Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

August 16, 2024

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

Dear Ms. Marconi:

Re: EB-2024-0125 Enbridge Gas Inc. 2023 Utility Earnings and Disposition of Deferral and Variance Account Balances

In accordance with Procedural Order NO. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Enbridge Gas Inc.'s responses to interrogatories are due by **September 5, 2024**.

Any questions relating to this letter should be directed to the Case manager, Arturo Lau, at Arturo.Lau@oeb.ca. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Arturo Lau Digitally signed by Arturo Lau
Date: 2024.08.16 14:39:41
-04'00'

Arturo Lau
Advisor, Natural Gas

Encl.

OEB Staff Interrogatories

Enbridge Gas Inc. 2023 Utility Earnings and Disposition of Deferral and Variance Account Balances

EB-2024-0125

August 16, 2024

OEB Staff Interrogatories
Enbridge Gas Inc.
EB-2024-0125

Please note, Enbridge Gas Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff. 1

Ref: Utility Earnings Calculation
Exhibit B, Tab 1, Schedule 1-2

Question:

a) Is the calculation of utility earnings consistent with the methodology used to calculate the earnings in prior years? If not, please explain any differences and provide rationale for any deviations from the approach used in prior years.

b) Does Enbridge Gas submit its ROE to the OEB as part of its annual RRR filings?

   i. Are the ROE calculations used for the RRR and in this utility earnings calculation consistent with each other? If not, please explain why there is a divergence.

Staff. 2

Ref: Utility Operating and Maintenance
Exhibit B, Tab 3, Schedule 1, p. 1-3 & Appendix A

Enbridge stated that O&M expenses increased by $106.5 million primarily due to higher Miscellaneous Expense, Compensation and Benefits, DSM, Materials and Supplies. Table 1 was provided to show the Utility's O&M expense categories for the 2022-2023 actuals.

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.

Compensations and Benefits (Line 1) increased by $26.9 million over the prior year from an $11.0 million increase in merit. An increase of $5.3 million was driven by higher Operations and Customer Care FTEs.

Questions:

c) Please provide references showing approval for Enbridge Gas to write off the items in the Miscellaneous Expenses (i.e. Pension balance, capital integration and GTA/ WAMS).

d) Please provide the rationale of a $26.9 million increase in merit in 2023 compared to $11.0 million in the year before.

e) Please provide the actual number of FTEs for Operations and Customer Care as of January 1, 2023 and December 31, 2023.

   i. How does the average additional FTE cost in Operations and Customer Care compare to the average FTE cost of Enbridge Gas.

Staff. 3

Ref: Enbridge Gas – Integrated Resource Planning (IRP) Operating Cost Deferral Account
Exhibit C, Tab 1, pp. 14-22

Preamble:

The balance in the 2023 IRP Operating Costs Deferral Account that is being requested for clearance within this proceeding is a debit of $3.081 million, plus forecast interest of $0.247 million, for a total debit of $3.328 million. This amount is attributable to incremental Enbridge Gas staff salaries including expenses for IRP related work performed in 2023, the implementation of Integrated Resource Plan Alternatives (IRPA(s)) to defer a project in Kingston and non-labour costs such as consulting and legal costs.

The incremental work that has arisen for the organization because of implementing the OEB’s IRP Decision includes binary screening and technical evaluations, economic analysis, development and implementation of IRP stakeholder engagement activities and regulatory support.

Questions:

a) Please provide the list of cost savings arising from Enbridge Gas's IRP activities.

b) How have Enbridge Gas's IRP activities benefitted ratepayers to date to justify the proposed disposition at the cost of ratepayers? How would IRP activities benefit ratepayers in the future?

   i. How, if at all, does Enbridge Gas take into consideration the achieved and expected benefits to ratepayers of its IRP activities, in establishing its budget or level of spending for IRP activities (outside of any costs associated with specific approved IRP Plans)? Please describe Enbridge Gas's general approach, and its approach with reference to 2023 spending in particular (i.e., the costs recorded in the 2023 IRP Operating Costs Deferral Account).

c) How did the IRP annual report and the IRP Technical Working Group report inform Enbridge Gas's request for disposition?

d) Has the OEB provided any guidance regarding an appropriate budget or level of spending on Enbridge Gas's IRP activities (outside of any costs associated with specific approved IRP Plans), either in the original IRP Decision and Order, or other Enbridge Gas proceedings? If so, please describe.

Staff. 4

Ref: Enbridge Gas – Getting Ontario Connected Act Variance Account
Exhibit C, Tab 1, Schedule 1, pp. 23-25

Preamble:

Enbridge Gas stated, "[b]ased 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."

