Shepherd Rubenstein

BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
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June 19, 2024
Our File: EB20240111

Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2022-0200 – Enbridge Gas Inc. 2024-28 Phase 2 – SEC Interrogatories

We are counsel to the School Energy Coalition ("SEC"). Attached, please find SEC's interrogatories.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Applicant and intervenors (by email)

EB-2024-0111

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. 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.

PHASE 2 INTERROGATORIES TO

ENBRIDGE GAS INC. ("ENBRIDGE")

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1.1-SEC-1
For each third-party expert report filed in Phase 2. Please provide a copy of, a) the retainer and b) the specific instructions/direction provided to the expert regarding their work not included in the retainer.

1.7-SEC-2
[1-7-1] With respect to the Enbridge's Meter Reading Performance Measurement (MRPM) proposal:

a. [p.7] Please provide the definition of "inaccessible meter" for the purpose of the MRPM metric.
b. Please explain how Enbridge will ensure that its staff do not improperly classify meters that are not read as "inaccessible".
c. [Attachment 2] Please provide a similar table that provides information between 2014 and 2021.
d. Please confirm that there were meters that were similarly inaccessible before issues arose in 2020.
e. Please explain why, if the OEB is to remove inaccessible meters from the MRPM calculation, which are not new, it should not also increase the target performance (i.e. reduce the target below 0.5%).

1.10-SEC-3
[1-10-1, p.3] Enbridge states that it has "supported the development of the hybrid heating systems including smart controllers to optimize cost, increase efficiency and reduce GHG emissions."

a. How did Enbridge fund its development of these technologies?
b. Are any of these technologies currently being marketed or sold by Enbridge Sustain, Enbridge affiliates, or any Enbridge non-regulated business?

1.10-SEC-4
[1-10-1, p.4] With respect to the ETTF costs:

a. Will ETTF spending on capital assets be calculated on a revenue requirement basis or will it be expensed?
b. If the answer to part (a) is on a revenue requirement basis, what will happen to the undepreciated capital costs at the end of 2028?
c. If the answer to part (a) is on a revenue requirement basis, assuming 100% of the ETTF spending is on capital assets, please provide an estimate of the total amount of capital spending that can be supported by the ETTF between 2025 to 2028.
d. When will the OEB review the prudence of the ETTF expenditures?
e. [p.1] Please explain the basis of Enbridge's proposal for ETTF funding of $5M a year.
f. [p.10] Please explain why the OEB should not cap the expenditure at $5M a year.

1.10-SEC-5
[1-10-1] With respect to the ETTF projects and initiatives:

a. Please explain in detail the process for how projects/initiatives will be selected.
b. Please explain how Enbridge will ensure fairness in project selection so not to either explicitly or implicitly favor its unregulated businesses or affiliates.
c. Please explain what type of public reporting Enbridge proposes with respect to outcomes of ETTF projects and initiatives.

1.10-SEC-6
[1-10-1] Please provide a copy of all ETTF internal business cases, proposals, memorandum, or similar documents regarding the ETTF.

1.13-SEC-7
[1-13-2, p.15] Using the categories in Table 2, please provide a table that shows for each year since the implementation of the NGEIR decision through to the 2024 test year, total storage costs, broken down by amounts allocated to regulated and unregulated storage businesses. For all years before 2024, please break the information down into EGD and Union rate zones. Please also provide the information in Excel format.

1.13-SEC-8
[1-13-2] For each year since the implementation of the NGEIR decision through to the 2024 test year, please provide the actual (or forecast) information. For all years before 2024, please also breakdown the information into EGD and Union rate zones. Please also provide the information in Excel format.

a. Working storage capacity
    a. total
    b. regulated
    c. unregulated
b. Design day storage deliverability
    a. total
    b. regulated
    c. unregulated

c. Net daily total activity for storage and transportation (injections less withdrawals)
    a. total activity
    b. regulated storage activity
    c. unregulated storage activity
d. Gross annual activity for storage and transportation (injections plus withdrawals)
    a. total activity
    b. regulated storage activity
    c. unregulated storage activity

For all years, please breakdown the information into EGD and Union rate zones. Please also provide the information in Excel format.

