

ENBRIDGE GAS INC. 2024 REBASING APPLICATION – PHASE 3

EB-2025-0064

ONTARIO ENERGY BOARD STAFF INTERROGATORIES

1.6-Staff-1

Ref: Exhibit 1, Tab 6, Schedule 1, Attachment 1, p.34

Enbridge Gas conducted a customer engagement survey of 5,400 respondents across the different rate zones to gauge among other things acceptance of a single rate zone. The survey results show that only 29% of respondents in Union South support a single rate zone.

- a) Considering that a significant portion of Enbridge Gas's customers reside in the Union South zone, does Enbridge Gas agree that support for a single rate zone amongst its ratepayers, at least in Union South is poor?
- b) If a single rate zone is implemented, what will be the absolute subsidy (in dollar terms as compared to the current rate design) from the Union South and legacy Enbridge Gas Distribution rate zones to the Union North East and Union North West rate zones?

1.13-Staff-2

Ref: Exhibit 1, Tab 13, Schedule 5, pp. 10-11; Exhibit 8, Tab 4, Schedule 7

Enbridge Gas describes its progress on modifying interruptible rates to increase customer adoption, including how it considers customer interest in interruptible rates in the context of IRP Plans and demand-driven Leave to Construct projects. Elsewhere in its application, Enbridge Gas proposes cost allocation and rate design changes to interruptible rates to increase the incentive for customers to convert from firm to interruptible service.

Should Enbridge Gas's proposed cost allocation and rate design changes to interruptible rates be approved, does Enbridge Gas plan any additional communication or informational outreach to customers to attempt to increase customer adoption of interruptible rates, either on a franchise-wide basis, or in the context of specific IRP Plans/Leave to Construct projects? If so, please describe the planned outreach.

1.13-Staff-3

Ref: Exhibit 1, Tab 13, Schedule 5, pp. 20-23

Enbridge Gas describes its progress on the Discounted Cash Flow-Plus (DCF+) test and notes that an enhanced DCF+ test and an accompanying Guide will be filed for adjudication with the first non-pilot IRP Plan application.

Does Enbridge Gas have a target date for finalizing the enhanced DCF+ test and Guide?

1.13-Staff-4

Ref: Exhibit 1, Tab 13, Schedule 5, p. 26; EB-2022-0200, Settlement Agreement, Exhibit O1, Tab 1, Schedule 1, p.54.

Enbridge Gas notes the establishment of the IRP Costs deferral accounts, including additional modifications to the accounting entries recorded in the IRP Costs deferral accounts through the Phase 1 Settlement Agreement. The modifications in the Phase 1 Settlement Agreement recognize offsetting amounts in the account balances to reflect avoided capital cost impacts related to facilities projects that are delayed, avoided or downsized by IRP.

Has Enbridge Gas developed an approach or methodology regarding how to quantify the offsetting amounts in the IRP Costs deferral account balances to reflect avoided capital cost impacts related to facilities projects that are delayed, avoided or downsized by IRP? If so, please describe the approach or methodology.

2.5-Staff-5

Ref: Exhibit 2, Tab 5, Schedule 5, pp. 4-6

In accordance with the Phase 1 Decision and Order, Enbridge Gas implemented the required envelope reductions in the 2024 capital budget by reprioritizing its capital portfolio based on the OEB direction to prioritize inspection and repair over full replacement where possible. The largest reduction in capital spend was a reduction of \$92 million in the Proactive Vintage Steel Pipe Replacement Program, primarily driven by a reduction in capital spend associated with the deferral of the St. Laurent Pipeline Replacement. The second largest category was a \$60 million reduction in distribution

system reinforcement and large customer driven reinforcement projects. The reduction of \$60 million is primarily driven by two factors. The first is the net impact resulting from the re-prioritization of investments based on the most urgent, near-term requirements of the system, and reducing the scope of projects to focus on partial replacements. The second factor is delayed project timing related to large customer driven projects.

- a) With respect to the Proactive Vintage Steel Replacement Program, has Enbridge Gas assessed the possibility of decommissioning some steel pipelines in the future in response to expected declines in natural gas consumption resulting from the energy transition? Please provide a detailed response.
- b) For certain distribution system reinforcement projects, Enbridge Gas has reduced the scope of projects to focus on partial replacements. Are proposed partial replacements a stop gap solution or would they represent a long-term solution? Please provide some examples where a partial replacement is being considered.

2.5-Staff-6

Ref: Exhibit 2, Tab 5, Schedule 5, p. 8

Enbridge Gas has made some adjustments to the 2024 Technology and Information Services Program. The primary drivers for the reduction in capital spend are the deferral of \$15 million in costs associated with system changes to accommodate a general service rate design and a deferral of \$8 million associated with system changes for the contract market.

Please explain the impact of deferring the proposed capital spend associated with system changes to accommodate rate design for the general service and the contract market. Do the proposed reductions impact Enbridge Gas's ability to incorporate rate design changes in 2027 and 2028?

