Enbridge 2013 COS
Board Staff Interrogatories
Enbridge Gas Distribution Inc. ("Enbridge")
EB-2011-0354

BOARD STAFF INTERROGATORIES

PRELIMINARY ISSUE

Ref: Ex. A1 / Tab 6 / Sch 2

1. Please confirm that USGAAP is used as the basis for the calculation of the 2013 regulated revenue requirement. If this is not the case, please state which accounting standard is used and provide an explanation.

2. In Enbridge's application, Enbridge provided the potential advantages and disadvantages of using USGAAP as opposed to MIFRS for ratemaking purposes.

   a) Please provide a detailed explanation of how the ratepayers' interests are better served under USGAAP as opposed to MIFRS.

   b) Please provide a detailed explanation of any actual or potential disadvantages to Enbridge's ratepayers of using USGAAP as opposed to MIFRS for ratemaking purposes.

3. In the application (Ex A1/ Tab 6/ Schedule 2/ page 6), Enbridge stated that one significant impact to Enbridge as a result of the adoption of MIFRS would be the increased costs which would no longer be able to be capitalized to capital assets and would be recorded as current operating expenses. Enbridge articulated that this could cause a significant increase in the revenue requirement. Enbridge stated that it does not plan on changing its capitalization policies as a result of converting to USGAAP.

   a) Please quantify the increased costs which would no longer be able to be capitalized to capital assets and would be recorded as current operating expenses.

   b) Please confirm that there would be no impact on Enbridge's proposed 2013 revenue requirement as a result of moving to USGAAP from CGAAP with respect to Enbridge's capitalization policies.

4. As articulated in the adopted evidence and in Exhibit A1, Tab 6, Schedule 2, page 8, Enbridge is seeking recovery over a 15 year period commencing in 2013 of the amount of $90 million to be recorded in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA"). Enbridge indicates that the $90 million includes amounts related to Other Post Employment Benefit ("OPEB") costs. The purpose of this account is to recognize and record the financial impacts that will occur in 2012 in relation to Enbridge's required transition away from CGAAP to USGAAP.

a) Please confirm that no additional principal amounts will be recorded in the TIACDA from January 1, 2013 and forward. If this is not the case, please explain.

b) As per Exhibit D1, Tab 8, Sch 1, Page 17, Enbridge is proposing to establish a new TIACDA – "2013 Transition Impact of Accounting Changes Deferral Account". Enbridge stated that it:

> *…proposes to establish a 2013 TIACDA to accommodate the impact, if any, of the Board's decision with respect to the Company's proposal for any future required treatment of the impacts of the required transition away from Canadian Generally Accepted Accounting Principles.*

Enbridge has not proposed that interest will be calculated on the balance of the account.

i) Please provide a detailed explanation of the potential impact that Enbridge indicated the new TIACDA is being proposed to accommodate.
ii) Please quantify the potential debits and credits that would be recorded in this account and please explain what they represent.
iii) Please explain why Enbridge is proposing that no carrying charges be recorded on the balance in this account.
iv) Please confirm whether Enbridge's transition date to USGAAP for financial reporting purposes is January 1, 2011 or January 1, 2010, and that the adoption date for financial reporting purposes is January 1, 2012.
v) Please explain why Enbridge is seeking a 2013 TIACDA account, in addition to the 2012 TIACDA, when USGAAP will be adopted by Enbridge for financial reporting purposes on January 1, 2012, and the transition to USGAAP is effective one or potentially two years earlier than January 1, 2012.

5. As per Exhibit A1/Tab 6/Schedule 2/Page 7, Enbridge referred to Appendix 3 for a summary of the estimated impact to Enbridge as a result of adopting MIFRS. However, Appendix 3 only contains the impact of adopting USGAAP and does not reference MIFRS.

a) Please update Appendix 3 to include the estimated impact to Enbridge as a result of adopting MIFRS as compared to CGAAP.

b) Please provide a regulated revenue requirement impact analysis for the test year 2013 on the following three bases: (1) USGAAP versus CGAAP, (2) MIFRS versus CGAAP, and (3) USGAAP versus MIFRS. In terms of detail, please disaggregate the impact and provide the same level of detail as found in the revenue requirement exhibit filed at Exhibit A2 / Tab 4 / Schedule 1 / Appendix B. Please clearly identify the drivers that differentiate the 2013 revenue requirement under the three bases and please provide a detailed explanation of all noted differences.

c) Exhibit A1, Tab 6, Schedule 2, Appendix 3, as filed in the application, highlights several differences between CGAAP and USGAAP including the push down accounting impact.

