

K3.2

EPCOR cross examination of Enbridge --- References

1. Enbridge Interrogatory responses S3.EGDI.VECC.3 and S3.EGDI.SEC.22
2. Enbridge Evidence, page 9 of 36, para. 30.
3. Enbridge interrogatory response, S3.EGDI.EPCOR.2
4. Enbridge interrogatory responses S3.EGDI.IGUA.8 and S3.EGDI.BOMA.13
5. Enbridge Evidence, page 7 of 36, para. 25
6. Enbridge Evidence, page 4 of 36, para. 14.
7. Enbridge Evidence page 22 of 36, paragraphs 64-66.
8. Enbridge interrogatory response S3.EGDI.BSTAFF.11.

**ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
RESPONSES TO INTERROGATORIES OF VECC**

INTERROGATORY #3

Reference: All

- f) Please produce a table which shows the elements of the proposal of EGD and contrasts and compares that with the proposal of Union Gas.
- g) Please provide a column in the above table with EGD's comment as to the reason for the difference in any specific aspect of the two proposals.

RESPONSE

f) and g) Please see the requested comparison Enbridge vs. Union Gas

	Elements of proposal	Enbridge	Union	Comments
1	Revenue surcharge in addition to existing distribution revenue	System Expansion Surcharge (SES) to be charged over 40 years	Temporary Expansion Surcharge (TES) applicable up to a maximum of the first 10 years after in service date of the project	Enbridge proposal provides a better PI, and allows more projects under consideration to go forward.
2	Revenue surcharge rate	\$0.23 / m ³	\$0.23 / m ³	Same
3	Treatment of revenue surcharge	Revenue	Revenue	Same
4	Municipal tax rebate (ITE)	To be applied over 10 years	To be applied up to 10 years	Enbridge proposal fixed ten years.
5	Community Expansion Portfolio (the "CE Portfolio")	Separate rolling portfolio for defined expansion projects	Projects with PI > 0.4 can go forward	Allows a degree of cross subsidy with the CE Portfolio, more projects under consideration by Enbridge can proceed

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

INTERROGATORY #22

[p.27, Table 5] Please provide a table showing for each listed community expansion project:

- a. total SES forecasted to be collected
- b. total ITE amount to be collected
- c. the amount forecasted to be collected from existing customers to make up the shortfall in the PI

RESPONSE

Due to the manner in which the models used to calculate these tables are constructed Enbridge is unable to provide the information requested for each individual project at this time. In order to be responsive Enbridge is providing the requested information in aggregate for all 39 projects.

- a. Total SES to be collected over 40 years - \$414.84 million
- b. Total ITE amount to be collected over 10 years - \$12.99 million
- c. The amount forecast to be collected from existing customers over 40 years- \$439.22 million

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

INTERROGATORY #2

Reference: Enbridge Evidence, Page 31 of 36, Paragraph 91

Preamble: Enbridge states "The PI includes all capital costs of facilities for all new customers added during a test year including the cost of system reinforcement projects and the costs associated with adding customers to existing mains."

Request:

Has Enbridge ever charged the "cost of system reinforcement" or "the costs associated with adding customers to existing mains" in respect of any franchises? If yes, please provide details of all instances. If no, why not and why does Enbridge propose a change now?

RESPONSE

Enbridge does not charge the system reinforcement costs or costs associated with adding customers to existing mains based on the franchises in which the Company operates. System reinforcement costs are normalized, amortized and become part of the capital cost attributable to every customer addition. The Company treats these costs this way so as to be in compliance with the current EBO 188 Guidelines.

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

INTERROGATORY #8

Reference: *Comments on Economic Issues Raised in EB-2016-0004*, filed on behalf of Parkland Fuel, paragraph 1.8.

In their evidence, Mr. Dasgupta and Dr. Nieberding discuss the load forecast risk associated with gas system expansions.

- (a) Is EGD willing to assume the load forecast risk associated with its expansion program?
- (b) If not, how does EGD propose to allocate that risk?

