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March 6, 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
Undertaking Responses**

Further to Enbridge Gas Distribution's filing of March 3, 2014, enclosed please find the following undertaking responses:

Exhibit J1.11;
Exhibit J2.5;
Exhibit J4.1;
Exhibit J5.17;
Exhibits J7.1, 7.2, 7.4, 7.5, and 7.8.

This submission was filed through the Board's RESS and is available on the Company's website at www.enbridgegas.com/ratecase.

Yours truly,

(original signed)

Lorraine Chiasson
Regulatory Coordinator

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

UNDERTAKING J1.11

UNDERTAKING

TR 171

To provide an explanation of the manner in which ROE was implicitly escalated under Enbridge's previous IRM plan.

RESPONSE

Enbridge's first generation IRM plan was a form of I-X revenue cap, where revenue per customer was inflated through use of an annual adjustment mechanism. Through that approach, as described below, a utility's total revenue requirement is adjusted each year. In Enbridge's view, this means that there was some allowance of changes in cost of capital each year within the first generation IRM plan.

In a Decision in 2006, the Board determined that in an I-X IRM, there is an implicit change for the price of equity through a macro-economic inflation measure (in this case GDP IPI). The Board decided that, as result, there would be no explicit adjustment for changes in ROE during the term of a plan. Specifically, the Board said,

For 2nd Generation IRM, the Board is satisfied that during the term of the plan changes in GDP-IPI will implicitly recognize changes in the ROE and debt rates, and that therefore no further adjustment will be required.¹

While the Company agrees that the rate of inflation does take into account some impact for changes in the cost of capital, an I-X IRM will not provide sufficient growth in return on equity during the IR term to provide the Company with a reasonable opportunity to earn the forecast fair return, for the following reasons:

1. An X-factor should not be assigned to a price factor. An X-factor is intended to measure changes in quantities of inputs and outputs over time. It is not appropriate, in the Company's view, to apply a productivity measure to a price component which purports to reflect competitive market changes on the price of capital. In other words, cost of capital is not discounted for productivity.
2. While changes in inflation may be associated with changes in market interest rates, the correlation is likely less than perfect.

¹ Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation For Ontario's Electricity Distributors, December 20, 2006, Ontario Energy Board, p. 30.

Witness: N. Ryckman

3. Inflation has no bearing and is independent of a company's growth in rate base. The growth in the quantity of capital employed is as important to the utility's total cost of capital as is the price of capital (i.e. the return on equity). The evidence in this Application is that the growth in the required quantity of capital over the forecast term affects the utility's ability to earn a return commensurate with the Fair Return.
4. Forecast Allowed ROE growth during the coming IR term is expected to be greater than inflation. Average annual ROE is forecast to grow approximately 2.7% per year (detailed in Exhibit 2, Tab 1, Schedule 1, p.1 and Exhibit 2, Tab 2, Schedule 2, p.1), which is in excess of expected inflation. The gap becomes greater if an X factor is subtracted from the inflation factor.

For these reasons, the Company does not believe that changes in ROE approximated by changes in I-X are appropriate for its current situation.

With that being said, however, allowing for changes in cost of capital through an I-X IR mechanism is more reflective of changes in such costs than simply holding the cost of capital flat for an IR term. This is noted because some parties have asked interrogatories and oral questions about the impact of having Enbridge hold its cost of capital inputs flat at 2013 levels throughout the term of the Customized IR plan. Enbridge does not believe that such an approach is fair or appropriate. Even within an I-X type of IR mechanism, there is at least some allowance for changes in cost of capital within an IR term.

UNDERTAKING J2.5

UNDERTAKING

TR 119

To provide ICM threshold calculation.

RESPONSE

The question was addressed by Mr. Coyne in his testimony, transcript Volume 4, at page 80, lines 25-28 and page 81, lines 1-13.

Witness: R. Fischer

UNDERTAKING J4.1

UNDERTAKING

TR 40

To provide costs to date and an estimate to complete mandate for London Economics International.

RESPONSE

See table below.

	Professional Fee	Expenses	Total
Invoiced amounts (through January 2014)	\$ 371,806.25	\$ 6,358.71	\$ 378,164.96
February 2014	\$ 55,451	\$ 5,000	\$ 60,451.25
Ongoing support estimates	\$ 8,960	\$ -	\$ 8,960.00
Total	\$ 427,257.50	\$ 11,358.71	\$ 447,576.21

Notes:

February 2014 fees are based on accruals but expenses are estimated.

Fees for ongoing support are estimated.

Witness: J. Frayer - London Economics International

UNDERTAKING J5.17

UNDERTAKING

TR 206

Quantify annual O&M savings associated with Electronic Recorder Program.

