

PEG's Responses to Questions from Enbridge Gas Distribution at the
November 14, 2007 Meeting

Question:

- 1. In your prior report you recommended that the Board use the COS costing method as opposed to the GD method in your study. In your Nov. 6 report you have removed that language (at p.iii of the redlined version). Which method, if any, are you now recommending?*

PEG's Response:

We recommend the COS approach to capital costing because of two general advantages. One is that it matches the way capital cost is calculated for purposes of setting rates in rate cases. The other is the greater stability of the COS input price index. Care must still be taken in the choice of the sample period used in the IPD calculations. As discussed in the report, we recommend an average of the comparisons for the 1997-2006 and 1998-2006 sample periods.

Question:

- 2. At page 31 of the redlined version of your Nov 6 report, you describe the sub-indexes used to construct the revenue-weighted output quantity indexes for the US utilities. Could you provide the underlying revenue data (and calculations) from Union and Enbridge that you used to derive the percentage weights for the three output variables? Why did these revenue shares change between your Jun and Nov reports?*

PEG's Response:

Please see PEG's response to Union's question 5 from the November 14, 2007 meeting.

Question:

3. *What is the empirical basis for the sentence added at page 32 in the redline version of your Nov 6 report: "We estimate that the X factor for a price cap index should be raised by 5 basis points if ongoing rate redesign is allowed along the lines that has transpired since 2000."*

PEG's Response:

Please see attached file "peer analysis wp".

Question:

- 4. Could you provide the underlying spreadsheets which calculate the Estimated Scale Effect based on the output of the econometric model for each of the US utilities and for Enbridge in Tables 8a and 8b of your November report?*

PEG's Response:

The data is contained in the Excel spreadsheet entitled "datasheet for Enbridge 2006 2.xls" that was issued on November 20, 2007.