RESPONSE

- a) Please see the Company's response to BOMA interrogatory #13 at Exhibit S3.EGDI.BOMA.13.
- b) Please see the Company's response to BOMA interrogatory #13.

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

INTERROGATORY #13

General

Ref: Page 9, Paragraph 31

- (a) Will the ratepayers' funds paid in rates, in the event the costs for particular projects were less than forecast, be returned to ratepayers? How would this happen?
- (b) Please confirm that under the Y-factor treatment proposed by EGD for the \$410 million CEP capital costs, existing utility ratepayers would be responsible for the payment of any cost overruns relative to forecasts of the capital costs on the community expansion projects and the incremental rate base and revenue requirements that would result. If so, please explain in what circumstances utility ratepayers would not be responsible.
- (c) EGD has stated that it should not be at risk for the expansion program. Why should EGD shareholders be held harmless from liability for any cost overruns and against any other risks which materialize in the expansion programs, when they will be a major beneficiary of the program?

RESPONSE

- a) Under the Company's proposal the actual costs of any community expansion project would be closed to rate base. The Company's revenue requirement and rates would be based on this actual value; as such there would not be any amount payable to ratepayers to be returned to them.
- b) Under the Company's proposal the actual costs of any community expansion project would be closed to rate base. The Company's revenue requirement and rates would be based on this actual value. If cost overruns relative to the forecast capital costs of the community expansion projects were to be incurred, such costs would be recoverable in rates provided that they were prudently incurred.

- (c) Enbridge does not believe that it should be at any greater risk with respect to the recovery of costs associated with community expansion projects than it would be for any project undertaken by the Company.

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

INTERROGATORY #1

Reference: Enbridge Evidence, Page 9 of 36, Paragraph 32.

Preamble: In its evidence, Enbridge Gas Distribution Inc. ("Enbridge") states that it "sees no reason to impose further conditions or to make other changes to the current form of Municipal Franchise Agreement or Certificates of Public Convenience and Necessity."

Request:

- (a) Provide a list of all new Franchise Agreements that Enbridge has entered into with a municipality since 1997, and include the counterparty to each agreement, the date of the agreement and if the Franchise Agreement has been approved by the OEB, the OEB order number approving the Franchise Agreement and, where applicable, the CPCN.
- (b) Provide a list of all Franchise Agreements to which Enbridge is or has been a party in respect of which Enbridge has not constructed any facilities connecting new customers within the franchise area to its system, and include the counterparty to each agreement, the date of the agreement and the OEB order number approving the Franchise Agreement and, where applicable, the CPCN.
- (c) Provide a list of all Franchise Agreements to which Enbridge is or has been a party that have been renewed at or after the completion of the initial term, and include the counterparty to the agreement, the date of the agreement and the OEB order number approving the Franchise Agreement and, where applicable, the CPCN.
- (d) Identify the Franchise Agreements listed in the response to (c) above with respect to which no facilities had been constructed connecting new customers within the franchise area to Enbridge's system at the time of the expiry of the initial term of the Franchise.

- (e) Provide a list of all Franchise Agreements to which Enbridge is or has been a party or has in the past been a party where the counterparty municipality has been granted the right to terminate the Franchise Agreement if construction of facilities to connect customers within the Franchise area to Enbridge's system has not commenced within a certain period of time.
- (f) For each Franchise Agreement identified in the response to (e) above, provide a copy of the relevant termination clause(s).

RESPONSE

- a) – d) Please see the attached table.
- e) Enbridge is not aware of any franchise agreements being terminated.
- f) Not applicable.

