EB-2024-0111

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sch. B;

AND IN THE MATTER OF an Application by Enbridge Gas Inc, pursuant to section 36(1) of the Ontario Energy Board Act, 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2024.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO ENBRIDGE GAS INC. ("EGI")

Interrogatory 1.7 CME-1

Ref: Phase 2 Exhibit 1, Tab 7, Schedule 1, page 8, Figure 1, page 11-12.

(a) Please provide the total number of meters with access issues and total number of meters from the period 2018-2022.

(b) Does EGI track the number of callers that request EGI to refrain from entering the property or confirm the legitimacy of the meter reader? If so, please provide data for the entirety of the previous IRM term through to today.

Interrogatory 1.10 CME-2

Ref: Phase 2 Exhibit 1, Tab 10, Schedule 7, page 3 of 11.

At page 10, EGI states that some of the purposes of the Energy Transition Technology Fund ("ETTF") are "renewable natural gas (RNG), hydrogen, carbon capture utilization and storage (CCUS) and end-use innovations outside of the current DSM Framework."

EGI has indicated that the use of renewable natural gas through the EGI distribution system are "crucial solution" on the path to net zero.[1] EGI has indicated that it has already begun work to

[1] https://www.enbridgegas.com/sustainability/clean-heating/renewable-natural-gas

develop hydrogen expertise for instance through a project with Cummins Inc. which already produces 400,000 kg's per year of hydrogen.[2]

(a) EGI has commercial interests in the use of renewable natural gas and hydrogen. Given that fact, why does EGI feel that it is appropriate for customers to pay for research into these topics rather than the shareholder?

(b) What is EGI's proposal with respect to the ownership and impact of any innovative energy efficiency technologies and programming? For instance, if innovations pursued through the fund were to be commercializable, would EGI recognize the revenues it generates as other revenues which would offset its revenue requirement?

(c) To the extent EGI intends to treat the products of the ETTF any differently than its own commercial expertise, how would EGI account for which expertise was developed by EGI (for instance, in partnership with Cummins) and which expertise was developed through and funded by ratepayers through the ETTF?

(d) Does EGI anticipate that any of the innovations, technologies and or programming would be relevant to any of its non-regulated activities and or affiliates? If so, please outline how EGI would account for the benefits flowing from a subsidized and regulated activities to these unregulated activities or affiliates?

(e) To the extent that EGI were to develop innovations that lowered the cost of RNG supply for instance (see para 7 page 3 for EGI's example) how does EGI propose to promulgate that to RNG suppliers? For instance would it be given freely to all RNG suppliers in order to maximize cost savings, or would EGI sell these innovations or technologies to certain suppliers. If the latter, how would it determine which suppliers to sell to?

Interrogatory 1.10 CME-3

Ref: Phase 2 Exhibit 1, Tab 10, Schedule 7, p. 5 of 11.

EGI described that the ETTF would fund technology initiatives that are outside those funded by DSM.

(a) To the extent that a current DSM-funded initiative met the criteria set out in paragraph 13 and would reduce GHG by the greatest amount, would EGI ever add funding from the ETTF to this endeavor, or does the fact that it has DSM funding 'disqualify it' from ETTF funding entirely?

[2] https://www.enbridge.com/about-us/new-energy-technologies/clean-hydrogen/enbridge-and-clean-hydrogen

Interrogatory 1.10 CME-4

Ref: Phase 2 Exhibit 1, Tab 10, Schedule 7, p. 7.

EGI stated that it intends to use the ETTF to research, test and pilot CCUS technologies for commercial and industrial applications.

(a) Does EGI have a proposed budget allocation with respect to the ETTF if it is approved without modification?

(b) If the answer to a) is yes, how much of the budget will go to initiatives of general application, commercial initiatives, industrial initiatives, residential initiatives or other ratepayer segments? Will the budget spending areas have any relationship to the amount of the ETTF budget recovered from each ratepayer segment? Why or why not?

