June 19, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON, M4P 1E4

Dear Ms. Marconi,

RE: EB-2024-0111: Enbridge Gas Rebasing Phase 2
Energy Probe Interrogatories

Attached are the interrogatories of Energy Probe to the applicant in the EB-2024-0111: Enbridge Gas Rebasing Phase 2 proceeding.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
Digitally signed by Tom Ladanyi
Date: 2024.06.19 16:40:10 -04'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.
Consultant representing Energy Probe

cc. Patricia Adams (Energy Probe Research Foundation)
Khalil Viraney (OEB Staff)
EGI Regulatory Proceedings
Intervenors of Record

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.

Enbridge Gas Inc. 2024 Rebasing Application Phase II

Energy Probe Interrogatories

June 19, 2024

EB-2022-0200 Enbridge Gas Inc. 2024 Rebasing Application Phase II

Energy Probe Interrogatories

1.7-Energy Probe-1
Reference: Exhibit 1, Tab 7, Schedule 1, Page 6
Preamble: "Enbridge Gas therefore defines inaccessible meters as those meters to which the Company has not been able to obtain access to read the meter for 4 or more consecutive months because of customer-driven conditions that are beyond Enbridge Gas's control."

Questions:

a) Are all customers with an inaccessible meter informed that their meter is deemed inaccessible?

b) Is there a procedure for customers to dispute the deemed inaccessibility of a meter?

c) If a customer takes steps to make a deemed inaccessible meter accessible, is there a procedure for having its accessibility re-evaluated? If so, what is that procedure?

d) If a customer's meter is not read for 4 consecutive months, but the customer's meter is, and always has been, accessible, does Enbridge have a procedure for identifying and correcting such cases? If so, what is the procedure?

1.7-Energy Probe-2
Reference: Exhibit 1, Tab 7, Schedule 1, Page 17, Paragraphs 43 and 44
Preamble: "Despite the effectiveness of these campaigns in obtaining meter reads, it has not significantly improved the MRPM target because the customers who are providing their own meter read through the campaigns are also the customers for whom Enbridge Gas meter reading vendors are able to obtain a reading."
[…]
"Enbridge Gas is working on a plan to educate customers about the use of actual reads. There is a misconception that Enbridge Gas does not use a customer provided read because if the read is provided outside of the three-day meter reading window, the bills display 'estimate' read where an 'actual' meter read was obtained within the billing month. These reads are in fact used to adjust the account, as required, and are used to estimate the read that is within the reading window to generate the bill. Enbridge Gas is considering a process improvement to address how reads are utilized based on when they are received and how they are presented on the bill."

Questions:

a) This passage says that a customer's self-reported reading is used to adjust the account for that month. How is a self-reported reading in one month used by Enbridge to influence an

estimate for that customer's next month of gas consumption, or the same month next year? If it is not used for future estimates by Enbridge, why not?

b) When a customer uses significantly less gas than in previous months or the same months in previous years, how does Enbridge's process for estimating that customer's consumption change, if at all?

c) If a customer replaces or supplements their gas furnace with a heat pump, how does Enbridge's process for estimating that customer's consumption change, if at all? If Enbridge's process for estimating doesn't change, why not?

d) When a customer installs a heat pump, does Enbridge have a process for the customer to notify Enbridge of that change, so that Enbridge knows that the customer's consumption is likely to be less than in the past?

e) Assume the following scenario: a customer installs a heat pump and self-reports their meter reads for several months showing significantly reduced gas consumption. Then the customer forgets to self-report one month. Does Enbridge estimate consumption based on the self-reported months, or on outdated historical consumption prior to the heat pump installation?

f) Energy Probe is aware of cases where Enbridge has over-charged customers for essentially an entire year's worth of gas consumption in one month by estimating gas usage that is no longer at all reflective of the customer's situation, due to the customer replacing agas furnace with a heat pump as a primary source of home heating. Can Enbridge please provide statistics on how many of these essentially interest-free loans from customers Enbridge is currently collecting, and has collected in the last 12 months? It should be easy for Enbridge to track how many customers have had larger credits on their accounts for multiple months over the last 12 months. What steps is Enbridge taking to eliminate this practice?

g) When Enbridge consistently and significantly over-estimates the gas consumption of a particular customer for months, is there a procedure for customers to initiate to get this repeated over-charging to stop? If not, why not? The only recourse for customers who have talked to Energy Probe about this seems to be to self-report their meter reads indefinitely. Does Enbridge consider that fair to those customers who install heat pumps?