Municipality Type	Municipality Name	Region Name	OEB Order #	Order Date	CPCN	Service in Municipality
Township of	AMARANTH	DUFFERIN	EB-2008-0373	January 30, 2009	EBC 49	Yes
County of	DUFFERIN	DUFFERIN	Public Service Works on Highways Act	N/A	N/A	
Township of	EAST GARAFRAXA	DUFFERIN	EB-2008-0391	January 28, 2009	EBC 223	Yes
Township of	GRAND VALLEY	DUFFERIN	EB-2014-0325	December 11, 2014	EB-2014-0325 and EB-2014-0332	Yes
Township of	MELANCTHON	DUFFERIN	EB-2008-0344	December 18, 2008	EBC 281	Yes
Town of	MONO	DUFFERIN	RP-2003-0238/EB-2003-0297	March 16, 2004	EBC 31	Yes
Township of	MULMUR	DUFFERIN	EB-2008-0333	January 5, 2009	EBC 48	Yes
Town of	ORANGEVILLE	DUFFERIN	RP-2001-0023/EB-2001-0316	November 7, 2002	EBC 2	Yes
Town of	SHELBURNE	DUFFERIN	EB-2008-0267	September 18, 2008	EB-2008-0266	Yes
Town of	AJAX	DURHAM	EB-2010-0181	July 16, 2010	Ajax FBC 75, Pickering Village FBC 10	Yes
Township of	BROCK	DURHAM	EB-2013-0209	July 18, 2013	EB-2013-0210	Yes
Municipality of	CLARINGTON	DURHAM	EBA 849	March 11, 1999	Darlington FBC 76, Newcastle EBC 103, Clarke - PCN- no #	Yes
Regional Municipality of	DURHAM	DURHAM	RP-2003-0211/EB-2003-0278	July 15, 2004	N/A	
City of	OSHAWA	DURHAM	RP-2001-0051/EB-2001-0725	April 25, 2003	EBC 120	Yes
City of	PICKERING	DURHAM	EB-2009-0142	July 10, 2009	FBC 10 Dated 19560515	Yes
Township of	SCUGOG	DURHAM	RP-2000-0242	March 13, 2001	EB-2000-0040	Yes
Township of	UXBRIDGE	DURHAM	EBA 854	April 6, 1999	FBC 266, FBC 160, FBC 161	Yes
Town of	WHITBY	DURHAM	EB-2008-0406	March 11, 2009	EBC 121	Yes
County of	GREY	GREY	EB-2015-0263	October 22, 2015	N/A	
Township of	GREY HIGHLANDS	GREY	EB-2015-0161	June 25, 2015	EBC 234	Yes
Township of	SOUTHGATE	GREY	EB-2015-0036	March 26, 2015	EB-2015-0036	Yes
City of	KAWARTHA LAKES	KAWARTHA LAKES	RP-2005-0024/EB-2005-0458	December 9, 2005	Emily EBC 276, Lindsay FBC 118, Manvers FBC 241, Mariposa EB-2000-0039, Omemee FBC 158, Ops FBC 138	Yes
Township of	BECKWITH	LANARK	EBA 834	January 21, 1998	FBC 142	Yes
Town of	CARLETON PLACE	LANARK	EBA 840	May 14, 1998	FBC 132	Yes
Township of	DRUMMOND/NORTH ELMSLEY	LANARK	EBA 832	1998	FBC 185, FBC 136	Yes
County of	LANARK	LANARK	RP-2001-0019/EB-2001-0308	August 5, 2003	N/A	
Town of	MISSISSIPPI MILLS	LANARK	EB-2012-0372	December 13, 2012	EB-2012-0408	Yes
Township of	MONTAGUE	LANARK	EBA 810	November 24, 1997	FBC 141	Yes
Town of	PERTH	LANARK	EBA 802	August 12, 1997	FBC 147	Yes
Separated Town of	SMITHS FALLS	LANARK	EBA 821	March 4, 1998	FBC 130	Yes
Township of	TAY VALLEY	LANARK	EB-2006-0028	May 17, 2006	FBC 316	Yes
Township of	ATHENS	LEEDS AND GRENVILLE	EB-2004-0517	February 10, 2005	EB-2004-0517	Yes
City of	BROCKVILLE	LEEDS AND GRENVILLE	EBA 764	July 25, 1997	EBC 61	Yes
Township of	ELIZABETHTOWN-KITLEY	LEEDS AND GRENVILLE	EBA 817	December 5, 1997	FBC 139, FBC 238	Yes
United Counties of	LEEDS AND GRENVILLE	LEEDS AND GRENVILLE	RP-2001-0020/EB-2001-0311	October 16, 2003	N/A	
Township of	LEEDS AND THE THOUSAND ISLANDS	LEEDS AND GRENVILLE	EBA 800	November 3, 1997	FBC 262	Yes
Village of	MERRICKVILLE-WOLFORD	LEEDS AND GRENVILLE	RP-2002-0121/EB-2002-0380	October 7, 2002	EB-2002-0380	Yes
Township of	NORTH GRENVILLE	LEEDS AND GRENVILLE	RP-2000-0074/EB-2000-0200	January 9, 2004	EB-2003-0153	Yes
Township of	RIDEAU LAKES	LEEDS AND GRENVILLE	EBA 801	July 9, 1997	FBC 181	Yes
Town of	FORT ERIE	NIAGARA	RP-2000-0063 / EB-2000-0152	August 28, 2002	EBC58 & EBC58A	Yes
Town of	GRIMSBY	NIAGARA	EBA 760	November 20, 1996	EBC 59	Yes
Town of	LINCOLN	NIAGARA	EB-2011-0139	June 24, 2011	Beamsville EBC 59, Clinton EBC 59, Louth EBC 58 & 58A	Yes
Regional Municipality of	NIAGARA	NIAGARA	EB-2009-0307	October 23, 2009	N/A	
City of	NIAGARA FALLS	NIAGARA	RP-1999-0046	February 19, 2002	EBC 58 & 58A	Yes
Town of	NIAGARA-ON-THE-LAKE	NIAGARA	EB-2016-0047	April 14, 2016	EBC 58 & 58A	Yes
Town of	PELHAM	NIAGARA	EB-2014-0049	April 10, 2014	EBC 58A	Yes
City of	PORT COLBORNE	NIAGARA	EBA 855	July 13, 1998	EBC 58 & 58A	Yes
City of	ST. CATHARINES	NIAGARA	RP-2002-0115/EB-2002-0310	January 27, 2003	EBC 58 & EBC58 A	Yes
City of	THOROLD	NIAGARA	RP-2004-0494	January 27, 2005	EBC 58 & EBC 58A	Yes

