Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

October 3, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2023-0092 Enbridge Gas Inc. Utility Earnings and Disposition of Deferral and Variance Account Balances

In accordance with Procedural Order NO. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Enbridge Gas Inc.'s responses to interrogatories are due by **October 31, 2023**.

Any questions relating to this letter should be directed to the Case manager, Petar Prazic, at petar.prazic@oeb.ca or at 416-440-7682. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Petar Prazic
Digitally signed by Petar Prazic
Date: 2023.10.03 09:55:14 -04'00'

Petar Prazic
Senior Advisor, Natural Gas

Encl.

OEB Staff Interrogatories

Enbridge Gas Inc. 2022 Utility Earnings and Disposition of Deferral and Variance Account Balances

EB-2023-0092

October 3, 2023

OEB Staff Interrogatories
Enbridge Gas Inc.
EB-2023-0092

Please note, Enbridge Gas Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff. 1

Ref: Utility O&M
Exhibit B, Tab 3, Schedule 1, pp. 1-7

Preamble:

In the discussion on utility O&M expenses, Enbridge Gas stated that O&M expenses increased by $81.7 million, primarily due to increases in Corporate Shared Services (CSS), Outside Services, Admin Expenses, and Miscellaneous Expenses.

Questions:

a) The increase of $81.7 million in O&M expenses from 2021-2022 is substantial in comparison to previous years. Please confirm whether Enbridge Gas expects this trend to continue or decrease.
b) Please provide additional reasoning for why Travel and Entertainment expenses increased by 119.6% from 2021-2022.
c) Please provide detailed costs under the Corporate Shared Services category, including the cost allocation methodology that was used to assign costs to the individual business units.
d) What were the main drivers of the 38.3% decrease in Integration-Related costs?
e) Please provide additional explanation of other economic factors mentioned as a driver for the increase in Miscellaneous expenses.

Staff. 2

Ref: Enbridge Gas - Accounting Policy Changes Deferral Account
Exhibit C, Tab 1, p. 2

Preamble:

Enbridge Gas continues to track the annual revenue requirement impact of accounting policy changes made as of the amalgamation date, January 1, 2019, as well as any further accounting policy changes adopted since that time.

Questions:

a) Please identify any accounting policy changes made in 2022 that are in addition to those made in 2019-2021.
b) Please provide details of any additional changes and the potential impact of those changes on the balances in the APCDA.

Staff. 3

Ref: Enbridge Gas - Tax Variance Deferral Account
Exhibit C, Tab 1, Schedule 1, pp. 12-14

Preamble:

Consistent with the OEB's EB-2021-0149 Decision and Order, dated January 27, 2021, the Tax Variance Deferral Account balance also includes balances that relate to accelerated CCA impacts of capital additions related to amalgamation/integration capital projects. The 2022 balance for amalgamation/integration projects is a credit of $6.883 million.

Questions:

a) Please provide a table identifying the specific projects categorized as amalgamation/integration spending and the accelerated CCA amount associated with each project.
b) Please also provide the reasons for classifying these projects as amalgamation/integration related capital spending.
c) Please confirm if Enbridge Gas funded amalgamation/integration capital projects in 2022 through synergies. If yes, please establish a link between the achieved synergies and the related amalgamation/integration projects.

Staff. 4

Ref: 2022 Storage & Transportation Deferral Account - EGD
Exhibit D, Tab 1, p. 2

Preamble:

The balance in the 2022 S&TDA that the Company is proposing to collect from customers is $8.1 million plus interest. The primary driver for the balance in the 2022 S&TDA is higher than forecasted transportation prices and higher than forecasted market-based storage costs in 2022, partially offset by a $1.5 million refund from the Union rate zone as part of Union's 2020 deferral disposition.

Questions:

a) Please provide the average market-based storage costs for 2021 and 2022.
b) Why have market-based storage costs increased in 2022?

