

EB-2022-0200
Enbridge Gas Rebasing Application

**Interrogatories of Environmental Defence re IGUA Evidence on
Depreciation (Emrydia Consulting)**

Interrogatory # M5-ED-1

Reference: Report, p. 89

Question:

- (a) The report states: “I accept Enbridge’s statement that it does not expect a large-scale retirement of assets.” Is this an assessment of the likelihood of large-scale retirement of assets, or merely a simplifying assumption? If it is the former, please explain whether Emrydia has the expertise to make this assessment, justifying the response with reference to specific qualifications in Mr. Madsen’s cv.

Interrogatory # M5-ED-2

Reference: Report

Question:

- (a) One possible outcome of decarbonization is that assets are increasingly underutilized or stranded because residential customers leave the system in favour of more cost-effective electric heat pumps, with harder-to-decarbonize industrial customers forming an increasingly large proportion of peak and annual throughput over time. If depreciation rates are not adjusted to address this potential outcome, and it comes to pass, please discuss the potential fairness implications between rate classes.

Interrogatory # M5-ED-3

Reference: Report

Question(s):

- (a) If a 2050 Economic Planning Horizon is not appropriate, please comment on alternative, more appropriate methods to accelerate depreciation to account for the possibility that assets will no longer be used and useful prior to what the Iowa Curves would predict based on physical factors alone?
- (b) For the sake of discussion, say that a review of scenarios determined that there is a X% chance that Y% of steel pipes would no longer be used and useful by 2050. Could this be

reflected in depreciation amounts by way of adjusting the Iowa Curves for that asset class? What other mechanisms could be used?

- (c) Would Emrydia agree that the current depreciation methodology implicitly assigns a 0% probability that a substantial portion of assets will reach the end of their economic life before the end of their physical life due to decarbonization? If not, please explain, and provide the probability of this implicitly accounted for in the current methodology.
- (d) Does Emrydia agree that the current depreciation methodology implicitly assigns a 0% probability that a substantial portion of assets will reach the end of their economic life before the end of their physical life due to decarbonization?
- (e) Please discuss the merits of addressing decarbonization risks through accelerated depreciation for: (A) all assets, (B) only new assets, and/or (C) assets facing the greatest stranded asset risks (e.g. “small pipes” serving residential customers that can easily switch to more cost-effective heat pumps, pipes that are incompatible with hydrogen, etc.).