2.5-Staff-7

Ref: Exhibit 2, Tab 5, Schedule 5, p. 9

The reduction in 2024 capital spend for customer additions under the E.B.O. 188 Program was \$21 million resulting from attaching fewer customers than originally planned. Enbridge Gas noted that connections in 2024 were approximately 5,000 or 10% lower than forecast.

Please confirm if the driver of the lower connections was lower new housing builds in 2024 or fewer customers attaching to natural gas. If lower customer connections are attributed to both drivers, please provide the proportional distribution if available.

2.7-Staff-8

Ref: Exhibit 2, Tab 7, Schedule 2, p. 5

In the OEB's Phase 1 Decision and Order, the OEB directed Enbridge Gas to provide an update on the Automated Metering Infrastructure (AMI) pilot project in Phase 3 of the application. In the evidence, Enbridge Gas has provided an update on the AMI Proof of Concept (POC) currently underway at Enbridge Gas. The POC includes the installation and remote monitoring of one AMI meter vendor's technology over a minimum period of 12 months. Enbridge Gas has installed 185 AMI-enabled ultrasonic meters across four test areas within the Greater Toronto area.

- a) The AMI system included a series of radio frequency towers, one per test area. What is the typical range of the radio frequency towers? Would the range differ if the towers are installed in an urban area versus a rural area?
- b) What type of AMI meters have been installed as part of the POC (residential, commercial and industrial)? If different meters have been installed, please provide the proportional distribution.

2.7-Staff-9

Ref: Exhibit 2, Tab 7, Schedule 2, pp. 7-8

While discussing operational risks, Enbridge Gas noted that one major challenge is that AMI implementation is anticipated to significantly exceed Ontario's current workload capacity of certified installers, posing risks to timelines to be in compliance with CSA B149.1 Natural Gas and Propane Installation Code.

- a) Please provide a more detailed explanation of this issue and how it would impact a large-scale implementation of AMI for Enbridge Gas.
- b) Please discuss the approaches that Enbridge Gas has considered to address the workload capacity of certified installers and complete the installation and certification of AMI in a timely manner.

4.2-Staff-10

Ref: Exhibit 4, Tab 2, Schedule 2, p. 4

Enbridge Gas summarized at the table below the OEB-approved reference prices from July 2024 used in the derivation of gas supply commodity charges and the WARP used on an interim basis for certain gas costs.

<u>Table 1</u> <u>Reference Prices - Interim and Current OEB-Approved</u> <u>Based on July 2024 QRAM</u>			
<u>Particulars</u>	<u>Reference Price</u>	<u>\$/GJ</u> (a)	<u>\$/10³m³</u> (b)
	<u>Interim – Certain Gas Costs</u>		
Enbridge Gas	WARP	3.649	142.614
	<u>Current</u>		
EGD	PGVA Reference Price	4.289	167.599
Union South	Dawn Reference Price	3.600	140.724
Union North East	Dawn Reference Price	3.600	140.724
Union North West	Alberta Border Reference Price	2.758	107.810

Please provide a comparison of the commodity-related customer bill impacts for the July 2024 QRAM under the existing reference price methodology and the proposed WARP methodology.

4.2-Staff-11

Ref: Exhibit 4, Tab 2, Schedule 2, pp.7-8

Enbridge Gas considered the following three alternatives to a harmonized reference price methodology:

1. Adopt a PGVA reference price consistent with the Enbridge Gas Distribution (EGD) rate zone;
2. Adopt a Dawn reference price consistent with the Union South and Union North East rate zones; and
3. Establish a modified approach based on a forecasted weighted average price for natural gas supply.

Enbridge Gas evaluated the alternatives based on how each option best met the objectives below:

- Reflect market prices on an ongoing basis;
 - Be simple and transparent;
 - Promote customer understanding and awareness; and
 - To the extent possible given market price fluctuations, produce gas supply commodity charges and customer impacts that are relatively stable and predictable over time.
- a) Please clarify what Enbridge Gas means by “Promote customer understanding and awareness” in the context of evaluating reference price methodologies. Please explain how customer understanding and awareness was assessed in its evaluation.
- b) Please provide a detailed side-by-side comparison of how each of the three alternatives met the above-referenced objectives.
- c) Did Enbridge Gas conduct any quantitative analysis to support its evaluation of the three alternatives? If so, please provide the results and methodology.

4.2-Staff-12

Ref: Exhibit 4, Tab 2, Schedule 2, p. 8

The WARP is set based on the forecast gas supply costs. The costs incorporate the gas supply commodity from the various sources of supply in the gas supply portfolio and the transportation contracts for gas supply sourced upstream of Dawn or Empress to provide diversity of supply for sales service customers.

- a) Please confirm that the proposed WARP methodology is consistent with the assumptions and forecasts in Enbridge Gas's 2024 Gas Supply Plan.
- b) Please explain how Enbridge Gas proposes to reflect any changes or impacts arising from its ongoing 5-year Gas Supply Plan proceeding (EB-2025-0065) in the WARP methodology.

