ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO APPrO INTERROGATORY #16

INTERROGATORY

D.5 Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

Reference: EB-2012-0451 Exhibit E Tab 1 Schedule2 Updated 2013-07-22

Preamble: Enbridge is providing up to 1,200 TJ/d of capacity for transportation service.

a) Attachment 2 illustrates that the contract demand charge will be based in volumetric units. Is Enbridge intending to sell capacity on volumetric or on an energy basis. Explain.
b) What unaccounted for gas percentage will be applied to these transportation volumes?

RESPONSE

Please note there are two Interrogatories from APPrO that are number 16, I.A3.EGD (Update).APPrO.16 and I.D5.EGD (Update).APPrO.16.

a) Contract Demand ("CD") charges for service under Rate 332: Parkway to Albion Transportation Service will be expressed and billed in $\$/10^3m^3$/day. The proposed approach is consistent with Enbridge charges for its other rates and services. If requested, Enbridge will express the charge in $\$/10^3m^3$/day as well as in $/GJ/day.

b) Enbridge will forecast unaccounted for gas percentage based on its operating experience with the Parkway to Albion transportation pipeline. Enbridge will provide notice to shippers of any changes in its forecast of unaccounted for gas percentage.

Witness: A. Kacicnik

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
CONSUMERS COUNCIL OF CANADA INTERROGATORY #37

INTERROGATORY

Issue D5 - Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

Reference: E/T3/S9/pg.5

Pre-amble
The evidence states that "*In the event there are no shippers for the transport service, distribution ratepayers will be allocated the entire revenue requirement*"

Question
a) Does the required rate of return (shown as 6.81%) include a return on an equity investment to EGD? If yes, please explain how this is calculated. Specifically please indicate whether the return on capital is the same for both notional portions of the pipeline (i.e. distribution and transportation).

b) What financial risk is encountered by EGD if it is guaranteed to receive its equity return on the 60% of the pipeline from distribution ratepayers and irrespective of contract shipper revenues?

c) Why is it just and reasonable for EGD's distribution ratepayers to assume 100% of the risk of the transportation portion of the Albion line?

RESPONSE

a) As shown within the response to Board Staff Interrogatory # 16 found at Exhibit I.A3.EGD.STAFF.16, part a), the 6.81% required return is the pre-tax overall cost of capital required rate of return which includes the 2013 Board Approved return on equity of 8.93%. The required rate of return is the same for both segments A and B of the pipeline.

b) The financial risk encountered by EGD is the same as for all other facilities applications and is commensurate with the fair return of a regulated utility.

Witnesses: K. Culbert
C. Fernandes
M. Giridhar
S. Murray

c) The project facilities are required to meet the needs of customers, and customers will see the benefits of the facilities. As shown in the Economic Sensitivity in Exhibit A, Tab 3, Schedule 9, Attachment 3, even with no transmission shippers on the Albion line, the project is feasible and a benefit to distribution ratepayers.

Witnesses: K. Culbert
C. Fernandes
M. Giridhar
S. Murray

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO CONSUMERS COUNCIL OF CANADA INTERROGATORY #38

INTERROGATORY

Issue D5. Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

Reference: E/T3/S9/pg.5

Question

a) Under EGD's toll proposal is it possible for contract tolls to exceed the projected revenue requirement? If yes what, if any, methodology (e.g. variance/deferral accounting), is proposed to account for any toll over earning?

RESPONSE

Enbridge proposed a GTA Project Variance Account in its application for rates for the 2014 – 2018 term (EB-2012-0459). Enbridge is proposing to use this variance account to report and clear to customers any variances between the forecast revenue requirement and the actual revenue requirement, which will become known once the project is completed. Considering the size and cost of the GTA project even a small variance from the forecast could result in a considerable over or under recovery of the forecast revenue requirement. The proposed variance account will keep ratepayers and the Company whole with respect to recovery of the GTA project revenue requirement.

Witness: A. Kacicnik

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
ENERGY PROBE RESEARCH FOUNDATION INTERROGATORY #101

INTERROGATORY

Issue D5 - Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

Ref: EB-2012-0451 Exhibit A, Tab 9 page 2/3 &
Exhibit E, Tab1, Schedule 2, Pages 1-4

Preamble: EGD assumes TCPL will take 500Gj/d and others will take 368 Gj/d on Segment A NPS 42".

a) Confirm the expected capacity requirements and incremental capital cost (compared to NPS 36) of Segment A.

b) Confirm that shippers on Segment A will not require service until the Albion-Maple link (or alternative) is in service.

c) What happens to the costs of increasing to NPS 42" until this occurs?

d) What FBAs is EGD seeking from shippers? Do these include delays in service etc.? Please list main features.
    i. Parkway-Albion
    ii. Albion to Maple

e) Please provide a consolidated Table that shows the attributes of the Updated various options for Segment A, add comments/notes as required.