Staff. 5

Ref: Transactional Services Deferral Account - EGD
Exhibit D, Tab 1, p. 4

Preamble:

Enbridge Gas generated a total of $47.9 million in net Transactional Services revenue in 2022, of which the ratepayer portion represents $43.1 million, through a combination of Storage and Transportation Optimization. Transactional services optimization in the Enbridge Gas rate zones is higher than what has been included in rates due to changing market dynamics. The majority of this increase results from the increase in the Dawn-Waddington spread. This spread is impacted by the lack of pipeline infrastructure serving US Northeast markets.

Questions:

a) Please explain why Enbridge Gas was not able to optimize any storage transactions for the EGD rate zone in 2021 but generated a total of $47.9 million in net Transactional Services revenue in 2022.
b) Please provide additional information on the changing market dynamics referenced above.
c) Does Enbridge Gas expect this trend to continue in 2023?

Staff. 6

Ref: 2022 Unaccounted for Gas Variance Account - EGD
Exhibit C, Tab 1, p. 21

Preamble:

In the EGD Rate Zone, actual UAF was determined to be 256,332 $103m^3$. The forecast UAF volume of UAF was 106,677 $103m^3$. The variance between actual and forecasted UAF volumes of 149,656 $103m^3$, resulted in a debit balance of $41.4 million in the UAFVA, plus interest.

Enbridge Gas has taken the initial steps to establish a discrete team with the express mandate to investigate root causes, make recommendations to reduce and monitor, and to implement a sustainment and governance model for UFG for the utility.

Questions:

a) The variance between forecasted and actual unaccounted for gas resulted in a substantial balance for 2022. Please explain the significant disparity between forecasted and actual UFG in 2022.

b) Please provide additional details on the status of efforts by the discrete team referenced above. What options have been developed or proposed so far to reduce UFG levels going forward?

Staff. 7

Ref: Unabsorbed Demand Costs Deferral Account - Union Gas
Exhibit E, Tab 1, p. 1

Preamble:

To meet customer demands across the Union rate zones and to meet the planned storage inventory levels at October 31, approved rates for the Union rate zones in 2022 included planned unutilized pipeline capacity of 11.3 PJ in Union North West, 3.1 PJ in Union North East and 0 PJ in Union South. The actual unutilized capacity in 2022 was 16.7 PJ, of which 1.93 PJ was in Union South. There is a debit balance of $0.810 million applicable to sales service customers related to the cost of the unutilized capacity in Union South

Questions:

a) Please confirm that the planned unutilized capacity in Union South is set at 0 PJ as any excess pipeline capacity is used to fill storage at Dawn in a typical year.
b) Please explain why the 1.93 PJ of unutilized pipeline capacity in 2022 was not used to fill storage levels.
    i. Please explain why the proportion of total unutilized pipeline capacity substantially decreased in Union South compared to the 2021 level.

c) Please outline what measures Enbridge Gas implemented in order to reduce the total actual unutilized capacity in 2022.

Staff. 8

Ref: Short Term Storage and Other Balancing Services Deferral Account - Union Gas
Exhibit E, Tab 1, pp. 7-9 of 69, and, Exhibit E, Tab 1, Table 3, p. 8 of 69

Preamble:

The Short-term Storage and Other Balancing Services Deferral Account includes revenues from C1 Off-Peak Storage, Gas Loans, Supplemental Balancing Services and C1 Short-Term Firm Peak Storage. The net revenues from services provided was $0.117 million, of which the ratepayer share is $0.105. The balance in this deferral account is a debit from ratepayers of $4.446 million, plus interest of $0.216 million for a total debit from ratepayers of $4.662 million.

Questions:

a) Please confirm that the correct figure in Line 2, Actual 2022, in the above-referenced table is 105, and not 12 (ratepayer 90% share of the actual 2022 Short-Term Storage and Other Balancing Services net revenue of $0.117 million).

b) The Short-term Storage and Other Balancing Services revenue for 2021 was $2.610 million, which increased to $3.297 million in 2022. However, O&M costs for 2022 ($1.172 million) represent a marginal increase over the $1.004 million in 2021 O&M.
   i. Please explain why O&M costs for 2022 increased marginally as compared to 2021 while revenue increased significantly.

c) Unaccounted for Gas (UFG) costs for 2022 were $1.521 million as compared to $266,000 in 2021.
   i. Please explain why UFG costs increased nearly six-fold for 2022 as compared to 2021.

d) Please explain why total costs for 2022 ($3.18 million) more than doubled from 2021 ($1.528 million).

