evidence on all tabs except "CDNS" and "CDNS Concentric". For example, please provide the detailed ELG calculations in support of the $387,428 as shown in cell M67 of Tab "452".

c) Please confirm that Mr. Bowman's calculations have followed ALG vintage group procedure in the above calculations.

d) Please provide the detailed ELG annual accrual calculations in support of the figures listed under "Estimated Impact on Enbridge Gas's Proposed Depreciation for 2024" for lines 2 to 7 and lines 10 to 15.

e) Please confirm that a discount rate of 5.87% would result in a lower total depreciation expense than a discount rate of 5.27%

M1-EGI-10

Reference:

Exhibit M1, pages 32, 41-43, 45
Exhibit I.4.5-STAFF-172, Attachment 1

Preamble:

At Exhibit I.4.5-STAFF-172, Attachment 1, Gannett Fleming completed a draft depreciation study in February 2017 to support the expected 2019 Rebasing application for EGD. The study was not completed or reviewed by management and is not relevant to this application.

Question(s):

Please confirm when factoring in interviews with management and operations staff, InterGroup only used EGD interviews from 2016. If not confirmed, please identify and provide the interviews that were used.

M1-EGI-11

Reference:

Exhibit M1, page 66

Supreme Court of Canada Decision, Docket 35506, September 25, 2015, Ontario Energy Board vs. Ontario Power Generation, paragraph 16[1]

Court of Appeal of Alberta, Docket 1901-0344AC, April 14, 2023, ATCO Electric Ltd. vs. Alberta Utilities Commission, paragraph 45[2]

Australian Energy Regulatory (AER), Regulating gas pipelines under uncertainty, November 2021[3]

Preamble

At page 66, Mr. Bowman states:

"The underlying assumption in the calculation [a scenario of a 2050 EPH which was attached as Appendix 1 to the Concentric Depreciation Study Report] is that the utility operator is entitled to a complete recovery of their invested capital, which has been invested in now stranded utility assets. This may or may not be an assumption in accord with the policy regarding energy transition in the province."

At paragraph 16, the Supreme Court of Canada Decision states:

"[16] This means that the utility must, over the long run, be given the opportunity to recover, through the rates it is permitted to charge, its operating and capital costs ("capital costs" in this sense refers to all costs associated with the utility's invested capital)."[4]

At paragraph 45, the Supreme Court of Canada Decision states:

"The "allocation of risks and benefits associated with property ownership" and "fundamental property and corporate law principles" are only of peripheral

[1] Docket 25506, Supreme Court of Canada Decision, September 25, 2015. https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html
[2] Docket 25506, Supreme Court of Canada Decision, September 25, 2015. https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html
[3] Regulating gas pipelines under uncertainty. Information Paper. November 2021. https://www.aer.gov.au/system/files/AER%20Information%20Paper%20-%20Regulating%20gas%20pipelines%20under%20uncertainty%20-%2015%20November%202021.pdf
[4] Docket 25506, Supreme Court of Canada Decision, September 25, 2015. https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html

importance to determining if a utility should be given the opportunity to recover prudently incurred costs."[5]

At Section 4.2, the Australian Energy Regulator, provides a number of pros and cons related to the acceleration of depreciation expense (including the shortening of asset lives) to deal with the issue of Energy Transition for gas pipelines.[6]

Question(s):

a) Please confirm that Mr. Bowman was aware of the above two Decisions directly related to the concept of utility recovery of prudently incurred capital costs in Canada.

b) Please confirm that Mr. Bowman is aware of the discussion of the AER regarding energy transition.

[5] Docket 1901-0344AC, Court of Appeal of Alberta, April 14, 2023. https://www.canlii.org/en/ab/abca/doc/2023/2023abca129/2023abca129.html
[6] Regulating gas pipelines under uncertainty. Information Paper. November 2021. https://www.aer.gov.au/system/files/AER%20Information%20Paper%20-%20Regulating%20gas%20pipelines%20under%20uncertainty%20-%2015%20November%202021.pdf

M2-EGI-12

Reference:

Exhibit M2, page 18, Figure 9, and page 19

Preamble:

At page 18, Figure 9, LEI states:

- "Energy transition is a more material concern for Enbridge Gas compared to 2018
- However, the impact of such risks is more manageable for larger gas LDCs like Enbridge Gas, relative to smaller gas LDCs
- The transition is expected to play out over multiple decades, which provides Enbridge Gas some time and predictability to prepare and mitigate the risks, while opening up new opportunities
- Enbridge Gas operates in a favourable policy and regulatory environment with respect to identified alternatives"

At page 12, LEI states:

"LEI believes that government policies will have an asymmetrical impact on smaller gas local distribution companies ("LDCs") by 2028."

Question(s):

a) Please explain the basis for concluding that energy transition risks for larger LDCs, such as Enbridge Gas, are more manageable relative to smaller gas LDCs.

b) Is it LEI's position that equity investors do not consider energy transition risks that will play out over multiple decades? Please explain.

c) What aspects of Enbridge Gas's policy and regulatory environment does LEI find favourable when it comes to managing energy transition risks, and has LEI compared these features to other North American LDCs?

M2-EGI-13

Reference:

Exhibit M2, page 22, and footnote 55

Preamble:

At page 22, LEI states:

"A recent report published by the Canadian Gas Association with respect to investor expectations on North American natural gas utilities concluded that *"…investors are still confident that gas utilities are valuable investments… Because natural gas is currently a low-cost energy resource without an equally low-cost and reliable replacement, the investment community views gas utilities as a good investment target if they have a well communicated and feasible decarbonization and energy transition plan*".[55]"

Question:

Please confirm that the same report concluded that investor participants in the survey expressed a "preferable band" on the debt-to-equity ratio of 40-60% (provided at footnote 55, page 29, under Key Learnings)

M2-EGI-14

Reference:

Exhibit M2, page 25

Preamble:

At page 25, LEI states:

"As of May 2022, eleven US states have passed legislation that allow some form of securitization for retiring coal assets.[67,68] It is reasonable to expect that retirement of natural gas based assets (if needed) may be managed in a similar manner."

