

BOARD STAFF RESPONSE TO UNDERTAKING OF ENBRIDGE

UNDERTAKING J4.6

REF: Tr.4 p159

TO PROVIDE SPECIFIC EXAMPLES OF UTILITY COSTS PARTLY WITHIN MANAGEMENT CONTROL BUT THAT CAN BE IMPACTED BY EXOGENOUS EVENTS.

RESPONSE

In addition to the examples provided at the hearing, Dr. Kaufmann believes finance costs and pension costs are both examples of gas utility costs that are partly within management control but can also be impacted by exogenous events. A utility's finance costs depend on the choices it makes regarding issuing and refinancing of debt; however, the terms on which a utility can raise debt at any given time clearly depend on broader market and economic conditions. Similarly, a utility's pension costs are impacted by the choices it makes regarding the funding of its pension obligations; however, those obligations can change suddenly because of changes in asset markets that are beyond utility management control.