EB-2024-0111

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sch. 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.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO CURRENT ENERGY GROUP ("CEG")

Interrogatory M2.CME-1

Ref: Exhibit M2, PP. 5-6

At pages 5 and 6, CEG states that a long-term decline of Ontario's gas utility customer base will occur primarily because, *inter alia*, interconnected risks of geopolitical instability.

(a) Please confirm whether geopolitical instability is a new phenomenon or has been occurring at various points and with varying intensities and has had impacts on the price of natural gas in prior years and decades.

(b) If a) is confirmed, please elaborate on why CEG believes that geopolitical instability is now a factor which will cause the decline of Ontario's gas utility customer base? If it is not confirmed, please explain why not.

Interrogatory M2.CME-2

Ref: Exhibit M2, P. 9

At page 9, CEG states that "Enbridge Gas is financially indifferent to capital investments related to system growth versus capital investments focused on safety and mandatory relocations."

However, in the next paragraph, CEG states that "absent ROE differentiation, Enbridge Gas has an inherent incentive to focus on growth investments when it nominally earns the same ROE between its capital investment expansion and other expenditure categories because any current investments in its gas system growth present future opportunities for investments in system maintenance, and may also present opportunities to upstream growth projects, leading to additional earnings opportunities for shareholders."

(a) Please confirm whether or not it is CEG's opinion that EGI is financially indifferent towards different types of capital projects, or it has a financial interest in preferring expansion investments for the reasons set out in the paragraph cited above.

(b) Apart from CEG's opinion regarding the risks or misalignment of the public interest and expansion investments as outlined in the report, does CEG believe that EGI is not otherwise sufficiently incented to invest in safety projects and/or that EGI's safety record is an issue as a result of its lack of investments?

Interrogatory M2.CME-3

Ref: Exhibit M2, PP. 13-14

At pages 13 and 14, CEG proposed a "revenue per customer class" approach.

(a) How would CEG propose allocating an appropriate revenue requirement per customer class. For instance, would it be based simply on the proportionate share of revenue requirement supplied by each class during the test year? Would it be escalated or change over time to reflect forecast changes in the composition of each class?

(b) Please comment on whether it would be possible for a revenue per customer class to have significant negative impacts on, for instance, trade exposed entities or industries. For instance, if certain rate classes that have a high number of trade exposed ratepayers were required to pay for the revenue required from their customer class, and members of that class left (for instance if they moved out of Ontario or shut down), would it then cause an upward pressure on the rest of the rate class potentially causing additional trade exposed entities to have to shut down or move out of province, causing a feedback loop? If yes, please explain what CEG proposes as a safeguard. If not, why not?

Interrogatory M2.CME-4

Ref: Exhibit M2, P. 14

At page 14, CEG proposed an efficiency carryover mechanism. It referenced an Australian efficiency carryover mechanism which shared efficiency gains and losses between the utility and ratepayers.

(a) Please confirm whether or not it is CEG's proposal that an efficiency carryover mechanism should also share efficiency losses between the utility and ratepayers. If it is confirmed, please explain why loss sharing would be appropriate when the utility is in full control of its efficiency efforts, and the fact that it might derive less of an incentive from aggressively pursuing efficiency if losses were shared.

(b) CEG also proposes the Board to create an efficiency carryover mechanism that mitigates the difference in utility incentive between capital investment rather than operating expenditures. Does CEG have a view as to how large a difference in the efficiency carryover mechanism should be or how specifically it should be designed? Please explain fully.

Interrogatory M2.CME-5

Ref: Exhibit M2, PP. 16-17

CEG proposes that EGI should earn margin on CIACs at pages 16-17. With respect to that proposal:

(a) Does CEG's recommendation regarding earning margin on CIACs have the potential to actually increase rates in the short term? For instance, if the amount of margin earned on CIACs was greater (at least during the rate term) than the savings caused by more connections being paid for through CIACs rather than through rates (rates which would recover the costs over 40-60 years), would that cause rates to go up for current ratepayers, all things being equal?

(b) If a) is confirmed, what is CEG's proposal with respect to whether CIAC margin should be higher, lower or the same as the ROE earned on rate-base? Should it be the same (therefore neutral for ratepayers but presumably neutral for the utility for preferring CIACs or capital investments) higher for CIACs (therefore potentially increasing rates and incenting CIACs over capital investments) or lower than the ROE (therefore lowering rates to the extent EGI opted to use CIACs + margin rather than ROE but not incenting the use of CIACs fully)

Interrogatory M2.CME-6

Ref: Exhibit M2, P. 19

At page 19, CEG proposes a straight sharing approach to gas supply costs.

(a) Does CEG currently have a proposal for what fixed dollar amount the proposed utility financial exposure cap should be set at for a utility of EGI's size? Please elaborate.

Interrogatory M2.CME-7

Ref: Exhibit M2, P. 20

At page 20, CEG proposes a savings sharing arrangement for IRPA projects.

(a) Please confirm whether sharing the benefits of IRPA projects would, for those specific projects, reduce the benefits or cost savings that would otherwise go to ratepayers for those projects.

(b) If a) is confirmed, has CEG completed any cost analysis that would indicate what level of sharing would incent more IRPA projects (at a lower cost than the capital expenditure alternative) and represent a net benefit to ratepayers in terms of overall costs? In other words when the number and size of the incremental IRPA project savings would outweigh the savings lost to ratepayers by sharing them with the utility?

(c) If so, please provide the analysis and describe any conclusions CEG has arrived at with respect to the appropriate savings level to achieve the outcome described in part b.