RESPONSE

The annual maintenance cost for each chart recorders is approximately \$221.43 and the maintenance cost for an Electronic Recorder is approximately \$127.26 for a difference of \$94.17 per unit. At the end of five years of the program, the Company will have 1500 units in our system for total savings of \$141,255 which is approximately equivalent to two FTE salaries. The two FTE savings in manual effort will partially offset our need to hire Measurement and Regulation Inspectors to support overall system growth.

Witness: C. Moore

UNDERTAKING J7.1

UNDERTAKING

TR 9

With reference to Undertaking No. TCU3.8, to provide revenues and volumes for the two customers added since the forecast.

RESPONSE

The total 2014 estimated volumes for the two customers is $3.1 \cdot 10^6 \text{m}^3$, with corresponding total revenues (excluding gas supply) of \$203,000. The total margin impact for both customers is less than \$80,000.

Witness: M. Suarez

UNDERTAKING J7.2

UNDERTAKING

TR 13

To provide an estimate of additional customers in Rate 6 or Contract Rate Class, and volumes and revenues, and forecast for those reasonably probable to come online in 2014.

RESPONSE

Based on information available to date, there are no additional customers in Rate 6 or any of the contract rates who are expected to come online in 2014 that weren't already captured in the 2014 Budget.

Witness: M. Suarez

UNDERTAKING J7.4

UNDERTAKING

TR 52

To confirm whether customer deposits are capitalized into rate base.

RESPONSE

Customer security deposits are credited against rate base. These are shown in the following Rate base exhibits:

2014 Fiscal year: Exhibit B3, Tab 1, Schedule 1, page 1, Line 7
2015 Fiscal year: Exhibit B4, Tab 1, Schedule 1, page 1, Line 7
2016 Fiscal Year: Exhibit B5, Tab 1, Schedule 1, Page 1 Line 7
2017 Fiscal Year: Exhibit B6, Tab 1, Schedule 1, Page 1 Line 7
2018 Fiscal Year: Exhibit B7, Tab 1, Schedule 1, Page 1 Line 7

Witness: S. Kancharla

UNDERTAKING J7.5

UNDERTAKING

TR 64

To provide break-out of other O&M for 2017 and 2018.

RESPONSE

Please see table on the following page.

Enbridge Gas Distribution
Breakdown Other Operating and Maintenance Expense by Cost Types
From 2007 Actuals to 2018 Budget