Question:

Is LEI aware of similar legislation proposed or enacted in Ontario for natural gas distributors? If so, please provide the legislative reference.

M2-EGI-15

Reference:

Exhibit M2, page 27

Preamble:

At page 27, LEI states:

"The advantages from amalgamation of EGD and Union Gas have meaningfully reduced volumetric risks…

In managing volumetric risk, absolute numbers for customers and sales volumes matter more than per capita consumption. A similar magnitude of forecasting error (in absolute terms) has around half the impact for the larger amalgamated entity compared to EGD and Union Gas individually."

Question(s):

a) Please explain the logic for why absolute levels of forecast risk for the smaller EGD or Union should be applied to the larger amalgamated company.

b) Why would forecast risk error not be proportionate to the overall level of customers and sales?

M2-EGI-16

Reference:

Exhibit M2, page 30

Preamble:

At page 30, LEI states:

"Canadian natural gas demand forecasted to decline at an average of 0.7% annually between 2021 and 2030."

Question:

How does this forecast compare with prior forecasts from 2018 or earlier from the CER or NEB? Please provide a comparison.

M2-EGI-17

Reference:

Exhibit M2, page 34, Figure 18

Preamble:

LEI summarizes Energy Transition Risk as modest increase.

Question:

Can LEI cite any new risk facing the natural gas industry and LDCs in recent history that has exceeded that of energy transition risk? If so, please provide specific examples.

M2-EGI-18

Reference:

Exhibit M2, page 40
Exhibit I.5.3-STAFF-204, Attachment 1
Technical Conference Transcript Day 8

Preamble:

At page 40, LEI states:

“On the contrary, in some ways Enbridge Gas is currently benefiting from the practice of incorporating ESG factors into investors’ assessments, via favorable terms in SLB issuances.”

Enbridge Gas seeks to clarify that Enbridge Inc, and not Enbridge Gas has issued Sustainability Linked Bonds.

Exhibit I.5.3-STAFF-204, Attachment 1 contains the Enbridge Inc. prospectus for Sustainability Linked bonds.

At TC Tr. Vol 8 page 7, lines 7 to 9, Mr. Reinsch states:

“As of right now we have not yet issued a sustainability linked bond for EGI. Our sustainability-liked debt has been issued out of Enbridge Inc.”

Question(s):

Please confirm that only Enbridge Inc., the parent company of Enbridge Gas, has issued Sustainability Linked Bonds and that Enbridge Gas has not issued Sustainability Linked Bonds?

M2-EGI-19

Reference:

Exhibit M2, page 43

Preamble:

LEI concludes there is no change in Enbridge Gas's accessibility to debt markets.

Question:

Has LEI considered Enbridge Gas's access to equity on a comparable basis, and does LEI believe that equity markets view the natural gas distribution business the same as in 2017/2018? Please explain.

M2-EGI-20

Reference:

Exhibit M2, page 44 and Figure 30 on page 46

Preamble:

At page 44, LEI states:

"This section provides a review of gas LDCs with comparable risk profile. The purpose of this analysis is to assess whether Enbridge Gas is compensated adequately relative to comparable utilities, particularly in relation to other utilities' equity ratio and allowed ROE. LEI has utilized a North American peer group for Enbridge Gas, instead of separate peer groups for US and Canadian utilities."

Question(s):

Figure 30 on page 46 provides common equity ratios for LEI's peer group of North American utilities.

a) Given the above statement provided at Exhibit M2, page 44, that LEI has utilized a North American peer group for Enbridge Gas instead of separate peer groups for U.S. and Canadian utilities, please explain why LEI recommends a deemed equity ratio of 38% for Enbridge Gas when the customer weighted average equity ratio for the North American peer group is 49.8%.

b) Does LEI have any evidence that there is a connection between the number of customers and the appropriate equity ratio? If so, please provide that evidence. If not, please explain why LEI used a customer weighted average instead of a simple average in Figure 30.

c) Please confirm the unweighted "Latest proceeding (equity ratio)" for U.S. operating companies is 51.5% (i.e., 0.1% different than the customer weighted average). If confirmed, please explain within the context of LEI's response to part b).

d) Please confirm that Centra Gas Manitoba is owned by Manitoba Hydro, which is not an investor-owned utility.

e) Please explain why LEI included Centra Gas Manitoba in its North American peer group for Enbridge Gas.

f) Please confirm that, excluding Centra Gas Manitoba, the customer weighted average equity ratio for the Canadian operating companies is 38.0%, and the unweighted average is 40.9%.

g) Please confirm that the authorized common equity ratio for DTE Gas Company for regulatory ratemaking purposes is 51% based on the December 9, 2021, order of the Michigan Public Service Commission (see page 77) in Case No. U-20940.

h) Please confirm that the current authorized ROE for Liberty Utilities (Gas New Brunswick) LP is 9.80%, not 8.50% as shown in Figure 30.

i) Please confirm that the majority of authorized ROEs reported in Figure 30 were determined prior to 2022 when economic conditions (i.e., lower interest rates, lower inflation) were very different than they are today.

M2-EGI-21

Reference:

Exhibit M2, pages 46-47, and Figure 30

Preamble:

At pages 46 and 47, LEI states:

"Relative to Canadian companies, Enbridge Gas' equity ratio is slightly lower as well. However, the OEB authorized ROE of 9.36% in 2023 is higher than the ROE allowed to Canadian peers, with the exception of Pacific Northern Gas Ltd. and Eastward Energy Inc. Both Pacific Northern Gas Ltd. and Eastward Energy Inc. are significantly smaller LDCs (relative to Enbridge Gas), serving only ~42,000 customers and ~8,500 customers respectively."

Question:

Please confirm that ROEs are set on a generic basis in Ontario, and the OEB's primary consideration of utility-specific risk as it relates to the cost of capital occurs with its assessment of utility capital structures, not ROEs.

