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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
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On January 1, 2012, Macleod Dixon joined
Norton Rose OR to create Norton Rose Canada.

Your reference
EB-2011-0354

Our reference
01015413-0027

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Dear Ms. Walli:

Enbridge Gas Distribution Inc. – 2013 Rates Application (EB-2011-0354)

Please find attached the information requests of Association of Power Producers of Ontario for the above-noted proceeding.

Yours very truly,

Original signed by

John Beauchamp

JB/mnm

Enclosure

Cop(y/ies) to: All parties to the proceeding

Enbridge 2013 Rebasing Application
EB-2011-0354
Interrogatories from the Association of Power Producers of Ontario

B. Rate Base

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

Interrogatory # 1

Reference: Exhibit B1, Tab 2, Schedule 2

a) For those projects with a projected in-service date of 2014 or later, please indicate if Enbridge has included any of the capital costs in 2013 rate base and therefore included these costs in test year rates.
b) If the answer to a) is yes, please detail which projects are included in 2013 rate base and explain why each one is considered used and useful in 2013.

Interrogatory # 2

Reference: Exhibit B1, Tab 3. Schedule 3, paragraph 8

Enbridge is proposing to spend $30 million in the 2013 test year ($46 million total) to reinforce the Ottawa XHP main system. The reinforcement includes 20 km of 24" pipeline.

a) Please indicate if any of the costs associated with this reinforcement will be included in the test year rates.
b) Please provide the specific criteria Enbridge used to determine the need for this reinforcement.
c) Please indicate how the proposed reinforcement meets the above criteria.
d) Please provide a map showing the XHP mains in the Ottawa region and also overlay the proposed pipeline on this map. Include pipe sizes on the map.
e) Please indicate if Enbridge considered phasing the project over several years and the implications, if any, of delaying all or a portion of this project one year or more.
f) Please indicate what the implications would be of constructing only 1/3, and 1/2 of the reinforcement project. If there are other natural or logical ways of staging the reinforcement, please also provide the implications of these alternatives.
g) Please also indicate if requesting higher delivery pressures from TCPL either on a temporary or permanent basis would have been an alternative to reinforcement. If so, please explain why this was not utilized.
h) Please indicate if the reinforcement is being triggered by any Rate 125 customers.

i) Please provide the increased capacity associated with the 20 km of 24" pipeline. Please ignore any potential bottlenecks downstream of the pipeline in determining this capacity.
j) Please provide the yearly projected volumetric growth forecasts by rate class for Enbridge's planning horizon that underpin the need for this reinforcement.
k) Please indicate the unitized impact, if any, on Rate 125 customers that would result from this reinforcement once the costs are fully included in rates.

Interrogatory # 3

References: Exhibit B1, Tab 3, Schedule 3, paragraph 9

Enbridge is proposing a $450-650 million reinforcement (50 km of 36" pipe plus a gate station) of its GTA XHP main system with some capital costs being incurred in 2013. Enbridge indicates that the reinforcement is required to meet area growth, and to increase supply diversity and reliability.

a) Please indicate if any of the costs associated with this reinforcement will be included in the test year rates.
b) Please provide the specific criteria Enbridge used to determine the need for this reinforcement.
c) Please indicate how the proposed reinforcement meets the above criteria.
d) Please provide a map showing the XHP mains in the Toronto region and also overlay the proposed pipeline on this map. Include pipe sizes on the map.
e) Please indicate if Enbridge considered phasing the project over several years and the implications, if any, of delaying all or a portion of this project one year.
f) Please indicate what the implications would be of only constructing 1/4, 1/3 as well as 1/2 of the reinforcement project. If there are other natural or logical ways of staging the reinforcement, please also provide this analysis.
g) Please indicate if the reinforcement is being triggered by any Rate 125 customers, and if so the associated capacity requested.
h) Please provide the increased capacity associated with the reinforcement project, ignoring any potential bottlenecks downstream of the reinforcement pipeline.
i) Please provide the yearly projected volumetric growth forecasts by rate class (or other classifications) for Enbridge's planning horizon for the customers that will be served by this reinforcement.
j) Please indicate the unitized impact, if any, on Rate 125 customers that would result from this reinforcement, once the costs are fully included in rates based on the high and low capital cost estimates.

