

1 MR. COYNE: I'm not sure if I understand your
2 question.

3 MR. SHEPHERD: Well, you did this to choose who was
4 like Enbridge, right?

5 MR. COYNE: To choose the states where we would find
6 utilities like Enbridge, yes.

7 MR. SHEPHERD: That's right. And so has anybody done
8 any work on this? Is there empirical research around that
9 says, you know, this is how you make climatological
10 groupings for gas purposes?

11 MR. COYNE: Well, we do a lot of work, statistical
12 work, on heating degree days pertaining to our demand
13 forecast utilities. So it's really based on our resident
14 knowledge of utilities and how weather impacts their
15 operations.

16 MR. SHEPHERD: But I'm asking --

17 MR. COYNE: We relied on no other source for that
18 purpose other than our own industry knowledge.

19 MR. SHEPHERD: Thank you. In Staff 14 you were asked
20 about the data that was provided to you, Mr. Coyne, with
21 respect to, in this case, capital revenue requirement. And
22 we've asked the question in SEC No. 6, TC No. 6, did you
23 add any judgment or opinion to the revenue requirements
24 information that Enbridge provided to you? They provided
25 to you their -- what they thought they were going to spend
26 for the five years, right? Did you look and make an
27 assessment, are these numbers reasonable in and of
28 themselves, on a cost-of-service basis, or did you only do

1 then benchmarking tests?

2 MR. COYNE: We did two things. We did two things. We
3 made -- well, first of all, maybe to your point, most
4 specifically, we made no independent analysis of the
5 revenue requirements on a bottom-up kind of basis. That
6 would not have been within our capacity.

7 What we did do is we examined them from a top-down
8 evaluation of the O&M level in an I-minus-X framework test
9 in our evidence, and we also looked at total revenue
10 requirements on an I-minus-X test basis. That was the top-
11 down analysis. We did no bottom-up analysis, nor
12 independent verification of the O&M or cap-ex numbers.

13 We also ran scenarios of alternative capital recovery
14 mechanisms to see what impact they would have vis-a-vis
15 Enbridge's projected revenue requirements.

16 MR. SHEPHERD: So if I understand it correctly, you
17 assumed that they had to spend that much money, and so the
18 result, that is, that a particular percentage increase
19 would be required, was after that just math, right?
20 Because in an I-minus-X, if you need X dollars, there's
21 already a formula that will tell you that, right?

22 MR. COYNE: Yeah, I was aware of what the company --
23 generally aware of what the company's budgeting process was
24 for O&M. I saw the iterations they went through in
25 developing their forecast. But we made no independent
26 investigation of the veracity of those forecasts. That was
27 not our scope.

28 MR. SHEPHERD: So when you say -- I think you said

1 that they would need 3.4 percent per year or something like
2 that?

3 MR. COYNE: I believe that was Enbridge's calculation
4 based on the I-minus-X revenue-requirement differential.
5 I'm aware of the 3.4 percent you're talking --

6 MR. SHEPHERD: But you came to a number for what they
7 would need to get or what the shortfall would be in a
8 normal I-minus-X.

9 MR. COYNE: We did.

10 MR. SHEPHERD: Yeah, and so that number that you came
11 to, that was a mathematical calculation. That was not
12 anything to do with what a reasonable amount was for them
13 to spend.

14 MR. COYNE: Right. We provided the I and the X for
15 that analysis; that was our job. Enbridge projected
16 revenue requirements using their O&M and capital budgeting
17 process.

18 MR. SHEPHERD: So if Enbridge had proposed a lower
19 level of budget, then you might have concluded differently
20 that I-minus-X would work for them?

21 MR. COYNE: We might have.

22 MR. SHEPHERD: Okay. My next question is in Staff 16.
23 It's not in my written questions.

24 And this is -- what you've provided is the data points
25 that you used for your benchmark analysis, and a lot of
26 them were re-evaluated. "Re-evaluated" means that you took
27 the data that was available and you changed it, right?

28 MR. COYNE: The -- it's described in footnote 4, what

