

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
RESPONSES TO INTERROGATORIES OF SOUTHERN BRUCE

2 – Southern Bruce (EDGI) –

INTERROGATORY #1

Reference: i) Page 3, Paragraph 7

Preamble: "A framework that requires the customers of one utility to subsidize expansion undertaken by another distributor would be contrary to the cost of service approach that, as set out in the Low Income decision, continues to be the root principle of the determination of rates by the Board. The cost of service of a particular utility does not and cannot include costs of subsidizing activities of another utility. Furthermore, in order to give effect to a framework for the customers of one utility to subsidize expansion by another utility, it would be necessary for the Board to allocate the subsidization amounts to particular utilities and for the benefit of particular communities that are not currently served by a distributor. In the Company's view the Board has no jurisdiction under the governing legislation to make decisions about how funds recovered in rates from customers of a utility are to be allocated to other utilities and for the benefit of particular communities not currently served by a distributor."

- a) Is it Enbridge's position that the Ontario Energy Board's uniform transmission tariff is *ultra vires*?
- b) If no, why not?

RESPONSE

- a) No.
- b) This question raises a legal issue which Enbridge will respond to in argument however, Enbridge is not aware of any basis for questioning whether the approval or fixing of a uniform transmission rate for electricity distribution in Ontario is within the jurisdiction of the Board.

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
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3 – Southern Bruce (EDGI) –

INTERROGATORY #2

Reference i) Page 3, Paragraph 10

Preamble: “In the early years community expansion projects tend to be detractors to profitability, however at some future point the cash flows cross over such that these projects begin to contribute to profitability. Except for the most profitable customer additions, existing customers typically support the revenue requirement of new customers for a period of time through rates. Overtime, as the revenue requirement associated with these new customers’ declines, they contribute to lowering rates for customers who preceded them and cross subsidize newer customers. Under this model Enbridge has been successful in doubling the number of customers in its franchise since the early 90’s which contributed to minimizing of rate increases during this period.”

- a) Is Enbridge opposed to competing with new entrants on a level playing field?
- b) How does the Board permitting cross-subsidies within a single utility, as described in your evidence, facilitate competition on a level playing field with new entrants?

RESPONSE

- a) No.
- b) Enbridge is of the view that within the context of this proceeding the main concern of the Board should be how to support the extension of gas distribution services to as many Ontario consumers as possible without imposing an undue burden on existing natural gas consumers, not how to subsidize the activities of new entrants to the market. The cross-utility subsidy model suggested by some parties to this proceeding is severely flawed in that it ignores certain fundamental attributes and principles of utility economics. Should the Board decide a new entrant is able to provide gas service to currently unserved communities, Enbridge would expect the Board to allow for cross subsidies in this new entrant’s rates that are the same as or similar to those contained in incumbent utility rates.

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
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9 – Southern Bruce (EDGI) –

INTERROGATORY #3

Reference:

- a) Does Enbridge object to municipalities that do not currently have natural gas service being permitted to choose the entity to be awarded the franchise to bring natural gas to the community?
- b) ? If it does oppose the right of a municipality to award the franchise, please explain the company's reasons for objecting.

RESPONSE

- a) No, subject to the Ontario Energy Board approving the franchise agreement and granting a certificate of public convenience and necessity for the construction of gas works to the particular community.
- b) Please see the Company's response to part (a) of this question.

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
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9 – Southern Bruce (EDGI) –

INTERROGATORY #4

Reference:

- a) Would Enbridge consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that neither Union or Enbridge is planning to serve under their community expansion programs. If yes, please explain the reasons.
- b) Would Enbridge consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that either Union or Enbridge is planning to serve under their community expansion programs if the other entity is prepared to provide service significantly early. If yes, please explain the reasons.
- c) In the event that a community is located such that either Union or Enbridge would be able to provide service under their community expansion programs, what criteria should the OEB use to determine which utility should be granted the right to proceed with its proposal?
 - iii. Should cost be a primary consideration?
 - iv. Should the local community have the right to choose its distributor?
- d) Should the OEB be open to approving the leave-to-construct applications from each distributor, should both file applications?

RESPONSE

- a) Yes, Enbridge would consider it appropriate for the OEB to deny a leave to construct to an entity that claims to be able to provide service to a community if the entity could not demonstrate that it can meet the operational and financial requirements to operate as a gas distributor in the Province or satisfy any other aspect of the Board's leave to construct requirements.

- b) Yes, please see the Company's response to part (a) of this question. If the requirements noted in part (a) of this question cannot be met by a project proponent the promised date of first service is of little relevance.
- c) All else equal, in the event that a community is located such that either Union Gas or Enbridge would be able to provide service, Enbridge is of the view that the company that can deliver the most favourable economic result for the expansion community while having the lower upward impact on existing rates should proceed with the project. Enbridge expects that if this approach were to be followed that the community would act rationally and support the project proponent that could best meet these criteria.
- d) Enbridge is not opposed to the OEB being open to entertain leave to construct applications from each distributor, should both companies file applications for the same project. However, should this occur Enbridge would expect the Board to determine which application best serves the public interest. While the Board could choose to approve franchise agreements for both applicants, Enbridge expects that when determining the public interest the Board would grant a certificate of public convenience and necessity to only one of the applicants.