

Examination in chief of witness panel re. revenue: Cross Bore Z Factor Request

1. The witness panel for this Cross Bore/Sewer Lateral issue is Kevin Culbert, Manager Regulatory Accounting, Lisa Lawler, Director Integrity and Clifford Clark, Program Manager, Safety.
2. The pre-filed evidence related to this topic is filed as Exhibit B, Tab 2, Schedule 6. There are also a number of interrogatory responses.

3. What is your role within the utility, Mr. Clark?

Until recently, I have been directly involved in the development of the Sewer Safety Program and its implementation for Enbridge. Last fall, I moved to a new role in the utility where I am responsible for implementing and supporting Environmental, Health and Safety programs for Enbridge.

4. By way of introduction, Mr. Clark, can you please explain what a cross bore is?

A cross bore is an unintended intersection of an existing utility by a second utility that can occur during construction when trenchless technologies are utilized. This construction technique is less costly than alternatives, but it means that there is no visual confirmation of the actual path of the pipe being installed. Cross bores occur where one pipe unintentionally damages another, compromising the integrity of either one or both utility facilities.

5. And which cross bores are of interest to Enbridge?

Enbridge is interested in instances where our natural gas main or service has intersected a sewer lateral. Our Sewer Safety Program is intended to reduce the risk of these intersections.

6. What is the danger from these types of cross bores ?

The potential danger from a natural gas line through a sewer lateral arises because those working on the sewer lateral may not know that a natural gas line is there. In many cases, the gas line can remain in the sewer lateral without creating an immediate problem; it may remain undetected for years. If the individual working on a sewer lateral blockage utilizes rotating auger or water jetting equipment to clear the blockage, and a natural gas cross bore is present, the natural gas line could be damaged. If the damage breaches the line, the natural gas will follow the path of least resistance. The natural gas could fill the sewer lateral and enter the building connected to the sewer lateral. If gas is not provided with a route that allows it to vent to the atmosphere, and if a source of ignition (such as a pilot light in a furnace or water heater) is present, an explosion and/or fire may occur.

7. Ms. Lawler, what is your role within Enbridge?

I am the Director of Integrity. I am responsible for Integrity Management within the utility. Responsibility for the Sewer Safety Program is within the Damage Prevention Department, which reports through to me.

8. Ms. Lawler, can you explain the nature of Enbridge's understanding of the cross bore issue over time?

Enbridge first became aware of the cross bore risk when a tragic incident occurred at our affiliate, St. Lawrence Gas, in New York State. In that instance, a plumber attempted to clear a blocked sewer beyond the foundation walls of a house. The plumber breached a cross bore, a gas service that was intersecting a sewer lateral, allowing gas to travel up the sewer lateral and into the house, where it ignited. This resulted in an explosion and fatality.

9. When did this occur?

In 2004. At the time, Enbridge did not appreciate that the same circumstance could arise in our franchise area. We were under the belief that circumstances of gas and sewer conflicts would not occur in our franchise areas, since sewer systems tend to be so much deeper than gas systems due to freeze thaw issues.

10. When did your opinion change?

In May 2007, Enbridge experienced a near miss, where a cross bore was breached in Innisfil, Ontario. In this case, we were lucky that the plumber had elected to clear the sewer lateral blockage from an outside trap. Therefore, when the gas line was breached, the natural gas escaped to atmosphere, rather than into the house. This led us to re-consider whether cross bore issues could occur within Enbridge's franchise areas.

11. What happened then?

Enbridge's understanding of the cross bore risk has evolved since that time. Through research and operational activities, we have come to understand that cross bores are a real safety issue within our service areas. To address this safety issue, Enbridge created a cross bore safety program, which we implemented in 2009, to address cross bore issues and reduce the chances of serious incidents. That safety program has evolved over time, as our knowledge has grown. We have also been active participants in industry efforts to understand and respond to the cross bore issue, culminating in a recent Director's Order from Enbridge's safety regulator, the TSSA, which specified that Ontario utilities are to include in their Distribution Pipeline Integrity Program Management an Action Plan including elements of reducing the risk of creating a new cross bore, raising public awareness about the risk associated with cross bores, and an assessment of the risk and the plan to mitigate these risks.

12. What has Enbridge done in response to the TSSA Director's Order ?

Enbridge has filed its Action Plan with the TSSA, setting out the steps being taken through Enbridge's Sewer Safety Program to address safety issues related to cross bores. It is the costs associated with the Sewer Safety Program that Enbridge is asking to recover as a Z-factor.

13. Mr. Culbert, can you please describe your role and involvement with the Cross Bore issue and activity.

Yes, my department, Regulatory Accounting, is responsible for and performed the revenue requirement calculation as filed at Appendix C of Exhibit B, Tab 2, Schedule 6.

14. Mr. Culbert can you please explain why Enbridge is requesting Z factor treatment for the cross bore issue?

Yes, as indicated in our Cross Bore/Sewer Lateral evidence, beginning at page 17 of Exhibit B, Tab 2, Schedule 6, we indicate that and how each of the Z-factor criteria that were agreed upon within EGD's 2008-2012 Incentive Rate setting mechanism have been met for Enbridge's 2012 costs with respect to the required Cross Bore work. Accordingly, the related costs from that point are appropriately includable within the IR revenue requirement determination. In addition, since this is a relatively new program, the forecast of acceptance and related cost aren't likely to be 100% accurate and as a result Enbridge is requesting a variance account so that actual costs incurred are those that receive Z factor treatment.

Thank you.