M2-EGI-22

Reference:

Exhibit M2, pages 47-48

Preamble:

At page 47, LEI states:

"The betas for publicly traded gas utilities are generally similar or slightly higher relative to electric utilities"

At pages 47 and 48, LEI states:

"Separately, the equity ratio and ROE trends for US electricity and gas utilities (as presented below in Figure 32) show slightly higher equity ratios for gas utilities, which is consistent with slightly higher average beta for gas utilities, discussed above. As of 2022, US gas utilities were allowed an average equity ratio of 51.4%, compared to equity ratio of 50.4% allowed to US electric utilities, while the average ROEs allowed to natural gas and electric utilities were virtually similar"

Question(s):

As shown in Figures 31 and 32 of LEI's report, the betas for publicly traded gas utilities are similar to or slightly higher than electric utilities, and the average equity ratio for U.S. gas utilities is approximately 1% higher than for U.S. electric utilities.

Given this evidence, why does LEI believe that Enbridge Gas's deemed equity ratio should be lower than electric distribution utilities in Ontario, which have a deemed equity ratio of 40%?

M3-EGI-23

Reference:

Exhibit M3, page 1

Preamble:

The summary of BOMA's evidence provides seven recommendations.

Question(s):

Please advise as to what order(s), determination(s) or direction(s) BOMA is seeking from the OEB for each of the seven recommendations and how these order(s), determination(s) or direction(s) relate to the specific issues set out in the approved issues list for this proceeding.

M4-EGI-24

Reference:

Exhibit M4, page 14

Preamble:

At page 14, North Side Energy states:

"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."

Question(s):

Please confirm this recommendation is applicable to the next Rebasing proceeding, post 2028, and not the 2024 to 2028 timeframe of this Application. If not confirmed, please explain what is being sought in this Application. Please also explain if the proposal would only apply if a subsequent expansion of the Dawn Parkway System was approved during the IR Term.

M4-EGI-25

Reference:

Exhibit M4, page 15

Preamble:

At page 15, North Side Energy states:

"Including a buyout option in reverse open seasons would be consistent with the Integrated Resource Planning (IRP) framework, which requires EGI to consider demand side IRP Alternatives to meet system needs."

Question(s):

Please confirm this recommendation is applicable to the next Rebasing proceeding, post 2028, and not the 2024 to 2028 timeframe of this Application. If not confirmed, please explain what is being sought in this Application.

M4-EGI-26

Reference:

Exhibit M4, pages 8-9

Preamble:

At pages 8 to 9, North Side Energy states:

"Despite these high-profile failures, other projects to expand pipeline capacity into New York and New England did go forward:

- The Dominion Transmission New Market project added 112,000 Dth/d from Leidy Hub in Pennsylvania to Upstate New York for two National Grid LDCs. The project, which was completed in 2017, included new gas compression facilities to inject up to 85,000 Dth/d into IGTS at Canajoharie, NY.

- The TGP East 300 Upgrade project is another compression-only project that will transport up to 115,000 Dth/d from the Susquehanna Co., PA to Westchester Co., NY for Con Edison. The project is currently in construction and service is expected to start in late 2023.[18]

- The Algonquin Incremental Market (AIM) project expanded the Algonquin Gas Transmission (AGT) pipeline to provide 342,000 Dth/d from New Jersey and New York for New England LDCs. The AIM facilities were placed into service in 2016 and 2017. [19]

- The Atlantic Bridge (AB) project expanded the AGT pipeline by 132,705 Dth/d from New York to Massachusetts and added 92,226 Dth/d of transportation service on M&N from Massachusetts into Maine. The AB facilities were placed into service in 2017, 2019, and 2021.[20]"

Question(s):

With respect to the Dominion, TGP, Algonquin and Atlantic Bridge projects listed on page 8 along with any unidentified projects, how much uncontracted capacity, by project, is currently available for U.S. Northeast shippers?

M4-EGI-27

Reference:

Exhibit M4, pages 9-10

Preamble:

At pages 9 and 10, North Side Energy states:

"Our review of the Index of Customers reports of EGI, TransCanada, IGTS and PNGTS identified examples of LDCs contracting for pipeline transportation services on shorter paths and buying gas at trading points that are closer to the ultimate market. This includes instances where companies contracted for TransCanada transportation services from Parkway, or IGTS transportation services from the Canadian border, but did not contract with EGI for Dawn Parkway System capacity.

For example:

- Vermont Gas has contracts for 84,799 GJ/d of TransCanada FT service from Parkway to the Phillipsburg export point, but has long-term transportation contracts from Dawn to Parkway for 28,600 GJ/d."

Question(s):

How do these customers deliver gas to markets downstream of the Dawn Parkway System?

M4-EGI-28

Reference:

Exhibit M4, page 12, and page 13 footnote 28

Preamble:

At page 12, North Side Energy states:

"In the near term, the forecasts that New York and New England LDCs have filed with state regulators continue to show moderate growth in gas demand. Table 6 shows the 2022-23 design day planning load forecasts and average annual demand growth rates for 13 New England LDCs for a five-year forecast period. The weighted average growth rate for these New England LDCs is 1.4 percent."

At page 13, footnote 28, North Side Energy states:

“For example, Berkshire Gas states that its most recent five-year forecast does not include new decarbonization measures (“…at this time, the Company’s forecasts do not include any adjustments for any decarbonization measures that may affect gas demand, other than the existing energy efficiency measures already approved by the Department). The Berkshire Gas Company, “Long Range Forecast and Supply Plan”, Docket DPU 22-148, November 2022, page 7.”

Question(s):

Please identify any U.S. Northeast LDCs that have included adjustments for any decarbonization measures that may affect gas demand in their forecast.

M5-EGI-29

Reference:

Exhibit M5

Preamble:

To understand which aspects were in and out of scope and what the mandate was.

Question(s):

Please provide the retainer agreement and the scope of work IGUA requested Emrydia to conduct in relation to depreciation and copies of all communications between IGUA and Emrydia that relate in any way to the opinions stated by Intergroup in its report.

M5-EGI-30

Reference:

Exhibit M5

Question(s):

Did Emrydia review/discuss the evidence on depreciation prepared by InterGroup prior to submitting their report to the OEB? If so, please provide all communications between Emrydia and InterGroup.

M5-EGI-31

Reference:

Exhibit M5

Question(s):

Please identify where Emrydia considered in its report the initiatives being led by the OEB to examine energy transition and its impact on consumers and rate regulated utilities in Ontario? Please specifically list these initiatives. Please then reference the sections relied upon for the purposes of your report.