Municipality Type	Municipality Name	Region Name	OEB Order #	Order Date	CPCN	Service in Municipality
Township of	WAINFLEET	NIAGARA	RP-2000-0024 / EB-2000-0085	June 11, 2002	EBC 58 & 58A	Yes
City of	WELLAND	NIAGARA	EB-2011-0378	January 27, 2012	EBC 58A	Yes
Township of	WEST LINCOLN	NIAGARA	EB-2011-0237	July 29, 2011	EB-2011-0238	Yes
Municipality of	BRIGHTON	NORTHUMBERLAND	RP-2003-0222/EB-2003-0280	July 23, 2014	EBC 74	Yes
County of	NORTHUMBERLAND	NORTHUMBERLAND	EB-2006-0218	December 21, 2006	N/A	
Municipality of	TRENT HILLS	NORTHUMBERLAND	EB-2012-0463	March 12, 2013	EB-2012-0486	Yes
City of	OTTAWA	OTTAWA	EB-2006-0032	June 22, 2006	Cumberland FBC 196, Eastview FBC 193, Fitzroy FBC 145, Gloucester FBC 263, Goulbourn FBC 200, Huntley FBC 144, March FBC 143, Nepean FBC 264, Osgoode FBC 182, Ottawa and Rockcliffe Park EBC 60, Rideau EBC 165	Yes
City of	BRAMPTON	PEEL	RP-2005-0023/EB-2005-0456	December 16, 2005	EB-2005-0457	Yes
Town of	CALEDON	PEEL	EB-2008-0400	March 13, 2009	EB-2008-0410	Yes
City of	MISSISSAUGA	PEEL	EB-2010-0188	July 8, 2010	EB-2010-0189	Yes
Regional Municipality of	PEEL	PEEL	EB-2014-0192	September 4, 2014	N/A	
Township of	ASPHODEL-NORWOOD	PETERBOROUGH	EBA 842/843	August 24, 1998	EBC 273	Yes
Township of	CAVAN MONAGHAN	PETERBOROUGH	RP-2004-0125/EB-2004-0199	August 9, 2004	EB-2004-0198	Yes
Township of	DOURO-DUMMER	PETERBOROUGH	RP-2004-0217/EB-2004-0447	February 14, 2005	EB-2004-0455	Yes
Township of	HAVELOCK-BELMONT-METHUEN	PETERBOROUGH	RP-2000-0108/EB-2000-0264	April 25, 2003	EB-2004-0516	Yes
Township of	OTONABEE-SOUTH MONAGHAN	PETERBOROUGH	RP-2000-0017/EB-2000-0057	April 15, 2003	EB-2002-0439	Yes
City of	PETERBOROUGH	PETERBOROUGH	RP-1999-0042	April 15, 2003	EB-2002-0438	Yes
County of	PETERBOROUGH	PETERBOROUGH	RP-2001-0021	June 24, 2002	N/A upper Tier	Yes
Township of	SELWYN	PETERBOROUGH	EB-2011-0006	February 11, 2011	EB-2007-0674	Yes
Township of	ALFRED AND PLANTAGENET	PRESCOTT AND RUSSELL	EB-2006-0102	August 17, 2006	EB-2006-0103	Yes
Village of	CASSELMAN	PRESCOTT AND RUSSELL	EB-2015-0146	June 25, 2015	EBC 215	Yes
Township of	CHAMPLAIN	PRESCOTT AND RUSSELL	EB-2015-0284	December 31, 2015	EB-2015-0284	Yes
