Enbridge Gas Distribution Inc.
Enbridge 2013 Rates
EB-2011-0354

BOARD STAFF INTERROGATORIES

1. ISSUE B1: Is Enbridge's forecast level of capital spending in 2013 appropriate?

Ref: B1/T3/Sch 3/para 1

For the eight Leave to Construct projects listed, what amounts are included in the 2013 capital budget for each project? What amounts were included in the 2012 capital budget?

2. ISSUE B1: Is Enbridge’s forecast level of capital spending in 2013 appropriate?

Ref: Table 1, B1/T2/S1/p3

Please explain why there is a $6.5M increase 2012 forecast over 2011 historical, and a much larger increase of $79.4M for 2013 test over 2012 forecast. Please explain the overall drivers and/or business reasons that led Enbridge to request a significant increase to capital spending in the test year.

3. ISSUE B1: Is Enbridge’s forecast level of capital spending in 2013 appropriate?

Reference: general

To what extent does an increase in an approved heating degree day budget factor into the business case for the GTA reinforcement project? If the Company’s request to increase heating degree days in this application is not granted, is the GTA reinforcement necessary to deliver associated gas volumes? Please comment on the sizing of the existing distribution network, and gas throughput based on the currently approved heating degree day forecast.

4. ISSUE B1: Is Enbridge’s forecast level of capital spending in 2013 appropriate?

Reference: B1/T2/S3/p1

a) Please explain why there were substantial decreases in the “sales mains” and “meters and regulation” from 2007 to the years 2008, 2009, and 2010. Please explain why capital spending on these items increased substantially in 2011, and then increased again based on historical actual figures.

b) What are the underlying reasons for the increase in “Land, Structures, and Improvements” work in 2010-2013 versus spending levels from 2007-2009?

c) Please provide a revised Table at the reference with Power Generation Projects removed.

5. ISSUE B1: Is Enbridge’s forecast level of capital spending in 2013 appropriate?

Ref: B1/T2/S1/p7

Enbridge states at the reference that, “[The Company must] replace aging items and to meet new requirements and on-going improvements to structures”.

a) Are the assets that are being replaced fully depreciated?

b) Provide a table with three columns (item, dollar amount, reason for decision). In the ‘reasons for decision’ column please indicate whether the replacement is to meet new requirements and/or for on-going improvements to structures.

6. ISSUE B1: Is Enbridge’s forecast level of capital spending in 2013 appropriate?
Training modules

Ref(1): B1/T2/S2/p2
Ref(2): B1/T2/S1/p7
Ref(3): D1/T3/S2/p4,5,9,13

At Ref(1) Enbridge indicates costs of $3.6M for the 2013 test year related to Technical Training Initiative (TTI). It appears these costs are new, and fully incremental to 2007 costs. Enbridge indicates that Gap Analysis “identified 300 training modules required to be developed to respond to development needs…“

Enbridge provides extensive discussion of employee training and development throughout Exhibit D1, Tab 3, Ref(3) above. There are several references to “safety training” throughout.

a) When did Enbridge identify the need for, commence and complete the Gap Analysis discussed above?
b) When did Enbridge begin the TTI project?
c) Please provide the actual and forecast training budget for 2007 through 2013.
d) Why are the costs associated with the TTI not captured or covered under operations and maintenance expenses? Is the entirety of this project tied to other capital projects? Please explain.
e) Why should these training items not be considered part of ‘business as usual’ at Enbridge and captured under the “training and development” budget discussed at Exhibit D1, Tab 3?
f) Please indicate whether or not any additional FTEs (refer to page 13 of Ref(3)), associated with the TTI project are capitalized and captured in Exhibit D1.

7. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/T1/S2/p2

a) Provide the “Year to Year Summary” table, but remove line item 10 “gas in storage”.

b) Using the table in a) above, provide year over year increases for the following:
    i. 2011 over 2007;
    ii. 2012 bridge to 2011 actual;
    iii. 2013 test over 2012 bridge; and
    iv. 2013 test over 2011 actual.

Please provide the Company’s commentary on the increases to utility rate base without the effect of the reduction in the valuation of gas in storage since 2007.

8. ISSUE B2: Is the proposed Test Year Rate Base appropriate? Continuity Schedules and Depreciation Expense

Ref(1): A1/T13/S1/p1
Ref(2): Minimum Filing Requirements for Distribution and Transmission Utilities (Electricity), Appendix 2B & Appendix 2M, dated June 22, 2011
http://www.ontarioenergyboard.ca/OEB/_Documents/Regulatory/Filing_Requirements_Chapter2_Appendices%20-%20Excel.xls

In its evidence Enbridge has not provided a fixed asset continuity schedule for Property, Plant & Equipment (PP&E) which clearly shows additions, disposals/retirements, and clearly shows the opening and closing balances for each Uniform System of Accounts number (and their respective CCA classes). Enbridge has not provided in evidence a calculation of Depreciation and Amortization Expense, detailing the opening balance, less fully depreciated assets, plus any additions, and the prevailing depreciation rate, and any change thereto over the previous year.

a) Please provide fixed asset continuity schedules in the form of Appendix 2B, as in Ref(2) above, for the following:
   i. 2013 fiscal year;
   ii. 2012 fiscal year;
   iii. 2011 fiscal year;
   iv. 2010 fiscal year;
   v. 2009 fiscal year; and
   vi. 2008 fiscal year.

b) Please provide a depreciation and amortization expense table in the form of Appendix 2M, as in Ref(2) above, for the following:
   i. 2013 fiscal year
   ii. 2012 fiscal year
   iii. 2011 fiscal year;
   iv. 2010 fiscal year;
   v. 2009 fiscal year; and
   vi. 2008 fiscal year.

9. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref(1): A1/T13/S1/p3
Ref(2): D2/T7/S2 (Ernst and Young study, dated March 5, 2010)

Enbridge indicated in Ref(1) that, “as part of the evidence in support of its 2013 application, it will file a capitalization study prepared by Ernst & Young in 2010…”. Enbridge provided the capitalization policy report from March 5, 2010 in Ref(2).

a) Has Enbridge conducted a capitalization review and comparison with other gas distributors; either in Canada or US? If so, please provide Enbridge’s internal analysis and review. If no review has been conducted, please provide reasons.

b) Does Enbridge have a plan to conduct a capitalization review and comparison with respect to other gas distributors; either in Canada or the

US? If so, please provide details for the plan. If not, please provide reasons.

10. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/T2/S1/p3

Please provide the Company's commentary on the greater than 40% increase to the average cost per customer addition for 2013 test over 2007 Board approved. This represents approximately 5.7% increase in customer addition cost over 6 years. Why has this increased substantially from 2011 (or 2012).

Did the Company consider options to smooth out this spending over a number of years?

11. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1 /Tab 3/ Sch 3 / para 1

For each of the eight Leave to Construct projects listed, what amount will be closed to Rate Base in 2013? What amounts close in each of 2014 and 2015 assuming Board LTC Orders are granted for each project as applied-for?

12. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 2/Sch 1/Pages 3 and 4

Enbridge states that Table 1 shows the planned expenditures for Enbridge are $398.0 million in 2011, $404.5 million in 2012 and $483.9 million in 2013. Also, Enbridge outlines that as shown in Appendix 1 of this schedule, customer related plant includes the cost of mains, services and meters associated with the customer growth Enbridge continues to experience.

a) Please outline the timing of these projects and indicate whether any of these projects had been considered previously (and the year in which these projects were previously considered). For example, were any of these projects rejected because they failed to satisfy the profitability index but have now been reconsidered and deemed to be sufficiently profitable?

13. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B2/Tab 2/Sch 1/Page 6

In Chart 1, Enbridge outlines the annual customer additions for the years 2007-2011, please provide the annual customer additions by service type for the years 2007-2013.

14. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B2/Tab 2/Sch 1/Page 30

In Chart 8, Enbridge provides the historical capital spend on customer additions and the forecast spend for 2012-2021. Please explain in detail the reasons that capital spending increases from $68,323 in 2007 to an estimated $84,413 in 2013.

15. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 2/Sch 1/Page 6

Enbridge states that capital expenditures for system improvement and upgrades were higher primarily due to higher levels of cast iron replacement and relocation activity. Further, in Ex B1, Tab 2, Sch 3, page 1 of 1, cast iron replacement and relocation expenditures increase substantially in 2012 and 2013.

a) Please explain why these expenditures (especially the reinforcement activities) are being made at the end of Enbridge's current IR plan term and in the 2013 rebasing year, not in the earlier years of Enbridge's IR plan term.

b) Please explain in detail the rationale for the large increase in capital replacement and relocation expenditures in the 2012 and 2013.

16. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 2/Sch 1/Page 6

Enbridge writes "replacements are prioritized using several factors."

a) Do these factors include an assessment of the incremental costs of replacing a facility versus the ongoing costs of maintaining a facility (*e.g.,* the costs of responding to and repairing gas leaks). If so, please describe in detail how the incremental costs of replacement versus maintenance are calculated and incorporated into Enbridge's process for selecting specific replacement projects.

b) Has Enbridge's process for selecting replacement projects been influenced by being under an incentive regulation plan, compared with its previous process? Please explain why or why not.

c) Please explain the factors that Enbridge uses to determine the total budget to be allocated for capital replacement expenditures in a given year, as opposed to how Enbridge decides to prioritize replacement projects within a given budget.

17. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 2/Sch 1/Page 8

Enbridge writes "in 2012 the Company is required to complete additional relocation and reinforcement projects."

Please provide details of all relocation and reinforcement projects the company is "required" to complete, and the specific mandates and/or circumstances that compel these projects to be completed in 2012.

18. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 2/Sch 1/Page 10

Enbridge writes that "other system improvements include safety and integrity programs that are essential to maintain a safe and reliable distribution system. The projects reflect the continuous commitment to meeting governing codes and standards as well as industry best practices."

a) Please identify Enbridge's specific capital investment projects that are necessary to meet governing codes and practices. In each case, please also identify the code and/or practice compelling the investment.

b) For each investment identified in part a) above, please explain why this investment was not foreseen and undertaken while Enbridge was subject to incentive regulation in 2008-2012, rather than being implemented in the 2013 rate rebasing year.

c) Please identify Enbridge's specific capital investment projects that are necessary to comply with industry best practices. In each case, please also identify the industry best practice motivating the investment.

19. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 3/Sch 1/Page 5

Enbridge writes that “the Asset Management discipline and Asset Plan also dovetail nicely with the evolution of the pipeline standards and regulations to which Enbridge must adhere.”

Please describe the evolving pipeline standards and regulations to which Enbridge must adhere and, for each evolving standard or regulation, please identify all Enbridge capital investment projects that were necessary to comply with that standard or regulation.

20. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 4/Sch 1/Page 1

Enbridge writes that “the IT Capital Budget is developed following a rigorous examination of the Company’s IT needs and in response to identified process or system concerns. These needs are then prioritized based on a cost benefit analysis with the objectives of enhancing productivity, reducing risk and sustaining systems availability.”

a) Please explain in detail the cost-benefit analysis used to prioritize IT capital investments.

b) Please explain how Enbridge defines “enhancing productivity” and how Enbridge monitors and/or measures productivity changes after an IT investment has been put in place.

c) Please explain the factors that Enbridge uses to determine the total budget to be allocated for IT capital expenditures in a given year, as opposed to how Enbridge decides to prioritize IT capital projects within a given budget.

21. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: B1/Tab 4/Sch 1/Page 3

Enbridge writes that “without undertaking the necessary (EnVision) upgrades...this could put the entire EGD IT infrastructure at risk.”

Please explain in detail why Enbridge’s entire IT infrastructure would be imperiled if the EnVision upgrade was not completed.

22. ISSUE B2: Is the proposed Test Year Rate Base appropriate?

Ref: Ex B1/Tab 2/Sch 1/Page 8

Enbridge states that computer and communication equipment capital expenditures are essential to support required upgrades to IT systems and infrastructure. Further, in Ex B1, Tab 2, Sch 3, page 1 of 1, computer and communication equipment expenditures increased over the IR term plan from $17.3 in 2007 to $38.2 in 2013.

a) Please explain in detail the rationale for the large increase in IT capital expenditures.

b) Please explain why these expenditures are being made at the end of Enbridge's current IR plan term and in the 2013 rebasing year, not in the earlier years of Enbridge's IR plan term.

23. ISSUE B3: Is the proposed Information Technology Capital Budget appropriate?

Ref(1): Ex. B1/Tab 4/ Sch 1 / P. 2, line 4:
Ref(2) Ex. B1/Tab 2/ Sch 2 / line 71

1) At line 4 in Reference 1, Enbridge states that "The Company will also assess the opportunities to migrate the functionality related to meter management and billing and broker and large volume contract management. This capital cost was contemplated and is within the spend threshold associated with the Customer Care/CIS settlement agreement (EB-2011-0226)".

2) At line Line 71 in Reference 2, Enbridge states: Leveraging SAP (4.5M): "Changes and enhancements required to stabilize SAP CIS to meeting growing customer demands."

(A) Please refer to exhibit D1/ Tab 12 / Sch.2 (the Settlement Agreement from EB-2011-0354) which shows the approval for this capital cost expenditure. What is the spend threshold approved for this project in the Settlement Agreement?

(B) At Ref 2, line 71, Enbridge uses the term "growing customer demands". Please describe what this term means. Provide a list of items that comprise the "growing customer demands" and describe how each item on that list will be addressed by this project.

(C) Please complete the following Table summarizing the costs that comprise the 4.5M budgeted for this project in the test year. Use a materiality threshold of $500 000. Identify any components which could be considered discretionary.

Leveraging SAP:	Brief Description	Estimated Cost (000's)	Discretionary? (Yes/No)
Item 1			
Item 2			
(add more rows as needed)			
(other, less than $500 000)			
Total		**4 500**	

24. ISSUE B3: Is the proposed Information Technology Capital Budget appropriate?

Ref: Ex. B1/Tab 4 /Sch 1/P.3

In line 5 The Company states: "EnVision Upgrades (6.2M) . . .There are core components of the system that are nearing end of life and require upgrades in order for the system to continue to be reliable and available for EGD operations. The current version of EnVision also needs to be enhanced to support evolving business needs, including improvement of asset management and integrity requirements and capabilities. . . the overall complexity of the system requires effort to determine which components need upgrades and in what sequence".

(a) Please complete the following Table summarizing the costs that comprise the 6.2M budgeted for this project. Use a materiality threshold of $500 000. Identify any components of the EnVision upgrades which could be considered discretionary.

EnVision Upgrades:	Brief Description	Estimated Cost (000's)	Discretionary? (Yes/No)
Item 1			
Item 2			
(add more rows as needed)			
(other, less than $500 000)			
Total		**6 200**	

(b) Describe the criteria upon which Enbridge relied to select the most cost effective method to complete these upgrades? Was the selected method the least cost solution proposed?