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
Line No. Categories (\$ Millions)	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017	Budget 2018
1. CC/CIS	\$84.4	\$82.5	\$87.5	\$87.5	\$79.2	\$85.8	\$83.1	\$92.6	\$96.5	\$100.4	\$104.4	\$108.5
2. RCAM	18.1	19.1	21.2	24.3	26.7	31.6	32.1	35.3	34.0	33.8	34.8	35.9
3. DSM	22.0	23.1	24.3	25.5	26.7	28.1	31.6	32.2	32.8	33.5	34.2	34.9
4. Pension Expense and OPEB	4.3	4.7	5.9	7.2	6.5	24.3	44.0	37.2	33.8	30.9	28.5	26.2
5. Other O&M	193.2	194.0	198.2	202.2	221.4	224.0	224.7	228.0	231.5	241.0	248.6	256.3
6. Total Utility O&M Expense Post-Capitalization	\$322.0	\$323.4	\$337.0	\$346.7	\$360.5	\$393.8	\$415.5	\$425.3	\$428.5	\$439.5	\$450.5	\$461.8
<u>Add back capitalization</u>												
7. Capitalization (A&G)	21.2	21.6	23.9	24.3	24.5	32.5	38.1	35.5	36.4	37.1	38.3	39.5
8. Capitalization	53.7	51.8	50.1	52.6	55.3	64.7	74.3	76.8	78.7	80.7	81.7	84.3
	74.9	73.4	74.0	76.9	79.8	97.2	112.354	112.3	115.1	117.8	120.0	123.8
9. Total Utility O&M Expense Pre-Capitalization	\$396.9	\$396.8	\$411.0	\$423.6	\$440.3	\$491.0	\$527.9	\$537.6	\$543.6	\$557.3	\$570.5	\$585.6
<u>Other O&M Detailed Breakdown</u>												
Salaries and Wages	127.1	127.0	125.1	133.8	141.6	153.7	168.3	170.6	174.6	179.0	183.1	188.8
Benefits	21.6	19.0	19.5	19.7	21.0	23.5	26.2	25.8	26.4	26.9	27.8	28.6
Short Term Incentive Program	20.1	19.1	25.3	19.7	25.2	23.2	21.4	21.2	21.6	22.1	22.8	23.5
Employee Training and Development	2.0	2.7	3.0	2.9	5.6	4.7	4.4	5.0	4.8	4.8	5.0	5.1
Materials and Supplies	4.9	5.7	4.5	5.1	5.2	4.2	6.2	5.2	5.2	5.3	5.5	5.7
Outside Services	59.7	58.1	62.0	67.9	68.4	83.4	87.5	86.1	85.7	91.2	94.0	97.0
Consulting	2.5	4.8	3.7	6.4	5.0	6.2	6.4	4.7	4.9	5.2	5.3	5.5
Repairs and Maintenance	2.8	0.7	2.0	1.7	1.6	3.7	2.0	2.4	2.4	2.4	2.5	2.6
Fleet	9.4	9.9	8.3	8.1	9.0	9.4	10.9	10.4	10.5	10.7	11.0	11.4
Rents and Leases	7.6	7.2	6.7	5.8	7.3	7.2	7.2	7.4	7.5	7.8	8.1	8.3
Telecommunications	3.4	3.1	3.4	3.5	3.1	3.5	3.6	3.7	3.8	3.9	4.0	4.2
Travel and Other Business Expenses	2.7	3.1	2.7	3.4	3.5	3.9	4.0	5.0	5.1	5.1	5.3	5.5
Memberships	2.5	2.5	2.6	3.6	4.0	3.7	4.3	5.0	5.1	5.2	5.4	5.6
Claims, Damages and Legal Fees	1.6	1.2	2.0	1.7	1.6	0.1	0.8	0.9	1.0	1.0	1.0	1.0
Interest on Security Deposits	1.7	1.7	1.0	0.5	1.0	0.9	0.8	1.3	2.0	2.5	2.6	2.7
Provision for Uncollectibles	15.2	16.7	17.8	11.5	21.5	9.5	9.3	9.5	9.5	9.5	9.8	10.1
Consumers Gas Ltd Charges	0.4	0.4	-	-	-	-	-	-	-	-	-	-
Legal Fees	-	-	-	-	2.9	3.2	3.7	2.8	2.8	2.9	3.0	3.1
Audit Fees	-	-	-	-	-	1.6	1.7	1.6	1.6	1.7	1.7	1.8
Other	7.1	11.7	5.3	5.0	5.4	5.2	5.3	4.6	4.9	5.0	5.1	5.3
Internal Allocations and Recoveries	(20.9)	(26.1)	(23.8)	(24.7)	(25.7)	(26.8)	(33.7)	(29.5)	(29.6)	(30.1)	(31.0)	(32.1)
Subtotal	271.3	268.5	271.0	275.4	307.4	324.1	340.3	343.6	349.9	362.1	372.0	383.6
Capitalization (A&G)	(21.2)	(21.6)	(23.9)	(24.3)	(24.5)	(32.5)	(38.1)	(35.5)	(36.4)	(37.1)	(38.3)	(39.5)
Capitalization	(53.8)	(51.8)	(50.1)	(52.6)	(55.3)	(64.7)	(74.3)	(76.8)	(78.7)	(80.7)	(81.7)	(84.3)
Subtotal Net Utility O&M Expense	196.3	195.1	197.0	198.5	227.7	226.9	227.9	231.3	234.7	244.3	252.0	259.8
Conservation Services	0.2	2.1	4.0	9.4	7.3	7.5	2.4	2.0	-	-	-	-
Total Net Utility O&M Expense before Eliminations	196.5	197.2	201.0	207.9	234.9	234.4	230.3	233.3	234.7	244.3	252.0	259.8
<u>Regulatory Eliminations</u>												
To eliminate Conservation Services	-	-	-	-	(7.3)	(7.5)	(2.4)	(2.0)	-	-	-	-
Incremental O&M Allocated to Unregulated Storage	-	-	-	-	(0.2)	-	-	-	-	-	-	-
Regulatory Eliminations	(3.3)	(3.1)	(2.8)	(5.6)	(6.0)	(2.9)	(3.2)	(3.3)	(3.2)	(3.3)	(3.4)	(3.5)
Total Eliminations	(3.3)	(3.1)	(2.8)	(5.6)	(13.5)	(10.4)	(5.6)	(5.3)	(3.2)	(3.3)	(3.4)	(3.5)
Total Other O&M Expenses Post-Capitalization	193.2	194.0	198.2	202.2	221.4	224.0	224.7	228.0	231.5	241.0	248.6	256.3
Total Other O&M Expense Pre-Capitalization	268.2	267.4	272.1	279.1	301.2	321.2	337.1	340.3	346.7	358.8	368.7	380.1

Witness: M. Torriano

UNDERTAKING J7.8

UNDERTAKING

TR 101

To confirm whether customer care CIS is treated as a Y factor.

RESPONSE

The Customized IR model does not contemplate any Y factors. The model forecasts pass through Customercare/CIS costs as per the Settlement Agreement. From that perspective it may be considered similar to Customercare/CIS cost treatment Y factor treatment in first IR term.

Reference: EB-2012-0459, Exhibit D1, Tab 10, Schedule 2, Page 21

....All parties agree that the annual revenue requirement that is determined through the process described herein will be recovered as a pass through cost in Enbridge's rates (whether those rates are set through an IRM mechanism or cost of service)...

Witness: S. Kancharla