Enbridge Gas Distribution Inc.
Enbridge 2014-2018 Customized IR Plan
EB-2012-0459

BOARD STAFF INTERROGATORIES

1. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.STAFF.1

Evidence Ref: A2/T1/S1/

Please outline the benefits to the utility's ratepayers under the proposed approach to ratemaking. What is the utility "incented" to achieve under the customized incentive ratemaking approach?

2. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.STAFF.2

Evidence Ref: A2/T1/S2/para 41

The Company's evidence speaks to how the proposed IR plan is effectively a revenue cap that is decoupled from costs over the term of the plan and that EGD is taking the risk that it will be able to manage within that revenue cap.

How is this concept different than a cost of service model where revenues are set on a prospective test year basis and the utility is at risk to manage actual costs within that revenue allowance?

3. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.STAFF.3

Evidence Ref: A2/T1/S3/para 13

The evidence speaks about the Fair Return Standard and the utility's expectations of entitlements to certain financial returns.

a) Under incentive regulation, which contemplates allowed revenues being disconnected from cost of service-based revenues, please explain why the Fair Return Standard is relevant.

b) Please comment on whether the Board's stated objectives for incentive regulation include meeting a Fair Return Standard.

c) Does the utility believe that the Fair Return Standard is applicable in any context other than in establishing appropriate regulated cost of capital guidance?

4. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.STAFF.4

Evidence Ref: A2/T1/S3/para 23

Please provide the Company's actual and Board-approved annual return on equity for each year during the period 2000 to 2013, including the most recently-available forecast for 2013.

5. ISSUE: A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.5

Evidence Ref: A2/T1/S1/P 16 of 40

Enbridge says that its "most significant forecasting challenge has been the uncertainty of safety and integrity spending requirements." In light of the challenges that Enbridge has faced in forecasting its capital spending for safety and integrity requirements:

a) Please explain why Enbridge is proposing to recover these capital expenditures through a Customized IR plan that requires forecasts of these expenditures?

b) Please explain why Enbridge is not using Y factors and/or Z factors, if appropriate, for recovering these capital expenditures?

6. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.6

Evidence Ref: A2/T1/S1/P 21 of 40

Enbridge says one of the main factors contributing to increased capital spending requirements is relocation requirements e.g. resulting from the Pan-Am games coming to Toronto in 2015. Enbridge says that "franchise agreements demand that the Company comply with relocation activity as directed by the municipalities."

a) Please explain why Enbridge is not using a Z factor to recover the costs of mandates from municipalities rather than through a Customized IR plan?

b) What is Enbridge's degree of confidence in relation to forecasting municipalities' future relocation demands? Please explain.

7. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.7

Evidence Ref: A2/T1/S1/P 27 of 40

Enbridge says that a "traditional" IR plan "is problematic in an environment where capital spending pressures, the associated growth in depreciation expense and other cost elements driven by capital investments more than outweigh the growth in revenue from an I-X formula".

Please confirm that the Board has approved gas IR plans that include Y factors designed to recover the costs of capital investments that would not otherwise be recovered in an "inflation minus X" rate adjustment formula (e.g., Enbridge's 2nd generation IR plan).

8. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.8

Evidence Ref: A2/T1/S2/P 7 of 19

Enbridge says that "many of the project forecast costs within the 2014 to 2016

Capital Budget contain significant uncertainty, and as a result, actual project costs may vary significantly."

Please explain whether the uncertainties (and the associated risks) that actual costs may vary significantly from forecast costs, has impacted Enbridge's rationale in choosing the Customized IR plan as its IR model?

9. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.9

Evidence Ref: A2/T1/S3/P 9 and 10 and 11 and 13 of 19

In the "Analysis and Interpretation" of Scenarios 1 through 4, please explain why the Company cannot adjust the amounts proposed through the Y factor, or a similar mechanism, to fully recover all of its projected costs over the 2014 – 2018 period.

10. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.10

Evidence Ref: B2/T1/S1/P 25 and 26 of 39

Enbridge says that much of the uncertainty associated with system integrity and reliability spending is due to: 1) the fact that the scope and requirements of these programs will not be known until related studies are completed and there is practical experience with the programs; and 2) the Company anticipates more stringent pipeline integrity management legislation, such as that contemplated in the United States but does not know when this will be implemented.

a) Please explain why Enbridge has forecasted capital expenditures to comply with government mandates that are only being "contemplated" but do not yet exist?

b) Please explain why Enbridge is using a Customized IR plan rather than a Y factor and/or Z factor, if appropriate, as a means of accommodating investment requirements that may, or may not, arise in the future.

11. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1.EGDI.Staff.11

Evidence Ref: B2/T1/S1/P 27 of 39

Enbridge says that its proposed capital budget has identified a group of "variable costs" that are not included in the budget, with the result that "Enbridge will be at risk for the "variable" costs associated with capital projects".

Please explain how Enbridge will assure the Board that any costs that Enbridge proposes to Z factor were not previously part of the group of "variable costs" that the Company has excluded from its Customized IR plan.

12. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1.EGDI.Staff.12

Evidence Ref: A2/T9/S1Incentive Ratemaking Report (CEA)/P 21 of 125

Please provide all evidence of which Concentric Energy Advisors is aware that shows that heating degree days is a statistically significant driver of gas distribution costs.

13. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1.EGDI.Staff.13

Evidence Ref: A2/T9/S1/Incentive Ratemaking Report (CEA)/P 31 of 125

Concentric Energy Advisors writes that EGD's customer growth rate of 2.6% "is higher than all other companies in the industry study group."

a) Please provide the time period used to calculate the customer growth rate for EGD.

b) Please provide comparable customer growth rates for every other gas distributor in the industry study group, including the customer numbers for each distributor at the beginning and end of the sample period used to calculate customer growth.

14. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1.EGDI.Staff.14

Evidence Ref: A2/T9/S1/Incentive Ratemaking Report (CEA)/P 58 of 125

Concentric Energy Advisors writes that it "calculated projected capital-related revenue requirements (for Enbridge) based on data provided by the Company."

Please provide all data that Enbridge provided to Concentric Energy Advisors that was used to calculate the Company's projected capital-related revenues requirements over the 2014-2016 period.

15. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1.EGDI.Staff.15

Evidence Ref: A2/T9/S1/Incentive Ratemaking Report (CEA)/P 61 and 63 and 65 and 67 of 125

Please provide all data, spreadsheets, computer programs, and related analysis that Concentric Energy Advisors used to prepare the results summarized in:

a) Figure 30
b) Figure 31
c) Figure 32
d) Figure 33

16. **ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?**

Exhibit: I.A1EGDI.Staff.16

Evidence Ref: A2/T9/S1/Incentive Ratemaking Report (CEA)/P 76 of 125

Footnote 80 says that, when Concentric Energy Advisors updated its study to include 2011 data, "a few additional data points were revised based on additional data becoming available." Please identify:

a) The historical data points that have changed.

b) The previous values for the identified data points, and the new values for the data points.

c) Whether the changes were due to earlier data being missing, revised, or inaccurate.

17. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.17

Evidence Ref: A2/T9/S1/Incentive Ratemaking Report (CEA)/P 21 and 22 of 125

Given the business conditions that CEA has used to select peers for its benchmarking comparisons, please provide the following analyses:

a) An econometric model which estimates the impact of each of the identified business conditions on total gas distribution costs (i.e. capital costs plus OM&A costs) for the entire sample of gas distributors (i.e. the Industry Study Group plus Enbridge Gas Distribution).

b) An econometric model 'fitted' with the parameter estimates from part a) and is used to predict the costs of each gas distributor in the sample.

c) A comparison of the actual costs of each gas distributor in the sample with the predicted costs for that distributor estimated in part b).

d) An assessment of the statistical significance of the difference between each distributor's actual and predicted costs, as calculated in part c).

18. ISSUE A1: Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

Exhibit: I.A1.EGDI.Staff.18

Evidence Ref: A2/T10/S1/The Building Blocks Approach (LEI)/P 13 of 24

London Economics International (LEI) writes that "the Australian Energy Market Commission (AEMC) has reviewed whether or not to apply a TFP-based method for escalating rates (via an "I-X" framework) or to retain the building block approach...there was a concern that data problems could prevent such (TFP) studies from being sufficiently robust for purposes of ratemaking and that most importantly the lack of data "prevents proper testing of the conditions need for TFP methodology;" therefore the AEMC concluded that it is better to retain the building blocks approach.

a) In the review referenced by LEI, was the issue before the AEMC to replace the building block approach with a TFP-based approach, or whether a TFP-based regulatory option should be added to Australia's energy regulatory framework?

b) If the AEMC had decided not to make any changes based on its review, would the building block approach to incentive regulation have been retained?

c) At the conclusion of the review, did the AEMC decide to add a TFP-based regulatory option to Australia's energy regulatory framework?

d) In light of the answers to a) and b) above, please explain the basis for LEI's view that "the AEMC concluded that it is better to retain the building blocks approach."

19. ISSUE A2: Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

Exhibit: I.A2.EGDI.Staff.19

Evidence Ref: A2/T1/S2/P 6 of 15

Enbridge says that "the Company has implicitly recognized productivity into its forecast of O&M budgets for 2014 to 2016 by not accounting for known or highly probable cost increases over the forecast horizons, and by holding several costs flat, which in reality will not be flat, and by expecting the organization to deliver more output for the same inputs."

a) Please document and quantify all the "known or highly probable cost increases over the forecast horizons" which Enbridge did not include in its projected OM&A budgets over the 2014-2016 period.

b) Please document and quantify all the costs which Enbridge is holding flat, "which in reality will not be flat," in its projected OM&A budgets over the 2014-2016 period.

20. ISSUE A2: Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

Exhibit: I.A2.EGDI.Staff.20

Evidence Ref: A2/T1/S2/P 6 of 15

Enbridge says that "the Company has resolved to maintain its overall FTE level flat through the 2014 to 2016 period. To the extent that additional FTEs are needed to accomplish work, Enbridge will accommodate these costs within other parts of the 2014 to 2016 Capital Budget."

a) Please provide references in economic literature, incentive regulation literature and/or jurisdictional precedent where holding FTEs flat is viewed as a "sustainable efficiency gain".

b) Enbridge says that if additional FTEs are needed, the Company will accommodate these costs in other parts of its capital budget. Does Enbridge plan (or expect) to substitute capital for labor during the term of its Customized IR plan? Please explain why or why not.

21. ISSUE A2: Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

Exhibit: I.A2.EGDI.Staff.21

Evidence Ref: Exhibit A2, Tab 11, Schedule 2, Page 4 of 13

Enbridge states that in determining the productivity and efficiency initiatives that it will pursue over the incentive regulation term, Management has established guiding principles.

a) Please explain whether initiatives that have been mandated by, for example, Measurement Canada, the Gov't of Ontario and /or the OEB, will meet Enbridge's guiding principles.

b) If so, please explain why these initiatives should be considered a "productivity and/or efficiency initiative".

c) Does Enbridge support the following definition for a sustainable productivity/efficiency gain: 1) it is an opportunity that results in net cost savings and/or incremental revenue generation in excess of the costs incurred to implement the opportunity; and 2) it is an opportunity that provides net cost savings or net revenue generation that is sustainable over multiple years and is not a one-time exercise (or gain)?

d) If not, please provide an alternate definition of sustainable productivity/efficiency gains.

22. ISSUE A7: Is the methodology within Enbridge's Customized IR plan for determining final rates for 2014 appropriate?

Exhibit: I.A7.EGDI.STAFF.22

Evidence Ref: A2/T3/S2/ Attachment B

Please provide a table in a similar format to Attachment B showing the adjustments to the 2013 Board-approved Revenue Requirement to arrive at the proposed 2014 Revenue Requirement.

23. ISSUE A7: Is the methodology within Enbridge's Customized IR plan for determining final rates for 2014 appropriate?

Exhibit: I.A7.EGDI.STAFF.23

Evidence Ref: A2/T3/S2/ Attachment B

Please provide the most recent 2013 utility revenue forecast with a comparison to the 2013 Board-approved Revenue Requirement.

24. ISSUE A10a: Are the following components within Enbridge's Customized IR plan appropriate?

a. Z Factor mechanism

Exhibit: I.A10a.EGDI.Staff.24

Evidence Ref: Exh A2/Tab 4/ Sch 1/P 7 of 9

Enbridge states that the Company would "need only show that a 'significant portion' of the cost increase or decrease claimed is linked to the unexpected non-routine cause..." Please explain how:

a) Enbridge defines what portion of a cost increase or decrease is 'significant.'

b) Enbridge will demonstrate that only a 'significant portion' of a cost increase or decrease has been linked to an unexpected, non-routine cause.

25. ISSUE A10a: Are the following components within Enbridge's Customized IR plan appropriate?

a. Z Factor mechanism

Exhibit: I.A10a.EGDI.Staff.25

Evidence Ref: Exh A2/Tab 4/ Sch 1/P 7 of 9

Enbridge states that "unexpected, non-routine cause" is a more appropriate requirement, as compared to linking the costs to a particular "event", because the term "cause" will take away focus on a discrete item or circumstance and allow for cases where there may be a collection of related "events" that are the "unexpected, non-routine cause" of a cost increase or decrease.

a) Please provide specific examples of an "unexpected, non-routine cause". Please compare these examples of "unexpected, non-routine cause" with examples of an unexpected or unforeseen event (such as an ice storm, etc.) and explain the difference.

b) Please provide references in economic literature, incentive regulation literature and jurisdictional precedent where the criteria for requesting cost recovery through the Z-factor is based on an "unexpected, non-routine cause".