City of	CLARENCE-ROCKLAND	PRESCOTT AND RUSSELL	RP-2003-0198/EB-2003-0245	August 5, 2004	EB-2003-0269	Yes
Town of	HAWKESBURY	PRESCOTT AND RUSSELL	EBA 787	April 23, 1997	FBC 134	Yes
United Counties of	PRESCOTT AND RUSSELL	PRESCOTT AND RUSSELL	RP-2001-0022/EB-2001-0314	October 30, 2002	N/A	
Township of	RUSSELL	PRESCOTT AND RUSSELL	RP-2000-0120/EB-2000-0290	August 11, 2003	EBC 216	Yes
Municipality of	THE NATION	PRESCOTT AND RUSSELL	EB-2007-0058	May 7, 2007	EB-2007-0059	Yes
Township of	ADMASTON/BROMLEY	RENFREW	BROMLEY - RP-1999-0018 ADMASTON - RP-1999-0015	BROMLEY - May 28, 1999 ADMASTON - May 28, 1999	FBC 313, FBC 317	Yes
Town of	ARNPRIOR	RENFREW	EBA 816	December 10, 1997	FBC 131	Yes
Town of	DEEP RIVER	RENFREW	EB-2011-0097	May 11, 2011	EBC 194	Yes
Township of	HORTON	RENFREW	EBA 797	July 8, 1997	FBC 199	Yes
Town of	LAURENTIAN HILLS	RENFREW	EB-2011-0096	May 27, 2011	Chalk River EBC 272, Rolph, Buchanan, Wylie, McKay EBC 193	Yes
Township of	LAURENTIAN VALLEY	RENFREW	EBA 799	June 13, 1997	FBC 138, FBC 137, FBC 178	Yes
Township of	MCNAB/BRAESIDE	RENFREW	RP-2000-0020/EB-2000-0072	July 21, 2000	EB-2000-0072	Yes
City of	PEMBROKE	RENFREW	EB-2011-0426	February 2, 2012	FBC 150	Yes
Town of	PETAWAWA	RENFREW	RP-1999-0029 / EB-1999-0321	February 13, 2003	EB-2003-0291	Yes
Town of	RENFREW	RENFREW	EBA 761	December 16, 1996	FBC 149	
County of	RENFREW	RENFREW	RP-2003-0223/EB-2003-0282	January 21, 2005	N/A	Yes
Township of	WHITEWATER REGION	RENFREW	EB-2006-0229	October 10, 2006	EB-2006-0230	Yes
Township of	ADJALA-TOSORONTIO	SIMCOE	EBA 737	July 9, 1996	EBC 246	Yes
City of	BARRIE	SIMCOE	EB-2014-0441	March 6, 2014	FBC 165	Yes
Town of	BRADFORD WEST GWILLIMBURY	SIMCOE	EBA 745	July 19, 1996	FBC 94, FBC 153, fbc 319	Yes
Township of	CLEARVIEW	SIMCOE	EBC 266	July 4, 1997	EBC 266	Yes
Town of	COLLINGWOOD	SIMCOE	EBA 784	May 26, 1997	FBC 96	Yes
Township of	ESSA	SIMCOE	EBA 766	January 23, 1997	FBC 315	Yes
Town of	INNISFIL	SIMCOE	EB-2008-0416	July 2, 2009	Innisfil EBC 53, Cookstown EBC 104	Yes
Town of	MIDLAND	SIMCOE	EBA 811	December 5, 1997	FBC 92	Yes
Town of	NEW TECUMSETH	SIMCOE	EB-2012-0389	December 20, 2012	EB-2012-0409	Yes

