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September 12, 2012

VIA EMAIL, RESS, 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**

Please see the following Impact Statement No. 2 exhibits which are being filed to reflect the impact of required corrections which were identified in interrogatory responses that were filed on August 3, 2012.

Exhibit M1, Tab 1, Schedules 1 to 5.

The Exhibit List has also been updated to reflect the filing of the impact statement exhibits.

Exhibit A1, Tab 1, Schedule 1, page 31.

This submission was filed through the Board's RESS and will be available on the Company's website at www.enbridgegas.com/ratecase .

Please contact the undersigned if you have any questions.

Yours truly,

[original signed by]

Lorraine Chiasson
Regulatory Coordinator

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

IMPACT STATEMENT NUMBER 2

1. This exhibit has been prepared and filed in order to reflect the impact of required corrections which were identified within interrogatory responses filed on August 3rd, 2012.

The required corrections are in relation to the following:

- a) To reflect the proper treatment of pension and OPEB expense for the purpose of determining taxable utility income and income tax expense;
 - b) To reflect the proper forecast amounts to be included within additions to Capital Cost Allowance calculations for the purpose of determining taxable utility income and income tax expense;
 - c) To reflect a known reduction to the expected operating and maintenance costs within the Energy Supply, Storage Development and Regulatory O&M budget; and
 - d) To correct for a capital amount inadvertently assumed to go into service within the utility rate base in December 2013 which should be associated with EGD's unregulated storage business.
2. The impacts of the above noted adjustments are indicated in Column 2 in the attached Schedules 2, 3, and 4, and in Column 4 of Schedule 5, which shows a corrected total revenue requirement and deficiency excluding and including customer care/CIS. The adjustments relate to only the utility income, rate base, and revenue requirement amounts, exclusive of the customer care/CIS settlement agreement amounts and impacts.

Required Corrections

3. In the response to Board Staff interrogatory at Exhibit I, Issue D4, Schedule 1.6, EGD indicated that while for accounting purposes the accrual based expense amounts for pension and OPEB's were required, for taxable income and tax expense determination purposes only cash-based amounts are permissible. EGD further indicated that in the development of its budget it had not accommodated this

treatment properly and as a result utility taxable income was overstated by \$0.5 million. EGD has corrected for the proper treatment as can be seen in Schedule 4 of this exhibit. EGD's accounting income shown at Line 1 (excluding CIS) includes the proper accounting expense of \$42.1M however, in order to determine the appropriate utility taxable income and tax expense, EGD has included at Line 4, an add back of this accrual based accounting expense while at Line 14 the proper cash based deduction of \$42.6 million is taken. This reduces utility taxable income by \$0.5 million. The resulting impact of this change is an approximate reduction of \$0.2M to the total utility deficiency.

4. In the response to Board Staff interrogatory at Exhibit I, Issue D10, Schedule 1.4, EGD indicated it discovered that additions to its Undepreciated Capital Cost pools had not properly accounted for and eliminated amounts which were already properly recognized as immediate tax deductions. As further explained in the response, correcting the error would result in a reduction to the 2013 CCA tax deduction and an increase in utility taxable income of \$2.4M. EGD has incorporated this correction as shown in Schedule 4, page 3 of this exhibit, in Columns 2 and 3, Lines 7 and 8. The resulting impact of this change is an approximate increase of \$0.9M to the total utility deficiency.
5. In the response to Board Staff interrogatory at Exhibit I, Issue D14, Schedule 1.1, EGD indicated that a forecast of \$2.1M for charges from an affiliate included in the O&M budget for Energy Supply, Storage Development, and Regulatory is expected to be lower by \$0.4M. EGD has incorporated the reduction of \$0.4M to O&M as shown in Schedule 4 of this exhibit, at Column 2, Line 9. The resulting impact of this change is an approximate decrease of \$0.4M to the total utility deficiency.
6. In the response to FRPO interrogatory at Exhibit I, Issue B6, Schedule 8.1, EGD indicated that the forecast spend amount of \$0.8M for a project shown on page 7 of Exhibit B1, Tab 2, Schedule 2, Line 107, forecast to close into service in December 2013 within regulated rate base, should be charged to the unregulated

storage business. EGD has incorporated a reduction of \$0.8M from amounts closing into service in the 2013 property, plant and equipment and rate base calculation included within this impact statement. Due to the average of monthly averages calculation used in the development of the PP&E component of rate base, the impact of reducing December additions into service by \$0.8M results in a reduction of \$0.03M to rate base which is below the \$0.1M rounded number presentation used within EGD's regulatory calculations and therefore does not produce a change to rate base or impact the total utility deficiency.

