Enbridge 2015 Rate Adjustment
Board Staff Interrogatories
EB-2014-0276

BOARD STAFF INTERROGATORIES

Rider G Service Charges – Labour Hourly Charge-Out Rate

1. Ref: ExA1/T5/S1

With respect to EGD's charge-out for service of $140/hour and the clarifications proposed to the wording for Rider G, does the Company typically provide an estimate to the customer prior to undertaking this type of work?

Gas Volume Budget

2. Ref: ExC1/T2/S1/Table 1

Table 1 shows the general service and contract gas sales volumes for 2013 actual, 2014 Board-approved and 2015 Budget. Please expand the table by including 2014 actual and weather-normalized volumes.

Gas Costs, Transportation, and Storage

3. Ref: ExD1/T2/S1/para 2

The Company states that:

"Enbridge Gas Distribution currently buys all of its gas on an indexed basis. It does not have any existing contracts that provide supply on a fixed price basis. The Company expects to continue this practice for its 2015 gas supply arrangements."

Has the Company considered purchasing any of its gas on a fixed price basis? Please discuss the advantages and disadvantages of such an approach.

4. Ref: ExD1/T2/S1/para 3

The table in paragraph 3 shows the 2015 Test Year acquisition volumes by contract type including the supply area.

Please expand the table to include a comparison to the prior two Test Years (2014 and 2013). Please provide the information is both absolute and relative terms.

5. Ref: ExD1/T2/S1/para 8

Paragraph 8 makes mention of possible future transportation paths.

"While the Company has prepared the 2015 forecast assuming that it will be acquiring gas in 2015 via traditional transportation paths (i.e., TCPL, Alliance/Vector) the possibility does exist in the future to acquire gas via alternative means."

Please elaborate on the future gas supply paths contemplated. For example would they include volumes on the proposed Nexus pipeline? Would it also include new volumes acquired at the Niagara/Chippewa and Iroquois import points?

6. Ref: ExD1/T2/S1/para 11

In paragraph 11 the Company states that with respect to peaking services:

"The Company has chosen to maintain the same level of Peaking Services for 2015 as was forecast for 2014."

Please provide a detailed explanation together with the analysis supporting the decision to maintain the same level of peaking service as 2014. What were the alternatives considered and why were they rejected in favour of the plan chosen?

7. Ref: ExD1/T2/S1/para 12

In paragraph 12 the Company states that it will look for alternative transport of gas to its franchise.

"The Company intends to continue to monitor the availability of transport to the franchise area and to look for alternatives that will provide value to the customers of Enbridge while still providing safe and reliable service. If alternatives are found then any differences in the cost of those services versus those forecasted as part of the 2015 gas costs will be captured in the 2015 PGVA."

If such transport alternatives are found and subsequently implemented, how does the Company intend to inform the Board and seek approval during the course of the Test Year? Alternatively, does the Company believe it requires the flexibility to be able to contract for new transport if it feels that such action is appropriate?

8. Ref: ExD1/T2/S1/para 14

With respect to the expected $130 million in UDC, the Company indicates that it will use "best efforts" to mitigate the UDC costs.

What is the Company's strategy to address UDC? Please outline the detailed plans for UDC mitigation. How does the Company intend to communicate UDC costs, and mitigation efforts, during the course of the year?

9. Ref: ExD1/T2/S1/para 15

Please provide the cost / benefit analysis that underpins the decision to not renew the Alliance / Vector contracts and to contract for new supply at the Niagara / TCPL interconnect.

10. Ref: ExD1/T2/S1/para 22

In paragraph 22 the Company describes its decision to change how it manages storage balances in the later months of the winter season.

“For purposes of preparing the 2015 gas supply plan the Company has implemented a change with respect to how it plans to manage its storage balances. The Company is forecasting storage targets such that maximum deliverability from storage can be maintained until the end of February and such that deliverability from storage is sufficient to meet March peak day as late as March 31.”

a) Will incremental storage be required to achieve the increased deliverability? Please explain how the Company’s storage balance proposal would be implemented. In the explanation, please include the cost / benefit analysis underpinning the proposal.

b) Please discuss the risks and trade-offs associated with the storage balance proposal. Please also provide a sensitivity analysis showing the cost consequences of the storage proposal if the weather is warmer than normal, or colder than normal.

11. Ref: ExD1/T2/S1/para 23

In paragraph 23 the Company mentions that it will investigate, and may take into account in its demand assessment, medium term weather forecasts in the current winter season. It further states that the cost consequences of such actions will be reflected in the PGVA.

What would trigger Enbridge to include in its demand assessment the medium term weather forecast? Please provide further details on how this discretion would be exercised.

12. Ref: ExD1/T2/S1/para 24

In paragraph 24 the Company speaks to the maintenance of higher storage balances later in the winter season.

