

IN THE MATTER of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving just and reasonable rates and other service charges for the sale, distribution, transmission and storage of natural gas, effective on January 1, 2014.

TECHNICAL CONFERENCE QUESTIONS

FROM THE

SCHOOL ENERGY COALITION

A. Enbridge's Customized IR Plan

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

SEC - 1 [Staff.1, p. 3] Please confirm that the "non-steady state conditions" are primarily the differences between Applicant's capital investment plan for 2014-2018 and the Applicant's past history of capital spending.

SEC - 2 [Staff.3(a)] Please advise whether it is the Applicant's position that, once having had the Applicant's cost forecasts presented in evidence, the Board is then obligated by virtue of the FRS to determine the reasonableness of those cost forecasts, and is prohibited from determining rates on a formula without regard to those cost forecasts.

SEC - 3 [Staff.4, p. 2] Please restate the table including the impacts of correcting the accounting error referred to.

SEC - 4 [Staff ,11] Please confirm that all of the variable costs referred to are ineligible for Z factor treatment.

SEC - 5 [Staff.12, p. 2] Please provide the basis for the 45% variance band referred to.

SEC - 6 [Staff.14] Please confirm that, based on the data provide by Enbridge and accepted by Concentric, the forecast of revenue requirements for Enbridge for 2014-2018 was mathematically predetermined, and Concentric added no judgment or opinion with respect to those revenue requirements.

SEC - 7 [Staff.17] Please explain why Concentric did not test the cost drivers and business conditions for Enbridge using econometric modelling as part of its initial analysis.

SEC - 8 [BOMA.2 and SEC.5] Please provide the full calculations (or sources, if already calculated within the Application) for each of the numbers on the tables in these responses. If there is a spreadsheet for the calculations, please provide the live spreadsheet.

SEC - 9 [CCC.1] Please provide the original cost proposal from Concentric, and all amended cost proposals/budgets during the course of the work. Please reconcile the original cost proposal with the amount spent to date. Please provide a breakdown of the \$1.936 million of fees accrued to date, by task.

SEC - 10 [CCC.1, Attachment 1] With respect to the RFP for the Concentric work:

- a. P. 2. Please confirm that the consultant was required, as part of their scope of work, to advocate on behalf of the Applicant's proposals.
- b. P. 3. Please provide all presentations given by Concentric to EGD management during the course of their work on this project.

SEC - 11 [CCC.1, Attachment 2] With respect to the Concentric proposal:

- a. P. 3. Please provide all information in the possession of Concentric relating to the current Application as of December 8, 2010 that allowed Concentric to commit in its proposal to "effectively support the Company's proposal for its next generation Incentive Regulation Plan".
- b. P. 5. Please provide the Concentric presentation at the kickoff meeting.
- c. P. 5. Please provide the Productivity Study Outline.
- d. P. 6. Please provide the "early draft of the Study results" and "preliminary recommendations" referred to.
- e. P. 7. Please provide the "company feedback" referred to in item 6.

SEC - 12 [CCC.1, Attachment 3, p. 2] Please provide the "Attachment 1" to this document referred to.

SEC - 13 [CCC.2, Attachment 1] With respect to the April 30, 2013 report to the Board of Directors:

- a. P.2. Please provide a breakdown of the average net overearnings of 131 basis points between "reductions in debt interest rates and tax rates" and "cost efficiency".
- b. P. 3. Please provide a table by year showing the extent, in total dollars annually, to which i) the reduction in the annual contribution to the site restoration reserve" and ii) the drawdown of the accumulated reserve amount" will "buffer the customer rate increases".
- c. P. 5. Please provide details of the factors that are expected to cause the "return on deemed equity - utility" to be greater than the "allowed ROE" for each of 2014 through 2016. Please provide similar projections for 2017 and 2018.

SEC - 14 [EP.1] Please confirm that, under the Applicant's proposals, all volume-related risks – whether gas volumes (weather, economic conditions, average uses, etc.), customer numbers, or transaction volumes – will flow through to the ratepayers and be risks solely borne by the ratepayers.

SEC - 15 [SEC.1] Please explain why the Applicant's Strategic Plan for the period the Board is considering is not relevant to the Applicant. Please explain why confidentiality is relevant to whether the document is produced.

SEC - 16 [SEC.5] Please explain why the Union model is referred to as a revenue cap. Please explain how site restoration costs and drawdown were handled in the comparison provided, including the projected rate impacts.

SEC - 17 [SEC.6] Please explain why the Applicant does not regularly benchmark its results and forecasts against those of Union Gas.

SEC - 18 [SEC.7] Please provide the data underlying the two graphs.

SEC - 19 [SEC.22] Please confirm that, where Figure 14 says "During IR", Enbridge would be more likely to be on IR than the comparison group, and in COS years Enbridge would be less likely to be on IR than the comparison group. Please explain why Concentric concluded that the form of regulation at any given time would not be a statistically significant business condition for the utilities.

SEC - 20 [SEC.23] Please confirm that Concentric assumed US and Canadian economic conditions in each year were the same, or that they were not material business conditions.