1.13-SEC-9
[1-13-2, Attach 1] With respect to the Ernst &Young LLP ("EY"), Enbridge Gas Inc. *Unregulated Storage Cost Allocation* Report:

a. [p.14-15, 16] Please explain the rationale for the different allocation methodology for UFG and compressor fuel (i.e. annual vs. daily, and gross vs. net).
b. [p.18] For the purposes of O&M expense classification, what is considered an underlying activity that is shared, unregulated or regulated. Please provide illustrative examples.
c. [p.30] Please explain and detail what are the "design principles" that it believes that EGI's methodology continues to maintain and uphold.

1.13-SEC-10
[1-13-2, Attach 1, p.10-11] Please provide a table, for each year between the implementation of NGEIR and the 2024 test year, in-service additions, broken down by:

a. new storage assets resulting in additional capacity and deliverability
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
b. new storage assets to maintain existing assets or replace end-of-life assets
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
c. new assets for replacing and enhancing an existing asset that is at the end of its useful life
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
d. new assets for replacing and enhancing an existing asset that is not at the end of its useful life
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business

Please also provide the information in Excel format.

1.13-SEC-11
[1-13-2, Attach 1, p.10-11] Please provide a table that shows for each of the 2024 rate base and depreciation expense associated with the following:

a. new storage assets resulting in additional capacity and deliverability
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
b. new storage assets to maintain existing assets or replace end-of-life assets
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
c. new assets for replacing and enhancing an existing asset that is at the end of its useful life
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business
d. new assets for replacing and enhancing an existing asset that is not at the end of its useful life
    i. total
    ii. allocated to regulated business
    iii. allocated to unregulated business

1.13-SEC-12
[1-13-2, Attach 1] Please provide a copy of the underlying cost allocation model (or similar Excel file), with all formulas intact, that was used by the company to allocate forecast test year storage costs to the regulated and unregulated businesses.

1.13-SEC-13
[1-13-4] With respect to the Dawn to Corunna Replacement Project:

a. Please provide a copy of all updates and reports to Enbridge management regarding the Project from the LTC application was filed.
b. [Attach 2, p.7] Enbridge states that the "RFP responses showed bid prices substantially higher than Enbridge Gas's estimates." Please provide the specific date Enbridge received the RFP responses.
c. If the answer to part (b) is before the OEB issued the leave to construct decision, please explain why Enbridge did not inform the OEB of the material increase in forecast costs.
d. [Attach 2] Please provide a table that allocates the project cost increase to each of the root causes.

1.13-SEC-14
[1-13-4; EB-2022-0200 J13.20] Please provide an updated version of Phase 1 Undertaking J13.20 with the final actual project costs.

1.16-SEC-15
[1-16-1] Does Enbridge provide similar energy comparison information for non-residential customers? If so, please provide copies and the basis for the calculations.

1.16-SEC-16
[1-16-1] Does Enbridge currently, or has it previously, had any internal analyses regarding the cost comparison of natural gas versus other energy source, that is more expansive to what it provides to customers, in terms of type of costs (e.g. including upfront costs) or scope (e.g. includes ccASHPs)? If so, please provide all copies.

1.16-SEC-17
[1-16-1, p.22] Enbridge states that it "intends to conduct a jurisdictional scan to review how other natural gas utilities present energy comparison data in their marketing materials and identify best practices." When does Enbridge plan to undertake this jurisdictional scan?

1.17-SEC-18
[1-17-1] Has Enbridge updated its Asset Management Plan (AMP) since the filing of the Phase 1 application? If so, please provide a copy of the latest AMP.

1.17-SEC-19
[1-17-1, p.3] Please provide an update on the EDIMP program. Please also include copies of any summaries of program work, results, lessons learned, since the program was launched earlier this year.

1.17-SEC-20
[1-17-1, p.4] Enbridge states that its EDIMP pipeline will be the focus for ALE considerations and that some of these pipelines have been included in its AMP for replacement. Please provide a list of all EDIMP pipeline replacement projects included in the most recent AMP, their cost, and their in-service year.

1.17-SEC-21
[1-17-1, p.7] Enbridge states "As part of the new more in-depth approach to assessing integrity related alternatives to replacement, 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, and additional statistical modelling of residual risk for repair alternatives." Please provide full details regarding this energy transition sensitivity analysis. If it already exists, even in draft form, please provide a copy of the model used and full explanation of how it was developed.