Municipality Type	Municipality Name	Region Name	OEB Order #	Order Date	CPCN	Service in Municipality
Township of	ORO-MEDONTE	SIMCOE	EBA 809	November 24, 1997	EBC 102 / EBC 183	Yes
Town of	PENETANGUISHENE	SIMCOE	EBA 759	February 5, 1997	FBC 249	Yes
Township of	SEVERN	SIMCOE	EB-2013-0286	October 17, 2013	EB-2013-0296	Yes
County of	SIMCOE	SIMCOE	RP-2002-0104/EB-2002-0129	April 25, 2003	N/A	
Township of	SPRINGWATER	SIMCOE	EBA 820	January 23, 1998	FBC 203, FBC, 333, FBC 314	Yes
Township of	TAY	SIMCOE	EBA 813	December 5, 1997	EBC 70, FBC 105, FBC 121	Yes
Township of	TINY	SIMCOE	EBA 815	December 5, 1997	FBC 242	Yes
Town of	WASAGA BEACH	SIMCOE	EBA 765	January 27, 1997	EBC 190	Yes
Township of	NORTH GLENGARRY	STORMONT, DUNDAS & GLENGARRY	EB-2006-0333	March 23, 2007	EB-2006-0333	Yes
Township of	NORTH STORMONT	STORMONT, DUNDAS & GLENGARRY	EB-2007-0955	April 4, 2008	EB-2007-0956	Yes
Township of	SOUTH GLENGARRY	STORMONT, DUNDAS & GLENGARRY	EB-2012-0417	January 10, 2013	EB-2007-0957	Yes
United Counties of	STORMONT, DUNDAS & GLENGARRY	STORMONT, DUNDAS & GLENGARRY	EB-2004-0446	January 31, 2005	N/A	
City of	TORONTO	TORONTO	Act to Incorporate the Consumers' Gas Company of Toronto	March 1848	N/A	
County of	WELLINGTON	WELLINGTON	Public Service Works on Highways Act			
Town of	ERIN	WELLINGTON	RP-2002-0105/EB-2002-0222	November 7, 2002	EB-2004-0482	Yes
Town of	AURORA	YORK	EB-2012-0306	September 20, 2012	FBC 78	Yes
Town of	EAST GWILLIMBURY	YORK	EBA 812	October 21, 1997	FBC 108	Yes
Town of	GEORGINA	YORK	EBA 827	May 14, 1998	FBC 107, FBA 125, FBC 124	Yes
Township of	KING	YORK	EBA 782	April 14, 1997	FBC 84	Yes
Town of	MARKHAM	YORK	EB-2015-0280	December 3, 2015	EB-2015-0280	Yes
Town of	NEWMARKET	YORK	EB-2011-0345	October 31, 2011	FBC 79	Yes
Town of	RICHMOND HILL	YORK	EB-2009-0310	March 9, 2010	FBC 4	Yes
City of	VAUGHAN	YORK	EBA 757	November 8, 1996	FBC 6 & No # Dated 19560910	Yes
Town of	WHITCHURCH-STOUFFVILLE	YORK	EB-2013-0336	December 5, 2013	EB-2013-0337	Yes
Regional Municipality of	YORK	YORK	EB-2007-0088	May 30, 2007	N/A upper Tier	

