500 Consumers Road
North York ,ON M2J 1P8
P.O. Box 650
Scarborough, ON
M1K 5E3

**Lorraine Chiasson**
Regualtory Coordinator
Tel 416-495-5499
Fax 416-495-6072
Email: egdregulatoryproceedings@enbridge.com

ENBRIDGE

August 22, 2012

**VIA RESS, EMAIL and COURIER**

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc. ("Enbridge")**
**2013 Rate Adjustment Application**
**Ontario Energy Board ("Board") File Number EB-2011-0354**

Further to the Board's Procedural Order No. 3 dated August 2, 2012, attached please find Enbridge's interrogatories of Intervenor evidence.

Intervenor evidence was received from Laurence Booth on behalf of the Canadian Manufacturers and Exporters ("CME"), Consumers Council of Canada ("CCC"), School Energy Coalition ("SEC"), and the Vulnerable Energy Consumers Coalition ("VECC") or jointly "CME et al".

This submission was filed through the Board's RESS.

Please contact the undersigned if you have any questions.

Yours truly,

*[original signed by]*

Lorraine Chiasson
Regulatory Coordinator

Attach.

cc: Mr. F. Cass, Aird & Berlis LLP
All Interested Parties in EB-2011-0354

Interrogatory #1

Please refer to the Evidence of Lawrence D. Booth, p. 1, lines 4-9.

a. Please indicate how many proceedings Dr. Booth has provided cost of capital testimony in since 2006 (either Direct or Rebuttal).
b. Please indicate whether in any of those cases the Board or commission has adopted Dr. Booth's recommended ROE or Common Equity ratio, and if so, the case, decision date and number, and the recommended and ordered ROE and Equity ratio.

Interrogatory #2

Refer to the Evidence of Lawrence D. Booth, Executive Summary, p. 2:

Preamble: "The Board's draft guidelines assume that the base capital structure will remain relatively constant over time and that a full reassessment of a gas utility's capital structure will only be undertaken in the event of significant changes in the company's business and/or financial risk." EGDI's business risk has marginally decreased since the last time the Board reviewed it in 2006, while the financial risk imposed by debt financing has declined markedly since 2009, when the Board last reviewed capital market changes. There are therefore no grounds for increasing EGDI's common equity ratio based on Board policy. Further, it is my understanding that changing Board policy was not an issue for this hearing.

a. Is it Dr. Booth's contention that Board policy should be static?
b. Does Dr. Booth believe that Equity Thickness can be set, and the Fair Return Standard can be met by only reviewing a utility's risk relative to its own past?

Interrogatory #3

Please refer to the Evidence of Lawrence D. Booth, p. 2, lines 8-9.

a. Please indicate whether Dr. Booth has reviewed Concentric's evidence, and specifically Appendix B on the regulatory risks of Enbridge in relation to a comparator group of three Canadian and seven U.S. utilities?
b. If yes, has Dr. Booth conducted a comparable analysis?

c. Please confirm that regulatory risk is considered by credit rating analysts as the most significant business risk for utilities. If not, please explain.

Interrogatory #4

Please refer to the Evidence of Lawrence D. Booth, p. 3 (note, the first of two page 3's), lines 3-12, p.4, line 10, and Appendix A.

a. Please indicate whether Dr. Booth considers himself an expert on the regulatory and business risk of U.S. utilities.
b. If yes, please provided the basis of those qualifications, and any studies he has produced on this topic.
c. Has Dr. Booth ever appeared as an expert witness before a US regulatory tribunal?

Interrogatory #5

Request DR-6: Refer to the Evidence of Lawrence D. Booth, p. 5, lines 8-9.

Please indicate why Company witnesses are or are not qualified to address business risk.

Interrogatory #6

Please refer to the Evidence of Lawrence D. Booth, p. 6, line 15.

Please confirm that the Board also refreshed the starting point for the ROE, to 9.75%, in addition to changing the adjustment mechanism while holding electrics distributors' equity thickness at 40%.

Interrogatory #7

Please refer to the Evidence of Lawrence D. Booth, p. 7, lines 1-4

Does Dr. Booth believe that the Board's decision with regard to ROE was wrong?