4.2-Staff-13

Ref: Exhibit 4, Tab 2, Schedule 2, pp. 12-13

If more than one rate zone is approved by the OEB, Enbridge Gas stated that it would base the gas supply commodity charges on a WARP for each rate zone.

Enbridge Gas stated that there are additional administrative complexities if more than one rate zone is approved by the OEB. These include managing one common reference price for common utility costs and separate rate zone specific gas supply reference prices for gas supply commodity charges per rate zone.

Please provide more details on the additional administrative complexities associated with managing a common WARP for utility costs and separate rate zone WARPs for commodity charges. Please explain how these administrative complexities would be incremental to Enbridge Gas's existing reference price methodology where it uses a WARP for common costs and various reference prices for the EGD and Union rate zones.

7.0-Staff-14

Ref: Exhibit 7, Tab 0, Schedule 1, p. 2

Enbridge Gas proposes to harmonize the EGD and Union rate zones into one rate zone for in-franchise services. Enbridge Gas has noted that the harmonization of rate zones allows Enbridge Gas to align, simplify and enhance rates and services to meet customers' needs.

- a) Is Enbridge Gas aware of other natural gas utilities with a large service area and customer base that has a single rate zone for in-franchise services. If yes, please identify the utilities and describe the rate design of these utilities.
- b) How would a single rate zone enhance rates and services?

7.0-Staff-15

Ref: Exhibit 7, Tab 0, Schedule 1, pp. 6-8

In its evidence, Enbridge Gas has outlined the rate design considerations to assess rate zones for the amalgamated utility. One rate design consideration is the magnitude of cost differences between rate zones. In cases where multiple rate zones are considered, each rate zone should have a meaningful difference in the cost to serve as compared to other rate zones. With respect to the legacy Union Gas, the evidence notes that Union Gas maintained two distinct operating areas for the Union North and Union South rate zones after the amalgamation of Union Gas and Centra Gas in 1998. The rate zones were maintained to recognize the difference in the cost to serve customers in these different geographic regions.

- a) Please indicate whether there has been a change in the magnitude of the costs to serve customers in the legacy Union North and Union South rate zones. Please explain your response.
- b) Enbridge Gas has outlined several rate design considerations to assess rate zones for the amalgamated utility. Please explain the appropriateness of a single

rate zone if only two rate design considerations are included in the assessment: difference in costs to serve and customer bill impacts.

7.1-Staff-16

Ref: Exhibit 7, Tab 1, Schedule 3, Attachment 1, p. 1

Enbridge Gas has prepared the 2024 Cost Allocation Study consistent with the approach of both Enbridge Gas Distribution and Union Gas which is to classify costs for each function as demand, commodity and customer.

With respect to allocating load balancing commodity costs, the allocation of load balancing peak has been changed from peak day demand in excess of average winter demand to allocation on the basis of design day demands less design day deliveries.

- a) Please explain the rationale for moving from allocating on the basis of average winter demand to design day demand.
- b) What is the impact of the proposed change in terms of allocating costs to residential customers?

7.1-Staff-17

Ref: Exhibit 7, Tab 1, Schedule 3, Attachment 1, p. 4

With respect to allocating Albion transmission demand, Enbridge Gas has proposed to allocate 40% of costs to bundled in-franchise rate classes in proportion to the Parkway to Albion System design day demands. The previous allocation was based on annual transportation volumes and peak day demand/average demand in excess of average winter/annual demand.

- a) Please explain why the methodology has been altered and how it is a more appropriate approach within the context of harmonization.
- b) What is the impact of the change in the methodology on residential customers?

7.1-Staff-18

Ref: Exhibit 7, Tab 1, Schedule 4, pp. 5-7

Enbridge Gas is proposing to maintain the current OEB-approved cost allocation methodology of the Panhandle System and St. Clair System with a minor change. The

Panhandle System and St. Clair System are westerly peaking system serving in-franchise demands on design day. To the extent ex-franchise Rate E70 and Rate E72 (previously Rate C1 and Rate M16) customers use contracted capacity on design day, the demands would flow easterly to Dawn (counter flow). Accordingly, the proposed cost allocation methodology does not allocate costs to ex-franchise rate classes. The revenue generated from the rates designed for ex-franchise services that use the Panhandle System or St. Clair System partly offsets the increase in the cost allocation to in-franchise rate classes.

- a) The evidence indicates that the revenue generated partly offsets the increase in the cost allocation. Please explain how the remaining costs are recovered from ex-franchise rate classes.
- b) If the contracted capacity on design day flows east to Dawn (counter flow), why is it not appropriate to fully allocate costs to ex-franchise customers considering that they are still using the transmission system that is in rate base?
- c) How does Enbridge Gas ensure that ex-franchise rate classes are paying an appropriate share to use the Panhandle System and St. Clair System?

