INTERROGATORIES FOR ENBRIDGE GAS DISTRIBUTION INC.

FROM THE CONSUMERS COUNCIL OF CANADA

RE: EB-2012-0459 – 2014-2018 RATE APPLICATION

A. Enbridge's Customized IR Plan

Issue A1 – Is Enbridge's proposal for a Customized IR plan for a 5-year term covering its 2014 through 2018 fiscal years appropriate?

A1.EGDI.CCC.1
(Ex. A2/T2/S1/p. 15) EGD has retained two experts (Concentric and London Economics) to assist it in building and evaluating the IR plan. Did EGD issue RFPs for this work? If so, please provide copies of those RFPs. If not, why not? Please provide the terms of reference for both the Concentric work and the London Economics work. What is the expected cost of the two expert reports and the related consulting work for each firm? How are those costs going to be recovered?

A1.EGDI.CCC.2
Please provide copies of all correspondence including presentations, reports etc. presented to EGD's Board of Directors and senior management throughout the process whereby approval for the 5-year plan was being sought and obtained.

A1.EGDI.CCC.3
Did EGD seriously consider other rate-making models for the years 2014-2018? If so, please explain what models were considered and why those models were rejected.

A1.EGDI.CCC.4
Please comment on the applicability of the Union Gas Limited, Board-approved IRM model to EGD (EB-2013-0202). If not applicable, please explain, in detail, why that model could not be applied to EGD.

A1.EGDI.CCC.5
Assuming EGD's plan is approved by the Board, please estimate the total dollar amount EGD is requesting to recover from customers over and above the 2013 revenue requirement, over the five-year period. In providing this amount please include all assumptions.

Issue A2 - Does Enbridge's Customized IR plan include appropriate incentive for sustainable efficiency improvements?

A1.EGDI.CCC.6

(Ex. A2/T1/S1/p.12) The evidence states that one of the objectives of the plan is to improve productivity in all of the Company's operations. Please provide copies of all correspondence sent to employees regarding productivity initiatives and directions to meet EGD's productivity objectives during the plan. How does EGD expect to achieve productivity in "all of the Company's operations"? How does EGD plan to incent its employees to achieve efficiency gains through the term of the plan?

Issue A3 - Does Enbridge's Customized IR plan ensure appropriate quality of service for customers?

A3.EGDI.CCC.7
Please explain if EGD intends to deal with the quality of service to its customers within the context of this Custom Framework in any way that differs from the last IRM period. Does EGD expect quality of service to be enhanced or maintained, at current levels, during this 5-year period?

Issue A5 – Is the methodology within Enbridge's Customized IR plan for determining annual Allowed Revenue amounts appropriate?

A5.EGDI.CCC.8
(Ex. A2/T1/S1, pp. 4-5) Please explain the difference between setting an "Allowed Revenue" and a traditional cost of service "Revenue Requirement". What is the purpose of setting "Preliminary Rates" for 2015-2018 if they are subject to update and approval in the annual rate proceedings?

Issue A8 – Is the methodology within Enbridge's Customized IR plan for setting final rates for 2015 through 2018 through annual rate adjustment proceedings, including cost allocation and rate design appropriate?

A8.EGDI.CCC.9
(Ex. A2/T3/S1/p. 2) The evidence indicates that EGD is not seeking approval of rates for 2015-2018 at this time. Please explain, in detail, what approvals are being sought in this proceeding specific to each year 2015, 2016, 2017 and 2018. To what extent will the rate order in this proceeding apply to the years 2015-2018? Please explain.

Issue A10 – Are the following components within Enbridge's Customized IR plan appropriate?

<u>Z-Factor</u>

A10.EGDI.CCC.10
(Ex. A2/T1/S1) EGD is proposing a threshold of $1.5 million for Z-factor treatment. The Council is interested in assessing the appropriateness of level of the threshold. With respect to the first IRM plan please indicate, for each year each instance where the threshold was reached, the nature of the expense and associated costs, whether

recovery was sought, and any relief approved by the Board. Please include instances when EGD applied for z-factor relief, but the request was withdrawn as a result of the settlement negotiations.