Staff. 9

Ref: Integrated Resource Planning Operating Costs Deferral Account
Exhibit C, Tab 1, p. 16

Preamble:

The 2022 Integrated Resource Planning (IRP) Operating Cost Deferral Account has a debit balance of $2.285 million (including interest).

Enbridge Gas is proposing to recover $1.773 million in the IRP Operating Costs Deferral Account related to staff salaries and expenses. In 2022, there was 13.5 Full Time Equivalent (FTE) additions and employee expenses associated with IRP. Enbridge Gas stated that this is in addition to the 3 FTE IRP roles that are already captured in Operating and Maintenance (O&M).

Questions:

a) Please confirm how many FTE IRP roles Enbridge Gas had in 2021 and the balance recovered in the 2021 IRP Operating Cost Deferral Account associated with those FTE IRP roles.

    i. Does Enbridge Gas expect to continue increasing the number of FTE IRP roles in future years? Please provide further details.

b) Please confirm if Enbridge Gas had a total of 16.5 FTE IRP roles in 2022 (3 captured in O&M).

c) Please explain why the 3 FTE IRP roles referenced above were captured in O&M and not in the IRP Operating Cost Deferral Account

    i. Please provide the costs associated with these 3 FTE IRP roles captured in O&M.

Staff. 10

**Ref: Integrated Resource Planning Operating Costs Deferral Account
Exhibit C, Tab 1, p. 21**

Preamble:

The proposed IRPAs are not able to address the class location and depth of cover concerns; therefore, Enbridge Gas will continue to monitor these assets to ensure the risk remains tolerable. As the project is reassessed to identify if and when future system reinforcement may be required, remedies to the class location and depth of cover concerns will be considered.

Questions:

a) Please provide additional details on what remedies Enbridge Gas will consider if system reinforcement is required.

Staff. 11

**Ref: Normalized Average Consumption Deferral Account - Union Gas
Exhibit E, Tab 1, pp. 12-16 of 69**

Preamble:

The deferral account balance is calculated by multiplying the variance between the weather normalized target NAC and the weather normalized actual NAC by the 2013 OEB-approved number of customers and the 2022 OEB-approved delivery and storage rates for each general service rate class. For rate classes M1, M2, 01 and 10, two variances have been calculated for each rate class to determine delivery and storage revenues: one is the variance between target and actual NAC for base rates and the other similar variance for Y-factor rates. The Variance (Target minus Actual NAC) differs under both calculations (Base Rates and Y Factor Rates).

Questions:

a) Please provide a detailed calculation that shows how the variance calculations (Target minus Actual NAC) for base rates and Y-factor rates are used to determine the NAC deferral account balance.

b) Please identify the specific components to which the base and Y-factor rates adjustments apply.

Staff. 12

**Ref: Normalized Average Consumption Deferral Account – Union Gas
Exhibit E, Tab 1, pp. 12-14 of 69**

Preamble:

For 2022, the balance in the NAC deferral account is a debit to ratepayers of $8.770 million plus interest of $0.565 million for a total debit to ratepayers of $9.334 million. The 2019 actual NAC, weather normalized using the 2022 weather normal was used to determine the 2022 target NAC for each rate class to calculate base rates. The 2022 actual NAC for each rate class is weather normalized using the 2022 weather normal, which is produced using the OEB-approved weather methodology. For 2022, the target NAC was greater than the actual NAC across all rate classes (Rate 01, Rate 10, Rate M1, Rate M2).

a) Please provide a rate class graphical representation of normalized average use per customer for the years 2019 to 2021(show forecast and actual).