25. ISSUE B3: Is the proposed Information Technology Capital Budget appropriate?

Ref(1) : Ex. B1/Tab 4/ Sch 1 / P. 4
Ref(2) : Ex. B1/Tab 2/ Sch 2 / line 72

1) At line 5 of Reference 1, Enbridge states that "The SAP (CIS) solution hardware was acquired during the implementation project in 2007 - 2008 and will reach its end of life in the late 2012 - early 2013. This is not unusual for such hardware much of which is depreciated annually at a rate of 20%. This project will upgrade the existing hardware technology to a newer infrastructure enabling the continued operation and maintenance of the overall SAP solution and address growth in the volume of activity and usage of the solution since it was launched in September 2009. This capital cost was also contemplated as part of and is within the spend threshold associated with the Customer Care/CIS settlement agreement (EB-2011-0226)."

2) At line Line 72 of Reference 2, Enbridge states: SAP Hardware Refresh: "Purchase of new hardware (Servers and Storage) for SAP CIS. Existing SAP CIS are coming off warranty at the end of 2012. The new purchase will keep technology current and at a supportable level."

(a) Please refer to exhibit D1/ Tab 12 / Sch.2 (the Settlement Agreement from EB-2011-0354) which shows the approval for this capital cost expenditure. What is the spend threshold for this project in the EB-2011-0226 Settlement Agreement?

(b) Please complete the following Table summarizing the costs that comprise the 4.2M budgeted for this project in the test year. Use a materiality threshold of $500 000. Identify any components which could be considered discretionary.

SAP Hardware Refresh:	Brief Description	Estimated Cost (000's)	Discretionary? (Yes/No)
Item 1			
Item 2			
(add more rows as needed)			
(other, less than $500 000)			
Total		**4 200**	

26. ISSUE B4: Is the proposed budget for Storage Capital Expenditure appropriate?

Ref(1) : Ex. B1/ Tab 5 /Sch 1
Ref(2) : Ex. B1/ Tab 2 /Sch. 2/ P. 8 / line 11

In reference (1) Enbridge states on page 1: "The 2013 test year capital expenditure budget is set at 20.1 million."

In reference (2) the subtotal for Storage Plant for the 2013 test year budget is given at line 117 as 18.6M.

Explain the discrepancy between the 20.1M in reference (1) and the 18.6M in reference (2) and reconcile these two numbers if necessary.

27. ISSUE B4: Is the proposed budget for Storage Capital Expenditure appropriate?

Ref(1): Exh B1/Tab 5/Sch. 1 / P. 1-2 / Line 4
Ref(2): Ex B1/Tab 2/Sch. 2

1) In reference (1) Enbridge states: "Enbridge has conducted a safety assessment of its Corunna Gas Storage Compressor Plant site to identify

any safety risk exposure for staff, contractors, and the public at large, as well as for the overall reliability and continuity of storage operations. Out of that **review** came a number of recommendations and strategies for risk mitigation that the Company is acting on. It is a combination of these, as well as **general staff accommodation needs**, that have resulted in the plan to relocate and construct a new control room, office and shop buildings in 2012 and 2013, at a cost of $8.2 million, of which $5.5 million is budgeted to be spent in 2013." (Emphasis added)

2) In reference (2) at line 100 Enbridge states: Tecumseh Office Facility (4.95M): "This is the cost of construction of new buildings in Gas Storage. This includes the **cost of a new warehouse, fabrication shop and office** as well as the **cost of relocating the existing shop** to the current warehouse building."

(a) Please file the "review" of the Corunna Compressor plant referred to in the reference above.

(b) Describe and provide further details of the "staff accommodation needs" that were the impetus for this project.

(c) Identify the specific recommendations made in the review that Enbridge is pursuing, and provide a breakdown of the $5.5M budget for these items by completing the following Table. Use a materiality threshold of $500 000. Identify any components of the project which could be considered discretionary. Provide details on the costs for each of the following items as noted in reference 2: new warehouse, fabrication shop, office, shop relocation, as well as any other items budgeted over $500 000.

Corunna Compressor Plant:	Brief Description	Estimated Cost (000's)	Discretionary? (Yes/No)
New Warehouse			
Fabrication Shop			
Office			
Relocation Costs			
(add more rows as needed)			
(other, less than $500 000)			
Total		**5 500**	

(d) Please provide documentation of Enbridge's decision making process, including alternatives considered, and how the decision was reached to build a new warehouse, fabrication shop, and office, as well as the decision to relocate the existing shop to the current warehouse building.

28. ISSUE B4: Is the proposed budget for Storage Capital Expenditure appropriate?

Ref: Ex. B1 / Tab 5 /Sch 1 / P. 2 / Line 5

Enbridge states that: "The Corunna (Tecumseh) Compressor Plant C of A, issued by the MOE on October 31, 2008, contains specific terms and conditions under which the station is allowed to operate. Currently, the station is having trouble meeting some of the air and noise emissions targets set out in the C of A and capital expenditures are required to ensure compliance."

Please provide a copy of the terms and conditions which the Corunna Compressor station is required to meet. State which terms and conditions the compressor station is currently not complying with, and state the penalties for non-compliance with these terms and conditions.

29. ISSUE B4: Is the proposed budget for Storage Capital Expenditure appropriate?

Ref(1): Ex. B1/ Tab 5 /Sch 1 / P. 2 / Line 5
Ref(2): Ex. B1/ Tab 2 /Sch 2 / P. 7/ line 103

1) At Reference (1), Enbridge states: "the Company is also purchasing some farm properties that are close to the Corunna Compressor Station. Ownership of these lands will eliminate the possibility of someone building a home or workplace near the station and becoming a noise and emission receptor."

2) On Page 7 of the Table in Reference (2), under the heading "Storage Plant," for line item 103 (Purchase of Farm Properties) in the column "Description/Justification" Enbridge states the following: "Purchase additional lands to ensure that there will be no residential noise and emissions receptor in close proximity to the Tecumseh Corunna Compressor Station. **Required for MOE compliance**."

3) Are there any established "set back" standards that Enbridge can rely on (e.g. no dwellings within 500 m?

(a) Please provide a copy of the terms and conditions which the Corunna Compressor station is required to meet, and state which terms Enbridge believes necessitate the purchase of the relevant farm properties.
(b) Has the MOE required Enbridge to purchase these farm properties?

(c) If the MOE does not require the company to purchase the properties, please provide any reports, meeting notes, internal presentations, memoranda, or emails that document the decision to purchase the farm properties, including any alternatives considered. Provide reasons why the Company decided to purchase the properties with consideration to consumers and the Company.

(d) Did Enbridge explore a process of Notice and/or rezoning of the properties to address issues with respect to, but not limited to, residential noise and emissions?

30. ISSUE B4: Is the proposed budget for Storage Capital Expenditure appropriate?

Ref: Ex. B1 / Tab 5 /Sch 1/ P. 2-3

At line 6 Enbridge states, in relation to the “Storage Pool Gas Metering Replacement” project: “The intent of this project is to replace and upgrade all storage pool metering to include bi-directional, ultrasonic flow measurement, on-line gas composition analysis and moisture measurement to meet current accepted standards of Measurement Canada. In 2009 the Company’s Executive Management Team approved this project for completion by 2011 although changes to the Wilkesport Metering Station will not occur until 2012. The expected cost of this upgrade is estimated at about $21 million. This project is expected to be complete prior to the end of the Test Year.”

At line 8 Enbridge states, in relation to the “Reservoir Observation Well Drilling” project: “This capital project will see relatively low cost observation wells drilled into these porous structures to assess their respective porosity and permeability and any indicated connection with the gas storage structures. It is proposed that the wells be drilled as test wells to evaluate each structure and that they be retained as observation wells to monitor the pressures in each respective gas accumulation. The Company expects to spend $6.6 million for the Observation Wells before the Test Year.”

(a) Please provide an update on the forecast spending on these projects for 2012 and 2013. Are both of these projects expected to be complete before the end of the test year?

(b) Are the requested facilities the subject of any current or recent Board proceedings?

31. ISSUE B5: Is the forecast of Customer Additions appropriate?

Ref: Ex. B3 / Tab 2 / Sch 3 P. 2

At line 2, Enbridge states that, “The customer additions forecast for 2013 has been developed using a grass roots approach. Information considered in developing this forecast include the Economic Outlook, information from builders provided by Regional Operations and the impact of customer growth initiatives. The groups involved in providing this information have collectively developed this forecast with consensus. This approach has been used by the Company in previous rate applications and replicates a process that has been accepted in settlement proposals and **Board decisions**.” (Emphasis added)

(a) Please provide any reports, notes, memoranda, or presentations prepared and/or delivered to management relating to the development of the customer additions forecast.

(b) Provide the case number(s) for the “Board decisions” in which this forecasting methodology was approved as mentioned in the reference, and file the relevant evidence from the proceeding in which this forecasting methodology was originally described, implemented, and approved.

(c) If the customer additions forecast methodology has not been approved in a previous case, or has been altered from a previously approved methodology, please identify the following:

i. Which input variables were used?
ii. How were the input variables combined to create the output?
iii. Identify any factors that were discounted or given additional weight in preparing the forecast.
iv. Was any modeling or simulation undertaken?
v. File any reports or results of any studies related to the reparation of this customer additions forecast.

(d) Did the company consider or develop a range of forecasts? Why or why not?

(e) Did the company provide confidence intervals for this forecast, or can the company provide these? If yes, please provide the confidence intervals.

If no, please explain why the Company has not or cannot provide confidence intervals.

32. ISSUE C1: Is Enbridge's revenue forecast appropriate?

Ref: Ex. C1 /Tab 2/Sch 1 /Table 1

Table 1 shows the trend in the revenues derived from Gas Sales and Transportation of Gas from 2007 to 2013. Please explain the large decrease in Transportation of Gas and the corresponding increase in Gas Sales over the years. In the response, please include a discussion of changes in North American gas markets, changing gas prices, the status of other relevant energy prices, and shifts in customer choice with respect to direct purchase of gas.

33. ISSUE C1: Is Enbridge's revenue forecast appropriate?

Ref: Ex. C3 /Tab 1/ Sch 1 / p 5 / line item 23.

With respect to the $15.5 million revenue credit for "Miscellaneous", is this treatment consistent with the Black & Veatch Report filed in the evidence at D2 /Tab 5/ Sch 1?

34. ISSUE C1: Is Enbridge's revenue forecast appropriate?

Ref: Ex. C3 /Tab 5/ Sch 1 /

With respect to the expected 2013 deficiency for the Natural Gas Vehicles Program, please articulate the Company's intentions with respect to the natural gas vehicles program in general, and the program's impacts on the 2013 revenue requirement in particular.

35. ISSUE C4: Is the Average Use forecast appropriate?

Ref: Ex. C2 /Tab 2/ Sch 1 / para 27

What is the effect of the current, historically low gas prices on the average use model and its results? How significant is the price of gas relative to the other variables?

36. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / para 1

When did the Unaccounted For Variance Account ("UAFVA") first get approval from the Board? What were the reasons the Company requested the account? Has the rationale or need for this account changed over time? Please explain.

37. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / page 5 / Table 2

With respect to Table 2, please expand the table to include the figures for 2012 and 2013 and all Actual and Board-approved amounts (dollars and volume) since the account was first established. Please include the amounts included in rates, the UAFVA variance account amounts, and the disposition amounts.

38. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / page 5 / Table 2

With respect to Table 2, please explain why the 2006 actual UAF is a relatively low amount.

39. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / page 6 / Table 3

With respect to Table 3, please explain how a negative UAF can exist – per year 2004 where there is a negative volume of 22,406?

40. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / para 1

Please file the proposed language for the UAFVA for 2013.

41. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1

Please indicate what financial incentives exist for the Company to improve management of unaccounted for volumes of gas under the current rate setting and variance account regime.

42. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / para 1

Board staff proffers that it may improve the balance of shareholder and ratepayer interests if the Company had appropriate financial incentives to improve the management of gas losses on its system. Please provide the Company's view of the following proposal for UAFVA clearances in 2013 and forward:

> Any amounts in excess of, or less than, the variance account pivot point will be shared 50:50 as between ratepayer and the shareholder.

43. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1

In the Company's view, what would be an appropriate financial incentive structure to improve the management of unaccounted for volumes of gas?

44. ISSUE C5: Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Ref: Ex. D3 /Tab 4/ Sch 1 / page 5 / Table 2

With respect to Table 2, please explain why the Board-approved volume increased dramatically in 2011.

45. ISSUE C6: Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?

Ref: Ex. C1 /Tab 4/ Sch 1 / p1

Please provide a background explanation of how the opportunities for Transactional Services ("TS") arise. Please address at least the following questions:

1. How are TS opportunities identified by Enbridge?
2. Which assets are available for revenue generation?
3. How the revenues are derived and accounted for?

46. ISSUE C6: Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?

Ref: Ex. C1 /Tab 4/ Sch 1 / p4

Please provide the actual and forecast financial and operating information relevant to TS for the years 2007 through 2013. Please disaggregate the amounts into transportation and storage, and include the relevant operating costs and the amounts shared between ratepayers and shareholders.

47. ISSUE C6: Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?

Ref: Ex. C1 /Tab 4/ Sch 1 / para 11

With respect to the proposal to capture the negative variances in the TS deferral account, is this a new proposal that is different from the currently agreed-upon treatment? Please also clarify the specifics of the proposal to capture positive variance from the forecast level of TS revenue.

48. ISSUE C6: Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?

Ref: Ex. C1 /Tab 4/ Sch 1 / para 11

Please file the draft accounting language that would give effect to the Company's proposal for the TS deferral account in 2013.

49. ISSUE C6: Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?

Ref: Ex. C1 /Tab 4/ Sch 1 / para 11

Please file the currently approved accounting order language for the existing TS deferral account. Please also file the wording of the currently approved revenue sharing arrangement.

50. ISSUE C7: Is Enbridge's forecast of other service and late payment penalty revenues, including the methodologies used to cost and price those services, appropriate?

Ref: Ex. C1 /Tab 5/ Sch 1 / para 3

Please advise as to whether there are any changes proposed for the Direct Purchase Administration charge or any of the other service charges and/or late payment penalties.

51. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D3 /Tab 2/ Sch 3 / page 1

The table provides detail of the O&M expenses by "Cost Type" for 2012 and 2013.

Please provide a table by "Cost Type" for the years 2007 through 2013.

52. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D3 /Tab 2/ Sch 1 / page 2

With respect to the Depreciation expense, there is an increase in 2013 vs. 2012 of $10.7 million.

What is the amount of the increase in depreciation expense in 2013 if the old methodology had been continued into 2013?