Witness: C. Fernandes

Options	NPS 36" EGD Sole Use	NPS 36" EGD + Shippers	NPS 42" EGD Sole Use*	NPS 42" EGD + Shippers	Comments
Total Capacity Gj/D	800,000	1,600,000	800,000	2,000,000	
EGD Capacity Gj/D	800,000	800,000	800,000	800,000	
EGD Capital Cost $m					
Other costs e.g. (connection to Parkway) $m (if not included above)					
Annual Operating Cost					
Alternative Toll(s) Payable to TCPL Pkwy-Bram W $/yr.					
Shipper Capacity Gj/D	0	800,000	0	1,200,000	
EGD annual Cost/Revenue (Rate 332 toll)					
*Assumes no Shippers					

RESPONSE

a) See Table below.

b) Enbridge believes it is reasonable assumption that shippers would not require service until the infrastructure downstream of Albion is in place.

c) The service offered in the new capacity open season commences in 2015 when the facilities will be put in place, and the charges for the capacity are expected to begin at that point in time.

d) Please see the response to CCC Interrogatory #31 at Exhibit I.A3.EGD(Update). CCC.31 for more information on the FBAs for the Parkway to Albion (Segment A) pipeline. Enbridge is not proposing to construct any facilities from Albion to Maple, and therefore there are no FBAs for this path.

Witness: C. Fernandes

e) See Table below

Options	NPS 36 EGD Sole Use*	NPS 36 EGD + Shippers	NPS 42 EGD Sole Use*	NPS 42 EGD + Shippers	Comments
Total Capacity GJ/d	800,000	1,600,000	800,000	2,000,000	
EGD Capacity GJ/d	800,000	800,000	800,000	800,000	
EGD Capital Cost for the entire project (Segment A and Segment B) $m	$615-$655	$615-$655	$686.5	$686.5	No detailed estimated was performed for the NPS 36 from Parkway, range is given
Other costs	$0.05m	$0.05m	$0.08m	$0.08m	On-going capital costs. 40 years average (excluding partial year in 2015).
Annual Operating Cost	$0.34m	$0.34m	$0.43m	$0.43m	40 years average (excluding partial year in 2015).
Alternative Toll(s) Payable to TCPL Pkwy-Bram W $/yr.	$26.3m	$26.3m	$26.3m	$26.3m	1st full year toll for EGD 800 TJ/d, reference: I.A3.EGD(Update) .STAFF.1
Shipper Capacity GJ/d	0	800,000	0	1,200,000	
EGD annual Revenue (Rate 332 toll)	N/A	$14.3m	N/A	$20.2m	2016 year as per I.D5.EGD(Update) .EP.102 b)
*Assumes no Shippers					

Witness: C. Fernandes

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
ENERGY PROBE RESEARCH FOUNDATION INTERROGATORY #102

INTERROGATORY

Issue D5 - Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted

Ref: EB-2012-0451 Exhibit A, Tab 2 Schedule 1 page 4 &
Update #6 Exhibit E, Tab1, Schedule 2, Attachment

Preamble: EGD is proposing to seek approval of Rate 332 in EB-2013-0459. Nonetheless preliminary economics and tolls are necessary for the open season and economic feasibility analyses.

a) Confirm calculation shown in reference is for NPS 42" full shared distribution/transportation use option. Provide an equivalent revised/updated calculation of the revenue requirement for
   i. the standalone option (EGD sole use); and,
   ii. a delay in service for shippers from Albion to Maple affecting Segment A.

b) Please provide a Revenue Requirement for the other 36" and 42" shared use options.(see above)

c) For each of the revenue requirement calculations provide the annual revenue from Rate 332 service and the transportation margin to EGD.

d) Please provide details of the basis of 60% of Costs allocated to Rate 332.

e) Please provide further details of the rate design for Rate 332.

RESPONSE

a) Confirmed.
   i. The usage of Segment A for transportation does not change the revenue requirement for the line. It could potential impact the allocation of the revenue requirement shown. The attachment shows the same revenue requirement calculation as Update #6, Exhibit E, Tab1, Schedule 2,

Witnesses: K. Culbert
A. Kacicnik
S. Murray

Attachment 1, but also adds the percentage allocation to Rate 332 transport service and the annual Rate 332 revenue.

ii. Enbridge expects that shippers will pay for the service starting at the in service date. If there was a delay in the service, all parameters in terms of timeline and other impacts would need to be defined to model a scenario. Enbridge did provide economic scenarios at Exhibit A, Tab 3, Schedule 9, Attachment 3 and Column 5 of this attachment shows the project feasibility with no Transportation Services revenue.

b) and c) Please see attachment

d) The 60% of Segment A cost allocated to Rate 332 is based on the proportion of Shippers transportation capacity as a percentage of the total capacity available on the Segment A pipeline. Segment A has a total transportation capacity available of 2,000 TJ/day which is made of 800 TJ/day for EGD's requirement and Shippers requirements of 1,200 TJ/day.

e) The design of Rate 332 is laid out in evidence at Exhibit E, Tab 1, Schedule 2 under Transportation Rate methodology. The rate design is a fixed contract demand charge which will be set based on the revenue requirement allocated to Rate 332 divided by the total capacity of Shipper's requirements of Segment A.

