

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

1. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 2 of 22, para 6

Issue Number: 1.1

Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

Enbridge states in evidence that it is proposing a revenue cap, calculated on a per customer basis, adjusted annually.

- a) Please outline Enbridge's proposed methodology for applying the revenue per customer cap at the rate class level.
- b) Is Enbridge proposing that a fully allocated Cost-of-Service study be used to support its rate design proposals? Please explain.
- c) Will this methodology be fixed during the IR plan?
- d) Please confirm that Enbridge will seek Board approval for its proposed methodology in this proceeding.

2. Ref: Enbridge Ex. D, Tab 3, Sch 1, pages 15-16

Issue Number: 1.1

Issue: What are the implications associated with a revenue cap, price cap and other alternative multi-year incentive ratemaking frameworks?

PEG indicated that a revenue cap index is commonly paired with a balancing account that ensures that the revenue requirement is ultimately recovered.

- a) Please indicate if Enbridge is proposing to establish a balancing account for the IR plan term.
- b) Please provide the basis for the calculations of each entry in the balancing account. For example, is Enbridge proposing that the balancing account capture the difference between actual revenue (i.e., not normalized for weather) and the approved revenue requirement? Please explain.
- c) What is the frequency, timing and process for disposing the amount accumulated in Enbridge's balancing account? Please explain
 - i. How will the amount be allocated across customer classes for recovery in rates? Please explain.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

3. Ref: Enbridge Ex. B, Tab 1, page 1 of 22, para 2

Issue Number: 1.1

Issue: What are the implications associated with a revenue cap, price cap and other alternative multi-year incentive ratemaking frameworks?

Enbridge states in evidence that it is proposing a revenue cap, calculated on a per customer basis for the five year period 2008 to 2012.

- a) If the Board decided on a price cap for Enbridge, would Enbridge's IR parameter proposals change (e.g., plan term, marketing flexibility, inflation factor, off-ramps, etc.)?

4. Ref: Enbridge Ex. B, Tab 1, Sch 1, pages 1-2 of 22, para 4-5

Enbridge is proposing a revenue per customer cap on the grounds that the costs of a distribution utility are closely aligned with the number of customers it serves.

- a) Please provide supporting documentation that demonstrates a direct link between the incurrence of customer care, meter reading, billing and collection costs and the number of new customers.
 - i. For the above functions, if any are provided by a third party, please indicate the contract term, expiry date, and any foreseeable changes during the proposed IR plan term.
- b) Please demonstrate how and on what basis the capital costs and operating and maintenance expense for transmission pressure (TP) mains vary with number of customers.
- c) Please demonstrate how and on what basis the capital costs and operating and maintenance expense for high pressure (HP) mains vary with number of customers.
- d) Please demonstrate how and on what basis the capital costs and operating and maintenance expense for low pressure (LP) mains vary with number of customers.
- e) Please demonstrate how and on what basis storage costs vary with number of customers.
- f) Based on the Board approved revenue requirement for fiscal 2007 relating to storage and distribution, please populate the following table:

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

Description	O&M and Net Investments (\$ million)	Return and Taxes (\$ million)	Total (\$ million)	Cost per Customer (\$/customer)
	a	b	c = a + b	d = c/customers
Storage				
Distribution Facilities				
Mains TP				
Mains HP				
Mains LP (including customer plant)				
UUF				
Bad Debt				
DSM				
Sub-Total				
Customer- related Costs				
Meters				
Sales Stations				
Services				
Customer Care				
Meter Reading				
Billing				
Collection				
Sub-Total				
Other				
Total				

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

5. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 2 of 22, para 6

Issue Number: 1.3

Issue: Should weather risk continue to be borne by the shareholders, and if so what other adjustments should be made?

Enbridge states in evidence that it is proposing a revenue cap, calculated on a per customer basis, adjusted annually.

- a) Does Enbridge believe that its shareholders should continue to bear weather risk? Please explain.
- b) If the weather risk was removed from the shareholder, would Enbridge need to change its proposed IR plan? Please explain.

6. Ref: Enbridge Ex. B, Tab 3, Sch 3, page 17 of 64

Issue Number: 3.1

Issue: How should the X factor be determined?

Enbridge states in evidence that this is the manner that Statistics Canada calculates TFP growth for the overall economy and various sub-sectors and industries.

- a) Please provide the latest Statistics Canada information that outlines the Canadian TFP growth for the overall economy and various sub-sectors and industries for the years 1994 - 2005.

7. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 14 of 22, para 32

Issue Number: 3.1

Issue: How should the X factor be determined?

Enbridge states that in the past five years, the Board approved distribution margin has increased on average by 3.83%.

- a) Please confirm that this average increase includes the impact of declining average use, the cast iron replacement main program and other safety and integrity programs.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

8. Ref: Enbridge Ex. B, Tab 3, Sch 3, page 12 of 64

Issue Number: 3.3

Issue: What are the expected cost and revenue changes during the IR plan that should be taken into account in determining the appropriate X factor?

Enbridge states in evidence that replacing and upgrading infrastructure facilities is an additional structural change confronting EGDl during the forthcoming IR period, and thus must be accounted for in its X factor.....Omitting an X factor component designed to measure future changes in infrastructure expenditures that differ from the past trends will lead to an incorrect X factor.

- a) Please provide Enbridge's estimate, with supporting documentation, of the adjustment that would be required to the price cap formula to mitigate the risk of these significant changes beyond the amount provided in PEG's recommendation.
- b) Please provide Enbridge's estimate, with supporting documentation, of the adjustment that would be required to the revenue cap formula to mitigate the risk of these significant changes beyond the amount provided in PEG's recommendation.

9. Ref: Enbridge Ex. B, Tab 1, Sch 1, pages 9-10 of 22, para 25

Issue Number: 3.3

Issue: What are the expected cost and revenue changes during the IR plan that should be taken into account in determining the appropriate X factor?

Enbridge states in evidence that IR plan challenges include managing cost increments within the plan for contracted services. A large portion of the Company's annual spending related to customer attachment and distribution network services benefits from a fixed unit price contract that has been in place since 2004. That contract will expire early in the IR plan and the current expectation is that the cost of these services will increase at a rate greater than the rate of inflation.

- a) Does the fixed unit price contract contain an escalation factor (i.e., indexing parameters)? If so, please explain in detail.
- b) What is the contract expiry date?
- c) Why does Enbridge expect this contract to increase? Please explain.
 - i. What is the expected rate of increase of this contract? Please explain.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

10. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 6 of 22, para 17

Issue Number: 3.3

Issue: What are the expected cost and revenue changes during the IR plan that should be taken into account in determining the appropriate X factor?

Enbridge states in evidence that its customer base continues to grow at about 2.5% per year (45,000 to 50,000 new customers are attached annually).

- a) Does Enbridge expect this current growth rate to continue over the IR plan term?
 - i. Please provide Enbridge's forecast, with supporting documentation, of new customer attachments during the IR plan.

11. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 13 of 22, para 30

Issue Number: 3.3

Issue: What are the expected cost and revenue changes during the IR plan that should be taken into account in determining the appropriate X factor?

Enbridge states in evidence that it believes that the business conditions it faces:the potential for industrial volume loss.....

- a) Please describe, with supporting documentation, the expected revenue changes during the IR plan attributed to the forecasted (potential) industrial volume loss.

12. Ref: Enbridge Ex. B, Tab 3, Sch 3, page 12 of 64

Issue Number: 4.2

Issue: How should the impact of changes in average use be calculated?

Enbridge states in evidence that in the context of Ontario's natural gas demand conditions shaping the average use of facilities is a significant element which causes future conditions facing the regulated firm to differ from historic conditions. In this case the X factor formula must account for future or prospective declines in average use that differs from past trends.

- a) Please outline, with supporting documentation, the expected revenue changes during the IR plan attributed to forecasted declining average use.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

- b) Please provide Enbridge's estimate, with supporting documentation, of the adjustment that would be required to the price cap formula to mitigate the risk of these significant changes beyond the amount provided in PEG's recommendation.
- c) Please provide Enbridge's estimate, with supporting documentation, of the adjustment that would be required to the revenue cap formula to mitigate the risk of these significant changes beyond the amount provided in PEG's recommendation.

13. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 8 of 22, para 21

Issue Number: 4.2

Issue: How should the impact of changes in average use be calculated?

Enbridge states in evidence that given the new 2006 Ontario Building Code has improved energy efficiency standards, residential average use during the next five years will decline more than the historical trend, all else being equal.

- a) Please provide a projection for each year of the proposed plan term of the impact of the new 2006 Ontario Building Code on average use.

14. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 8 of 21, para 23

Issue Number: 4.2

Issue: How should the impact of changes in average use be calculated?