7. As a result of all the above noted changes, the 2013 gross deficiency, excluding the impacts of the customer care/CIS approved settlement, becomes \$81.9 million an increase of \$0.3 million in comparison to the Impact Statement #1 deficiency of \$81.6 million as shown in the attached Schedule 2, Columns 1, 2, and 3. The \$11 million deficiency impact of the customer care/CIS approved settlement shown in Column 4 of Schedule 2, is not impacted by this update, however the total overall deficiency increases by \$0.3 million to \$92.9 million as shown in Column 5 of Schedule 2.

CHANGE IN REVENUE REQUIREMENT
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	Excl. CIS Impact Statement Number 1 (Note 1) (\$Millions)	Adjustments	Excl. CIS Adjusted Impact Statement Number 2 (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Impact Statement Number 2 EGD Total (\$Millions)	
Cost of capital						
1.	Rate base	4,103.6	0.1	4,103.7	70.5	4,174.2
2.	Required rate of return	7.19	-	7.19	6.44	7.18
3.		<u>295.0</u>	<u>0.1</u>	<u>295.1</u>	<u>4.6</u>	<u>299.7</u>
Cost of service						
4.	Gas costs	1,307.9	-	1,307.9	-	1,307.9
5.	Operation and maintenance	348.7	(0.4)	348.3	89.4	437.7
6.	Depreciation and amortization	288.1	-	288.1	12.7	300.8
7.	Fixed financing costs	2.3	-	2.3	-	2.3
8.	Debt redemption premium amortization	-	-	-	-	-
9.	Company share of IR agreement tax savings	-	-	-	-	-
10.	Municipal and other taxes	40.1	-	40.1	-	40.1
11.		<u>1,987.1</u>	<u>(0.4)</u>	<u>1,986.7</u>	<u>102.1</u>	<u>2,088.8</u>
Miscellaneous operating and non-operating revenue						
12.	Other operating revenue	(38.3)	-	(38.3)	-	(38.3)
13.	Interest and property rental	-	-	-	-	-
14.	Other income	(0.7)	-	(0.7)	-	(0.7)
15.		<u>(39.0)</u>	<u>-</u>	<u>(39.0)</u>	<u>-</u>	<u>(39.0)</u>
Income taxes on earnings						
16.	Excluding tax shield	73.1	0.6	73.7	9.0	82.7
17.	Tax shield provided by interest expense	(35.8)	-	(35.8)	(0.9)	(36.7)
18.		<u>37.3</u>	<u>0.6</u>	<u>37.9</u>	<u>8.1</u>	<u>46.0</u>
Taxes on sufficiency / (deficiency)						
19.	Gross sufficiency / (deficiency)	(81.6)	(0.3)	(81.9)	-	(81.9)
20.	Net sufficiency / (deficiency)	(60.0)	(0.2)	(60.2)	-	(60.2)
21.		<u>21.6</u>	<u>0.1</u>	<u>21.7</u>	<u>-</u>	<u>21.7</u>
22.	Sub-total revenue requirement	<u>2,302.0</u>	<u>0.4</u>	<u>2,302.4</u>	<u>114.8</u>	<u>2,417.2</u>
23.	Customer Care Rate Smoothing V/A Adjustmen	-	-	-	(4.6)	(4.6)
24.	Total revenue requirement	<u><u>2,302.0</u></u>	<u><u>0.4</u></u>	<u><u>2,302.4</u></u>	<u><u>110.2</u></u>	<u><u>2,412.6</u></u>
Revenue at existing Rates						
25.	Gas sales	1,923.9	-	1,923.9	80.2	2,004.1
26.	Transportation service	294.9	-	294.9	19.0	313.9
27.	Transmission, compression and storage	1.7	-	1.7	-	1.7
28.	Rounding adjustment	(0.1)	0.1	-	-	-
29.	Revenue at existing rates	<u>2,220.4</u>	<u>0.1</u>	<u>2,220.5</u>	<u>99.2</u>	<u>2,319.7</u>
30.	Gross revenue sufficiency / (deficiency)	<u><u>(81.6)</u></u>	<u><u>(0.3)</u></u>	<u><u>(81.9)</u></u>	<u><u>(11.0)</u></u>	<u><u>(92.9)</u></u>

Note 1: Information from Col. 3 of Exhibit M1, Tab 1, Schedule 2, Page 1, Filed: 2012-06-01.