Enbridge also stated, "[a]s mentioned above, the 2021 average external contractor cost per locate was $34 and the 2023 average external contractor cost per locate was $72, a 111% increase."

For the vital main standby (VMS), the 2021 average external contractor, using the same personnel as locates, cost per hour was $82 and the 2023 average external contractor cost per hour was $146, a 78% increase.

Questions:

a) Please provide references to the 2021 external contractor cost to pay per locate.

b) Please clarify if the $34 was the average 2021 cost or was it the cost Enbridge Gas was expecting to pay in 2023 based on its 2021 external contractor cost.

c) Why are the increase in costs of locates (111%) and VMS (78%) not the same if the same contractors are being used?

d) Please confirm that Enbridge Gas uses the Price Cap Index, similar to the annual IRM increase, to forecast the cost of the external contractor cost.

Staff. 5

Ref: 2023 Storage & Transportation Deferral Account - EGD
Exhibit D, Tab 1, p. 1-2

Preamble:

The balance in the 2023 S&TDA that the Company is proposing to collect from customers is $18.7 million plus interest. The primary driver for the balance in the 2023 S&TDA is higher than forecasted transportation prices, higher than forecasted market-based storage costs in 2023 and a $5.9 million collection from the Union rate zone as part of Enbridge Gas's 2021 Deferral and Variance disposition as approved by the OEB in EB-2022-0110.

The RFP requested offers of storage services with terms of up to 5 years commencing April 1, 2023 with firm injections from May to September and firm withdrawals from December to March.

Questions:

a) In the 2022 DVA, Enbridge Gas requested offers of storage service with terms of up to 3 years.[1] Please provide a discussion as to why there was an increase in terms up to 3 years to terms up to 5 years.

  i. How has this increase in the length of term benefitted ratepayers?

Staff. 6

Ref: 2023 Transactional Services Deferral Account - EGD
Exhibit D, Tab 1, p. 3-4

[1] EB-2023-0092, Exhibit D, Tab 1, p. 3

Preamble:

Enbridge Gas generated $59.5 million in net Transactional Services revenue, of which the ratepayer portion represents $53.6 million, through a combination of Storage and Transportation Optimization. The majority of this increase results from the increase in the Dawn-Waddington spread. This spread is impacted by the lack of pipeline infrastructure serving US Northeast markets.

Questions:

a) Why was Enbridge Gas not able to optimize any storage transactions for the EGD rate zone in 2023.

   i. Does Enbridge Gas expect this trend to continue in 2024?

b) Does Enbridge Gas expect the lack of pipeline infrastructure in Dawn-Waddington spread to continue in 2024?

   i. Are there plans Enbridge Gas knows of to build pipelines to service the Dawn-Waddington spread? If so, what are the timelines?

Staff. 7

**Ref: Unaccounted for Gas Variance Account – EGD
Exhibit D, Tab 1, p. 26-28 & Table 1 (p. 6)**

Preamble:

Enbridge Gas, in its Phase 1 Rebasing Application, proposed to harmonize UFG related deferral and variance accounts for the EGD and Union Rate Zones into a single UFG Volume Variance Account (UFGVVA). The OEB accepted Enbridge Gas's proposed accounting order and treatment effective January 1, 2024.[2]

Enbridge Gas also undergoes an annual audit of storage inventory to identify inventory variances. In the EGD Rate Zone, Enbridge Gas recovers UFG volumes and costs related to storage operations based on a fixed OEB approved provision, and no variances are recorded in a variance account. Adjustments to inventory from the storage inventory audit in the EGD Rate Zone are not recorded in the UAFVA, which recovers distribution related gas losses only. As a single harmonized UFGVVA was approved as part of Phase 1 Rebasing proceeding, adjustments to inventory resulting from storage inventory audits for both legacy rate zones will be recorded in the UFGVVA as of 2024.

[2] EB-2022-0200, OEB decision and Order, December 21, 2023

Questions:

a) Please provide a list of accounts that will be harmonized into the UFGVVA?

   i. Have these accounts been requested for closure? Provide any references.

   ii. If not, why not?

b) Please provide a list of accounts that are approved to be closed in Phase 1 rebasing and proposed to be closed in Phase 2 rebasing, if any. Provide any references.

c) Does Enbridge Gas track, in its EGD rate zone, the adjustments to inventory from the storage inventory audit using any deferral or variance accounts? If so which one?

   i. Please confirm if the storage inventory audits are completed annually.

   ii. If the inventory adjustments are not included in any accounts, what would be the bill impact if the audit adjustments were included in the UFGVA for EGD rate zone?

d) Please provide a table of the UFG sources described in the application, including unknown sources, corresponding to UAF/UFG volumes for each year, as shown in Table 1, for the past 5 years.