26. ISSUE A10a: Are the following components within Enbridge's Customized IR plan appropriate?

a. Z Factor mechanism

Exhibit: I.A10 a.EGDI.Staff.26

Evidence Ref: Exh A2/Tab 4/ Sch 1/P 4, 5 of 9

Enbridge states that in its experience, the interpretation of the Board's Z-factor criteria over the five years of the Company's 1st Generation IR term has led to confusion and uncertainty around what costs would qualify for Z-factor treatment. In particular,

- The reference to a discrete "event" leads to a requirement to pinpoint a single development or occurrence which has caused increased or decreased costs. In Enbridge's view, there may be more than one item or event that leads to changes in costs from what was known and included within Allowed Revenue amounts set at the start of an IR term.

- The requirement that the "cost" associated with the Z-factor request be beyond the control of the Company's management. In Enbridge's view, this makes it unreasonably difficult to qualify for Z-factor recovery.
- The requirement that the cost not be "a risk in respect of which a prudent utility would take risk mitigation steps" is difficult to understand and interpret.

a) Please identify and summarize the actual difficulties that Enbridge has experienced in relation to the interpretation of the Z-factor criteria over the five years of Enbridge's most recent IR plan. In Enbridge's summary of its actual difficulties, please refer to the three concerns that Enbridge has identified above.

b) Please provide references in economic literature, incentive regulation literature and/or jurisdictional precedent for this change in the criteria for the "Z factor".

27. ISSUE A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.27

Evidence Ref: A2/T11/S3/P 3 of 6

When calculating SEIM payment, how will "benefits" be computed? Please indicate if the benefit calculation will include:

- Cost reductions
- The quantified value of improved safety
- The quantified value of improved product quality
- The quantified value of improved customer service
- Other factors

28. ISSUE A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10 f.EGDI.Staff.28

Evidence Ref: A2/T11/S3/P6 of 6

a) How does the Company proposed to collect the SEIM payment from customers?

b) Would Enbridge's proposed method of collecting SEIM payments differ if Enbridge did not have to distribute a share of its earnings to customers under the Company's proposed ESM? Please explain.

29. ISSUE A10 f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.29

Evidence Ref: A2/T10/S1/The Building Blocks Approach (LEI)/P 19 of 24

LEI states that the Alberta Utilities Commission ("AUC") has approved an efficiency carry-over mechanism ("ECM") for ATCO Gas, ATCO Electricity and EPCOR which provides for an upper limit on the earnings that can be carried over between regulatory periods of 0.5% of ROE to apply for two years after the end of the previous IR plan.

a) Please provide a complete list of all the ECMs proposed by gas or electricity distributors in Alberta
b) Please provide a complete list of all the ECMs approved for gas or electricity distributors in Alberta
c) Please compare in detail the differences between the ECMs proposed by Alberta utilities and those approved by the AUC
d) Please compare in detail the ECMs approved by AUC and Enbridge's SEIM.
e) Please compare in detail Australia's EBSS and Enbridge's SEIM.
f) Please compare in detail the efficiency carryover mechanisms approved in the UK and Enbridge's SEIM.

30. ISSUE A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.30

Evidence Ref: A2/T10/S1/The Building Blocks Approach (LEI)/P 19 of 24

LEI writes that "regulators are increasingly recognizing the limitations imposed by allowing a utility to benefit from efficiencies achieved only during the term of the IR plan. While mechanisms vary in the detail, they all have a number of common features – a fixed term, limits on the amount a utility can retain, ex post awarding of the benefits and a review or application mechanism to demonstrate that savings have occurred. They all also recognize that unlike rate periods that are finite, utility operations operate over longer and more dynamic timeframes."

a) Please explain how the SEIM overcomes "the limitations imposed by allowing a utility to benefit from efficiencies achieved only during the term of the IR plan."

b) Please provide a numerical example which shows how the SEIM encourages Enbridge to retain the benefits of an initiative designed to improve its efficiency that it would otherwise not pursue because the Company would only be allowed to retain the benefits of those efficiency gains within the term of its IR plan.

c) LEI says that one of the common features of the mechanisms it references is "ex post awarding of the benefits;" would the SEIM reward Enbridge ex post (*i.e.* after the initiatives have been implemented) or ex ante (before the initiatives have been implemented)? Please explain.

d) LEI says that one of the common features of the mechanisms it references that "they all recognize that unlike rate periods which are finite, utility operations operate over longer and more dynamic timeframes." Please explain how the SEIM satisfies this criterion.

31. ISSUE: A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.31

Evidence Ref: A2/T10/S1/The Building Blocks Approach (LEI)/P 20 of 24

"LEI finds that Enbridge's proposed (SEIM) mechanism is consistent with the overarching principles applied in other jurisdictions for allowing 'roll over' mechanisms for efficiency savings.'

a) Please describe the "overarching principles" in the jurisdictions referenced by LEI.

b) Please explain whether any of the mechanisms in these jurisdictions award a utility upfront because of efficiency gains it has forecast?

c) Please explain whether awarding a utility based on forecast efficiency savings is consistent with a "roll over" of efficiency savings into the term of a subsequent incentive regulation plan?

32. ISSUE: A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.32

Evidence Ref: A2/T10/S1/The Building Blocks Approach (LEI)/P 21 of 24

"In summary, the proposed SEIM arrangement provides a positive incentive for Enbridge to implement efficiency measures towards the end of a regulatory period or over longer timeframes, where they might otherwise be discouraged from doing so as the timeframes may be too short for them to recover their costs."

a) Please explain in detail how the SEIM would encourage "Enbridge to implement efficiency measures towards the end of a regulatory period or over longer timeframes, where they might otherwise be discouraged from doing so."

b) Please provide a numerical example which demonstrates how an incentive payment in year 1 of Enbridge's proposed Customized IR plan would encourage Enbridge to undertake an initiative in year 4 of that plan that it would not have undertaken in the absence of the incentive payment in year 1.

c) In the example provided in part b), please explain whether the incentive payment provided in advance in year 1 would reduce Enbridge's incentive to follow through in year 4 on the efficiency-improving initiative in question.

33. ISSUE A10f.: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.33

Evidence Ref: Exhibit A2, Tab 10, Schedule 1, Page 21 of 24

LEI states that the key difference in Enbridge's proposal from the schemes outlined by LEI [Alberta, UK and Australia] is that Enbridge's SEIM is based on estimated rather than actual benefits.

a) Please provide references in jurisdictional precedent where the utility's financial gains under an efficiency carryover mechanism are based on estimated benefits rather than achieved / actual benefits.

b) In the examples mentioned in part a) where efficiency carryovers are based on estimated benefits, is there a true-up mechanism when the actual benefits become known (i.e., is there is a true-up in the utility's financial gain when actual /achieved benefits are less than estimated benefits)? If so, please explain these true-up mechanisms in detail.