SEC - 21 [SEC.24] Please the relevance of the PEG distribution results if the TFP of gas and electricity distributors is not, in Concentric's opinion, similar.

SEC - 22 [SEC.28] Please explain the basis on which Enbridge and Concentric concluded that O&M increases and decreases would not have a "meaningful impact" on the deficiency. Please provide the assumed increases and decreases used to reach that conclusion.

I.A2.EGDI. Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

SEC - 23 [Staff.19] Please confirm that, but for the cost increases alleged to be excluded, the Applicant would require a 6.5% O&M increase from 2013 Board approved to 2014 Budget. Please confirm that, but for the decrease in pension costs from 2013 to 2014, the increase in O&M would be 7.8% over one year. Please provide a copy of the Applicant's current action O&M budget for 2014.

I.A3.EGDI. Does Enbridge's Customized IR plan ensure appropriate quality of service for customers?

I.A4.EGDI. Does Enbridge's IR plan create an environment that is conducive to investment, to the benefit of customers and shareholders?

SEC - 24 [SEC.39] Please add two rows to the table, showing number of customers and capital expenditures per customer for each year. Please provide the table in live Excel format..

I.A5.EGDI. Is the methodology within Enbridge's Customized IR plan for determining annual Allowed Revenue amounts appropriate?

I.A6.EGDI. Is the methodology within Enbridge's Customized IR plan for updating the 2017 and 2018 Annual Revenue amounts within the 2016 Rate Adjustment proceeding appropriate?

I.A7.EGDI. Is the methodology within Enbridge's Customized IR plan for determining final rates for 2014 appropriate?

I.A8.EGDI. 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?

I.A9.EGDI. Are the cost of capital parameters for 2014 to 2018 (ROE, debt rates) within Enbridge's Customized IR plan appropriate?

SEC - 25 [SEC.41] Please provide a fuller explanation of the change in financing mix.

SEC - 26 [SEC.43] Please confirm that the impact on Allowed Revenues over 2014-2018 of changing the financing mix is an increase of approximately \$79 million, representing an average distribution rate increase of approximately 1.4%.

I.A10.EGDI. Are the following components within Enbridge's Customized IR plan appropriate?

- a. Z Factor mechanism**
- b. Off-ramp condition**
- c. Earnings Sharing Mechanism**
- d. Treatment of Cost of Capital**
- e. Performance Measurement mechanisms, including Service Quality Requirements (SQRs)**
- f. Sustainable Efficiency Incentive Mechanism**
- g. Annual reporting requirements**
- h. Rebasing proposal**
- i. Treatment of pension expense and employee future benefits costs**
- j. Treatment of DSM costs**
- k. Treatment of Customer Care and CIS costs**

SEC - 27 [Staff.26, p. 4] Please confirm that the TSSA codification referred to was determined by the Board to be an “event”, but not “causal” in the context of the Applicant’s cross-bores spending program. Please explain how the Applicant’s new proposal would produce a different result in a case identical to EB-2011-0177.

SEC - 28 [CCC.12, p. 2] Please confirm that, in the 2008-2012 period, the Applicant’s shareholder kept approximately 72% of the \$228.3 million of overearnings, and returned approximately 28% to the ratepayers.

SEC - 29 [SEC.46] Please provide a more direct response to the question.

SEC - 30 [SEC.50, p. 5] Please confirm that the Applicant has not done any benchmarking analysis of its O&M costs other than the three listed on this page.

I.A11.EGDI. Is the proposal to continue Enbridge’s current deferral and variance accounts through the IR term appropriate?

I.A12.EGDI. Is the proposal for the creation of the following new deferral and variance accounts appropriate?

- a. Greater Toronto Area Project Variance Account (“GTAPVA”)**
- b. Constant Dollar Net Salvage Adjustment Deferral Account (“CDNSADA”)**
- c. Customer Care Services Procurement Deferral Account (“CCSPDA”)**
- d. Greenhouse Gas Emission Impact Deferral account (“GGEIDA”)**

SEC - 31 [SEC.58] Please provide a detailed calculation of the impact on revenue requirement and Allowed Revenue, for each year from 2014 through 2018, resulting from the \$292.8 million overcollection being refunded to ratepayers over time, rather than at the beginning of 2014.

SEC - 32 [SEC.59] Please explain why the drawdown of the \$292.8 million should not include interest at the weighted average cost of capital, in the same manner as the PP&E account for electricity distributors and others moving to IFRS.

SEC - 33 [SEC.62] Please confirm that the Applicant is not proposing to use a stakeholder consultation process, similar to that used for the last two customer care settlements, to provide stakeholder input and oversight to the proposed customer care procurement. If confirmed, please advise why.

I.A13.EGDI. 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?

I.A14.EGDI. Is Enbridge’s proposal to continue the RCAM methodology during the IR period appropriate?

I.A15.EGDI. Is Enbridge’s proposal to continue the current methodologies to cost and price other service charges and late payment penalties appropriate?

I.A16.EGDI. Are the overall levels of allowed revenue, rates and bill impacts for each of the years of the IR plan reasonable given the impact on consumers?

