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July 16, 2024

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

Dear Ms. Marconi,

RE: EB-2024-0111 – Technical Conference Questions of the London Property Management Association for Enbridge Gas Inc.

Pursuant to Procedural Order No. 2, London Property Management Association ("LPMA") is providing its technical conference questions for Enbridge Gas. The questions relate to exhibits 10.1.1 (Incentive Rate Mechanism) and 8.1.2 (Rate Design Proposals). At this time, LPMA does not have any questions related to the other exhibits/topics, but reserves the right to ask follow-up questions following other parties, if the need arises.

With respect to time, it would be acceptable to LPMA if Enbridge Gas provided responses in writing before, during or after the technical conference so as to free up more time for other participants. It would also be acceptable to LPMA if Enbridge Gas would prefer to provide oral responses during the technical conference, assuming this could be done in a short time frame.

Yours very truly,

Randy Aiken

Digitally signed by Randy Aiken
Date: 2024.07.16 17:56:13 -04'00'

Randy Aiken
Aiken & Associates

c.c. EGI, Regulatory Affairs
Intervenors

TCQ-LPMA-1

Ref: Ex. I.8.1-LPMA-11

The response to part (a) explains the allocation of costs to the rate classes. Please explain how these costs are recovered from the rate classes. In particular are the allocated costs recovered through the fixed charge, the variable charge or combination of fixed and variable charges?

TCQ-LPMA-2

Ref: Ex. I.10.1-LPMA-21

Part (b) of the question asked whether EGI had considered changing the 300-basis point range (smaller or larger). The response talked about the additional off-ramp that EGI is proposing, but did not answer the question. Did EGI consider changing the 300-basis point range to something else, such as 250 basis points? If yes, why did EGI ultimately decide against this?

TCQ-LPMA-3

Ref: Ex. I.8.1-LPMA-22 & Ex. I.10.1-STAFF-48, part (a)

Part (b) of the LPMA interrogatory asked if EGI had considered changing the proposed term of the IR plan term from that currently proposed. The response refers to the answer provided in part (a) of the Staff interrogatory.

That response indicates that EGI had evaluated opportunities for a shorter IR term, but due to resources and time required to prepare studies and evidence to respond to OEB directives as well as the base requirements of a cost of service application, it was determined that it would be significantly challenged to meet a shorter IR term.

a) Please provide the timeline associated with the EB-2022-0200 rebasing case for the 2024 test year and the 2025-2028 IR years including when the forecasts used in the application were started by EGI and when the various studies were begun.

b) If the Board were to determine that the IR period should be year shorter than proposed (i.e. 2025 through 2027) and that EGI should file a cost of service application for 2028, along with a proposal for an IR term beyond that, please provide a schedule that shows when EGI would have to begin preparing that evidence, including studies and evidence to respond to OEB directives, internal forecasts and plans. Please assume that a decision in this proceeding allows EGI implement final rates effective January 1, 2025.

c) Did EGI consider extending the IR term from 2025 through 2028 by another year or more? If not why not? If yes, why did EGI reject this idea.

d) With the additional off ramp proposed by EGI, would EGI agree that extending the IR term by a further year or two would be feasible while still providing EGI with the ability to respond to emerging issues through the proposed off ramp. If not, please explain.

TCQ-LPMA-4

Ref: Ex. I.10.1-LPMA-23

Part (b) of the question asked what costs and/or revenues would be excluded from the calculation of utility earnings for ESM purposes.

The response indicates that no adjustments related to the ACM/ICM would be made when calculating utility earnings for ESM. In particular, the rate base associated with any ICM projects, as well as the costs associated with those projects, would be included in the utility results to calculate ESM. There is no mention of the revenues generated through the ACM/ICM rate riders.

a) Please confirm that the revenues generated through the ACM/ICM rate riders would be included in the utility results to calculate the ESM. If this cannot be confirmed, please explain fully why the costs and assets are included in the calculation but the revenues are not.

b) Please confirm that EGI has a deferral/variance account for any ACM/ICM projects that on a project-by-project basis, records the difference between the actual revenue requirement for approved ICM projects and the revenues collected through ICM rates approved by the Board, where the actual revenue requirement includes costs associated with the capital investment, including return on rate base, depreciation expense and associated income taxes. If not confirmed, please explain.

c) Is the actual revenue requirement noted in part (b) updated each year to reflect any changes in the cost of debt, income tax rates, depreciation rates, approved deemed capital structure and/or approved return on equity that may take place in any of the IR years?

d) Is the return on equity used in calculating the actual revenue requirement noted in part (b) that ROE built into the base year rates, or would this figure change each year to reflect the Board approved ROE for each individual year, similar to changing the ROE each year for ESM calculation purposes?

e) Please confirm that the deferral/variance account noted in part (b) ensures that EGI collects the actual revenue requirement for an ACM/ICM project over time meaning that EGI will earn its allowed ROE on these investments – no more and no less. If not confirmed, please explain.

f) Please confirm that based on EGI earning its allowed ROE on the ACM/ICM investments, the calculation of the ESM which includes both the actual revenue requirement and revenues from these projects will converge toward the allowed ROE. For example if the utility earnings excluding the ACM/ICM projects is below the allowed ROE, inclusion of the costs and revenues will increase the ROE while if the utility earnings excluding the ACM/ICM projects is above the allowed ROE, inclusion of the costs and revenues will decrease the ROE. If not confirmed, please explain fully with numerical examples.

TCQ-LPMA-5

Ref: Ex. I.10.1-STAFF-45

Please provide the inflation factors for each of 2019 through 2024 using the proposed EGI factors (GDPIPIFDD, AHE, and 75-25 weighting) and using the existing OEB methodology for electricity distributors (GDPIPIFDD, AWE, and 70-30 weighting).

TCQ-LPMA-6

Ref: Ex. I.10.1-VECC-24 & Ex. I.10.1-LPMA-20 & Ex. I.10.1-LPMA-19

Part (b) of the response states that during an IR term, EGI will always be incented to improve performance/efficiency as improvement in efficiency will reduce costs, enhancing EGI's financial performance.

a) Does the inclusion of a negative productivity factor in the price cap which results in additional revenue for EGI without any improvement in performance/efficiency or reduction in costs, automatically enhance EGI's financial performance? If not, please explain.

b) The additional revenue generated through the negative productivity factor in the price cap would appear to provide less of an incentive to improve performance/efficiency in the reduction of costs since the same financial improvement for EGI can be obtained with less cost reductions and a negative productivity factor than the cost reduction required if the productivity factor was zero. If EGI does not agree with this statement, please explain why.

c) As shown in the response to LPMA-20, the inclusion of the -1.5% productivity factor increases the price cap index for 2025 from 3.6% to 5.1%. Based on the $2,947.8 million 2024 revenue requirement that reflects the proposals in this proceeding, what is the incremental revenue resulting from the 5.1% price cap as opposed to the 3.6% price cap? Please provide this figure both in dollars and basis points of return.