Note 2: Information from Col. 3 of Exhibit F3, Tab 1, Schedule 1, Page 2, Filed: 2012-01-31.

Witness: K. Culbert

UTILITY RATE BASE
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	Excl. CIS Impact Statement Number 1 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Impact Statement Number 2 (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Total Adjusted Impact Statement Number 2 Rate Base Including CIS (\$Millions)	
<u>Property, Plant, and Equipment</u>						
1.	Cost or redetermined value	6,645.6	-	6,645.6	127.1	6,772.7
2.	Accumulated depreciation	<u>(2,758.0)</u>	<u>-</u>	<u>(2,758.0)</u>	<u>(56.6)</u>	<u>(2,814.6)</u>
3.		<u>3,887.6</u>	<u>-</u>	<u>3,887.6</u>	<u>70.5</u>	<u>3,958.1</u>
<u>Allowance for Working Capital</u>						
4.	Accounts receivable merchandise finance plan	-	-	-	-	-
5.	Accounts receivable rebillable projects	1.3	-	1.3	-	1.3
6.	Materials and supplies	31.9	-	31.9	-	31.9
7.	Mortgages receivable	0.2	-	0.2	-	0.2
8.	Customer security deposits	(68.7)	-	(68.7)	-	(68.7)
9.	Prepaid expenses	1.8	-	1.8	-	1.8
10.	Gas in storage	249.3	-	249.3	-	249.3
11.	Working cash allowance	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>	<u>-</u>	<u>0.3</u>
12.	Total Working Capital	<u>216.0</u>	<u>0.1</u>	<u>216.1</u>	<u>-</u>	<u>216.1</u>
13.	Utility Rate Base	<u>4,103.6</u>	<u>0.1</u>	<u>4,103.7</u>	<u>70.5</u>	<u>4,174.2</u>

Note 1: Information from Col. 3 of Exhibit M1, Tab 1, Schedule 3, Page 1, Filed: 2012-06-01.

Note 2: Information from Col. 2 of Exhibit F3, Tab 1, Schedule 3, page 1, Filed: 2012-01-31.

EXPLANATION OF ADJUSTMENTS TO UTILITY RATE BASE
2013 TEST YEAR

Line No.	Adj'd Adjustment (\$Millions)	Explanation
11.	0.1	Working cash allowance Change is due to the impact within working cash of the update to O&M.

WORKING CAPITAL COMPONENTS - WORKING CASH ALLOWANCE
2013 TEST YEAR

Line No.	Col. 1 Reference	Col. 2 Disburse- ments (\$Millions)	Col. 3 Net Lag-Days (Days)	Col. 4 Allowance (\$Millions)
1.	Gas purchase and storage and transportation charges	1,316.5	4.0	14.4
2.	Items not subject to working cash allowance (Note 1)	<u>(8.6)</u>		
3.	Gas costs charged to operations M2.T1.S4.P1.Col.3	<u>1,307.9</u>		
4.	Operation and Maintenance M2.T1.S4.P1.Col.3	348.3		
5.	Less: Storage costs	<u>(7.9)</u>		
6.	Operation and maintenance costs subject to working cash	340.4		
7.	Ancillary customer services	<u>-</u>		
8.		<u>340.4</u>	(18.7)	<u>(17.4)</u>
9.	Sub-total			<u>(3.0)</u>
10.	Storage costs	7.9	62.5	1.4
11.	Storage municipal and capital taxes	2.2	24.4	<u>0.1</u>
12.	Sub-total			<u>1.5</u>
13.	Goods and services tax			1.8
14.	Total working cash allowance			<u>0.3</u>

Note 1: Represents non cash items such as amortization of deferred charges, accounting adjustments and the T-service capacity credit.