M5-EGI-32

Reference:

Exhibit M5

Question(s):

Please confirm that Emrydia has not provided evidence, as part of any proceeding, that supports a depreciation method other than ALG or ASL methodology. If not confirmed, please identify the proceeding and a provide a complete copy of Emrydia's (or its predecessor's) evidence.

M5-EGI-33

Reference:

Exhibit M5, page 10
Exhibit JT4.17

Preamble:

At page 10, Emrydia has recommended changes to Enbridge Gas's depreciation proposal which directionally decrease annual depreciation compared to Enbridge Gas's proposal.

At Exhibit JT.4.17, Concentric estimated the impact on depreciation expense from applying a 2050 EPH if it were to start being applied in future periods.

Question(s):

Please confirm that if Emrydia's recommended changes were adopted under each of the ALG and ELG procedures the impact of applying a 2050 EPH in a future period would further increase the depreciation expense impacts presented in the response to Exhibit JT4.17. Please provide the estimated impact on the response provided at JT4.17 at the times stated either specifically or directionally under both ALG and ELG. Please state any simplifying assumptions and caveats necessary to provide a response.

M5-EGI-34

Reference:

Reference 1: Exhibit M5, pages 17, 28, 29
Reference 2: Exhibit M5, Sections 3.1.2.1 to 3.1.3.2
Reference 3: Exhibit M5, page 8, line 16
Reference 4: Exhibit 4, Tab 5, Schedule 1, Attachment 2

Preamble:

At page 17, Mr. Madsen states:

"The proposed adoption of the ELG procedure is inconsistent with the principles of gradualism and moderation in the context of depreciation expense."

At page 29, Mr. Madsen states:

"It is commonly accepted amongst depreciation experts that recommended changes to depreciation life estimates should be gradual and moderate."

At page 28, Mr. Madsen states:

"A 10.0% increase in depreciation expense is neither gradual nor moderate."

Question(s):

a) Please confirm that the sum of Mr. Madsen's recommended changes to average service lives and survivor curves in Reference 2 would result in a $229.5 million reduction in depreciation expense (assuming ELG procedure).

b) Please confirm that the adoption of the changes in question a) would cause EGI's 2024 forecasted depreciation expense ($892.4 million in Reference 4) to decline to $662.9 million, which represents a reduction of $108.7 million when compared to depreciation expense at existing rates ($771.6 million in Reference 4).

c) Please confirm that the sum of Mr. Madsen's recommended changes to average service lives and survivor curves in Reference 2 would result in a $169.5 million reduction in depreciation expense (assuming ALG procedure).

d) Please confirm that combining the impact of implementing ALG instead of ELG ($81.4 million in Reference 3) and the changes in part c) would result in a total reduction of $250.9 million to depreciation expense.

e) Please confirm that the adoption of the changes in question d) would cause EGI's 2024 forecasted depreciation expense ($892.4 million in Reference 4) to decline to $641.5 million, which represents a reduction of $130.1 million when compared to depreciation expense at existing rates ($771.6 million in Reference 4).

M5-EGI-35

Reference:

Exhibit M5, pages 23-24

Preamble:

At pages 23 and 24, Emrydia states:

"In response to an information request from the IGUA, Concentric confirmed that its statement above was not technically correct. Specifically, while I appreciate that Concentric was attempting to provide a simplified illustration of the depreciation concepts under ALG and ELG, the example incorrectly exaggerates the difference between the two procedures on an asset-by-asset basis. In reality, group depreciation accounting dictates that each asset would be allocated a portion of the depreciation expense under either ALG or ELG. Therefore, by year 5 under the ALG procedure the first asset would not be fully depreciated and instead would have only been charged $500 ($100 * 5 years) of depreciation expense and the difference in the asset net book value on retirement would be recognized as a loss.

As Concentric employs the remaining life technique, the loss would be charged to the accumulated depreciation account for the asset and recovered over the remaining life of the remaining asset. Thus, a portion of the current depreciation expense would have been allocated to the retired asset, and future depreciation expense would be comprised of both the depreciation of the remaining asset and the depreciation of the loss recognized on the disposal of the first asset."

Question(s):

a) Please confirm that in the referenced example, the accumulated depreciation account is in a $500 deficit under the ALG example after year 5.

b) Please confirm that the assets retired at year 5 are no longer used and useful beyond this point.

c) Please confirm that the accumulated depreciation account is in the theoretically correct position after year 5 when using ELG in the same example.

d) Please confirm that Mr. Madsen agrees that Dr. Winfrey is a widely acclaimed expert in the field of utility depreciation calculations.

M5-EGI-36

Reference:

Exhibit M5, page 24

Preamble:

At page 24, Emrydia states:

"Enbridge does not separately identify in its accounting records each asset that is included in each category and depreciate those assets based on their specific group and rate. Rather, Enbridge has a single depreciation rate for each account and does not physically identify and tag each asset in its system to group that asset into an equal life group with other like assets. Such an effort would be exceptionally costly, subject to significant judgment, and not likely to be much more accurate relative to a more general approach to depreciating assets."

Question(s):

a) Please confirm that the ELG procedure does not require Enbridge Gas to calculate the specific life of each asset.

b) Please confirm that the ELG procedure uses the Iowa curve to determine the percentage of assets likely to retire at a given age interval.

M5-EGI-37

Reference:

Exhibit M5, page 26

Preamble:

At page 26, Emrydia states:

"Concentric confirms, as does Dr. Winfrey in Bulletin 155, that ELG is only "mathematically" more accurate than other procedures. I do not dispute this conclusion, but the mathematical accuracy of the estimate is entirely dependent upon the actual retirement experience for the asset closely approximating the current estimate of the

expected useful life and consumption of value. To the extent there is variation between the estimated and actual retirement pattern, which indeed is expected to occur, this estimate will be subject to change, mathematically revised and no longer necessarily true. In practice, the original estimate determined using an ALG procedure may ultimately provide for a more accurate recovery of depreciation expense over the life of the assets."

