

BOARD STAFF INTERROGATORY #8

INTERROGATORY

**B - Rate Base**

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.

RESPONSE

The primary driver for the increase in cost per customer addition from 2007 to 2013 is due to the direct costs incurred with EGD's Extended Alliance ("EA") contractors. From approximately 2004 through 2008, the Company utilized Strategic Distribution Alliance ("SDA") contractors for much of the customer related construction work. During this time period the work was priced at agreed upon flat rates. In 2009, the Company entered into a new agreement with EA contractors, following a competitive Request for Proposal ("RFP") process. The new pricing agreements, considering the inflationary costs of material and labor, reflect:

- a) The price differential in the first year of transition from SDA agreements, and
- b) The rate indexing for successive years.

In addition, the number of customers and mix of customer type (i.e., replacement versus new construction, residential versus commercial or industrial), the mix of meter types and the length of main required for the customer addition will all affect the level of Capital expenditure required due to customers additions.

Witnesses: F. Ahmad  
L. Au  
S. Kancharla  
D. Kelly

/c