7.1-Staff-19

Ref: Exhibit 7, Tab 1, Schedule 4, p. 14

Enbridge Gas is proposing to change the allocation of Dawn Parkway demand costs to in-franchise rate classes by assuming all in-franchise design day demands are served from Dawn in the derivation of the distance weighted allocation factor.

- a) What is the reason for Enbridge Gas to assume that all in-franchise design day demands are served from Dawn?
- b) Does Enbridge Gas have actual data for determining whether all in-franchise design day demands are served from Dawn. If yes, please provide the actual proportion of in-franchise design day demands that are served from Dawn.

8.1-Staff-20

Ref: Exhibit 8, Tab 1, Schedule 3, Attachment 3, p. 1

Enbridge Gas has provided a table showing the revenue-to-cost ratios of the new harmonized rate classes and associated rates classes of the legacy utilities. Rate E62 has a revenue-to-cost ratio of 0.797 while the associated rate classes (Rate 200 and Rate M9) have a revenue-to-cost ratio of 0.995 and 0.988 respectively.

Please explain why Rate E62 has a lower revenue-to-cost ratio than its predecessor rate classes and also lower than the other harmonized rate classes with the exception of Rate E34 which is a seasonal rate.

8.1-Staff-21

Ref: Exhibit 8, Tab 1, Schedule 4, pp. 2-8

Enbridge Gas has proposed a Straight Fixed Variable with Demand (SFVD) rate design under which the monthly bill is comprised of a monthly customer charge, demand charge and commodity charge. Enbridge Gas has provided a table in Attachment 2 of the above evidence, showing the proposed monthly customer charge under SFVD along with the monthly charge of predecessor rate classes.

Please confirm if Enbridge Gas proposes to use the proposed monthly customer charges for the harmonized rate classes if the OEB does not approve the proposed SFVD rate design. If not, please provide the proposed monthly customer charges for the harmonized rate classes under a volumetric rate proposal.

8.2-Staff-22

Ref: Exhibit 8, Tab 2, Schedule 2, p. 12

As part of this application, Enbridge Gas is proposing to expand the Parkway Delivery Obligation (PDO) and the Parkway Delivery Commitment Incentive (PDCI) offering to customers located in the legacy EGD rate zone who currently are contractually obligated to deliver gas at the Enbridge Central Delivery Area (CDA). Bundled direct purchase (DP) customers with an Enbridge CDA point of receipt will pay the transportation charge and will also receive the PDCI credit for their deliveries at the Enbridge CDA to harmonize with the current approach for Union South customers with a PDO. Enbridge Gas notes that the EGD rate zone customers provide a similar system benefit as the DP customers in the Union South rate zone with a PDO, as they have the option to deliver gas to Dawn, which would otherwise increase the Dawn Parkway system demand.

- a) Please provide a detailed explanation of the proposal and the reasons for extending the PDO and PDCI offering to legacy EGD DP customers.
- b) How many EGD DP customers would be eligible for the PDCI under Enbridge Gas's revised proposal?

- c) Under this proposal, at what location will DP customers located in the EGD rate zone deliver gas to?
- d) Union South DP customers receive a PDCI payment if they deliver gas to Parkway because these customers were located west of Parkway and could deliver gas more easily to Dawn. Union South DP customers were provided an incentive as the legacy Union Gas required gas at Parkway and the deliveries avoided the cost of building additional infrastructure to move gas from Dawn to Parkway. Why are legacy EGD DP customers who are located east of Parkway being offered an incentive to deliver at Parkway?
- e) Please explain why Enbridge Gas does not just change the obligation of EGD DP customers to deliver gas at Parkway rather than offering them PDCI.

8.2-Staff-23

Ref: Exhibit 8, Tab 2, Schedule 3, p. 16

In proposing the SFVD rate design, Enbridge Gas noted that the proposed rate design includes characteristics that could help manage changes in customer behaviour that may materialize over time as a result of the energy transition.

Please confirm that Enbridge Gas's proposed SFVD rate design reduces Enbridge Gas's risk with respect to recovery of the approved revenue requirement as a result of the energy transition.

8.2-Staff-24

Ref: Exhibit 8, Tab 2, Schedule 3, p. 25

Enbridge Gas notes that the SFVD rate design alternative results in minimal bill impacts for the vast majority of general service customers with no need to mitigate bill impacts and/or phase in implementation over two or more years. Using SFVD rate design, less than 63,000 of the 3.9 million general service customers would experience bill impacts greater than 10%.

- a) Please provide a detailed explanation of how demand charges are determined (input, gas use, methodology, assumptions) under the SFVD rate design. Please support your explanation with an example.

- b) Please provide the estimated bill impact (as compared to current bill) for a couple living in a two-bedroom house in the Union South rate zone using natural gas for space heating and hot water tank under a SFVD rate design scenario. For this calculation, use the existing rate zone structure.
- c) Please provide the estimated bill impact (as compared to current bill) for a family of four living in a four-bedroom house in the EGD rate zone using natural gas for space heating, hot water tank, cooking stove, fireplace and barbecue under a SFVD rate design scenario. For this calculation, use the existing rate zone structure.