1.13-Energy Probe-3
Reference: Exhibit 1, Tab 13, Schedule 4, Page 10, Table 1 "Comparison of Design Day Withdrawal Capability" and Paragraph 18

Preamble: "In summary, after examining the impacts resulting from the integrated operation of the EGD and Union storage systems, the integration did not create additional storage space, withdrawal capability or injection capability."

Questions:

a) Are the numbers shown in Table 1 calculations based on the assumption that the seven compressors at the Corunna Compressor Station have been retired and the new NPS 36 pipeline is in place?

b) Did the retirement of the seven compressors at Corunna have any impact on injection or withdrawal capability?

c) Table 1 shows a decrease in withdrawal capability under combined operations for Union. Please explain the reason for this decrease.

d) Table 1 shows a small increase in withdrawal capability under combined operations for EGD. Please explain the reasons for this increase.

1.13-Energy Probe-4
Reference: Exhibit 1, Tab 13, Schedule 4, Attachment 1, Appendix B, Pages 12 and 13
Preamble: The Total shown at Line 36 on Page 13 does not seem to be the total of lines 1 to 35.

Questions:

a) How was the total on Line 36 calculated?

b) Why does the TJ/d for some pools decline under the combined model?

1.13-Energy Probe-5
Reference: Exhibit 1, Tab 13, Schedule 4, Attachment 2, Page 33

Questions:

a) For how many years has Union Gas owned and operated facilities at Dawn?

b) Please explain why, considering decades of experience with the Dawn site, why Union and now Enbridge could encounter "unforeseen site conditions"?

1.13-Energy Probe-6
Reference: Exhibit 1, Tab 13, Schedule 4, Attachment 1, Pages 5, 6 and 13

Questions:

a) When was the Storage Enhancement Project completed?

b) By how much did the Storage Enhancement Project increase the design day withdrawal capability of each of the following pools?

i. Ladysmith,
ii. Payne

c) Please explain why there is reduced capability shown for Ladysmith and Payne pools from combined operations on Pages 12 and 13.

1.13-Energy Probe-7
Reference: Exhibit 1, Tab 13, Schedule 4, Page 12, Paragraph 26

Preamble: "Enbridge Gas confirmed in the Dawn to Corunna LTC proceeding that the Project replaces the existing system capacity and does not provide ability for Enbridge Gas to offer new or expanded market-based services."

Questions:

a) What was the working gas capacity in TJ and deliverability in TJ/d of the system prior to the retirement of seven out of eleven compressors at the Corunna Compressor Station?

b) What would have been the capacity and deliverability of the system after the retirement of the compressors but without the new Dawn to Corunna pipeline?

c) What is the capacity and deliverability of the system after the construction of the new Dawn to Corunna pipeline?

d) What is the capacity and deliverability required to meet the needs of legacy EGD in-franchise customers?

e) Did legacy EGD ever sell storage at market-based rates prior to amalgamation with Union Gas? If the answer is yes, please provide a list of storage services sales to itself and to outside customers by year and quantity. If the answer is no, please explain why not.

1.18-Energy Probe-8
Reference: Exhibit 1, Tab 18, Schedule 1, Page 1, Paragraph 4
Preamble: "Enbridge Sustain is a registered business name and an unregulated line of business carried on by Enbridge Gas Inc. (Enbridge Gas)."

Questions:
a) Please explain why Enbridge Sustain has not been incorporated.

b) Is Enbridge Sustain a department or a division of Enbridge Gas?

c) Does Enbridge Gas provide financial support to Enbridge Sustain? If the answer is yes, please explain the nature of the support and the annual cost of such support. If the answer is no, please explain how Enbridge Sustain obtains its financial support.

1.18-Energy Probe-8
Reference: Exhibit 1, Tab 18, Schedule 1, Page 3, Paragraph 13
Preamble: "Most of these direct costs are employee labour for roles entirely dedicated to Enbridge Sustain activities. These roles are newly created since Enbridge Sustain was established - no positions or costs were included in the Enbridge Gas utility O&M budget presented in the 2024 rebasing application. Indirect costs relate to advisory services from Enbridge Gas employees to provide services like consulting, legal and technical support to design each product."