Interrogatory #8

Please refer to the Evidence of Lawrence D. Booth, p. 7, lines 11-17

a. Please indicate where the Board's policy indicates that changes in business risk must be assessed from the most recent case.
b. Is it unreasonable to review business risk over a longer period of time, and in relation to peer companies?

Interrogatory #9

Please refer to the Evidence of Lawrence D. Booth, p. 9, lines 2-3

Please indicate where, if ever, in Canadian history, a regulatory board has removed income risk for a utility investor.

Interrogatory #10

Please refer to the Evidence of Lawrence D. Booth, p. 9, lines 10-12, and p. 26, line 19.

a. Please indicate Dr. Booth's understanding of how deferral accounts work for utilities in general, and if he has knowledge, for EDGI specifically. In doing so, please indicate the timing of such accounts with regard to cash flows to the utility, and any risks that deferrals may not be fully recovered.
b. Has Dr. Booth conducted any comparative analyses of the use of deferrals in Canada or the U.S.? If so, please provide such studies.

Interrogatory #11

Refer to the Evidence of Lawrence D. Booth, p. 9, lines 22 - 25.

a. What is the basis for Dr. Booth's opinion that: "[a]llowing firms to choose their capital structure and then adjusting ROE to a fair return runs the risk that the overall utility income and thus rates are too high." Please provide any studies or analysis conducted by Dr. Booth or others to support this position.
b. Is Dr. Booth aware of the NEB's decision to allow TQM to manage its own capital structure within certain reasonable parameters?

Interrogatory #12

Refer to the Evidence of Lawrence D. Booth, p. 6, Footnote 5.

a. Does Dr. Booth consider the Province of Ontario to be more or less risky than EGD?
b. Please provide the credit ratings for the Province of Ontario since 1993.

Interrogatory #13

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 10, lines 23-28, and page 80, lines 21 – 28, and page 81, lines 20 - 23 regarding ring-fencing.

a. Has Dr. Booth specifically conducted an analysis of ring-fencing provisions of U.S. energy distribution utilities in a utility holding company corporate structure? If so, please provide copies of all such studies and analyses he has conducted on this topic.
b. Has Dr. Booth specifically conducted an analysis of ring-fencing provisions of Canadian energy distribution utilities in a utility holding company corporate structure? If so, please provide copies of all such studies and analyses he has conducted on this topic.
c. Has Dr. Booth specifically conducted an analysis of ring-fencing provisions of EGDI? If so, has he compared these provisions to other utilities operating under holding companies?
d. Has he analyzed the impact of holding company leverage on the utility's credit rating? If so, please provide such studies.

Interrogatory #14

Refer to the Evidence of Lawrence D. Booth, p. 8, lines 1-2

Please provide 10 years of history for the earned ROE and equity ratios for the Big 5 Canadian banks

Interrogatory #15

Refer to the Evidence of Lawrence D. Booth, p. 9, line 5.

Please indicate the current ROE and equity ratio of the "low risk utility (Terasen Gas)."

Interrogatory #16

Request DR-17: Refer to the Evidence of Lawrence D. Booth, p. 12, lines 30 – 34; and p. 18.

a. Does Dr. Booth acknowledge that financing flexibility promotes financial integrity and enables the utility to avoid financial distress? Please reconcile this answer to the discussion of financing flexibility on page 18 of your testimony.
b. Does Dr. Booth acknowledge that there are benefits that accrue to the ratepayer of having a utility that has adequate financing flexibility?

Interrogatory #17

Refer to the Evidence of Lawrence D. Booth, p. 10, line 15

Is it Dr. Booth's opinion that links to the parent have had positive impacts for EGD's ratepayers over time?

Interrogatory #18

Request DR-19: Refer to the Evidence of Lawrence D. Booth, p. 13, lines 23-26

Please provide the Equity ratio for any Canadian or US utilities not owned by a parent company.

Interrogatory #19

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 13, line 20

Please indicate any credit rating agency report or commentary that indicates that EGDI’s rating would be higher without its ownership by EI.

Interrogatory #20

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 16, lines 16 - 19.

Please provide all sources relied upon by Dr. Booth to conclude that demand is typically insensitive to rate increases.

Interrogatory #21

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 16, line 30.

