VIA RESS and EMAIL

August 22, 2024

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

Dear Nancy Marconi:

Re: Enbridge Gas Inc. (Enbridge Gas)
2024 Rebasing – Phase 2
Consumers Council of Canada (CCC) Interrogatories on Exhibit M2
OEB File No. EB-2024-0111

In accordance with the Decision on Issues List and Procedural Order No. 2, dated May 30, 2024, please find attached CCC's interrogatories with respect to Exhibit M2 (Current Energy Group (CEG) evidence)

Yours truly,

Lawrie Gluck

Lawrie Gluck
Consultant for the Consumers Council of Canada

cc: All parties in EB-2024-0111

Enbridge Gas Inc. (Enbridge Gas)

2024 Rebasing – Phase 2

Consumers Council of Canada Interrogatories on Exhibit M2

August 22, 2024

M2-CCC-1
Ref: Ex. M2/pp.2-3

a) Please advise whether CEG is suggesting that all of its recommendations be implemented for Enbridge Gas's 2025-2028 rate framework.

b) Please provide a ranking of its recommendations in terms of what it believes are most important to be implemented for Enbridge Gas's 2025-2028 rate framework.

M2-CCC-2
Ref: Ex. M2/pp.8-12

a) Please advise whether the recommended differentiated ROE approach has been implemented in any other jurisdictions. If so, please provide references to the relevant policy documents, decisions, etc.

b) How does CEG recommend that the OEB define growth assets/projects and separate those projects from all other projects in order to operationalize the approach.

c) In terms of maintaining a fair return for Enbridge Gas, please advise which of the following approaches form part of CEG's proposal for differentiated ROE (and provide any further commentary on the benefits/drawbacks of each sub-option):

   i. Reduce ROE% on growth assets and increase ROE% on non-growth assets in a manner that, on a forecast basis, the overall ROE% applied to rate base is unchanged from the current level.

   ii. Reduce ROE% on growth assets with no increase to ROE% on non-growth assets but a reduction to risk through more comprehensive decoupling of revenues from throughput (or other methods of de-risking).

iii. Reduce ROE% on growth assets with no increase to ROE% on non-growth assets but an allowance to earn a return on pipeline repair investments that are historically treated as operational expenses.

iv. Any other approaches or combination of approaches that are not listed above.

d) With respect to the recommendation to “allow Enbridge Gas to capitalize certain operating and maintenance expenses related to pipeline repair”, please further describe what repair-related operating expenses would fall in this category. In addition, please further explain how this capitalization approach would be operationalized (e.g., is the intent that a pipeline repair operating expense would form part of rate base and be depreciated over the same period of time as the underlying asset being repaired).

M2-CCC-3
Ref: Ex. M2/pp.12-14

a) Please advise whether CEG’s proposed “revenue per customer class” decoupling approach results in a true-up of revenues for both changes in average use per customer and customer count (but not weather). As part of the response, please explain how variances in demand/throughput relative to forecast caused by changes in weather relative to forecast is addressed in the proposed methodology.

b) Please provide a numerical example that highlights the operation of the revenue per customer class decoupling approach. As part of the response, please highlight how the utility retains weather risk.

c) Please advise whether the recommended comprehensive revenue decoupling approach (i.e., full true up of revenues related to both volumes per customer and customer count) has been implemented in any other jurisdictions. If so, please provide references to the relevant policy documents, decisions, etc.

M2-CCC-4
Ref: Ex. M2/pp.14-16

a) Please confirm that CEG’s recommendation is for the “calibrated ECM approach with CAPEX efficiency sharing.”

b) CEG states that, "a special type of ECM that is applied separately to capex and opex and carefully calibrated to equalize cost containment incentive between them can help address capex bias across a multitude of utility expenditures."

Please explain how this would be operationalized for Enbridge Gas's 2025-2028 IRM term. As part of the response, please provide a numerical example for the operation of each the EBSS and CESS.

<u>M2-CCC-5</u>
Ref: Ex. M2/pp.16-17

a) Is CEG's recommendation to allow Enbridge Gas to earn margin on CIACs subject to the outcome of the hearing to consider the appropriate revenue horizon? If so, what finding is CEG recommending that the OEB make in the current proceeding. If not, please explain.

b) With respect to the applicability, quantum and accounting for margin payable on CIACs, please provide CEG's views on the following:

   i. Are the aggregated CIAC payments received equivalent to a rate base amount that is accounted for outside of rate base?

   ii. When does the CIAC payment begin earning a return (i.e., at the time of payment, at the time the relevant asset goes into service, etc.)?

   iii. Is a return paid on the entire CIAC payment in a single year? Alternatively, is the CIAC payment notionally depreciated over an equivalent amount of time as would be applied if the asset was in rate base and returns are paid annually on the undepreciated portion of the CIAC payment?

   iv. Does the CIAC payment attract only a margin payment (i.e., no debt recovery is applied)?

   v. Does a CIAC payment attract the OEB-approved ROE on the deemed equity portion of that payment as if the asset were in rate base? Or is there some other approach that CEG is recommending?

   vi. Do all CIACs payments attract a margin payment? Or is it some subset of CIAC payments?

c) Please advise whether it is CEG's proposal that the margin paid on CIACs is recovered from all ratepayers (i.e., equivalent to the recovery of return on the equity portion of rate base).

d) Please provide CEG's views on applying the margin payment within the CIAC payment (i.e., the connecting customer pays the connection costs plus margin). As part of this response, please discuss CEG's views on the incentives/disincentives that would be applicable to connecting customers and the utility under this approach.

M2-CCC-6
Ref: Ex. M2/pp.18-19

a) Please provide CEG's view on the level of control that Enbridge Gas has on natural gas commodity prices. As part of the response, please explain whether CEG believes that market factors (supply, demand, etc.) or Enbridge Gas's procurement decisions predominately impact the price paid for the natural gas commodity.

M2-CCC-7
Ref: Ex. M2/pp.18-19

Please describe the findings/orders that CEG is recommending that the OEB make in the current proceeding with respect to the treatment of the IRPAs. As part of the response, please discuss in more detail the proposed allowance for and treatment of electricity IRPAs.