Interrogatory 1.10 CME-5

Ref: Phase 2 Exhibit 1, Tab 10, Schedule 7, p. 10-11

EGI described a new proposed variance account to capture the variance between the actual amounts collected by the ETTF rate rider and actual costs incurred for ETTF initiatives. EGI states that it "proposes to align its spending with the amount collected in the proposed rate rider"

(a) Does EGI intend to spend only up to $5 million per year on ETTF initiatives, or does it intend to have flexibility such that it can spend more than $5 million in any given year.

(b) If it intends (or the possibility of overspending exists) is it EGI's intent to recover the overage the next year's ETTF rate ride (or potentially any leftover money it had from previous years), or does it intend to charge ratepayers an additional amount for the ETTF for that year?

(c) To the extent that EGI will have some flexibility to overspend, on what basis would EGI do so? For instance, what would a project or initiative have to demonstrate in order to be eligible for that additional spending?

Interrogatory 1.11 CME-6

Ref: Phase 2 Exhibit 11, Tab 13, Schedule 2, p. 9;

EGI proposes to allocate compressor fuel based on actual net daily unregulated storage activity as a percentage of total actual net daily storage and transportation activity.

(a) Please elaborate on why a net basis is preferred to a gross basis.

Interrogatory 1.13 CME-7

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 2, p. 11.

EGI stated that it would allocate O&M costs based on “expected time” spent on unregulated storage activities

(a) How does EGI forecast “expected time”?

(b) Is the forecasting process reviewed from year to year?

(c) Does EGI track actual time spent on unregulated storage activities? If yes, does it ever true up against the expected time?

Interrogatory 1.13 CME-8

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, p. 11.

At page 11, EGI indicates that the compressors that are being replaced as part of the project were 100% allocated to regulated operations.

(a) Please confirm that the compressors (both the ones being replaced as well as the new ones) have/will serve both regulated and unregulated storage operations.

(b) Please confirm that the project provides the exact equivalent withdrawal and injection capability as the previous seven compressors. If confirmed, how was EGI able to exactly match the previous capacity, was the project designed for an exact match rather than a match that was close? For example, did EGI procure a bespoke solution rather than off the shelf components in order to match capabilities?

(c) Upon what basis were the original assets allocated solely to the regulated business?

(d) Does EGI oppose allocating project costs based on the percentage of regulated/unregulated customers that use the asset? If so, please explain why or why not.

Interrogatory 1.13 CME-9

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, p. 18.

At page 11, EGI stated “In March 2023 before proceeding to project execution, Enbridge Gas evaluated the cost of other facility alternatives as described in the LTC Application.” Elsewhere, EGI states that the original budget for the project was based on a Class 4 estimate, which has a range of -30%/ +50%.

(a) How does EGI compare alternatives when forecasts are provided in a range? Does EGI evaluate the main alternative based on its stated cost, as an average of the range of costs,

or in different scenarios at various points in the range (for instance, evaluating it at -30% of the cost and +50% of the cost).

(b) How does EGI evaluate alternatives? Does EGI complete, for instance, equivalent "class" estimates of the alternatives?

(c) To the extent that EGI does not use equivalent class estimates, does this potentially skew results in EGI's view?

Interrogatory 1.13 CME-10

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, p. 7 of 20, p. 4.

EGI stated in footnote 3 that there is a minor decrease in withdrawal capability as a result of the design day analysis with a combined storage system.

(a) Please provide the driver of the decrease.

Interrogatory 1.13 CME-11

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 8 of 34.

(a) With respect to material delivery delays, please advise what EGI's "' rigorous material expediting efforts" were.

(b) Why did EGI only see "limited success" in this regard?

(c) Has EGI conducted a 'lessons learned' with respect to this project and this component in particular? If so, please provide the lessons learned and any actions that EGI has undertaken to improve its processes.

(d) What contractual abilities did EGI have with respect to material delivery delay?