Witness: K. Culbert

GAS IN STORAGE
 MONTH END BALANCES AND AVERAGE OF MONTHLY AVERAGES
2013 TEST YEAR

Line No.	Volume 10*6 M*3	Col. 1	Col. 2		Col. 3	
		Impact Statement Number 1 (\$Millions)	Adjustments 10*6 M*3	Adjustments (\$Millions)	Adjusted Volume 10*6 M*3	Adjusted Impact Statement Number 2 (\$Millions)
1. January 1	1,425.1	328.4	0.0	0.0	1,425.1	328.4
2. January 31	872.6	211.7	0.0	0.0	872.6	211.7
3. February	446.8	120.1	0.0	0.0	446.8	120.1
4. March	95.9	51.7	0.0	0.0	95.9	51.7
5. April	44.4	50.2	0.0	0.0	44.4	50.2
6. May	330.9	105.4	0.0	0.0	330.9	105.4
7. June	720.0	178.2	0.0	0.0	720.0	178.2
8. July	1,241.2	272.1	0.0	0.0	1,241.2	272.1
9. August	1,763.8	366.3	0.0	0.0	1,763.8	366.3
10. September	2,141.1	437.3	0.0	0.0	2,141.1	437.3
11. October	2,246.7	462.6	0.0	0.0	2,246.7	462.6
12. November	1,957.2	412.2	0.0	0.0	1,957.2	412.2
13. December	<u>1,478.4</u>	<u>318.6</u>	<u>0.0</u>	<u>0.0</u>	<u>1,478.4</u>	<u>318.6</u>
14. Avg. of monthly avgs.	<u>1,109.4</u>	<u>249.3</u>	<u>0.0</u>	<u>0.0</u>	<u>1,109.4</u>	<u>249.3</u>

Witness: K. Culbert

UTILITY INCOME
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Excl. CIS Impact Statement Number 1 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Impact Statement Number 2 (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Total Adjusted Impact Statement Number 2 Utility Income (\$Millions)
1. Gas sales	1,923.9	-	1,923.9	80.2	2,004.1
2. Transportation of gas	294.9	-	294.9	19.0	313.9
3. Transmission, compression and storage revenue	1.7	-	1.7	-	1.7
4. Other operating revenue	38.3	-	38.3	-	38.3
5. Interest and property rental	-	-	-	-	-
6. Other income	0.7	-	0.7	-	0.7
7. Total operating revenue	2,259.5	-	2,259.5	99.2	2,358.7
8. Gas costs	1,307.9	-	1,307.9	-	1,307.9
9. Operation and maintenance	348.7	(0.4)	348.3	89.4	437.7
10. Depreciation and amortization expense	288.1	-	288.1	12.7	300.8
11. Fixed financing costs	2.3	-	2.3	-	2.3
12. Debt redemption premium amortization	-	-	-	-	-
13. Company share of IR agreement tax savings	-	-	-	-	-
14. Municipal and other taxes	40.1	-	40.1	-	40.1
15. Interest and financing amortization expense	-	-	-	-	-
16. Other interest expense	-	-	-	-	-
17. Total costs and expenses	1,987.1	(0.4)	1,986.7	102.1	2,088.8
18. Ontario utility income before income taxes	272.4	0.4	272.8	(2.9)	269.9
19. Income tax expense	37.3	0.6	37.9	8.1	46.0
20. Utility net income	235.1	(0.2)	234.9	(11.0)	223.9

Note 1: Information from Col. 3 of Exhibit M1, Tab 1, Schedule 4, Page 1, Filed: 2012-06-01.

Note 2: Information from Col. 2 of Exhibit F3, Tab 1, Schedule 2, page 1, Filed: 2012-01-31.

Witness: K. Culbert

EXPLANATION OF ADJUSTMENTS TO UTILITY INCOME
2013 TEST YEAR

Line No.	Adj'd Adjustment (\$Millions)	Explanation
9.	(0.4)	Operation and maintenance The reduction is the result of correcting the Energy Supply, Storage Development and Regulatory (ESSDR) charges from affiliates, as identified in interrogatory responses I-D14-1.1 and I-D14-14.1.
19.	0.6	Income tax expense The increase in income tax expense is due to the net increase in taxable income resulting from three corrections. Increasing taxable income is a reduction to O&M, as identified above, and a reduction in capital cost allowance (CCA), as identified in interrogatory response I-D10-1.4. Partially offsetting the above increases to taxable income, is the reduction resulting from correcting the tax deductible amounts related to pension and other post employment benefit (OPEB) costs, as identified in interrogatory response I-D4-1.6.

