

**IN THE MATTER** of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving just and reasonable rates and other service charges for the sale, distribution, transmission and storage of natural gas, effective on January 1, 2013.

## **INTERROGATORIES**

### **OF THE**

### **SCHOOL ENERGY COALITION**

*[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]*

#### **A. General**

1. Please provide the Applicant's most recent Strategic Plan.

#### **B. Rate Base**

***Issue B-1 – Is Enbridge's forecast level of capital spending in 2013 appropriate?***

2. [B1/2/1/p.3] Please expand Table 1 to include columns for each of 2007 through 2010 actuals.
3. Please advise how the Applicant prepared its capital plan when its Asset Plan was not finalized until May 2012?
4. Please provide the process that the Applicant used to prioritize capital project spending during the IRM term.
5. Please provide details of any changes to the Applicant has made to its proposed capital expenditures for the Test Year in light of the finalization of its Asset Plan?
6. [B1/2/2/p.2] Please advise how the Applicant projected the cost for the Amp Filing Replacement program if a leak rate study has yet to be undertaken?
7. [B1-/2/2/p.4] For each of the Casselman, Pembroke and Kennedy Road Operations Centre Replacement Projects, please provide:

- a. The business case or other proposal document, and
  - b. The reduction in lease payments as a result of the project.
8. [B2/2/1] With regard to the Asset Plan:
- a. Did the Applicant develop the Asset Plan fully in-house?
  - b. Why does the Applicant believe it has the necessary expertise to develop an Asset Management System pursuant to PAS 55, if it has never done so previously?
  - c. Did the Applicant retain any third-party experts to assess the appropriateness of the Asset Plan? If not, please explain why. If so, please provide their reports.
9. [B2/2/2, p.34-37] Please provide details on the process for developing the implementation schedule developed for routine reinforcements?
10. [B5/2/1, p.3] Please provide further details regarding the increase in the Service Relay budget.

***Issue B-3 - Is the proposed Information Technology Capital Budget appropriate?***

11. [B1/4/1/p.2] Please provide details of the projected productivity savings as a result of the Capman/O&M project? Please provide any reports or other documents that include estimates or calculations of those savings.

***Issue B-4 - Is the proposed budget for Storage Capital Expenditures appropriate?***

12. [B1/5/1p.3] Please provide the list of recommendations resulting from the safety assessment of the Corunna Gas Storage Compressor Plant.

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

13. [D2/5/1] Please advise whether the Applicant has updated its application to take into account its proposed changes contained in the Storage Cost Allocation Study dated May 1, 2012?

**D. Operating Costs**

***Issue D-1 – Is the proposed 2013 O&M budget appropriate?***

14. [D1/3/1, p. 2] Please confirm the following under the originally filed figures:
- a. Other O&M increased at an average rate of 2.5% per year from 2007 to 2011.

- b.* Under the current forecast and budget, Other O&M is proposed to increase by 16.3% from 2011 to 2013.
  - c.* If Other O&M continued at the same rate in 2012 and 2013 as the average from 2007 to 2011, the 2013 Other O&M would be \$225.9 million, and the deficiency would be reduced by \$24.1 million.
- 15.** [D1/3/1, p. 24] Please confirm the following under the updated figures:
  - a.* Other O&M increased at an average rate of 3.75% per year from 2007 to 2011.
  - b.* Under the current forecast and budget, Other O&M is proposed to increase by 10.3% from 2011 to 2013.
  - c.* If Other O&M continued at the same rate in 2012 and 2013 as the average from 2007 to 2011, the 2013 Other O&M would be \$241.9 million, and the deficiency would be reduced by \$5.9 million.
- 16.** [D1/3/1, p. 26] Please provide details of the higher provision for uncollectibles and the higher STIP included in the \$9.7 million (4.5%) increase in 2011 Other O&M from the prefiled evidence to the Update. With respect to the uncollectibles, please provide the audit memo or other internal document justifying the increase and the reasons for it.
- 17.** [D1/3/1, p. 4] Please provide a table, using the updated data, in the form of Table 2, but replacing columns (c) and (d) with five new columns, one each for actuals for each year 2007 through 2011.
- 18.** [D1/3/1, p. 7 and 12] Please provide all memos, emails, and other communications dealing in whole or in part with the relationship, if any, between a) actual 2011 and/or forecast 2012 O&M amounts, and b) budget 2013 O&M amounts to be included in the rate application.
- 19.** [D1/3/1, p. 12] Please provide a table showing full-time headcount changes for each of the three employee categories in Table 5, on a monthly basis for actual 2011 through forecast 2013, as follows:
  - a.* Retirements.
  - b.* Other Voluntary terminations.
  - c.* Involuntary terminations.
  - d.* Replacement Hires
  - e.* New Hires