(e) Did EGI exercise any of its contractual rights with respect to this issue? Please explain.

Interrogatory 1.13 CME-12

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 10 of 34.

At page 10, EGI stated "While a contract could be created to minimize the risk (such as a lump sum contract), the up-front cost of such a contract would be significantly higher as the contractor would be assuming substantially more risk."

(a) Is it EGI's view that contractual protections are not worth including as the costs of such protections would outweigh their benefits?

(b) When would EGI consider contractual protections worthwhile?

(c) Did EGI conduct any investigations to determine the cost (in terms of bid price or other costs) of including contractual protections to minimize risk? If so, what was the delta on bidder's prices including and not including contractual protections? If not, why not?

Interrogatory 1.13 CME-13

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 13 of 34.

At page 13, EGI set out that part of the overage ($8.1) million was attributed to "higher manufacturing costs for engineered components" and states that pipe was more expensive due to inflation.

(a) Does the $8.1 million overage also relate to inflation?

(b) If the answer to a) is yes, how did EGI differentiate cost estimates related to inflation, and individual costs that are listed separately but also attributed to inflation. Please confirm if the separate component overages related to inflation are in addition to, or roll up into the total "inflation" attributed overage.

Interrogatory 1.13 CME-14

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 15 of 34.

At page 15, EGI stated that "The selected contractor demonstrated excellent scoring across all evaluation criteria and offered the lowest (equalized) proposal price at $58.3 million"

(a) How were the bids' proposal price equalized? Which proponent has the lowest raw (unequalized) bid?

Interrogatory 1.13 CME-15

Ref: Phase 2 Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 17 of 34.

At page 7, EGI stated: "While the RFP was ongoing, Enbridge Gas became aware of emerging delays to Company-supplied materials (for the construction contractors)."

(a) Please describe the emerging delays to company-supplied materials. How did EGI respond to these delays, other than the outlined change to the contract structure?

(b) Please describe EGI's view of the difference in the allocation of risk between EGI and the contractor and how it shifted when changing from the lump sum contract and the actual cost plus fixed fee incentive.

Interrogatory 1.17 CME-16

Ref: Phase 2 Exhibit 1, Tab 17, Schedule 1, p. 7

At page 24, EGI stated "Enbridge Gas will incorporate energy transition sensitivity analysis, which will examine how long the pipeline is expected to be needed under different energy transition scenarios."

(a) Which energy transition scenarios would EGI employ for this analysis?

(b) How will EGI weigh various dimensions of risk against one another, for instance, safety, reliability, asset stranding risk, and cost in the context of multiple transition scenarios? For instance, will it take an average, value of the transition scenarios and make a determination based on that?

Interrogatory 1.17 CME-17

Ref: Phase 2 Exhibit 1, Tab 17, Schedule 1, p. 12.

At page 12, EGI stated: "The ALE alternative costs, however, are anticipated to be lower than the total asset replacement costs and could spread investments over several years in comparison to large capital replacement costs in one year."

(a) EGI has proposed that additional ALE work could be the subject of ICM requests. Please explain how EGI would treat instances where ALE work costs less than the work that was already within the budget? For instance, would it offset incremental ALE work prior to recourse to the ICM mechanism?

(b) Would ALE projects or EDIMP work ever lower O&M costs relative to those included in rates? If so would those credits ever recorded in a variance account (either DIMP or otherwise?)

Interrogatory 1.17 CME-18

Ref: Phase 2 Exhibit 1, Tab 17, Schedule 1, p. 16.

EGI provided a description of its proposed ALE decision making process/framework. At page 16, EGI stated, with respect to grouping of ALE projects for ICM treatment that "This approach benefits customers and incents Enbridge Gas to pursue additional ALE alternatives."

