Enbridge 2016 Rate Adjustment
Board Staff Interrogatories
EB-2015-0114

BOARD STAFF INTERROGATORIES

Non-Utility Storage Cost Allocation Methodology

1. Ref: A1/T5/S1/para4

At paragraph 4 the evidence states:

> "However, if the Base Pressure Gas and LUF costs are treated on a fully allocated cost basis, then all storage capital costs should be treated on a fully allocated cost basis in order to be consistent and equitable. The cost consequence of using a fully allocated approach to all storage capital would be an increase in utility regulated rate base of approximately $32M to $49M, with an associated increase in revenue requirement for the regulated utility which would more than offset the reduction set out in the following table."

a/ Please explain why regulated rate base would increase under the fully allocated cost approach described above, when it would seem intuitive that rate base should decrease because all the capital costs are spread over all storage assets, both regulated and unregulated.

b/ Please compare and contrast the existing Enbridge allocation approach with the methodology in use today for Union's non-utility storage cost allocations.

c/ Staff is interested in understanding the theory of incremental versus fully allocated costing in the context of separating utility from non-utility businesses. Please discuss the theoretical underpinnings of using an incremental versus a fully allocated costing methodology in creating a fair separation of utility and non-utility storage to avoid, to the greatest extent possible, cross-subsidization between the 2 businesses. Please include a discussion of the advantages and disadvantages of each approach.

Operating Costs

2. Ref: D1/T1/S1/Table 1

Table 1 shows the total Cost of Service (excl. interest & return) for 2015 Board-approved, 2016 Placeholder, and 2016 Updated Forecast.

Please provide an explanation of the main drivers of the differences between the Board-approved 2015 and the 2016 Updated Forecast.

Gas Costs, Transportation, and Storage

3. Ref: D1/T2/S1/para 2

a/ Please explain whether or not the Gas Supply Plan has been developed assuming the GTA project is fully operational during 2016.

b/ If the GTA project is not fully operational, what is the expected in-service date of the GTA project and what is the cost impact of the delay on the Gas Supply plan? Please include a discussion of the impact on Peak Day supply contracting, and how the supply plan changes would be effected during the year, e.g. through the QRAM process.

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

In the discussion of the planned Chicago supply, Enbridge includes the following footnote.

> "Subsequent to the development of its gas supply plan the Company began exploring opportunities with suppliers for a portion of its requirements. One such supply opportunity was a means of base loading a portion of the Chicago requirement. The Company has entered into a tentative agreement with a counterparty for supply from western Canada to Chicago via an eleven month assignment of Alliance transportation capacity"

Please provide any updates to the proposal and a more detailed explanation of the Alliance assignment, including any cost consequences and how they will be treated in 2016.

5. Ref: D1/T2/S1/para 12

Paragraph 12 speaks to the main changes in the gas supply plan for 2016. For example it says:

> "The completion of the GTA Project enables the Company to make a number of changes in the Enbridge CDA. The primary change that occurs is an increase in the contracted M12 capacity for transport between Dawn and Parkway that the Company has with Union Gas. This amounts to an increase in Union M12 capacity of 400,000 GJs per day. Coinciding with the increase in available transport from Union Gas, the Company was able to de-contract 266,000 GJs per day of long haul TCPL capacity from Empress to the Enbridge CDA."

What is the net cost impact (or benefit) to the transportation portfolio associated with the changes in Union's M12 contracted capacity and the de-contracting with TCPL?

6. Ref: D1/T2/S4/

Staff notes that the forecast transportation costs are showing an increase in 2016 compared to the approved 2015 forecast (EB-2014-0276 at D1/T2/S4). The 2016 transportation costs are showing $405.7 million as compared to 2015 at $375.8 million.

Please provide an explanation for the increased costs.

7. Ref: D1/T2/S5/

The table shows the storage and transportation charges charged to gas cost to operations. The amount is $117.2 million.

Please provide the comparable 2015 amount and explain the main drivers of the differential.

8. Ref: D1/T2/S8/

The table shows the gas supply/demand balance for 2014, 2015 and 2016. Staff seeks to understand the trends in the gas supply portfolio mix over the past few years.

Please expand the table to include the supply mix from 2012 actual and 2013 actual.

9. Ref: F1/T1/S1/table 1

Table 1 shows the Utility Revenue deficiency / sufficiency for 2015 Board-approved, 2016 Placeholder, and 2016 Updated Forecast.

Please provide an explanation of the main drivers of the differences between Board-approved 2015 and 2016 Updated Forecast.

2016 Proposed Rates

10. Ref: H1/T1/S1/para 8

Enbridge explains the following with respect to the Rate 332 impacts.

> "The proposed 2016 rate impacts are higher than the estimated 2016 impacts due to a higher (by approximately $30.0M) than estimated 2016 Demand Side Management (DSM) budget and an expectation that Rate 332: Parkway to Albion Transportation Service will not be available during 2016 (which means approximately $13M of the revenue requirement that would be recovered from Rate 332 customers will be recovered from the Company's bundled customers in 2016). Absent these two increases in the 2016 revenue requirement, the 2016 rate impacts would have been lower than the preliminary 2016 rate impacts."

a/ Please explain the rationale for the request that $13 million in revenue requirement should be recovered from bundled customers.

b/ If the transportation service on Segment A is being delayed in its implementation, why would the $13 million exist at all, given that it relates to an asset not yet in service and hence not closed to rate base?

c/ If the $13 million needs to be recovered (for example because the Custom IR allowed for a Segment A revenue recovery), then why would it not be placed in the new Rate 332 deferral account?