BOARD STAFF INTERROGATORY #14

INTERROGATORY

Ref: Clearance of 2016 Deferral and Variance Account Balances
Exhibit C / Tab 2 / Schedule 1

Preamble:

For the Rate 332 Deferral Account, Enbridge proposed to allocate the balance to customers on the basis of total deliveries.

For the Ontario Energy Board Cost Assessment Variance Account, Enbridge proposed to clear the balance to all customers based on the rate base factor, which mirrors how the Ontario Hearing Costs Variance Account was cleared in previous proceedings.

Enbridge proposed to clear the balances by way of two equal billing adjustments in the months of October and November 2017. The billing adjustments are calculated by applying unit rates to each customer's actual 2016 consumption volume for the period January 1, 2016 to December 31, 2016.

a) Please provide rationale supporting Enbridge's proposal to use the total deliveries allocator for the disposition of the Rate 332 Deferral Account (Exhibit C / Tab 2 / Schedule 1 / page 3).

b) Please discuss how OEB cost assessments are currently allocated in base rates. Please also advise as to the purpose of the Ontario Hearing Costs Variance Account and discuss whether this account was previously used to true-up variances in OEB cost assessments between actual and forecast.

c) Please discuss the possibility of moving the second installment to some point in 2018 (instead of November) as a mitigation measure.

d) Please discuss the implications of recovering the deferral and variance account balances on a prospective basis (i.e. application of a rate rider to customers forecasted balances over a period of 6 months or 1 year).

Witnesses: J. Collier
A. Kacicnik
B. So

RESPONSE

a) The purpose of the 2016 R332 Deferral Account is to ensure that the Company's bundled customers only pay for the 2016 revenue requirement related to the transportation component of Segment A, net of the revenue requirement on the incremental $55 million in upsizing costs where Rate 332 transportation service was not available. In the 2016 rate application, the assumption was that Rate 332 transportation service would not be able to be offered during 2016. As a result, bundled customers were allocated the costs of the transportation component of Segment A, net of the revenue requirement of the incremental $55 million in upsizing costs, and the Company forecasted to use it to transport load balancing supplies to all its bundled customers. Accordingly, the Company proposes to refund approximately $1.67M credit balance in the 2016 R332 DA to all its bundled customers (system gas and direct purchase customers). The Company has actual 2016 delivery volumes available for all its bundled customers. The proposed use of the total deliveries allocator refunds the $1.67M to all bundled customers.

b) For the purpose of the fully allocated cost methodology, the OEB cost assessments are considered part of the Company's Administrative and General ("A&G") costs. The A&G costs are functionalized / apportioned to all operating functions of the Company. While the Company does not have an A&G allocator or an O&M allocator by rate class, the rate base allocator, which closely resembles / follows the allocation of the total cost to serve (excluding gas costs), is a good approximation of the resultant A&G allocation by rate class. The majority of the A&G costs are recovered from customers through the Company's delivery charges.

   The purpose of the Ontario Energy Board Cost Assessment Variance Account ("OEBCAVA") is to record any material variance between the OEB costs assessed to EGD through the OEB's revised Cost Assessment Model, which became effective April 1, 2016, and the OEB costs determined through the OEB's prior Cost Assessment Model and included in rates during the Custom IR term.

c) In the Company's view, moving the second installment to dispose of 2016 deferral and variance account balances to some point in 2018 is not warranted given the magnitude of the amounts (approx. $7.20 for a typical residential customer), additional interest costs that would accrue on outstanding balance, and the possibility that the second installment would be potentially administered to customers in winter / early spring when customers' bills could be higher than October and November bills and, therefore, applying the second installment then would be more onerous to customers. This approach would also result in costs for additional customer communication and billing system programming changes to accommodate administration / billing of the second installment sometime in 2018.

Witnesses: J. Collier
A. Kacicnik
B. So

The Company does not support moving / spreading the proposed disposition beyond the two equal installments in October and November of 2017.

d) In the Company's view, a disposition of deferral and variance account balances using a rate rider over 6 months or 1 year would extend the timeframe for a cost recovery from customers or a cost refund to customers by another 6 to 12 months (i.e., using the rider approach cost recovery / cost refund could extend as far as 24 months after the balance was experienced / incurred) versus a one-time disposition and would create a variance between forecast and actual disposition amount that would need to be trued up at a later time.

Witnesses: J. Collier
A. Kacicnik
B. So