Questions:

a) The text states that "these roles were newly created." Please confirm that Enbridge Gas created these roles in 2023.

b) Did Enbridge Gas employees that provided "services like consulting, legal and technical support to design each product" track their time during 2023 for the provision of these services? If the answer is yes, please explain how they tracked their time. If the answer is no, please explain why not.

c) How were occupancy and IT costs of employee working for Enbridge Sustain during 2023 tracked and eliminated?

1.18-Energy Probe-9
Reference: Exhibit 1, Tab 18, Schedule 1, Pages 4 and 5, Paragraph 16
Preamble: "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."

Question: The quoted text implies that some costs for Enbridge Sustain may have been included in the 2024 O&M budget but are too small to matter. Please positively confirm that there were no Enbridge Sustain direct or indirect costs in the 2024 O&M budget.

4.2-Energy Probe-10
Reference: Exhibit 4, Tab 2, Schedule 7, Page 3, Paragraph 8
Preamble: "Enbridge Gas is proposing a low-carbon energy program to procure up to one

percent of the planned gas supply commodity portfolio as low-carbon energy beginning January 1, 2026. Enbridge Gas proposes to increase low-carbon energy purchases by up to one percentage point each subsequent year to a maximum of up to four percent by 2029."

Questions:

a) Are the percentages in the quoted paragraph in units of energy or units of volume?
b) What is the heating value of "low carbon energy" gas?

c) What is the heating value of natural gas?

4.2-Energy Probe-11
Reference: Exhibit 4, Tab 2, Schedule 7, Page 3, Paragraph 10
Preamble: Enbridge Gas is proposing approval of the low-carbon energy program and cost recovery proposal permanently, until such time that a change is requested and approved by the OEB.

Question: Please explain what Enbridge means by the word "permanently" in the quoted paragraph.

4.2-Energy Probe-12
Reference: Exhibit 4, Tab 2, Schedule 7, Page 15, Paragraph 40
Preamble: "Enbridge Gas's proposal to procure low-carbon energy as part of the gas supply commodity portfolio is a cost-effective means to reduce emissions."

Questions:
a) Please confirm that low-carbon energy gas has a lower heating value than natural gas.

b) Please confirm that customers will have to burn a greater volume of low carbon energy gas than natural gas to obtain the same amount of heat.

c) Please confirm that expected reduction in carbon dioxide emissions from burning low carbon energy gas will be offset by the need to burn greater volume.

4.2-Energy Probe-13
Reference: Exhibit 4, Tab 2, Schedule 1, Page 16

Preamble: "Enbridge Gas is proposing to meet the 2024 storage requirement of 227.7 PJ as provided in Table 4. The 2024 storage requirement will be met through cost-based storage of 199.7 PJ and market-based storage of 28.0 PJ."

Questions:

a) Is Enbridge seeking OEB approval to contract with itself for 28.0 PJ of storage at market-based rates?

b) Is it possible that market-based storage rate could be lower than Enbridge's cost-based rate?

c) Could Enbridge meet the 2024 storage requirement of 227.7 PJ with its own cost-based storage if the OEB approved an increase in the 199.7 PJ cost-based storage by 28.0 PJ?

4.2-Energy Probe-14
Reference: Exhibit 4, Tab 2, Schedule 4, Page 4, Figure 1 "Enbridge Gas Inc. Dawn Hub and Storage Facilities" and page 12

Preamble: Enbridge Gas confirmed in the Dawn to Corunna LTC proceeding that the Project replaces the existing system capacity and does not provide ability for Enbridge Gas to offer new or expanded market-based services.

Questions:

a) Please confirm that the new NPS 36 Dawn to Corunna LTC Project pipeline parallels the two existing NPS 30 Corunna to Dawn pipelines.

b) Have the two existing NPS 30 pipelines ever provided market-based services?

c) Please confirm that the new NPS 36 Dawn to Corunna pipeline will never be used to provide market-based services.

d) If Enbridge Gas develops new or expanded market-based storage in the future that is in a storage pool connected to the Corunna Compressor Station, how would that gas get to the Dawn hub?

