# INTERROGATORIES FOR ENBRIDGE GAS DISTRIBUTION

# FROM THE CONSUMERS COUNCIL OF CANADA

# EB-2011-0354

## B. RATE BASE

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

1. (B1/T2/S1/p. 2) Planned capital expenditures for 2013 are $483.9 million. Please estimate the impact on the revenue requirement of reducing that budget by $50 million and $100 million, respectively. Please include all assumptions.

2. (B1/T2/S1/P. 3) Please re-cast Table 1, setting out separate lines for those amounts related to LTC projects.

3. (B1/T2/S1/p. 5-6) What is the current status of the Technical Training Facility? When is the expected in-service date? Please provide a detailed business case for this project.

4. (B1/T2/S2) For all of the projects in this exhibit (Details of Capital Expenditures by Year 2011-2013) please provide the most updated in-service dates.

5. (B1/T2/S2) Please explain the nature of the project entitled Business Development and Customer Strategy. How was the $5.934 budget developed? Please provide a complete breakdown of that budget. What types of projects are envisioned? Why are these appropriate for the regulated distribution business?

6. (B1/T2/S1) Total Improvement Mains are increasing by over $100 million relative to 2011 levels. Please explain this significant increase. Why was EGD not undertaking this work prior to 2012?

7. (B1/T2/S1/ Appendix 1) Please explain the significant increases in Measurement and Regulation in 2013 relative to 2011 and 2012 levels.

8. (B1/T2/S1/Appendix 1) Office Furniture and Equipment is increasing from $.7 million in 2007 to $3.9 million in 2013. Please explain the reasons for this significant variance.

9. (B1/T2/S2) With respect to the Ottawa Innes Road Replacement ($6 million) what are the risks that this project will not be completed in 2013?

10. (B1/T2/S2) Please provide further details regarding the Don River Bridge Replacement Project ($3.5 million).

11. (B1/T2/S2) In 2011-2013 there are Distribution Plant projects amounting to over $400 million that are each less than $500,000 (and therefore no justification has

been included in the evidence). How does EGD ensure that these projects are justified? How can EGD ensure the Board and intervenors that these projects are justified?

12. (B1/T2/S2/p. 4) Included in the 2013 budget is $4.667 million for vehicle and equipment replacements. Please provide a detailed budget for this cost category. Please file the corporate replacement policy.

13. (B1/T2/S3/p. 1) Please provide an extra column setting out 2007 Actuals for the Comparison of Capital Expenditures.

14. (B1/T3/S3/p.p1-4) Please provide a schedule setting out each of the LTC projects and the projected costs for each in 2012, 2013 and 2014. Please indicate when approval was granted or is expected to be granted for each project.

15. (B2/T1/S1) Please explain to what extent, if at all, the Economic Feasibility Procedure and Policy has changed since 2007.

16. (B1/T2/S1) Please provide a schedule setting out the overall costs of the cast iron replacement program. Please include the forecast costs (as proposed when the project was presented to the Board for approval) and the actual costs for each year (including 2012 and 2013).

**2. Is the proposed Test Year Rate Base appropriate?**

1. (B1/T1/p. 1) The 2013 rate base is $122.1 million higher than the 2012 rate base. Please provide a detailed explanation as to how the $122.1 million was calculated. Please include all assumptions.

2. (B4/T1/S2) Please provide the most updated year end rate base amounts for 2011 (based on actuals) and 2012, based on the most recent forecast of in-service dates.

**3. Is the proposed Information Technology Capital Budget appropriate?**

1. (B1/T4/S1/p. 1) The evidence states that The IT initiatives that survive the business case review are subject to further review by the EMT prior to approval. Please provide a list of all IT projects submitted to the EMT for 2013 and beyond, and a list of those projects approved.

2. (B1/T4/S1) For each of the IT projects set out in this exhibit please provide the complete business case analyses. Please provide the projected in-service dates for each.

3. (B1/T4/S1/p. 3) For the EnVision Project please provide a schedule setting out the forecast costs (as projected when the project was approved) and the actual costs for each year since the project began. Will the EnVision upgrade be in-service in 2013?

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

1. (B1/T2/S2/p. 7) EGD is planning to spend $60 million on Storage Plant over the period 2011-2013. How much of this will be allocated to unregulated storage operations? What is the likelihood that these assets will be all be in-service by December 2013?

**5. Is the forecast of Customer Additions appropriate?**

1. (B3/T2/S3) What is the impact on the 2013 Revenue Requirement of an increase in the customer additions forecast of 1000?

2. (B3/T2/S3/p. 3) What is the reason for the 3.6% increase in the average cost per customer (excluding power generation facilities)? Please provide a number comparable (using the same inputs) to the $113 for each year 2007-2012.