Enbridge states in evidence that the volumes and customers for the years 2002-2006 in Table 1 are the following:

Years	EGD Volumes ¹ MN M ³	PEG calculations of EGD's volumes ² MN M ³	EGD Customers ¹ Mn	PEG Calculations of Customers ² Mn
2002	11,776	11,275	1.565	1.567
2003	11,775	12,646	1.615	1.622
2004	11,775	12,257	1.676	1.676
2005	12,298	12,166	1.719	1.725

¹ Enbridge Ex. B, Tab 1, Sch 1, p 8 of 22, para 23, Table 1

² Enbridge Ex. D, Tab 2, Sch 1, p 54 of 106, Table 11a

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

2006	12,290	NA	1.793	NA
2007	11,776	NA	1.823	NA

- a) Please confirm that Enbridge's annual volumes and number of customers outlined in Table 1 are based on Board approved forecasts.
- b) Please confirm that the difference between Enbridge's annual volumes (Enbridge Ex. B, Tab 1, Sch 1, p 8 of 22, para 23) and PEG's annual volumes (Enbridge Ex. D, Tab 2, Sch 1, p 54 of 106) is due to the different weather normalization methodologies. Please explain.
- c) Please explain the difference between Enbridge's annual number of customers (Enbridge Ex. B, Tab 1, Sch 1, p 8 of 22, para 23) and PEG's annual number of customers (Enbridge Ex. D, Tab 2, Sch 1, p 54 of 106).

15. Ref: Enbridge Ex. B, Tab 6, Sch 1, page 1 of 4, para 1

Issue Number: 5.1

Issue: What are the Y factors that should be included in the IR plan?

Enbridge states that the clearance of deferral and variance accounts will occur each year in conjunction with the April 1st QRAM and that it intends to clear the prior years December 31st year end actual balances.

- a) Is Enbridge proposing to derive the unit rates for disposition (and effect the one-time adjustment on the customers' bill) based on actual consumption for the corresponding period?
- b) Please explain why Enbridge is proposing to clear actual year-end balances as part of the April 1st QRAM instead of clearing forecast year-end balances in the January 1st QRAM?
- c) Enbridge proposes to file, as part of the rate filing process, a forecast (eight months of actual and four months of forecast) of its deferral/variance account year-end balances. However, Enbridge is proposing that the actual year-end balances be cleared as part of the April 1st QRAM and not its January 1st QRAM. Is Enbridge proposing that an additional prudence review (i.e., an additional process) be conducted as part of the April 1st QRAM process to deal with the difference between forecast year-end balances and the actual year-end balances?

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

16. Ref: Enbridge Ex. B, Tab 5, Sch 1, pages 1-20 of 20

Issue Number: 5.1

Issue: What are the Y factors that should be included in the IR plan?

- a) Please explain why the Deferred Rebate Account (DRA) will also include amounts arising from the differences between actual and forecast volumes used for the purpose of clearing deferral account balances.
- b) Please provide an illustrative example of the accounting treatment for the amounts to be recorded in the proposed Storage and Transportation deferral account (S&TDA).
- c) Enbridge proposes that the gas costs associated with the UAF variance be calculated at the end of the calendar year based on the estimated volumetric variance between the Board approved level and the estimate of the actual UAF. An adjustment will be made to the UAFVA in the subsequent year to record any differences between the estimated UAF and actual UAF. Based on Enbridge's proposal to clear actual year-end deferral/variance account balances as part of the April 1st QRAM, please explain why this variance account appears to require a different treatment.
- a) Enbridge is proposing the establishment of a Municipal Permit Fees deferral account. Based on historical number of permits per year, please provide a forecast (or a range) of the amount that Enbridge expects to accumulate annually in this proposed deferral account.
 - i. Please provide a list of municipalities in its franchise area that have passed a by-law to charge utilities for permits.
 - ii. Does Enbridge propose that all permit fees be expensed or would some fees be capitalized? If so, please provide an itemization of permit categories and a description including rationale of their respective accounting treatment.
 - iii. Did Enbridge consider applying for an adjustment to its 2007 base rates that would include a projection for municipal permit fees? Why was that option rejected?
- a) Please explain the rationale for the continuation of the Ontario Hearing Costs variance account (OHCVA).
- b) Please provide the annual amounts that were accumulated in the Debt Redemption deferral account (DRDA) over the last 10 years.