SEC - 34 [EP.11] Please confirm that, absent the constant dollar salvage changes, the cumulative deficiency being proposed by the Applicant for 2014-2018 is \$741.3 million. Please confirm that the average distribution rate increase for the five year period would be 29.3%, for an average annual increase of about 5.3% per year for five years.

SEC - 35 [SEC.64] Please confirm that, absent the constant dollar salvage changes and the declining pension costs, the cumulative deficiency being proposed by the Applicant for 2014-2018 is \$798.8 million. Please confirm that the average distribution rate increase for the five year period would be 31.7%, for an average annual increase of about 5.7% per year for five years.

B. Allowed Revenue and Rate Base

I.B17.EGDI. Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:

- a. Is the depreciation amount appropriate?**
- b. Is the operating costs amount appropriate?**
- c. Is the allocation of O&M costs between utility and non-utility (unregulated) operations appropriate?**
- d. Is the amount for income and municipal taxes appropriate?**
- e. Is the cost of capital amount appropriate?**
- f. Is the Other Revenues amount appropriate?**

SEC - 36 [Staff.50] Please provide the Applicant's best available information on the disaggregated information for 2002-2006, with the sources referenced.

SEC - 37 [FRPO.9, Attachment p. 2] Please advise what information the Applicant has on the whether the cause of the declining Ombudsman contacts is:

- a. Success in the program;
- b. Loss of customer interest due to poor customer responsiveness;
- c. Reductions in resources allocated to the Ombudsman;
- d. Changes in personnel; or
- e. Other factors.

SEC - 38 [SEC.67] Please explain why grass-roots budgets are not retained. Please detail any efforts made to find copies of the grass-roots budgets for past years. Please explain how, if the budget process is essentially unchanged from IRM to COS, the Applicant responds to the Board's IRM regulatory model by implementing productivity and efficiency improvements.

- SEC - 39 [SEC.69] Please explain why the aging workforce issue should be considered a priority by the Board if the Applicant has neither formal plans nor empirical studies to deal with the issue.
- SEC - 40 [SEC.70] Please provide a more complete response to the question.
- SEC - 41 [SEC.71] Please reconcile the budgets provided with Attachment 2, pages 9 and 10.
- SEC - 42 [SEC.73] Please explain why the nine year increase in Salaries and Wages of 45.3% is reasonable in the context of a 520% increase in the RCAM component of compensation, much of which is stock-based compensation of EGD employees.
- SEC - 43 [SEC.75] Please advise whether, in the Applicant's opinion, counsel who participated in the confidential RCAM meetings are restricted in their ability to cross-examine Enbridge witnesses, including MNP, in the hearing of this matter. If so, please advise whether, in the Applicant's opinion, counsel that does not rely on any confidential notes of, or materials from, those meetings would have the same restrictions.
- SEC - 44 [SEC.78] Please provide the requested Long Range Plan. Please advise when a new Long Range Plan is expected to be completed. Please advise what LRP context the Applicant is using for budget, planning and strategic purposes until that new LRP is complete.

I.B18.EGDI. Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

- a. Opening rate base;**
- b. Forecast level of Capital expenditures;**
- c. Forecast Customer additions;**
- d. Proposed Capital additions;**
- e. Allocation of the cost and use of capital assets between utility and nonutility (unregulated) operations;**
- f. Working capital allowance; and**
- g. All other components of and adjustments to rate base**

- SEC - 45 [Staff.55] Please confirm that the Applicant does not plan to proceed with any discretionary projects within the 2014-2018 period. Please provide a list of all discretionary projects completed in the last five years. Please provide the definition used by the Applicant to define "discretionary projects". Please identify which, if any, of the projects listed on page 2 of the response are discretionary.
- SEC - 46 [SEC.84] Please confirm that the Applicant proposes that the Board treat incremental Community Expansion costs, as set forth in the Applicant's future application, as a Y factor.
- SEC - 47 [SEC.89] Please confirm that there is no cost-benefit analysis or business case for WAMS.

SEC - 48 [SEC.91] Please provide a method of cross-referencing the categories in Table 1 to the categories or line items in I.B18.EGDI.SEC.86, p. 2. Please explain the 9.9% increase in DLC from Review 1 to Review 6.

SEC - 49 [SEC.95] Please explain why the totals in Reviews 4 through 6 are all higher than the totals in Review 3.

SEC - 50 [SEC.96] Please provide a list of FTE increases that were denied.

SEC - 51 [SEC.97] Please confirm for which years, if any, rates will include costs for both Envision and WAMS. Please include any years after 2018. Please advise when the Envision costs will no longer be providing current value to ratepayers. Please confirm that the total Allowed Revenue applicable to the Envision/WAMS function is proposed to be:

- a. 2014 - \$15.3 million
- b. 2015 - \$7.3 million
- c. 2016 - \$23.0 million
- d. 2017 - \$33.5 million
- e. 2018 - \$35.2 million

SEC - 52 [SEC.100] Please confirm that, of the problems listed, many of them were repeats because the problem was not fixed after the first instance. Please confirm that more than thirty of the listed problems were the fact that a printer had not been turned on before a function was run.

Respectfully submitted on behalf of the School Energy Coalition this 13th day of January, 2014

Jay Shepherd