3. 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?**

1. (B1/T1/S2) Please explain why the level of security deposits is decreasing from 2012 to 2013? Please explain how this forecast is prepared.

**C. OPERATING REVENUE**

**1. Is Enbridge's revenue forecast appropriate?**

1. (C1/T2/S1/p. 1) Please re-cast Table 1 (Revenue Forecast) to include 2007 to 2010 actuals.

**2. Is Enbridge's gas volume forecast appropriate?**

1. (C1/T3/S1) Please re-cast Table 1 (Summary of Gas sales and Transportation Volumes and Customers) to include 2017-2011 actuals.

2. (C1/T3/S1) During the IRM term did EGD prepare an annual gas volume forecast. If so, what methodology was employed? If so, please provide those forecasts for each year 2007-2011

**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?**

1. (C5/T2/S3/p. 1) Please provide the forecast General Service Average Uses for the years 2005-2011.

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

**6. Is the proposal for the treatment and sharing of Transactional Service revenues, and the forecast of those revenues appropriate?**

1. (C1/T4/S1/p. 1) The evidence states that since the TS function was first established in 1997 Enbridge has succeeded in meeting the gross margin thresholds and ratepayer guarantees as set out in the TS sharing methodology. Please provide the forecast and actual levels of TS revenue since 1997. Please specify the amounts allocated to ratepayers and shareholders. Please include gross and net amounts.

2. (C1/T4/S1/p. 1) The evidence states that in 2011 the TS storage revenue is expected to be $2.7 million. What was the actual amount? To the extent it differs from the $2.7 million forecast what is the reason for the variance? Please describe how the amount was calculated. What is the 2012 revenue year to date?

3. (C1/T4/S1/p. 2) The evidence states that the 2011 estimate for TS transportation revenue is expected to be $15 million. What was the actual amount. To the extent it differs from the $15 million please explain the variance. Please explain how the amount was calculated. What is the 2012 revenue year to date?

4. (C1/T4/S1/p. 3) Please explain, in detail, how EGD generates TS revenue through the use of TCPL's FT-RAM service. Please provide several examples.

5. (C1/T4/S1/p. 3) What is the basis for the $6 million revenue guarantee? Please include all assumptions and calculations used to arrive at that amount. What is the 2012 and 2013 TS revenue forecast? What are the associated costs?

6. (C1/T4/S1/p. 4) What is the rationale (other than it has previously been in place) for the different sharing proportions for TS related storage and transportation revenue (90:10 vs. 75:25)?

7. (C3/T5/S1) What is the current status of the NGV program? What are EGD's ongoing plans for the program? Why is the program continuing if it is not generating a revenue sufficiency? Please provide the rate of return/ deficiency/sufficiency analysis for each year 2007 to 2012?

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

1. (C3/T3/S1) Please re-cast "Details of Other Revenue" to include 2007 Board approved and actual amounts for 2007-2011.

2. (C3/T3/S1) Please explain, in detail, how EGD forecasts late payment penalty revenue.

## D. OPERATING COSTS

### 1. Is the 2013 O&M budget appropriate?

1. (A2/T1/S1/p. 17) The evidence states that the inflation adjusted O&M cost per customer are virtually unchanged since 2004. The table provide indicates, however, that during the IRM term the cost per customer was well below the 2013 amount. Please explain why the 2013 O&M cost per customer is significantly above the O&M cost per customer in 2007, 2008, 2009, 2010 and 2011.

2. (A2/T1/S1/p. 25) The evidence states that Enbridge has the fifth lowest O&M cost per customer amongst the Concentric peer group. How was the peer group chosen? To what extent was density considered in the study when the comparisons were made?

3. (D1/T3/S1/p. 1) The evidence states that the O&M budget was reviewed and approved by the EMT. Please provide a detailed list of any changes to the proposed budget that were made by the EMT. Please explain the reasons for each of those changes.

4. (D1/T3/S1/p. 2) Please re-cast Table 1 to include 2007-2010 actuals.

5. (D1/T3/S1/p. 4) Please re-cast Table 2 (Other Operating and Maintenance Expense by Cost Type) to include 2007 actual and Board approved and actuals for 2008-2011.

6. (D1/T3/S1/p. 6) The evidence states that there is an increase in 2013 in consulting costs primarily related to incremental services required to achieve the Company's goal of zero safety incidents through the Path to Zero initiative. Please explain, in detail the nature of these costs.

7. (D1/T3/S1/p. 4) Please provide a detailed breakdown of the $9.5 million in Consulting costs for 2013.

8. (D1/T3/S1/p. 4 Please provide a detailed budget for "Outside Services" for 2011, 2012 and 2013. Please explain the nature of each budget item and an explanation as to why those services are required.

9. (D1/T3/S1/p. 4) Please provide a detailed budget for "Travel and Other Business Expenses" for 2011, 2012 and 2013. In addition, please file the actual amounts for 2007-2010 for this cost item. Please provide all internal guidelines relevant to this budget item.