2. Is the proposed Test Year Rate Base appropriate?

3. Is the proposed Information Technology Capital Budget appropriate?

4. Is the proposed budget for Storage Capital Expenditure appropriate?

Interrogatory #1

References: Exhibit B1, Tab 5, Schedule 1, paragraph 6
Exhibit D2, Tab 6, Schedule 1

Enbridge indicates that its auditors have raised concerns about the magnitude of the discrepancy between the gas volume and energy inventory amounts.

a) Please provide a copy of the auditor's report. To the extent that the auditor's report does not provide sufficient description and timing and nature of the concern, please explain in detail the nature of the problem, the time that this was first identified and the impact on customers since it was first identified.
b) What is the financial impact of this discrepancy?
c) In the second reference above, Enbridge discusses UAF. Describe how this discrepancy has contributed to UAF.
d) Enbridge discusses its 3-D seismic program to improve its understanding of LUF. Please provide additional details on how storage may have contributed to LUF over time. To the extent that a study(ies) or report(s) has been prepared that describes and/or summarizes the results of the 3-D program and impact on LUF, please provide a copy of such material.
    i. To the extent that storage gas has migrated to regions of the reservoir that will no longer cycle on a seasonal basis, please indicate if this LUF will be considered cushion gas and if so, will Enbridge provide a credit to UAF gas?
    ii. Enbridge proposes to also drill new wells in its storage pools for both observation wells and to replace injection/withdrawal wells. Is it the intention that these new wells will increase the overall deliverability from storage? If so explain?

5. Is the forecast of Customer Additions appropriate?

6. Is the allocation of the cost and use of capital assets between utility and non-utility ("unregulated") operations appropriate?

7. Is the proposed working capital allowance appropriate?

C. Operating Revenue

1. Is Enbridge's revenue forecast appropriate?

2. Is Enbridge's gas volume forecast appropriate?

3. Is Enbridge's degree day forecast for each of the Company's delivery areas (EDA, CDA, and Niagara) appropriate?

4. Is the Average Use forecast appropriate?

5. Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?

Interrogatory # 1

Reference: Exhibit D2, Tab 6, Schedule 1 (UAF)
Exhibit B1, Tab 5, Schedule 1 (Storage Capital Expenditures)

Enbridge has provided information on unaccounted for gas

a) Enbridge has proposed a 0.63% UAF level for 2013. Please specify by rate class how the costs (or the provision of gas in kind) associated with UAF are recovered, including any variances between forecast and actual UAF.
b) Please advise of the rationale for the large fluctuation in UAF between 2006 and 2009 (a tenfold increase) illustrated in Table 4.
c) Enbridge has indicated that one of the reasons for UAF is third party damage to its underground piping. Does Enbridge estimate the lost gas that occurs during a line break and if so does it recover the related lost gas costs in these situations? If so is UAF adjusted to reflect recover of gas costs?
d) In the second reference, Enbridge has indicated that it is spending $21 million to update dated metering facilities at the Wilkesport metering station and has further conducted extensive 3D seismic programs to better understand the storage facilities as this could be a source of UAF. Please provide more details on the potential UAF amounts that could be attributed over the last 10 years to storage metering error and migration of gas in the storage pool to non-cycling regions of the pools.

e) Enbridge is proposing the use of the average of the last 5 years as the estimate to use for 2013, which includes the results for 2009 which has unusually high UAF values. This 5 year average (0.63%) is an increase of 0.03% (5% increase) over the 2012 estimate. However at the same time Enbridge is indicating that it has many programs underway to manage UAF including:
   - Significantly shorter average service life for meters, which was driven by changes to the testing standards by Measurement Canada (D2 Tab 2 Schedule 1, page 37)
   - Implementation of AGA best practices for metering standards
   - Updating Wilkesport metering facilities
   - Drilling observation and new injection and withdrawal wells to investigate and recover LUF
   - Use of AGA best practices and practices beyond best practices to manage UAF
   - Implementation of a province wide one call system for locates
   - Total damages to facilities have declined 36% over the last 10 years
   - Recapture of gas that might otherwise be otherwise lost during operating activities
   - Cast iron and other old main replacement programs
   - Other capital replacement programs