New franchise since 1997.

Note: re McNab-Braeside. Enbridge previously had a franchise agreement with Braeside only since 1957 until the amalgamation on January 1, 1998.

Note: re Asphodel-Norwood. Enbridge previously had a franchise agreement with Norwood only since 1958 until the amalgamation on January 1, 1998.

ENBRIDGE GAS DISTRIBUTION INC. (ENBRIDGE)
RESPONSES TO INTERROGATORIES OF BOARD STAFF

INTERROGATORY #11

Ref: Evidence of Canadian Propane Association, Exh. 3, Tab 3, Page 6

The evidence of Canadian Propane Association (CPA) notes that in the event the OEB authorizes cross-utility subsidization to occur, such that customers of one utility subsidize the expansion undertaken by another distributor, the OEB can mitigate some of the adverse impacts by removing the return on rate base component embedded in the subsidy so that there is only a return “of” and not “on” the capital investment associated with the expansion. With the return component removed, utilities will continue to benefit from the remaining non-financial, social and other benefits of natural gas expansion.

- a) Please provide Enbridge’s opinion on the approach proposed by CPA.
- b) Does Enbridge agree with the proposed approach of the CPA? If no, why not?

RESPONSE

- a) Enbridge does not agree with the approach proposed by CPA.
- b) The return on equity approved to be earned by the Company on all of its asset requirements has been determined by the Ontario Energy Board to be just and reasonable. The Company sees no reason why this level of return would not be applicable to the assets employed to serve community expansion projects just like all other required assets. Enbridge would not be willing to earn a different rate of return on any required Utility Asset as this would affect financial risk and test ratios which are commensurate with the current Ontario Energy Board approved return on equity formula.

A similar proposition concerning the potential for reduced return on equity was posed by Board Staff in the Company’s GTA Project leave to construct application in 2012. The Company responded to this suggestion in its reply argument in that proceeding. Enbridge is of the view that the same response applies with respect to the suggestion made by the CPA in this proceeding in regard to the potential for reduced return on investment for community expansion projects. (Reference:

EB-2012-0451, EB-2012-0433, EB-2013-0074, Enbridge Reply Argument, page 9 of 48)

“The Board’s Report on the Cost of Capital for Ontario’s Regulated Utilities (“Cost of Capital Report”) puts it beyond any doubt that the opportunity of a utility’s shareholder to earn a return in accordance with the Fair Return Standard (“FRS”) is not a “reward”. The principles laid out by the Board in the Cost of Capital Report include the following:

... a cost of capital determination made by a regulator that meets the FRS does not result in economic rent being earned by a utility; that is, it does not represent a reward or payment in excess of the opportunity cost required to attract capital for the purpose of investing in utility works for the public interest. Further, the Board reiterates that an allowed ROE is a cost and is not the same concept as a profit, which is an accounting term for what is left from earnings after all expenses have been provided for.¹”

(Emphasis added.)

¹ EB-2009-0084; Report of the Board on the Cost of Capital for Ontario’s Regulated Utilities, December 11, 2001, pages 19-20.