Question(s):

a) Please cite an authoritative source for the assertion that "using an ALG procedure may ultimately provide for a more accurate recovery of depreciation expense over the life of the assets."

b) Please cite examples, including filing and decision numbers, of calculations where ALG provided "a more accurate recovery of depreciation expense over the life of the assets" than ELG for the majority of accounts within a depreciation study.

M5-EGI-38

Reference:

Exhibit M5, page 27

Preamble:

At page 27, Emrydia states:

"The underlined text above summarizes the reasons for Concentric's proposed use of the ELG procedure for Enbridge. Regarding the first point, while the ELG procedure may be a better match to the results achieved under the Generation Arrangement procedure previously used by Union Gas, the ALG procedure was also previously used by EGI. As EGI represents the larger portion of the unamortized assets, if past precedent is weighed as a relevant factor, then I would suggest the continued use of ALG for all assets is more appropriate."

Question(s):

a) What is the total percentage of the Enbridge Gas system related to historical EGD assets?

b) What is the total percentage of the Enbridge Gas system related to historical Union assets?

M5-EGI-39

Reference:

Exhibit M5, page 27

Preamble:

At page 27, Emrydia states:

“Regarding the first point, while the ELG procedure may be a better match to the results achieved under the Generation Arrangement procedure previously used by Union Gas, the ALG procedure was also previously used by EGI.”

Question(s):

a) Please provide a detailed depreciation rate calculation for Account 462.00 using the Iowa 60-S4 and a net salvage percentage of negative 5% prepared in accordance with the ELG – Remaining Life procedure, the ALG – Remaining Life procedure and Generation Arrangement Procedure. Please respond with all the calculation details to support all three calculations.

b) Please confirm that over the life of a group of assets, all three procedures (ELG, AGL and Generation arrangement) will recover only the prudently made investment in the group of assets) – nothing more-nothing less.

M5-EGI-40

Reference:

Exhibit M5, page 29

Preamble:

At page 29, Emrydia states:

“In some cases, it may be appropriate to overlook whether the impact of a change in depreciation procedure is gradual or moderate, given that it is expected future changes from the new base would be expected to be consistent going forward if the new depreciation procedure were approved. However, I do not consider it appropriate to do so in this case as there is not clear or convincing evidence to support the need for a change and thus the change can be likened to a significant life shortening for Enbridge’s assets as a result of the change to the ELG procedure.”

Question(s):

Please confirm that Concentric has not recommended a significant life shortening for Enbridge Gas assets given that Mr. Madsen only objects to a life change in nine accounts, none of which include changes of more than five years from the currently approved life parameter for one of EGD or Union.

M5-EGI-41

Reference:

Exhibit M5, pages 29, 39, 43

Preamble:

At page 39, Emrydia states:

“Concentric recommends using a 30-R4 curve for this asset class. For the reasons detailed below, I recommend using a 37-R4 curve for this asset class, which relative to Concentric’s recommendation, reduces depreciation expense by $9.7 million assuming use of the ALG procedure as I recommend, or by $12.8 million if the ELG procedure is adopted.”

At page 29, Emrydia states:

“It is commonly accepted amongst depreciation experts that recommended changes to depreciation life estimates should be gradual and moderate.”

At page 43, Emrydia states:

“As stated above, the primary driving factor for the life of “most critical compressor equipment” is the Original Equipment Manufacturer (OEM) support, which has been stated to “become limited after 40 years”.”

“Stub curves contain the essence of the shape of the curve and can be accurately fit even though the curve is not complete. To clarify this, think about conducting the following experiment. Gather several complete survivor curves and fit them to the to the Iowa curves. Then truncate the observed survivor curves and fit the truncated curves to Iowa curves. Compare the fits of the complete and stub curves to see if consistent results are obtained. The experiment could be repeated by successively truncating more of the curve until only a short stub remained. Analysis of the results of the experiment will reveal how short the stub curve can be before the results of fitting the stub curves differ from the fit to the entire curve**. This experiment was performed by Cowles (1957), who concluded that reasonably good fits were obtained for stub**

curves that ended at a point as high as 70% surviving. Longer stub curves (i.e., those with 40% or less surviving) were fit with a high degree of accuracy. This shows that the upper portions of the various types of Iowa curves are distinctive enough to identify the curve."[7] (emphasis added)

Question(s):

a) Please confirm that the actuarial analysis performed for this account was a stub curve ending at approximately 80% surviving.

b) Please reconcile Mr. Madsen's high weighting of the actuarial analysis with the above quote from Depreciation Systems.

M5-EGI-42

Reference:

Exhibit M5, page 31

Preamble:

At page 31, Emrydia states:

"Assuming a 15-year average life but selecting either an L0.0, S1.0 or R5.0 Iowa curve can have a material impact on the amount of depreciation expense charged and the timing of that expense despite the consistent use of a 15-year average life."

Question(s):

a) Please provide a visual representation of a 15-L0, 15-S1, and 15-R5.

b) Please confirm that the 15-L0 Iowa curve models steady retirements over the life of the assets, with a maximum life of 61.2 years.

c) Please confirm that the 15-R5 models minimal retirements, as defined as more than 90% surviving, until approximately age 12 with all investment retired by age 20.55.

[7] Depreciation Systems, Frank Wolf, W. Chester Fitch, p.49.

M5-EGI-43

Reference:

Exhibit M5, page 34

Preamble:

At page 34, Emrydia states:

“If the OEB approves a transition to the ELG procedure, I recommend a phase-in of the transition over a period of five years. Specifically, I recommend the OEB discount the increase by four fifths in the 2024 test year, three fifths in the 2025 test year and so on.”

Question(s):

a) Please provide examples, including docket and decisions numbers, where a change in procedure has been phased-in using the approach recommended by Mr. Madsen. For those docket and decisions with a phased-in approach, are they still in-effect or have they been abandoned prior to full implementation.

b) How would the phase-in work in the context of a price-cap mechanism, would it be treated as a Y-factor?

M5-EGI-44

Reference:

Exhibit M5, page 45

Preamble:

At page 45, Emrydia states:

“Based on the visual fit of the retirement data to the curve, I observed that an L-type curve may provide for a better visual and mathematical fit to the data.”

