

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)  
RESPONSES TO INTERROGATORIES OF CCC

INTERROGATORY #1

Reference: EGD Evidence

Please specify whether any of the submitted material is intended to be accepted as expert evidence; if so, please specify precisely which assertions within the submitted material are intended to be expert opinions and identify the relevant expert.

RESPONSE

Enbridge's evidence and community expansion proposal were developed by the Company. It relied on the internal expertise of its employees to develop its evidence and proposal. Enbridge did not hire an expert, as that term is used in the Board's *Rules of Practice and Procedure*, to develop its evidence and proposal.

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INTERROGATORY #2

Reference: EGD Evidence/p. 3

If EGD was directed to implement a mechanism whereby its customers were required to subsidize the expansion of natural gas undertaken by another distributor how, specifically, should that mechanism be designed?

RESPONSE

As indicated in its evidence in this proceeding, the Company has indicated that in its view it would not be appropriate to implement a mechanism whereby its customers were required to subsidize the expansion of natural gas undertaken by another distributor. As such the Company has no comment with respect to how such mechanism may be designed.

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INTERROGATORY #3

Reference: EGD Evidence/p. 6

EGD is supportive of changing the EBO 188 Guidelines. Has EGD undertaken any surveys of its existing customers to determine whether there is support for relaxing the EBO 188 Guidelines in order to subsidize new expansions? If so, please provide the results. If not, why not?

RESPONSE

Enbridge has not undertaken surveys of its existing customers to determine whether they would support revisions to the existing EBO 188 Guidelines that would enable community expansion projects to go forward.

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INTERROGATORY #4

Reference: EGD Evidence/p. 7

It is EGD's position that the extension of natural gas service to these communities will benefit all ratepayers. Please set out specifically how existing ratepayers will benefit from its expansion proposals. Has EGD determined whether the benefits will outweigh the costs? If so, please provide that analysis. Please provide evidence to support the statement that, "The incremental revenue generated by these future customer attachments will benefit all customers."

RESPONSE

Please see Enbridge responses to BOMA Interrogatory #13 at Exhibit S3.EGDI.BOMA.13, OGA Interrogatory #1 at Exhibit S3.EGDI.OGA.1, and Parkland Interrogatories #1 and 2 at Exhibits S3.EGDI.Parkland.1 and 2.

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INTERROGATORY #5

Reference: EGD Evidence/pp. 9, 25) It is EGD's position that it should be able to recover the revenue requirement associated with community expansion costs prior to the end of any current incentive regulation plan.

Please point to the provisions in the current IRM Settlement Agreement that allow for these revenue requirement impacts to be recovered.

RESPONSE

Please see the response to Board Staff Interrogatory #7 at Exhibit S3.EGDI.BSTAFF.7.

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INTERROGATORY #6

Reference: EGD Evidence/p. 10

The evidence states that if the Board determines that the addition of regulated natural gas distributors in Ontario is beneficial, then these new entrants should be required to demonstrate their qualifications as a operator of natural gas facilities in a public forum, in addition to demonstrating the economic benefit to the market beyond that provided by incumbent service providers. From EGD's perspective what are the required qualifications? How would "the economic benefit to the market" be assessed?

RESPONSE

With respect to the Company's views concerning the qualifications of new gas distributors that may enter the Province. Please see the Company's response to BOMA Interrogatory #15 at Exhibit S3.EGDI.BOMA.5. In terms of benefit to the market, the Company stated in its evidence in this proceeding that:

If the Board does determine that the addition of regulated natural gas distributors in Ontario is beneficial then these new entrants should be required to demonstrate their qualifications as an operator of natural gas facilities in a public forum in addition to demonstrating the economic benefit to the market beyond that provided by incumbent service providers.

In the Company's view the economic benefit to the market should be assessed in terms of the economic benefits associated with the expansion of gas service to the areas to be served and the costs that may be imposed on these customers, other natural gas consumers and any other entity such as municipal governments, the Province or the Federal Government.

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INTERROGATORY #7

Reference: EGD Evidence/p. 14

Please provide copies of all correspondence between EGD and the relevant Ministries (Economic Development, Employment and Infrastructure, Energy and Agriculture) regarding the Province's proposed natural gas expansion loan and grant program. When does EGD expect the details of these programs to be defined?

RESPONSE

Please see the Company's response to BOMA Interrogatory #4 at Exhibit S3.EGDI.BOMA.4.