- f. Returns to work (maternity, disability, secondment, etc.)
20. [D1/3/1, p. 12] Please explain the main demographic or other factors that result in unionized employees reducing by 60 FTEs, or 7.9%, from 2007 to 2013, while non-unionized employees are increasing by 386 FTEs, or 32.0%, over the same period.
21. [D1/3/1, p. 18] Please provide further details with respect to line 58, including the nature of the costs and the results achieved. Please provide any business case or proposal relating to the initiative, and any report or reports dealing with its results.
22. [D1/3/1, p. 20] Please advise whether the \$6.2 million annual increase in advertising is expected to be a permanent increase. If so, please provide the business case or other proposal relating to the initiative. If not, please provide a table showing the incremental (relative to 2011) advertising in this category expected in each year from 2012 through 2016.
23. [D1/3/1, p. 29] Please confirm that Utility O&M per customer increased by 1.1% over the period 2004 to 2011, but the Applicant is currently proposing to increase Utility O&M per customer by 18.2% from 2011 to 2013.
24. [D1/3/2, p. 9] Please expand Table 1 to include historic figures for each of 2007 through 2010.

***Issue D-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?***

25. [A2/3/2, p. 3] Please advise the circumstances (e.g. market conditions, plan funding status, stage of the valuation cycle, etc.) in which the accrual basis is more volatile than the cash basis, and the circumstances in which the cash basis is more volatile than the accrual basis.
26. [A2/3/2, p. 10]. Please confirm that, as market conditions or discount rate assumptions or yield curve become more favourable, the cash basis will tend to produce lower annual costs relative to the accrual basis, and vice versa. If there is a formula or algorithm for estimating this effect, please provide.

***Issue D-12 – Is the proposed O&M budget for Finance appropriate?***

27. [D1/10/1, p. 2] Please provide a table of FTEs in Finance, broken down into the three major employee categories, for each of 2007 through 2013.
28. [D1/10/1, p. 2] Please provide details on the RCAM budget relating to Finance, including dollars charged and FTEs. Please provide a detailed breakdown and explanation showing the Finance functions that are handled by the Applicant, and the Finance functions that are provided by EI, together with the rationale for the division of responsibilities proposed for the Test Year.

29. [D1/10/1, p. 4] Please advise how the three replacement positions filled in 2011 were incremental FTEs if they were replacements.

***Issue D-14 – Is the proposed O&M budget for Energy Supply, Storage Development and Regulatory appropriate?***

30. [D1/13/1, p. 8, 9] Please explain the increase of \$499,000 in costs charged from an affiliate from 2012 to 2013. Please confirm that this estimate is expected to be reduced by \$400,000.

***Issue D-15 – Is the proposed O&M budget for Law appropriate?***

31. [D1/14/1, p. 2] Please quantify the forecast savings to the Applicant in the Test Year as a result of the two retainer agreements referred to, and show the supporting calculations.
32. [D1/14/1, p. 3] Please identify in the Application the savings in amounts paid for external legal services as a result of the two new in-house lawyers referred to in para. 6.
33. [D1/14/1, p. 4] Please explain why two new positions are required for Records Management. Please provide details of any IT solutions that are being used for this function. Please provide details of any changes in policies or procedures that have driven the need to add more positions. Please identify all RCAM amounts being charged to the Applicant relating to Records Management.
34. [D1/14/1, p. 7] Please provide details on the RCAM budget relating to the Law Department, including dollars charged and FTEs. Please provide a detailed breakdown and explanation showing the Law Department functions that are handled by the Applicant, and the Law Department functions that are provided by EI, together with the rationale for the division of responsibilities proposed for the Test Year.

***Issue D-16 – Is the proposed O&M budget for Operations appropriate?***

35. [D1/15/1, p. 7] Please provide details with respect to the 891 Error Response Team. Please provide any internal reports or other documents that include estimates of savings resulting from this initiative.
36. [D1/15/1, p. 8] Please provide details of the “lower future maintenance costs” arising out of the TC Module Upgrade program, and identify the reduction in budget included in the Test Year for this purpose.
37. [D1/15/1, p. 10] Please provide a table, in the form of Table 1, that includes each of the years 2007 through 2013.
38. [D1/15/1, p. 13] Please explain why the 2011 collective agreement requires an additional 5 FTEs. Please provide the operational justification for these positions.

***Issue D-17 – Is the proposed O&M budget for Information Technology appropriate?***

- 39. [D1/16/1, p. 5] Please provide each of Tables 1 through 3, in the same format as in D1, Tab 15, e.g. including FTEs and capitalized amounts.
- 40. [D1/16/1, p. 7] Please provide any evidence the Applicant has to support the claim that “security threats from outside...are becoming more frequent”.
- 41. [D1/16/1, p. 9] Please provide more details on why Employee Training and Development required a 165% increase from 2011 to 2012.

***Issue D-18 – Is the proposed O&M budget for Business Development and Customer Strategy, including Energy Technology Innovation Canada (“ETIC”) related amounts, appropriate?***

- 42. [D1/17/1, p. 3] Please provide further details on the “project screening tool”, including a copy of the tool if it exists in an easily accessible format (like Excel).
- 43. [D1/17/1, p. 4] Please provide any reports or other documents dealing in whole or in part with the savings generated by the “program planning tool”.
- 44. [D1/17/1, p. 12] Please advise why FTEs decrease by only 1 from 2012 to 2013 when the Conservation Services budget declines by \$5.5 million.
- 45. [D1/17/1, p. 15] Please advise how the ratepayers benefit from the \$1 million increase in budget to research new business and market development opportunities.