Question(s):

a) Please confirm that the RM listed for the Iowa 45-L0.5 in Figure 11 is the lowest RM listed.

b) Please list the most common forces of retirement of natural gas services.

c) Please list the most common forces of retirement of natural gas mains.

M5-EGI-45

Reference:

Exhibit M5, page 60

Preamble:

At page 60, Emrydia states:

“Finally, recommending a life for plastic mains that is below the life for steel mains would be inappropriate for the reasons noted earlier, and is not supported by the peer analysis or retirement data.”

Question(s):

a) Please confirm that Concentric recommended a 55-R3 for steel mains.

b) Please confirm that Concentric recommended a 60-R4 for plastic mains.

M5-EGI-46

Reference:

Exhibit M5, pages 62-66

Question(s):

a) Please confirm that none of the peers in peer review table with a life of 25 years are currently using cellular technology for AMI assets.

b) Please confirm that the retirement history associated with meters the period from 1884 through 2010 have no bearing on the life of meters currently in service.

c) Please confirm that there are significant penalties to Canadian natural gas utilities if meters fail while in utility service. Further, please list the penalties associated with this failure.

M5-EGI-47

Reference:

Exhibit M5, page 72

Preamble:

At page 72, Emrydia states:

“Regarding the first question, Concentric estimated the under-accrued amount to be $124.9 million. The amortization of this under accrual is significant to the calculated depreciation rate. An alternative approach to addressing this issue is to amortize the balance consistent with the remaining life in accounts 473.01 and 473.02 proportional to the original amount of the investment included in each account if it is known. This approach maintains a consistent level of depreciation of the investment with the historical rate of depreciation of the investment.

Further, I note that few peers separately track and amortize these assets in Account 474, with only AltaGas (35-S3) and FortisBC (20-S0) reporting a distinct rate.89 While not confirmed by Concentric, I expect other entities would treat the balances in a similar manner as EGD previously treated those amounts by including the costs in Account 473. Therefore, separate amortization of the balance consistent with the remaining life of the assets in Account 473.01 and 473.02 provides for consistency with the treatment applied by peers.”

Question(s):

a) Please confirm that the industry wide standard throughout North America is to amortize the variance of accumulated depreciation over the remaining life of the assets in service based on the recommended curve, and not over the previously approved remaining life.

b) Please provide docket and decision numbers for any cases Mr. Madsen is aware of where a true up mechanism similar to the one he is suggesting has been approved by a regulator.

c) Please confirm the following quote from Public Utility Depreciation Practices, Compiled and Edited by the Staff Subcommittee on Depreciation of the Finance and Technology Committee of the National Association of Regulatory Utility Commissioners page 41 “Depreciation accounting is the systematic allocation of the cost of the asset over its useful life.”

M5-EGI-48

Reference:

Exhibit M5, page 77

Question(s):

a) Please confirm that some of the software packages listed in Table 13 are related to CIS packages, and therefore are properly allocated into accounts with lives of more than 10 years.

b) Please confirm that Enbridge Gas is not requesting to depreciate CIS software over a period of 4 years.

c) Please confirm that Concentric is requesting a 10-year account for software installations.

M5-EGI-49

Reference:

Supreme Court of Canada Decision, Docket 35506, September 25, 2015, Ontario Energy Board vs. Ontario Power Generation, paragraph 16[8]

Court of Appeal of Alberta, Docket 1901-0344AC, April 14, 2023, ATCO Electric Ltd. vs. Alberta Utilities Commission, paragraph 45[9]

Australian Energy Regulatory (AER), Regulating gas pipelines under uncertainty, November 2021[10]

Preamble

At paragraph 16, the Supreme Court of Canada Decision states:

"[16] This means that the utility must, over the long run, be given the opportunity to recover, through the rates it is permitted to charge, its operating and capital costs

[8] Docket 25506, Supreme Court of Canada Decision, September 25, 2015. https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html
[9] Docket 25506, Supreme Court of Canada Decision, September 25, 2015. https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html
[10] Regulating gas pipelines under uncertainty. Information Paper. November 2021. https://www.aer.gov.au/system/files/AER%20Information%20Paper%20-%20Regulating%20gas%20pipelines%20under%20uncertainty%20-%2015%20November%202021.pdf

("capital costs" in this sense refers to all costs associated with the utility's invested capital)."[11]

At paragraph 45, the Supreme Court of Canada Decision states:

"The "allocation of risks and benefits associated with property ownership" and "fundamental property and corporate law principles" are only of peripheral importance to determining if a utility should be given the opportunity to recover prudently incurred costs."[12]

At Section 4.2, the Australian Energy Regulator, provides a number of pros and cons related to the acceleration of depreciation expense (including the shortening of asset lives) to deal with the issue of Energy Transition for gas pipelines.[13]

Question(s):

a) Please confirm that Mr. Madsen was aware of the above two Decisions directly related to the concept of utility recovery of prudently incurred capital costs in Canada.

b) Please confirm that Mr. Madsen is aware of the discussion of the AER regarding energy transition.

[11] Docket 25506, Supreme Court of Canada Decision, September 25, 2015.
https://www.canlii.org/en/ca/scc/doc/2015/2015scc44/2015scc44.html
[12] Docket 1901-0344AC, Court of Appeal of Alberta, April 14, 2023.
https://www.canlii.org/en/ab/abca/doc/2023/2023abca129/2023abca129.html
[13] Regulating gas pipelines under uncertainty. Information Paper. November 2021.
https://www.aer.gov.au/system/files/AER%20Information%20Paper%20-%20Regulating%20gas%20pipelines%20under%20uncertainty%20-%2015%20November%202021.pdf

M6-EGI-50

Reference:

Exhibit M6, page 2, lines 6-13

Preamble:

At page 2, Dr. Cleary states:

"I have served as an expert witness on behalf of the Office of the Utilities Consumer Advocate of Alberta on several occasions including generic cost of capital proceedings in 2013-2014 (Proceeding ID 2191), 2015-2016 (Proceeding ID 20622), 2018 (Proceeding ID 9 22570), 2019-20 (Proceeding ID 24110), 2022-23 (Proceeding ID 27084), as well as the generic regulated rate option proceeding (Proceeding ID 2941) in 2014 and the EPCOR Energy Alberta 2018-2021 Energy Price Setting Plan proceeding (Proceeding ID 22357) in 2017. I also prepared evidence on behalf of the Newfoundland Consumer Advocate in cost of capital hearings in 2015-2016, and in 2018."

