BOARD STAFF INTERROGATORY #69

INTERROGATORY

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?

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).

RESPONSE

Please see the table below.

Witnesses: K. Culbert
R. Fischer
A. Kacicnik
M. Lister

	Revenue Requirement - IR ($M)	Rebase 2013	Second Generation IR 2014	2015	2016	2017	2018	5 yr - CAGR
		ADR						
	Escalation factor							
1.	Escalation factor (Inflation)		1.7%	1.7%	1.7%	1.7%	1.7%	***1.7%***
2.	Productivity		-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	***-1.0%***
			0.7%	0.7%	0.7%	0.7%	0.7%	***0.7%***
3.	Customer growth		1.7%	1.7%	1.7%	1.7%	1.7%	***1.7%***
4.	Total Escalation factor		2.4%	2.4%	2.4%	2.4%	2.4%	***2.4%***
5.	**2013 Revenue Requirement**	**817**	817					
6.	Adjustment for Floating ROE		(179)					
7.	Adjustment for Reduction in depreciation expense with SRC in 2013 base		(39)					
8.	**2013 Adjusted Revenue Requirement - subject to escalation**		**599**					
9.	**Revenue Requirement - IR with escalation**		**614**	**629**	**644**	**659**	**675**	
	Y factor							
10.	Carrying cost for Gas in Storage	20	20	20	21	21	21	
11.	Pension cost	43	37	34	31	30	28	
12.	DSM	31	32	33	33	34	35	
13.	Y factor for Customer Care	110	114	119	124	129	134	
14.	Y factor for WAMS	-	0	0	3	2	16	
15.	Y factor for GTA&Ottawa	-	5	12	62	62	62	
16.	Floating ROE	-	197	218	238	252	264	
17.	Site Restoration Cost - Tax impact	-	(18)	(17)	(15)	(14)	(5)	
		1,021	387	419	497	515	555	
18.	**Total Distribution Revenues -IR**	**1,021**	**1,001**	**1,047**	**1,140**	**1,175**	**1,230**	***3.8%***
19.	**Achieved ROE**	**8.9%**	**8.8%**	**9.2%**	**9.0%**	**8.3%**	**8.3%**	***8.7%***
20.	**Forecast Allowed ROE**	**8.9%**	**9.3%**	**9.7%**	**10.1%**	**10.2%**	**10.3%**	***9.9%***
21.	**ROE Variance (Achieved vs Allowed)**	**0.0%**	**-0.5%**	**-0.5%**	**-1.2%**	**-1.9%**	**-2.0%**	**-1.2%**

Witnesses: K. Culbert
R. Fischer
A. Kacicnik
M. Lister

CCC INTERROGATORY #30

INTERROGATORY

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?

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.

RESPONSE

The Company's expert, Concentric Energy Advisors, has provided an analysis of the revenue requirement deficiency of applying an 'I-X' model with an ICM to the 2013 base year. That analysis can be found at Exhibit A2, Tab 9, Schedule 1, pages 58 to 60. Concentric concludes:

> It is Concentric's assessment that Figures 32 and 33 demonstrate that an I-X escalation formula combined with an ICM-type mechanism does not provide adequate recovery of capital-related costs during the 2014 to 2016 period. The cumulative three year capital-related revenue deficiency is $88.2 million.

In response to this interrogatory the Company and Concentric have undertaken further analysis, set out below.

This analysis applies to the 'I' and 'X' Factors and ICM resident within the 3GIRM. There may be other components of the 3GIRM compact not reflected in this analysis. Enbridge believes the intent of the question is centered around the 'I' and 'X' Factors and the ICM components of 3GIRM.

Given that the 'I' and 'X' parameters are lower in the 3GIRM than those used by Concentric in their pre-filed analysis, the revenues derived below are materially, and significantly, lower than what was previously indicated by Concentric. The 'I' Factor in the 3GIRM is measured by GDPIPI FDD. Consistent with EGD's understanding of the

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J. Simpson - Concentric

3GIRM methodology for determining the 'I' factor, EGD calculated the 2012 Q3 – 2013 Q2 growth rate in GDPIPI FDD to be 1.27%. The 'X' Factor used in 3GIRM was 0.72%.

The revenue derived from the application of the 3GIRM 'I-X' and ICM components has been provided by Concentric and is presented below. It has been assumed that Enbridge's forecast capital spending would be used as an input into the calculation of ICM revenues.