53. ISSUE D1: Is the 2013 O&M budget appropriate?
Ref: Ex. D1/T3/S1/p1/Table 1

'Customer Care Service Charges' were approved in Board proceeding EB-2011-0226 via Settlement Agreement, which set customer care as $89.4 for 2013.

a) Please create 'Table 1A' similar to Table 1 by adding additional columns for historical actuals for 2010, 2009, 2008, and 2007.

b) Please complete the following table with year over year percentage increase or decrease by category

Table1-B: Year to Year O&M variances

	2013 v 2012	2012 v 2011	2011 v 2010	2010 v 2009	2009 v 2008	2008 v 2007	2013 v 2007
CIS							
RCAM							
DSM							
Pension Expense							
Other O&M							
Total Net Utility O&M Expense							

c) What is the average annual increase in Total O&M across the 6-year period from 2007 to 2013?

d) Please complete the following tables, removing CC/CIS project from the Total:

Table1-C1: Total Net Utility O&M Expense, less CC/CIS

	Budget 2013	Forecast 2012	Historical 2011	Historical 2010	Historical 2009	Historical 2008	Historical 2007
Total Net Utility O&M Expense							

Table1-C2: Year to Year variances (less CC/CIS)

	2013 v 2012	2012 v 2011	2011 v 2010	2010 v 2009	2009 v 2008	2008 v 2007	2013 v 2007
Total Net Utility O&M Expense (less CIS)							

e) Excluding CC/CIS, what is the average annual increase in Total O&M across the 6-year period from 2007 to 2013?

f) Please explain the significant increase in Pension Expense from 2012 Forecast to 2013 Budget, i.e. from $20.6M to $27.7M. Is the entirety of this increase due to accounting change? If not, please attribute the increase separately from the accounting change and any other sources.

g) Please comment on the total increase from 2011 over 2007 (a four year period), versus the increase in 2012 over 2011, and the requested increase in 2013 over 2012. Why are the annual increases significantly higher in the most recent years versus the increase in the previous 4-year period?

h) Please comment on the average annual increase to Total O&M in the most recent two years of the table (2013 Budget and 2012 Forecast) versus the increases in the earlier years of the IR plan, and versus the average annual increase to Total O&M as per Table1-C2 above.

i) There is an expectation of cost increases for Total O&M based on observed increases to the GDP-IPI and other input and/or consumer prices indices.

Please explain the portion of the increase in O&M that is attributable to inflation and/or input cost escalation, and explain the portion of the increase to Total O&M that cannot be explained by inflation and/or input cost escalation.

54. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p4/Table 2

Please file an additional table which provides historical actuals for 2011 and 2010, and an additional “2 year difference %” which reflects the increase for 2013 budget over 2011 actual.

55. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p5

Salaries and wages have increased by approximately 17.8% over 2011.

a) Please indicate what amount of this increase is attributable to:
   a. Merit increases
   b. New FTE additions

b) Please provide a table showing historical FTEs for each of 2007 to 2011, as well as forecast and budget FTEs for 2012 and 2013. Also provide the year over year increases in FTEs in this table. Provide the absolute and percentage FTE increase over the number of FTEs that are representative of the 2007 Board approved budget for salaries and wages. If this cannot be done exactly, please provide explanations and assumptions where necessary to accompany any estimates.

56. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref(1): Ex. D1/T3/S1/p5-para11 and p11-para32
Ref(2): EB-2011-0277 Decision, pp.14-17, issued May 10, 2012

1. Enbridge has requested increases to benefits of $4.5M at paragraph 5 of Ref(1), which includes increases attributable to “other post employment benefits”. At para 32 of Ref(1) Enbridge states that, “The pension expense is a function of whether it is in a deficit position, a matter beyond the Company’s control.”

2. At page 9 of the Decision in Ref(2), the Board panel stated that:
While the Company may not bear responsibility for, and may have no ability to influence interest rates or the overall performance of the financial markets, it does have the ability, and did exercise its judgment in making investment decisions which did not yield results sufficient to fund the plan. That is not to say that the Board would require the Company to meet an unrealistic standard of success in its investment decisions, especially at a time when the markets were generally underperforming. But **when [Enbridge] adopted the noncontributory pension plan, it accepted the responsibility to maintain funding for it.** (emphasis added)

At p.10 of the Decision in Ref(2) the Board denied Enbridge’s request for Z factor treatment for pension funding requirement.

a) What amount of the increases to benefits is attributable to “other post employment benefits”? Please indicate why the panel in this proceeding should approve this increase when Z factor treatment for pension funding was denied in EB-2011-0277.

57. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p5/para12 and page8-9/para 23

a) Please provide a breakdown of this $1.1 million increase by the factors described at the above reference.

b) Please explain why an increase in customer base has a direct effect on the costs described?

c) While the increase in outside services is only $1.1M over 2012, there is a significant increase 2012 over 2011.

d) Why has Enbridge decided to make significant increases to its advertising program in 2012? What is the overall increase vs. the overall advertising budget?

e) Why has Enbridge decided to increase activities on the sewer lateral programs? Is there a reason that increased spending on these activities was not contemplated in previous years to smooth costs?

f) To what extent do “inflationary pressures” weigh on the budgetary increases? Why is it a separate category?

58. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p6/para16

(a) Please explain this additional $2.9M for the “path to Zero” initiative, and why this project is necessary and incremental to Enbridge’s core safety initiatives.

(b) Is the project purely for the purpose of reducing safety incidents for the *regulated* company?

(c) Please provide a breakdown of the “incremental services required” by cost type.

59. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p5/para17

Why is Enbridge budgeting an additional $1.5 million for uncollectible accounts when natural gas rates are at or near historical lows? Did Enbridge consult any other energy price forecast other than the Consensus forecast? Is this budget changed when the gas prices change?

60. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p9/para27

Enbridge reports a $1.2 million increase in Rents and Leases at the reference above.

a) Please indicate what amount is for land easements, and what amount is for business growth at the head office facility.

b) Is the growth at the head office facility associated entirely with regulated utility functions?

61. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p10/para31

Enbridge states that, "The regulatory presentation of 2007 Board Approved amounts by department in some exhibits is an arbitrary allocation that simply involved prorating the total reduction… **An attempt to compare the costs line by line between the two distinct time period would lead to inaccurate interpretations** as the roles and responsibility of groups within departments have changed." (emphasis added)

1) How does Enbridge propose that a useful comparison be made between 2007 Board approved amounts and the 2013 application?

2) Would 2007 historical actual be a more appropriate comparator? If not, describe a suitable alternate form of comparison.

62. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p11/para32

Is Enbridge requesting any approval of the Board in this proceeding for the following:

- CC/CIS
- DSM
- RCAM

63. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p12/para33

a) Are the same 'salaries and wages' escalations applied to FTEs that are capitalized and recorded under the capital budget for 2013 and 2012? Please comment on the upward effect on the 2013 capital budget and 2012 forecast?

b) If the Board's Decision orders a reduction to Salaries and Wages, does Enbridge intend to apply the same hypothetical reduction to FTEs that are capitalized? If not, why not.

64. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p12/para34

Table 5 provides year to year FTE complements. It would appear that there has been a departmental reorganization sometime between 2007 and 2011 which has affected the number of FTEs in Supervisory and Management roles. There appears to be no change to classification of union (i.e. bargaining) employees.

a) Was there a reorganization as described above?

b) What was the purpose of this reorganization and reclassification of employees?

c) Is there any difference in any form of compensation between the two classes of employees (supervisory vs. management?

d) Please recast Table 5 to show FTE numbers in Budget 2013, Estimate 2012, and Historical 2011 staff in Supervisory and Management roles on the basis of which group they would have been recorded in 2007 Board approved.

e) Please provide a table showing the number of supervisory & management FTEs combined at Enbridge for each year since 2007. Provide actual numbers where possible, and forecast for 2012, and budget for 2013.

i. Please explain why there is a 32% increase in supervisory and management roles since 2007, and an 8% *reduction* in union staff over the same period. Please account for any explanatory trends associated with employee complement and type, and the type of work that each class of employee performs. Has the nature of work at Enbridge changed significantly in 2013 versus 2007?
ii. Please explain why there is approximately a 9.7% increase in supervisory & management' FTEs for 2012 forecast over 2011 actual.
iii. Please explain why there is a further increase of approximately 4% in 'supervisory & management' FTEs for 2013 budget over 2012 forecast.
iv. Please compare the absolute increase in FTEs for 2013 budget over 2007 historical versus the growth in the number of customers at Enbridge.

65. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p12/para33 and 34

a) Please complete the following table based on the information provided in paragraphs 33 and 34 at the above reference :

	FTEs total 2013	New FTEs 2013	FTEs total 2012	New FTEs 2012	FTEs 2011 (historical)
Integrity Management					
… (add columns as necessary)					

b) To the extent that Enbridge can provide a more meaningful table that provides the FTE increases by department or function, please provide an additional table, which similarly shows incremental and department/function number of FTEs before the incremental additions.

66. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D1/T3/S1/p13-14

a) Why has Enbridge decided to compare O&M cost per customer for 2013 against 2004?

b) Please provide a graph of Table 6, row 1 for the period 2007 to 2013.

c) Please provide a table of O&M cost increase (in constant dollars using GDP-IPI FDD) for 2013 budget against:
   a. 2007 historical actual
   b. 2008 historical actual
   c. 2009 historical actual
   d. 2010 historical actual
   e. 2011 historical actual
   f. 2012 historical actual

Compare these increases against the incremental customer additions over each period, and provide the reasoning for the increases.

d) Please provide O&M cost increase (in constant dollars using GDP-IPI FDD) for 2012 budget against 2011 historical actual. What is the source of this significant increase vs. all other years in Table 6?

67. ISSUE D1: Is the 2013 O&M budget appropriate?

Ref: Ex. D5 /Tab 2/ Sch 5 / Table 1

The table provided shows the summary of O&M Expenses by category from 2007 to 2013. Please add two rows: One that shows the year over year percentage increase in total costs and another that shows the annual rate of inflation in the Canadian economy year over year.

68. ISSUE D2: Is Enbridge's gas supply plan, including the forecast of gas, transportation and storage costs appropriate?

Ref: Ex. D1/T2/S1/p2

With respect to Delivered Supply Enbridge states that, "These supplies are forecasted to be acquired directly at Dawn. However, the Company may consider alternative sources such as western Canadian supply utilizing TCPL STFT capacity either for economic or operational reasons…"

a) Does the Enbridge forecast of 52.2 Bcf for Delivered Supply during the test year include anything other than supplies acquired directly at Dawn? If there are alternative sources of supply, indicate why such alternative arrangements would be in the interests of ratepayers?

b) Describe what economic or operational reasons might cause Enbridge to consider the alternative sources of delivered supply.

c) Has Enbridge forecasted its gas costs making use of any projects alternative sources as contemplated above? What effect would this have on the gas costs portfolio in terms of risks with respect to pricing, security of supply, and volatility?

69. ISSUE D2: Is Enbridge's gas supply plan, including the forecast of gas, transportation and storage costs appropriate?

Ref: Ex. D1/T2/S1/p4/para11

Enbridge states that, “The Company believes that the failure to deliver during periods of high demand in January and February 2011 are justification to maintain the same level of Peaking Supplies for 2013 as was forecast for 2012.”

a) It would appear that Enbridge is basing its forecast requirements for 2013 on one year, 2011. Please explain why this is a prudent approach.

b) Please provide a summary of failures to deliver of equivalent or worse severity to the January 2011 and February 2011 failures to deliver dating back to 2007.

70. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D2 / Tab 4 /Sch 2 (Navigant Report)

Navigant concludes on page 7 of its report that, “The higher standard deviation implies that the risk of larger and more frequent extreme cold events is higher compared with the data set that underlies EGD’s current design day.” Board staff presumes that Navigant bases its conclusion on the values in the “Annual Peak HDD Normals” table that it provides at the reference. In this table the Standard Deviation for the period 1957-1993 is stated as 2.24, and as 3.86 for the period 1994 through 2009.

1957-1993 represents a period of 37 years, while 1994-2009 is 16 years. 1957-1983 represents a period of 27 years, while 1984-2009 is 26 years.

a) Has the resolution of temperature measuring equipment improved over the period from 1957 to 2009? If so, please comment on the potential that this may result in the observation of higher or lower observed temperatures, and any error this may introduce non-uniformly throughout the data.

b) Please provide a table of “Annual Peak HDD Normals” that uses the period 1957-1983 and 1984-2009. This provides two periods that are similar in duration (27 and 26 years).

    i. Please comment on the effect on the standard deviation of these two periods.

c) Based on the observations in part (b), please indicate whether Navigant Consulting wishes to adjust or withdraw its conclusion regarding higher standard deviation and more extreme cold weather events over the recent period.

d) It is difficult to determine the statistical significance of the difference between the reported averages and standard deviations in the Navigant Report. Please test the significance of the difference between the average over each period and standard deviation over each period, as each is reported in Table 1, by calculating and providing the following:

i. The test statistic and p-value for a t-test of the null hypothesis that the mean Peak HDD from 1957 to 1993 is equal to the mean Peak HDD from 1994 to 2009 ; and
ii. The test statistic and p-value for a test of the null hypothesis that the standard deviation from 1957 to 1993 is equal to the standard deviation from 1994 to 2009.

In both cases clearly state any assumptions needed to calculate the statistics.

e) In Table 1 Navigant has claimed that the mean is lower in the more recent period as compared with the period from 1957-1993. In conjunction with Navigant's statement that "higher standard deviation implies that the risk of larger and more frequent extreme cold events is higher," please explain how a lower average peak temperature but a higher standard deviation implies that the risk of "larger" and "more frequent" extreme cold events is higher.

f) What region or regions does the data in Table 1: Comparison of Historic Temperatures include?

g) Regarding the HDD peaks for the three regions for which data was provided, please respond to the following:

i. In developing the proposed new Design Day Criteria, does Enbridge consider the likelihood of a HDD peak occurring in all regions simultaneously, or are the peak HDDs in each of these regions presumed to occur independently?
ii. Regardless of the previous answer, is it possible that the company or its customers would be exposed to additional risk if HDD peaks were to occur simultaneously (or near simultaneously) in all three regions?
iii. Are there any operational considerations or other constraints which make planning and designing for the possibility of simultaneous peaks in all three regions unnecessary?

h) Please complete the following table, using the same source data as that used to produce Table 1.

h) Peak HDD[1] by Region	Central			Eastern			Niagara		
	1957 -1993	1994-2009	1957-2009	1957 - 1993	1994-2009	1957-2009	1957 - 1993	1994-2009	1957-2009
Number of observations[2]:									
Minimum									
Average									
Maximum									
Standard Deviation									
Date of Coldest Day									
Date of Warmest Day									

i) Please complete the following table for all regions, using the same source data as that used to produce Table 1.

i) Peak HDD[3] All Regions	All Regions		
	1957 - 1993	1994-2009	1957-2009
Number of observations[4]			
Minimum			
Average			
Maximum			
Standard Deviation			
Date of Coldest Day			
Date of Warmest Day			

[1] Please use the same method to calculate "Peak HDD" as that used to compile the "Peak HDD Normals" statistics in Table 1.
[2] Please provide the number of HDD data points used to calculate the statistics in the table.
[3] Please use the same method to calculate "Peak HDD" as that used to compile the "Peak HDD Normals" statistics in Table 1.
[4] Please provide the number of HDD data points used to calculate the statistics in the table.

(j) Please complete the following table for each region, using the same source data as that used to produce Table 1. Please use all the HDD data (that is, the HDD observations for every day in the sample, not only peak days) to calculate the statistics in this table.

j) Total HDD by Region	Central			Eastern			Niagra		
	1957 - 1993	1994-2009	1957-2009	1957 - 1993	1994-2009	1957-2009	1957 - 1993	1994-2009	1957-2009
Number of observations[5]									
Minimum									
Average									
Maximum									
Standard Deviation									
Date of Coldest Day									
Date of Warmest Day									

(k) Please complete the following table for all regions, using the same source data as that used to produce Table 1. Please use all the HDD data (that is, the HDD observations for every day in the sample, not only peak days) to calculate the statistics in this table.

k) Total HDD all Regions	All Regions		
	1957 -1993	1994-2009	1957-2009
Number of observations[6]			
Minimum			
Average			
Maximum			
Standard Deviation			
Date of Coldest Day			
Date of Warmest Day			

[5] Please provide the number of HDD data points used to calculate the statistics in the table.
[6] Please provide the number of HDD data points used to calculate the statistics in the table.

71. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D2 / Tab 4 / Sch 2 (Navigant Report)

At page 7 of the Navigant report, Navigant states: “We used a standard form of autoregressive equation, shown below.”

At Page 8 of the Navigant Report, Navigant states: “All of the residuals from each of the 365 days of the year were then used to estimate a probability distribution of the random weather variation which might occur on that day of the year.”

a) What types of meteorological, statistical, or other regression models did Navigant consider when developing the HDD regression model before choosing the autoregressive (AR) specification to model HDDs?

b) Please describe which observations were included in the data set used to estimate the AR model. Confirm that all 365 days of each year were used to estimate the model. Please specify which years were used in the estimation, and state how many data points were used in total to estimate the model.

c) Please confirm that, in general, an autoregressive regression model is statistically valid only if the data used to estimate it is stationary.

   i. Please provide the results of *Dickey Fuller* and *Phillips Perron* tests for stationarity of the HDD data used to estimate the AR model. State the assumptions required to conduct each test.
   ii. What conclusions about the stationarity of the data used in the Navigant study would Enbridge and/or Navigant draw from the stationarity tests performed above?

d) Please explain how seasonal variation is accounted for in the AR model. Did Navigant estimate other specifications that would account for seasonality, and were these models rejected? Did Navigant test any models which included an interaction between HDD and either the monthly dummy variable or any other seasonal variables?

e) Please report the coefficients of the AR model estimated by Navigant.

f) Please report the statistics for the likelihood ratio, Lagrange Multiplier, and Wald tests of significance for the coefficients in the AR model. Please report, for each test, the test statistics and p-values for the hypothesis that each of the coefficients in the model are individually zero.

g) Does Navigant agree with the following interpretation of the coefficient on HDD_{t-1}: ‘beta one captures the fraction of variation in HDD today that can be explained by the HDD yesterday’?

i. If Navigant agrees with the statement directly above please explain how the coefficient in this model accounts for seasonal changes in temperature over the course of the year.
ii. If Navigant disagrees with the statement, please provide an interpretation for the coefficient on HDD_{t-l} in the AR model.
iii. Please explain how the specification of the AR model accounts for the seasonal fall in temperatures from early winter to mid-winter, and the seasonal increase in temperatures from mid-winter to early spring.
iv. Does the specification of the AR model imply that the relationship between the temperature on any given day and the temperature on the following day is *constant* over the course of the period? By way of example, does the AR model imply that the relationship between the temperature on November 1 and the temperature on November 2 *is the same* as the relationship between the temperature on January 1 and the temperature on January 2, which is in turn the *same* as the relationship between the temperature on March 29 and the temperature on March 30, subject to the random variation in the error term and adjusted by the coefficient on the monthly dummy variables?

72. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D2 / Tab 4 / Sch 2 (Navigant Report)

At page 8 of the Navigant report, Navigant states: “The Autoregressive form of regression analysis was used to **identify** the relationship between one day’s temperature and the next.”

a) Which statistical tests for identification were conducted by Navigant in preparation of the Report to support this statement? Please provide the test statistics and p-values for these tests, stating all assumptions required to conduct each test.

b) Were any residual-based tests conducted to check for autocorrelation or heteroskedasticity in the residuals of the AR model? Please state which residual based tests were used, the test statistics from those tests, and the associated p-values. State any assumptions required to conduct each test.

73. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D2 / Tab 4 / Sch 2 (Navigant Report)

At page 8 of the Navigant report, Navigant states: “All of the residuals from each of the 365 days of the year were then used to estimate a probability distribution of the random weather variation which might occur on that day of the year. The Monte Carlo simulations were calculated using the estimated parameters of the regression model, with a random shock applied in each period. **Each period’s random shock was generated using the probability distribution estimated for that period using the regression equation residuals.**”

a) Please clearly state the **period** which Navigant used to generate the probability distribution for weather variation and from which the random shocks in the Monte Carlo simulation were drawn. Does the period refer to each calendar day in each year from 1957-2009? By way of example, does one “period” refer to the set of observations (January 1, 1957; January 1, 1958; . . .January 1, 2009), and the next “period” the set of observations (January 2, 1957; January 2, 1958; . . .January 2, 2009), and so on?

b) Please state whether the following is the correct interpretation of the steps Navigant took to conduct this Monte Carlo simulation:
Step 1. Calculate residuals from AR(1) model
Step 2. Using the residuals from each January 1 observation from 1957 to 2009, estimate a unique probability distribution associated with the date January 1.
Step 3. Repeat Step 2 for each of the remaining days in the sample (that is, January 2, January 3, up to December 31).
Step 4. Perform Monte Carlo simulation on each day of the sample (e.g., for each of January 1, January 2, up to December 31), using the estimated parameters from the AR model and with random shocks drawn from the distribution estimated for each day of the year in steps b and c.

c) If the interpretation of the steps Navigant took to conduct this Monte Carlo Simulation above is not correct, please provide a comparable list of the steps Navigant took to conduct the Monte Carlo simulation. State any assumptions and clarify which days of each year and which years were used in both the estimation and simulation stages.

d) Board staff draws the conclusion from the above noted reference that Navigant estimated separate, unique probability distributions for weather variation on each calendar day of the year, which were then used in the Monte Carlo simulation. Please confirm Yes or No.

i. If the answer to d) is “yes,” please state if Navigant agrees with the following statement:

Estimating separate probability distributions for each calendar day of the year implies that the variation in each calendar day’s weather is assumed to be different on each calendar day of any given year, but the same on each calendar day from year to year.

If Navigant agrees with this statement, please explain why this approach to the Monte Carlo simulation is preferable to an approach in which the variation in each day’s weather is not assumed to be different on each calendar day of the year.

If Navigant does not agree with this statement, please explain why Navigant disagrees and explain what assumptions Navigant has made about the variation of weather from one day to the next in a given year and on each day from year to year.

ii. If the answer to D) is “no,” please clearly describe the data which Navigant used to estimate each of the probability distribution(s) that were used in the Monte Carlo simulation. State any assumptions about the variation of weather across days and years required to use these estimated distributions in the Monte Carlo simulation.

74. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D2 / Tab 4 / Sch 2 (Navigant Report)

At page 9 of the Navigant report, Navigant states: “We examined the results for all three sites to validate the methodology. For the Central Region, the HDD Monte Carlo model reasonably predicted historical period normals. The daily normal HDDs for winter calculated from the Monte Carlo trial values were very close to those calculated from actual data. The largest daily absolute difference is 2.9%; over the entire period, the average absolute difference is 0.8%, as shown in the following chart. This gave confidence to apply the technique to the other two sites.”

Did Navigant validate the methodology for all three sites or only for the Central region? Is Navigant relying only on the “confidence” it gained from the “validation” of the results for the Central region to justify the use of this methodology for the other regions?

75. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref(1) : Ex D2 / Tab 4 /Sch 2 (Navigant Report)
Ref(2): Ex D2 / Tab 4 /Sch 1
Ref(3): E.B.R.O. 490, Partial Decision with Reasons, August 29, 1995, Chapter 3, page 16
Ref(4) : Ex D1 / Tab 2 / Sch 3, p. 7
Ref(5): D2/T4/S2/ page 9

At Reference 1, in pages 24-25 (Appendix B) of the Navigant report, entitled "Multi-Peak Day Analysis Supplement," Navigant states on page 24 that: "The peak periods were defined in the same manners as Enbridge's existing multi-peak methodology." Navigant includes the results of the Multi-peak analysis in a table on page 25.

At Reference 2 on pages 1-2, Enbridge states, in relation to the current design day criteria, "The design day criteria has a multi-peak feature, in which six peak days in each high-demand month of January, February, and March are identified and planned for."

At Reference 3, para 4.20.2, the Board noted that "The Company [Consumers' Gas, now Enbridge] currently uses a single peak day design" with a recurrence interval of one in four years… The Company's new proposed Multi-Peak ("MP") design is based on a recurrence interval of one in five years, ("20 percent MP") which the Company claimed was somewhat more conservative than the current design…"

At reference 4, on page 7, line 18, Enbridge states: "Enbridge is seeking Board Approval to modify the Design Criteria. . . **The company is not proposing to change the multi-peak elements of the current Design Criteria. Rather, Enbridge is requesting a change to the values associated with each multi-peak as determined in the Design Criteria Study produced for the Company**. . . Enbridge is also requesting that the recurrence interval assumed for developing gas supply plans be lengthened from the current 1 in 5 recurrence to a 1 in 10 recurrence interval." Board Staff observes that the values Enbridge is proposing to adopt are the same as those reported in the Navigant study at reference 5, page 9, in the Table titled: "Monte Carlo Trial Distribution Fits for Design Day". (emphasis added)

a) Please state why Enbridge is proposing to adopt the values from the single peak HDD day study conducted by Navigant, as opposed to the values from the multi-peak study conducted by Navigant?

b) In E.B.R.O. 490 it was Enbridge's evidence that Multi-Peak is "more conservative" than the pre-1995 design, which used a single peak day design. In the current application, Enbridge and Navigant appear to make the opposite statement in adopting a single HDD value for each of the three regions. Please reconcile this seemingly contradictory evidence.

76. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D1 / Tab 2 / Sch. 3

At line 20 on page 9 Enbridge states "Figures 1 through 3 show the coldest day, as measured by HDDs, in each of the three weather zones within the Company's franchise area . . . The trend line contained in each Figure shows that for all three weather zones peak HDDs have been following a slight downward trend."

At line 21 on page 10 Enbridge states "More importantly, however, peak HDDs have also exhibited an increase in volatility, particularly since the last update of the Company's Design Criteria. Table 2 compares the standard deviation of peak HDDs for the periods prior to and following 1994."

a) Board staff has difficulty assessing the statement "slight downward trend." Please test the statistical validity of this statement. Using a t-test, test the hypothesis that the slope of each line in the three Figures is equal to zero. Report the slope of each line, the standard error of the slope of each line, the test statistic and the p-value for the test statistic.
b) State whether Enbridge wishes to modify or withdraw the statement that "all three whether zones peak HDDs have been following a slight downward trend."
c) Please test the statistical validity of the statement "peak HDDs have also exhibited an increase in volatility". Using a t-test, test the hypothesis that the standard deviation from 1957-1993 is equal to the standard deviation reported for 1994-2009 for each region. Report the test statistic and the p-value for the test statistic. State any assumptions used to perform the test.
d) State whether Enbridge wishes to modify or withdraw the statement that "peak HDDs have also exhibited an increase in volatility."

77. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex D1/T2/S3/p2

At paragraph 4 of the reference above, Enbridge states that, “Failing to assume an appropriate level of demand on peak day exposes a utility’s gas supply plan to the risk of not being able to meet demand on that day as a result of not contracting for **sufficient** transportation and storage capacity or **ensuring appropriate levels of gas in storage**. The inability to meet peak day demand can result in low distribution system pressure or, in the extreme, system outages along with the economic implications of not having natural gas available for consumption.” (emphasis added)

a) Please confirm based on the above statement that Enbridge’s ability to meet critical peak days is function of, *inter alia,* gas in storage? If yes, please explain the implications of gas in storage on peak demand periods, including the effects that a reduced level of gas in storage has on distribution system pressure, if any. If there are critical thresholds, in reference to “in the extreme” above, for gas in storage, and potential effects on distribution system pressure, deliverability, and system outages, please provide these thresholds and comment on the likelihood that they could occur.

b) Provide the following information regarding peak level of gas in storage by Enbridge Gas at the outset of the heating season dating back to 2001:

	A	B1	B2	C1	C2	D(B1 - C1)
Heating season	Maximum available Gas Storage capacity	Peak Gas in storage (Bcf)	Date recorded	Minimum Gas in storage recorded in heating season (Bcf)	Date recorded	Net gas withdrawn/ (injected) during heating season
2001/2002	…	…	…	…	…	…
2002/2003	…	…	…	…	…	…
…	…	…	…	…	…	…
2011/2012						

c) Please comment on Enbridge’s use of Gas in Storage to serve its peak day requirements in recent years. Has Enbridge withdrawn less gas from storage on annual basis than in the pre-1995 period referenced in the Navigant report? The 2011/2012 heating season was a historically warm period, please comment on the level of withdrawal during the 2011/2012 heating season.

d) Enbridge notes in paragraph 5 that, “The addition of temperature sensitive loads increase variability in daily demand”. However, is it not true that the same increase in residential customers compared to overall demand results in a *more* accurate near term forecast associated with severe cold weather events to plan for these events? (One might assume that cold weather events (and the associated demand peak) could be forecast days in advance, while other temperature insensitive loads could not be forecast with the same accuracy.

78. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex D1/T2/S3/p3

Enbridge states that, “When an issue related to Design Criteria was raised in consultations in the “System Reliability” proceeding, it was suggested that the issue should be treated separately in a different proceeding. The Company has chosen to address the issue in this case.”

a) Is it necessary for the Board to make a decision or otherwise approve a change to the Design Criteria in this proceeding?
b) Could this decision be made in a subsequent standalone proceeding?

79. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: D1/T2/S3/p3

Enbridge states that, “[A] longer recurrence interval produces a less risky gas supply and transportation portfolio, all else equal, as a result of a higher peak day HDD assumption.”

Please confirm that a “less risky” portfolio results in a more conservative gas supply plan and is accompanied by a significant increase in costs to customers. Has Enbridge surveyed its residential customers with respect to the incremental costs? (of both gas purchases/contracts and incremental infrastructure)

80. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: D1/T2/S3/p5/para13

Enbridge states that “all other utilities surveyed utilize longer recurrence intervals in their Design Criteria. This means that of all utilities surveyed, Enbridge’s Design Criteria are the riskiest.”

a) Is it not necessary to know a number of properties of the comparator utilities, i.e. weather variation, storage availability and profile, geographic size or the service area, sources of supply, among other things, to make confirm the validity or invalidity of Enbridge’s statement?

b) Is Enbridge’s statement perhaps an over-simplification or over-generalization that would only be true if the comparator utilities had an *identical* profile (with respect to composition, availability of storage, weather “peakiness”, etc.) to Enbridge? Please explain how Enbridge was able to conclude that Enbridge was the riskiest.

81. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: Ex. D1/T2/S3/p17

At the reference Enbridge states that, “The Company is proposing to synchronize its Planning Design Criteria and Design Criteria with the exception of Peterborough which would remain at 46 HDDs.” Enbridge has clearly identified three regions (Central, East, Niagara) for which it has requested distinct heating degree days.

Enbridge has provided no evidence to support this requested exemption, from the new Design Criteria, to apply to Peterborough. Please provide the reasons why Enbridge has proposed that Peterborough be exempted from Enbridge’s Design Criteria.

82. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref(1): Ex. D1/T2/S3/p7
Ref(2): Ex. D1/T2/S1/p6/para13

Enbridge indicates at Ref(2) that, “The impact on 2013 gas costs [of the change to PGDDC] would be an incremental $66.2 million or $74.5 million of unutilized transportation cost impacts in total.”

a) Does the above estimate include the cost of incremental infrastructure associated with the higher requested heating degree day? If not, what are the gas *and* infrastructure implications that are tied directly to this additional volume of gas an throughput capacity.
b) Is the need for the GTA reinforcement project affected if the heating degree day forecast is not adjusted to 43.7 as in Enbridge's proposal?
c) Please provide additional gas supply requirements and incremental capital spending requirements associated with varying HDD for the Central Region.

Central Region – HDD / Design Criteria Sensitivity

Peak Day HDD	Incremental gas supply required (Bcf)	Cost of incremental gas supply	Cost of Incremental capital spending [7]	Total Cost associated with new Design Criteria ($)
39.5 (current)	0	0	0	0
40.0				
40.5				
41.0				
41.5				
42.0				
42.5				
43.0				
43.7(application)				

d) Repeat the table above for each of the Eastern and Niagara regions.

83. ISSUE D3: Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?

Ref: D1/T2/S4/p1-2

Enbridge reported approximately 22% non-compliance with curtailment instructions for the 'January 2011 incident' and 30% non-compliance with curtailment instructions for the 'February 2011 incident'.

a) In the Company's opinion, is the penalty associated with taking unauthorized overrun gas appropriate? In answering this question, please make reference to observed levels of non-compliance with the company's curtailment policies and how Enbridge intends to rectify this non-compliance.

[7] i.e. Necessity to expand/build/reinforce distribution network with respect to Planning Design Criteria

b) Please comment on the potential effects on peak day gas requirements for non-compliance with curtailment periods.

84. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits (“OPEB”) Expense on an accrual basis commencing January 1, 2013?

Ref(1): Ex. A2/Tab3/Sch 2/Appendix A Mercer Report, Updated Estimated 2013-2017 Accrual Costs – EGD Pension Plans – 01 June 2012

Ref(2): Ex. A2/Tab3/Sch 2/Appendix B Mercer Report, Updated Estimated 2013-2017 Cash Funding Costs – EGD Pension Plans – 01 June 2012

a) Has EGD’s external auditor audited or reviewed Appendix A and Appendix B prepared as at June 1, 2012, including the assumptions used?

   i. If so, do the reports reflect the auditor’s comments?
   ii. If not, when will the external auditor’s audit or review take place?

b) Have these documents been filed with the FSCO or CRA?

   i. If so, have comments been received form the FSCO or CRA?

85. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits (“OPEB”) Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. D1/Tab 3/ Sch 2/ Page 6 & 7

a) Regarding the increase in Pension Expense from 2011 to 2012 and from 2011 to 2013, please explain if this increase due to the approximate $17 million Z-factor for pension contributions which was denied in the EB-2011-0277 Board decision.
   ii. If so, why should the Board grant recovery of the approximate $17 million amount in this proceeding if it was denied in EB-2011-0277?

86. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to

recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 2/ Appendix B to Appendix B/ Estimated 2013-2017 Cash Funding Costs – EGD Pension Plans – 26 October 2011

a) Please provide a copy of EGD's annual Actuarial Cost Certificate as at January 1, 2012.

b) Has EGD's external auditor audited or reviewed the January 1, 2012 Actuarial Cost Certificate, including the assumptions used?
   iii. If so, does the report reflect the auditor's comments?
   iv. If not, when will the external auditor's audit or review take place?

87. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: EB-2011-0277 Oral Hearing Transcript, January 24, 2012, page 128
Ex. A2/ Tab 3/ Sch 2/ Page 2 & 3

EGD is proposing to switch to the accrual basis from the cash basis for regulatory purposes for pension in this proceeding, effective January 1, 2013. In EB-2011-0277 Oral Hearing Transcript, January 24, 2012, page 128, line 17-19, EGD referenced that under USGAAP, EGD may be able to remain on the cash basis for pension for financial reporting purposes.

a) Please provide the reference in the USGAAP standards which would allow EGD to record pension costs on a cash basis for financial reporting purposes.

b) If the cash basis is used for both financial reporting and rate-making purposes for pension, please list the advantages and disadvantages to ratepayers and to EGD.

c) EGD has listed the general benefits and ratepayer impact of using the accrual basis for pension expense for financial reporting purposes and regulatory purposes at Ex. A2/ Tab 3/ Sch 2/ Page 2 and page 3. Please specifically list the advantages and disadvantages to ratepayers and to EGD if the accrual basis is used for both financial reporting and rate-making purposes for pension.

d) If the accrual basis is used for financial reporting purposes and the cash basis is used for regulatory purposes for pension, please list the advantages and disadvantages to ratepayers and to EGD.

88. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 2/ Page 2 & 3

EGD did not apply to the Board to switch from the cash to accrual basis for pension for regulatory purposes in 2000 when the CICA Handbook changed. EGD also had the opportunity to apply to the Board to switch to the accrual basis for pension for regulatory purposes in 2009 when the CICA Handbook change impacted rate-regulated companies.

a) Please explain why EGD did not make an application to the Board to switch to the accrual basis for pension for regulatory purposes both in 2000 and 2009.

b) Please provide reasons why the Board should grant EGD's request to switch to the accrual basis for pension for regulatory purposes effective January 1, 2013, in light of the fact that EGD had the opportunity to bring the matter before the Board both in 2000 and 2009.

89. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 2/ Page 2 & 3
Ex. M1/ Tab 1/ Sch 4

Please describe the regulatory tax implications generated from the following, specifically the impact on the regulatory tax provision in the 2013 Test Year, and where this is reflected in EGD's evidence. If the regulatory tax implications are not incorporated into EGD's evidence, please provide updated evidence where necessary.

a) EGD's proposed switch from the cash basis to the accrual basis for pension for regulatory purposes
b) EGD utilizing the cash basis for pension for regulatory purposes

c) EGD utilizing the accrual basis for pension for regulatory purposes

90. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 2/ Page 2 & 3

a) Please provide the full actuarial valuation report as at December 31, 2009 for pension and the accounting valuation report as at December 31, 2011.
b) Please confirm if EGD's external auditors have audited or reviewed the reports, including the assumptions used. Please provide supporting documentation.

   i. If so, do the reports reflect the auditor's comments?
   ii. If not, when will the external auditor's audit or review take place?

91. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/Tab3/Sch 2/Appendix A Mercer Report, Updated Estimated 2013-2017 Accrual Costs – EGD Pension Plans – 01 June 2012

Ex. A2/Tab3/Sch 2/Appendix B Mercer Report, Updated Estimated 2013-2017 Cash Funding Costs – EGD Pension Plans – 01 June 2012

EGD updated its assumption of the discount rates for defined benefits pension costs to 4.33% for the accrual basis of recording pension costs.

As per page 12 of Appendix A, Mercer stated:

> The discount rate assumption has been updated from the rate used in the December 31, 2011 valuation to reflect market conditions as at March 31, 2012 and the CIA discount rate methodology proposed in September 2011.

As per page 19 of Appendix B, Mercer stated that the discount used for the cash basis of recording pension costs is 5.75%.

a) Please provide the yield curve to show that the discounted rates used is supported by the yield curve of long term bonds. Please describe the yield curve used. Please explain.

b) Please provide the discount rate used in the December 31, 2011 valuation and the supporting documentation.

c) Please also demonstrate that the long term bonds selected by EGD covering a time period horizon approximate the period of EGD's future benefit payments for its defined benefit pension plans.

d) Please explain why the discount rate used for the valuation on the accrual basis is 4.33% in Appendix A and on the cash basis is 5.75% in Appendix B as at December 31, 2011.
   i. Please explain why two different rates are used as at December 31, 2011. Please reconcile the differences.
   ii. Please explain the implications of these two different discount rates on the 2013 Test Year pension expense calculated on an accrual basis and the 2013 Test Year pension expense calculated on a cash basis.

e) Expected rate of return on invested assets for EGD – RPP is 7% as per page 17 of Appendix A on an accrual basis and 6.64% as per page 21 of Appendix B on a cash basis.

   i. Please explain why two different rates are used as at December 31, 2011. Please reconcile the differences.
   ii. Please explain the implications of these two different discount rates on the 2013 Test Year pension expense calculated on an accrual basis and the 2013 Test Year pension expense calculated on a cash basis.
   iii. Please explain further how the expected returns on plan assets are determined.
   iv. Please provide EGD's internal analysis of these two figures.

92. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref(1): Ex. A2/Tab3/Sch 1/Appendix 4 Mercer Report, Updated Estimated 2013-2017 Cash Costs – EGD Non-Pension Post-Retirement Plans – 19 January 2012

Ref(2): Ex. A2/Tab3/Sch 1/Appendix 5 Mercer Report, Updated Estimated 2013-2017 Accrual Funding Costs – EGD Non-Pension Post-Retirement Plans – 19 January 2012

a) Has EGD's external auditor audited or reviewed Appendix 4 and Appendix 5 prepared as at January 19, 2012, including the assumptions used?

i. If so, do the reports reflect the auditor's comments?
ii. If not, when will the external auditor's audit or review take place?

b) Have these documents been filed with the FSCO or CRA?

i. If so, have comments been received form the FSCO or CRA?

93. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 1

EGD is proposing to switch to the accrual basis from the cash basis for regulatory purposes for OPEB in this proceeding, effective January 1, 2013.

a) Please confirm that the cash basis cannot be used for financial reporting purposes for OPEB under USGAAP.

   i. If this is not the case, please list the advantages and disadvantages to ratepayers and to EGD if the cash basis is used for both financial reporting and regulatory purposes for OPEB.

b) EGD has listed the general benefits of using the accrual basis for OPEB or financial reporting purposes and regulatory purposes at Ex. A2/ Tab 3/ Sch 1/ Page 7. Please specifically list the advantages and disadvantages to ratepayers and to EGD if the accrual basis is used for both financial reporting and regulatory purposes for OPEB.

c) If the accrual basis is used for financial reporting purposes and the cash basis is used for regulatory purposes for OPEB, please list the advantages and disadvantages to ratepayers and to EGD.

94. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 1

EGD did not apply to the Board to switch from the cash to accrual basis for OPEB for regulatory purposes in 2000 when the CICA Handbook changed. EGD also had the opportunity to apply to the Board to switch to the accrual basis for OPEB for regulatory purposes in 2009 when the CICA Handbook change impacted rate-regulated companies.

a) Please explain why EGD did not make an application to the Board to switch to the accrual basis for OPEB for regulatory purposes both in 2000 and 2009.

b) Please provide reasons why the Board should grant EGD's request to switch to the accrual basis for OPEB for regulatory purposes effective January 1, 2013, in light of the fact that EGD had the opportunity to bring the matter before the Board both in 2000 and 2009.

95. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref(1): Ex. A2/ Tab 3/ Sch 1
Ref(2): Ex. M1/ Tab 1/ Sch 4

Please describe the regulatory tax implications generated from the following, specifically the impact on the regulatory tax provision in the 2013 Test Year:

a) EGD's proposed switch from the cash basis to the accrual basis for OPEB for regulatory purposes
b) EGD utilizing the cash basis for OPEB for regulatory purposes
c) EGD utilizing the accrual basis for OPEB for regulatory purposes

96. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref: Ex. A2/ Tab 3/ Sch 1

a) Please provide the full actuarial valuation report as at December 31, 2009 for OPEB and the accounting valuation report as at December 31, 2011.

b) Please confirm if EGD's external auditors have audited or reviewed the reports, including the assumptions used. Please provide supporting documentation.

i. If so, do the reports reflect the auditor's comments?
ii. If not, when will the external auditor's audit or review take place?

97. ISSUE D4: Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?

Ref(1): Ex. A2/Tab3/Sch 1/Appendix 4 Mercer Report, Updated Estimated 2013-2017 Cash Costs – EGD Non-Pension Post-Retirement Plans – 19 January 2012

Ref(2): Ex. A2/Tab3/Sch 1/Appendix 5 Mercer Report, Updated Estimated 2013-2017 Accrual Funding Costs – EGD Non-Pension Post-Retirement Plans – 19 January 2012

EGD updated its assumption of the discount rates for OPEB costs to 4.80% for the accrual basis of recording OPEB.

As per page 12 of Appendix 5, Mercer stated:

> The discount rate assumption has been updated from the rate used in the December 31, 2010 valuation to reflect market conditions as at October 31, 2011 and new CIA guidance released in September 2011.

Mercer did not disclose the discount used for the cash basis of recording OPEB costs in Appendix 4.

a) Please disclose the discount used for the cash basis of recording OPEB costs in Appendix 4.

b) Please provide the yield curve to show that the discounted rates used is supported by the yield curve of long term bonds. Please describe the yield curve used. Please explain.

c) Please provide the discount rate used in the December 31, 2011 valuation and the supporting documentation.

d) Please also demonstrate that the long term bonds selected by EGD covering a time period horizon approximate the period of EGD's future benefit payments for its OPEB plans.

e) Please explain why the discount rate used for the valuation on the accrual basis is 4.80% in Appendix 5 and is presumably different than that used on the cash basis in Appendix 4 as at December 31, 2011.

i) Please explain why two different rates are used as at December 31, 2011.
ii) Please reconcile the differences.
iii) Please explain the implications of these two different discount rates on the 2013 Test Year OPEB expense calculated on an accrual basis and the 2013 Test Year OPEB expense calculated on a cash basis.

98. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref(1): Ex D2/T1/S1/Appendix 2.3.1/p. 5
Ref(2): Ex D2/T1/S1/Appendix 9/p. 21-22 (MNP Report)

Enbridge stated at Ref(1) that, "the core design principle for the RCAM is the adoption of a service based approach for allocation as required by the OEB and the ARC", and later stated that, "Where a department supports more than one service and each service has a different causal relationship to affiliates, the services must be broken out so that the most appropriate allocation can be developed".

In the independent evaluation at Ref(2) performed by MNP, it was indicated that in 2007, service schedules were not amended to be more service specific and distinguish between activities that are EGD specific and common through all EI affiliates. Also, service refinement, another recommendation in 2007, was not followed.

Why has Enbridge chosen not to adopt these recommendations from the MNP report?

99. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref: D2/T1/S1/Appendix/pp36, 37, 48

Three RCAM primary service costs fell above the MNP fair market value range of internal service provision costs and failed the Prong Three Test. Page 48 of the MNP report states that "MNP has recommended a combined downward adjustment to the 2012 RCAM allocations of $154,923…MNP recommends a corresponding combined downward adjustment to the 2013 RCAM allocations of $158,329."

Will recommendations set forth by MNP for 2013 be followed by Enbridge in the future (to decrease RCAM allocations of $154,923 in 2012 and $158,329 in 2013)?

100. ISSUE D5: Is the corporate cost allocation (“RCAM”) appropriate?

Ref: D1/T4/S2/Attachment 1/pp33, 46

FCER (Financing Capital Employed Ratio) and ACER (Adjusted Capital Employed Ratio) are calculated based on the Capital Employed without the Purchase Premium. Attachment 1 also indicates that the ACER is currently 15.75% and FCER is 13.87%.

