UNDERTAKING JT1.12

Undertaking

Tr: p. 74

To provide things not done in 2008, 2009 and 2010 that resulted in decline in O&M costs from roughly $180 million to $170 million, and, for those things not done in those three years under the IRM, how much of those are being done in 2013, with reference to Exhibit I, D1, Schedule 1.16.

Response

The Company does not accept the premise of the question, as O&M costs did not decline from roughly $180 million in 2008 to roughly $170 million in 2010. The undertaking refers to an Interrogatory Response, Exhibit I, Issue D1, Schedule 1.16. This response includes a Table which calculates the utility O&M Cost per Customer in 2013 constant dollars. It also includes a graph which plots the results of Table 1. The left axis refers to costs per customer (i.e., $180 per customer). Accordingly, what Table 1 and the graph show is that the costs per customer have remained relatively flat in and around the $180 per customer level during the term of the IR period using constant dollars. It should be understood that the Table and the graph are influenced by two factors. First, each of the years prior to 2013 the amounts have been inflated to represent the costs in 2013 constant dollars. Second, new customers added in each of the years also have an influence on the cost per customer.

As noted from the pre-filed evidence at Exhibit D1, Tab 3, Schedule 1 (Updated), O&M did not decrease in any year during the term of the IRM. Certainly cost pressures varied in each of the years of the IRM, but, as Mr. Kancharla stated during the Technical Conference, budgets in each year were developed from the bottom up and costs were not specifically deferred to 2013. The annual budgets are developed with consideration for the needs of the business and our customers. The Company needs to manage not only the total amount of investments made each year but also timing considerations that may or may not be discretionary. The question about “things not done” also appears to be premised on the mistaken belief that there had been a decrease in O&M of about $10 million per year in 2008 through 2010. Given that O&M budgets are developed on the basis of the forecast needs of the Company, Enbridge does not see the value of tracking “things not done” and therefore did not keep such a list. While the Company

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did exercise caution in certain areas, for example, in the hiring of additional FTE's during the financial crisis, there was no mandate to defer costs to later years. This is consistent with the evidence that utility O&M costs per customer in 2013 constant dollars were held fairly level over the term of the IRM excluding pension expense.

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