VECC INTERROGATORY #15

INTERROGATORY

Reference: G2/T1/S1/pg.3/Table 1

a) Rate 1 over contributes by $9.47 million with a revenue-to-cost ratio of slightly over 1. Please explain why this is the case.
b) What steps/options are available for adjust the cost allocation study to remedy to eliminate rate class one's contribution to the other rate classes?

RESPONSE

a) The review of the revenue to cost ratios and the corresponding over/under contributions from the rate classes is one of several rate design objectives which are used to design rates. The Company's rate design objectives are outlined in Exhibit H1, Tab 1, Schedule 1, page 6, paragraph 13 and include rate stability, continuity, market acceptance, avoidance of rate shock and continuance of competitive position.

   Historically, the Company has had revenue to cost ratios for Rate 1 customers which varied around 1.0. For 2015, the Rate 1 revenue to cost ratio is 1.01 and the corresponding proposed class average rate impact is 2.1% (which is lower for 2015 than the Company estimated at the outset of its IR term). The level of rate impact and revenue to cost ratios for Rate 1 are in line with the Company's rate design objectives and are considered to be of more significance than the absolute dollar amount of the over contribution. Given the size of the Rate 1 rate class relative to the other rate classes, any adjustment upwards or downwards to the revenue to cost ratios results in a larger over/under contribution in terms of absolute dollars, the over contribution of $9.47 million is a function of the size of the Rate 1 class relative to the other rate classes.

b) The Company monitors the revenue to cost ratios and year-over-year rate impacts when setting rates each year with the intention of having the Rate 1 revenue to cost ratio (as well as all other revenue to cost ratios) as close to 1.0 as is feasible.

Witnesses: J. Collier
A. Kacicnik
M. Kirk

FRPO INTERROGATORY #15

INTERROGATORY

Reference: *Exhibit G2, Tab 1, Schedule 1, Page 27*

Preamble: Enbridge states:

> *New developments in providing customer service, operating practices, capital expansion, and gas supply, for example, are regularly monitored and cost classifications systematically reviewed each year. This ensures that cost classifications reflect cost incurrence and that similar costs are consistently treated.*

Please summarize the significant changes in cost allocation and classification methodologies included in the proposed rates.

a. For gas supply costs, please ensure a description of the changes to approach impacting commodity, transportation and load balancing.

RESPONSE

As outlined in the evidence at Exhibit G1, Tab 1, Schedule 1, page 1 "The Company is proposing to maintain its cost allocation methodology approved by the Board in EB-2012-0459 (2014-2018 Custom IR Plan) for the 2015 test year."

Accordingly, the Company is not proposing changes to its cost allocation methodology for the 2015 Test Year. The Company's Board-approved methodology reflects cost causality and acts as a guide to rate design.

Witnesses: A. Kacicnik
M. Kirk