Question:

Please provide a table containing the jurisdiction, date filed, docket number, client, and Dr. Cleary's capital structure recommendation in each case where he has provided testimony on this issue.

M6-EGI-51

Reference:

Exhibit M6, page 3, lines 11-12

Preamble:

At page 3, Dr. Cleary states:

"These reports noted that ESG factors (including **transition risks**) are immaterial with respect to EG's current risk profile…" (emphasis added)

Question(s):

Please provide specific references to energy transition risks in the Credit Agency Rating reports for Enbridge Gas?

M6-EGI-52

Reference:

Exhibit M6, page 3, lines 14-16

Preamble:

At page 3, Dr. Cleary states:

"Concentric's approach of simply comparing EG's equity ratio to average awarded equity ratios at various times in the past in other jurisdictions is flawed by design. Such an approach ignores the more relevant current market conditions facing EG today."

Questions:

a) Please explain how current market conditions are relevant to the determination of the appropriate deemed capital structure for Enbridge Gas.

b) To which specific current market conditions is Dr. Cleary referring?

c) Does Dr. Cleary agree that the OEB has previously determined the appropriate deemed capital structure for Enbridge Gas based on an assessment of the Company's business risk?

d) Does Dr. Cleary similarly dismiss the validity of LEI's analysis based on comparisons to allowed capital structures in other jurisdictions?

M6-EGI-53

Reference:

Exhibit M6, page 10

Preamble:

Enbridge Gas seeks to clarify the consultant's understanding of which entities provide third party credit opinions on the debt of Enbridge Gas Inc. and their perspective of the risks associated with geographic and regulatory diversity.

Question(s):

a) Please confirm that S&P Global issues credit rating opinions on Enbridge Gas Inc.

b) Please confirm that the number one risk identified by S&P Global in their debt rating report of July 22, 2022 on Enbridge Gas is that Enbridge Gas "Operates only in Ontario, thus it has limited geographic and regulatory diversity."

M6-EGI-54

Reference:

Exhibit M6, page 10, line 16-18

Preamble:

At page 10, Dr. Cleary states:

"S&P added the following comments:

- "We expect Enbridge Gas Inc. (EGI) to maintain its financial performance throughout our two-year outlook period…""

Question(s):

a) Please confirm that the quote is from the July 21, 2022 S&P report?

b) Please confirm that the outlook period used in the report by S&P referenced in part a) covers 2022 and 2023?

M6-EGI-55

Reference:

Exhibit M6, page 12, lines 21-22

Preamble:

At page 12, Dr. Cleary states:

"In particular, EG possesses very low business risk and adequate financial risk, based on its existing capital structure…"

Question:

Please confirm that S&P ranks Enbridge Gas's financial risk with its existing capital structure as "Significant", which is one step above "Aggressive" and two steps above "Highly Leveraged".

M6-EGI-56

Reference:

Exhibit M6, page 13, lines 2-13

Preamble:

At page 13, Dr. Cleary states:

"As of January 3, 2023 the yield on long-term A-rated Canadian utility bonds was 4.88% according to the yield on the Bloomberg A-rated utility yield index, while 30-year government of Canada bond yield was 3.22%. At that time, the following bid and ask yields were observed for Enbridge Gas Inc. bonds maturing at 09/2051 (also according to Bloomberg): Bid – 6 4.881%; Ask – 4.825%. This indicates that the market-determined yield on EG's long-term bonds was between 4.825% and 4.881%, and hence was less than or equal to the average Canadian A-rated utility yield. EG is able to attract debt capital at rates that correspond to those of similar risk entities. This provides support that given EG's current risk profile (including its existing allowed equity ratio) it is able to satisfy the third leg of the fair return standard. In other words, EG's risk profile will "*permit incremental capital to be attracted to the enterprise on reasonable terms and conditions (**the capital attraction standard**)*."

Questions:

a) Please list the utilities covered in the Bloomberg A-rated utilities bond index Dr. Cleary has utilized.

b) Has Dr. Cleary conducted a risk assessment of these utilities in order to reach the determination of "similar risk"? If so, please provide.

c) Is it Dr. Cleary's opinion that the ability to attract debt capital today is sufficient to pass the capital attraction standard? Please explain.

M6-EGI-57

Reference:

Exhibit M6, page 13, lines 15-17

Preamble:

At page 13, Dr. Cleary states:

"A compelling way of reviewing the performance of utilities is to examine their ability to earn their allowed ROEs on a consistent basis. This is a bottom line measure of the total risks faced by these utilities"

Question:

a) Other than the comparison of earned versus authorized ROEs for Enbridge Gas discussed on page 13 of his report, has Dr. Cleary conducted any analysis to evaluate the business and financial risk of Enbridge Gas relative to other gas distribution companies in Canada or the U.S.? If so, please provide a copy of that analysis.

b) Has Dr. Cleary considered the performance based regulation incentives that EGD and Union have operated under over this time frame, and the benefits for shareholders and customers?

M6-EGI-58

Reference:

Exhibit M6, page 15, Table 1

Preamble:

The ROE's for 2019 to 2022 are comprised of combined returns for both predecessor companies; EGD and Union.

Question(s):

For the 1990 to 2022 ROE's in Table 1, please explain why only EGD ROE's were included and Union ROE's were excluded in the data set prior to 2019.

M6-EGI-59

Reference:

Exhibit M6, pages 16-17

Preamble:

At page 16, Dr. Cleary states:

“While US utilities may not be high business risk firms relative to US firms in other industries, they clearly have more risk than EG.”

“One effective way to compare overall riskiness of EG to its proposed US counterparts would be to compare their ability to earn their allowed ROEs”

At page 17, Dr. Cleary states:

“Even stronger support for this conclusion can be found in an empirical study by Azgad-Tromer and Talley (2017). This study examined allowed ROEs versus actual ROEs using observations from all 50 states as well as four Canadian provinces over the 2005-2016 period.”