34. ISSUE A10f: Are the following components within Enbridge's Customized IR plan appropriate?

f. Sustainable Efficiency Incentive Mechanism

Exhibit: I.A10f.EGDI.Staff.34

Evidence Ref: Exhibit A2, Tab 11, Schedule 3, Page 2 of 6

Enbridge states that the Productivity Initiatives Report will provide details about any such projects that meet certain criteria. One of the criteria is that the project(s) have been implemented.

a) Please define what is meant by "implemented". For example, does this mean that the project is fully completed and functional?

b) Please confirm whether Enbridge would implement an "implemented project" if it did not have the SEIM? Alternatively, would Enbridge implement an "implemented project" only because of the SEIM? Please explain in detail.

35. ISSUE A10g: Are the following components within Enbridge's Customized IR plan appropriate?

g. Annual reporting requirements

Exhibit: I.A10g.EGDI.Staff.35

Evidence Ref: Exh A2, Tab 11, Sch 2, Page 1 of 13

Enbridge states that this framework is comprised of two reporting mechanisms: (1) Productivity Initiatives Report, and (2) Performance Metrics Benchmarking Report.

In Enbridge's Settlement Agreements (EB-2007-0615 / 0606), Enbridge's annual requirements (2008-2012) were state as the following:

1. Calculation of revenue deficiency/sufficiency
2. Statement of utility income
3. Statement of earnings before interest and taxes
4. Summary of cost of capital
5. Total weather normalized throughput volume by service type and class
6. Total actual (non-weatherized) throughput volumes by service type and rate class
7. Total weather normalized gas sales revenue by service type and rate class
8. Total actual (non-weather normalized) gas sales revenue by service type and rate class
9. T-service revenue by service type and rate class
10. Total customers by service type and rate class
11. Other revenue
12. Operating and maintenance expenses by department
13. Calculation of utility income taxes
14. Calculation of capital cost allowance
15. Provision of depreciation, amortization and depletion
16. Capital budget analysis by function
17. Statements of utility rate base

a) Please confirm whether Enbridge would agree to file the above information on annual basis with the Board during its proposed Customized IR plan.

b) In Exhibit L, Tab 1, Page 139 of 160, an additional reporting requirement was identified regarding Enbridge filing information on its gas delivery revenues by rate class and service type. Please confirm whether Enbridge would agree to file on annual basis its delivery revenue by service type and rate class with the Board during its proposed Customized IR plan.

36. ISSUE A10: Are the following components within Enbridge's Customized IR plan appropriate?

h. Rebasing proposal

Exhibit: I.A10a.EGD.STAFF.36

Evidence Ref: A2/T8/S1/

For rebasing filing requirements, could the Company please comment on the usefulness of providing 5 years of historical actual data, including the 2017 historical year in its Cost of Service rebasing filing. Would the Company commit to a fixed filing date for the rebasing and a set of filing requirements to be developed with stakeholders?

37. ISSUE 10: Are the following components within Enbridge's Customized IR plan appropriate?

i. Treatment of pension expense and employee future benefits costs

Exhibit: I.A10.EGDI.STAFF.37

Evidence Ref: EB-2013-0046 Exh D/Tab 1/Sch 1/Page 31, EGD December 31, 2012 Audited Financial Statements

At EB-2013-0046, Exhibit D/Tab1/Sch1/Page31, Note 18 to EGD's December 31, 2012 audited financial statements states the following:

> "The Company maintains a non-contributory basic pension plan that provides either defined benefit or defined contribution pension benefits to the majority of its employees. The Company has two supplemental non-contributory defined benefit pension plans that provide pension benefits in excess of the basic plan for certain employees."

a) Please provide the rationale as to why EGD maintains a pension plan (defined benefit and defined contribution) and two supplemental non-contributory defined benefit pension plans that are non-contributory by EGD's employees, as opposed to plans to which employees make contributions.

b) Please provide the rationale as to why the Board should approve rate recovery of EGD's requested 2014, 2015, and 2016 pension amounts in view of the fact that employees contribute 0% of these costs to the plans. Please state why the Board should approve EGD's non-contributory pension amounts considering the percentage that employees of most utilities regulated by the Board (e.g. utilities in OMERS plan) contribute 50%.

c) Please provide an estimate of EGD's 2014, 2015 and 2016 pension costs if a 50% contribution rate percentage by employees was instituted instead of these plans being non-contributory.

38. ISSUE 10: Are the following components within Enbridge's Customized IR plan appropriate?

i. Treatment of pension expense and employee future benefits costs

Exhibit: I.A10.EGDI.STAFF.38

Evidence Ref:

- EB-2011-0354 ExA2/Tab3/Sch2/Appendix A filed June 8, 2012
- EB-2011-0354 ExA2/Tab3/Sch1/Appendix 5 filed January 31, 2012, ExD1/Tab16/Sch1/App1/page 20, ExD1/Tab16/Sch1/App2/page 15.

www.bankofcanada.ca Selected Monthly Canada Bond Yields – see Table 1\ below

Table 1 - Selected Monthly Canada Bond Yields as at November 11, 2013
www.bankofcanada.ca

Monthly series: 2012-03-01 - 2013-10-01
V122543 = Government of Canada benchmark bond yields - 10 year
V122544 = Government of Canada benchmark bond yields - long-term

Date	V122543	V122544
2013-10	2.42	3.01
2013-09	2.57	3.09
2013-08	2.63	3.09
2013-07	2.45	2.97
2013-06	2.50	2.96
2013-05	2.07	2.65
2013-04	1.72	2.38
2013-03	1.76	2.49
2013-02	1.86	2.53

2013-01	1.99	2.57
2012-12	1.82	2.37

As per EB-2011-0354 ExA2/Tab3/Sch2/Appendix A page 17 filed June 8, 2012 and prepared by Mercer on June 1, 2012, the discount rate used in the actuarial valuation for pension costs on an accrual basis was 4.33% as at December 31, 2011.

As per EB-2011-0354 ExA2/Tab3/Sch1/Appendix 5 page 14 filed January 31, 2012 and prepared by Mercer January 19, 2012, the discount rate used in the actuarial valuation for OPEB costs on an accrual basis was 4.80% as at December 31, 2010.

As per ExD1/Tab16/Sch1/App1/page 20 and ExD1/Tab16/Sch1/App2/page 15 filed June 28, 2013 and prepared by Mercer March 28, 2013, the discount rate used in the actuarial valuation for pension & OPEB costs on an accrual basis was 4.30% as at December 31, 2012.