1.17-SEC-22
[1-17-1, p.9-10] Enbridge discusses the additional resource requirements needed to support the ALE analysis:

a. [p.9] For each of the listed four categories, please provide an estimate of the incremental annual cost.
b. [p.10] Please provide the total cost of the required labour resources contained in Table 1.

1.17-SEC-23
[1-17-1, p.15-17] Enbridge proposes to modify the ICM requirements with respect to ALE alternatives:

a. [p.15] For each year between 2018 and 2024, please provide a list of projects and programs, and their respective costs, that would have been eligible for this "grouping" of costs.
b. [p.15] Enbridge proposes that the "in-service capital addition threshold does not apply (i.e., it should be zero dollars) when requesting ICM treatment for ALE alternatives". Please explain why Enbridge believes the threshold should be set at zero.
c. Using an illustrative example, please provide a numerical example, including all calculations, of the proposed ICM methodology and Enbridge's existing ICM methodology.

1.17-SEC-24
[1-17-1, p.24] What is the expected timing of the proposed system pruning pilot project?

4.2-SEC-25
[4-2-1, p.28] Please provide the difference in Enbridge's costs in each of the last 5 years if it had purchased extra storage, as proposed by ICF (10 PJ) above its calculated Aggregate Excess. Please provide full details of the calculations.

4.2-SEC-26
[4-2-1, p.28-29] Enbridge states that it has "updated the Gas Supply Plan for the 2024 Test Year Forecast at Attachment 1 to include cost associated with the 10 PJ of market-based storage for load balancing from ICF's recommendation." Yet, it also states that it "estimates that contracting changes for storage services could be implemented as early as April 1, 2025". Please reconcile.

4.2-SEC-27
[4-2-1, Attach 2] With respect to the ICF, *Assessment of Storage Capacity Requirements for Enbridge Gas InFranchise Service Customers* Report (Addendum to the October 12, 2022 Report):

a. [p.23,26] ICF notes that the total supply portfolio costs consist of storage, supply and transportation costs. Please explain how the allocation of each of those category of costs differ amongst customer types (i.e. system, bundled direct purchase, semi-bundled direct purchase, etc.).
b. [p.35] Please explain the main drivers in the change in cost between the October 2022 and Updated Report.
c. [p.35] Please provide a revised version of Exhibit 4-7 that shows the difference costs in the October 2022 and Updated Report for only the overlapping time period (2024-2028).

4.2-SEC-28
[4-2-1, Attach 1] Please update Attachment 1 to show 2024 YTD actuals.

4.2-SEC-29
[4-2-7, p.3] Enbridge proposes a maximum impact of the LCVP on the average residential customer of $2 per month per target percentage of RNG as forecast the time procurement, to a maximum of $8 per target percentage of RNG procurement in 2029. Please provide similar customer impacts for other customer types, rate classes, and on an m^3 basis.

4.2-SEC-30
[4-2-7, p.6] Enbridge states: "Upon implementation of the LCVP, Enbridge Gas will first offer the low-carbon energy that has been procured to large volume sales service customers on a voluntary basis. Large volume sales service customers will have the ability to voluntarily assume an elected

portion of the pass-through commodity costs associated with low-carbon energy as part of the proposed LCVP, up to 100 percent of their actual consumption." Please provide further details.

4.2-SEC-31
[4-2-7, p.8] Enbridge states that it "will procure low-carbon energy through a portfolio of low-carbon energy types that the Greenhouse Gas Pollution Pricing Act (GGPPA) recognizes as being exempt from the FCC." If the GGPPA is repealed and the FCC is eliminated, how will Enbridge determine what is considered a "low-carbon energy" type?

4.2-SEC-32
[4-2-7, p.11] Please provide Enbridge expectations, including by way of customer surveys or other analyses, of the uptake of the proposed LCVP.

4.2-SEC-33
[4-2-7, p.11] Enbridge states that "[f]ollowing rate class harmonization, large volume general service customers eligible for the LCVP will be served as part of the harmonized Rate E02 rate class." Will non-residential customers of the proposed E01 rate class be eligible to participate?

