

**VECC Questions for EGD-Technical Conference, October 3-5, 2007
EB-2007-0606/0615**

1. Reference B, Tab 3, Schedule 1, Page 11, Chart 1

With respect to **I-13-14, parts c) and d)**, the requested information was not fully provided. In part c) EGD was asked to contrast its proposed new approach with its current approach based on EGD's econometric models. Part d) requested information on true up of actual versus forecast customers and volumes. Accordingly VECC resubmits these questions.

- c) What approach does EGD propose to address declining Normalized Average Use per Customer under the IRM? Contrast this with the current approach based on EGD's econometric models.
- d) Does EGD propose a true-up for forecast-actual volumes and if so, what process will be used under the proposed rate filing process and reporting requirements [B-6-1]. If not, why not-explain.

2. Reference B, Tab 3, Schedule 1, Pages 14, Para 32-36

With respect to **I-13-11 Parts a), b) and c)**, EGD indicated that it could not provide answers until it receives answers from PEG.

EGD has now advised Counsel for VECC that the answers are contained in the Supplemental Evidence B-3-4. However VECC believes that this does not provide a response to this IR. Accordingly VECC resubmits these questions.

- a) Provide the complete analysis that underlies the conclusion that the U.S. Northeast is the most applicable region for peer group representation for EGD, in terms of the comparators used and the significance/weighting of each.
- b) In reference to Table 6, please provide all the significant metrics of the proposed peer group.
- c) Discuss and compare this peer group to the PEG peer group and to PEG's total U.S. Sample.

3. Reference B-3-4 Page 3

Preamble: "Although our analysis in this supplemental report focuses on the industry TFP target, and thereby on the PD component of the X factor, we do not endorse the remaining components of PEG's X factor calculation."

- a) Does Dr Carpenter endorse PEG's Econometric Model with the modifications listed in the reference?

- b) If not what other model(s) or modifications does he propose?
- c) List the modifications to the PEG Model specification that Dr Carpenter proposes and comment on each, including listing the data sources

4. Reference: B-3-4 Page 16 Table 5, Table 7 and Table 9

Preamble: “As Dr. Bernstein emphasized in his earlier report, we continue to be concerned with the heterogeneous nature of the utilities in the sample. To investigate this concern, we tested the sensitivity of the PEG model results to regional effects that may not be fully accounted for in PEG’s output and business condition variables. To do this, we re-estimated the model using just the sample of utilities located in the Northeast”.

- a) Please provide a side by side comparison of the metrics and statistics of the PEG peer group and NorthEast Peer groups in the format of Table 5.
- b) Provide the total miles of distribution pipe and density (customers/mile) for EGD and Union Gas for 2004. Distinguish major transmission pipe from distribution pipe for each utility.
- c) Provide confirmation that the NorthEast peer group density does/does not distinguish transmission from distribution pipe.
- d) Explain why Z1 and Z2 are relevant and how they influence the result.
- e) Using the revised model specification (Combined Res/Comm/Other volumes and Density) proposed by Dr Carpenter, provide side by side revised analysis of the PEG peer group and North East Peer group under COS and GD costing. Provide the SD, T-statistic, Rbar etc. and comment on the significance and robustness of the results.

5. Reference: B-3-4 Page 21

Preamble: “Nor for that matter do we agree that the industry TFP target should be based on output growth rates using cost share-weighted elasticities. Rather as Dr. Bernstein explained in his earlier report, the appropriate industry TFP target must be based on output growth using revenue share weights.”

- a) Provide a comparable analysis of Industry TFP using revenue share-weighted elasticities for both the PEG Peer Group and the NorthEast peer Group and compare to EGD and Union.
- b) Compare and contrast in tabular form, the results and statistics to the cost share-weighted approach used by PEG.

6. Reference: B-3-1 (07-09-04 Corrected). Page 1 Para 1

- a) Provide a Side By Side Comparison of the EGD X factor (Corrected) and the PEG X factor formulation in the same format as the table in Para 1.
- b) Provide a comparison of the estimated **Industry** TFP of PEG, EGD and the estimate by Dr Carpenter for the NorthEast peer group.
- c) Show in tabular form, the impact on the X-factor of adopting the NorthEast Peer Group TFP instead of the EGD value of -0.7 and the PEG revised industry TFP.

7. Reference: B-3-1 (07-09-04 Corrected). Page 5 Para 12

Preamble: "The table below demonstrates that estimates suggest productivity in the utility sector has ranged from 63% to 53% of that in the U.S. since 1995".

- a) Given that the TFP analysis of the US Industry as noted by Dr Carpenter in his Supplementary evidence B-3-4 Paragraph indicates that (B-3-4 Page 21) "the productivity differential (PD) estimated for Enbridge would be roughly 0 to 0.1, which is significantly less than the PD of 0.89 estimated by PEG for Enbridge in its June 20 report":
 - i) Why is the US/Canada productivity differential relevant. Please Explain.
 - ii) If EGD is compared to the PEG sample what is the TFP differential?
 - iii) If EGD is compared to the NorthEast peer group proposed by Dr. Carpenter what is the TFP differential.

8. Reference: B-3-1 (07-09-04 Corrected) Page 6 Para 15

Preamble: "To estimate the Company's historical TFP trend, an output quantity index is measured relative to an input quantity index. The output quantity index is created as a function of customer numbers, residential / commercial volumes ("RC"), and other volumes.

- a) Does EGD agree with Dr Carpenter that the PEG output index formulation which differentiates residential/ commercial/other volumes leads to erroneous estimates of elasticities?
- b) Provide an analysis of the output index using the combined volumes suggested by Dr Carpenter in his Supplemental evidence and show the impact on the X factor proposed by EGD in its corrected evidence.