Dr. Booth states that "it is impossible to conceive of most utilities ripping up their assets to sell them for scrap." Can Dr. Booth conceive that utilities can take on too much debt to the detriment of both shareholders and customers?

Interrogatory #22

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 14, line 16.

a. Please confirm that 62% should read 42%.
b. Please indicate Dr. Booth's quantification of the "dramatic impact".

Interrogatory #23

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 16, line 9.

Please provide the debt and equity ratios for firms listed on the TSX.

Interrogatory #24

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 16, lines 16-23.

a. Please provide any examples of retroactive rate making in EGD's history.
b. What is the OEB's stance on retroactive rate making in Dr. Booth's opinion?

Interrogatory #25

Please refer to the Evidence of Lawrence D. Booth, p. 22, lines 4-5.

a. Please confirm that Hope decision sites three standards for a fair return, and not the single criteria included in the partial quote cited, and that the full quote is as follows:

"By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."

b. Please indicate whether Dr. Booth believes that all three standards must be met to determine a fair return for a regulated utility?

c. Please indicate whether Dr. Booth believes that the setting of the equity ratio for a regulated utility must be accounted for in determining a fair return. If not, please explain why not.

Interrogatory #26

Refer to the Evidence of Lawrence D. Booth, p. 73, line 4, p. 74, line 12.

a. Does Dr. Booth believe that electric utilities have more business risk, less business risk, or the same business risk as gas distributors?
b. Please provide the basis for Dr. Booth's opinion.
c. Please provide any testimony (direct or rebuttal) that Dr. Booth has authored on the relative business risks of electric and gas distributors in the past 5 years.

Interrogatory #27

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 38, lines 21-22.

Please provide any studies, report or analysis relied upon or performed by Dr. Booth that allows Dr. Booth to conclude that "invariably when costs arise, utilities approach the regulator to have ratepayers, and not shareholders, bear the costs."

Interrogatory #28

Refer to the Evidence of Lawrence D. Booth, Please refer p. 43, line 21 – p. 44, line 14.

Has Dr. Booth conducted any specific studies to compare the business risks and regulatory treatment at EGDI of those risks to those of other utilities? If so, please provide.

Interrogatory #29

Request DR-31: Refer to the Evidence of Lawrence D. Booth, p. 26, line 17.

a. Please indicate whether Teresan continues to have such an account.
b. Please provide the annual balances recovered historically through these accounts for both Terasen and Gaz Metro.

Interrogatory #30

Refer to the Evidence of Lawrence D. Booth, p. 31, lines 10 - 14.

a. Has Dr. Booth analyzed the earned versus allowed ROE for EGDI on a non-weather normalized basis? If so, please provide a similar analysis to the chart provided on p. 31 of his testimony.
b. Please explain why Dr. Booth has chosen to only report Earned vs. Actual ROE data that is weather normalized?
c. Does Dr. Booth acknowledge that the chart he has provided on p. 31 does not capture the actual variability in year over year earnings for EGDI, due to weather?
d. Would Dr. Booth acknowledge that exposure to fluctuations in weather is one of EGDI's primary business risk exposures?

Interrogatory #31

Refer to the Evidence of Lawrence D. Booth, the charts on pp. 32 and 33.

Please provide sources and data used to create these charts.

Interrogatory #32

Please refer to the Evidence of Lawrence D. Booth, p. 33, lines 4-6.

a. Is Dr. Booth aware of the DBRS Report, *Assessing Regulatory Risk in the Utilities Sector*, May 2012?
b. Is Dr. Booth aware that both DBRS and S&P rank utilities with incentive regulation mechanisms as higher risk than those with cost of service regulation?
c. In Dr. Booth's opinion, could a utility earn less if the incentive regulation plan did not accurately account for input prices? Or productivity?

Interrogatory #33

Please refer to the Evidence of Lawrence D. Booth, p. 32, lines 6-7.

In Dr. Booth's opinion, was the EGDI settlement also good for ratepayers?

Interrogatory #34

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 36, lines 5 - 7.

Would Dr. Booth acknowledge that declining use per customer may be a long-term risk for a gas distribution utility? If not, why not.