4.2-SEC-34
[4-2-7, p.17-18] Please provide Enbridge's lessons learned from its VRNG Pilot Project. Please provide a copy of any internal assessments completed of the VRNG Pilot Project

4.2-SEC-35
[4-2-7, p.32] Is there a balance to date in the CFR Credits Deferral Account? If so, please provide details regarding the amount recorded.

4.2-SEC-36
[4-2-8, p.8] Is Enbridge's position that the 100PJ cap on cost-based storage remains appropriate as a result of the "permanent" language in NGIER only, or that the circumstances that gave rise to the NGEIR decision have not changed?

4.2-SEC-37
[4-2-8] Please provide a list of all storage providers that EGI has or considers when it seeks to acquire market-base storage. For each, please provide the name of the storage facility, its ownership, location, major connecting pipeline, capacity, average cost per GJ of transportation to Enbridge's service territory, and if Enbridge or any of its affiliates has any direct or indirect ownership (and if so the details of that ownership).

4.2-SEC-38
[4-2-8] Please provide a copy of all analyses, reports, studies, or other information completed by or for Enbridge (or its predecessors) since 2016 regarding competition in the natural gas storage market.

4.2-SEC-39
[4-2-9, p.5] With respect to Table 1:

a. Please add the following additional information to Table 1 for each year, average price per GJ of storage purchased from, a) Union/EGI non-Utility, and b) Other Market Participants.

b. With respect to 'Storage Purchase From Other Market Participants', for each contract, please provide the year, name of the storage provider, amount of storage, unit cost of storage, location, closest transportation pipeline, and transportation unit cost to get gas to the EGD/Union service territory.
c. Please provide a revised version of the table that shows in column (a) Market-Based Storage Purchase from an affiliate, and in column (b) Market-Based Storage Purchase from a non-affiliate. The determination if storage was purchased from an affiliate should be at the timing of the purchase (e.g. EGD purchasing Union non-utility storage before the Spectra/Enbridge merger would be considered non-affiliate).

9.1-SEC-40
[9-1-3, p.10] With respect to the OEB Cost Assessment (OEBCA) Variance Account:

a. Please explain how the proposed OEBCA Variance Account does not conflict with the approved Phase 1 Settlement.
b. Please confirm that Enbridge is seeking a true-up of OEB Cost Assessment costs.
c. Please confirm that Enbridge's proposed Price Cap proposal will allow the company to recover in excess of the $9.4M embedded in 2024 rates, as result of the application of the annual inflation factor, negative productivity factor, and any billing determinant growth.
d. Please confirm that the annual incremental amounts are expected to be below Enbridge's $5.5M materiality threshold.

9.1-SEC-41
[9-1-3, p.11] With respect to the proposed OEB Directive Deferral Account:

a. [p.13] For each directive listed in Table 1, please provide the basis for the cost estimate.
b. Please provide Enbridge's total costs for all third-party studies/reports it filed in its original EB-2020-0200 Application.

10.1-SEC-42
[10-1-1, p.12] Is Enbridge aware of any other OEB regulated utility whose rate-setting framework has a negative productivity factor? If so, please provide details.

10.1-SEC-43
[10-1-1, p.13] Enbridge has proposed a stretch factor of zero. Is Enbridge's position that it can no longer achieve any incremental efficiency savings? If so, please explain why not.

10.1-SEC-44
[10-1-1, p.13] Please update IRR Phase 1 5.3-IGUA-30, Attachment 1 to include 2023 information.

10.1-SEC-45
[10-1-1, p.15] With respect to the Z-Factor:

a. Is Enbridge's proposal for the criteria to assess Z-Factor events that are set out in (a)-(d) of paragraph 31, or is it the Z-factor criteria as set out by the OEB in place at that time of any specific request?
b. Please confirm that Z-Factors are symmetrical (i.e. can result in credit to customers/reduction in rates).

c. If (b) is confirmed, please explain how Enbridge will notify the OEB of such an event has occurred.
d. Please explain why a Z-Factor materiality threshold of $5.5M, which was set in 2018, remains appropriate for a rate framework beginning in 2025.
e. Enbridge's $5.5M Z-Factor materiality threshold represents what percentage of its approved revenue requirement (both inclusive and exclusive of gas costs)?

