

**EB-2022-0200**

**Enbridge Gas Inc.  
2024 Rebasing**

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**POLLUTION PROBE  
HEARING COMPENDIUM Part 3**

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<b>Reference</b>	<b>Compendium Page</b>
Exhibit I.2.4-PP-30 [Capital OHs]	2
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Final Transcript EB-2022-0200 TC4 March 27 2023 Excerpt [burden rates]	6
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ENBRIDGE GAS INC.

Answer to Interrogatory from  
Pollution Probe (PP)

Interrogatory

Reference:

The capitalization of indirect overheads was one such area of alignment to provide a harmonized approach for the Company that meets the guidelines specified by the OEB Uniform System of Accounts for Class A Gas Utilities, and US GAAP. [Exhibit 2, Tab 4, Schedule 2, Page 2]

Question(s):

- a) Please provide the specific guideline language Enbridge is referring to above.
- b) Please confirm that capitalization of indirect overheads under US GAAP is only allowed when a regulatory decision in place to enable that approach (i.e. if the OEB does not provide put it in place as a regulatory approval Enbridge would not be able to capitalized indirect overheads under US GAAP). If that is not correct, please explain.
- c) Please confirm what amount and portion of annual capital costs are related to indirect overheads.

Response:

- a) The specific guidance language Enbridge Gas is referring to is provided at Exhibit 2, Tab 4, Schedule 2, Attachment 1, page 13.
- b) **Confirmed.** Outside the application of ASC 980 and the referenced regulatory approval, indirect overheads are not capitalized under US GAAP. However, it should be noted that a portion of Enbridge Gas's indirect overheads are indeed direct in nature but are being capitalized as indirect because Enbridge Gas's processes do not allow for these costs to be directly capitalized to specific capital projects. These costs can be capitalized under US GAAP by applying the guidance in ASC 360.
- c) Indirect overheads are calculated as a percentage of direct capital costs. As direct capital fluctuates from year to year, so does the portion of indirect overheads. Please see Table 1 for a summary of overheads and the allocation % from 2023 to 2025.

Table 1

(\$ millions)	<b>2023 Budget</b>	<b>2024 Budget</b>	<b>2025 Budget</b>
Direct Capital*	1,226	1,096	1,073
Total Overhead**	301.9	308.4	312.9
Overhead %	24.6%	28.1%	29.2%

\*Core and Integration capital. Integration capital applies to 2023 only.

\*\*Total overheads are inclusive of allocations from O&M, loadings, and interest during construction

ENBRIDGE GAS INC.

Answer to Undertaking from  
Pollution Probe (PP)

Undertaking

Tr: 119

When Enbridge makes the updates in the response to JT4.2, to add another column and just call it SEC-98 total or 2.1-SEC-98 final project costs, something like that, to the table, and put the numbers from SEC-98 in that table as well, and then where that number differs from what you had in the table, maybe just put a footnote to explain why.

Response:

Please see Attachment 1 for the requested information.

