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File No. 339583/000208

July 10, 2015

By Electronic Filing

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Enbridge Gas Distribution Inc. ("EGD") 2014 Earnings Sharing Mechanism and Other Deferral and Variance Accounts Clearance Review	
Board File No.:	**EB-2015-0122**

Pursuant to Procedural Order No. 1, please find enclosed the Interrogatories of Canadian Manufacturers & Exporters ("CME") to EGD, in this proceeding.

Yours very truly,

Vincent J. DeRose
VJD/kt
Encl.

c. Andrew Mandyam (EGD)
Lorraine Chiasson (EGD)
David Stevens (Aird & Berlis LLP)
All Interested Parties EB-2015-0122
Paul Clipsham and Ian Shaw (CME)

OTT01: 7099840: v1

EB-2015-0122

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving the clearance or disposition of amounts recorded in certain deferral or variance accounts.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO ENBRIDGE GAS DISTRIBUTION INC. ("EGD")

A. 2014 Actual Earnings

CME 1

The evidence at Exhibit B, Tab 1, Schedule 1 indicates that EGD's actual weather normalized gross over-earnings for 2014 were about $25.3M producing a normalized Return on Equity ("ROE") of 10.46%. The Consolidated Financial Statements for EGD at December 31, 2014, at Exhibit D, Tab 6, Schedule 1, page 30, indicate that EGD's actual ROE before weather normalization was 9.4%. In connection with this information, please provide the following:

(a) What were the actual gross over-earnings in ROE before weather normalization? In particular, are these over-earnings in an amount of about $48.3M more than the normalized over-earnings of $25.3M? This $48.3M amount is the difference between:

(i) The sum of the normalizing adjustments for revenues of $204.6M and $14.4M shown in paragraphs (a) and (b) at Exhibit B, Tab 1, Schedule 4 of page 2; and

(ii) The normalized costs of $170.6M shown in paragraph (c) in the same Exhibit.

If the $48.3M amount is not the correct number to add to $25.3M, then please provide a detailed calculation of the correct amount.

(b) What would the ratepayers' share of gross over-earnings be if the Earnings Sharing Mechanism ("ESM") for EGD was, like the ESM for Union Gas Limited ("Union"), based on actual over-earnings rather than weather normalized over-earnings?

(c) Please provide a step-by-step description of the derivation of each of the normalization adjustments in paragraphs (a), (b), (c) in Exhibit B, Tab 1, Schedule 4, page 2 of $204.6M in (a), $14.4M in (b) and $170.6M in (c).

(d) Please provide a schedule which will reconcile the actual gross over-earnings and ROE before weather normalization, to be provided in response to question (a) above to the actual corporate equity earnings and ROE of 9.4% shown in the Consolidated Financial Statements for EGD at December 31, 2014. Please include in that reconciliation a description of the major contributors to the reduction of the actual utility ROE before normalization (to be provided in response to question (a) above) to the actual corporate equity earnings and ROE of 9.4%.

(e) Since the ESM is a mechanism designed to protect ratepayers by remitting to them a portion of over-earnings which exceeds the Board approved ROE, should the ESM in EGD's 5 year Custom Incentive Rates ("IR") regime be converted to one which is applied to actual earnings? Why should EGD receive incentive benefits linked solely to colder than normal weather?

B. Under-Spending and Under-Forecasting in 2014 and its Impact in Future Years

CME 2

The pre-filed evidence at Exhibit B, Tab 2, Schedule 4, at page 1, indicates Capital Under-Spending in 2014 of $99.2M.

At Exhibit B, Tab 3, Schedule 2, page 2, normalized gas sales and transportation volumes are some 137.6 10^6m^3 higher than the Board approved volumes budget of 11,159.1 10^6m^3.

Actual 2014 operating and maintenance ("O&M") expenses at Exhibit B, Tab 4, Schedule 2 were some $14.3M below the Board approved amount of $422.415M.

At Exhibit B, Tab 3, Schedule 5, page 1, actual late payment penalty revenues of $13.1M exceeded Board approved revenues of $10.1M by $3M or about 30%.

In connection with these items, please calculate the gross over-earnings in 2014 related to each of them, namely:

(a) The $99.2M of capital under-spending,

(b) The 137.6 10^6m^3 of under-estimated normalized volumes,

(c) The $3M under-estimate of late payment penalty revenues, and

(d) The $14.3M of O&M expenses under-spent

CME 3

Will the consequences of under-spending and under-forecasting in 2014 likely continue in the years 2015 to 2018 inclusive? If the answer to this question is no, then please provide explain why the 2015 budgets, which will not be adjusted for the 2014 capital under-spending, the 2014 under-estimate of normalized earnings, the 2014 under-estimate of late payment penalties and the 2014 under-estimate of O&M expenses will not tend to be too high by similar amounts in the years 2015 to 2018 inclusive.

C. Deferral and Variance Accounts

(1) The 2014 Design Day Criteria Transportation Deferral Account ("DDCTDA")

CME 4

The evidence at Exhibit C, Tab 1, Schedule 2 indicates that embedded within EGD's Board approved 2014 rates were STFT and FT components of its 2014 Gas Supply Portfolio which were required to enable the company to meet its peak day requirement. In connection with this evidence, please provide the following information:

(a) What was the 2014 forecasted peak day requirement?