EGD explains that the requested 2014, 2015, and 2016 pension & OPEB costs in this proceeding have decreased from the forecasts for 2014, 2015, and 2016 approved by the Board in EB-2011-0354 due to “higher expected returns on pension plan asset balances.” However, EGD has included an immaterial decrease in the discount rate in the actuarial valuations prepared on March 28, 2013 and filed in this proceeding (4.30% for pension & OPEB), compared to the valuations filed in EB-2011-0354 (4.33% for pension and 4.80% for OPEB).

a) Please confirm that higher bond yields and discount rates would decrease forecasted pension and OPEB expenses for 2014 through 2018 rates. If EGD disagrees, please explain why.

b) As per Table 1 above, both the Canada 10 year and long term benchmark bond yields have increased by approximately 60 basis points from December 31, 2012 to October 31, 2013. Please provide what the updated EGD discount rate would be as at October 31, 2013, considering this increase in benchmark bond yields. Please explain how the discount rate was selected in line with these Canada bond yields.

c) Has EGD prepared an updated actuarial valuation or accounting update to reflect this increase in bond yields and discount rate for pension and OPEB? If so, please file this valuation or accounting update. If not, please explain why an updated valuation or accounting update was not prepared for both pension and OPEB if EGD agrees that an increase in bond yields would decrease forecasted pension & OPEB expenses for 2014 through 2018 rates.

d) Please explain why the Board should approve pension & OPEB costs for 2014, 2015, 2016, 2017, and 2018 based on actuarial valuations that have been prepared with outdated discount rates – market discount rates have increased since the valuations were prepared on March 28, 2013, as indicated in Table 1 above.

e) What would the cost be to EGD to obtain an updated actuarial valuation for each of pension and OPEB costs as at October 31, 2013.

f) What would the cost be to EGD to obtain an actuarial valuation accounting update for each of pension and OPEB costs as at October 31, 2013.

39. ISSUE A10: Are the following components within Enbridge's Customized IR plan appropriate?

h. Rebasing proposal

Exhibit: I.A10a.EGDI.STAFF.39

Evidence Ref: A2/T8/S1/

No question / exhibit not used.

40. ISSUE A11: Is the proposal to continue Enbridge's current deferral and variance accounts through the IR term appropriate?

Exhibit: I.A11.EGDI.STAFF.40

Evidence Ref:

- D1/T8/S1/page 22 and 23
- EB-2011-0354 Exhibit N1/ Tab 1 Schedule 1 Pages 19 and 20

As per Exhibit D1/Tab 8/Sch1/page 22 and 23, EGD is requesting continuance of the 2013 Post-Retirement True-Up Variance Account from 2014 to 2018 ("2014-2018 PTUVA").

As per the 2013 EGD cost of service proceeding settlement agreement, ExhN1/Tab1/Sch1/page 19 & 20, states:

" …All parties agree to the creation of a Post-Retirement True-Up Variance Account (PTUVA) which will record any differences between the Company's forecast pension and OPEBs expense and the actual pension and OPEBs expense (both determined on an accrual basis). In future years, and in the absence of any new Board decision or policy on the Pensions Issue that is made to apply to Enbridge during the term of its upcoming IR plan, the PTUVA will include any uncleared balances from previous years, as well as the difference between the amount otherwise included in that year's rates, and actual pension and OPEBs expenses for that year (again, on an accrual basis)….

…There is no agreement as to the clearance methodology that will be applied to the PTUVA in future years beyond 2013. No party will raise any procedural objection if Enbridge or any other party seeks approval of a different clearance methodology for the PTUVA as part of Enbridge's 2014 rates proceeding (which is anticipated to be an application for approval of an IR methodology, which is not the type of case where such issues would ordinarily be raised). All parties are free to take whatever positions they determine with respect to the PTUVA clearance methodology at that time.

The parties agree that this approach will continue until the earlier of a) a decision by the Board to implement a policy respecting the Pensions Issue that is applicable to Enbridge during the term of its upcoming IR plan, and b) the next rebasing application for Enbridge."

a) Please confirm that EGD is proposing the PTUVA as the methodology for 2014 through 2018 rates.

b) Please explain why EGD is not requesting the PTUVA on an annual basis, rather it is requesting the PTUVA for the next 5 years – 2014 through 2018. In other words, why is EGD not requesting the PTUVA solely for 2014 rates?

41. ISSUE A12a: Is the proposal for the creation of the following new deferral and variance accounts appropriate?

a. Greater Toronto Area Project Variance Account ("GTAPVA")

Exhibit: I.A12a.EGDI.STAFF.41

Evidence Ref: D1/T8/S2/ para 4 / GTA Variance Account

Please discuss why the account is needed now given that the true-up of actual project costs to rate base is scheduled to occur in 2016.

42. ISSUE A12c: Is the proposal for the creation of the following new deferral and variance accounts appropriate?

c. Customer Care Services Procurement Deferral Account ("CCSPDA")

Exhibit: I.A12c.EGDI.STAFF.42

Evidence Ref: D1/T8/S4/ para 3 /

Enbridge is requesting a new CCSPDA. Would tendering costs be typically considered a normal part of doing business and recovered under O&M expenses? Does Enbridge tender on a regular basis for any aspects of its business without deferral account treatment?

43. ISSUE A12a: Is the proposal for the creation of the following new deferral and variance accounts appropriate?

a. Greater Toronto Area Project Variance Account ("GTAPVA")

Exhibit: I.A12a.EGDI.STAFF.43

Evidence Ref: C1/T5/S1/

Please indicate if a comprehensive evidence update will be filed concerning the impact of GTA Project on the customized IR plan.

44. ISSUE A12: Is the proposal for the creation of the following new deferral and variance accounts appropriate?

b. Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA")

Exhibit: I.A12b.EGDI.Staff.44

Evidence Ref: D1/T8/S3/Pages1-2

Does Enbridge propose recording costs that are not its actual costs in its general ledger for its corporate general purpose financial statements?

45. ISSUE: A12: Is the proposal for the creation of the following new deferral and variance accounts appropriate?

b. Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA")

Exhibit: I.A12b.EGDI.Staff.45

Evidence Ref: D1/T8/S3/Pages1-2

What economic and physical factors caused the depreciation rates calculated by Gannett Fleming to over-recover depreciation from customers since 2001 up to 2010 and beyond?

46. **ISSUE: A12: Is the proposal for the creation of the following new deferral and variance accounts appropriate?**

b. Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA")

Exhibit: I.A12b.EGDI.Staff.46

Evidence Ref: D1/T8/S3/Pages1-2

If Enbridge's proposal to increase rate base by refunding to ratepayers excess accumulated depreciation already recovered from ratepayers is denied, will Enbridge still require the CDNSADA?

47. **ISSUE: B17: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:**

a. Is the depreciation amount appropriate?

Exhibit: I.B17a.EGDI.Staff.47

Evidence Ref: D1/T5/S1

Do the proposed depreciation rates contain an excess amount that will continue to increase the long-term liability for SRC on the corporation's balance sheet?

48. **ISSUE: B17: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:**

a. Is the depreciation amount appropriate?

Exhibit: I.B17a.EGDI.Staff.48

Evidence Ref: D1/T5/S1

Will the proposed depreciation rates recover only the underlying economic value of the related fixed assets during the rate period? Please explain.

49. **ISSUE: B17: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:**

a. Is the depreciation amount appropriate?

Exhibit: I.B17a.EGDI.Staff.49

Evidence Ref: D1/T5/S1

[EB-2011-0354/D2/T2/S1/Page 40]

Please discuss the choice of average service life procedure (“ASL”) by Enbridge, versus equal life group procedure (“ELG”), since Gannett Fleming, in its depreciation study as of December 31, 2010, has stated that “the ELG procedure provides a superior match of the consumption of service values of the assets in service to the depreciation expense”.