Question(s):

a) Please confirm that Dr. Cleary has not compared the earned versus authorized ROEs for Canadian or U.S. gas distribution companies other than Enbridge Gas.

b) Please explain the relevance of the Oliver-Wyman paper on utilities that makes one point, on page10, on the average utility return in 2014. Please provide a copy of the paper that is referenced in evidence.

c) Is Dr. Cleary aware of the utilities covered in the Oliver-Wyman paper, and how the data was compiled?

d) Please explain the relevance of the Azgad-Tomer study referenced on page 17 of Dr. Cleary’s report, which is based on earned return data from 2005-2016. Is it Dr. Cleary’s opinion that return data from almost 20 years ago is relevant to a risk assessment of Enbridge Gas today?

e) Does the historical return data in the Azgad-Tomer and Talley study consider the effect of the energy transition on the business risk of the companies included in the study? Please explain.

f) Please provide a copy of the study by Azgad-Tromer and Talley (the link in footnote 6 does not work) and confirm that it was published as a working paper.

g) Other than his comparison of earned versus authorized ROEs, what other evidence has Dr. Cleary relied on to support his statement that U.S. utilities “clearly have more risk than EG”?

M6-EGI-60

Reference:

Exhibit M6, page 18, lines 3-5

Preamble:

At page 18, Dr. Cleary states:

"Table 2 provides the summary statistics for earned ROEs for the US HoldCo sample 4 over the 2013-2022 period, similar to those provided for EG and UG in Table 1 over the 1990- 2022 and 1990-2018 periods."

Questions:

a) Is it Dr. Cleary's opinion that earned returns of holding companies can be compared to earned returns for regulated operating utilities?

b) Please explain Dr. Cleary's full understanding of any differences that exist between holding companies and utility subsidiaries that would impact the validity of such comparisons.

M6-EGI-61

Reference:

Exhibit M6, page 25, line 6
Exhibit 1, Tab 8, Schedule 1, Attachment 2, page 6

Preamble:

At page 25, Dr. Cleary states:

"…that EG, which reported $37.558b in 2021 revenue…"

Enbridge Gas seeks to understand the origin of the revenue amount quoted in the above reference.

Question(s):

a) Please provide reference to the Enbridge Gas revenue amount cited in line 6 of $37.558 billion.

b) Please confirm that the total operating revenues for Enbridge Gas Inc. in 2021 was $4,893 million as provided in Exhibit 1 Tab 8, Schedule 1, Attachment 2, page 6. Please explain the difference between the Enbridge Gas revenue filed by the applicant in evidence and the $37.558 billion included in Dr. Cleary's evidence.

M7-EGI-62

Reference:

Exhibit M7, page 4

Preamble:

OPI states that the price difference between the Union South Total Gas Supply Commodity Charge (TGSCC) and the price paid to local producers under GPAs represents a cross-subsidy from local producers to in-franchise customers.

Question(s):

a) What specific cross-subsidies are being referred to? Is it OPI's position that every producer who receives less than the TGSCC is cross-subsidizing customers?

b) Please confirm that the current price paid to producers under a GPA is the ICE NGX Union-Dawn Month Ahead Bidweek price.

M7-EGI-63

Reference:

Exhibit M7, page 6

Preamble:

At page 6, OPI states:

"The OPI is of the opinion that these increases for certain producers will contribute to insolvencies and could lead to additional orphaned wells in the province, which then either become the responsibility of the government of Ontario or the affected landowner(s), if companies and individuals in care and control do not have funds to decommission wells."

Question(s):

a) Please confirm that pursuant to the *Oil Gas and Salt Resources Act* and regulations (OGSRA), it is the responsibility of the Ontario producer/well operator to establish and maintain security in prescribed amounts in order to maintain the validity of well licenses, remedy situations where the works may represent a public or environmental hazard and properly plug wells or complete works in accordance with the OGSRA.

b) Please confirm that all OPI members who are licensed well operators are in compliance with the OGSRA requirements to have sufficient security in place as set out in part a). If not confirmed, please provide the status of any OPI member non-compliance in this regard and what actions the OPI member or government authority is taking to remedy the non-compliance.

M7-EGI-64

Reference:

Exhibit M7, pages 3-4
RP-2003-0063/EB-2004-0542, Decision with Reasons, May 19, 2005, page 10

Preamble:

The other cross-subsidies listed above are avoided costs associated with Ontario production for both M13 and GPA contract holders. These avoided costs reduce the costs that need to be recovered from in-franchise customers for fuel gas, carbon tax, and operation and maintenance.

As part of the Rate M16 Rate Schedule proceeding, the OEB approved the use of the transmission commodity charge for Rate M16 customers. The transmission commodity charge is charged to both Rate M16 and Rate M13 customers to provide a contribution towards the use of Enbridge Gas's transmission system. As part of the Decision with Reasons, the OEB stated "that it is the contractual, not the physical flows that should govern ratemaking".

The Rate M13 service provides transportation service from the local production point to Dawn. The producer can sell the gas to any number of market participants at Dawn. Any daily imbalances between the measured production and the gas sold at Dawn is tracked in a balancing account at Dawn.

Question(s):

a) Please confirm that the transmission costs referenced at Exhibit M7, pages 3 and 4, are applicable to Rate M13 customers and are not recovered from GPA contract holders.

b) Please confirm that Enbridge Gas's system is required to provide producers access to Dawn on a contractual basis.

M7-EGI-65

Reference:

Exhibit M7, page 6
Exhibit JT8.14

Preamble:

At page 6, OPI states:

“Neither of these outcomes is a desirable or necessary result of these station rates being increased so substantially, especially when a cost of service study addressing these variables is lacking specificity or reasonableness.”

Enbridge Gas has provided a detailed calculation of the total annual operating and maintenance costs per customer station at Exhibit JT8.14.

Question(s):

a) Please specify what information or detail, in addition to the information provided at Exhibit JT8.14, is missing?

b) Please confirm that the monthly customer charge of $90 paid as part of the GPA has not increased over 20 years.