8.2-Staff-25

Ref: Exhibit 8, Tab 2, Schedule 3, Attachment 5, p. 9

Enbridge Gas has filed a report that discusses different rate design alternatives. The report has been prepared by Christensen Associates Energy Consulting for Enbridge Gas. The report discusses three rate design alternatives: Straight Fixed Variable (SFV), Straight Fixed Variable with Demand (SFVD) and a traditional volumetric approach. The report states that a volumetric alternative provides a useful comparison with respect to the impacts of the innovative SFV and SFVD designs. This design's strengths are its familiarity to all parties and feasibility of computation. Its weaknesses are the poor correspondence between fixed costs and variable revenue across customers, and the relative variability in customer bills and company revenues imposed by the vagaries of weather when compared with the SFV and SFVD designs.

- a) Please confirm that the vagaries of weather are reduced if Enbridge Gas adopts SFVD versus the current rate design approach. Please explain how this is achieved.
- b) If the SFVD rate design approach is adopted, would that provide Enbridge Gas greater certainty in recovering its approved revenue requirement as compared to the current rate design approach?

8.2-Staff-26

Ref: Exhibit 8, Tab 2, Schedule 3, Attachment 5, Table 10, p. 23

Table 10 shows the bill impact differences for varying load factors between the current rate design, SFVD Rate and Volumetric Rate.

- a) Three scenarios have been presented in the table: using average load factor, low load factor and a high load factor. The annual volume is the same for all scenarios. Please explain why the daily demand is higher for the low load factor versus the high load factor (50.62 versus 16.04).
- b) In the low load factor scenario, the distribution charge under SFVD is 41% higher than the current rate design. What type of customer would be a low load factor customer? Does Enbridge Gas have any additional data on a typical low-load factor customer (income range, house type, end-use applications etc.)? If yes, please provide the data.

8.2-Staff-27

Ref: Exhibit 8, Tab 2, Schedule 3, Attachment 5, pp. 28-29

The Christensen report presents a review of rate design approaches used by North American gas utilities specifically the use of demand charges. The review found limited use of demand charges for general service rate classes, although many utilities make use of demand measurement and pricing for larger customers.

- a) Is Christensen Associates aware of the reasons that almost all utilities listed in Table 14 have not extended demand charges to the residential and small volume customer classes? If yes, please provide the reasons or else, please provide your expert opinion on the possible reasons.
- b) Why is Enbridge Gas proposing the SFVD rate design considering that almost all utilities have limited this approach to large volume customers?

8.2-Staff-28

Ref: Exhibit 8, Tab 2, Schedule 3, Attachment 7, p. 6

The Christensen report that discussed rate design alternatives notes that implicit in the bill impacts under SFVD is that customers with high load factors will experience bill reductions relative to customers with low load factors, reflecting the reduction in cross subsidy within rate classes by the introduction of a demand charge.

- a) Please explain how a customer's load factor is determined.
- b) What type of small volume customers or consumption profile has low load factors versus high load factors?
- c) Please explain how a demand charge reduces cross subsidy within rate classes.

8.2-Staff-29

Ref: Exhibit 8, Tab 2, Schedule 4, pp. 1-33

Enbridge Gas has requested approval of its rate harmonization and rate design for in-franchise contract rate classes. Enbridge Gas designed rates for harmonized in-franchise contract rate classes based on the SFVD rate design where customer related and demand related costs are recovered in fixed monthly charges and demand charges.

Please explain Enbridge Gas's proposed approach if the Ontario Energy Board does not approve the SFVD rate design.

8.2-Staff-30

Ref: Exhibit 8, Tab 2, Schedule 4, pp. 6-7

Enbridge Gas proposes to establish a new harmonized firm bundled rate class, Rate E10, to replace the existing bundled contract service options currently available in the EGD and Union rate zones. Enbridge Gas proposes to set the applicability of Rate E10 to customers with a minimum firm contract demand (CD) of 1,800 m³ per day. The minimum firm CD was set so that all current bundled contract service customers continue to be eligible for the same service option under the rate harmonization proposal. Currently, access to contract service applicability begins at 1,165 m³ per day for the EGD rate zone, 14,000 m³ per day for Union North rate zone, 2,400 m³ per day for the Union South rate zone and 1,800 m³ for the EGD rate zone. The Rate E10 proposed applicability level allows for access to contract service for more customers because the CD is set at a lower level for the Union South and Union North rate zones.

- a) Does Enbridge Gas have any estimates on the number of customers from other rate classes that may opt for the E10 service? If yes, please provide the number.
- b) What is the expected impact on the revenue requirement if the estimated number of customers switch to the E10 service?