4.2-Energy Probe-15
Reference: Exhibit 4, Tab 2, Schedule 5, page 4

Preamble: Subsequent to the NGEIR Decision, EGD and Union constructed several storage projects that increased total storage space and firm injection and withdrawal capability. The cost and risk of these storage projects has been borne strictly by the non-utility business. This allocation approach is consistent with the OEB's NGEIR findings:

> … any new storage which is developed by the utilities will be included as part of the competitive market. The utilities will bear the risk of these investments, not ratepayers.

Questions:

a) Are any of the costs of the "several storage projects" referred to in the quoted text included in the 2024 rate base and are any of their operating costs are included in the 2024 revenue requirement? Please explain your answer.

b) Is the position of Enbridge that all new storage developed after the NGEIR decision can never be included in Enbridge Gas rate base? Please explain your answer.

4.2-Energy Probe-16
Reference: Exhibit 4, Tab 2, Schedule 5, Page 4, NGEI Decision pages 3, 27, 28 and 39

Preamble: The OEB in the EB-2005-0551 NGEIR decision issued November 7, 2006, made the following finding at Page 3.

"The Board has concluded that Ontario storage operators compete in a geographic market that includes Michigan and parts of Illinois, Indiana, New York and Pennsylvania. The Board finds that the market is competitive and that neither Union nor Enbridge have market power."

And on pages 27 and 28 of the NGEIR decision the OEB explains how competitiveness of a market can be assessed.

"The geographic market is based on an assessment of the extent of competition provided by neighbouring storage facilities. Once these markets have been identified, a Herfindahl-Hirschmann Index (HHI) calculation is performed to assess the potential for market power. The potential for entry is also assessed. An HHI threshold of 1800 is generally used as a screen: if the concentration in the market is below this value, the market is deemed to be competitive and a new storage supplier will be allowed to charge market-based rates."

Questions:

a) Is the geographic market for storage operators still competitive as it was 18 years ago?

b) Please list the storage operators that competed in the geographic market in 2006 referred to by the OEB and indicate if they are still active in the market. Please provide storage capacity for each storage operator in 2006 and 2024.

c) On Page 39, Table 2 of the NGEIR decision the OEB found that the Working Gas Capacity had HHI of 1,270 and that Maximum Daily Deliverability had HHI of 1,220. What are the current HHI values of the Working Gas Capacity and the Maximum Daily Deliverability?

d) Do the combined Union and Enbridge have greater market power in 2024 than they did in 2006? Please explain your answer.

4.2-Enbridge-17
Reference: Exhibit 4, Tab 2, Schedule 5, Page 14

Preamble: "Similar to the previous methodologies of EGD and Union, the report proposes classification of New Storage Assets into three categories for the purpose of allocation between regulated and unregulated storage operations. The categories are as follows:

> Category 1 - New storage assets resulting in additional capacity and deliverability – allocated to unregulated storage.
>
> Category 2 - New storage assets to maintain existing assets or replace existing end-of-life assets – allocated to regulated or unregulated storage, consistent with the allocation of the original asset.
>
> Category 3 - New storage assets to replace and enhance existing assets – allocated to regulated and/or unregulated storage based on the underlying project driver."

Questions:

a) According to the quoted methodology how would an asset that replaces existing assets that had been used for regulated and unregulated storage be treated?

b) Is the allocation of an asset permanent and can never be changed so that assets that have once been allocated to either regulated or unregulated storage must remain there in perpetuity?

4.2-Energy Probe-18
Reference: Exhibit 4, Tab 2, Schedule 5, Page 16, Paragraph 33

Preamble: "The original cost estimate for the Project was $251.0 million and the current cost forecast is $377.0 million."

Questions:

a) Please confirm that the Profitability Index of the Project based on its original cost of $251 million was a PI of 0.062.

b) If a project has a PI of 0.62 based 40 years of revenues, how many years of revenues would it take the project to achieve a PI of 1.0?

c) What is the PI of the project based on its current cost forecast of $377.0 million?

d) Is the position of Enbridge that the high cost and the very low PI of this project do not matter because this project is so essential that its cost is of no object?