(b) What were the 2014 forecasted costs of meeting that requirement which were embedded in Board approved 2014 rates?

(c) What was the unit amount forecast to be recovered for this particular component of EGD's Board approved rates under the auspices of the Board approved throughput of 11,159.1 10^6m^3 shown at Exhibit B, Tab 3, Schedule 2, Column 2, line 5?

CME 5

The evidence indicates that actual 2014 throughput was 12,656.5 10^6m^3 as shown in line 5 of Column 1 in Exhibit B, Tab 3, Schedule 2, or 113.4% of Board approved throughput. This means that EGD actually recovered in rates about 113.4% of the forecast costs related to meeting its peak day requirement. In connection with this evidence, please provide the following additional information:

(a) What is the "over-recovered" amount, being 13.4% of the forecast amount embedded in Board approved rates?

(b) Please provide a step-by-step description and schedule which will show how the debit amount of $12,839.3 shown in Column 3, line 17 of Exhibit C, Tab 1, Schedule 1, page 3 was derived.

(c) In particular, please demonstrate that the derivation of this number takes into account the recovery in rates of additional costs related to this item as a consequence of actual throughput in 2014 exceeding Board approved throughput, by 13.4%.

(d) If that 13.4% amount has not been taken into account, then please adjust the $12,839.3 recorded in the 2014 DDCTDA to take into account the additional costs above forecast amounts actually recovered.

(2) ***The 2014 Unabsorbed Demand Charge Deferral Account ("UDCDA")***

CME 6

The evidence at Exhibit C, Tab 1, Schedule 1, page 3, line 18, Column 3 indicates that EGD seeks to recover a debit balance of $13,526.2M in the 2014 UDCDA. In connection with this evidence, please provide the following information:

(a) Are there 2014 UDC forecast volume and cost amounts embedded in 2014 Board approved rates? If so, then what are those amounts?

(b) Actual throughput in 2014 of 12,656.5 10^6m^3 was 113.4% of the Board approved throughput of 11,159.1 10^6m^3. If there are UDC forecast volume and cost amounts embedded in 2014 Board approved rates, then what are the amounts by which those embedded forecast amounts have been exceeded as a result of actual throughput being 113.4% of forecast throughput?

(c) Please provide a step-by-step description and schedule which shows how the debit amount of $13,526.2M of 2014 UDCDA was derived.

(d) In particular, please demonstrate that this number takes into account any recovery of actual costs in excess of the forecast costs of UDC embedded in rates as a result of actual 2014 throughput exceeding Board approved throughput.

(e) If such an amount has not been reflected in the calculation, then please adjust the $13,526.2M debit amount to take that amount into account.

(3) ***Unaccounted for Gas ("UFG")***

CME 7

In connection with the evidence at Exhibit C, Tab 1, Schedule 4 pertaining to the Unaccounted for Gas Variance Account claim of about $11.9M, please provide the following further information:

(a) What is EGD's 2014 Board approved forecast UFG allowance expressed as a percentage of Board approved 2014 throughput of 11,159.1 10^6m^3?

(b) What was the Board approved forecast dollar amount embedded in EGD's approved 2014 rates?

(c) What is EGD's 2014 actual UFG expressed as a percentage of actual throughput of 12,656.5 10^6m^3?

(d) What was the actual dollar amount of UFG recovered in 2014 as a consequence of actual throughput of 12,656.5 10^6m^3 exceeding Board approved throughput of 11,159.1 10^6m^3?

CME 8

The evidence at Exhibit C, Tab 1, Schedule 4, page 1, question 4 suggests that the forecast UFG volume embedded in 2014 rates was 77.660 10^6m^3 (135.380 10^6m^3 minus 57.720 10^6m^3 = 77.660 10^6m^3). With actual 2014 throughput being 113.4% of Board approved throughput of 11,159.1 10^6m^3, EGD has already recovered in 2014 actual rates the costs associated with a UFG volume of 88.066 10^6m^3 (113.4% x 77.660 10^6m^3 = 88.066 10^6m^3) being 10,406 10^6m^3 more than the Board approved forecast UFG volume of 77.660 10^6m^3. These calculations indicate that the UFG variance account should only reflect costs associated with 47.364 10^6m^3 (57.720 10^6m^3 – 10.406 10^6m^3 = 47.364 10^6m^3). This amount is some 82% of the volume of 57.720 10^6m^3 which has been used to derive the 11.9M recorded in the UFG variance account. These calculations indicate that the amount of $11.9M is some $2.2M too high. In connection with this evidence, please provide the following:

(a) A schedule and step-by-step description showing how the debit amount of $11.9M in the 2014 UAF was calculated; and

(b) If that amount does not reflect the additional UAF costs recovered as a consequence of actual 2014 throughput, being 113.4% of Board approved throughput, then adjust the $11.9M amount to reflect the actual recovery of UFG costs in 2014 in excess of the estimated costs embedded in rates.