   Please explain why UAF is proposed to increase when all of these extensive capital and operating programs suggest that UAF should decline.

f) Please explain in detail how UAF is allocated among rate classes.

g) For unbundled distribution customers that do not rely on Enbridge providing balancing services, is the UAF in rates the same as for customers where Enbridge provides the balancing services? If so please explain. If yes, then please also provide the following for customers receiving balancing service:
   i. Please indicate the total volume of gas consumed by such rate classes
   ii. Please indicate what percentage of gas references in i) above flows in and out of storage
   iii. Please indicate what percentage of gas referenced in i) above is delivered directly to the city gate by a transmission company and does not flow through storage.

h) Please describe in detail how UAF is estimated for unbundled distribution customers.

i) Enbridge notes that it has check measurement at the custody transfer locations with Union and TCPL to double check the accuracy of their meters and billing information. Please comment on the accuracy of these other utilities' meters and the number of times that the check measurement has been used over the last 5 years to adjust billed volumes from Union and TCPL.

6. <u>Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?</u>

Interrogatory # 1

Reference: Exhibit C1, Tab 4, Schedule 1, paragraph 5

Enbridge discusses greater gas-fired generation summer demand and greater winter shale gas supplies both of which contribute to depressing the price of storage. Enbridge also

indicates that there is a slight oversupply in storage in the US Northeast and Ontario due to increases in capacity.

a) Please confirm that gas-fired generation also is used in winter which increases the demand for gas and hence winter commodity prices.
b) Please confirm that shale gas supplies are also produced in summer which acts to depress summer prices.
c) Please provide a list of these new storage projects that result in additions to storage capacities (bcf) and deliverability (bcfd) since 2006 that are contributing to the storage oversupply. List these as a percentage of the total storage capacity and deliverability in the region.
d) On what basis does Enbridge conclude that there is storage overcapacity in the region?

Interrogatory # 2

Reference: Exhibit C1, Tab 4, Schedule 1, paragraph 11
Exhibit D1, Tab 2, Schedule 1, paragraph 13

In the first reference, Enbridge indicates that it is proposing to reduce TS revenue forecast to $6 million in rates and capture negative variances from forecast in a deferral account and recover from rate payers in the following year. Further that sharing ratios for storage and transportation revenue will be shared 90/10 and 75/25 respectively. This lower revenue forecast is noted to reflect unpredictable economics, marketplace and asset base including the proposed elimination of TCPL's FT RAM program. Enbridge has also proposed to contract for 350,000 GJ/d of increased STFT transportation capacity on TCPL in 2012 to meet its proposed 1 in 10 Design Criteria (second reference).

a) Please provide a details illustrating how the $6m TS forecast was derived.
b) TCPL in its RH-3-2011 of its Revised October 31, 2011 Application (section 8.3) indicates that there are other methods to mitigate the loss of RAM including diversions, alternate receipt points and assignment rights. Please explain how these other strategies outlined by TCPL were taken into account in developing the TS transportation forecast.
c) Enbridge indicates that it is contracting for an additional 350,000 GJ/d of STFT at an incremental cost of $66.2 million. Since this is intended to be used to meet the 1 in 10 design day requirement, please explain why this transportation would not generate substantial TS transportation revenue 90% of the time, during non-design day periods.
d) Please indicate the months that Enbridge is proposing to contract for STFT service.
e) For the months that STFT will be in effect please provide Enbridge's 2013 monthly forecast of basis differential between Empress and Parkway. In the event that Enbridge does not have a forecast, please use the average monthly Empress-Dawn historical basis differential for the last 3 years as a proxy for Empress-Parkway.

f) Please complete the following table:

Calendar Month in 2013 for which STFT will be contracted (a)	Daily STFT Volume (GJ/d) (b)	Days in Month (c)	Empress to Parkway Basis Spread ($/GJ) (Historical or Projected from above) (d)	Percentage of the Time Not Required for Peak Day (e)	Potential TS Monthly Transportation Revenue ($) f=b X c X d X e
				90%	
				90%	
				90%	
				90%	
				90%	
				Total of the Above	

Please provide information on the STFT pricing and how sharing will be calculated including:

i. Please provide the STFT forecasted unit pricing assumptions included in the estimate to determine the $66.2 million annual cost.

ii. To the extent that the actual unit prices incurred for STFT service are different than what is included in the forecast, how will these differences be treated for sharing purposes?

g) Please explain the rationale for the difference in the sharing formula between storage and transportation revenue sources.

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

D. Operating Costs

1. Is the 2013 O&M budget appropriate?

2. Is Enbridge's gas supply plan, including the forecast of gas, transportation and storage costs appropriate?

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

4. 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?

5. Is the corporate cost allocation ("RCAM") appropriate?

6. Are the affiliate charges appropriate?

7. Are the proposed depreciation rate changes appropriate?

Interrogatory # 1

Reference: Exhibit D2, Tab 2, Schedule 1 (Depreciation Study)

Gannett Fleming makes certain recommendations regarding depreciation rates proposed for 2013.

On page 33 of 158 in discussing the rationale to increase the average service life estimate of distribution services, Gannett Fleming proposes to change from the current Iowa 35-S2.5 and use the Iowa-L-1.5 curve and indicates that it is consistent with the historic trends and the views of staff. The Gannett Fleming report also indicates:

> *"The expectation of the Operational staff is that, because the system is now largely comprised of plastic pipe, the future life of the plant will not be impacted by future programs related to early generation plastic pipe, and the historic indications provide for a meaningful analysis of the future life expectations."*

a) Please confirm that replacement programs related to use of early generation plastic pipe and replacement of certain fittings or couplings have resulted in relatively early replacement of distribution services. If not confirmed, please explain.
b) If Enbridge is now using better plastic products, please explain why historic indications provide a meaningful analysis for future life expectations.
c) Gannett Fleming recommends that the average service life for services be extended from 35-S2.5 to 40-L1.5. Even with the new 40 year average service life this is on average 10 years shorter than the other Canadian comparator companies. Please explain why the average service life should not be more similar to its comparators.
d) Gannett Fleming recommends an increase to the average service life for distribution mains – plastic from 50-S2 to 55-R3. The comparator companies provided have an average service life of 65 years. Please explain why an average service life closer to its comparators should not be used.
e) For distribution services and distribution mains- plastic, Enbridge has been using a much lower average service life than its comparators. The average service life will continue to be less than its comparators. Will 'over depreciating' assets not require a subsequent adjustment in the future to correct for this higher rate?

8. Is the municipal taxes expense appropriate?

9. Is the demand side management budget appropriate?

10. Is the income tax expense forecast appropriate?

11. Is the proposal for the Open Bill Access Program appropriate?

12. Is the proposed O&M budget for Finance appropriate?

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

14. Is the proposed O&M budget for Energy Supply, Storage Development and Regulatory appropriate?

15. Is the proposed O&M budget for Law appropriate?

16. Is the proposed O&M budget for Operations appropriate?

17. Is the proposed O&M budget for Information Technology appropriate?

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

19. Is the proposed O&M budget for Human Resources appropriate?

20. Is the proposed O&M budget for Pipeline Integrity & Safety appropriate?

21. Is the proposed O&M budget for Public and Government Affairs appropriate?

22. Is the proposed O&M budget for Non-Departmental O&M Expenses appropriate?

23. Is the forecast of Provision for Uncollectable Amounts for 2013 appropriate?

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

DV. Deferral and Variance Accounts

1. Are Enbridge's existing and proposed deferral and variance accounts appropriate?

2. 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?

E. Cost of Capital

1. 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?

