

FRPO INTERROGATORY #4

INTERROGATORY

Topic 9 – Avoided Costs

Reference: Exhibit C, Tab 1, Schedule 4, Page 8 of 35

The Navigant report states: *“During the initial discovery stage of this assignment, it was concluded that Enbridge’s existing avoided cost calculation methodology accurately captures all upstream avoided costs including transmission. The objective was subsequently modified from a study of both transmission and distribution avoided costs to only include the determination of the distribution or downstream avoided costs. Enbridge has calculated avoided transmission costs using a proprietary model (SENDOUT) since 1995, and plans to continue with this approach going forward.”*

Please provide the approach, methodology and underlying assumptions used to calculate the upstream and transmission costs.

RESPONSE

The avoided gas costs as shown in the table in Exhibit B, Tab 2, Schedule 5, follows the same methodology as shown in EB-2012-0394 Exhibit B, Tab 2, Schedule 2. As indicated in Exhibit B, Tab 2, Schedule 5, page 1, Paragraph 2. /C

...the Company is undertaking a complete update of the avoided natural gas costs, inclusive of the costs for transportation and storage in addition to commodity costs. This update will follow the methodology outlined in the 2015-2020 Guidelines, and will be filed with the Board by the Q4, 2015.

For the methodology and assumptions underpinning the calculation of the 2012 to 2014 DSM Plan, please refer to EB-2012-0394, Exhibit B, Tab 2, Schedule 2.

The 2012 to 2014 DSM Plan Avoided Costs were updated in accordance with the 2012 to 2014 Demand Side Management Guidelines (“DSM”) for Natural Gas Utilities, Section 6.2.1, using commodity prices forecast by PIRA for NYMEX, Empress, Chicago and Dawn.

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