

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit B1/Tab 1/Schedule 1/pgs. 28-29

Question:

Enbridge Gas has proposed to build into rates the surplus Dawn-Parkway capacity of 30,393 GJ per day resulting from the 2017 Dawn-Parkway Expansion project. As part of the 2017 Dawn-Parkway proceeding, parties agreed that Union Gas would credit the Lobo D/Bright C/Dawn H Compressor Project Deferral Account (Account No, 179-144) for revenue generated from the 30,393 GJ per day of surplus capacity. Enbridge Gas anticipates that this surplus capacity will be sold long term beginning on November 1, 2018 and for the remainder of the deferred rebasing period. To account for the incremental project demands and revenue, Enbridge Gas has added 30,393 GJ per day of project demands to the allocation of the 2019 project costs. As revenue of the surplus capacity will be built into 2019 rates, there is no longer a requirement to track the revenue associated with the surplus capacity in the project deferral account.

- a) Please confirm whether the surplus capacity has been sold long term as of November 1, 2018. If yes, please provide the total capacity sold, rate and the length of the term.
- b) What is the impact on 2019 rates as a result of building into rates the surplus Dawn-Parkway capacity resulting from the 2017 Dawn-Parkway expansion project?
- c) Does the revenue of the surplus capacity relate to the entire surplus capacity of 30,393 GJ per day or a portion of it? How does the revenue (rate per GJ) relate to other surplus capacity that Union Gas has sold in the past two years?
- d) Has any of the 30,393 GJ per day of Dawn-Parkway surplus capacity been used to reduce the Parkway Delivery Obligation? If yes, please provide details.
- e) Has the cost of the 30,393 GJ per day of surplus capacity been allocated to Union Gas customers in order to reduce the Parkway Delivery Obligation?
- f) Enbridge Gas has indicated that the revenue of the surplus capacity is built into 2019 rates. Please provide the revenue that has been built into 2019 rates and the associated calculation to show that the revenue is an off-set to the 2019 proposed revenue requirement.

Response

- a) Enbridge Gas sold 42,378 GJ/d of Dawn-Parkway capacity starting November 1, 2018 and ending October 31, 2040 at posted M12 rates. However, based on changes affecting the overall surplus since the time the original schedule was filed in 2015 (i.e., turnback, modelling changes, etc.), Enbridge Gas has surplus Dawn-Parkway capacity of approximately 126 TJ as of November 1, 2018. Enbridge Gas has sold additional long-term M12 contracts beginning November 1, 2019 which will completely utilize the surplus Dawn-Parkway capacity.
- b) The 2019 Rate M12 demand charges have been reduced by the equivalent of the incremental \$1.3 million in Rate M12 Dawn-Parkway revenue that has been sold long term.
- c) The revenue of \$1.3 million relates to the entire surplus capacity of 30,393 GJ/d (30,393 GJ/d x 12 x \$3.586 GJ/m). The revenue is based on approved Rate M12 Dawn-Parkway demand charges, which is consistent with the sale of long-term Dawn-Parkway capacity sold over the past two years. The M12 rate is also comparable with the average price obtained for short-term and interruptible services sold over the past two years.
- d) No. The 30,393 GJ/d of Dawn-Parkway surplus capacity was not used to reduce the Parkway Delivery Obligation. Please see part a).
- e) No. Please see part d).
- f) The forecast revenue associated with the 30,393 GJ/d is \$1.3 million in 2019. To account for the incremental project revenue that has been sold long-term under Rate M12, Enbridge Gas has adjusted the Rate M12 billing units in the derivation of 2019 Rate M12 demand charges. This adjustment for the incremental project demands is consistent with the approved billing unit adjustments made in the 2017 Dawn-Parkway Project (EB-2015-0200) to account for the incremental project revenue.

The inclusion of the 30,393 GJ/d of Rate M12 Dawn-Parkway demands in rates results in a decrease to the Rate M12 demand charges equivalent to the \$1.3 million that Enbridge Gas will earn from the sale of 30,393 GJ/d based on the proposed 2019 Dawn-Parkway rate of \$3.586 GJ/m (30,393 GJ/d x 12 x \$3.586 GJ/m).

Please see Attachment 1 for a reconciliation of the proposed 2019 Rate M12 demand charges including and excluding the 30,393 GJ/d to illustrate the revenue adjustment of \$1.3 million that is included in 2019 proposed rates. The inclusion of

the incremental demands in 2019 Rates results in lower Rate M12 demand charges that would have otherwise been higher had the excess capacity not been sold.