Staff. 8

Ref: Highwood Recommendations and Fugitive Emissions Measurement Administration Deferral Account (FEMADA)
Exhibit D, Tab 1, p. 60-67 & Attachment 1

Preamble:

Highwood recommended the development of company-specific emission factors for distribution operations, prioritizing sources with high materiality and high levels of uncertainty and piloting a Mobile Ground Detection (vehicle) measurement strategy.

Enbridge Gas has assessed the causation, materiality, and prudence of the FEMADA Deferral Account. For materiality, Enbridge Gas's forecasted spend exceeds the $1 million materiality threshold for the establishment of a new account. As detailed in Table 12, the Company is forecasting to spend approximately $2.6 million in FEMADA administration and pilot costs in 2025.

Enbridge Gas anticipates the incremental costs associated with the pilot program to be $1.7 million. The mobile ground pilot program will require designing study parameters, deploying a mobile technology, validating and comparing performance of the technology against known methods, and conducting follow-up investigations by foot to locate and confirm leaking components. Incremental management and repair of leaks located during this pilot are not included in this cost estimate as they would be covered by the existing integrity programs.

Questions:

a) Does Enbridge Gas have plans to develop company-specific emissions factors beyond piloting the Mobile Ground Detection? If yes, please provide the plan and timelines.

b) Enbridge Gas's Z-factor materiality threshold was set at $5.5 million[3], and the company has not requested to change in its Phase 2 rebasing application.[4]

   i. Please confirm whether Enbridge Gas's materiality threshold is $1 million or $5.5 million.

   ii. If Enbridge believes the materiality threshold should be set to $1 million, explain why it should not use the Z-factor threshold of $5.5 million.

   iii. If Enbridge believes the materiality threshold is $5.5 million does the FEMADA still need to be established as it is under the Z-factor threshold?

c) If Enbridge Gas receives the approval to establish the FEMADA, what other approvals are required for Enbridge Gas to proceed with the pilot program?

d) Please confirm that Enbridge Gas has a Leak Survey department equipped with leak/ methane detection devices (handheld devices and vehicles)

   i. How does the Mobile Ground Detection vehicle differ from Enbridge Gas's current leak survey vehicles?

   ii. Is Enbridge Gas able to utilize internal leak survey data to develop its emissions factors?

e) Has Enbridge Gas explored similar detection technology as part of its R&D program? If so, please provide a list of technology on leak detection that is currently being used, currently being proposed, and technology that has been previously explored and a description of the differences among the technologies.

[3] EB-2017-0306/0307, Decision and Order, August 30, 2018
[4] EB-2024-0111, Exhibit 10, Tab 1, Schedule 1, page 15

Staff. 9

Ref: Incremental Capital Module Deferral Account - EGD
Exhibit D, Tab 1, p. 75-78

Preamble:

The balance in this deferral account is a credit to the EGD Rate Zone of $4.909 million plus interest of $0.232 million for a total credit balance of $5.141 million.

Questions:

a) Explain why the NPS 20 Don River Replacement Project had a forecast of $0 in the Phase 1 Rebasing Settlement Proposal.

   i. Did parties know there was potentially a balance for this project/ line item? Please provide a reference if applicable

b) Please provide lists of all ICM projects that can be included in this account in 2023 and 2024.

Staff. 10

Ref: Renewable Natural Gas (RNG) Injection Service Variance Account - EGD
Exhibit C, Tab 1, p. 77-78

Preamble:

Enbridge Gas is seeking final disposition of the total balance in the RNGISVA which is a cumulative credit to ratepayers of $0.332 million plus interest of $0.029 million, for a total credit balance of $0.360 million.

Questions:

a) Please confirm this is the first time Enbridge Gas seeks to dispose of this account.

b) Does Enbridge Gas expect the revenue requirement for Dufferin injection to increase into 2024?

Staff. 11

**Ref: Unabsorbed Demand Costs Variance Account (UDCVA)- Union Gas
Exhibit E, Tab 1, p. 1-5**

Preamble:

The UDCVA balance is the difference between the actual UDC incurred by the Union rate zones and the amount of UDC collected in rates, partially offset by a credit to ratepayers related to a refund of Panhandle Pipeline tolls that were applicable to UDC costs between 2020 and 2023.