50. ISSUE: B17b: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:

b. Is the Operating cost amount appropriate?

Exhibit: I.B17b.EGDI.STAFF.50

Evidence Ref: D1/T3/S1/ Para 7 O&M Budget Components Table 1

Please provide a table showing actual O&M for the years 2002 through 2012, 2013 Board-approved, 2013 latest forecast available, and the 2014 to 2018 forecast.

51. ISSUE: B17f: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:

f.Is the Other Revenues amount appropriate?

Exhibit: I.B17f.EGDI.STAFF.51

Evidence Ref: C1/T4/S1/ Late Payment Revenues

Please provide an update of 2013 Late Payment Revenues showing the 2013 Board approved amount and the latest 2013 full year forecast of LPP revenue.

52. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.52

Evidence Ref: B1/T1/S2/ Utility Rate Base

Please display the actual utility Rate Base for the years 2002 to 2012 and include forecasts for the years 2013 to 2018.

Please display the above figures restated in 2013 constant dollars.

53. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.53

Evidence Ref: B1/T3/S1/Community Expansion

With respect to the Company's new proposal for Community Expansion, will this be filed as separate application or as part of the current application? What is the expected timing?

54. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.54

Evidence Ref: B2/T1/S1/Summary of Capital Expenditures

a) Please describe how capital projects are related to efficiency improvements during the 5 year term of the IR Plan.

b) Does the company employ a screening process to determine which projects offer the greatest potential for efficiency or productivity improvements?

c) Please describe the process and explain how the Board will be made aware of capital projects that lead to efficiency or productivity improvements.

55. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.55

Evidence Ref: B2/T1/S1/ Table 1 Summary of Capital Expenditures

a) Please indicate which capital projects are 100% required versus any that are discretionary.

b) What percentage of the total capital budget amount is discretionary? Can any amounts be deferred 1,2,3 or more years?

c) If so, please identify these amounts and discuss the implications.

56. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.56

Evidence Ref: B2/T1/S1/ Table 1 Summary of Capital Expenditures

Please provide a table in the same format as Table 1 that also shows the 5 prior years actual amounts – i.e. 2008 to 2012 actual.

57. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.57

Evidence Ref: B2/T5/S1/ para 18

a) What is the Company’s policy regarding contingency amounts included in capital programs?

b) Is there a standard contingency factor built into the forecast? Please explain.

58. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.58

Evidence Ref: A2/T1/S1/P 20 and 21 of 40

On pp. 20-21, Enbridge says that "the primary driver for the WAMS (Work and Asset Management System) project is the coming end of the Accenture Services Agreement which was part of the EnVision project that the Board approved in 2004...the Company has decided that a more cost effective solution to the services approach that currently provides Work and Asset Management services would be to implement an in-house IT system"

a) Did Enbridge try to re-negotiate and/or update the services agreement with Accenture? If so, please provide all supporting documents that provide evidence of the terms of the updated agreement discussed with Accenture and rejected by Enbridge. If not, please explain why.

b) Did Enbridge obtain competitive bids from alternate vendors for a services agreement? If so, please provide all documents containing details of the bids provided by alternate providers. If not, please explain why alternate bids were not sought.

c) Please provide all documents and analyses supporting the Company's conclusion that implementing an in-house IT system would be more cost effective than an outsourced WAMS approach.

d) Please provide all documents and analyses which show that customers will benefit from an in-house IT system rather than an updated WAMS approach.

e) For WAMS, is Enbridge proposing to substitute future capital expenditures for costs that are currently booked to operating expenditures? Please explain in detail.

59. ISSUE B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.59

Evidence Ref: B2/T1/S1/P 12 of 39

Enbridge writes that another driver of its decision to implement an in-house IT system is “the need for the Company to meet more stringent safety and reliability systems...necessitates more flexible information technology.”

Please explain why the in-house IT system Enbridge proposes to develop is more flexible than the IT options available elsewhere in the marketplace. Was there a business case put forward to justify this project? If so, please file it.

60. ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.60

Evidence Ref: B2/T1/S1/P 20 of 39

In finalizing its 2014-2016 Capital Budget, Enbridge says that a senior management committee, as well as finance and regulatory personnel, “conducted peer reviews and scrutinized the list of expenditures in each cycle of the capital forecast.”

a) Please explain what Enbridge means by “peer reviews”. For example, did other gas utilities examine Enbridge’s expenditures? If so, please identify the “peers”.

b) Please describe in detail the “peer reviews” that Enbridge conducted as part of its capital budgeting process. What factors did the peers use to assess the proposals?

c) Did Enbridge look at peer utilities? If so, please provide detailed information that Enbridge examined from each of the “peer” utilities that were reviewed.

61. ISSUE B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.61

Evidence Ref: B2/T1/S1/P 21 of 39

For each capital forecast, Enbridge says that Executive Management requested information on “the magnitude of the costs that were certain to be spent and those that were outcome based and therefore difficult to forecast.”

Please define the term “outcome based” in this context and outline the difficulties in forecasting these outcome-based costs.

62. ISSUE B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.62

Evidence Ref: B2/T1/S1/P 22 of 39

When discussing the “probability of spending occurring,” Enbridge says that “items of a Medium Probability may have their spending profile changed.” Please explain the criteria that Enbridge used to:

a) Determine whether a capital project would have its spending profile changed.

b) Determine how spending profiles were to be changed for projects designated to be “medium probability.”

63. ISSUE B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGDI.STAFF.63

Evidence Ref: B2/T1/S1/P 24 of 39

Enbridge says that “more than $180 million was removed from the originally submitted “Bottom Up” grassroots budgets” as a result of the budgeting process.

Please provide a complete financial accounting of all capital projects that were removed, in whole or in part, from Enbridge’s original grassroots budgets, as well as the qualitative value of the capital spending from each of the removed projects.

64. ISSUE B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Exhibit: I.B18b.EGD.Staff.64

Evidence Ref: B2/T1/S1/P 25 and 26 of 39

Enbridge says that much of the uncertainty associated with system integrity and reliability spending is due to: 1) the fact that the scope and requirements of these programs will not be known until related studies are completed and there is practical experience with the programs; and 2) the Company anticipates more stringent pipeline integrity management legislation, such as that contemplated in the United States but does not know when this will be implemented.

Please explain why investments designed to comply with speculative, future mandates were included in Enbridge's internal, capital budget review process.

65. ISSUE B19: Is the preliminary Allowed Revenue amount for each of 2017 and 2018 appropriate, including:

a. Is the preliminary depreciation amount appropriate?

I.B19a.EGDI.Staff.65

Evidence Ref: D1/T5/S1

Do the proposed depreciation rates contain an excess amount that will continue to increase the long-term liability for SRC on the corporation's balance sheet?

