



THE BOARD OF DIRECTORS

PATRICIA ADAMS
Chair and President
ANN CAVOUKIAN
Executive Director, PBDI, Metropolitan University
GLENN FOX
Economist, University of Guelph
GAIL REGAN
President, Cara Holdings Inc.

MAX ALLEN
Producer, CBC Radio
DAVID CAYLEY
Writer and Broadcaster
RICHARD C. OWENS
Lawyer (retired)
GEORGE TOMKO
Expert-in-Residence in IPSI, University of Toronto

August 16, 2024

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

Dear Ms. Marconi,

**RE: EB-2024-0125 Enbridge Gas Disposition of Deferral and Variance Account
Balances and Review of 2023 Utility Earnings - Interrogatories of Energy Probe**

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) to the applicant in the EB-2024-0125 Enbridge Gas Disposition of Deferral and Variance Account Balances and Review of 2023 Utility Earnings proceeding.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe)
Arturo Lau (OEB Staff)
Richard Wathy (Enbridge Gas)
Parties to the Proceeding

Energy Probe Research Foundation 417 Bloor Street West, Suite 202, Toronto, Ontario, M5S 1X6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

EB-2024-0125
Enbridge Gas Disposition of Deferral and Variance
Account Balances and Review of 2023 Utility Earnings

Energy Probe Interrogatories

August 16, 2024

EP-1

Reference: Exhibit B, Tab 1, Page 1, Paragraph 2

Preamble: “The earnings sharing amount was determined in accordance with the following prescribed methodology as identified within the EB-2017-0306/0307 OEB Decision and Order, dated August 30, 2018, at pages 28 and 29, and within the EB-2017-0306 pre-filed evidence at Exhibit B, Tab 1, pages 42 and 43:

- if in any calendar year during the deferred rebasing term, Enbridge Gas’s actual utility ROE is more than 150 basis points above the OEB-approved ROE for that year (updated annually by the OEB), then the resultant amount shall be shared equally (i.e., 50/50) between Enbridge Gas and its ratepayers;”

Questions:

- a) Since the August 30, 2018, OEB, decision, how many applications for disposition of earnings sharing and deferral and variance accounts has Enbridge Gas filed?
- b) When was the last time that Enbridge Gas had adequate earnings to share with ratepayers?
- c) Should the OEB be concerned about inadequate earnings of Enbridge Gas?

EP-2

Reference: Exhibit B, Tab 1, Schedule 2, Page 1, *EGI Utility Income (2023 Actual)*, Line 8, Operation and Maintenance and Note (v)

Questions:

- a) Are any costs of Enbridge Sustain included in the Operation and Maintenance \$1,303.2 million amount in Col.1? Please explain your answer.
- b) Are any costs of Enbridge Sustain included in the (\$170.3 million) Adjustments in Col.3? Please explain your answer.

EP-3

Reference: Exhibit B, Tab 1, Schedule 6, Page 1, *Reconciliation of Audited Enbridge Gas Inc. Income (Per Financial Statements) to Corporate Income for Utility Income Determination Purposes, (2003 Actual)*, Cols.1 and 2, Line 6

Questions:

- a) In Col.1, Audited Income, Line 6, what is Other Income of \$47.5 million?
- b) Please break down \$47.5 million Other Income into revenues and expenses.
- c) In Col.2, Corporate Income, Line 6, what is Other Income of \$11.1 million?
- d) Please break down \$11.1 million into revenues and expenses.
- e) How does the \$47.5 million in Col.1 relate to the \$11.1 million?
- f) Are 2023 Enbridge Sustain revenues or costs included in any line in either Col. 1 or Col. 2? Please explain your answer.

EP-4

Reference: Exhibit B, Tab 2, Schedule 4, page 1, EGI Utility Other Revenue and Other Income, 2023 Actual, Lines 3 and 9.

Questions:

- a) What is Other Billing Revenue and why has it increased from \$9.7 million in 2022 to \$11.1 million in 2023?
- b) What is Other Operating Revenue and why has it increased from \$2.6 million in 2022 to \$3.1 million in 2023?

EP-5

Reference: Exhibit B, Tab 3, Schedule 1, Page 2, Table 1, Line 25, *Table 1, Utility O&M, 2022-2023 Actuals*, and Page 3, paragraph 5.

Preamble: “Miscellaneous Expense (Line 16) increased \$283.4 million over the prior year primarily due to impairment charges related to the OEB Settlement and Phase 1 rebasing decisions driven by the pension balance write-off (\$156.1 million), write-off of net capital integration costs (\$84.3 million), and GTA/WAMS capital write-offs (\$41.0 million). The pension write-off of \$156.1 million is considered non-utility cost and is eliminated on Line 25. ”

Questions:

- a) Please explain the reason for the Pension Impairment Elimination of \$156.1 million in 2023.

- b) Please provide the back up calculation that supports the \$156.1 million amount.
- c) Why is the pension write-off considered non-utility?

