

CCC INTERROGATORY #9

INTERROGATORY

Issue 1: EGD's request for approval of a new deferral account to record the incremental costs of complying with the new International Financial Reporting Standards (IFRS) guidelines

(Ex. C/T1/S2, p. 1) With respect to the request for the IFRS Deferral Account when does EGD propose that the account become effective? Has EGD incurred costs to date that, in its view, would qualify for inclusion in the account? If so, please indicate the level of expenditures incurred and what specific activities they relate to.

RESPONSE

EGD proposes that the deferral account become effective for January 1, 2009.

EGD has incurred costs to date that, in its view, would qualify for inclusion in the deferral accounts. Such costs included, but are not limited to the following:

- IFRS Employee resources
- Incremental consultant costs
- External training, travel and conferences

EGD has incurred the following level of expenditures to date and the specific activities to which they relate. Such information is also included as part of the response to CME Interrogatory #10 at Exhibit I, Tab 4, Schedule 10.

During the 2007 fiscal year EGD incurred approximately \$65,000 relating to the transition and conversion to IFRS. These costs consist of a full-time IFRS resource for part of the year and related travel and training costs for IFRS.

During the 2008 fiscal year EGD incurred approximately \$150,000 relating to the transition and conversion to IFRS. These costs include a full-time IFRS resource, related travel and training for IFRS and incremental consultant costs.

Witnesses: K. Culbert
N. Kishinchandani

During the 2009 fiscal year EGD's forecast for costs relating to transitions conversion to IFRS is approximately \$770,000. These costs include three full-time IFRS resources, related travel and training for IFRS and incremental consultant costs. However, these do not include any costs associated with activities relating to system conversion, which have yet to be determined.

EGD is not seeking to include the costs incurred in 2007 and 2008 in the IFRS deferral account, only those incurred from January 1, 2009.

Witnesses: K. Culbert
N. Kishinchandani

CCC INTERROGATORY #10

INTERROGATORY

Issue 1: EGD's request for approval of a new deferral account to record the incremental costs of complying with the new International Financial Reporting Standards (IFRS) guidelines

(Ex. C/T1/S2, p. 1) What is EGD's current forecast of IFRS costs that it expects to incur in 2009? Please itemize these costs and describe what activities they relate to.

RESPONSE

EGD's current forecast for such costs in 2009 is approximately \$770,000. These costs are relating to the following activities:

- a. External Training, Travel & Conferences - \$20,000
- b. IFRS Employee Resources - \$320,000
- c. Incremental Consultant Costs - \$430,000

However, the above costs do not include any costs associated with activities relating to system conversion, which have yet to be determined.

Witnesses: K. Culbert
N. Kishinchandani

CCC INTERROGATORY #11

INTERROGATORY

Issue 1: EGD's request for approval of a new deferral account to record the incremental costs of complying with the new International Financial Reporting Standards (IFRS) guidelines

(Ex. C/T1/S2, p. 1) EGD gives some examples of the "types of costs" the Company is referring to for inclusion in the account.

1. How, specifically, will EGD define and cost "incremental consulting costs"?
2. How, specifically, will EGD define incremental employee resources and related operating costs?
3. How will EGD define and cost enhancements or significant alterations and additions to the financial reporting and accounting systems specifically
4. How will EGD define and cost enhancements or significant alterations and additions to IT related costs and their operational costs specifically related to IFRS?
5. How will EGD define "incremental" audit related costs?

RESPONSE

1. Incremental consulting costs

These are costs that are paid to third parties and are incurred for consulting services to assist in the conversion to IFRS. It includes services such as: validation of accounting research, project management, capital asset reviews and assessments and other services required for the conversion to IFRS. These costs are incremental in that they would otherwise not be incurred if transition to IFRS was not required.

2. Incremental employee resources and related operating costs

These are costs incurred in respect of employees hired to conduct activities for the IFRS transition project. These employees would not have been required absent the transition to IFRS.

