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File No. 61604.50

June 19, 2024

BY RESS

Ms. Nancy Marconi
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P1E4

Dear Ms. Marconi:

Re: EB-2024-0111 – Enbridge Gas Inc. (“Enbridge”) Rebasing Phase 2 - Interrogatories

We are counsel to the Association of Power Producers of Ontario (“**APPrO**”) in the above noted proceeding. On May 30, 2024, the Ontario Energy Board (“**OEB**”) issued Procedural Order No. 2 requesting submissions written interrogatories from OEB Staff and interveners.

Please find enclosed the interrogatories of APPrO.

Yours truly,

BORDEN LADNER GERVAIS LLP

Colm Boyle

Colm Boyle

CB/JV

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

Filed: June 19, 2024

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<u>1.13 APPrO-1:</u>

Reference: Exhibit 1 Tab 13 Schedule 2

Can EGD provide a detailed annual impact to unregulated storage costs for a typical gas-fired generator as a result of the proposed change in cost allocation to the unregulated storage business?

<u>1.13 APPrO-2</u>

Reference: Exhibit 1 Tab 13 Schedule 2

Can EGD explain why allocating costs using the Union Gas methodology as opposed to the EGD methodology is more fair for unregulated storage customers?

<u>1.13 APPrO-3</u>

Reference: Exhibit 1 Tab 13 Schedule 2

Currently, gas-fired generators (and other unregulated storage customers) pay a negotiated rate for storage. Will the increase in costs included in this application be applied via increased variable charges or is EGD is expected to terminate current storage contracts and renegotiate pricing?

<u>1.13 APPrO-4</u>

Reference: Exhibit 1 Tab 13 Schedule 2 Page 5

"Prior to 2019, EGD did not allocate any of its materials and supplies inventory to unregulated storage operations, which continued through the deferred rebasing term for the EGD rate zone."

Please provide the impact on unregulated storage costs if EGD were to continue to use the 2019 methodology as opposed to the updated methodology?

<u>1.13 APPrO-5</u>

Reference: Exhibit 1, Tab 13, Schedule 2, Attachment 1, Page 19 of 53

"O&M costs will continue to be classified into asset-specific cost pools and will be allocated using the storage asset category. However, asset-specific cost pools will now be allocated using a storage asset allocator averaged across all asset locations for each asset category (as opposed to allocators being calculated by location for each asset)."

"The modified legacy UG methodology continues to maintain a fair allocation that represents underlying business activities, whilst simultaneously streamlining the cost allocation methodology related to O&M expenses directly related to storage operations. Using one allocator per storage

asset category across the various storage pool locations will increase the transparency of the allocations and allow outside parties to more easily reproduce the allocator, in line with design principles."

Provide the total impact on costs allocated to unregulated storage customers in adopting the modified Union Gas methodology?

1.13 APPrO-6

Exhibit 1 Tab 13 Schedule 2 Page 7

"The harmonized allocation of general plant assets first requires an aligned definition of general plant assets to include certain EGD buildings and land assets. These assets were historically classified as distribution plant assets and were not allocated to EGD's unregulated storage operations. Union historically allocated all general plant assets by applying different allocators for vehicles and heavy work equipment, and all other general plant assets. Under the harmonized methodology, new Enbridge Gas general plant assets are allocated monthly to the unregulated storage operations using a composite allocation rate based on the proportion of the Company's unregulated assets and O&M expenses relative to total assets and O&M expenses."

Please provide a detailed explanation for why the previous approach of considering EGD's general plant as distribution assets, but are now being allocated to unregulated storage even though their utilization would not have changed, is inappropriate.

1.13 APPrO-7

Exhibit 1 Tab 13 Schedule 2 Page 13

"The increase in O&M costs allocated to unregulated storage is attributable to the impact of adopting Union's methodology, or a modified version of it, on EGD rate zone costs. Storage operations O&M will be allocated to unregulated storage using an asset-based allocation. This approach reflects the larger unregulated storage operation of Enbridge Gas as compared to the capacity or commodity-based allocations previously applied at EGD. Additionally, support costs were previously based on a markup of direct labour for storage. Instead, the harmonized methodology applies an allocation for unregulated storage based on a more comprehensive pool of administrative and general costs that is based on the proportion of unregulated storage O&M to total O&M, as well as activity-based allocations for variable support costs."

"The increase in net general plant assets and depreciation expense to unregulated storage is attributable to adopting Union's methodology, or a modified version of it, on EGD rate zone assets. General plant assets will now be allocated to unregulated storage using an allocator derived from asset information and O&M expenses. The approach supports the nature of general plant assets as their function is to support the day-to-day operations of Enbridge Gas, which includes storage operations."

Please comment on why former Enbridge unregulated storage customers should now be allocated a greater portion O&M costs due to a “large unregulated storage operation” even though their utilization of assets has not changed?