10. (D1/T3/S1/p. 4) Please provide a detailed budget for "Memberships" for 2011, 2012 and 2013. In addition, please file the actual amounts for 2007-2010 for this cost item.

11. (D1/T3/S1/p. 4) Please provide a detailed budget for "Employee Training and Development" for 2011, 2012 and 2013. In addition, please file the actual amounts for 2007-2010 for this cost item.

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

1. (D1/T2/S1/p. 6) The evidence states that the impact on 2013 gas costs of the long-haul STFT on TCPL of additional firm transportation would be an incremental $66.2 million or $74.5 million of unutilized transportation cost impacts in total. Please explain, in detail how those amounts were calculated. Please include all assumptions. Please identify how those costs would be recovered from customers (system vs. direct purchase, rate classes etc.)

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

1. (D1/T2/S3) Please provide the terms of reference for the Navigant Study. What were the costs of the study and how are those costs to be recovered?

**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?**

1. (D1/T4/S2/p. 2) At a high level please explain how the RCAM amount has gone from $18.1 million in 2007 to $32.1 million in 2013.

**6. Are the affiliate charges appropriate?**

**7. Are the proposed depreciation rates appropriate?**

1. (D1/T5/S1) Please provide the Terms of Reference for the Gannet Fleming Study. Was the study subject to an RFP? If not , why not?

**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?**

1. (D1/T8/S1/p. 16) EGD is proposing that with respect to the Open Bill Revenue Variance Account that the net annual revenue amounts in excess of $7.389 be shared 50:50 with ratepayers and that a credit goes to EGD in the event that the net annual revenues are less than $4.889 million equal to the shortfall between

actual net revenues and $4.889 million. What is the basis for these two numbers? Why are they still appropriate? Why should the revenues be shared with the utility shareholders if the ratepayers are paying for the assets used to generate the revenue?

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

1. (D1/T10/S1/p. 1) Within the Finance Budget there are $329,000 in expenses related to Travel and Entertainment and $327,000 related to "memberships, employee services and development, and materials and supplies." Please provide a more detailed explanation for these cost items. What were the actual costs in each year for the period 2007-2011?

**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?**

1. (D1/T13/S1) The evidence states that the Energy Supply, Storage Development and Regulatory (ESSDR) business unit encompasses four departments - Energy Supply and Policy, Regulatory Affairs, Storage Development and the Greater Toronto Reinforcement Project. Please provide a separate detailed budget for each department for the period 2011, 2012, and 2013.

2. (D1/T3/S1) With respect to Regulatory Affairs please provide a schedule setting out the following for 2007-2013:

   - Salaries and Wages
   - Consulting
   - Training, Travel and other Business expenses
   - 2013 Rate Case Costs (broken out by legal, intervenor, consulting, and other)
   - NEB proceedings costs (broken out by legal, consulting and other)
   - Other Regulatory Proceedings Costs
   - Other Costs

3. (D1/T3/S1) Within the ESSDR Budget there is an amount entitled "Costs Charged From an Affiliate" of $2.088 million. Please explain the nature of that charge.

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

1. (D1/T14/S1/p. 6) Please provide a detailed break-down of the $3.5 million in External Legal Costs. Pease provide actual number for the years 2007-2011, and the forecast for 2012.

**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?**

1. (D1/T17/S1/p. 3) Please provide the 2013 budget for "Business and Market Development". To what extent are those activities allocated to the un-regulated side of the business? How many of the employees in this group provide services to Enbridge Inc.?

2. (D1/T17/S1/p. 8) Please provide the 2013 budget for the "Strategy Research and Planning Group". To what extent are those activities allocated to the un-regulated side of the business? How many employees in this group are providing services to Enbridge Inc.?

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

1. (D1/T3/S1/p. 12) Please provide a schedule setting out the number of FTEs added each year since 2007. Please provide the information by category - Management, Supervisory, Union and Total.

2. (D1/T3/S1) Please describe any efficiency gains EGD achieved during the IRM period with respect to Human Resources Costs. How have those efficiencies translated into a reduced revenue requirement for 2013?

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

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

1. (D1/T21/S1/p. 6) Please provide a detail break-down of the "Outside Services" Budget within the Public and Government Affairs Budget. Please provide the amounts for 2007-2013.

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

1. (D1/T22/S1) Please indicate how many employees are eligible for the STIP. In addition, please indicate the average STP amount forecast for each employee for 2013.

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

1. (D1/T3/S1/p. 6) Please explain how EGD prepares the forecast for Provision for Uncollectable Accounts.

