

500 Consumers Road
North York, Ontario M2J 1P8
PO Box 650
Scarborough ON M1K 5E3

Lorraine Chiasson
Regulatory Coordinator
Regulatory Affairs
phone: (416) 495-5499
fax: (416) 495-6072
Email: egdregulatoryproceedings@enbridge.com



January 13, 2014

VIA RESS, EMAIL and COURIER

Ms. Kirsten Walli
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

**Re: EB-2012-0459 - Enbridge Gas Distribution Inc. ("Enbridge")
2014 – 2018 Rate Application
Technical Conference Guidance**

In accordance with Procedural Order #4, please find attached a copy of Enbridge's areas of focus for the Technical Conference scheduled to begin January 16, 2014.

Please note that Enbridge anticipates asking oral questions of Pacific Economics Group as indicated in the attachment. In addition, enclosed are questions where it is anticipated that a written response may be required by way of Undertaking.

Yours truly,

(original signed)

Lorraine Chiasson
Regulatory Coordinator

Attach.

cc: Mr. F. Cass, Aird & Berlis
EB-2012-0459 Intervenors

**Enbridge Gas Distribution Customized IR Plan
EB-2012-0459
EGD's Areas of Focus & Advance Written Questions**

Oral Portion:

<u>Topic Areas of interest</u>	<u>Time Estimate</u>
<u>Questions for PEG</u>	
General Questions	1.0 – 1.5 hours
Treatment of Capital	
PEG’s Work in Alberta	
PEG’s Econometric Analyses	
<u>Questions for Elenchus</u>	
APPrO Evidence & IR Responses	Not more than 0.25 hours

Advance Written Questions (that may be better responded to by way of Undertaking):

- 1) Re: I.A1.STAFF.EGDI.12a, PEG's TFP workpapers from Alberta: Please explain why Puget Sound Energy and Wisconsin Gas are included in the sample used (see CCA Report Tables.xls, Table 1), but they are excluded from the econometric analysis (see file: bmcswp (confidential).xls).
- 2) Re: I.A1.STAFF.EGDI.12a, PEG's TFP workpapers from Alberta:
 - a) In this response, PEG provides two expert reports filed in Alberta (December 2011 and April 2012), however the workpapers provided appear to only support PEG's December 2011 report. Please provide the workpapers for PEG's April 2012 report.
 - b) File pegtfpwp.txt indicates that there are additional files created when running the code to conduct the TFP analysis. (e.g., xkcs09, labshares, ywdata) Please provide those files.
- 3) Re: I.A1.STAFF.EGDI.12a, PEG's TFP analysis in Alberta:
 - a) Please confirm that your TFP estimate would decrease if the analysis period started in 2000 instead of 1996 (i.e., used the 2000 to 2009 period).

- b) Please recalculate your TFP results for the full sample using the period 2000 to 2009. (Please provide the results in the same format and level of detail contained in Table 2 and Table A-1 of CCA Report Tables.xls, and bmcswp (confidential).xls.)
 - c) Please confirm that your TFP estimate would decrease if the analysis period was extended to include 2010 and 2011 (i.e., used the 1996 to 2011 period).
 - d) Please recalculate your TFP results for the full sample using the period 1996 to 2011. (Please provide the results in the same format and level of detail contained in Table 2 and Table A-1 of CCA Report Tables.xls, and bmcswp (confidential).xls)
 - e) Please confirm that your TFP estimate would decrease if the analysis period was rolled forward to use the 2000-2011 period.
 - f) Please recalculate your TFP results for the full sample using the period 2000 to 2011. (Please provide the results in the same format and level of detail contained in Table 2 and Table A-1 of CCA Report Tables.xls, and bmcswp (confidential).xls)
- 4) Re: I.A1.STAFF.EGDI.12a, PEG's TFP analysis in Alberta:
- a) Please confirm that if the customer service and information expenses, sales expenses, and customer accounts expenses that you excluded from the TFP analysis were included, then your TFP estimate would decrease.
 - b) Please recalculate your TFP results for the full sample by including the customer service and information expenses, sales expenses, and customer accounts expenses that you excluded. (Please provide the results in the same format and level of detail contained in Table 2 and Table A-1 of CCA Report Tables.xls, and bmcswp (confidential).xls)
- 5) Preamble: The following question refers to PEG's Empirical Research In Support Of Incentive Rate Setting in Ontario: Report to The Ontario Energy Board May 2013, and specifically to the Total Cost Econometric Model discussed in Exhibit I.A1.Staff.EGDI.7, Attachment 5, pages 47 to 63 of 113.

Refer to Table 12, Econometric Coefficients: Restricted Sample (Exhibit I.A1.Staff.EGDI.7, Attachment 5, page 59 of 113). Using the model shown in Table 12, please provide the following two calculations of a distributor's expected cost (Exhibit I.A1.Staff.EGDI.7, Attachment 5, page 59 of 113).

- a) Please base the first calculation on the sample mean value of each independent variable¹

¹ The independent variables are as follows: Capital Price Index (WK); Number of Customers (N); System Capacity Peak Demand (C); Retail Deliveries (D); 2011 Service Territory (A); % of Lines

- b) Please base the second calculation on the Number of Customers value that was used in the first calculation, increased by 1.00%, with all other variable values held constant at the value of that variable that was used in the first calculation.

For both calculations, please show all intermediate calculations: (i) the values of each of the independent variables, (ii) the values of each of the independent variables converted to natural log form, (iii) the values of each of the independent variables in natural log form, and (iv) all terms from step (iii) summed and converted from natural log form.

- 6) Preamble: Refer to Exhibit I.A1.Staff.EGDI.1, Attachment 2a, page 44 of 52. (National Grid DPU 10-55 Kaufman Rebuttal testimony) The following statement starts on line 13:

There are a wide variety of business conditions that are beyond managerial control but can impact gas distributors' O&M costs. These factors include labor prices, population density in the territory, frost depth, the age of the infrastructure, the nature of the infrastructure (e.g. the extent of cast iron and bare steel main), and other factors. Any benchmarking analysis must attempt to deal with these issues in some manner. If this is not done, then differences in business conditions across distributors can be incorrectly interpreted as differences in efficiency.

- a) Please provide your understanding of how frost depth affects a gas distributor's O&M costs.
- b) Is it also your understanding that frost depth affects a gas distributor's capital costs?
 - i) Also, please provide your understanding of how frost depth does or does not affect a gas distributor's capital costs.