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INTERROGATORY #8

Reference: EGD Evidence/p. 15

Please provide the assumptions used to derive Table 1.

RESPONSE

Table 1 assumptions:

- Average annual consumption = 2,400 m<sup>3</sup>
- SES = \$0.23 / m<sup>3</sup>
- Average Annual SES Charge = \$552.00
- Fuel Type Penetration and Annual Bill for alternate fuels from Enbridge customer research survey September, 2015. Natural gas price is Enbridge Gas Distribution's Rate 1 burner tip price (Oct 2015).
- Electricity to NG
  - Electricity Forced Air to NG Forced Air conversion = \$3500
  - Electricity Baseboards to NG Forced Air = \$11,000
  - 50:50 split weighted average = \$7250
- Heating Oil to NG
  - Oil Boiler to NG Boiler with Conversion Kit = \$1,500
  - Oil Boiler to New NG Boiler = \$4000
  - 20:80 split weighted average = \$3500
- Propane to NG
  - Propane Forced Air to NG Forced Air with Conversion Kit = \$675
  - Propane Forced Air to new NG Forced Air = \$3500
  - 70:30 split weighted average approximately = \$1525
- Wood to New NG Stove Conversion = \$3500



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INTERROGATORY #9

Reference: EGD Evidence/p. 16

Please explain how EGD derived the “potential customers” for each of the communities listed.

RESPONSE

Please see the Company’s response to Energy Probe Interrogatory #7 at Exhibit S3.EGDI.EP.7.

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INTERROGATORY #10

Reference: EGD Evidence/p. 20

EGD, under its proposal expects it could provide natural gas service to approximately 16,000 homes and businesses in the first ten years at a total capital cost of approximately \$410 million. Does the \$410 million include all System Expansion Surcharge (“SES”) and Incremental Tax Equivalent (“ITE”) amounts? If so, what is the net amount EGD expects to recover from existing ratepayers? Please explain how the \$410 million was derived.

RESPONSE

No, the \$410 million figure referenced in this question is the Company’s current estimate of the capital cost that would be incurred to provided gas service to the communities included in the thirty-nine potential community expansion projects listed in evidence. This figure was derived by estimating the cost to construct the facilities required to serve the thirty-nine communities and coming to a total of these estimated costs. This figure does not include any System Expansion Surcharge (“SES”) and Incremental Tax Equivalent (“ITE”) amounts. Line 9 of Table 9 at page 32 of the Company’s evidence shows the total annual revenue deficiency for the first ten years beginning from the time the thirty-nine projects would be constructed as described in the Company’s evidence. It is these amounts that the Company proposes to recover from all customers under its proposal.

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INTERROGATORY #11

Reference: EGD Evidence/p. 20

Is it EGD's position that as long as the impact on customers is limited to \$2 per month, subsidies to fund expansion should go forward? Given there are risks to its customers related to attachment forecasts and costing forecasts, how would EGD ensure that this threshold is not exceeded?

RESPONSE

The results of the analysis of the Company's proposal in this proceeding are based on preliminary cost and revenue estimates for the thirty-nine potential community expansion projects listed. Based on this analysis the estimated average bill impact for a residential customer would be \$12.11 per year, or just over \$1.00 per month (Ref. Enbridge Evidence, Exhibit R3, page 32). The Company's proposal calls for the PI of the Community Expansion Portfolio to be managed to a level of 0.5 or greater. This constraint will limit the degree of ratepayer subsidy attributable to the proposed program.

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INTERROGATORY #12

Reference: EGD Evidence/p. 20

On what basis does EGD believe it is prudent to spend \$410 million to connect natural gas service to potentially 16,000 customers? At what point would EGD consider a subsidy too large to proceed?

RESPONSE

The proposal put forward by the Company in this proceeding has been made in response to an invitation from the Ontario Energy Board, by its letter of February 18, 2015, to bring forward proposals to extend gas distribution service to currently unserved areas in Ontario. In this letter the Board recognized that regulatory flexibility may be required in order to enable such expansion and that it would consider proposals for regulatory flexibility or exemptions from the existing system expansion feasibility guidelines. The analysis presented in the Company's evidence in this proceeding outlines the Company's community expansion proposal. The analysis of the thirty-nine potential community expansion projects is intended to illustrate how the implementation of this proposal would impact customers based on information currently available with respect to these projects. The Company believes that it has put forward a balanced proposal which, if adopted, will allow it to extend service to many unserved communities while limiting the impact to existing customers to a reasonable level. In the Company's view it will be ultimately up to the Board to determine to what extent subsidy amounts beyond that currently allowed under the existing feasibility guidelines are appropriate.