***Issue D-19 – Is the proposed O&M budget for Human Resources appropriate?***

- 46. [D1/18/1, p. 2] Please provide the business case or other proposal document for the new multi-purpose facility.
- 47. [D1/18/1, p. 2] Please provide a table setting out the nature and amount of all payments made to affiliates of the Applicant, including but not limited to amounts payable under RCAM, related to the new multi-purpose facility.
- 48. [D1/18/1, p. 4] Please provide a breakdown of the \$7.7 million of other expenses into the categories listed in para. 14.
- 49. [D1/18/1, p. 7] Please provide a more detailed explanation of the “greater emphasis placed upon performance management”, and the forecast costs that are to result from that.

***Issue D-20 – Is the proposed O&M budget for Pipeline Safety and Integrity appropriate?***

- 50. [D1/20/1, p. 2] Please advise whether the \$2.0 budget increment referred to is a one-time cost. If it is ongoing, please explain.

51. [D1/20/1, p. 4] Please provide the plan, business case, or other proposal document relating to the Path to Zero initiative. Please provide any reports providing information on the results of that initiative.
52. [D1/20/1, p. 11] Please provide a copy of the “long term strategic plan” referred to.
53. [D1/20/1, p. 14] Please provide a table of FTEs in Pipeline Safety and Integrity, broken down into the three major employee categories, for each of 2007 through 2013.

***Issue D-21 – Is the proposed O&M budget for Public and Government Affairs appropriate?***

54. [D1/21/1, p. 4] Please provide a more granular breakdown of Outside Services for each year from 2007 through 2013. Please explain why this category increased from \$6,187 to \$9,199 (48.7%) from 2011 to 2013.
55. [D1/21/1, p. 8] Please provide a detailed breakdown of all costs forecast for the Test Year, in any department, relating to “informing and influencing government on public policy issues”.

***Issue D-22 – Is the proposed O&M budget for Non-Departmental O&M Expenses appropriate?***

56. [D1/22/1, p. 3] Please restate the table on this page consistent with the updated evidence.

***Issue D-23 – Is the Provision for Uncollectible Amounts for 2013 appropriate?***

57. [D1/3/1, p. 10] Please provide details of the “deficiencies in accounts receivable reporting” in 2011, what steps were taken to correct them, and their impact.

**E. Cost of Capital**

***Issue E-2 – Is the proposed change in capital structure increasing Enbridge’s deemed common equity component from 36% to 42% appropriate***

58. [E2/1/2, p. 2, 12] Please provide all communications from any rating agency or other third party to the Applicant dealing with the possibility that the Applicant or its parent company will have a credit downgrade. Please provide all other evidence in the Applicant’s possession showing that there is a risk of a credit downgrade.
59. [E2/1/2, p. 2] Please provide details of all changes to business risks that the Applicant and/or its experts Concentric believe have arisen a) in the period 1993 to 2007, and b) in the period 2007 to date.
60. [E2/1/2, p.7] Please confirm that the Applicant believes the GEA is intended to decrease reliance on natural gas.

61. [E2/1/2, p. 14] Please have the Applicant's experts Concentric provide a table showing their estimate of the percentage probability of a downgrade by the rating agencies if the equity thickness remains at 36%, i.e. x% probability of a one-notch downgrade, y% of a two-notch downgrade, etc.
62. [E2/2/1] Please provide any drafts of the Concentric Report which show markups or editorial changes proposed by Enbridge personnel. Please provide a detailed description of the involvement of Enbridge personnel in the drafting of the report.
63. [E2/2/1, p. 18] Provide Concentric's evidence for the statement "large portions of these natural gas transmission and distribution systems are reaching the end of their design lives". Please confirm that this statement is intended to be indicative of the Applicant's system. Please describe how the assumption that this statement is true influenced the expert's conclusions.
64. [E2/2/1, p. 18] Please provide all rating reports for the Applicant after April 25, 2011.
65. [E2/2/1, p. 30] Please provide a table listing, for each of the companies in the proxy group referred to, the actual equity thickness of the company for each year from 1993 to date, and on the same table the actual equity thickness for the Applicant for each of those years.

#### **H. Rate Design**

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

66. [H2/3/1,p.4] Please explain why the Rate 6 fixed charge is proposed to remain fixed at \$70 per month. Please confirm that the effect of this rate design choice is that the percentage increase in distribution charges (customer charge plus delivery charge) will increase as the customer's volume increases. Please provide a table showing the dollar and percentage increase in the distribution charges (customer charge plus delivery charge) for customers at monthly m3 levels of 2,000, 5,000, 10,000, 15,000, 20,000, 25,000 and 30,000.
67. [H2/3/1, p. 1] Please recalculate the delivery charge rates for Rate 6 on the assumption that the fixed monthly charge in the Test Year is a) \$75.00, and b) \$80.00.

Respectfully submitted on behalf of the School Energy Coalition this 6<sup>th</sup> day of July, 2012

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Jay Shepherd