CALCULATION OF UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3
	Excl. CIS Impact Statement Number 1 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Impact Statement Number 2 Utility Tax (\$Millions)
1. Utility income before income taxes (M2, T1, S3, P1)	272.4	0.4	272.8
Add			
2. Depreciation and amortization	288.1	-	288.1
3. Accrual based pension and OPEB costs	-	42.1	42.1
4. Other non-deductible items	2.2	-	2.2
5. Total Add Back	290.3	42.1	332.4
6. Sub total	562.7	42.5	605.2
Deduct			
7. Capital cost allowance - Federal	237.2	(2.4)	234.8
8. Capital cost allowance - Provincial	237.2	(2.4)	234.8
9. Items capitalized for regulatory purposes	46.3	-	46.3
10. Deduction for "grossed up" Part VI.1 tax	5.0	-	5.0
11. Amortization of share/debenture issue expense	3.6	-	3.6
12. Amortization of cumulative eligible capital	0.4	-	0.4
13. Amortization of C.D.E. and C.O.G.P.E	0.4	-	0.4
14. Cash based pension and OPEB costs	-	42.6	42.6
15. Total Deduction - Federal	292.9	40.2	333.1
16. Total Deduction - Provincial	292.9	40.2	333.1
17. Taxable income - Federal	269.8	2.3	272.1
18. Taxable income - Provincial	269.8	2.3	272.1
19. Income tax rate - Federal	15.00%	0.00%	15.00%
20. Income tax rate - Provincial	11.50%	0.00%	11.50%
21. Income tax provision - Federal	40.5	0.3	40.8
22. Income tax provision - Provincial	31.0	0.3	31.3
23. Income tax provision - combined	71.5	0.6	72.1
24. Part V1.1 tax			1.7
25. Investment tax credit			(0.1)
26. Total taxes excluding tax shield on interest expense			73.7
Tax shield on interest expense			
27. Rate base (M2.T1.S2.P1)			4,103.7
28. Return component of debt (M2.T1.S4.P1)			3.30%
29. Interest expense			135.2
30. Combined tax rate			26.50%
31. Income tax credit			(35.8)
32. Total income taxes			37.9

Note 1: Information from Col. 3 of Exhibit M1, Tab 1, Schedule 4, page 3, Filed: 2012-06-01.

Witness: K. Culbert

UTILITY CAPITAL STRUCTURE
2013 TEST YEAR

Line No.	Col. 1 Principal Excl. CC/CIS (\$Millions)	Col. 2 Component %	Col. 3 Indicated Cost Rate %	Col. 4 Return Component %	
1.	Long term debt	2,312.8	56.36	5.90	3.325
2.	Short term debt/(investment)	<u>(32.7)</u>	<u>(0.80)</u>	3.70	<u>(0.030)</u>
3.		2,280.1	55.56		3.295
4.	Preference shares	100.0	2.44	4.16	0.102
5.	Common equity	<u>1,723.6</u>	<u>42.00</u>	9.03	<u>3.793</u>
6.		<u><u>4,103.7</u></u>	<u><u>100.00</u></u>		<u><u>7.190</u></u>
7.	Utility income	(\$Millions)			234.9
8.	Rate base	(\$Millions)			4,103.7
9.	Indicated rate of return				5.724%
10.	(Deficiency) in rate of return				(1.466)%
11.	Net (deficiency)	(\$Millions)			(60.2)
12.	Gross (deficiency)	(\$Millions)			(81.9)
13.	Customer Care/CIS deficiency	(\$Millions)			(11.0)
14.	Total gross (deficiency)	(\$Millions)			(92.9)
15.	Revenue at existing rates	(\$Millions)			2,319.7
16.	Revenue requirement	(\$Millions)			2,412.6
17.	Total gross revenue (deficiency)	(\$Millions)			(92.9)

Witness: K. Culbert

EXHIBIT LIST

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Witness</u>
<u>M1</u>	1	1	Impact Statement No. 1	K. Culbert
		2	Change in Revenue Requirement 2013 Test Year	K. Culbert
		3	Utility Rate Base 2013 Test Year	K. Culbert
		4	Utility Income 2013 Test Year	K. Culbert
		5	Ontario Utility Capital Structure 2013 Test Year	K. Culbert
<u>M2</u>	1	1	Impact Statement No 2	K. Culbert
		2	Change in Revenue Requirement 2013 Test Year	K. Culbert
		3	Utility Rate Base 2013 Test Year	K. Culbert
		4	Utility Income 2013 Test Year	K. Culbert
		5	Utility Capital Structure 2013 Test Year	K. Culbert