66. ISSUE B19: Is the preliminary Allowed Revenue amount for each of 2017 and 2018 appropriate, including:

a. Is the preliminary depreciation amount appropriate?

I.B19a.EGDI.Staff.66

Evidence Ref: D1/T5/S1

Will the proposed depreciation rates recover only the underlying economic value of the related fixed assets? Please explain.

67. ISSUE B19: Is the preliminary Allowed Revenue amount for each of 2017 and 2018 appropriate, including:

a. Is the preliminary depreciation amount appropriate?

I.B19a.EGDI.Staff.67

Evidence Ref: D1/T5/S1

Please discuss the choice of average service life procedure by Enbridge, versus equal life group procedure, since Gannett Fleming has stated in its depreciation study as of December 31, 2010 that "the ELG procedure provides a superior match of the consumption of service values of the assets in service to the depreciation expense". [EB-2011-0354/D2/T2/S1/Page 40]

68. ISSUE C29: Is the overall change in Allowed Revenue reasonable given the impact on consumers?

Exhibit: I.C29.EGDI.STAFF.68

Evidence Ref: A2/T3/S2/ Attachment B

Please provide the cumulative revenue impact of the incremental amounts sought for recovery over the 5-year duration of the 2014-2018 Customized IR Plan application relative to the Board-approved 2013 Revenue Requirement. Please translate this into a typical customer bill impact for the main rate classes.

Please indicate if the revenue inputs include the full known inputs of the GTA project and the TCPL settlement with the Eastern LDCs.

69. ISSUE: D33: With respect to any alternative IR plan proposed for Enbridge, does that proposal meet the Board's objectives for incentive regulation for gas distributors and is it appropriate?

Exhibit: I.D33.EGDI.STAFF.69

Evidence Ref: A2/T1/S3/para 23

Please provide a fresh run of the "I – X Scenario Model" with a new 5-year scenario for the years 2014 to 2018.

Input Assumptions

- Inflation factor held at latest consensus forecast for Ontario (all years)
- Productivity Factor: 1% (all years)

- Customer Growth: per application (1.7%)
- SRC Depreciation and related tax impacts: yes (per application)
- Rate Base: fixed at 2013 Board-approved level (all years)
- ROE: floats each year (per application)
- Y-Factors: GTA, Ottawa, Gas-fired Power Plants, Major IT Projects
- Other Y-Factors: pension, gas in storage, DSM, Customer Care/CIS (per application).

70. ISSUE D36: Is Enbridge's proposal for Transactional Services ("TS"), including the classification of transactions within TS and the treatment and sharing of TS revenues, appropriate?

Exhibit: I.D36.EGDI.STAFF.70

Evidence Ref: C1/T3/S1/para 4

Please provide a summary of transactional service amounts by TS type/category for 2012 actual and the latest forecast for 2013.

71. ISSUE E39: Are the proposed depreciation rate changes, to be in use beginning in the 2014 Fiscal Year, related to a reduction in the annual level of Site Restoration Cost/Asset Retirement Obligation ("SRC/ARO") collected, appropriate?

a. Is Enbridge's proposal to continue with all other depreciation rates established in the EB-2011-0354 proceeding, throughout the IR period appropriate?

Exhibit: I.E39.EGDI.Staff.71

Evidence Ref: D1/T5/S1; D2/T1/S1

Do the proposed depreciation rates, whether changed or not, contain an excess amount that will continue to increase the long-term liability for SRC on the corporation's balance sheet? Please explain.

72. ISSUE: E39: Are the proposed depreciation rate changes, to be in use beginning in the 2014 Fiscal Year, related to a reduction in the annual level of Site Restoration Cost/Asset Retirement Obligation ("SRC/ARO") collected, appropriate?

a. **Is Enbridge's proposal to continue with all other depreciation rates established in the EB-2011-0354 proceeding, throughout the IR period appropriate?**

Exhibit: I.E39.EGDI.Staff.72

Evidence Ref: D1/T5/S1; D2/T1/S1

Will the proposed depreciation rates recover only the underlying economic value of the related fixed assets? Please explain.

73. ISSUE: E39: Are the proposed depreciation rate changes, to be in use beginning in the 2014 Fiscal Year, related to a reduction in the annual level of Site Restoration Cost/Asset Retirement Obligation ("SRC/ARO") collected, appropriate?

a. **Is Enbridge's proposal to continue with all other depreciation rates established in the EB-2011-0354 proceeding, throughout the IR period appropriate?**

Exhibit: I.E39.EGDI.Staff.73

Evidence Ref: D1/T5/S1; D2/T1/S1

Please discuss the choice of average service life procedure by Enbridge, versus equal life group procedure, since Gannett Fleming has stated in its depreciation study as of December 31, 2010 that "the ELG procedure provides a superior match of the consumption of service values of the assets in service to the depreciation expense". [EB-2011-0354/D2/T2/S1/Page 40]

74. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.74

Evidence Ref: EGDI's audited financial statements for 2009 through 2012

Enbridge's audited financial statements for 2009 through 2012 contain the following end of year long-term liabilities for the SRC. This liability information was obtained from Enbridge's financial statements filed in its prior applications in financial statement notes that disclose the effects of rate regulation. These financial statements also indicate that the disclosure is under other long term liabilities.

Audited Financial Statements	**Line**		**2009**	**2010**	**2011**	**2012**
Beginning of year liability	1		0.0	691.6	753.0	815.0
Period-to-date adjustment	2		640.0			
Recovery through depreciation	3	+				
Site restoration and removal costs	4	(-)				
Net change in year	5	3+4	51.6	61.4	62.0	44.0
End of year liability	6	1+2+5	691.6	753.0	815.0	859.0

Board staff has provided an Excel workbook to facilitate the calculations. Please complete the table above and provide the amounts recovered through depreciation each year and the amounts deducted or paid for site restoration and removal costs actually completed.

75. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.75

Evidence Ref: EGDI's audited financial statements for 2009 through 2012

Please provide the engineering studies that were completed in order to calculate the liability of $691.6 million at the end of 2009.

76. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.76

Evidence Ref: EGDI's audited financial statements for 2009 through 2012

Please provide the accounting policy documents that explain how Enbridge's accounting staff validated, estimated and recorded the opening liability and the changes in the liability during each year 2009-2012. If any of the accounting journal entries relies on budgeted burden rates, etc., please provide all of the calculations that support the additions and deductions to the liability each year. Please explain how the numbers were determined.

77. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.77

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Please complete the following table to project the SRC long-term liability as at December 31, 2018 for EGDI if its proposals as filed in this application to change depreciation rates are accepted. Board staff has provided an Excel workbook to facilitate the calculations.