Board Staff Interrogatories

Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

- c) In Exhibit B1, Tab 1, Schedule 1, para. 41, Enbridge states that in the event that the Board revises the ROE Guidelines within the IR plan, the Company proposes that the ROE embedded in the plan be adjusted to reflect the revised Guidelines. Please explain the methodological differences between implementing a change in ROE during the plan term and any interests savings net of costs incurred as a result of a debt redemption.
- d) Does the Income Tax Rate change Variance Account (ITRCVA) capture tax changes at the federal, provincial, and municipal level? Please explain.

17. Ref: Enbridge Ex. B, Tab 4, Sch 1, page 5 of 15, para 15

Issue Number: 5.1

Issue: What are the Y factors that should be included in the IR plan?

Enbridge in its evidence states that a customer attachment will take approximately 12 years to observe the cross-over from revenue deficiency to revenue sufficiency

- a) Please provide detailed calculations, including all the assumptions, supporting the 12 year cross-over period.
- b) Do Enbridge's 2007 base rates (i.e., approved revenue requirement) provide for the recovery of the aforementioned deficiency for customer projects that have been completed within the last 10 years?
- c) Please confirm that, on average, subsequent to year 12, the revenue stream from the customers attached in the last 10 years exceeds costs to provide the service.

18. Ref: Enbridge Ex. B, Tab 4, Sch 1, pages 13-15 of 15, para 2-8

Issue Number: 5.1

Issue: What are the Y factors that should be included in the IR plan?

Enbridge states in evidence that projects proposed for Y factor treatment are:

- Leave to construct (LTC) projects
- Power generation customers
- System reinforcement and community expansion
- Safety and reliability

Board Staff Interrogatories

Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

- a) Does Enbridge believe that irrespective of a price cap or a revenue cap, it would propose that these types of capital expenditures be included as a Y factor?

19. Ref: Enbridge Ex. B, Tab 4, Sch 1, pages 13-15 of 15, para 2-8

Issue Number: 5.1

Issue: What are the Y factors that should be included in the IR plan?

Enbridge states in evidence that projects proposed for Y factor treatment are:

- Leave to construct (LTC) projects
 - Power generation customers
 - System reinforcement and community expansion
 - Safety and reliability
- a) Please provide a forecast over the IR plan term of the capital expenses (annual and total over the plan term) that Enbridge expects to pass-through to customers.
- b) Please provide the details on how the annual capital expenses would be converted into a Y factor (or cost of service amount)?
- c) Please quantify the financial impact on a typical residential and commercial customer. In particular, please quantify the financial impacts of capital expenses associated with system reinforcement and safety and reliability projects.
- d) Please provide a forecast over the IR plan term of the reductions in O&M expenses (annual and total over the plan term) attributable to system reinforcement, cast iron replacement and safety & integrity programs.
- i. Does Enbridge propose these reductions in O&M be included in the amount to be passed through to customers? Please explain.
 - ii. Please quantify the financial impact for a typical residential and commercial customer.

20. Ref: Enbridge Ex. B, Tab 1, page 17 of 22, para 40

Issue Number: 6.1

Issue: What are the criteria for establishing Z factors that should be included in the IR plan?

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

Enbridge states in evidence that Z factors be related to:

- Changes in statutes
- Changes in regulations
- Changes in financial accounting reporting requirement guidelines
- Regulatory orders
- Uninsured losses
- Litigation costs

- a) Please give examples of each of the listed Z factor events. For example, do changes in statutes include changes to provincial and municipal tax laws?
- b) Please confirm that the Z factor amounts would be symmetrical (i.e., positive or negative amounts)?

21. Ref: Enbridge Ex. B, Tab 1, pages 19-20 of 22, para 6

Issue Number: 9.1

Issue: Should an off-ramp be included in the IR plan?

Enbridge states in evidence that an off ramp from the IR plan in the event that there are significant and unanticipated developments that threaten the sustainability of the plan (in terms of expected outcomes). Such developments could be natural (e.g., devastation in the franchise due to hurricanes, floods), social (e.g., war) or economic (e.g., high inflation).