Distribution Revenues ($Millions):

		2013	2014	2015	2016
1	Inflation (I)		1.27%	1.27%	1.27%
2	Productivity (X)		0.72%	0.72%	0.72%
3	I-X		0.55%	0.55%	0.55%
4	Growth (G)		1.69%	1.73%	1.75%
5	(1 + P) x (1 + G)		1.02246	1.04589	1.07001
6	Rebasing Distribution Revenue Requirement[1]	$1021.3			
7	3GIRM Revenues		$1,044.0	$1,068.0	$1,092.6
	[1] Per 2013 Rate Order				

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ICM Revenues ($Millions):

			2014	2015	2016
	THRESHOLD CALCULATION Threshold = 1.2 x $DeprExp_{rebasing}$ + $RateBase_{rebasing}$ x (P + G + PxG)				
8	Rebasing Rate Base		$3,889.5	$3,889.5	$3,889.5
9	Rebasing Depreciation		$237.3	$237.3	$237.3
10	(G + P + P x G)		2.246%	2.292%	2.306%
11	$RateBase_{rebasing}$ x (G + P + GxP)		$87.3	$89.1	$89.7
12	1.2 x $DeprExp_{rebasing}$		$ 284.8	$ 284.8	$ 284.8
13	Threshold		$ 372.1	$ 373.9	$ 374.5
14					
15	Plant Additions		$ 218.4	$ 463.9	$ 880.9
16	Plant Additions above Threshold		$ -	$ 90.0	$ 506.4
17	Total Plant Above Threshold		$ -	$ 90.0	$ 596.4
18	Depreciation		$ -	$ 3.2	$ 20.9
19	Accumulated Depreciation		$ -	$ 3.2	$ 24.1
20	Rate Base above Threshold		$ -	$ 86.8	$ 572.3
21	ICM Revenues		$ -	$ 10.3	$ 68.8

Total Revenues (Sum of DRR + ICM) ($Millions):

		2014	2015	2016
22	Total Revenues	$ 1,044.0	$ 1,078.3	$ 1,161.4

Based on the total revenues determined in line 22 above, the average residential rate impacts have been determined excluding the impact of the SRC rider credit. The average rate increase for residential customers for 2014 would be approximately 0.2% on a T-service basis (that is, excluding gas supply charges). For 2015 the average rate increase for residential customers on T-service basis would be approximately 2.1% and for 2016 it would be approximately 5.0%.

The Company has not approximated average rate impacts using 3GIRM ‘I-X” and ICM, including the SRC proposal. The proposed site restoration cost changes include the implementation of new depreciation rates, associated impacts on rate base and income taxes, and the return of site restoration cost amounts via a five year rate rider.

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In order to implement the site restoration cost change proposal in conjunction with the 3GIRM ‘I-X” and ICM, the Company would need to account for the impacts of the proposed change through a Y-factor mechanism as the impacts of the proposal on depreciation expense, rate base, income taxes need to be determined using cost-of-service calculations.

The Company has not considered and/or worked through the details of how such an approach could be implemented into practice. Accordingly, the Company is unable to provide approximated average rate impacts using 3GIRM ‘I-X” and ICM, inclusive of the SRC proposal.

Witnesses: K. Culbert
R. Fischer
A. Kacicnik
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ENERGY PROBE INTERROGATORY #34

INTERROGATORY

Ref: Exhibit A2, Tab 1, Schedule 1, page 29

a) Did EGD consider an alternative IR similar to that approved by the Board in EB-2013-0202 for Union Gas? If not, why not?

b) In the view of EGD, does the Board approved plan for Union Gas (EB-2013-0202) meet the Board's objectives for incentive regulation for gas distributors? For any part of the plan that EGD does not believe meets the Board's objectives, please provide a complete explanation of why.

RESPONSE

a) Please see the response to CCC Interrogatory #3 found at Exhibit I.A1.EGDI.CCC.3.

b) Yes.

Witnesses: R. Fischer
M. Lister

ENERGY PROBE INTERROGATORY #35

INTERROGATORY

Ref: Exhibit A2, Tab 1, Schedule 1, page 29

Please provide a complete analysis as to why or why not each component in the approved EB-2013-0202 IR plan for Union Gas would be appropriate for EGD.

RESPONSE

Please see the response to CCC Interrogatory #4 found at Exhibit I.A1.EGDI.CCC.4.

Witnesses: R. Fischer
M. Lister