Enbridge Gas received a refund from Panhandle Pipelines regarding over-recovery of costs of service of which $2.24 million, including interest, pertained to UDC between 2020 and 2023. This amount has been credited to the appropriate rate zones in alignment with the historic allocation of UDC costs for each year.

Questions:

a) Please provide the allocation that was used to collect the Panhandle Pipeline tolls.

    i. Is the allocation the same as the historic allocation of UDC costs for each year?

    ii. If they are not the same allocation, please explain why Enbridge would propose to use a different allocation to the one that was used to collect the tolls.

Staff. 12

**Ref: Unaccounted for Gas Volume Deferral Account (UFGVDA)- Union Gas
Exhibit E, Tab 1, p. 25**

Preamble:

Based on 2023 actual throughput volumes, Enbridge Gas recovered $16.4 million in UFG costs through rates. Enbridge Gas’s actual 2023 UFG costs were $20.3 million. The variance between 2023 UFG costs recovered through rates and actual 2023 UFG costs is $3.9 million, which is below the $5.0 million dead band established by the OEB for the UFGVDA. As a result, there is no 2023 balance in the UFGVDA.

Questions:

a) In the 2022 DVA, Enbridge Gas's actual UFG cost was $65.8 million.[5] Please explain why there was a precipitous drop in UFG costs between 2022 ($65.8 million) and 2023 ($20.3 million).

Staff. 13

**Ref: Unaccounted for Gas Price Deferral Account- Union Gas
Exhibit E, Tab 1, p. 30-32**

Preamble:

During 2023, the Enbridge Gas purchased 25,047 10^3m^3 of gas supply in Union rate zones related to actual UFG volumes on behalf of ratepayers.

The average actual cost of the UFG purchases in 2023 is $25.12/$10^3m^3$ lower than the OEB-approved reference prices included in rates based on the Union South rate zone gas portfolio cost of $179.35/$10^3m^3$. The result is a $0.63 million balance to be refunded to ratepayers. Table 2 states that the average price was $154.24/$10^3m^3$.

Questions:

a) In the 2022 DVA, Enbridge Gas's actual average cost of the UFG purchase was $327.49/$10^3m^3$.[6] Please explain why there was a precipitous drop in the actual average cost of the UFG purchases between 2022 ($327.49/$10^3m^3$) and 2023 ($154.24/10^3m^3).

Staff. 14

**Ref: Incremental Capital Module Deferral Account – Union Gas
Exhibit E, Tab 1, p. 52**

Preamble:

The balance in this deferral account is a credit to the Union Gas Rate Zone of $0.384 million plus interest of $0.504 million for a total credit balance of $0.888 million.

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[5] EB-2023-0092, Exhibit E, Tab 1, pg. 28
[6] EB-2023-0092, Exhibit E, Tab 1, pg. 48

Questions:

a) Please provide lists of all ICM projects that can be included in this account in 2023 and 2024.

Staff. 15

Ref: Scorecard
Cover letter, May 31, 2024
Exhibit G, Tab 1

Preamble:

Enbridge Gas provided the Scorecard and the Indigenous Working Group Report. No approval is being sought regarding these items.

Enbridge Gas was able to significantly decrease the number of meters with consecutive estimates and reached an annual MRPM of 4.1% in 2022 and 1.3% in 2023. Despite improving this metric, there are persisting challenges beyond Enbridge Gas' control that limit the ability for meter readers to access and read a certain portion of gas meters, impairing the ability to achieve this target.

Questions:

a) Please confirm that the scorecard issues are being addressed in Phase 2 of Enbridge Gas's rebasing.[7]

b) Provide additional discussion on the challenges that "are beyond Enbridge Gas's control" that limit access and read the gas meters?

    i. Are there additional plans in place to further reduce the annual MRPM to the target level?

Staff. 16

Ref: Indigenous Working Group (IWG) Report
Cover letter, May 31, 2024
Exhibit G, Tab 1

[7] EB-2024-0111

Preamble:

Enbridge Gas provided the Scorecard and the Indigenous Working Group Report. No approval is being sought regarding these items.

In the IWG report, it stated under the Settlement Proposal, Enbridge Gas was required to provide capacity funding. Enbridge Gas presented the 2025 estimated budget for review by the OEB as part of the DVA proceeding. The Indigenous Parties propose the following budget for capacity funding for 2025 of $800,000.

Questions:

a) Please confirm that Enbridge Gas is not seeking approval for the budget for capacity funding for 2025 in this proceeding.

b) Where does the funding for the IWG come from?