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INTERROGATORY #13

Reference: EGD Evidence/p. 21

How was the \$0.23/m<sup>3</sup> System Expansion Surcharge derived? Would EGD be willing to have different levels of the SES depending upon the economics of the projects? If not, why not?

RESPONSE

The \$0.23/m<sup>3</sup> SES was set at a level that would enable community expansion project customers to contribute to the cost of serving them beyond what they would pay based on Enbridge's base rates while still enabling them to recover the cost of converting their heating and water heating systems to natural gas within a reasonable period of time. Based on an average annual residential consumption of 2,400 m<sup>3</sup> per year the SES would generate \$552 dollars per year of additional revenue per customer. It is the Company's preference to have a single SES that would apply to all community expansion projects. The main reasons for this are that in the Company's view a single SES in the form of a rate rider would negate the need for the added administrative burden of approving and managing multiple rate plans across many communities and would be much more consistent with the form of postage stamp rates applicable to the vast majority of the Company's customers.

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INTERROGATORY #14

Reference: EGD Evidence/p. 22

EGD is proposing an Incremental Tax Equivalent (“ITE”) based on the estimated value of incremental property taxes collected from the utility as a result of a community expansion project in that community. Why would EGD not seek to recover more money from the municipalities? Has EGD sought financial contributions from any of the municipalities included on the list of potential expansion projects? If not, why not?

RESPONSE

Enbridge has not sought to recover more funds from the municipalities beyond what it has described in its EB-2016-0004 proposal. The Company has not done this because it believes the proposed ten year ITE will provide for a reasonable contribution from the municipalities associated with the community expansion projects.

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INTERROGATORY #15

Reference: EGD Evidence/p. 26

If EGD's proposals are approved how will it decide how to prioritize which communities to serve first? Would EGD provide service earlier to communities willing to provide a contribution in aid of construction?

RESPONSE

Provided that the outcome of this proceeding will enable the Company to move forward with community expansion projects it is anticipated that these projects would be prioritized based on their individual project PI. If a community were to offer funding beyond the level provided for by the ITE it is expected that the PI of the project to serve that community would improve and therefore the priority of this project would likely increase relative to the other community expansion projects under consideration.

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INTERROGATORY #16

Preamble: At Exhibit A Tab 1 page 8 of Union's evidence Union makes the following assertion:

Even if the Board is unable to accept the concept that a limited level of cross subsidization from existing to new customers is in the public interest, enabling lowered individual project threshold PI's to below 0.8 is appropriate. The rationale for this is that Union's recent Rolling Project Portfolio history has resulted in a positive NPV averaging \$14.6 million per year over the most recent three years, and a similar pattern has existed for an extended number of years. Absent the provision of a minimum project PI threshold of 0.8, this annual \$14.6 million favourable NPV could have been used to support additional projects at PI's lower than 0.8 even without a need for subsidization from existing customers.

- a) Please describe EGD's pattern with respect to its Annual NPV relative to the \$14.6 million cited by Union. Please provide an analysis illustrating how the change proposed by Union above might permit EGD to complete some of its proposed projects, including an assessment as to how many of the 39 listed projects would become feasible by allowing projects to go below an individual PI of .8 without compromising the existing Rolling Project Portfolio PI requirements. In doing the analysis please assume that both TES and ITE revenue is available as proposed by EGD; please also comment on the pace of the completion of the projects that would be result from the use of the "surplus" NPV to offset the cost of projects below a PI of .8.

RESPONSE

Enbridge Gas Distribution's past three year average NPV for its Rolling Project Portfolio (RPP) is approximately \$40 million positive [reference Table 7, page 30 of Enbridge evidence]. It may be possible to schedule certain community expansion projects in a way that would allow the surplus created by the current RPP to accommodate the shortfall created by these projects in an individual year. However, as a solution for the entire portfolio of projects this is not practical given the numerous complexities involved in project timing and execution. Moreover this concept as proposed ignores the utility's obligation to manage its Investment Portfolio at a PI of greater than 1.0. Given the desire of the Province to make extension of gas services to currently unserved



communities a priority, it is the Company's position that it is more appropriate to consider the impact of the Community Expansion Program on existing customers. As such, Enbridge will not undertake this analysis at this time.