Interrogatory #35

Please refer to the Evidence of Lawrence D. Booth, p. 36, lines 12 - 14.

a. Please define “crying wolf”.
b. Assuming Dr. Booth’s definition of crying wolf is the exaggeration or misrepresentation of risks, how does this characterization apply to TransCanada when Dr. Booth himself admits that the Mainline is becoming uneconomic, resulting in further toll increases that will further reduce its ability to compete – the proverbial death spiral?
c. Would Dr. Booth agree that TransCanada’s situation is an example of a long-term risk that has become a short term risk? If not, why not? Please reconcile this answer with the statement on lines 9 – 11, that “none of the longer term risks put forward by experts on behalf of the utilities in various hearings have actually materialized as short term risks so far.”?

Interrogatory #36

Please refer to the Evidence of Lawrence D. Booth, p. 33, line 16.

Is it Dr. Booth's contention that the risk derived from incentive regulation can only be validated once a utility in Canada has been hurt by PBR?

Interrogatory #37

Please refer to the Evidence of Lawrence D. Booth, p. 35, lines 2-4

Is the historical over-earnings by utilities an indication to Dr. Booth that incentive regulation has harmed ratepayers?

Interrogatory #38

Please refer to the Evidence of Lawrence D. Booth, p. 36, lines 7-10

a. Would Dr. Booth agree that even if there were no harm to utilities "so far" that this does not necessarily mean this will be the case in the future?
b. Is the past always a good predictor of the future?

Interrogatory #39

Please refer to the Evidence of Lawrence D. Booth, p. 38, lines 21-23.

a. Is it Dr. Booth's contention that because a firm is a natural monopoly and has recourse through a regulator that it has an advantage over competitive firms?
b. Would it be more efficient in Dr. Booth's opinion to have competitive firms deliver the services of the natural monopoly?
c. If no, then how are the two concepts interwoven? (i.e. if a natural monopoly were not allowed to recover its costs, would competitive firms take up the cause and provide efficient service.)

Interrogatory #40

Please refer to the Evidence of Lawrence D. Booth, p. 42, lines 14-15.

a. What guarantees can Dr. Booth provide that all future volailtiy and relative price advantages of natural gas will remain?
b. Can Dr. Booth please provide forecasts for all conditions that may impact natural gas prices (such as hurricanes, oil prices, production of supply, North American demand), and competing energy prices for oil and electricity.
c. Please provide forecasts for natural gas NYMEX prices 1 year before each of the price spikes in the 2000's.
d. What are Dr. Booth's qualifications as an expert in the determination of gas and other energy prices?

Interrogatory #41

Please refer to the Evidence of Lawrence D. Booth, Section V, Financial and Economic Outlook, pp. 45-72, and specifically regarding macroeconomic comparisons between Canada and the U.S.:

a. Please confirm: the United States is Canada's largest trading partner, and in 2011 73.7% of Canada's total exports went to the U.S., and imports from the U.S. accounted for 49.5% of Canada's total imports. (Trade Data Online – Canadian Trade by Industry, Industry Canada).

b. Please confirm: Ontario is by far the largest provincial exporter to the United States, and in 2010 the value of merchandise exports to the United States was $134.6 billion, $67.4 billion and $40.2 billion respectively for Ontario, Alberta and Quebec (Library of the Parliament of Canada, Canadian Trade and Investment Activity: Canada–United States).

c. Please confirm: the United States is Canada's largest source of, and most significant destination for, foreign direct investment. Canadian direct investment in the United States was valued at $249.9 billion in 2010 and accounted for 40% of Canada's total stock of direct investment abroad. With a value of $306.1 billion in that year, the United States' investment in Canada represented 54% of foreign direct investment in Canada. (Library of the Parliament of Canada, Canadian Trade and Investment Activity: Canada–United States).

d. Please confirm: The World Economic Forum which publishes its annual Global Competitiveness Report, ranks 142 countries on twelve economic factors, including institutions, infrastructure, the macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. According to the 2011-2012 report, Canada is ranked 12th and the U.S. is ranked 5th in competitiveness and productivity. The report describes the Global Competitiveness Index as "a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness." The report further explains: "We define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country." (The Global Competitiveness Report: 2011-2012, World Economic Forum, Centre for Global Competitiveness and Performance).

e. Please confirm: the economic and business environments of Canada and the U.S. are highly integrated and exhibit strong correlation across a variety of metrics over time, including GDP growth, inflation, treasury yields, stock market returns, and unemployment rates. If Dr. Booth cannot confirm, please explain.
f. Please confirm that the province of Ontario, of all Canadian provinces, is the most highly integrated with the economy of the U.S. given its stature as the largest provincial exporter to the United States. If Dr. Booth cannot confirm, please explain.

