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**File No. 339583/000234**

June 10, 2016

**By Electronic Filing**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms Walli,

<b>Re:</b>	<b>Enbridge Gas Distribution Inc. ("EGD") 2015 Earnings Sharing Mechanism and Other Deferral and Variance Accounts Clearance Review</b>
<b>Board File No.:</b>	<b>EB-2016-0142</b>

Pursuant to Procedural Order No. 1 dated May 26, 2016, please find enclosed the Interrogatories of Canadian Manufacturers & Exporters (CME) to EGD, in this proceeding.

Yours very truly,

A handwritten signature in blue ink, appearing to be 'VJD', followed by a long horizontal line extending to the right.

Vincent J. DeRose  
VJD/kt  
Encl.

c. Andrew Mandyam (EGD)  
David Stevens (Aird & Berlis)  
All Interested Parties EB-2016-0142  
Paul Clipsham and Ian Shaw (CME)

OTT01: 7677941: v1

**ONTARIO ENERGY BOARD**

**Enbridge Gas Distribution Inc.**

**Application for the disposition of amounts recorded in certain deferral or variance accounts and to share earnings with ratepayers.**

**INTERROGATORIES OF  
CANADIAN MANUFACTURERS & EXPORTERS (CME)  
TO ENBRIDGE GAS DISTRIBUTION INC. (EGD)**

**CME 1**

Ref: Exhibit B, Tab 2, Schedule 4

At Table 1, EGD provides a summary of capital expenditures comparing the 2015 actuals to the 2015 Board-approved budget. That Table shows that the total capital expenditures for 2015 were \$1,015.4M. This represents a spend of \$183M in excess over the Board-approved budget of \$832M.

- (a) From CME's review of the major drivers for this overspend, it appears that a significant portion is caused by a variety of delays that occurred in 2014. Please reproduce Table 1, "Summary of Capital Expenditures 2015 Actual and 2015 Board-Approved Budget" to include the 2014 actual and the 2014 Board-approved budgets; and
- (b) Table 1 shows that for system improvements and upgrades, EGD actually spent \$208.5M instead of the Board-approved budget of \$247.8M which represents an underspend of \$39.3M. Please provide a more fulsome explanation of the system improvements and upgrades that were not undertaken in 2015.

**CME 2**

Ref: Exhibit B, Tab 2, Schedule 4, page 3 of 5

With respect to facilities and general plant, EGD states that the tools and fleet equipment replacements were accelerated to meet "safety and reliability" concerns. This represented an overspend of \$7.1M. Please provide a description of the exact safety and reliability concerns, and the corresponding requirement to replace tools and fleet equipment. In providing this description, please identify whether any of the safety and reliability concerns are reflected in revised safety standards or other government regulations.

**CME 3**

Ref: Exhibit D, Tab 1, Schedule 2

EGD has provided an update on the status of the GTA project. Specifically, EGD advises that the actual 2015 costs were \$551M, as compared to the forecast of \$359.7M. Furthermore, EGD advises that the current approximate forecast of costs remaining to complete the project are an additional \$182.4M, and that the total project costs will be \$922M. At the time that the Board approved the GTA project, the total forecast project cost was \$686.5M.

CME is concerned with the significant increase in total estimated project costs, and would like to better understand why the project is exceeding the original Board-approved amounts. In this regard:

- (a) EGD states that the overall costs increase is driven by a number of factors including escalation of construction bid price, increased costs associated with greater construction complexity, and increased project duration due to longer permit acquisition timelines. Please provide:
  - (i) a more fulsome explanation for each of these cost drivers;
  - (ii) the estimated overspend associated with each of these factors; and
  - (iii) if the increased costs are associated with any contract disputes (with contractors or subcontractors), please explain.
- (b) EGD states that it will file further evidence about the GTA project costs within the 2019 rebasing application. Is it EGD's position that the prudence of the project costs will be subject to Board scrutiny during the 2019 rebasing application? If not, please identify the proceeding in which EGD believes the GTA project overspend will be subject to the Board's scrutiny;
- (c) Please confirm that no approvals sought in this current application have an impact on the ability of interested parties to scrutinize the GTA overspend in a future proceeding. If EGD believes that any of the approvals do limit or in any way affect the ability of parties to scrutinize the cost increases associated with the GTA project, please explain.

**CME 4**

Ref: Exhibit D, Tab 2, Schedule 1, page 15 of 17

In Table 7, EGD shows that it achieved its embedded reductions target of \$58.8M in 2015. EGD did so by realizing savings in embedded areas of productivity and through incremental productivity initiatives. EGD further states that the embedded reductions and incremental initiatives are expected to continue throughout the custom IR term.

CME would like to better understand the anticipated productivity enhancements that EGD anticipates it can continue to achieve in 2016 and beyond. To this end:

- (a) Please provide an estimate of the embedded and incremental savings which EGD believes it can achieve for both O&M and capital for 2016, 2017 and 2018;
- (b) Of the \$58.9M in savings achieved in 2015, does EGD believe that the savings associated with those productivity enhancements will continue beyond the custom IR term? If EGD believes that some of the productivity enhancements will not continue beyond the IR term, please identify those enhancements, provide an estimate of the savings associated with those enhancements, and provide an explanation for why those savings are not sustainable beyond the custom IR term.

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