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August 12, 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 - Draft Rate Order**
**Correction - Undertaking Responses TCU-RO 1.1**

Enclosed please find the corrected undertaking response, TCU-RO 1.1, which is to replace the response filed on August 11, 2014 with the Ontario Energy Board and parties to the above noted proceeding. Enbridge inadvertently indicated that it would require a few days to complete a series of processes when it was meant to indicate that such processes would require a minimum of a few weeks.

This submission has been filed through the Board's RESS and will be available on the Company's website at www.enbridgegas.com/ratecase.

Please contact me if you have any questions

Yours truly,

(Original Signed)

Bonnie Jean Adams
Regulatory Coordinator

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

# UNDERTAKING TCU-RO 1.1

## UNDERTAKING

Technical Conference, page 14

To provide the report Gannett Fleming provided or calculations they provided on both the allocation of the site restoration cost amount and the recalculation of the depreciation rates as a result of the board's decision, and if that report does not give the full math as to where these numbers came from, that math as well.

## RESPONSE

The attachment to this undertaking response contains a letter from Enbridge Gas Distributions Inc.'s ("Enbridge" and / or the "Company) depreciation consultant, Gannett Fleming, which describes the methodology used to determine revised depreciation rates, and allocation of the updated site restoration cost refund amount, as required per the Ontario Energy Board's (the "Board") decision. The attachment also contains the schedules provided to Enbridge to support the updated depreciation rates and allocation of the updated refund amount.

As noted in Gannett Fleming's letter, the updated refund amount to be returned each year is based on the same refund profile as the originally filed amount. The original refund profile, inclusive of amounts returned through depreciation rates, returned $292.8M in the following proportions; 25.5% in 2014, 23.8% in 2015, 22.1% in 2016, 20.4% in 2017, and 8.2% in 2018. Applying the same percentages to the revised total refund amount of $379.8 million, results in updated annual refund amounts of:

- 2014 – $379.8 million * 25.5% = $96.8 million,
- 2015 – $379.8 million * 23.8% = $90.4 million,
- 2016 – $379.8 million * 22.1% = $83.9 million,
- 2017 – $379.8 million * 20.4% = $77.5 million,
- 2018 – $379.8 million * 8.2% = $31.1 million.

It should be noted, as was explained in cross examination of Enbridge's witnesses[1], that the annual Rider D refund amounts, which represent bill impacts only, do also have an impact and a direct link within the derivation of the allowed revenues and sufficiency/deficiency amounts presented in Appendix A of the Draft Rate Order.
If the annual refund profile / amounts were to be altered, it would directly impact th

[1] EB-2012-0459, Transcript Volume 9, pages 11 & 12.

corresponding annual tax deductions, rate base calculations (requiring monthly inputs), and very likely planned debt issuances, all of which would impact forecast capital structures, allowed revenues and sufficiency and deficiency amounts. Therefore, in addition to updating the financial results in Appendix A of the Draft Rate Order, the Rate Handbook in Appendix B, the Rider E amounts in Appendix C, the Rate Approximations in Appendix D, and the Planned Debt Issuances in Appendix H would all need to be re-calculated. Performing an update of this magnitude would take significant time and effort, and require the involvement of external resources. If a revised refund profile were to be determined, which depending on purpose (i.e. bill impact smoothing) could take numerous iterations, the steps that would need to be followed to implement the change would include the following:

1. The revised annual refund amounts would be allocated to each of the impacted asset classes. Once that allocation is determined, 5 years of monthly rate base adjustments would be updated for the new inputs, ensuring proper linkage between files used to determine each individual year's allowed revenues, and the ongoing impact on prospective year rate base calculations.
2. Revised rate base calculations would then be forwarded to the Treasury Department to determine impacts on forecast financing plans. Changes to forecast financing would then be input into capital structure calculations, ensuring proper carryover from year-to-year.
3. Annual tax deductions, and associated impacts to income tax and allowed revenues, would be updated to reflect the new annual refund profile.
4. Once the above adjustments were made, and continuity between all 5 years of modeling was confirmed, new allowed revenues and sufficiency / deficiency amounts would be forwarded to the Cost Allocation and Rate Design group, who would then perform the following functions.
5. Updated allowed revenues would then be allocated to customer classes using the Board Approved methodology.
6. Rates would then be developed utilizing the revised allowed revenues and the allocation to each rate class, resulting in a new rate handbook.
7. A new Rider E amount and unit rates would need to be calculated.
8. New Rider D unit rates would need to be derived.

The Company has provided the above detail on the required work to be performed on any or all scenarios where a different SRC Refund profile is to be evaluated. The /c
Company estimates a minimum of a few weeks of effort to perform the calculations and produce validated results.

Witness: R. Small