EVIDENCE OF J. ROSENKRANZ ON BEHALF OF CME, CCC, CCK, & FRPO

Answer to Interrogatory 1 from Energy Probe

Ref: Written Evidence of John A. Rosenkranz, Page 3, Line 14

Preamble: "For all of these reasons, the Parkway Station costs should be separated from the remaining Dawn-Trafalgar Easterly transmission costs, and allocated to rate classes on the basis of design day requirements. This treatment of Parkway Station costs would better reflect cost causation when compared to Union's existing methodology, and would be consistent with the way that Union Gas currently allocates Dawn Station costs.

Allocating Parkway Station costs using the methodology recommended here would lower in-franchise costs by approximately $1.6 million per year (see Attachment 2)."

a) Please provide the Impact of Recommendations 1 and 2 on an in-franchise rate class basis.
b) Please estimate the annual impact on Enbridge customers.
c) Assuming the Parkway West Capital Project proceeds at a gross cost of $215 million please estimate the annual revenue requirement in 2014 for Parkway Station.
d) Would/should the costs of the PW Project also be allocated as proposed in the evidence? Please discuss.
e) Please provide a version of Attachment 2 post in-service (2014) of the Parkway West Project.

Response:

a) An estimate of the impact by rate class is as follows:

Rate Schedule		*Impact ($000)*
Gen. Service Small Volume	*M1*	*-935*
Gen. Service Large Volume	*M2*	*-314*
Firm Contract	*M4*	*-91*
Interruptible Contract - Firm	*M5*	*-1*
Special Large Volume Contract Firm	*M7*	*-42*
Large Wholesale Service	*M9*	*-15*
Small Wholesale Service	*M10*	*-1*
Transportation Service - Firm	*T1*	*-338*
Wholesale Transportation Service	*T3*	*-106*
North and East	*R1 - R100*	*142*

b) Enbridge Gas Distribution currently holds M12 contracts that provide for 2,157,173 GJ/day to be delivered at Parkway (J.D-14-16-7). This is approximately 51% of Union's the total ex-franchise demand of 4,194,375 GJ/day at the Parkway Station (Exhibit C1, Tab 3, Schedules 3 & 4). If the total impact on M12 rates is approximately $1.6 million, Enbridge Gas Distribution M12 service costs would increase by roughly $820,000 per year.

c) Union estimates the first full year operating cost for depreciation, allowed return and taxes for the Parkway West Project to be approximately $16.4 million (Exhibit J.B-1-7-8). This estimate includes most of the increase in the revenue requirement.

d) Yes. If the purpose of the Parkway West Project is to improve the reliability of the existing Parkway Station, the Parkway West Project costs should be rolled into the existing Parkway Station costs and allocated to the customers that use the Parkway Station based on design day demand.

e) Please see the Attachment.

Attachment

PARKWAY STATION COST SEPARATION EXAMPLE
With Parkway West Costs

		Hypothetical Revenue Requirement ($000)		
		Dawn-Trafalgar East	Parkway Station	Total
	Union Application, Plus Parkway West Costs			
1	M12	140,765		140,765
2	In-Franchise	27,325		27,325
3	Total	168,090		168,090
	Parkway Station Separation with Parkway West Costs			
4	M12	113,285	30,782	144,067
5	In-Franchise	22,096	1,927	24,023
6	Total	135,381	32,709	168,090
	Difference			
7	M12			3,302
8	In-Franchise			-3,302

Notes

Line 3: *Assumed Parkway West Project cost of service of $16.4 million.*

Lines 4 & 5: *Dawn-Trafalgar East costs allocated to M12 and In-franchise services using DTTRANS allocation factor.*
Parkway Station costs allocated to M12 and In-franchise services using estimated Parkway demand.

Line 6: *Parkway Station costs separated from Dawn-Trafalgar East based on net plant.*