A10.EGDI.CCC.11
(Ex. A2/T4/S1)
Please indicate if the wording regarding Z-factors agreed to by Union Gas Limited and accepted by the Board in Union's recent IRM negotiations would be acceptable to EGD (EB-2013-0202). If not, please explain why the wording would not be acceptable to EGD.

Earnings Sharing Mechanism

A10.EGDI.CCC.12
For each year in the last IRM period please provide a schedule setting out the allowed ROE, the actual ROE achieved (actual and weather normalized), total earnings, and the amounts shared between shareholders and ratepayers.

A10.EGDI.CCC.13
(Ex. A2/T1/S1/p. 36) EGD is proposing an ESM that has 100% of earnings flowing to the shareholder from 0-100 basis points above the allowed return, and earnings 100 basis points above the allowed ROE shared on a 50:50 basis. What other ESM mechanisms did EGD consider? If other models were considered why were they rejected?

Treatment of Cost of Capital

A10.EGDI.CCC.14
(Ex. A2/T5/S1/p. 1) EGD proposes that the capital structure ratios will be fixed for the term of the plan. What happens if the Board undertakes a review of cost of capital and capital structure during the plan? Is it EGD's position that despite a review, capital structure changes will only be made upon rebasing (if at all)?

Sustainable Efficiency Incentive Mechanism

A10.EGDI.CCC.15
(Ex. A2/T11/S3/p. 1) Does EGD have examples of mechanisms similar to the SEIM that have been employed in other jurisdictions? If so, please describe how those mechanisms have worked to incent sustainable productivity gains.

A10.EGDI.CCC.16
(Ex. A2/T1/S3) Please describe the types of projects that EGD envisions for the SEIM. Does EGD currently have certain projects in mind? If so, please describe those projects. What would be the size of these projects in terms of overall cost? How did EGD arrive at a 20% incentive amount?

Issue A11 – Is the proposal to continue Enbridge's current deferral and variance accounts through the IR term appropriate?

A11.EGDI.CCC.17
(Ex. A2/T1/s1/p. 6) EGD's proposal is to maintain all existing deferral and variance accounts. Did EGD consider eliminating some of those accounts? If not, why not? If so, what accounts did EGD consider eliminating and on what basis was elimination rejected?

Issue A13 – Is the proposal to permit Enbridge to apply for changes in rate design and new energy and non-energy services during the IR term appropriate?

A13.EGDI.CCC.18
(Ex. A2/T3/S1/p. 16) EGD is seeking approval in the context of this plan for rate design flexibility "to respond to changing marketplace needs". This would include developing rates, and service or changes to existing rates. Please explain the types of new rates and services EGD is contemplating. Does EGD anticipate changing the approved cost allocation if new rates are applied for and approved?

Issue A15 – Is Enbridge's proposal to continue the current methodologies to cost and price other service charges and late payment penalties appropriate?

A15.EGDI.CCC.19
(Ex. A1/T5/S2/p.1) The evidence states that EGD has undertaken a review of its Schedule of Service Charges, as shown at Rider G of the Rate Handbook. The Company has concluded that its current rates for these services are comparable with those of other Ontario service delivery organizations and utilities, and in most cases are lower. EGD has concluded that it will not change its fees throughout the 2014-2016 period. To what extent did EGD assess whether the fees were over or under-recovering the costs of providing the services? Please provide evidence to demonstrate that each of the fees is cost-based. What is the expected net revenue from each service expected in 2013? What is the expected revenue for each year 2014-2018? To what extent does EGD intend to look at improving the efficiency of providing those services over the next 5 years?

B. Allowed Revenue and Rate Base

Issue B17 – Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate including:

<u>Operating Costs</u>

B17.EGDI.CCC.20

(Ex. A2/T1/S2/p. 5) The evidence states that the passage and implementation of Bill 8 – the Underground Infrastructure Notification System Act – is expected to drive higher requests for locates and that the costs for locates escalated by inflation may not be adequate to cover the increasing demand. Please explain the nature of this legislation and how it impact EGD's demand for locates. What is the current level of costs for locates included in 2013 rates? What is the expected level in each year 2014-2016?