8.2-Staff-31

Ref: Exhibit 8, Tab 2, Schedule 5, p. 39

Enbridge Gas proposes to update the non-utility cross-charge associated with the Dow Moore and Black Creek storage pools to \$0.603 million and \$0.089 million respectively.

Please explain how the update to the non-utility cross-charge will be reflected in rates.

8.2-Staff-32

Ref: Exhibit 8, Tab 2, Schedule 6, pp. 9-14

Enbridge Gas is proposing a new Rate Mitigation Rider (Rider R) to smooth the bill impacts of implementing the Rate Harmonization Plan over a five-year period from the proposed implementation date of 2027 to 2031. The proposed Rider R will apply credits on customers' bills based on their current rate zone to smooth bill impacts for certain customers over five years.

Please confirm if Rider R will be required under a two-rate zone approach (single rate zone for distribution charges and two rate zones for gas supply charges).

8.2-Staff-33

Ref: Exhibit 8, Tab 4, Schedule 3, pp. 32-33

From an operational perspective, a significant portion of the EGD and Union North rate zones gas supply and transportation portfolio was moved from Empress to Dawn. Enbridge Gas has proposed that all remaining Daily Contract Quantity (DCQ) obligations at Empress be moved to Dawn thereby providing all bundled DP customers direct access to Dawn, Parkway and/or ECDA (Enbridge Central Delivery Area), similar to Union South. To support these changes, Enbridge Gas is proposing to offer the full suite of balancing transactions used by the Union South rate zone customers to all customers.

If Enbridge Gas's proposal is accepted, will Union North customers be able to continue to use the TransCanada Storage Transportation Service?

8.2-Staff-34

Ref: Exhibit 8, Tab 4, Schedule 6, p. 5

Rate 332 service is provided to TransCanada under a long-term agreement that includes renewal rights. The terms of service, allocation methodology and rate schedule for the transportation service between EGD and TransCanada were approved by the OEB. The evidence notes that Enbridge Gas has consulted with TransCanada to incorporate the Rate 332 terms of service into the harmonized transportation service (Rate E70) terms of service.

Has TransCanada accepted in principle Enbridge Gas's proposed terms of service under Rate E70? If not, please provide additional information or explain your response.

8.2-Staff-35

Ref: Exhibit 8, Tab 4, Schedule 7, pp. 16-20

Enbridge Gas has identified four factors that influence customer choice in electing to take interruptible service. These factors include: cost of interruptible service relative to firm service, frequency of interruptions, alternate fuel and non-compliance charges.

Has the imposition of tariffs by the United States impacted customer choice in electing to take interruptible service?

8.4-Staff-36

Ref: Exhibit 8, Tab 4, Schedule 7, p. 13 (Table 3) and 19.

Enbridge Gas has provided the number of interruption events by year in the Union South rate zone, which show a high number of events and calendar days impacted in recent years. Enbridge Gas notes that customers with interruptible service who experience frequent interruptions generally request to convert to firm service.

- a) Please describe the decision-making process (including relevant system conditions in relation to design demand of infrastructure) that Enbridge Gas uses to determine whether to issue a notice of interruption.
- b) Did Enbridge Gas examine whether any changes to this process (including the system conditions that trigger a notice of interruption) could be made that would reduce the number or duration of interruptions, which could entice more customers to consider interruptible service? If so, please describe the changes.

8.4-Staff-37

Ref: Exhibit 8, Tab 4, Schedule 7, p. 21.

Enbridge Gas proposes to reduce the proportion of distribution demand-related costs allocated to interruptible services, specifically with regards to the allocation of costs for low-pressure distribution mains.

Did Enbridge Gas consider changes to the allocation of costs (between firm/interruptible service) for any other categories of demand-related costs that are recovered through demand charges? If so, please describe the considerations.

9.1-Staff-38

Ref: Exhibit 9, Tab 1, Schedule 2

Enbridge Gas is proposing to harmonize and consolidate its existing gas supply variance accounts. The evidence also outlines Enbridge Gas's changes to its proposal under different rate zone alternatives.

Please provide a table outlining the proposed harmonized accounts, the costs proposed to be recorded in each harmonized account and the proposed accounts to be consolidated under the one rate zone proposal, alternative rate zone proposal (more than one rate zone) and Enbridge Gas's existing rate zone structure.

9.1-Staff-39

Ref: Exhibit 9, Tab 1, Schedule 2, p. 2

Enbridge Gas stated that if the harmonized gas supply variance accounts are approved it will begin to record variances in the new accounts effective with the implementation of the Rate Harmonization Plan. Enbridge Gas stated that the existing accounts will remain in effect until the balances in those accounts are fully disposed. Enbridge Gas will propose a disposition methodology for each account at the time of disposition.

- a) Please confirm whether Enbridge Gas intends to begin recording in the proposed harmonized accounts only upon implementation of the proposed Rate Harmonization Plan.
- b) Please identify the timeframe and the application in which Enbridge Gas proposes to seek OEB approval for the disposition of balances in each of the proposed harmonized accounts.

