

CME INTERROGATORY #1

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INTERROGATORY

O - Other Issues

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

Reference: Energy Probe Interrogatory F.1
Line 18 of Exhibits E3, Tab 1, Schedule 1, E4, Tab 1, Schedule 1 and E5,
Tab 1, Schedule 1
Line 16 of Exhibits F3, Tab 1, Schedule 1, F4, Tab 1, Schedule 1 and F5,
Tab 1, Schedule 1
Exhibit B, Tab 1, Schedule 2 in each of the following proceedings:
EB-2009-0055; EB-2010-0042; EB-2011-0008; EB-2012-0055
Exhibit J2.4 in EB-2011-0277
Union Gas Exhibit J.O-4-14-1 in EB-2011-0210

Throughout the evidence filed by EGD, elements of the proposed 2013 revenue requirement are compared to elements of the 2007 Board approved revenue requirement, as well as to actual expenditures in years prior to 2013.

In order to enable us to evaluate the appropriateness of the revenue requirement and revenue deficiency amounts EGD asks the Board to approve for 2013, and, in particular, whether gains achieved under incentive regulation are reflected in EGD's proposed 2013 revenue requirement, what we seek is a spreadsheet presentation that starts with the elements of the Board approved 2007 revenue requirement and then tracks the causes of the revenue requirement sufficiencies or deficiencies achieved year-by-year from 2007 to 2012 inclusive so that all of this information can be considered alongside the elements of the proposed revenue requirement for 2013.

Attachment 1 to Union Gas Limited's ("Union") response to a CME Interrogatory in its Rebasing case (copy attached) depicts the format of the initial spreadsheet presentation we seek.

To be clear, we are seeking a presentation by EGD of its actual revenue sufficiency/deficiency amounts in each of the years 2007 to 2012 inclusive based on the approved benchmark Return on Equity ("ROE") for each of those years under the

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Incentive Regulation Mechanism (“IRM”) Agreement. The ROE that EGD uses as the “Approved” Equity Return in its revenue sufficiency/deficiency presentations for 2011 and 2012 in Exhibits E and F at Tabs 3, 4 and 5; as well as in its presentations in its Earnings Sharing Mechanism (“ESM”) calculations for 2008 to 2012 inclusive at Exhibit B, Tab 1, Schedule 2 in each of the proceedings described in the above reference is that benchmark return plus the 100 basis points of ROE deadband to which EGD is entitled under the ESM in the IRM Plan.

In these circumstances, it appears that the “Gross Sufficiency” amounts that EGD presented in Exhibit J2.4 in the EB-2011-0277 proceeding of \$11.2M for 2008, \$38.6M for 2009, \$34.7M for 2010, and \$28.1M for 2011 may be understated. We are unclear as to whether these amounts represent the Gross Sufficiency derived from use of the benchmark ROE’s for each of those years as the measure of the “Approved” ROE, or a lower Gross Sufficiency that results from using the benchmark ROE in each of those years, plus the 100 basis points of earnings sharing deadband as the “Approved” ROE. The 100 basis points deadband is not a component of “Approved” ROE. It is a component of the ESM.

Having regard to the foregoing, would EGD please provide the following information:

- (a) Clarification of whether the Gross Sufficiency for 2008, 2009, 2010 and 2011 presented in materials filed in its ESM proceedings for each of those years reflects the benchmark ROE in each of those years as shown in line 41 of Exhibit B, Tab 1, Schedule 2 in each of those proceedings of:
 - (i) 8.66% for 2008;
 - (ii) 8.31% for 2009;
 - (iii) 8.37% for 2010;
 - (iv) 7.94% for 2011; and
 - (v) 7.52% for 2012 (as shown in Exhibit M1, Tab 1, Schedule 1, para.9);
- (b) If the Gross Sufficiency amounts presented by EGD in Exhibit J2.4 in EB-2011-0277 do not reflect the benchmark ROE’s described above, then please provide the Gross Sufficiency amounts for each of the years 2008 to 2011 inclusive and for 2012 estimated that derive from the use of the benchmark ROE for each of those years;
- (c) A summary schedule in spreadsheet format that starts with a column containing each of the line items to be provided in EGD’s response to

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Energy Probe Interrogatory F.1 requesting a presentation in a format similar to that provided by Union in Exhibit A2, Tab 6, Schedule 2 of EB-2011-0210, followed by columns containing the information for actual years 2007 to 2012 inclusive, followed by the 2013 column requested in Energy Probe Interrogatory F.1. The format of this presentation should be similar to Attachment 1 to Union's response to CME Interrogatory Exhibit J.O-4-14-1 in EB-2011-0210;

- (d) For each of the columns 2007 actual to 2012 estimated actual, please provide the following additional information in a revenue deficiency/sufficiency format, including a brief description, by line item, of the cost for:
 - (i) 2007 Actuals being less than 2007 Board Approved elements of the revenue requirement presentation;
 - (ii) 2008 Actuals differing from 2007 Actuals;
 - (iii) 2009 Actuals differing from 2008 Actuals;
 - (iv) 2010 Actuals differing from 2009 Actuals;
 - (v) 2011 Actuals differing from 2010 Actuals;
 - (vi) 2012 Estimated Actuals differing from 2011 Actuals; and
 - (vii) 2013 Elements of Revenue Requirement differing from 2012 Estimated Actuals.
- (e) For each of the line item explanations in each year provided in response to the previous question, please identify the portion of each line item that represents an efficiency or productivity gain compared to the previous year and whether that productivity or efficiency gain continues into the following year;
- (f) For each of the line item explanations in each year to be provided above, please identify items of gain that were neither efficiency nor productivity gains, and describe the factors that gave rise to savings that were neither productivity nor efficiency related such as the following:
 - (i) An initial under-forecast of revenues; and/or

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- (ii) An initial over-forecast of expenses.
- (g) For each of the years 2007 to 2012 inclusive, please provide a summary presentation identifying the major causes of the revenue sufficiencies achieved in each of those years. For example, if the gross revenue sufficiencies for 2009 and 2010 are \$38.6M and \$34.7M as shown in Exhibit J2.4 in EB-2011-0277, and not some higher number, then what we are interested in is a statement summarizing the major causes for each of those revenue sufficiency amounts in each of those years and as well for years 2007, 2008, 2011 and 2012;
- (h) In the summaries of the major causes for the revenue deficiencies in each year, please indicate the extent to which the drivers of the sufficiency in each year are sustainable in 2013.

RESPONSE

Please see response to CME Interrogatory #1 filed at Exhibit I, Issue F2, Schedule 4.1.

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