B17.EGDI.CCC.21
(Ex. A2/T1/S3/p. 8) For each year 2014-2016 EGD has established Operating Cost budgets. The evidence indicates that productivity savings are embedded in each of those budgets. Please provide the forecasts of O&M in each of those years excluding the productivity savings.

B17.EGDI.CCC.22
(Ex. D1/T3/S1/p. 7) Outside Services are increasing significantly from 2015 to 2016. Please provide an explanation for this increase.

B17.EGDI.CCC.23
(Ex. D1/T3/S1/p. 9) Please provide the O&M budgets that were presented to the EMT in April 2013.

B17.EGDI.CCC.24
(Ex. D1/T18.S1/p. 7) Please provide a detailed budget for all items included in the Sponsorships, donations and memberships component of the Regulatory and Government and Public Affairs Budget. Please provide the actual numbers for each item incurred in each year 2007-2013.

Issue B18 – Is the rate base for each of 2014, 2015 and 2016 appropriate including:

<u>Forecast level of Capital Expenditures</u>

B18.EGDI.CCC.25
(Ex/ B2/T1/S1/p. 15) The evidence states that government organizations such as the Pan Am Games, TTC and Metrolinx are requiring pipeline replacements or relocations in the coming years. What is the expected cost of those replacements or relocations in 2014, 2015 and 2016? What is EGD's policy with respect to such relocations or replacements? Are capital contributions required? Please explain.

B18.EGDI.CCC.26
(Ex. B2/T1/S1/Table 2)
Please provide forecast and actual Utility Capital Expenditures for each year 2007-2013.

B18.EGDI.CCC.27

(Ex. B2/T1/S1/p. 24) The evidence indicates that through the Capital Budgeting process $180 million was removed from the 3-year grass roots budgets. Were these projects eliminated or deferred? Please describe the nature of the projects that were removed from the budget.

Issue B20 – Is the preliminary rate base for each of 2017 and 2018 appropriate, including the method for establishing that preliminary level?

B20.EGDI.CCC.28
What is the purpose of presenting preliminary rate base figures for 2017 and 2018 for approval at this time, if they are going to be re-filed in 2016?

Issue C30 – 2014 Cost Allocation Study

C30.EGDI.CCC.29
(Ex. G) Please describe any changes EGD has made to the 2013 Board approved costs allocation study for 2014.

D. Alternative Proposals

Issue D33 – With respect to any alternative IR plan proposed for EGD, does that proposal meet the Board's objectives for incentive regulation for gas distributors and is it appropriate?

D33.EGDI.CCC.30
Please provide estimated rate increases for the years 2014-2016 by applying the Board's current 3rd GIRM model (using 2013 as the base year), including an incremental capital module, if applicable. Please provide the numbers including and excluding the SRC rider credit.

Issue E43 – Are the proposed changes to the rate handbook appropriate?

E.43.EGDI.CCC.31
(Ex. A1/T5/S1) The evidence state that in an effort to improve customer satisfaction and enhance customers experience with EGD that it is currently undertaking a Bill Presentment project to enhance the way information is provided on the bill. Please describe the full scope of this project. What is the cost of the project and how are those costs going to be recovered? Will this involve changes to the billing system with associated costs? If so, what is the current estimate of those costs? What is the expected timing of any changes?

Issue E45 – Is the rate of return on the NGV program appropriate?

E45.EGDI.CCC.32

(Ex. A2/T1/S1/p. 18) Capital expenditures for NGV rental equipment is increasing in 2014 and beyond by about $3 million per year relative to 2013 levels. Please explain why there is increased spending.

E45.EGDI.CCC.33
(Ex. B2/T7/S1/p. 3) Please provide detailed evidence to support the claim that the Natural Gas for Transportation market is on the verge of a renaissance.