Witnesses: K. Culbert
N. Kishinchandani

3. Enhancements or significant alterations and additions to the financial reporting and accounting systems

During the course of performing assessments, analyses and implementation of accounting standards, procedures and processes for IFRS, the IFRS team will identify aspects of its financial reporting and accounting systems that require modifications to comply with IFRS. Examples of such modifications to the financial reporting and accounting systems will likely include:

- a. Financial reporting processes and procedures for external and internal financial reports and disclosures
- b. Financial reporting controls
- c. Journal entry and general ledger processes and controls
- d. Mappings of general ledger and subledger accounts within the accounting system to the financial statements and the OEB Uniform System of Accounts

4. Enhancements or significant alterations and additions to IT systems and operations

During the course of performing assessments, analyses and implementation of IFRS, there will be an evaluation and assessment to determine IT system and operational modifications that will be necessary to ensure compliance with IFRS. Such modifications and the associated costs would not be required if IFRS was not being adopted. Examples of potential modifications to IT systems and operations:

- a. Requirements to modify the existing system or implement a new system to support the reporting and accounting that complies with IFRS and support the reporting and accounting for regulatory purposes. Based on assessments and analyses to date, there is a strong likelihood that multiple sets of books will be required under the new/ modified IT systems
- b. Modifying existing interfaced systems and operational processes to ensure data is captured for the multiple books illustrated in #1, and that sufficient detailed data is captured to enable the accounting under both IFRS and regulated accounting. Currently, interfaced systems include operational systems, capital project management systems, customer billing systems amongst others
- c. Modifying existing systems to facilitate new calculations, formulas or modular functions under IFRS: e.g., frequent updating of borrowing costs rates

Witnesses: K. Culbert
N. Kishinchandani

5. Incremental Audit Related Costs

- It is expected that once IFRS is adopted, the regulatory reporting requirements and ratemaking process may not be fully converged with IFRS. As a result, there may be the need to maintain multiple sets of books for accounting and financial reporting, as mentioned above. To the extent that additional audit-related procedures are prescribed in relation to assurance requirements for the regulatory set of books, costs associated with such additional assurance will be treated as incremental audit related costs.

Witnesses: K. Culbert
N. Kishinchandani

CCC INTERROGATORY #12

INTERROGATORY

Issue 4: EGD's request for approval of the discontinuation of an ADR commitment stemming from the EB-2006-0034 proceeding requiring the submission of an EnVision benefit report on an annual basis

(Ex. C/T1/S2) Please explain how the Company currently tracks the benefits related to the EnVision project. Does the Company intend to track the benefits and cost resulting from the EnVision project even in the absence of an obligation to file a report to the Board on an annual basis?

RESPONSE

EGD tracks the benefits on a monthly basis. There are 93 initiatives, each with its own tracking methodology and benefit calculation. This is an onerous and time consuming process, which utilizes resources that could be better deployed elsewhere to drive efficiencies. See the response to Board Staff Interrogatory #11 at Exhibit I, Tab 1, Schedule 11.

In the absence of an obligation to file a report to the Board on an annual basis, the Company would continue to track the costs related to EnVision. The system is performing and the Company is recognizing the benefits, (see VECC Interrogatory #16 at Exhibit I, Tab 7, Schedule 16). The benefits associated with EnVision are a part of our daily operating practices.

Witnesses: D. Broude
A. Welburn

CCC INTERROGATORY #13

INTERROGATORY

Issue 4: EGD's request for approval of the discontinuation of an ADR commitment stemming from the EB-2006-0034 proceeding requiring the submission of an EnVision benefit report on an annual basis

(Ex. C/T1/S2) If EGD is not required to file a report on the EnVision benefits on an annual basis, how will the Board and intervenors ensure that the benefits from the project are included in EGD's base rates at the end of the IRM term?