Exhibit I.1.4-PP-2 Table 1

Project Name	Applicant	Docket Number	Total Capital Cost (Forecasted)	Total Capital Cost (Actual)	Total Capital Cost Ex. I.2.1-SEC-98	Variance Driver	Capital Overhead Amount	In-Service Date (Actual or Expected)	Amortization Period	Amortization Period - Leave to Construct
2019 Oxford Reinforcement Project	Union Gas	EB-2018-0003	\$ 7,396,000.00	\$ 4,662,754.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 872,294.84	October 4, 2018 (Actual)	55 years	40 years
Kingsville Transmission Reinforcement Project	Union Gas	EB-2018-0013	\$ 105,716,000.00	\$ 77,042,559.00	\$ 91,553,885.00	The Forecasted and Actual costs are presented without overheads. Ex. I.2.1-SEC-98 includes overheads.	\$ 15,440,932.60	October 24, 2019 (Actual)	60 years	40 years
Liberty Village Project	Enbridge Gas Distribution	EB-2018-0096	\$ 3,623,263.00	\$ 4,151,681.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 1,124,045.73	March 28, 2019 (Actual)	55 years	40 years
Bathurst Reinforcement Project	Enbridge Gas Distribution	EB-2018-0097	\$ 9,147,651.00	\$ 9,442,615.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 3,237,782.72	December 11, 2019 (Actual)	55 years	40 years
Don River 30" Pipeline Project	Enbridge Gas Distribution	EB-2018-0108	\$ 25,318,141.00	\$ 23,706,759.00	\$ 31,013,254.00	The Forecasted and Actual costs are presented without overheads. Ex. I.2.1-SEC-98 includes overheads.	\$ 7,394,061.65	April 21, 2020 (Actual)	55 years	
Chatham-Kent Rural Project	Union Gas	EB-2018-0188	\$ 19,100,000.00	\$ 14,797,695.00	\$ 14,812,202.00	Immaterial completion costs	\$ 1,286,671.24	November 22, 2019 (Actual)	55 years	20 years
Georgian Sands Pipeline Project	Enbridge Gas Inc	EB-2018-0226	\$ 2,827,537.00	\$ 2,112,532.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 623,330.48	June 1, 2020 (Actual)	55 years	40 years
Stratford Reinforcement Project	Union Gas	EB-2018-0306	\$ 28,540,000.00	\$ 24,796,716.00	\$ 25,002,541.00	Immaterial completion costs	\$ 4,217,375.69	September 14, 2019 (Actual)	60 years	40 years
St Laurent Pipeline Project	Enbridge Gas Inc	EB-2019-0006	\$ 5,510,519.00	\$ 6,546,818.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 1,927,394.47	September 4, 2020 (Actual)	60 years	
Windser Line Replacement Project	Enbridge Gas Inc	EB-2019-0172	\$ 106,805,000.00	\$ 82,029,808.00	\$ 83,123,644.00	Immaterial completion costs	\$ 14,690,059.06	September 10, 2021 (Actual)	55 years	
Owen Sound Reinforcement Project	Enbridge Gas Inc	EB-2019-0183	\$ 68,965,000.00	\$ 70,121,772.00	\$ 70,165,009.00	Immaterial completion costs	\$ 11,959,209.96	October 20, 2020 (Actual)	60 years	40 years
Saugeen First Nation Community Expansion	Enbridge Gas Inc	EB-2019-0187	\$ 2,537,360.00	\$ 3,058,999.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 2,132.13	August 24, 2020 (Actual)	60 years	40 years
North Bay Community Expansion Project	Enbridge Gas Inc	EB-2019-0188	\$ 10,095,250.00	\$ 11,861,640.00	\$ 11,861,640.00	No variance	\$ 37,664.98	October 1, 2021 (Actual)	60 years	40 years
Samia Reinforcement Project	Enbridge Gas Inc	EB-2019-0218	\$ 30,761,000.00	\$ 36,966,604.00	\$ 36,966,604.00	No variance	\$ 6,631,845.22	November 1, 2021 (Actual)	60 years	20 years
Low Carbon Energy Project	Enbridge Gas Inc	EB-2019-0294	\$ 5,232,265.00	\$ 6,779,329.00	n/a	Not included in Ex. I.2.1-SEC-98	\$ 1,256,973.56	October 1, 2021 (Actual)	55 years	
NPS 20 Replacement Cherry to Bathurst Project	Enbridge Gas Inc	EB-2020-0136	\$ 133,047,891.00					December 8, 2022 (Actual)	55 years	
London Lines Replacement Project	Enbridge Gas Inc	EB-2020-0192	\$ 164,098,000.00					December 10, 2021 (Actual)	55 years	
Greensstone Pipeline Project	Enbridge Gas Inc	EB-2021-0205	\$ 25,777,789.00					March 2023 (Expected)	55 years	20 years
Waterfront Toronto Relocation Project	Enbridge Gas Inc	EB-2022-0003	\$ 23,461,558.00					August 2024 (Expected)	55 years	
Dawn to Corunna Pipeline Project	Enbridge Gas Inc	EB-2022-0086	\$ 250,749,703.00					November 1, 2023 (Expected)	55 years	
Haldimand Shores Community Expansion Project	Enbridge Gas Inc	EB-2022-0088	\$ 4,048,709.00					February 8, 2023 (Actual)	55 years	40 years
Covey and Kimball-Colinville Well Drilling Project (Gathering Lines)	Enbridge Gas Inc	EB-2021-0248	\$ 5,076,600.00					September 9, 2022 (Actual)	55 years	

Data Sources:

Total Capital Cost (Actuals) taken from Post Construction Financial Reports filed with the OEB either in their respective proceedings or at Exhibit 1, Tab 12, Schedule 1 of the EB-2022-0200 evidence.

In Service dates were filed in their respective proceedings as a requirement of the Conditions of Approval.

The list of Projects includes all Projects with a docket number from 2018-current that required Section 90(1) Leave to Construct Approval.

Not Required - Actuals will be filled in PCFR at a later date  
Includes Indirect OH, IDC & Loadings  
Includes IDC & Loadings - Project not allocated Indirect OH



# ONTARIO ENERGY BOARD

**FILE NO.:** EB-2022-0200

Enbridge Gas Inc.

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**VOLUME:** Technical Conference

**DATE:** March 27, 2023

1 projects. Was that a mistake? Is there colour coding  
2 missing in the table or do none of those things apply?