Does Enbridge’s Capital Employed include the value of all the assets employed in a business, including equity and preference share capital, fixed and current assets, and gross borrowings plus current assets and less current liabilities? What else makes up this amount?

Does ACER remain consistent at 15.75% for all services with an ACER allocator, and does FCER remain consistent at 13.87% for all services with a FCER allocator?

Please provide a chart of how ACER and FCER allocation percentages have changed over the last 10 years.

101. ISSUE D5: Is the corporate cost allocation (“RCAM”) appropriate?

Ref(1): D2/T1/S1/Appendix/pp39-42,
Ref(2): D1/T4/S2/Attachment 2

IT and HR costs contribute to 74% of the overall increase in Primary Services, totalling $5.4 million. MNP found it difficult to benchmark this figure for comparable entities over similar periods of time for HR and IT. The increase is claimed to be due to increased support requirements such as “Multi-year Financial Renewal project, Financial reporting requirements, Khalix upgrades, expense report system enhancements, HRCore Project, enterprise content management enhancements, SharePoint upgrade, Microsoft upgrades, and program and project management for upgrades.”

According to Ref(2), there was a $478,825, or 122% increase in Enterprise IT Program Management costs as a RCAM allocation from 2011 to 2012. Why was there a 122% increase in Enterprise IT Program Management costs? Please provide a list of breakdown of IT expenses that contribute to each of the system implementations and enhancements as outlined, and explain how they contribute to the large increase to the Enterprise IT Program Management and other Information Technology categorized primary services and add value and future efficiencies to the operations of Enbridge Gas Distribution.

102. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref: D2/T1/S1/Plus Appendix/p. 42

According to EGD, 18% of its workforce is eligible to retire today, and 30% can retire within the next 5 years. This relates to the higher HR costs required for succession planning.

What age, or years of service, does Enbridge use for the purpose of determining employees that are 'eligible' for the purposes of retirement?

Historically, over the past 5 years, what percentage of EGD's workforce retires every year?

How many new FTEs does EGD expect to hire in each year over the next 5 years? Please provide any forecasts created and/or presented to management on this issue, or provide an appropriate reference to the evidence already filed in the current proceeding where these forecasts are made available.

103. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref: D2/T1/S1/Plus Appendix/p43

What is "HRIS and PeopleSoft optimization"?
Can Enbridge clarify the costs and benefits involved with these above noted new HR initiatives?

104. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref(1): A2/T1/S1/p13/para48
Ref(2): D1/T4/S2/Attachment 2

According to Ref(1) of the Introductory Evidence submitted by Enbridge, "Another cost pressure comes from the Company's insurance costs, which have increased by approximately 67% since 2007." Based on the Enbridge RCAM Allocation Trend – 2007 To 2013 chart provided at Ref(2), insurance premiums have increased by $4,145,190, or 95.54% from 2011 to 2012. It has increased by $3,578,567.90, or 72.95% since 2007.

Please provide a derivation of how was the 67% increase calculated? What components attribute to the increase in direct insurance premiums over the 2011 to 2012 year?

105. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref(1): D2/T1/S1/ Plus Appendix/p46
Ref(2): D1/T4/S2/Attachment 2

According to Ref(1) of the independent report submitted by Enbridge, Enterprise Content Management experienced a 1000% increase since 2007 (from $523,784 to $5,821,798), and the EGD RCAM % of EI Department Budget decreased by 37%.

What accounted for the 1000% increase in costs for Enterprise Content Management? If this was due to a reallocation of staff or other resources across different department, please explain.

106. ISSUE D5: Is the corporate cost allocation ("RCAM") appropriate?

Ref: D2/T1/S1/Appendix/p46

Preamble: Although the EGD RCAM % of EI Dept Budget Allocation has generally decreased from 2007, the absolute values of costs have increased substantially for many departments of EI.

What accounted for the increase in costs for the following departments?

- Corporate HR
- EPI Charge
- IT Planning and Governance
- Organizational Effectiveness

107. ISSUE D8: Is the municipal taxes expense appropriate?

Ref: D1/T6/S1/p2

At para 5 and 6, the evidence states that there will be growth in taxes due to "new, reinforcement, and replacement mains and new service connections."

Please specify what these mains and service connections are, the related costs and variance over historical municipal taxes, and whether or not the work described is for expansions or initiatives which are projected or finalized as of the current period.

108. ISSUE D9: Is the demand side management budget appropriate?

Ref(1): ExD1/Tab7/Sch 1/p.1
Ref(2): EB-2011-0295 (2012-2014 DSM Plan)
B1/T1/Sch. 1/p.5

a) Please confirm that the Board has approved a $30.91 million spending envelope for DSM at Enbridge in 2013.

109. ISSUE D10: Is the income tax expense forecast appropriate?

Ref: Ex. D5/Tab 1/Sch 1

Enbridge filed the calculation of 2011 utility income tax at Ex. D5/Tab 1/Sch 1.

a) Please provide the signed tax return for 2011 submitted to the Canada Revenue Agency (“CRA”) and any tax assessments and reassessments, if applicable, for the years 2009 and 2010.

b) Please provide a schedule that ties the 2011 UCC schedule at Ex. D5/Tab 1/Sch 1/page 7 to Schedule 8 of the signed 2011 tax return. Please reconcile and provide explanations for differences between the 2011 UCC schedule at Ex. D5/Tab 1/Sch 1/page 7 and Schedule 8 of the signed 2011 tax return.

110. ISSUE D10: Is the income tax expense forecast appropriate?

Ref(1) : Ex. D3/Tab 1/Schedule 1
Ref(2) : Ex. D4/Tab 1/Sch 1
Ref(3) : Ex. D5/Tab 1/Sch1

a) Please confirm that the capital assets shown on the CCA calculation schedules provided by Enbridge are 100% related to Enbridge’s regulated business, except for the elimination of “Non-utility and shared asset eliminations.” Please provide an explanation and the supporting documents if otherwise.
b) If the capital assets shown on the CCA calculation schedules provided by Enbridge are not 100% related to Enbridge’s regulated business, please provide the breakdown between the regulated business and unregulated business for Enbridge’s book values and tax values of the assets.

111. ISSUE D10: Is the income tax expense forecast appropriate?

Ref: Ex. M1/ Tab 1/Sch 4

Please provide a description of the methodology used by Enbridge to calculate its utility income taxes for the 2013 Test Year in Ex. M1/ Tab 1/ Sch 4

Please disclose any significant changes that Enbridge has incorporated into its 2013 utility income tax calculation compared to its last rebasing proceeding, EB-2006-0034. Please compare Enbridge's proposed methodology in EB-2011-0354 to the methodology that was agreed to by parties in EB-2006-0034. The changes should include but not limited to the:

i. impact from the transition to USGAAP;
ii. CCA class changes for Enbridge's existing capital assets;
iii. CCA rate changes for Enbridge's existing capital assets; and
iv. CCA class and rates chosen for the capital assets additions in 2013.

112. ISSUE D10: Is the income tax expense forecast appropriate?

Ref(1): Ex. B1 / Tab 2/ Sch 1/ Appendix 1 (updated June 1, 2012)
Ref(2): Ex. D3/ Tab 1/Sch 1
Ref(3): Ex. D4/ Tab 1/Sch 1
Ref(4): Ex. D5/ Tab 1/Sch 1

Capital Expenditures on UCC Schedule and Rate Base Schedule

a) Please reconcile the capital expenditures on Ex. B1 / Tab 2/ Sch 1/ Appendix 1 (updated June 1, 2012) of:

- $399.2 for 2011
- $404.5 million for 2012
- $483.9 million for 2013

to the capital expenditures reported on the respective UCC schedules of:

- $317.7 million for 2011 (Ex. D5/ Tab 1/Sch 1)
- $419.5 million for 2012 (Ex. D4/ Tab 1/Sch 1), and
- $375.4 million for 2013 (Ex. D3/ Tab 1/Sch 1).

Please provide explanations for differences.

b) Please clarify which capital expenditures are the correct numbers. Please explain.

c) Please update EGD's evidence where appropriate (e.g. rate base section or tax provision section of application).

113. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p1/para1

The Open Bill Access Settlement Agreement in EB-2009-0043 expires at December 31, 2012. The Settlement Agreement requires that Enbridge make an application to the Board in order to continue Open Bill Services.

a) Is Enbridge making its application through this evidence to continue providing Open Bill Service, or does Enbridge intend to file a separate application for this purpose?

b) Was notice of Enbridge's 2013 rates application been provided:
i) to all past Open Bill customers,
ii) to all current Open Bill customers; and
iii) in a place and manner that reasonably foreseeable future customers are aware of changes to rates for Open Bill service

If the answer to any of the above questions is "no", please indicate why Enbridge believes that appropriate notice has been given to all parties that may be affected by this change, and why this issue is better addressed in the current proceeding, rather than by way of an application (and possible settlement) that considers and provides adequate notice to the affected parties.

c) If Enbridge intends to file a standalone application subsequent to this proceeding, please indicate what decision Enbridge expects the Board to arrive at in this proceeding. For how long does Enbridge intend for its requested rate change to remain in effect?

114. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/Appendix1/page4

At the reference above the Board stated that, "The Settlement Proposal before the Board is the result of a lengthy and involved negotiation among the members of the consultative group, and in particular the core members of the group. The Board's own process confirmed that there is no opposition to the Settlement Proposal." (emphasis added)

What in this application confirms for the Board that there is no opposition to Enbridge's proposal to change rates for Open Bill Service, effective January 1, 2013, and that provides assurance to the Board that its new OBA proposal is appropriate?

115. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p1/para1

The Company states that, "Enbridge wishes to continue to provide Open Bill Service under generally the same terms as set by the Settlement Agreement, with modest increases to the fees and charges paid by billing services clients for 2013." (emphasis added)

With reference to the term "generally", and based on the understanding that there may be certain changes to fees and charges paid under the Enbridge proposal, are there any other terms and conditions which Enbridge proposes to change versus the terms and conditions set out in the 2009 OBA Settlement Agreement?

116. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref(1): Ex D1/T9/S1/p4/para10
Ref(2): Ex D1/T9/S1/p14/Table 4

Enbridge states that one of the Open Bill provisions was that, "Enbridge may change cost per bill annually at rate [sic] of half of the Ontario Consumer Price Index, but in any event the increase will be no greater than 2% per year." (emphasis added)

Enbridge provides Billing Services and Unit Costs & Fees at Table 4.

a) How did Enbridge calculate and forecast the "Cost per shared Bill" and "Cost per Standalone Bill" for Proposed 2013?
b) Please provide the cumulative CPI increase (or forecasted increase where applicable) from the outset of the 2009 OBA Settlement Agreement through December 31, 2012. Apply the cumulative CPI increase to the Cost per Shared Bill and the Cost per Standalone Bill and provide these figures

c) Please add the following columns of variance at the right of Table 4 titled “Proposed 2013 vs. 2011/2012” and “Proposed 2013 vs. 2009/2010”. Provide these figures as a percentage.
d) For “Proposed 2013” vs. “2011/2012” comment on the proposed increases versus escalation in CPI.
e) For “Proposed 2013” vs. “2009/2010” comment on the proposed increases versus escalation in CPI.
f) “Fee per Shared Bill” and “Fee per Standalone Bill” increase by 4.5% and 2.8% respectively in Enbridge’s proposal over the final year of the agreement. Please comment on these increases with reference to the previously negotiated settlement which prescribes an increase no greater than 2% per year.
g) Comment on the efficiencies achieved gained via Enbridge’s new CIS, and why costs have grown at a higher rate than half CPI. Was there an expectation that efficiencies, or other factors, would have not necessitated an annual increase equivalent to CPI in the fees charges through Open Bill?

117. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p10 and Appendix 3

Were any of the parties to the first Open Bill consultative consulted as part of the preparation of this report? Alternatively, did the Open Bill consultative, or a sub-group thereof, review the Inqvis report and provide comment on the report’s findings? If so, please file any such comments from the consultative members.

118. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p10 and Appendix 3

Enbridge states that, “The [Inqvis] study took into account fees payable by Enbridge to Accenture under the extended Customer Care Services Agreement (CCSA)…”

Please provide further details of the cost implications of the CCSA on any Open Bill Service agreement entered into subsequent to December 31, 2012.

119. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref(1): Ex D1/T9/S1/p6/Table 1
Ref(2): Ex D1/T9/S1/p7/para16

a) Does Table 1 assume the expected loss of Enbridge's sole ex-franchise customer and the loss of $200,000 at Ref(2)?

b) Has Enbridge updated the evidence at Exhibit C3, Tab 1, Schedule 1, page 4 pursuant to the expected loss of the sole ex-franchise customer?

c) In column "Budget 2013" at row "Enbridge Earnings Share". Please provide reasons for the ($233,864) variance over 2012 estimate, and if this is related to the

d) Please recreate Table 1 as if the terms of the 2009 Open Bill Settlement Agreement continued through December 31, 2013 applied to creation of the column titled "Budget 2013". Please state any assumptions made in assembling this forecast.

120. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p5/para13

Enbridge states that, "the number of active billing clients growing from sixteen at the end of 2008 to forty-five as of December 2011" and that there is, "no recognition of billing volume or provision for a start-up charge".

Please comment on the intended purpose of the Open Bill, and whether Enbridge believes that it would be appropriate to charge smaller clients a higher fee on the basis of lower volumes?

121. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p1

The ratepayer share has remained unchanged since 2009. Is Enbridge proposing any change to the ratepayers guaranteed share of $5,389,604? Please provide reasons why Enbridge has not sought to increase or decrease the amount of the ratepayer share.

122. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p9/Table 3

a) Please indicate what "Shareholder Benefit" in the bottom right cell of this table would be without the expected loss the sole ex-franchise customer, and note any changes to other cells in Table 3 as a result.

b) Is it possible that Enbridge could acquire a new ex-franchise customer after August 2012?

123. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p9/Table 3

Enbridge states that, "[T]here will be no anticipated change in the contribution margin and ratepayer benefits as a result of [the fee change]…"

Please describe the sources or effects that could negatively or positively affect the contribution margin to the benefit or detriment of ratepayers and the Company.

124. ISSUE D11: Is the proposal for the Open Bill Access Program Appropriate?

Ref: Ex D1/T9/S1/p15/para32

The Company has proposed that the requested change to the Open Bill costs and fees be in effect at least one year, through December 31, 2013. The Company has not commented on any longer approval.

a) Please describe reasons that would compel this Board to approve a one, two, or three year change to the rates.
b) Would Enbridge be opposed to approval of rates for Open Bill that would be fixed for a period of:

1. Two years
2. Three years
3. Four years or greater

Please provide reasons why the company would support or oppose a longer period with fixed rates for Open Bill Service.

125. ISSUE D13: Has Enbridge properly implemented the revenue requirement associated with the Customer Care and CIS Settlement Agreement (per EB-2011-0226)?

Ref: Ex. D1 /Tab 12/ Sch 1 / para 2

Please provide a summary schedule showing the components of, and how the referenced $11 million revenue deficiency, is derived.