EGDI Utility Only	**Line**		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Beginning of year liability	1		0.0	691.6	753.0	815.0	859.0	859.0	859.0	859.0	859.0	859.0
Period-to-date adjustment	2		640.0									
Recovery through depreciation	3	+										
Site restoration and removal costs	4	(-)										
Net change in year	5	3+4	51.6	61.4	62.0	44.0	0.0	0.0	0.0	0.0	0.0	0.0
End of year liability	6	1+2+5	691.6	753.0	815.0	859.0	859.0	859.0	859.0	859.0	859.0	859.0

78. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.78

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012

- Rate base fixed asset continuity schedules
- D1/T5/S1

Please explain how Enbridge created the long-term liability in 2009 for SRC? Did Enbridge reduce accumulated depreciation in order to create the SRC liability?

79. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.79

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

The CICA issued *AcG-19 Disclosures by Entities Subject to Rate Regulation* in May 2005. What changes in accounting standards in 2008 or 2009 required Enbridge to reclassify a portion of accumulated depreciation to long term liabilities?

80. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.80

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Please provide the applicable accounting standard(s) followed by Enbridge before the changes in 2008 or 2009 that relate to SRC, accumulated depreciation and entities subject to rate regulation.

81. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.81

Evidence Ref:
- EGDI’s audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Please provide the accounting standard(s) that caused Enbridge to change its financial statement disclosure of accumulated depreciation and long-term liabilities related to SRC in 2009. Please identify the applicable paragraphs in the standard(s) and discuss why Enbridge interpreted the standard to require the reduction of accumulated depreciation and the creation of the long-term liability. Please explain fully why Enbridge had to reduce accumulated depreciation and create the long-term liability for SRC in its balance sheet.

82. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.82

Evidence Ref:
- EGDI’s audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Did Enbridge’s original plans for adopting IFRS cause Enbridge to change its accounting policy to reduce accumulated depreciation and to increase the long-term liability in 2009? Please explain.

83. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.83

Evidence Ref:
- EGDI’s audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Enbridge quoted the USoA definition of depreciation in EB-2011-0254 at evidence reference Exh.D1/Tab5/Sch.1/Page2

“5. The methodology used by Gannett Fleming in estimating average service lives and salvage is identical to the previous studies and the methodology adopted by the other major gas company in Ontario. This study conforms with the directive in the Ontario Energy Board's "Uniform System of Accounts For Class 'A' Gas Utilities" dated April 1, 1996 (p. 116, para. F).

> Depreciation rates shall be based on the estimated service values and estimated service lives of the plant developed by a study of the utility's history and experience and such engineering and other information as may be available with respect to future conditions. Non-depreciable plant should not be included in calculating rates or applying them.
>
> The rates, when filed, shall be accompanied by a statement showing the bases for the rates and the methods employed in their computation, and shall be developed by the utility by the method deemed most appropriate in the light of the utility's retirement experience."

Please explain how this description supports collecting more through depreciation than required which permitted Enbridge to calculate an amount of $859.0 million payable to its ratepayers as at December 31, 2012.

84. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.84

Evidence Ref:

- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

In EGDI's 2012 audited financial statements the following description of the SRC liability can be found. EB-2013-0046/Exhibit D/Tab 1/Schedule 1/Page 18 of 41

> "9. Future removal and site restoration reserves result from amounts collected from customers by Enbridge Gas Distribution, <u>with the approval of the OEB</u>, to fund future costs for removal and site restoration relating to property, plant and equipment. These costs are collected as part of depreciation charged on property, plant and equipment. The balance represents the amount that Enbridge Gas Distribution has collected from customers, net of actual costs expended on removal and site restoration. The settlement of this balance will occur over the long-term as future removal and site restoration costs are incurred. In the absence of rate regulation, costs incurred for removal and site restoration would be charged to earnings as incurred with recognition of revenue for amounts previously collected." *[Emphasis added.]*

In which decision did the Board first approve collecting excess depreciation to fund future costs for removal and site restoration relating to property, plant and equipment? Please provide copies of the relevant sections of the decision(s).

85. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.85

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

How does Enbridge determine which portion of project costs relates to SRC and which costs relate to new additions to PP&E?

86. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.86

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Please provide the engineering studies and/or policies that provide the guidance to construction crews regarding SRC and new construction, whether these crews are Enbridge's staff or contract staff.

87. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.87

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Please provide the accounting policies that describe what work Enbridge's accounting staff must do in order to record the amounts to the SRC liability account and to PP&E.

88. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.88

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

Is there a reason why Enbridge should not refund the full amount of $859.0 million to ratepayers rather than the $269.0 million proposed? Should interest apply to the balance to be refunded? Why or why not?

89. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.89

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1

What has Enbridge done with the $859.0 million recovered from ratepayers many years in advance of the need for the funds? Please explain fully.

90. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.90

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

In the Net Salvage Study D2/T1/S1/Page II-2 the following information appears. "Based on the impacts that the large annual requirement for net salvage is causing in the company's revenue requirement (over $50 Million annually), and on the attention that the accumulated fund is receiving in reviews of the company's financial statements, Enbridge asked Gannett Fleming to review the assumptions and concepts used in the net salvage calculations and to determine if, in fact, the actual requirements are as large as the depreciation studies have been indicating."

a) What type of attention has Enbridge received in reviews of the company's financial statements?

b) What are the external analysts' concerns?

c) Please file on the record two or three of the analysts' reviews of EGDI's financial statements.

91. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.91

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

Enbridge has disclosed the long-term liability for SRC since 2009. Why are the analysts now concerned?

92. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.92

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

Did Enbridge's plans to adopt USGAAP cause the change in accounting policy to reduce accumulated depreciation and to increase the long-term liability? Please explain.

93. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.93

Evidence Ref:

- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

Did the adoption of USGAAP result in increased scrutiny of the company's financial statements by buy-side and sell-side analysts? Please explain fully. Please file on the record the analysts' reports.

94. ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?

Exhibit: I.E40.EGDI.Staff.94

Evidence Ref:

- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

If one divides the SRC liability of $859.0 million by $50 million (see revenue requirement impact identified by Gannett Fleming above), this implies 17 to 18 years remaining in the long-term liability related to SRC if collection from ratepayers was immediately paused or suspended. Why would Enbridge require 17 years of funding in advance under this scenario of suspending further collection from ratepayers?

95. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.95

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

What prevents Enbridge from refunding $859.0 million to ratepayers now, and then only collecting in future rates the amount actually needed for site restoration in each year? In this manner would the inflationary impacts of the new construction for PP&E additions match the inflationary pressures related to site restoration? Please explain.

96. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.96

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules
- D1/T5/S1
- D2/T1/S1

What are the economic and financial benefits to Enbridge related to the return on a higher rate base from 2014 through 2018? Please provide a table that calculates all of the components of the benefits.

97. **ISSUE E40: Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?**

Exhibit: I.E40.EGDI.Staff.97

Evidence Ref:
- EGDI's audited financial statements for 2009 through 2012
- Rate base fixed asset continuity schedules

- D1/T5/S1
- D2/T1/S1

How would the increased benefits to Enbridge calculated in the prior interrogatory through higher rate base compare to the benefits of refunding $269 million to ratepayers over 5 years through to 2018 as proposed in this application?