RESPONSE

During the current IR period the Company is incented to pursue efficiencies that include and also extend beyond EnVision. It would be expected that any potential rebasing at the end of the IR term would involve a regulatory process that would provide for stakeholder review and input.

Witnesses: D. Broude
A. Welburn

CCC INTERROGATORY #14

INTERROGATORY

Issue 7: EGD's request for approval of a change in the requirements for the contracting of upstream transportation that would require direct purchase bundled service customers to contract for firm upstream transportation

(Ex. C/T1/S10/p. 5) The evidence refers to the possibility of a gas system outage resulting from a supply shortfall and the execution of a lengthy system restoration plan. The estimated cost for an outage affecting 100,000 customers is \$12 million. From EGD's perspective, assuming an outage occurs during the IRM plan, how would those costs be recovered?

RESPONSE

EGD believes that EGD's shareholders should not be required to bear the cost of restoring a system outage resulting from a supply shortfall from direct purchase customers holding non firm upstream transport to underpin their supplies. EGD's current design day supply planning criteria do not permit EGD to adequately address the consequences of a potential supply shortfall of this nature. (Please see response to Board Staff Interrogatory #16 at Exhibit I, Tab 1, Schedule 16).

Assuming that EGD's request under Issue 7 is not approved, EGD would make every effort to seek incremental supplies to compensate for the failure to deliver by direct purchase customers relying on non firm transport. These costs as well as any offsetting penalties for non deliveries that are successfully collected would go into the PGVA for disposition. To the extent that EGD is not successful in procuring sufficient supply to avoid a system outage, EGD would seek recovery of incremental supply costs and system outage costs, in the most appropriate manner given the circumstances.

Witnesses: M. Giridhar
K. Irani

CCC INTERROGATORY #15

INTERROGATORY

Issue 7: EGD's request for approval of a change in the requirements for the contracting of upstream transportation that would require direct purchase bundled service customers to contract for firm upstream transportation

(Ex. C/T1/S10/p. 5) Please explain, specifically, what has occurred to change the level of risk related to distribution system reliability. When did EGD identify that the risk had increased and that the current requirements were not sufficient?

RESPONSE

EGD's ability to maintain its distribution system reliability is predicated on the availability of adequate supply in its franchise to meet peak demand. In its supply planning process EGD ensures that it is able to meet peak day demand through a combination of firm transport to the franchise from supply basins, market hubs and storage areas, firm storage and deliverability rights, peaking supplies that are contracted for prior to the winter and curtailment of interruptible customers.

Prior to offering turnback in the early 2000's EGD assigned its firm long haul transport from Empress to the franchise to its direct purchase Ontario T customers. Since 2003 many direct purchase customers have turned back TCPL long haul capacity, choosing to replace long haul TCPL FT with other arrangements. EGD is concerned that these arrangements consist predominantly of non firm transport as opposed to alternative firm transport (from other basins/market hubs). EGD requires customers who turnback capacity to provide firm deliveries to the franchise. However a review and analysis of TransCanada's Index of Customers indicates firm transport has steadily declined to the EGD franchise area and currently constitutes less than 10% of direct purchase delivery obligations to the franchise. Such a significant reduction in firm transport to the franchise indicates that a large proportion of direct shipper deliveries may not in fact be firm under extreme weather or constrained operating conditions. Distribution system reliability is compromised if supply and demand cannot be balanced on a daily basis.

Witnesses: M. Giridhar
K. Irani

CCC INTERROGATORY #16

INTERROGATORY

Issue 7: EGD's request for approval of a change in the requirements for the contracting of upstream transportation that would require direct purchase bundled service customers to contract for firm upstream transportation

(Ex. C/T1/S10/p. 5) Please provide more detail as to why this requirement should only apply to marketers and agents for small volume customers. Is there any risk that non firm transportation arrangements by large volume customers could impact system integrity?

RESPONSE

Please see the response to BOMA Interrogatory #13, b) at Exhibit I, Tab 3, Schedule 13.

Witnesses: M. Giridhar
K. Irani