9.1-Staff-40

Ref: Exhibit 9, Tab 1, Schedule 2, p. 10

Enbridge Gas is proposing to establish a Load Balancing Price Variance Account that will record the difference between the actual price and the forecast price of load balancing transactions. Enbridge Gas stated that the account will also record the price

variance on any incremental spot gas purchases made on behalf of bundled direct purchase (DP) customers for load balancing as required.

Enbridge Gas stated that it will manage incremental balancing needs beyond those that the bundled DP customers manage through their checkpoint obligations. Further, Enbridge Gas stated that bundled DP customers that were lower relative to their forecast Banked Gas Account (BGA) curve during that post-checkpoint period would be allocated a share of those costs through disposition of the Load Balancing Price Variance Account.

- a) Please explain how Enbridge Gas will ensure that bundled DP customers will only be allocated costs consistent with their checkpoint balancing obligations?
- b) Please explain how Enbridge Gas will allocate costs to bundled DP customers who fall below their forecast BGA curve during post-checkpoint periods?

9.1-Staff-41

Ref: Exhibit 9, Tab 1, Schedule 2, p. 13

Enbridge Gas stated that if the OEB approves more than one rate zone, Enbridge Gas would create the Purchase Gas Variance Account (Account No. 179-1010) and the Third-Party Transportation Variance Account (Account No. 179-102) for each approved rate zone.

If more than one rate zone is approved, Enbridge Gas also proposes to create an Unabsorbed Demand Costs (UDC) Variance Account to record variances, by rate zone, between the actual UDC incurred and the amount of UDC included in rates.

- a) Please provide a detailed explanation of how Enbridge Gas proposes to manage and allocate load balancing and inventory revaluation costs if the OEB approves more than one rate zone.
- b) If more than one rate zone is approved, please confirm if Enbridge Gas is proposing to create a UDC Variance Account for each approved rate zone. If not, please explain how Enbridge Gas will ensure that rate zone specific costs will be recovered from customers in the appropriate rate zone.

9.1-Staff-42

Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 1
Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 2 & 3
Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 4
Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 5
Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 6
Exhibit 9, Tab 1, Schedule 3, Attachment 1, Page 1

Enbridge Gas has provided the following Accounting Orders in its pre-filed evidence:

- Purchase Gas Variance Account
- Third-Party Transportation Variance Account
- Load Balancing Price Variance Account
- Inventory Revaluation Variance Account
- Market-Based Storage Variance Account
- Rate Harmonization Variance Account

OEB staff notes that the OEB's EB-2006-0117 prescribed interest rate methodology has been replaced with that approved by the OEB in EB-2024-0063.

Please update the above-noted Accounting Orders with the following:

- i. The proposed effective date
- ii. Wording that simple interest shall be calculated in accordance with the OEB-approved EB-2024-0063 methodology, as per the OEB's generic proceeding on Cost of Capital and Other Matters.

9.1-Staff-43

Ref: Exhibit 9, Tab 1, Schedule 2, Plus Attachment, Page 4
Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 1
Exhibit 8, Tab 5, Schedule 1, Attachment 2, Page 24

Enbridge Gas is proposing to adopt a similar approach used for the Union rate zones, such that only gas supply commodity and gas supply-related transportation costs are recovered in the PGVA and separate variance accounts record variances related to upstream transportation, load balancing, and inventory revaluation.

In its Accounting Order for the Purchase Gas Variance Account, Enbridge Gas stated that:

- Costs to be recovered include purchase price variances on gas supply purchases, upstream transportation and associated fuel costs attributable to providing sales service.
 - This account also records the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.
- a) Please explain whether the Accounting Order for the Purchase Gas Variance Account should be clarified to reflect that gas supply-related transportation costs are to be recovered in the harmonized PGVA, as opposed to “upstream transportation and associated fuel costs attributable to providing sales service.”
- b) Please explain why the Accounting Order for the PGVA includes differences in heat content, as it is not explained elsewhere in Enbridge Gas’s pre-filed evidence (other than briefly in the above-noted Exhibit 8 reference).

9.1-Staff-44

Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 2
EB-2022-0200, Exhibit 9, Tab 1, Schedule 1, Attachment 3, Page 2

In its Accounting Order for the Third-Party Transportation Variance Account, Enbridge Gas stated that it would “record, as a debit/(credit) in the account, the revenue from unbundled service customers for balancing service resulting from the Limited Balancing Agreement.”

In its Accounting Order for the Third-Party Transportation Variance Account, a reference to the following text was included in the Accounting Order filed in the current application, but not in the Accounting Order filed in EB-2022-0200.

- i. Reference to unutilized capacity
- ii. Reference to: The account also records the difference between actual and forecast costs for third-party transportation that provide a distribution system benefit to in-franchise customers by serving distribution demands and charges resulting from Limited Balancing Agreements.
- iii. Reference to: To record, as a debit/(credit) in the account, the revenue from unbundled service customers for balancing service resulting from the Limited Balancing Agreement. (As well as the associated journal entry in the Accounting Order.)