EP-6

Reference: Exhibit B, Tab 3, Schedule 1, Appendix A, Page 1, Table 1, *Reconciliation of Utility O&M Schedule, 2022 & 2023 Results*

Questions:

- a) Please confirm Lakeside Gas provides certain services to Enbridge Gas such as meter exchanges.
- b) Is Lakeside Gas an affiliate of Enbridge Gas?
- c) Are the costs of services provided to Enbridge Gas by Lakeside Gas included in Line 4, Outside Services or in Line 13, Corporate Shared Services?

EP-7

Reference: Exhibit B, Tab 1, page 23, paragraph 2

Preamble: “Based on 2021 external contractor costs Enbridge Gas was expecting to pay approx. \$34 per locate in 2023, however the actual cost paid for a locate rose to \$72 a 111% increase over expectation. The increase in cost was a direct result of Bill 93 which imposed a five-business-day deadline for completing standard locate requests and introduced administrative penalties for failing to comply”.

Questions:

- a) Does Enbridge Gas outsource all locate work or are some locates performed by its employees?
- b) Does Enbridge Gas use a single contractor for locates or does it use multiple contractors? If Enbridge Gas uses one contractor for all locates, was there a competitive bidding process to award the contract? If multiple contractors are used, do their rates vary or do they all charge same rates?
- c) Does Enbridge Gas incur internal administrative costs per locate and if so, are these included in the GOCA deferral account?
- d) Has Enbridge been charged any administrative penalties for failing to comply with Bill 93? If the answer is yes, what is the total amount and is it included in the GOCA account?

EP-8

Reference: Exhibit C, Tab 1, Page 24, Paragraph 6

Preamble: “Bill 93 has directly resulted in incremental costs outside of base rates in two areas: the cost of the locate itself, and in vital main standby (VMS) costs – a locate-related service requiring an experienced locator skillset and therefore provided by the same locate service providers (LSP).”

- a) Please explain what Vital Main Standby (VMS) is and is it an activity specific to Enbridge Gas.
- b) Please explain how and why locates performed for VMS differ from other locates?

EP-9

Reference: Exhibit C, Tab 1, page 25, paragraph 8

Preamble: “As a result of LSPs onboarding additional locators and locator wage increases, locating costs are up significantly for Enbridge Gas. Quite simply, Bill 93 required Enbridge Gas to shave an average of 10 days off its locate delivery time and the only way to achieve this was to have more locators. This coincided with LSP union negotiations where labour rates increased significantly to match the new industry skillset requirements and to attract/retain more specialized talent. This increase in locators and rates have caused the Enbridge Gas cost per locate to double.”

Questions:

- a) Did Enbridge Gas obtain the information from LSPs in the quoted paragraph in written form? If the answer is yes, please file copies of all letters, e-mails, and text messages from LSPs to Enbridge Gas that explain the reasons for the cost increase? If the answer is no, how did Enbridge Gas obtain this information?
- b) Did Enbridge Gas dispute any invoices it received from LSPs? If the answer is yes, please describe each dispute and file all letters, e-mails, and text messages from Enbridge Gas to LSPs disputing invoices. If the answer is no, please explain why not.

EP-10

Reference: Exhibit C, Tab 1, page 26, paragraph 13

Preamble: “Actual 2021 locating costs were \$34.5 million. To incorporate inflationary impacts, the PCI values for 2022 and 2023 were applied resulting in an inflation adjusted cost of \$36.2 million⁶. After adjusting for 2023 actual locate volumes, the calculated annual base locate cost for 2023 is \$33.1 million. Please refer to Table 1 outlining the calculations.”

Questions:

- a) Please confirm that \$33.1 million is an estimate of the increase of locate costs because of Bill 93 and not the actual increase.
- b) What was the total actual amount of locate costs for 2023 including the increase due to Bill 93?

EP-11

Reference: Exhibit C, Tan 1, page 27, Table 2, VMS Costs, and paragraph 15

Preamble: “The calculated annual base locate and VMS costs for 2023 were \$33.1 million and \$4.9 million respectively.”

Questions:

- a) Please reconcile the text quoted in the preamble from paragraph 15 with the figures shown in Table 2.
- b) Please confirm that the amount listed in Line 7 is an estimate and provide the 2023 actual amount.

EP-12

Reference: Exhibit D, Tab 1, Attachment 2, page 1

Preamble: “The purpose of the account is to record the incremental costs associated with the Fugitive Emissions Investigation Plan. The revenue requirement will include incremental operating costs as well as costs associated with any required capital investment, including return on rate base, depreciation expense, and associated income taxes. Incremental costs are related to the implementation of measurement technologies, configuration of IT systems, incremental staffing, consulting support and other miscellaneous costs, including training, conferences, and memberships associated with methane measurement technologies and methodologies.”

Question:

The quoted description of the account mentions “*incremental costs associated with the Fugitive Emissions Plan.*” That implies that there are also non-incremental costs such as the annual leak survey. Does Enbridge have an annual leak survey program? If the answer is yes, what was the amount spent on it in 2023? If the answer is no, please explain why not.