i) Please provide the justification for push-down accounting, particularly since there is no evidence of a change in control. If this is not the case, please explain.
ii) Please provide more detail on the assets that Enbridge is revaluing.
iii) Please provide a reconciliation of the balance sheet and income statement from consolidated Enbridge Gas Distribution Inc. to its regulated business from the date of transition to USGAAP to the end of the test year. Please highlight and explain the differences.
iv) How is Enbridge proposing to keep two different sets of books – e.g. two different fixed asset and depreciation calculation schedules for the assets that Enbridge is revaluing?
v) Please explain how Enbridge is proposing to recover the costs of keeping two different sets of books.
vi) Please explain how management fees are going to be impacted by utilizing push-down accounting if, for example, specific accounting expertise may need to be or have been sought. Please cite any other potential impacts on management fees and the specific impacts.
vii) What are the tax implications of push-down accounting? Is the UCC being bumped up as well?
viii) Regarding Enbridge's earnings sharing – does push-down accounting impact utility rate base, utility equity, or utility income used in the earnings sharing calculation? Please identify any component of Enbridge's earnings sharing that push-down accounting impacts.
ix) Please specifically articulate whether and how the push-down accounting impacts are recorded in the proposed 2013 revenue requirement or in any deferral or variance account. Please identify any amounts included in deferral and variance account balances requested for clearance in this application.

d) Exhibit A1, Tab 6, Schedule 2, Appendix 3, as filed in the application, highlights several differences between CGAAP and USGAAP including the Pension/OPEB impact.

i) Please explain the pension/OPEB impact on the 2013 proposed revenue requirement highlighting the differences between USGAAP and CGAAP.
ii) Please explain what these pension/OPEB impacts represent.
iii) Please specifically articulate whether and how the pension/OPEB impacts are recorded in the proposed 2013 revenue requirement or in any deferral or variance account. Please identify any amounts included in deferral and variance account balances requested for clearance in this application.

e) Exhibit A1, Tab 6, Schedule 2, Appendix 3, as filed in the application, highlights several differences between CGAAP and USGAAP including Deferred Financing Costs which are recognized under USGAAP versus CGAAP.

   i) Please explain the Deferred Financing Costs impact on the 2013 proposed revenue requirement highlighting the differences between USGAAP and CGAAP.
   ii) Please explain what the deferred financing costs represent.
   iii) Please specifically articulate whether and how the deferred financing costs are recorded in the proposed 2013 revenue requirement or in any deferral or variance account. Please identify any amounts included in deferral and variance account balances requested for clearance in this application.

f) Exhibit A1, Tab 6, Schedule 2, Appendix 3, as filed in the application, highlights several differences between CGAAP and USGAAP including Regulatory Deferrals.

   i) Please explain what the Regulatory Deferrals represent.
   ii) Please explain the Regulatory Deferrals impact on the 2013 proposed revenue requirement highlighting the differences between USGAAP and CGAAP.
   iii) Please specifically articulate whether and how the Regulatory Deferrals are recorded in the proposed 2013 revenue requirement or in any deferral or variance account. Please identify any amounts included in deferral and variance account balances requested for clearance in this application.

6. Please identify any regulatory deferral or variance accounts requested as a result of the change in accounting standard from CGAAP to USGAAP. For each such account, please describe why it is required and identify the audited December 31, 2011 balances or any projected balances for new accounts being requested in this application or prior applications.

Ref: EB-2008-0408 Addendum to Report of the Board, June 13, 2011

7. On page 19 of the Addendum Report, the Board states:

> *The Board cautions utilities that the adoption of USGAAP as a short term solution may be counter-productive. If a utility is required to transition to IFRS for financial reporting purposes a few years after adopting USGAAP, certain transitional issues may not have been avoided, but delayed, and additional costs may be incurred if the utility changes its accounting standard twice. The Board will carefully scrutinize the costs incurred to accomplish two successive transitions if the utility seeks to recover these costs from ratepayers.*

a) Please provide the amount of the incremental one-time administrative IFRS transition costs approved by the Board in prior Enbridge proceedings. Please state whether and how any of these costs have been reflected in rates approved by the Board.

b) Please provide the balance of the incremental one-time administrative IFRS transition costs incurred as at December 31, 2011. Please provide the amount which has been approved by the Board to be recovered through rates and discuss how it has been recovered.

c) Please explain how Enbridge proposes to address the Board's concern in regards to the potential incremental costs associated with a possible future transition to IFRS after the transition to USGAAP is completed or if the requirements of USGAAP converge with those of IFRS over time.

d) Please confirm that Enbridge is not seeking recovery of the USGAAP incremental one-time transition costs incurred to date in this application. Please advise whether Enbridge is planning to seek recovery in the future of these costs or any additional costs planned to be incurred.