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

Interrogatory # 1

Reference: Exhibit E1, Tab 2, Schedule 1, paragraph 10

Enbridge proposes to increase the amount of equity from 36% to 42%.

a) At paragraph 10, Enbridge notes that it is proposing to inject $247 million over the course of the 2013 test year. Please provide the proposed schedule of equity infusions.

Interrogatory # 2

Reference: Exhibit E2, Tab 1, Schedule 2 (Capital Structure)

Enbridge proposes to increase the amount of equity from 36% to 42%.

a) Enbridge indicates that it is exposed to increased business risks. Please redraw the graph in paragraph 2 and include the actual rate of return achieved before any sharing mechanism. Please also provide a table showing by year the actual rate of return and allowable rate of return.
b) Enbridge has indicated that for recognition of the increased risks it ought to have additional equity included in the capital structure. If the additional equity is approved and any of the stated risks (paragraph 7) materialize for which they are requesting additional compensation, is Enbridge also prepared to bear the cost consequences of such risk occurring without recourse to the ratepayers? If not, please explain in detail.
c) Enbridge highlights 3 main factors since 1993 that have increased business risks including: the volumetric demand profile, system size and complexity, and environmental and technological advancements.
    i. With respect to volumetric demand profile risks, for each year that the program was in place, please identify the additional earnings received from DSM programs
    ii. Please confirm that lost industrial volumes due to the implementation of DSM programs are recovered through a LRAM deferral account
    iii. Please confirm that Enbridge voluntarily promotes industrial DSM programs notwithstanding that the OEB in EB-2008-0346 has indicated that ratepayer funded DSM programs for large industrial customers are no longer mandatory.

iv. Please confirm that all large industrial customers have entered into 12 month or longer distribution contract with Enbridge that protects Enbridge of any revenue losses during the currency of the contract

d) With respect to the risks associated with system size and complexity:
   i. Please confirm that from 2000 to 2013 Enbridge added 663 FTEs (40.8%) to assist with managing the growth on their system. If not confirmed, please provide the actual number of additional FTEs added since 2000 to 2013.
   ii. Enbridge indicates that the introduction of pipeline integrity programs has increased risk. Please confirm that pipeline integrity programs are intended to discover potential system problems before a catastrophic event occurs thereby reducing the risk to Enbridge. If not confirmed, please explain.

e) With respect to the environmental and technological advancements and the OPA FIT programs, please confirm that at the burner tip, natural gas has a significant price advantage over the cost of electricity for most applications.

3. Is the proposal to use the Board's formula to calculate return on equity appropriate?

F. Revenue Sufficiency / Deficiency

1. Is the revenue requirement and revenue deficiency or sufficiency for the Test Year calculated correctly?

2. Is the overall change in revenue requirement reasonable given the impact on consumers?

G. Cost Allocation

1. Is Enbridge's utility Cost Allocation Study, including the methodologies and judgements used and the proposed application of that study with respect to Test Year rates, appropriate?

Interrogatory #1

Reference: Exhibit G2, Tab 1, Schedule 1, Appendix B

Enbridge uses a volume peak day allocator to allocate the costs of its transmission pressure (TP) mains to rate classes. Rate 125 generators are generally situated near TCPL gate stations in order to obtain the required pressure for their operation. Has Enbridge considered a volume-distance allocation methodology for allocating the costs of TP mains? Explain.

2. Are the Cost Allocation Study methodology relating to Customer Care and CIS costs appropriate?

3. Are the principles applied in the utility Cost Allocation Study consistent where appropriate with the principles applied in allocating costs between utility and non-utility ("unregulated") businesses?

H. Rate Design

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

2. Are the proposed levels of customer charges, including the fixed/variable split, appropriate?

O. Other Issues

1. Has Enbridge responded appropriately to all relevant Board directions from previous proceedings, including any commitments from prior settlement agreements?

2. Are Enbridge's economic and business planning assumptions for the Test Year appropriate?

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

4. Are Enbridge's Conditions of Service (i.e. customer service policies including security deposits, late payment penalty, etc.) compatible with Board directives?

5. 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?

6. How should the Board implement the rates relevant to this proceeding if they cannot be implemented on or before January 1, 2013?