- a) Please explain the nature of the revenue to be recorded in this account, including whether this would reflect differences between actual and forecasted revenue amounts.
- b) Please explain why there are differences between the Accounting Order filed in the current application, versus the Accounting Order filed in EB-2022-0200.

9.1-Staff-45

Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 4
EB-2022-0200, Exhibit 9, Tab 1, Schedule 1, Attachment 3, Page 3

In its Accounting Order for the Load Balancing Variance Account, a reference to the following text was included in the Accounting Order filed in the current application, but not in the Accounting Order filed in EB-2022-0200.

- References to price (as opposed to cost)
- Reference to the 2024 Test Year Forecast
- Reference to: This account will also record the price variance on spot gas purchases made on behalf of bundled direct purchase customers as required.

Please explain why there are differences between the Accounting Order filed in the current application, versus the Accounting Order filed in EB-2022-0200.

9.1-Staff-46

Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1, Page 5
Exhibit 9, Tab 1, Schedule 2, Plus Attachment, Page 11

In its Accounting Order for the Inventory Revaluation Variance Account, Enbridge Gas stated that “this account records the necessary adjustment to value opening gas inventory volumes at a rate equal to the OEB-approved reference price.”

Enbridge Gas also stated that the Inventory Revaluation Variance Account will record the adjustments to the value of the combined gas inventory resulting from changes to the OEB-approved reference price.

- a) Please explain why Enbridge Gas has stated that the adjustments will be made to value “opening” gas inventory volumes in one instance, but “combined” gas inventory in another instance.

- b) Please explain why Enbridge Gas has stated that the adjustments will be made “at a rate equal to the OEB-approved reference price” in one instance, but “changes to the OEB-approved reference price” in another instance.

9.1-Staff-47

Ref: Exhibit 9, Tab 1, Schedule 2, Plus Attachment, Page 13
Filing Requirements For Natural Gas Rate Applications, February 16, 2017, Page 38

Enbridge Gas stated that should the OEB approve more than one rate zone for Enbridge Gas based on the proposed service areas and harmonized rate classes, it would propose to create an Unabsorbed Demand Costs (UDC) Variance Account to record variances, by rate zone, between the actual UDC incurred and the amount of UDC included in rates as approved by the OEB.

However, OEB staff notes that no Accounting Order was provided for the UDC Variance Account. OEB staff also notes that no detail was included by Enbridge Gas regarding whether any changes would be required regarding the use of the PGVA and the Inventory Revaluation Variance Account in the event that the OEB approves more than one rate zone for Enbridge Gas.

- a) Please provide a draft Accounting Order for the UDC Variance Account.
- b) Regarding the UDC Variance Account, please provide evidence of how the following eligibility criteria will be met, in accordance with the OEB’s Filing Requirements:
 - i. Causation
 - ii. Materiality
 - iii. Prudence
- c) Please explain whether any changes would be required regarding the use of the PGVA and the Inventory Revaluation Variance Account in the event that the OEB approves more than one rate zone for Enbridge Gas.

9.1-Staff-48

Ref: Exhibit 9, Tab 1, Schedule 3, Plus Attachment, pp. 3-5

Enbridge Gas stated that it is proposing to establish the Rate Harmonization Variance Account (RHVA) to be utilized to mitigate the uncertainty of customer choice on the

forecast revenue upon the implementation of the Rate Harmonization Plan. The proposed RHVA will record the differences related to the annual revenue variance, exclusive of gas costs, attributable to customers switching rate classes as a result of the implementation of the Rate Harmonization Plan.

Enbridge Gas stated that it considered reflecting potential customer switching in the harmonized customer forecast but decided against this approach due to its subjective nature. Any changes to the customer forecast would require judgement, without prior customer experience or customer feedback on which to base the forecast.

Enbridge Gas stated that differences in revenue resulting from the addition or loss of customers during the IR term will not be recorded in the RHVA.

Enbridge Gas estimated that rate class switching could result in revenue variances of up to \$10 million in any given year.

- a) Please explain why customers should bear the risk of the “uncertainty of customer choice on the forecast revenue” through the use of the RHVA, given that generally Enbridge Gas bears this risk related to other aspects of its revenue forecast.
- b) Please provide more support for Enbridge Gas’s statement that these revenue variances could be “up to \$10 million in any given year”, including a high level calculation of the \$10 million.

9.1-Staff-49

Ref: Exhibit 9, Tab 1, Schedule 3, Attachment 1, Page 1

In the Accounting Order for the RHVA, Enbridge Gas stated that both the variances to forecast revenue as a result of the implementation of the Rate Harmonization Plan and interest expense would be recorded “as a debit in the account.”

- a) Please confirm that both the variances to forecast revenue and interest expense could be recorded as either a debit or credit in the RHVA (and not solely as a debit).
- b) If yes, please update the Accounting Order.
- c) If no, please explain why not.