(a) Please clarify how ICM treatment would incent EGI to pursue additional ALE alternatives. If a proposed ALE met the requirements of the decision making process (see page 9 where it describes that the ALE analysis would compare the benefits of reduced risks against the cost of implementation) wouldn't that ALE be pursued by EGI, or would EGI determine not to pursue viable ALE alternatives because it was not being sufficiently 'incented'?

(b) To the extent that ICM treatment is allowed as proposed (allowing grouped investments and $0 in service capital addition) please provide EGI's position on whether this would incent EGI to avoid ALE projects during initial budgeting and rely instead on the ICM mechanism.

Interrogatory 1.17 CME-19

Ref: Phase 2 Exhibit 1, Tab 17, Schedule 1, p. 26;

At page 26, EGI stated "Due to the breadth and complexity of factors that are required to develop a system pruning IRP program and the limited amount of time between the Phase 1 Decision and the date of filing the Phase 2 evidence, Enbridge Gas is not submitting a specific system pruning proposal in Phase 2."

(a) Please confirm whether interveners that are not part of the IRP TWG will get an opportunity to review the proposed pilot project prior to a broader implementation?

(b) If the answer to a) is yes, in what proceeding(s) does EGI believe such a review would take place?

Interrogatory 1.18 CME-20

Ref: Phase 2 Exhibit 1, Tab 18, Schedule 1, p. 3 of 7.

At page 3, EGI stated: "Had any amounts related to Enbridge Sustain been included in the 2024 O&M budget, they would have been offset by the amounts to be paid directly or indirectly by Enbridge Sustain for receipt of services. Moreover, any such amounts would have been very small compared to the base O&M budget of approximately $1,113 million.

(a) In the event that amounts related to Enbridge Sustain been included in the 2024 O&M budget, how would the money have been returned to ratepayers? For

instance, would the amounts paid from Enbridge Sustain to the regulated business be included in ‘other revenues’?

(b) Please reconfirm that this statement is counterfactual, and EGI has positive knowledge that no amounts related to Enbridge Sustain were included in the 2024 O&M budget.

Interrogatory 4.2 CME-21

Ref: Phase 2 Exhibit 4, Tab 2, Schedule 7, p. 5 of 32.

At page 5, EGI stated “Enbridge Gas expects low-carbon energy commodity purchases will be made on long-term contracts of five years or greater. Accordingly, Enbridge Gas is proposing the cost recovery mechanism be approved for the duration of the low-carbon energy contract term.”

(a) Has EGI forecast the number of large volume sales service customers that it expects will take up low-carbon energy, and the expected amount of the total procured that will be voluntarily picked up?

(b) If none of the low-carbon energy purchases were voluntarily taken up by large volume sales service customers, what would the incremental cost per unit of volume be for purchasing low-carbon energy be to non-residential customers under EGI’s proposal?

Interrogatory 4.2 CME-22

Ref: Phase 1 Exhibit 4, Tab 2, Schedule 7, p. 20 of 24.

At page 20, EGI stated: “Enbridge Gas will reduce the FCC for these customers on their natural gas bills by an amount equal to the total annual amount of low-carbon energy elected by the customer.”

(a) Has EGI forecast the potential premium price or a range of prices that the voluntary participants are likely for the use of low-carbon energy sources?

(b) If so, please provide that forecast price, and compare that to the FCC unit reduction that the customer would enjoy as a result of the use of low-carbon energy sources.

Interrogatory 4.2 CME-23

Ref: Phase 2 Exhibit 4, Tab 2, Schedule 7, p. 11 of 32.

(a) With respect to the voluntary low carbon energy proposal, why wouldn't EGI offer the option for other rate classes to voluntarily opt-in either for a customized amount of RNG, or specific set tiers of RNG amounts, similar to the existing pilot project?

Interrogatory 4.2 CME-24

Ref: Exhibit 2, Tab 6, Schedule 2, p. 85 of 288, Figure 5.2-4

At page 11, EGI stated: "Subject to RNG availability, Enbridge Gas will offer low-carbon energy as part of the LCVP for a commitment period of one year with automatic renewal in subsequent years until a time in which the customer elects a change."