10.1-SEC-46
[10-1-1, p.16; EB-2022-0200 2.6-LPMA-15] In Phase 1, Enbridge stated that it does "Enbridge Gas is not anticipating applying for ICM treatment in the 2025 to 2028 forecast year." Based on current available information, does Enbridge still not expect to file an ICM for 2025 to 2028? If it does expect to file an ICM, please provide details.

10.1-SEC-47
[10-1-1, p.17] Please provide a forecast of the ICM threshold for each year between 2025 and 2028, based on Enbridge's proposed Price Cap framework. Please provide all calculations.

10.1-SEC-48
[10-1-1, p.23] Enbridge proposes that the ESM will "share utility earnings in excess of 150 basis points above the OEB-approved ROE on a 50/50 basis with customers." Is the OEB-approved ROE the approved ROE included in the 2024 base rates, or the generic ROE determined by the OEB in the given year of the ESM calculation?

10.1-SEC-49
[10-1-1, p.22-23] With respect to Enbridge's proposed additional off-ramp:

a. Enbridge describes the additional off-ramp to be included "where a regulatory review could be requested before utility earnings deviations of +/- 300 basis points are realized, 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." This appears to be an incredibly broad scope for an off-ramp, please provide further details regarding what would trigger in such a review, a change in base rates.
b. Enbridge states "[w]here a change in legislation or policy impacts the Company's operating environment, that is not readily able to be addressed through a Z factor, the company (or customers) should not have to wait for a material change in utility earnings to materialize before rates can be adjusted to reflect the new operating parameters." Is the expectation that the off-ramp would only be triggered if Enbridge believed it was likely to have its earnings deviate by +/- 300 basis points as a result of the new legislation or policy impact?

10.1-SEC-50
[10-1-1, p.25-26] Please explain the barriers to Enbridge combining its filing of its annual DVA clearance application with Phase 1 of its annual rate application (as described in paragraph 53a) to promote regulatory efficiency. How can these barriers be overcome?

10.1-SEC-51

[10-1-1, Attach 1] With respect to the Black and Veatch*, Total Factor Productivity, Benchmarking, and Recommended Inflation and X Factors For Enbridge Gas Inc. Incentive Rate-Setting Mechanism* Report:

a. Please provide the source of the peer utility data used in the Report.
b. [p.16] Please explain which of Enbridge's costs were included and what may have been excluded. In your response, please reference cost tables information included in the Phase 1 evidence.
c. [p.16] Please explain why a unit cost, as defined as total costs divided by the number of customers, is the appropriate way to benchmark Enbridge for the purposes of determining the appropriate stretch factor as opposed to other benchmarking approaches, such as comparing Enbridge total costs to an econometric benchmarking utility, or unit costs that look at throughput as opposed to simply number of customers.
d. For each peer group utility/aggregate, please provide revised unit cost results on the basis of, a) annual consumption, b) peak-day demand, and c) average day demand.
e. [p.16] Please provide Enbridge's unit costs as calculated for the purpose of Table 5 for 2023 and forecast 2024 (based on the OEB's Phase 1 Decision and Phase 2 proposal). Please provide all calculations in Excel format.
f. [p.16] Please provide a revised version of Table 5 that shows Enbridge's unit costs broken down by rate zone. Please provide all underlying calculations.
g. [Attach 2] In the 'Outputs' Tab, various unit cost information (See Cells H18-H20, I18-I20, J18-J20, I32-I38) is presented as a static number, without the underlying references to how the amounts were determined. Please provide a revised version that shows the live calculation of the specific amounts linked to the other data include the Attachment.
h. For all Enbridge data included in Attachment 2, please provide a reference to where that data is contained in the cost information provided in Phase 1 evidence (Exhibits 1-9, IRR, or Undertakings). Please explain all discrepancies.

10.1-SEC-52

[10-1-1, Attach 5] Please provide the underlying calculations for Average Investment calculation (line 3).

Respectfully, submitted on behalf of the School Energy Coalition this June 19, 2024.

Mark
Rubenstein

Mark Rubenstein
Counsel for the School Energy
Coalition