

BOMA INTERROGATORY #10

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 2

- a) Will any of the costs forecast to be incurred by Enbridge Gas Distribution Inc. be costs that will be shared with affiliates of EGD? If yes, please explain how the costs will be shared.
- b) Does EGD consider the costs incurred related to International Financial Reporting Standards to be Y or Z factors as defined in its DRR formula in the EB-2007-0615 Settlement Agreement? Please provide excerpts from the Settlement Agreement to support the choice of Y or Z factor applicability.
- c) Please provide any evidence that EGD has that would explain why the IFRS related costs are not reflected in the inflation factor component of the DRR formula.

RESPONSE

- a) As indicated in the Exhibit C, Tab 1, Schedule 2 evidence, there are a variety of incremental costs which the Company expects to incur as a result of compliance with IFRS. Depending on the nature of such costs, an appropriate basis of allocation will be used to determine the share of costs attributable to each of the affiliates who are required to report under IFRS. Direct costs which are specific to the operation and reporting required by EGD will not be shared.
- b) The inclusion of items within an IR formula, as either a Y or Z factor requires that the items can be reasonably and accurately forecast or are already known. At this time, due to unknowns surrounding IFRS and associated rate recognition and regulatory treatments currently being examined in the IFRS Board consultative (EB-2008-0408), EGD cannot reasonably or accurately estimate the costs of converting to IFRS while adhering to related Board rules and guidelines which have not yet been determined. The establishment and recording of costs in a deferral account relieves the potential impact on ratepayers and EGD of the use of uncertain forecast data which would be used to establish a Y-factor or Z-factor within rates. Unlike the situation with a Y-factor or Z-factor, EGD is not currently seeking permission to recover IFRS costs in rates, but is simply seeking approval of a deferral account to record the costs for future disposition. Ultimately, these costs may be recovered as clearance of a deferral account, or as a Z-factor.

Witnesses: K. Culbert
N. Kishinchandani

- c) The inflation factor component within the DRR formula is intended to apply to costs which were resident in the base cost structure which underpinned 2007 Board Approved rates. It is intended to account for increases in those costs over the IR term. Costs relating to the conversion of financial reporting to IFRS and or adhering to Board rules and guidelines are not reflected within that base cost structure.

Witnesses: K. Culbert
N. Kishinchandani

BOMA INTERROGATORY #11

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 3

What is the projected impact on net revenues to EGD of the proposed increase in other service charges? Will the incremental revenues generated by the increases in the Rider G Service Charges be offset by the incremental average hourly rates to provide the field operation services?

RESPONSE

Please see the response to Board Staff Interrogatory #10 at Exhibit I, Tab 1, Schedule 10.

Witnesses: D. Broude
A. Welburn

BOMA INTERROGATORY #12

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 8

- a) The evidence states at paragraph 2 that “customers who are unable to demonstrate firm upstream transport would be denied direct shipper status and may be required to use EGD’s upstream capacity to transport gas to the franchise area”.
 - i) What rate would EGD charge the customers for the use of EGD’s upstream capacity to transport gas to the franchise area?
 - ii) Would the use of some of EGD’s upstream capacity by direct purchase customers have any impact on the costs related to serving system gas customers? Please explain.
- b) Please explain what would constitute “sufficient proof of the Applicant’s Firm Transportation arrangements” as shown in paragraph 3.
- c) How does the EGD proposal compare to the requirements of Union Gas and Gaz Metro Inc. referred to in paragraph 10? Please provide a summary of the similarities and differences of what EGD is proposing in relation to the requirements of Union Gas and Gaz Metro.

RESPONSE

- i. Please refer to Exhibit C, Tab 1, Schedule 10, paragraph 27. EGD is proposing that agents/marketers providing service to EGD customers pursuant to an agent type Gas Delivery Agreement must demonstrate firm upstream transport to the franchise. Agent/marketers offering Ontario transportation service may either procure their own capacity, or seek an assignment of EGD held TCPL long haul transport. In both cases the agent incurs the cost of the transportation arrangement. EGD recovers the cost of upstream transportation from their customers and remits it to the agent.

Alternatively, agents not willing to procure firm transportation capacity or take an assignment of TCPL long haul firm capacity, may seek a Western transportation service whereby EGD transports gas on their behalf to the franchise using EGD's

Witnesses: M. Giridhar
K. Irani

transportation capacity. In this case agents do not incur the cost of upstream transport, nor do they receive a remittance from EGD. Customers receiving Western T-service pay EGD a transportation charge based on the cost of EGD's firm upstream transportation portfolio.