- a) Please provide examples of unexpected outcomes in terms of the IR plan.
- b) Please confirm that the impact of inflation would be captured in the inflation factor, GDP IPI FDD.
- c) Please explain why the amounts related to natural disasters such as “devastation in the franchise due to hurricanes and floods” should not be considered for recovery as a Z factor.
- d) Does Enbridge envision an economic off-ramp that would include the situation where the actual earnings are below an acceptable ROE? Please explain.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

22. Ref: Enbridge Ex. B, Tab 1, page 1 of 22, para 2

Issue Number: 10.1

Issue: Should an ESM be included in the IR plan?

In this exhibit, the Company provides the rationale for and details of the revenue cap, calculated on a per customer basis, for the five year period 2008 to 2012.

- a) Please confirm that Enbridge is not proposing an ESM in the IR plan.
- b) Please outline the rationale for Enbridge's position. For example, does Enbridge believe that an ESM dilutes the incentive to achieve efficiencies?

23. Ref: Enbridge Ex. B, Tab 6, Sch 1, page 4 of 4, para 12

Issue Number: 11.1

Issue: What information should the Board and stakeholders be provided with during the IR plan?

In its evidence on Reporting Requirements, Enbridge states that any further reporting requirements would be onerous and counterproductive.

- a) Would filing the following additional information on an annual basis be onerous and counter-productive – Standard ROE calculation schedules and Capital expenditures (annual actual capital expenditures by USoA accounts)?

24. Ref: Enbridge Ex. D, Tab 3, Sch 1, pages 15-16

Issue Number: 12.1.1

Issue: What should be the information requirements?

In its application, Enbridge states that in the event that a final rate Order is not in place on January 1, 2008, the Company requests that interim rates be set and implemented as of January 1, 2008.

- a) Please clarify if: 1) Enbridge is requesting that its 2007 base rates (once approved by the OEB) be declared interim as of January 1, 2008 or (2) the Company is intending to come forward with a proposal for an Interim Rate Order that would supersede, on an interim basis, the 2007 Board approved rates until such time that a final Rate Order is issued and effected in rates. If the latter is applicable, please indicate when Enbridge will be filing its proposal.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

25. Ref: Enbridge Ex. B, Tab 6, Sch 1, page 2 of 4, para 4

Issue Number: 12.3.2

Issue: How should the changes in the rate design be implemented?

Enbridge states in evidence that it supports the Board staff's recommendation which allows the Company to apply for rate-related changes (i.e., rate re-design proposals) during the IR plan period.

- a) Is Enbridge planning to adjust the fixed monthly charge and the variable charge on a revenue neutral basis during the IR plan?
 - i. If yes, please explain.
- b) Please provide Enbridge's target(s) and associated timelines for moving the fixed monthly charge towards full customer-related cost recovery. For example, is Enbridge planning to implement 100% of full customer-related cost recovery in the next 5 years?
- c) Does Enbridge agree that an increase in the fixed monthly charge mitigates the impact of declining average use?
 - i. If no, please explain?
- d) If Enbridge applies to increase the fixed monthly charge during the IR plan term, is it Enbridge's view that a corresponding adjustment to the X factor should be performed?
 - i. If no, please explain.
 - ii. If yes, please describe the process in which the X factor would be adjusted.

26. Ref: Enbridge Ex. B, Tab 7, Sch 1, page 2 of 4, para 4

Issue Number: 13.1

Issue: What information should the Board consider and stakeholders be provided with at the time of re-basing.

- a) Please provide a mock-up of Drivers of Deficiency exhibit which would, albeit in a re-basing context at the end of an IR term, provide parties, with as much as practically possible, the same usefulness as in past proceedings.

Board Staff Interrogatories
Enbridge – 2008 Rates under an IR Framework (EB-2007-0606/0615)

27. Ref: Enbridge Ex. B, Tab 7, Sch 1, page 1 of 4, para 3

Issue Number: 13.1

Issue: What information should the Board consider and stakeholders be provided with at the time of re-basing.

Enbridge proposes that at the time of re-basing, it would provide historical year actuals (2011), bridge year (2012) and test year (2013).

- a) Please confirm whether Enbridge will be including in its historical year evidence “continuity of rate base by plant type” schedules (that would track the actuals for 2007, 2008, 2009, 2010 and 2011)?
 - i. If no, please explain.

28. Ref: Enbridge Ex. B, Tab 1, Sch 1, page 21 of 22, para 52

Issue Number: 14.1

Issue: Are there adjustments that should be made to base year revenue requirements?

- a) Is Enbridge aware of any specific costs or amounts, in excess of \$1.5 million, that are being recovered or are reflected in 2007 rates and will not recur in 2008?