Witnesses: K. Culbert
A. Kacicnik
S. Murray

REVENUE REQUIREMENT
GTA PARKWAY WEST to ALBION PIPELINE 42"

Line No.	($000's)	2015	2016	2017
	Cost of capital			
1.	Rate base	66,369.9	312,664.6	302,499.7
2.	Required rate of return	6.81%	6.81%	6.81%
3.	Cost of capital	4,520.2	21,294.1	20,601.9
	Cost of service			
5.	Operation and Maintenance	55.5	266.6	266.6
6.	Depreciation and amortization	1,694.4	10,166.5	10,166.6
7.	Municipal and other taxes	199.7	958.3	958.3
8.	Cost of service	1,949.6	11,391.5	11,391.5
	Income taxes on earnings			
12.	Excluding tax shield	(2,762.6)	(5,006.8)	(4,720.8)
13.	Tax shield provided by interest expense	(618.7)	(2,914.6)	(2,819.8)
14.	Income taxes on earnings	(3,381.3)	(7,921.4)	(7,540.7)
	Taxes on (def) / suff.			
15.	Gross (def.) / suff.	(4,202.0)	(33,692.9)	(33,269.0)
16.	Net (def.) / suff.	(3,088.5)	(24,764.2)	(24,452.7)
17.	Taxes on (def.) / suff.	1,113.5	8,928.6	8,816.3
18.	**Revenue requirement**	4,202.0	33,692.9	33,269.0
19.	Allocation to Rate 332 Transportation Service	60%	60%	60%
20.	**Annual Rate 332 Revenue**	2,521.2	20,215.7	19,961.4

Notes:
(1) Above estimate based in 2013 dollars and on 2013 feasibility parameters.

REVENUE REQUIREMENT
GTA PARKWAY WEST to ALBION PIPELINE 36"

($000's)

Line No.		2015	2016	2017
	Cost of capital			
1.	Rate base	56,577.9	266,602.9	258,035.1
2.	Required rate of return	6.81%	6.81%	6.81%
3.	Cost of capital	3,853.3	18,157.1	17,573.6
	Cost of service			
5.	Operation and Maintenance	49.0	235.2	235.2
6.	Depreciation and amortization	1,428.2	8,569.4	8,569.5
7.	Municipal and other taxes	170.2	816.9	817.0
8.	Cost of service	1,647.4	9,621.5	9,621.6
	Income taxes on earnings			
12.	Excluding tax shield	(2,389.4)	(4,276.1)	(4,031.4)
13.	Tax shield provided by interest expense	(527.4)	(2,485.2)	(2,405.4)
14.	Income taxes on earnings	(2,916.8)	(6,761.3)	(6,436.8)
	Taxes on (def) / suff.			
15.	Gross (def.) / suff.	(3,515.4)	(28,595.0)	(28,242.7)
16.	Net (def.) / suff.	(2,583.8)	(21,017.3)	(20,758.4)
17.	Taxes on (def.) / suff.	931.6	7,577.7	7,484.3
18.	**Revenue requirement**	3,515.4	28,595.0	28,242.7
19.	Allocation to Rate 332 Transportation Service	50%	50%	50%
20.	**Annual Rate 332 Revenue**	1,757.7	14,297.5	14,121.3

Notes:
(1) Above estimate based in 2013 dollars and on 2013 feasibility parameters.

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO SEC INTERROGATORY #27

INTERROGATORY

Issue D5

[Ex.E/1/2/p.2]

If Segment A was a 36” sized pipe, what percentage of the fully allocated revenue requirement would Enbridge charge to Rate 332 customers?

RESPONSE

If Segment A was based on a 36” pipeline from Parkway to Albion, the percentage of the revenue requirement allocated to Rate 332 customers would be based on the same methodology which was used to determine the allocation of the 42” pipeline proposal. This was determined based on shipper’s transportation requirements as a proportion of the total pipeline requirements. Therefore, based on a 36” pipeline scenario with a total transportation capacity of 1,600 TJ/day, EGD would require 800 TJ/day and shippers have 800 TJ/day or 50%.

Witness: A. Kacicnik

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
SEC INTERROGATORY #28

INTERROGATORY

Issue D5

Reference: [Ex.E/1/2/1]

Please provide a version of the Revenue Requirement -Albion Pipeline table set out in Ex. E, Tab 1, Schedule 2, Attachment 1, for a 36" sized pipe.

RESPONSE

Please see response to Energy Probe Interrogatory #102 found at Exhibit I.D5.EGD (Update).EP.102 part b).

Witness: K. Culbert