

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

Reference: Exhibit A1/Tab 5/Schedule 2/Pg. 11, Exhibit B1/Tab 1/Schedule 1/Appendix H and Staff Interrogatory #3, EB-2018-0131

Question:

In the Conditions of Service, Enbridge Gas notes that to connect an applicant (customer) to the distribution system, Enbridge Gas completes a construction estimate to assess the costs associated with the installation and that applicants may be required to pay a contribution in aid of construction (CIAC) as the share of the costs to make the installation financially feasible.

In response to an OEB staff interrogatory in the EB-2018-0131 proceeding, Enbridge Gas indicated that prior to 2015, Enbridge Gas Distribution provided a threshold of 20 meters for standard residential service connections and customers were required to pay the appropriate CIAC when the service length exceeded the threshold. Since 2015, it has refined its approach to determine feasibility using the "grid method" which uses actuals for each Forward Sorting Area (FSA). Under this approach, Enbridge Gas is able to account for variability in customer circumstances when assessing the CIAC amount for residential infill service connections. The CIAC amount for residential infill customers is now determined by individually estimating the revenue allowance and the service cost estimate which is typically a regionally tailored estimate based on historical data from similar services in the same area (FSA). The amount of service cost in excess of the revenue allowance is the CIAC amount which is recovered from customers before service installation. The PI of each customer connection is brought to 1.0 under this scenario. Enbridge Gas noted that collection of the CIAC serves to ensure that new customers bear the cost of providing new services without causing undue burden on existing customers, as prescribed by EBO 188 guidelines. For 2017, Enbridge Gas collected over \$8 million in contributions as a result of changes to the Conditions of Service.

- a) The Conditions of Service do not explicitly explain these changes. Has Enbridge Gas provided this information on its website and is the information easy to locate on the website? Please provide a detailed response.
- b) Has Enbridge Gas communicated the change to builders and other business customers that are likely to be impacted as a result of the policy change?
- c) In Enbridge Gas' opinion, was it the intent of the OEB in the EBO 188 guidelines that the utility should calculate the PI for every individual customer and bring the PI of each customer connection to 1.0? If that is the intent, please explain why

the OEB in its report recommends a PI of 1.0 for the Rolling Project Portfolio and not for individual customer connections (Final Report of the Board, January 30, 1998, EBO 188)?

- d) Please provide the amounts collected in CIAC for 2018 as a result of changes to the Conditions of Service where the PI is determined for each infill customer.
- e) Union Gas in its Conditions of Service (Exh. A1/Tab 5/Sch. 3/pg.14) still provides customers with 30 meters of service installation at no cost. Why is Union Gas' Condition of Service different from that of Enbridge Gas Distribution? Does Enbridge Gas intend to harmonize the Conditions of Service and calculate the PI for each Union Gas infill customer? If yes, please provide the timeline.
- f) Enbridge Gas' existing rates assume a certain number of new customer additions each year and its capital expenditure plan includes certain dollars earmarked for providing infill customer connections. Since these costs are included in current rates, why did Enbridge Gas implement a change to the Condition of Service in a year when its costs and revenues were not examined under a cost of service approach?
- g) In its interrogatory response (referenced above), Enbridge Gas notes that upon rebasing, the modified approach to feasibility analysis will benefit ratepayers because the new amounts being added to utility rate base for residential infill customers will be lower than would be the case under the prior approach. Enbridge Gas will now rebase in 2024 and until then no adjustments to rate base will be made. Please provide the benefits that ratepayers will receive in rates until 2023 as a result of the change to the Conditions of Service. Please also explain why it was not appropriate to implement these changes at the time of rebasing?
- h) Please provide the total estimated amount that Enbridge Gas is expected to collect from 2017 to 2023 as a result of changes to the Conditions of Service under which residential infill customer are expected to pay a CIAC for connecting to the natural gas distribution system.
- i) Has Enbridge Gas received complaints from residential customers or builders after implementing this change to the Conditions of Service? If yes, please provide the number of complaints and the general theme of the grievances.

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## Response

- a) & b) The Conditions of Service for the EGD rate zone describe the current policy and process employed to assess the economic feasibility of service connections. The Conditions of Service can be found easily by using an internet search engine to find "Enbridge Gas Conditions of Service". A PDF copy of the current Conditions of Service usually appears as the first item found. EGD personnel met with the members of Heating, Refrigeration and Air Conditioning Institute of Canada ("HRAI") to communicate this process change. HRAI is a trade association of HVAC contractors appliance manufacturers.

Also, when customers apply for a new service connection (either directly or through an HVAC contractor) and there is a project under consideration, Enbridge Gas clearly communicates the process to them. This communication sets clear expectations that a feasibility analysis will be carried out based on the estimated installation cost and there may be a cost (or CIAC) to install the service. Customers are also notified that they must agree to these costs before Enbridge Gas processes their application.

- c) As described at paragraph 261 of Appendix B to the OEB's Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario (the "Guidelines") the Board provided for a portfolio approach with the intent of allowing the utilities a greater degree of flexibility in determining which projects to undertake, while allowing the Board to retain regulatory oversight ensuring no undue cross subsidy or rate impacts would result from distribution system expansion. At paragraph 149 of the Guidelines the Board stated "In order to ensure fairness and equity in the application and design of contribution requirements, the Board finds that all projects must achieve **a minimum threshold P.I. of 0.8** for inclusion in a utility's Rolling Project Portfolio." (emphasis added) Enbridge Gas's view is that its service installation policy is consistent with the Guidelines.
- d) Enbridge Gas does not have data required to determine the difference between the CIAC amount collected in 2018 and the CIAC amount that would have been collected in 2018 under the Company's former customer connection policy.
- e) The Conditions of Service currently applied in the Union Gas rate zones evolved while Enbridge Gas Distribution and Union Gas were operating as independent corporate entities. Each entity addressed its customer connection policies differently. Now that the process of amalgamating Enbridge Gas Distribution and Union Gas into a single entity is in progress, steps will be taken to harmonize the Conditions of Service and other corporate policies. This activity is currently underway with the goal of implementing a harmonized customer connection policy before the next IR period.
- f) The change in the customer connection policy was required to ensure that the Company's Investment Portfolio achieves a PI of greater than 1.0.
- g) As noted in response to part f) above, the change was necessary to be compliant with EBO 188. The modified approach was adopted to comply with the regulation and ensure that economically feasible customers are attached to the system. If unfeasible customers are attached, utility earnings will be negatively impacted until rebasing. Upon rebasing, existing ratepayers would be negatively impacted because rate base would be higher compared to what it will be with the current approach to collecting CIACs.

h) In response Exhibit I.B.EGDI.STAFF.3 part d) in EB-2018-0131, Enbridge noted its limitation with respect to the provision of historical data for customer contributions related to infills. Prior to 2016, Enbridge systems were unable to distinguish between services contribution from residential infills and subdivision projects. As such, Enbridge Gas has no means to forecast a difference in collection of CIAC amounts before and after the Conditions of Service were changed.

i) Please see table below:

	<u>Connection Complaints</u>		
	<u>Total New Connections</u>	<u># of Complaints</u>	<u>I Themes</u>
2015	31,533	367	Cost, Installation dates, Communication
2016	29,991	634	Cost, Installation dates, Communication
2017	34,005	444	Cost, Installation dates, Communication
2018	29,037	298	Cost, Installation dates, Communication
YTD 2019	4,730	91	Cost, Installation dates, Communication