- ii. There would be no impact on the costs to system gas customers from EGD procuring and assigning firm transportation capacity to agents/marketers as the latter will be invoiced directly by TCPL.

b) Please see Exhibit C, Tab 1, Schedule 10, paragraph 27.

c) The requirements for Union Gas and Gaz Metro are as follows:

- i. Union Gas' requirement for Direct Purchase customers states:

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

- ii. EGD understands that the majority of Direct Purchase customers deliver gas to Gaz Metro at Empress, Alberta (EGD's WT-Service) and customers who deliver to Gaz Metro in their franchise area do so under a permanent assignment from Gaz Metro.

EGD's proposed requirements are similar to Union Gas' but require customers to demonstrate their upstream firm transportation.

BOMA INTERROGATORY #13

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 10

- a) Please explain how the figure of 90% shown in paragraph 26 was arrived at? Why, for example, would an 80% requirement not be acceptable to EGD?
- b) Why is there no requirement to demonstrate firm transport equal to some percentage of the mean daily volume obligation underpinning the arrangements for large volume customers?

RESPONSE

- a) EGD determined that a requirement of 90% would accommodate customer mobility and provide EGD assurance of meeting distribution system reliability. The 90% requirement leaves approximately 30,000 GJ's of non firm transport for small volumes customers. EGD does not believe a larger gap will address system reliability concerns.
- b) EGD has adopted a phased approach to instituting the requirement for firm upstream transport. Given the large number of small volume customers receiving supply on non firm upstream transport, and the probability that these supplies may be restricted under peak demand conditions, EGD believes it would be unacceptable to curtail small volume customers in order to maintain system reliability. As noted in paragraph 28 of the referenced exhibit, EGD will make every effort to direct curtailment to large volume customers who fail to deliver. In addition, EGD proposes to provide updates and further tariff modifications for large volume customers, if warranted in the 2010 and 2011 rate adjustment processes.

Witnesses: M. Giridhar
K. Irani

BOMA INTERROGATORY #14

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 11

- a) Is EGD aware of why there was a significant amount of time between when the application was filed (September 26, 2008) and when the Board published the Notice of Application on October 20, 2008? Did Board Staff contact EGD during this period for further information and/or clarification?
- b) Given that the Q2 release of the GDP IPI information is at the end of August or early in September, could EGD file the application and evidence prior to October 1, for example, one week earlier? If not, why not?
- c) Does EGD see any advantage in separate filings for the rate adjustment formula related evidence and for non-rate related changes, similar to the Phase 1 and 2 issues in this proceeding?

RESPONSE

- a) EGD is unaware of internal Board procedures from the time the application is received until the Notice of Application is issued however during the notice period, there are a number of procedural steps that must be completed leading up to the issuance of a procedural order. The following is not an exhaustive list, merely the highlights:
 - a. Issuance of the Board's Letter of Direction ("LOD") and Notice of Application ("NOA") in both official languages to the required parties as ordered by the Board;
 - b. Publication of the NOA in the largest circulation newspaper in each of the applicant's specific franchise areas (some of these publications may be weekly, bi-weekly, monthly or other);
 - c. An Affidavit of Service must be produced by the applicant certifying that service has been completed according to Board rules;
 - d. A 10 day waiting period following the last day of newspaper publications for the submission of intervention requests must be observed; following which

Witnesses: R. Bourke
K. Culbert
A. Kacicnik

- e. The Board will authenticate the interventions, determine a calendar of events and issue a procedural order detailing next steps.

Any request for information or clarification during this period is usually minor in nature and would not add any time to this phase.

- b) The 2009 rate adjustment application was filed on September 26, 2008 which is not a full week in advance of the October 1 deadline but does give an indication that if one week was all that was necessary, EGD would certainly be prepared to find one week.
- c) EGD attempted to provide for separate time lines of the Phase I and Phase II materials in this proceeding in order to allow for rates to be in place by January 1 as well as provide for a process of review related to the elements underlying the volume budget. Early discussions with intervenors indicated a desire for this additional level of review. It was also the Company's view that a single application would reduce the amount of time required for the hearing of issues. Please see response to VECC Interrogatory #18 at Exhibit I, Tab 7, Schedule 18 for further comments.

Witnesses: R. Bourke
K. Culbert
A. Kacicnik