“Maintaining higher storage balances later into the winter season in conjunction with using a medium term weather forecast (as described above) will allow the Company to react sooner and more effectively to make adjustments to the supply plan to meet changing demand. By reacting sooner it will provide for an ability to acquire month ahead supplies to help reduce daily spot purchases.”

a. Board staff is interested to assess the cost impact of the move to the higher storage balances. Please recast the “Summary of Gas Cost to Operations” schedule for 2015 (D1/T2/S4) to reflect a scenario assuming no change to the winter season storage target balance levels.

b. Please explain why the Company is acting now to implement changes to its Gas Supply Plan as opposed to awaiting the outcome of the Natural Gas Market Review and the second phase of the QRAM Review.

13. Ref: ExD1/T2/S4/Summary of Gas Costs to Operations

Please confirm whether or not the Company has based its 2015 gas cost forecasts on the NEB-approved TCPL Mainline Eastern LDC Toll settlement agreement approved by the NEB on November 28, 2014 in its Letter Decision (RH-001-2014). If not, how does it propose that the gas costs be updated to reflect the new tolls?

2015 DSM Forecast Budget

14. Ref: ExD1/T4/S1/para 5

Please confirm that in the Company's view, the proposed $35 million 2015 DSM budget (which represents an increase relative to the Board-approved 2014 level of $32.2 million) continues to be appropriate in light of the recent issuance of the December 22, 2014 Report of the Board on the DSM Framework covering the years 2015 to 2020 (EB-2014-0134).

Pension / OPEB 2015 Updated Forecast

15. Ref: ExD1/T5/S1/ Appendix 1 page 1

Page 1 of the October 3, 2014 Mercer letter makes the following statement:

"This letter replaces our projections previously provided August 29, 2014. The purpose of the current update is to reflect EGDI's recently approved discretionary contribution of $16,923,682 to the EGD RPP which will occur before the end of 2014. We have also updated our projection to capture market experience up to September 30, 2014."

a) Please explain the above "discretionary contribution of $16,923,682". In the explanation please address why it was needed, the timing, and the anticipated impact on utility ratepayers.

b) Is it EGD's proposal that the discretionary contribution of $16,923,682 would be ratepayer recoverable in 2015?

16. Ref: ExD1/T5/S1/ Appendix 1 page 6

On page 6 the line showing the 2015 EGD RPP indicates an "Expected Return on Assets" of negative $59.28 million.

Please explain why the Return on Assets projection is negative and include the underlying assumptions that lead to the negative return.

17. Ref: ExD1/T5/S1

Please provide the most currently available balances in the Post-Retirement True-Up Variance Account for 2014 and 2015.

Credit Final Bill Deferral Account (CFBDA)

18. Ref: ExD2/T1/S2/para 5

The proposed deferral account will track un-refunded credit amounts owing to customers with finalized accounts. Paragraph 5 describes the efforts at locating such customers.

"Over the past three years the Company has undertaken a substantial and continuing effort to reconcile these accounts and, where appropriate, identify those parties that are owed money and refund it to them. The Company has employed automated techniques to identify forwarding addresses and manual efforts have been undertaken by a dedicated work team to locate these customers. These efforts have included outbound telephone calling, issuance of letters to the customer's last known address, and issuance of refund cheques that have been sent to the customer's last known address."

a. In efforts to locate the customers, is this done in any priority sequence – for example, are the largest refund balances pursued first, followed by lower refund balances?

b. How is Enbridge proposing to allocate the balance in the CFBDA at the time of disposition?

Cost of Debt

19. Ref: ExE1/T3/S1/Table 1

Table 1 shows that the 2015 cost of debt includes a negative principal amount for short-term debt ($229.4 million) at a cost rate of 1.52%. The Board's August 22, 2014 Decision and Rate Order noted at Appendix E that the annual updates would include information on the actual amounts and rates associated with any debt issued in the prior year.

Is Enbridge aware of any previous test year having a negative short-term debt? If so, what was the regulatory treatment of the debt and how does that compare with the proposed treatment for 2015?

20. Ref: ExE2/T1/S2

On the table, lines 19, 20, 21 and 22 relate to debt issuances maturing on September 15, 2025 and September 15, 2045. The table shows 4 different coupon rates.

a. How do these debt issuances relate to the two $300 million debt issuances on September 15, 2015 listed on Table 2 (E1/T3/S1) with coupon rates of 4.01% and 4.48% respectively?

b. Why are the coupon rates in the 2 tables different?

21. Ref: ExE2/T1/S3

This table shows the "Unamortized Debt Discount Expense" by month for the test year.

Please explain what this amount represents and how it is factored into the overall cost of debt?

22. Ref: ExF1/T1/S1/Table 1

Table shows a comparison of utility revenues for 2014 Board-approved, Placeholder 2015, and Test Year 2015.

Staff notes that the difference between 2014 Board-approved and Test Year 2015 is a $287.5 million increase in revenues for 2015. Please provide a reconciliation and brief explanation of the main drivers of the increase between 2014 and 2015.

23. Ref: ExH1/T1/S1/para 14

This table shows the approved annual amounts of the Site Restoration Cost for clearance to customers (Rider D).

Please provide an update of the SRC recoveries to-date compared to forecast and provide the most current balances available in the Constant Dollar Net Salvage Adjustment Deferral Account for 2014 and 2015.