Interrogatory #42

Please refer to the Evidence of Lawrence D. Booth, p. 43, lines 1-2.

a. How is the potential for lost growth opportunities not a risk?
b. Could bypass occur with other forms of substitution besides physical bypass (i.e fuel switching or technological advancements)?

Interrogatory #43

Please refer to the Evidence of Lawrence D. Booth, p. 43, lines 12-13

a. In Dr. Booth's knowledge have gas plants ever been started and halted prior to completion with EGD's franchise area?
b. Does Dr. Booth consider the inability to predict future electricity load growth and infrastructure a business risk? If not, why not?

Interrogatory #44

Please refer to the Evidence of Lawrence D. Booth, p. 43, lines 15-17

a. Please provide Dr. Booth's forecast for all future incentive regulation parameters for any possible future incentive regulation program.

b. If not available, please indicate why uncertainty related to any future incentive regulation plan design and parameter values that govern the agreement is not a risk.
c. If it is expected that the utility would simply over-earn in incentive regulation, why would ratepayers entertain the idea.
d. In Dr. Booth's opinion would ratepayers be better off if the Company remained in Cost of Service?

Interrogatory #45

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 52, line 9.

Please provide the missing chart on page 52.

Interrogatory #46

Refer to the Evidence of Lawrence D. Booth, Please refer to p. 53, line 10.

Please provide the missing graphs on page 53.

Interrogatory #47

Please refer to the Evidence of Lawrence D. Booth, p. 53, lines 12-13

a. Is it Dr. Booth's position that the US and Canadian economies have become more integrated or less integrated since the 1970's.
b. What bearing does this have on utility financing in Canada in Dr. Booth's opinion?

Interrogatory #48

Please refer to the Evidence of Lawrence D. Booth, p. 77, lines 18 – 27

According to the Moody's quote Dr. Booth has cited in his testimony, Canadian regulation is on par with that of Australia and Japan. Could Mr. Booth provide recently awarded ROEs and equity thicknesses by Australian and Japanese regulators?

Interrogatory #49

Please refer to the Evidence of Lawrence D. Booth, p. 78, lines 19 – 21 and page 79, line 1.

Dr. Booth cited a 2010 Study by Ms. McShane showing a histogram of utility bond ratings and respective risk scores, and states, "the typical (modal or median) bond rating in the US is "BBB", whereas for Canadian utilities where the mode and median is "A" and all would be A except for considerations of size and poorly rated parent holding companies.

a. Please explain why Dr. Booth relied on Ms. McShane's 2010 Study, when a more current Study was provided in IR E2 21.4.
b. Would Dr. Booth confirm that the current median credit rating for US electric utilities is BBB+ and for natural gas utilities is A- according to the S&P Reports attached to the response to IR E2 21.4?
c. Please confirm that the histogram on p. 79 is sourced to Ms. McShane's previous 2010 Study.

Interrogatory #50

Please refer to the Evidence of Lawrence D. Booth, p. 79, lines 2 – 6.

a. Would Dr. Booth agree that it is possible to form samples of low-risk U.S. utilities that are equivalent to low-risk Canadian utilities?
b. If not, why not?

Interrogatory #51

Please refer to the Evidence of Lawrence D. Booth, p. 84, line 7.

a. Is Dr. Booth aware of the DBRS Report, *Assessing Regulatory Risk in the Utilities Sector*, May 2012?
b. Is Dr. Booth aware that DBRS ranks utilities with common equity ratios at the 35% level recommended by Dr. Booth as 4$^{th}$, on a scale from 1-5, and below 35% would be ranked 5$^{th}$ (please see page 6)?

Interrogatory #52

Please refer to the Evidence of Lawrence D. Booth, p. 74, line 14.

Please cite any study Dr. Booth has relied upon that concludes “US financial markets exhibit more risk than Canadian markets” from an investor’s standpoint.