**24. Is the allocation of O&M costs between utility and non-utility operations appropriate?**

1. (A1/T9/S1) EGD's purchases from Enbridge Inc. have increased from $39.4 million in 2011 to $45.4 million in 2013. Please provide a schedule setting out all of the reasons for the increase.

**DV. DEFERRAL AND VARIANCE ACCOUNTS:**

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

1. (D1/T8/S1/p. 5) Is EGD proposing any changes to its PGVA and the methodologies for recording costs in the PGVA. If so, please explain the rationale for the change(s).

2. (D1/T8/S1/p. 10) Is EGD proposing any changes the 2013 Unaccounted For Gas Variance Account? If so, please explain the rationale for the change(s).

3. (D1/T8/S1/p. 14) EGD has proposed that with respect to the Manufactured Gas Plant Deferral Account that "Costs charged to the account could include, but are not limited to" a number of cost categories. Why does EGD propose that the cost categories essentially be open-ended for this account?

4. (D1/T8/S1/p. 16) Please provide a forecast of the expected activities and revenue to be recorded in the 1013 EPESDA. Why is a 50:50 sharing appropriate when the resources used to generate the revenue has been paid for by ratepayers?

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

**E. COST OF CAPITAL:**

**1. Is the forecast 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?**

1. (E1/T1/S1) Please provide all materials provided to EGD's Board of Directors and/or to Enbridge Inc. seeking approval to seek an increase in the allowed equity level from 36% to 42%.

**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?**

1. Please provide all materials provided to EGD's Board of Directors related to the 2013 rate filing and resulting revenue deficiency. When were these materials presented to the Board of Directors? If the filing was discussed at multiple meetings please include all of the materials provided at those meetings.

2. Under what regulatory model does EGD intend to file approval for rates beyond 2013?

3. (A2/T4/S1/Appendix A) Please provide a detailed explanation as to how the $102.4 million amount related to Rate base and associated deprecation, CCA, and debt level required adjustments was calculated. Please include all assumptions.

4. (A2/T4/S1/Appendix A) Please provide a detailed explanation as to how the $60.2 million of "all other" costs was calculated. Please include all assumptions.

5. (A2/T4/S1/Appendix A) Please provide a detailed explanation as to how the $8.5 million amount relate to "other revenues, all other tax ads and deducts" was calculated. Please include all assumptions.

6. (A2/T4/S1/Appendix A) Please provide a detailed explanation as to how the $9.7 million related to "volumes/supply mix, storage carrying cost changes" was calculated. Please include all assumptions.

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

1. For each year 2007-2012(forecast) please provide a schedule setting out the allowed ROE, actual ROE and the dollar amounts of over-earnings. Also please provide the amounts of those over-earnings allocated to shareholder and ratepayers.

## 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?**

1. (G1/T1/S1) Please explain, in detail, how EGD allocates TS revenue to each of the rate classes.

**H. RATE DESIGN:**

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

1. What would be the annual bill impact of EGD's application if the increased STFT service was included?

**2. Are the proposed levels for 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?**

1. (A2/T2/S1) In the Regulatory Budget Assumptions and Guidelines Directive at page 11 there is reference to Vacancy Credits. Please explain what Vacancy Credits are and how they are used to derive the budgets.

2. (A2/T2/S3) The evidence indicates that in preparing the 2013 budget individual departmental budgets were submitted to the EMT prior to being submitted to Finance. Please specify, for each submitted budget, the changes made by the EMT and explain the reason for the changes.

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

1. (A2/T1/S1) The evidence 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. Please provide any internal reports or correspondence which relate to potential productivity initiatives during the IR term. Please include any correspondence with staff regarding productivity during the IR term.

2. (A2/T1/S1/p. 8) The evidence states that as a result of Enbridge's cost of service rebasing in 2013, the benefits of the productivity gains achieved during the IR term will be passed on to ratepayers. Please list all of these "gains" and the associated savings, by year. For each item please identify where it is reflected in the cost of service evidence.

3. (A2/T1/S2) Please provide the terms of reference for the Concentric Study and any instructions provided to Concentric. Was the work subject to an RFP? If not, why not? What are the costs of the study and how are they being recovered?

4. (A2/T1/S3) Please provide the terms of reference for the PSE Productivity study. Was the work subject to an RFP process? If not, why not? What are the costs of the study and how are they being recovered?

5. (A2/T1/S3) Please explain Enbridge's position regarding the conclusions set out in the PSE Productivity study. Does Enbridge adopt the recommendations? How does this study impact the relief Enbridge is seeking in this case?

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

1. (A1/T14/S1 and S2) Please provide a complete list of all of the changes EGD has made to its Conditions of Service since 2007. To the extent any charges have changed, please explain the basis for the change. Are the charges all cost based? If not why not?

2. (A1/T14/S2/p.p. 2-4) Please provide the current Rider G setting out existing Service Charges.

**5. Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been indentified, 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?**