4.2-Energy Probe-19
Reference: Exhibit 4, Tab 2, Schedule 8, Page 10, Paragraph 32
Preamble: "Since NGEIR, the EGD non-utility business has completed several capital investments to increase storage space and deliverability. These projects have increased storage space by 27.9 PJ and increased the withdrawal capability by 0.7 PJ/d."

Questions:

a) Please confirm that the referenced capital investments are not in rate base.

b) Do Enbridge shareholders bear the earnings risk of these capital investments?

c) How does the gas from the referenced capital investments get to the Dawn hub?

d) How will Enbridge ensure that this gas does not use the new NPS 36 Dawn to Corunna pipeline?

4.2-Energy Probe-20
Reference: Exhibit 4, Tab 2, Schedule 8, Page 11, Paragraph 33 and Page 11, Paragraph 34.

Preamble: "There is a significant market that has been built upon the NGEIR Decision and the allocation of non-utility storage. As of April 1, 2024, Enbridge Gas has contracted non-utility storage services with 55 counterparties. Of the 114.6 PJ of non-utility physical space, 16.5 PJ is contracted to Enbridge Gas (approximately 14% of the total non-utility storage), while approximately 98.1 PJ is contracted to 54 other counterparties both within and outside Ontario.

Investment and growth of storage at the Dawn Hub through non-utility storage has increased the overall depth and liquidity of the market at Dawn and provides value to all Ontario natural gas customers by way of competitive commodity pricing and attracting natural gas supply to the province."

Questions:

a) In the quoted paragraph is non-utility storage the same as unregulated storage?

b) How does the costs of non-utility storage that Enbridge buys from itself compare with the cost of its own utility storage, is it higher or lower?

c) Does competitive commodity pricing include competitive storage pricing?

4.5-Energy Probe-21
Reference: Exhibit 4, Tab 5, Schedule 2, Site Restoration Costs, Paragraph 1

Preamble: Energy Probe agrees with the current treatment of site restoration costs by Enbridge.

Question: Please confirm that Enbridge is provided evidence of its current treatment of site restoration costs for information purposes as directed by the OEB and is not seeking approval of any changes.

10.1-Energy Probe-22
Reference: Exhibit 10, Tab 1, Schedule 1, Page 4, Paragraph 7 and Page 16, Paragraph 33

Preamble:
"The OEB provides two options for natural gas utilities for setting rates: Price Cap IR and Custom IR. Price Cap IR is the standard rate setting approach. Enbridge Gas is proposing a Price Cap IR with an ICM option and associated parameters for the purpose of setting rates during the IR term. Enbridge Gas's proposal is in line with the OEB's expectation that the Price Cap IR should be appropriate for utilities for setting rates.
Enbridge Gas is proposing a modified approach for ICM funding, where it is proposing to combine the "advanced" element of the Advanced Capital Module (ACM) with ICM as described in Section 4.1. In addition, Enbridge Gas is also proposing a modification to the ICM mechanism in relation to Asset Life Extension (ALE) projects, where such projects would be grouped together for ICM purposes, as opposed to being viewed as discrete projects, and would not be subject to the project specific materiality threshold."

Question: Considering Enbridge's proposal for modifications to the ACM and ICM funding model please explain why Enbridge rate setting proposal should not be considered a Custom IR instead of a Price Cap IR.

10.1-Energy Probe-23
Reference: Exhibit 10, Tab 1, Schedule 1, Page 13, Paragraph 29

Preamble: Enbridge Gas proposes a Y factor cost recovery mechanism for costs that are incremental to the costs subject to Price Cap escalation (i.e., pass-through items or costs approved in other proceedings and implemented as part of the annual rate application). Enbridge Gas will treat the following costs as Y factors:

a) Cost of gas and upstream transportation: The cost of gas supply, upstream transportation and gas supply balancing will continue to be passed through to customers through the Quarterly Rate Adjustment Mechanism (QRAM)."

Question: Please confirm that the cost of market priced storage be treated as a y-factor but the cost of cost-based Enbridge storage will not.

10.1-Energy Probe-24
Reference: Exhibit 10, Tab 1, Schedule 1, Pages 16 and 17, Paragraph 35

Question: Please confirm that Enbridge will not be seeking OEB approval during the IR term to use the geometric mean in the calculation of inflation in used to determine the Threshold Value as Alectra did in the EB-2023-0004 proceeding.