3 MS. DREVENY: Danielle Dreveny. I sorry, I am just  
4 reading the boxes for the colour coding. I apologize.

5 I think that was part of one of our earlier drafts of  
6 the reply, but I can confirm that there are some projects,  
7 mainly the community expansion ones, where it would only be  
8 including the interest during construction and any loadings  
9 that would be included for the project.

10 So if it's -- yeah. That's correct.

11 MR. BROPHY: Okay, so it sounds like this was a draft  
12 version.

13 There's some -- some things that are updated as it  
14 relates to the colour coding, and if that's true, then  
15 maybe we can put that on pause for a minute and come back  
16 to it in a sec.

17 Other quick question is, so I know what IDC is, and  
18 indirect overheads, but can you remind me what loadings  
19 are?

20 MS. DREVENY: Certainly. So loadings is another term  
21 probably internal term -- this is Danielle Dreveny -- that  
22 it can also be called burden rates. So those would be the  
23 burdens that are applied from an HR perspective, human  
24 resource costs that are applied to direct labour.

25 MR. BROPHY: Okay, so they're like overheads but it's  
26 just related to HR overheads? Is that -- or am I missing  
27 something?

28 MS. DREVENY: That's correct, it is the burden rate

1 that applies to HR-related costs that is applied to direct  
2 labour charged to a project.

3 MR. BROPHY: Okay, so those aren't already in the  
4 direct overhead costs, then, so there are portions of  
5 indirect overheads for, say, staff that worked on a project  
6 that get applied through indirect overheads, but then there  
7 is certain HR costs that aren't in the indirect overheads  
8 so that's caught in the loadings; is that correct?

9 MS. DREVENY: Yes, confirmed. There's essentially  
10 three separate buckets that apply to the term indirect  
11 overheads when we're talking about the allocations to  
12 capital projects, so that would be the burdens, the O&M  
13 overheads, and then the interest during construction or IDC  
14 costs.

15 MR. BROPHY: Thank you, for that. If we can go to the  
16 last column in the table, take a look.

17 So these are projects where Enbridge is proposing to  
18 include them in this application for rate purposes for  
19 2024, and you will see there is a listing of proposed  
20 amortization periods to apply to each project so it varies  
21 from 55 years and some are 60 years for the projects so the  
22 -- first of all, I thought the amortization project for  
23 these types of projects was 40 years; is that not right?

24 MS. DREVENY: Danielle Dreveny. So, it depends on the  
25 type of project that is listed, and for purposes of this  
26 response the amortization period is interpreted to be the  
27 expected service life based on the depreciation study. So  
28 you will see that it varies between a distribution and



1 transmission-related project.

2 MR. BROPHY: So the 55 years would be for distribution  
3 projects and 60 years would be for a transmission project;  
4 is that correct?

5 MS. DREVENY: Subject to check, because I can't see  
6 the titles of the projects but.

7 MR. BROPHY: Or if you need a minute we can pivot back  
8 over or make it smaller, if that's easier.

9 I guess you need the last column and first column in  
10 order to --

11 MS. DREVENY: I can't see them together. Now I can't  
12 read it. But that is what it is intended to be. So in  
13 terms of the response to this question, we would have  
14 looked at each individual project, what the nature of it  
15 was, meaning whether it was a distribution, mains, plastic  
16 or steel project, and if it was a transmission project, and  
17 then we would have chosen the appropriate service life that  
18 is based on the depreciation study that is proposed in 2024  
19 rebasing.

20 MR. BROPHY: I will try not to get into the weeds here  
21 because you may not have all the details but now we are  
22 straining my eyes to read it.

23 On the list, one of the 60-year projects and I'll just  
24 pick one at random here, is the North Bay Community  
25 Expansion project. And if you followed it across it is 60  
26 years; do you see that?

27 MS. DREVENY: Yes.

28 MR. BROPHY: So that was a plastic distribution

ENBRIDGE GAS INC.

Answer to Undertaking from  
Ontario Energy Board Staff (STAFF)

Undertaking

Tr: 8

To advise what type of changes to capitalization would require OEB approval under ASC 980

Response:

Enbridge Gas interprets the undertaking to ask what types of changes to the overhead capitalization methodology would require OEB approval under ASC 980.

Enbridge Gas believes that any changes to the indirect overhead capitalization methodology are subject to OEB approval. It is the Company's intent to follow the proposed harmonized indirect overhead capitalization methodology which has been included in evidence. This methodology is based upon the principles enunciated in Section 3.1 of Exhibit 2, Tab 4, Schedule 2. Accordingly, changes would only be undertaken for the purpose of enhancing those principles (e.g. increased transparency, accuracy, etc.). If required, any changes made during the incentive rate period will be communicated to the OEB during annual Earnings Sharing proceedings and, where appropriate, approval would be sought.