(a) Please confirm that the customer's period of voluntary uptake will be shorter than the longer-term contracts that EGI will be entering into for the purchase of low carbon energy?

(b) To the extent that customers initially volunteer, but opt out, please confirm that the incremental cost of the purchase of low carbon energy would be divided amongst ratepayers in the same way that any initial purchases (surplus to the voluntary uptake) are divided.

Interrogatory 10.1 CME-25

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1

EGI has requested a modified ICM to be part of its IRM framework.

(a) Please describe EGI's process for determining what capital projects it will put forward for ICM treatment.

(b) Does EGI only put forward incremental capital projects for ICM consideration (in other words, those that are not already part of the capital budget for the term), or does EGI request ICM treatment for projects that were initially within the existing capital budget but will be removed so that the existing capital budget can cover new incremental projects?

Interrogatory 10.1 CME-26

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1, p. 17 of 28

At page 17, EGI stated: "Enbridge Gas will seek recovery for the revenue requirement associated with capital spend for projects which are above the ICM threshold and meet the ICM eligibility criteria."

In phase 1, the Board ordered a reduction of $250 million to the overall proposed capital budget for 2024.

(a) Please describe the process EGI employed to determine which projects that were initially within the budget would be deferred or cancelled as a result of the Board's ordered reduction in the capital budget in the phase 1 decision?

(b) Please confirm whether or not EGI would seek ICM treatment for projects that were originally within the budget but were removed as a result of the Board's reduction to the capital budget, assuming that the projects otherwise met the normal requirements of the ICM.

(c) If EGI would seek ICM treatment for the projects outlined in part b), what procedural safeguards has EGI employed to prevent ICM eligible projects from being deferred or cancelled at a greater rate than other projects due to the fact that EGI could theoretically gain funding for these projects again through the ICM mechanism.

Interrogatory 10.1 CME-27

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1

a) Does EGI currently forecast requiring the use of the ICM mechanism for any known projects? If so, please list the projects, their estimated costs, and a brief description of what risks the project is meant to address.

Interrogatory 10.1 CME-28

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1, pp. 21-22.

Enbridge Gas is proposing to combine the "advanced" element of ACM with ICM, by seeking to file the ICM funding request with the Leave-to-Construct (LTC) application for the relevant project.

(a) For the past five years, please provide of all projects for which EGI applied for an ICM, and the amount of money that EGI has had to expend in advance of a determination from the Board regarding ICM eligibility. Additionally, please provide in the table an indication of whether the Board accepted the project for ICM eligibility or if it was denied.

(b) What process would EGI follow if EGI no longer qualified for ICM funding (for instance, if it no longer was going to exceed the materiality threshold) by the year in which the project is planned to be put into service?

Interrogatory 10.1 CME-29

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1, pp. 22-23.

At page 22, EGI stated that it was proposing an additional off ramp in instances where "government legislation or policy or a change in OEB policy and requirements causes a change in operating environment/parameters from those upon which base rates were established."

(a) What constitutes a change in EGI's operating environment and parameters from those upon which base rates were established?

(b) Would this change have a materiality threshold? If so, what is EGI proposing as a materiality threshold? If not, will any change be sufficient for an off ramp?

Interrogatory 3.2 CME-30

Ref: Phase 2 Exhibit 10, Tab 1, Schedule 1, p. 28.

At page 28, EGI stated: "The theory is that an ECM will incent Enbridge Gas to pursue efficiency initiatives in the later years of an IR plan and allow the Company to retain some of the efficiency gains or savings after rebasing, thus eliminating any disincentives for the Company to invest in efficiency-related investments during the later years of an IR plan."

(a) Please confirm whether EGI has had efficiency measures that it did not pursue as a result of a disincentive (or lack of incentive) based on the structure of the IR plan. If confirmed, please provide a list of such measures.