126. ISSUE D14: Is the proposed O&M budget for Energy Supply, Storage Development and Regulatory appropriate?

Ref: Ex. D1 /Tab 13/ Sch 1 / para 17 / Table 1

With reference to Table 1, please explain the $2.1 million in costs charged from an affiliate and provide a comparison with the costs of the previous 2 years. Please also explain the $0.9 million credit in costs charged to an affiliate on the same table.

127. ISSUE D14: Is the proposed O&M budget for Energy Supply, Storage Development and Regulatory appropriate?

Ref: Ex. D1 /Tab 13/ Sch 1 / para 22 / Table 2

With reference to Table 2, please provide a breakdown of the components of the Regulatory proceeding costs for the period 2007 to 2013.

128. ISSUE D15: Is the proposed O&M budget for Law appropriate?

Ref: Ex. D1 /Tab 14/ Sch 1 / para 12 / Table 1

With reference to Table 1 and the line “External Legal Costs”, is there a tender process for the $3.5 million in external legal costs?

129. ISSUE D16: Is the proposed O&M budget for Operations appropriate?

Ref: Ex. D1 /Tab 15/ Sch 1 / para 25 / Table 3

With reference to Table 3, please provide a 5 year table for Operations, showing the actual spend, in a similar level of detail to Table 3.

130. ISSUE D17: Is the proposed O&M budget for Information Technology appropriate?

Ref: Ex. D1 /Tab 16/ Sch 1 / para 17 /

Please provide a commentary as to what measures Enbridge takes to manage Outside Services costs. What cost savings have been realized over the past 5 years as a direct result of managing Outside Services costs?

131. ISSUE D17: Is the proposed O&M budget for Information Technology appropriate?

Ref: Ex. D1 /Tab 16/ Sch 1 / Table 2 /

Please provide an explanation for the increase in Outside Services costs.

132. ISSUE D17: Is the proposed O&M budget for Information Technology appropriate?

Ref: Ex. D1 /Tab 16/ Sch 1 / Table 3 /

Please provide a 5 year table of actual IT expenses in a similar level of detail as Table 3. Please provide commentary for any significant events causing spending pattern changes.

133. ISSUE D18: Is the proposed O&M budget for Business Development & Customer Strategy, including Energy Technology Innovation Canada ("ETIC") related amounts, appropriate?

Ref: Ex. D1 /Tab 17/ Sch 1 / Tables 3 & 4 /

With reference to Tables 3 & 4, please identify and explain any Non-utility expense budget items.

134. ISSUE D18: Is the proposed O&M budget for Business Development & Customer Strategy, including Energy Technology Innovation Canada ("ETIC") related amounts, appropriate?

Ref: Ex. D1 /Tab 17/ Sch 1 / para 38 /

Please explain the “Conservation Services” budget variances in 2013.

135. ISSUE D19: Is the proposed O&M budget for Human Resources appropriate?

Ref: Ex. D1 /Tab 18/ Sch 1 / para 8 /

Please quantify and explain the effects of any collective labour agreements on the salaries, wages and benefits, and other employee related costs on the 2013 budget.

136. ISSUE D19: Is the proposed O&M budget for Human Resources appropriate?

Ref: Ex. D1 /Tab 18/ Sch 1 / para 26 /

With respect to the request for the increase in Pension costs recovery, please explain why the issue of pension underfunding exists when the Board recently rejected the Company's' request for a similar pension related cost Z factor in proceeding EB-2011-0277.

137. ISSUE D20: Is the proposed O&M budget for Pipeline Integrity & Safety appropriate?

Ref: Ex. D1 /Tab 20/ Sch 1 / Table 1

With respect to the $13.5 million credit for Labour Capitalization, please explain the contents of the amount and how it is derived. Also, please identify and explain any amounts related to the Leave to Construct projects.

138. ISSUE D20: Is the proposed O&M budget for Pipeline Integrity & Safety appropriate?

Ref: Ex. D1 /Tab 20/ Sch 1 / Table 2

Please provide a table showing the actual amounts for the period 2007 to 2013 in a similar format and detail level to Table 3. Provide explanations for any significant events.

139. ISSUE D22: Is the proposed O&M budget for Non-Departmental O&M expenses appropriate?

Ref: Ex. D1 /Tab 22/ Sch 1 / para 7

With reference to the "scorecards" used to measure and evaluate corporate performance, please describe how the metrics incent the employees of the utility to achieve better performance for the utility's customers and ratepayers specifically.

140. ISSUE D24: Is the allocation of O&M costs between utility and non-utility ("unregulated") operations appropriate?

Ref: Natural Gas Reporting & Record Keeping Requirements (RRR) rule for gas utilities; Ex. A3/Tab 4/Sch 1, 2

Natural Gas RRR 2.1.6 states that:

A utility shall provide the Board annually, by the last day of the fourth month after the financial year end, audited financial statements for the preceding financial year for the corporate entity regulated by the Board. **Where the financial statements of the corporate entity regulated by the Board contain material businesses not regulated by the Board, the utility shall disclose the information separately according to the segment disclosure provisions** in the Canadian Institute of Chartered Accountants Handbook. [Emphasis added]

It appears that there is no segmented information disclosed for Enbridge's regulated business vs. unregulated business in Enbridge's 2010 and 2011 audited financial statements filed in Ex. A3/Tab 4/Sch 1, 2.

a) Please explain whether the unregulated business is considered by Enbridge as a material business in 2010 and 2011.

b) If the unregulated business is not considered by Enbridge as a material business in 2010 and 2011, please provide Enbridge's threshold for a material business in 2010 and 2011.

c) Please provide Enbridge's external auditor's opinion on management's assessment and decision of not disclosing the segmented information.

d) Does Enbridge plan to prepare and file with the Board audited financial statements for the regulated utility business, excluding the non-regulated business, under the GAAP used in Enbridge's rate applications for the 2012 year and in the future? If not, please explain why the Board should not require to receive annually the audited financial statements for the utility it regulates prepared under the GAAP that Enbridge chooses for its rate applications?

141. ISSUE DV2: Is Enbridge's request to recover from ratepayers an approximate $90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

Ref: EB-2011-0277 Response to Board Staff Interrogatory #14 d)

In the response to EB-2011-0277 Board Staff Interrogatory #14 d), EGD stated that it will be publicly filing its comparative financial statements for 2011 and 2012 in USGAAP. EGD stated that the charge to retained earnings recorded in the TIACDA will be calculated as of January 1, 2010.

a) Please confirm that EGD's external auditors have audited the comparative 2010 and 2011 financial statements prepared in accordance with USGAAP.

b) Please list any significant adjustments that have occurred as a result of the external auditor's audit.

c) If the external auditors have not completed this work, please state the reasons why it has not been completed, and the expected date of completion.

142. ISSUE DV2: Is Enbridge's request to recover from ratepayers an approximate $90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

Ref: Ex. A2/ Tab 3/ Sch 1

Is recovery of the TIACDA necessary in 2013 rates and beyond if EGD remains on the cash basis for OPEB for rate-making purposes? Please explain.

143. ISSUE DV2: Is Enbridge's request to recover from ratepayers an approximate $90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

Ref: Ex. A2/ Tab 3/ Sch 1

Regarding the proposed recovery of the TIACDA, the Board has established precedents where prior period costs are not permitted to be recorded in a deferral account that has yet to be authorized by the Board.

For example, in the August 18, 2010 Canadian Niagara Power Inc. ("CNPI") Board decision, EB-2010-0159, the Board denied CNPI's request to establish a deferral account to record certain preliminary costs associated with a leave to construct application. Preliminary costs of $1.5 million were incurred from late 2003 until the completion of the record in early 2010 in CNPI's leave to construct proceeding, EB-2009-0283. Subsequent to the completion of this record, the application for CNPI's deferral account was filed (April 2010). The issue of retroactivity was prevalent in the CNPI case. The timing of when the preliminary costs were incurred was compared to when these costs were proposed to be recorded in the deferral account.

In the EB-2010-0159 decision, on page 7 the Board stated that "deferral accounts are for the current period or future costs." The Board further emphasized that "there is no other provision for establishing a deferral account for expenditures that have already been made in relation to costs incurred in a prior year."

EGD is proposing to recover in this proceeding amounts in the TIACDA that represent "prior period costs."

a) Does EGD agree that the "prior period costs" recorded in the TIACDA represent costs incurred prior to January 1, 2012? Please explain.
   i. If EGD does not agree, please explain.

b) Does EGD agree that recovery of balances recorded in the TIACDA that relate to costs incurred prior to January 1, 2012 would result in retroactive ratemaking? Please explain.
   i. If EGD does not agree, please explain.

c) Does EGD agree that OPEB expenses were incorporated into EGD's rates in prior proceedings on a final basis? Please explain.
   i. If EGD does not agree, please explain.

d) Does EGD agree that recovery of balances described in part b) above would result in altering the amount of OPEB expenses that were incorporated into EGD's previous rates on a final basis? Please explain.
   i. If EGD does not agree, please explain.

e) Please explain why EGD should be treated differently than CNPI in being able to record and recover prior period costs in EGD's TIACDA.

f) Please explain why current ratepayers should pay for costs incurred in the TIACDA prior to January 1, 2012, or for prior period costs.

g) Please explain why EGD did not treat the TIACDA on a prospective basis and not try to recover prior period costs from current ratepayers.

h) Please provide a reference to any USGAAP standard that includes a provision that a regulator may approve prior period costs in current rates.

144. ISSUE DV2: Is Enbridge's request to recover from ratepayers an approximate $90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

Ref: Ex. A2/Tab 3/Sch 1/Appendix 2

EGD has provided a continuity schedule of the OPEB Funded Status at Ex. A2/Tab 3/Sch 1/Appendix 2.

a) Please update the schedule to show how the $50.4 million opening benefit obligation for the year ended September 30, 2001 was derived. Please explain the balance.

b) Please update the schedule to show exactly how the $90 million forecasted balance as at December 31, 2012 in the 2012 TIACDA was derived. Please include the years 2011 and 2012 in the schedule.

c) Has EGD"s external auditor audited or reviewed this continuity schedule? If so, does the continuity schedule reflect the auditor's comments? If not, when will the external auditor's audit or review take place?

d) What action does EGD plan to take if the actual audited December 31, 2012 balance in the 2012 TIACDA is less than or greater than $90 million?

145. ISSUE DV2: Is Enbridge's request to recover from ratepayers an approximate $90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

Ref: Ex. A2/ Tab 3/ Sch 1

Please confirm that the balance in the TIACDA solely represents costs that are related to the cash basis versus the accrual basis for OPEB liability. If this is not the case, please explain.

146. ISSUE E1: Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?

Ref: Ex. E1 /Tab 2/ Sch 1 / para 5

The section speaks to the $700 credit facility for the peak gas storage cycle. Please provide a detailed description of how this facility operates in practice. Please discuss the rates and costs of the facility, the benefits of this facility vs. any alternatives, and how it affects the Company's cost of capital.

147. ISSUE E1: Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?

Ref: Ex. E1 /Tab 2/ Sch 1 / para 21

The long term debt rate for 2013 is referenced as being 5.90%. Please update this rate as necessary to reflect current market rate expectations for 2013.

148. ISSUE E2: Is the proposed change in capital structure increasing Enbridge's deemed common equity component from 36% to 42% appropriate?

Ref: Ex. E2 /Tab 2/ Sch 1

Please provide a commentary on how the existence of regulatory variance accounts shields the Company from financial risk and therefore neutralizes the requirement for an extra cushion of equity thickness.

149. ISSUE E3: Is the proposal to use the Board's formula to calculate return on equity appropriate?

Ref: Ex. E2 /Tab 1/ Sch 1 / para 4

Concentric has prepared an assessment of the 9.42% ROE rate for 2012. Is Enbridge planning to file evidence justifying the use of the ROE proposed for 2013?

150. ISSUE E3: Is the proposal to use the Board's formula to calculate return on equity appropriate?

Ref: Ex. E2 /Tab 1/ Sch 2 / para 15

Enbridge refers to "industrial demand destruction" causing total volumes to decline. Please provide total annual system throughput for the years 2000 to 2013. Please include annual actual customer meters.

151. ISSUE E3: Is the proposal to use the Board's formula to calculate return on equity appropriate?

Ref: Ex. E2 /Tab 1/ Sch 2 / para 37

Enbridge in this paragraph refers to the possibility of a credit rating downgrade.

Please provide evidence of any past credit rating downgrades or threats of downgrades for Enbridge and the reasons why it was downgraded (or threatened to be downgraded).

152. ISSUE E3: Is the proposal to use the Board's formula to calculate return on equity appropriate?

Ref: Ex. E2 /Tab 1/ Sch 2 / para 39 & 42

Enbridge in these paragraphs refers to the possibility of a credit rating downgrade and increased business risks.

Has the Company ever faced difficulties accessing capital? Please describe the circumstances and reasons surrounding any such instances.

In the face of the purported increased business risk to the Company, has any financial services sector agency declared publically that such increased risk will lead to potential difficulties attracting capital? Please provide copies of any such statements.

153. ISSUE H1: Are the rates proposed for implementation effective January 1, 2013 and appearing in Exhibit H just and reasonable?

Ref: Ex. H1 / H2

With respect to the Letters of Comment filed with the Board in response to the Notice of Application, please provide Enbridge's proposed response to the customer concerns theme areas raised in those letters.

154. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 1/Page 7 of 30

Enbridge states that through the course of the IR term, Enbridge evaluated the way it goes about its business in an effort to find as many productivity and efficiency gains as possible.

a) Please provide the evaluation(s) that Enbridge conducted.

b) Please outline in detail the objectives and/or criteria used by Enbridge to evaluate its business.

c) Please list and describe the productivity and efficiency gains realized as a result of Enbridge's evaluation(s).

155. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 1/Page 7 of 30

Enbridge states that the efficiency gains were achieved throughout the Enbridge organization, and primarily relate to reductions in the Company's Operations and Maintenance ("O&M") costs, as compared to what those costs would be in the absence of such efficiency gains.

a) Please list and describe the productivity and efficiency activities (or projects) initiated by Enbridge that resulted in reductions to its O&M costs during the IR plan.

b) Please identify when (i.e., the date) these productivity and efficiency activities were initiated and implemented.

c) Please provide the annual O&M cost savings associated with each of these productivity and efficiency activities outlined in a) above for the 2008-2012 IR period.

d) Please identify whether Enbridge's productivity and efficiency gains from 2008 to 2012 are net of any incremental operating or administrative expenses that Enbridge incurred when implementing these projects. If so, please identify the total dollar amount(s) and the year(s) in which the expenses associated with implementing efficiency-enhancing projects were incurred.

e) Please identify whether Enbridge's productivity and efficiency gains from 2008 to 2012 are net of any incremental capital expenditures that Enbridge incurred to implement these gains. If so, please identify the total dollar amount(s) of the capital expenditures and the year(s) in which these expenditures were incurred.

f) Please describe in detail why Enbridge considers these productivity and efficiency gains (associated with the O&M cost savings) to be sustainable.

156. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 1/Page 7

In summary, Enbridge states that it was able to achieve significant productivity and efficiency gains through items such as targeted spending on projects with future benefits, optimizing various aspects of operations, enhancing revenues from various activities, optimizing financing costs and prioritizing project spending.

a) Please list and describe the various activities that enhanced Enbridge's revenue.
   i. Please identify when (i.e., the date) these activities were initiated and implemented.
   ii. Please provide the annual revenues generated with each of the activities (in relation to the revenue generation) for the 2008-2012 IR period.

b) Please provide the estimated annual revenue generation in relation to these activities that Enbridge estimates for the year 2013. Are these revenues included in Enbridge's 2013 Cost of Service estimates?

c) Please outline the various activities (or projects) that will enhance Enbridge's revenue that Enbridge is considering in 2013 and beyond.

157. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 1/Page 7

In summary, Enbridge states that it was able to achieve significant productivity and efficiency gains through items such as targeted spending on projects with future benefits, optimizing various aspects of operations, enhancing revenues from various activities, optimizing financing costs and prioritizing project spending.

a) Please outline the productivity and efficiency activities (or projects) that Enbridge is considering in 2013 and beyond.

b) Please provide the estimated annual O&M and capital cost savings in relation to these activities (or projects) that Enbridge estimates for the year 2013. Are these savings included in Enbridge's 2013 Cost of Service estimates?

158. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 1/Pages 24-27

Enbridge states that Concentric Energy Advisors' (CEA) independent benchmarking analysis indicates that Enbridge has demonstrated strong capital and operating and maintenance cost management compared to industry peers.

a) Please list and describe the productivity and efficiency activities (or projects) initiated by Enbridge that resulted in strong capital cost management.

b) Please identify when (i.e., the date) these productivity and efficiency activities were initiated and implemented.

c) Please provide the annual capital expenditure savings associated with each of these productivity and efficiency activities outlined in a) above for the 2008-2012 IR period.

d) Please identify whether Enbridge’s capital cost savings in relation to its productivity and efficiency gains from 2008 to 2012 are net of any incremental operating or administrative expenses that Enbridge incurred when implementing these projects. If so, please identify the total dollar amount(s) and the year(s) in which the expenses associated with implementing efficiency-enhancing projects were incurred.

e) Please identify whether Enbridge’s capital cost savings in relation to its productivity and efficiency gains from 2008 to 2012 are net of any incremental capital expenditures that Enbridge incurred to implement these gains. If so, please identify the total dollar amount(s) of the capital expenditures and the year(s) in which these expenditures were incurred.

f) Please describe in detail why Enbridge considers these productivity and efficiency gains (associated with the capital savings) to be sustainable.

159. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 1

CEA states that it conducted a benchmarking analysis, which measures Enbridge against both a US and Canadian peer group using a series of metrics designed to examine the relative efficiency of the Company in terms of both its capital investment and O&M expense profile.

Please provide a list of all benchmarking studies previously undertaken by CEA for gas or electric utilities, or energy utility regulators over the last five years.

160. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 1

CEA states that it conducted a benchmarking analysis, which measures Enbridge against both a US and Canadian peer group using a series of metrics designed to examine the relative efficiency of the Company in terms of both its capital investment and O&M expense profile.

a) Has Enbridge participated in any independent benchmarking studies since 2007? If so, please identify all such studies done specifically for Enbridge, or for a group of utilities in which Enbridge participated, and provide copies of all benchmarking reports delivered to Enbridge as part of the project(s).

b) Did Enbridge participate in any benchmarking studies that identify specific "best practices" in various gas distribution operations? If so, was Enbridge itself ever identified as having the "best practice" in a specific gas distribution operational area? If so, please identify all such areas.

c) Did Enbridge adjust its own operations to incorporate or move towards "best practice" in any area where Enbridge's operations were not deemed to be best practice? If not, please explain why.

161. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 3

CEA writes that "limitations of benchmarking include its inability to quantify causal relationships between operating circumstances and costs, and the relationships between inputs and outputs."

a) Please explain in detail why benchmarking is unable to quantify "relationships between operating circumstances and costs, and the relationship between inputs and outputs."

b) Does an inability to quantify the relationship between inputs and outputs imply that it is not possible to quantify productivity growth? If not, please explain the rationale behind this statement.

162. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 3

CEA writes that "further, the benchmarking comparison is a relative one, and therefore does not offer insights into optimal performance in an absolute sense". Does CEA's view that benchmarking "does not offer insights into optimal performance in an absolute sense" depend on the quantitative method(s) used to benchmark performance? Please explain.

163. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 4

Please explain CEA's rationale for selecting companies for the peer group based on their "similarity of operations to EGD" either by being natural gas distribution utilities, or combination utilities where "data on natural gas distribution operations was available separately from electric operations". Would any investor-owned natural gas utilities in the US or Canada *not* satisfy this criterion? Please explain.

164. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Pages 1-33

In Figure 1, CEA provides a list of U.S. and Canadian natural gas utilities that are in its industry peer group as part of its benchmarking study. Please identify the utilities listed in Figure 1 that are under incentive regulation plans and the associated plan term for each of those plans (e.g., 2008-2012).

165. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 4

CEA says US companies were selected for the peer group if they have at least 500,000 customers in a single State. When determining this 500,000 customer threshold, does CEA aggregate customer numbers for all the operating subsidiaries within a single State for the parent company, or does it treat each operating subsidiary as a separate company? For example, is "National Grid NY" a single company in the sample, or are all three operating subsidiaries of National Grid NY treated as three different companies in the peer group?

166. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 4

CEA says that six Canadian gas utilities were chosen for the peer group if they had at least 150,000 customers.

a) If customer numbers and the realization of scale economies impact gas distribution unit costs, what is the basis for having different customer number thresholds for the US and Canadian utilities?

b) Please explain how CEA is able to draw meaningful inferences on the O&M cost performance of Canadian vis-a-vis US gas distributors given this difference in customer number thresholds in Canada and the US.

c) Does CEA believe economies of scale in gas distribution are exhausted when gas utility customer numbers exceed 150,000? Please provide all quantitative studies that support this opinion.

167. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 5

Please list all 45 companies in CEA's peer group.

168. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 5

In Figure 1, are "Mountain Fuel Gas" and "Questar Gas" different companies, or different names for the same company? Please explain.

169. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 5

Figure 1 lists operations in Colorado, Idaho, Utah, and Wyoming for Mountain Fuel Gas and Questar Gas. Were data for operations for all these States consolidated for these companies? Please explain.

170. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 5

a) Please confirm that the measure of OM&A costs for all companies in the CEA study include administrative and general (A&G) costs.

b) For the combination utilities in the CEA sample, did CEA have to allocate A&G expenses between gas and electricity operations? If so, please explain the methodology used to allocate A&G expenses.

171. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 6

Please identify the availability of gas salaries and wage data, for all companies and years. In particular, please present this information in a table with sample companies listed in rows and sample years listed in columns, and simply indicate “yes” or “no” whether the gas salaries and wage data are available for each cell in the table.

172. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 8

Please provide a complete list of all data points in the dataset that were interpolated by CEA personnel. For each point, please indicate the Company name, the name of the data series, the year, and the method used to interpolate/estimate the value (i.e., for each of the figures, please provide tables with the actual numbers instead of the lines, columns and bars as outlined in the associated benchmarking study).

173. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 8

CEA indicates that only 2009 data was collected for the Canadian utilities in the peer group. Does CEA believe that robust benchmarking comparisons can be developed using only a single year’s worth of data? Please explain.

174. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 9

a) Did CEA express the data for the US and Canadian companies in terms of a common currency?

b) If so, was this currency US dollars or Canadian dollars?

c) Please identify the choice of the exchange rates used by CEA; in particular, identify:

   i. Whether the selected exchange rates in a given year were average values of the US$:C$ exchange rate for the year, purchasing power parity values of the US$:C$ exchange rate for the year, or a different measure.
   ii. Provide data on the value of the exchange rate(s) used in each year of the sample.

175. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 10

Please provide data on the share of residential customers of total customers, for all utilities in the sample and for all sample years.

176. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 10

Please provide all information and empirical research to support CEA's view that there are "additional capital and operating expenses associated with serving a larger proportion of smaller customers." Is one implication of this statement that there are lower capital and operating expenses associated with serving a larger proportion of larger (*i.e.,* large commercial and industrial) customers? Please explain.

177. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 13

CEA writes that "Enbridge is in the top quartile in terms of natural gas volumes per largest volume per customer when compared against U.S. utilities." Please provide a complete list of specific gas distribution OM&A costs that are, in CEA's opinion, significantly related to the changes in a distributor's gas delivery volumes. Please explain the sources of this relationship between changes in delivery volumes and changes in costs for each specified component of OM&A costs.

178. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 16

CEA writes that "overall, Enbridge is above average in terms of size and density as compared to the peer group, but is comfortably within the range of peer group results, indicating that the peer group is appropriate for benchmarking."

a) Would CEA's opinion on whether Enbridge "is comfortably within the range of peer group results" be changed if the peer group was based on individual operating subsidiary gas distributors instead of "companies" created by aggregating the operating subsidiaries of a parent company operating in a single state? Please explain.

b) Does CEA's opinion imply that a peer group would *not* be appropriate for benchmarking for a given distributor if that distributor was not "comfortably within the range of peer group results" with respect to the size of operations? Please explain.

179. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 16

CEA writes that "benchmarking analysis is predicated on comparing the subject company to a sufficiently large group of comparison companies."

Please provide all academic or other published studies that CEA is aware of that supports this opinion.

180. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 16

CEA writes that “from a cost expectations standpoint, Enbridge’s scale and customer density attributes would lead us to expect the company to operate at the upper end of the efficiency range. This is, however, somewhat mitigated by its larger concentration of residential customers.”

a) Does CEA believe that, “from a cost expectations standpoint,” the unit costs expected for two equally sized gas distributors in the same State (with all other business conditions assumed to be equal) would be equal to, less than, or greater than, the unit costs of a notional company that was constructed by aggregating the data of these two companies together. Please explain.

b) Why does CEA believe that larger scale and a more dense customer service territory are likely to put a gas distributor “at the upper end of the efficiency range”? Please explain.

c) Why does CEA believe that the impact of Enbridge’s scale and customer density is only “somewhat mitigated by its larger concentration of residential customers”? Please explain.

d) More generally, what is the empirical basis for CEA’s opinion on the relative quantitative impact that *any* individual business condition variable has on Enbridge’s OM&A cost performance compared with the quantitative impact of any other business condition variable? Please explain in detail.

181. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 17

CEA writes “consistent with its high residential customer profile, Enbridge ranks tenth highest in terms of total net plant per customer in 2009...”

a) In CEA's opinion, does it generally take more or less plant to serve a commercial customer than a residential customer? Please explain.

b) In CEA's opinion, does it generally take more or less plant to serve an industrial customer than a residential customer? Please explain.

182. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Page 25

CEA writes that Enbridge "ranks 10^{th} lowest (in labour costs per customer) compared to the U.S, peer group. This shift is attributable to aforementioned exchange rate differential."

a) Please identify where the CEA report discusses the "aforementioned exchange rate differential."

b) Please explain the impact of this exchange rate differential on Enbridge's estimated labour costs per customer, relative to the US peer group.

183. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Pages 26-27

Please explain how Enbridge's labour cost of approximately $65,000 per employee can be lower than the average in the peer group even though it operates in two of the most expensive metropolitan areas in North America in terms of overall cost of living. Is this an indicator that the exchange rates used by CEA to express all monetary values in a common currency are distorting the OM&A benchmarking comparisons? Please explain.

184. ISSUE O3: Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?

Ref: Ex A2/Tab 1/Sch 2/Pages 32-33

a) Did Enbridge participate in any benchmarking studies that identify specific "best practices" with respect to investment practices, or in optimizing the tradeoffs between distribution maintenance and replacement of gas distribution facilities? If so, was EGD itself ever identified as having the "best practice" in any of these areas? If so, please identify all such areas.

b) Did Enbridge adjust its own operations to incorporate or move towards "best practice" in any area where Enbridge's capitalization practices, or assessment of the tradeoffs between maintenance and capital replacement, were not deemed to be best practice? If not, please explain why.

185. ISSUE O5: Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the application, the revenue requirement for the Test Year, and the proposed rates?

Ref: Response to Board Staff Interrogatory #2 Ex. I/Sch 1.2/p1

As per the response to Board Staff Interrogatory #2 Ex. I/Sch 1.2/p1, Enbridge stated that it did not expect any other significant impact to rates as a result of using USGAAP versus CGAAP, with the exception of the impact of OPEB.

a) Please confirm that apart from OPEB, there are no other significant or material impact to rates from the transition to and implementation of USGAAP standards.

186. ISSUE O5: Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the application, the revenue requirement for the Test Year, and the proposed rates?

Ref(1): Ex. A1/Tab 6/Sch 2/Appendix 3
Ref(2): Response to Board Staff Interrogatory #5f) i) Ex. I/Sch 1.5/p6
Ref(3): Response to Board Staff Interrogatory #5f) iii) Ex. I/Sch 1.5/p6

Enbridge also highlighted in its application a difference between CGAAP and USGAAP – Regulatory Deferrals. As per Ref(2), EGD stated that the regulatory deferrals represent the amortization of regulatory assets and liabilities under USGAAP. The amortization represents amounts refunded/collected in rates during the year; and this amortization is presented under USGAAP through a gross up of revenues and expenses, with no net earnings impact.

As per the response to Ref(3), EGD declared that the 2013 regulatory deferrals will be accounts and amounts approved by the Board which have no direct impact within the 2013 revenue requirement.

a) Please explain why there is a difference between CGAAP and USGAAP with respect to the treatment of Regulatory Deferrals.
b) Please explain whether there will also be an impact to ratepayers regarding the treatment of Regulatory Deferrals under USGAAP. If so, please quantify the approximate impact.

187. ISSUE O5: Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the application, the revenue requirement for the Test Year, and the proposed rates?

Ref(1): Ex. D1/Tab8/Sch 1/p17
Ref(2): Enbridge Response to Board Staff Interrogatory #4b) v) Ex. I/Sch 1.4/p2
Ref(3): Enbridge Response to Board Staff Interrogatory #4a) Ex. I/Sch 1.4/p2

Enbridge is proposing to establish a new TIACDA, the 2013 Transition Impact of Accounting Changes Deferral Account (the “2013 TIACDA”) in this proceeding.

As per Ref(2), Enbridge stated that as it is seeking recovery of the balance to be recorded in the 2012 TIACDA over a future fifteen year period commencing in 2013, a 2013 TIACDA and further future year TIACDAs will be required to record any approved for recovery of yet un-cleared amounts going forward.

As per Ref(3), Enbridge stated that no additional principal amounts will be recorded in the TIACDA from January 1, 2013 forward.

a) Please expand and clarify the purpose of the 2013 TIACDA.

b) EGD’s adoption of USGAAP is a one-time occurrence. Please explain why EGD would need a 2013 TIACDA, and further future year TIACDAs, in addition to the 2012 TIACDA, when USGAAP will be adopted by EGD for financial reporting purposes on January 1, 2012.

188. ISSUE O5: Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the application, the revenue requirement for the Test Year, and the proposed rates?

a) Other than the 2012 TIACDA, please explain if EGD is proposing to recover prior period costs in other sections of its application filed with the Board (i.e. costs incurred prior to January 1, 2012). Please explain.

b) Please describe the nature of the associated costs and the timeline associated with these costs.