

**INTERROGATORIES FOR UNION GAS LIMITED AND ENBRIDGE GAS
DISTRIBUTION INC.**

FROM THE CONSUMERS COUNCIL OF CANADA

MERGER APPLICATION

No-Harm Test

CCC-1

From Enbridge Inc.'s perspective what are the primary objectives of the merger? Under what circumstances would Enbridge Inc. not proceed with the merger? If the OEB reduced the rebasing deferral period to five years would the merger proceed?

CCC-2

(Ex. B/T1/p. 4)

The evidence states that the proposed amalgamation meets the no harm test and would have a positive effect on the attainment of the OEB's policy objectives. In financial terms, the Applicants estimate the cumulative benefit to customers of amalgamation to be \$410 million over the deferred rebasing period.

- a) Please explain how the amalgamation, and the proposal for a 10-year deferred rebasing period meets the no harm test.
- b) What is the expected cumulative benefit to Enbridge Inc. over the deferred rebasing period?
- c) Please explain how the \$410 million was derived and how that is allocated between Union and EGD customers. Please include all assumptions. Under the Applicants' proposal how is that benefit allocated among the customer classes?

CCC-3

(Ex. B/T1/p. 13) Please provide copies of all reports and studies undertaken by Enbridge Inc. regarding the proposed merger. Please provide all materials provided to the Board of Directors of Enbridge Inc., EGD and Union and the common shareholders of EGD and Union regarding the proposed merger.

CCC-4

(Ex. B/T1/p. 3)

The evidence states that the amalgamation allows for greater operating efficiencies, including potential economies of scale as well as continuous improvement through best practices and that these efficiencies provide direct and enduring benefits for both customers and Amalco. Under the Applicants' proposal for a 10-year rebasing

deferral period how will productivity improvements provide “direct and enduring benefits for customers”?

CCC-5

One of the basic premises of incentive regulation is that upon rebasing, ratepayers obtain the benefits arising from productivity improvements that were achieved during the rate plan period. If rebasing is deferred until 2029, how will customers benefit from the productivity improvements that were achieved in the 2014-2018 period?

CCC-6

In the EB-2012-0459 Decision, the OEB set out a number of reporting requirements. This included a commitment from EGD to provide an Annual Productivity Report to be filed as part of the ESM application and a Performance Metrics Benchmarking Report “to be filed at the end of the Custom IR term”. Please provide copies of the completed Annual Productivity Reports. What is the status of the Performance Metrics Benchmarking Report?

CCC-7

(Ex. B/T1/pp. 9-10)

At the end of December 2016 EGD had approximately 2,100 employees. At the end of December 2016 Union had approximately 2,300 employees.

- a) For both Union and EGD, please provide the number of employees/FTEs in each year 2014-2018.
- b) For each year of the deferred rebasing period what is the expected number of employees/FTEs?
- c) In 2016 EGD went through a corporate restructuring. How many employees left the company in 2016? What were the savings attributable to that restructuring initiative?
- d) Please provide copies of all studies undertaken related to workforce alignment within the new combined utility.

CCC-8

(Ex. B/T1/p. 9)

Please provide a detailed list of all of the cost reductions/efficiencies achieved since the Applicants have been under common ownership. (February 27, 2017)

CCC-9

(Ex. B/T1/p. 13)

Please recast Table 2 (Comparison of OM&A per Customer) to include 2017 data.

CCC-10

(Ex. B/T1/p. 17)

The evidence states that the Applicants do not expect the transaction costs related to the amalgamation to be material. Please provide a detailed list of the transaction and transition costs for Enbridge Inc., Union and EGD.

CCC-11

(Ex. B/T1/p. 21) What is the current status of the Asset Management Plans for EGD and Union? If they are completed please provide copies? Do Union and EGD have plans for a consolidated AMP? If so, when is that AMP expected to be completed? Will the Applicants be seeking approval of that plan from the OEB? If so, through what process?

CCC-12

(Ex. B/T1/p. 20-21)

Please explain, in detail, how the Applicants derived the capital expenditures included in the analysis provided in Table 3. Please explain how the Applicants derived the operating costs included in the analysis.

CCC-13

(Ex. B/T1/Attachment 12 – Capital Investment and High Level Estimated OM&A Savings for Utility Integration)

Please explain, in detail, how these numbers were derived. Please include all assumptions. How much of the \$680 million in expected savings will be shared with customers during the rate plan period.

CCC-14

(Ex. B/T1/p. 33)

The evidence states that initiatives to align the Enbridge corporate office functions across the enterprise are ongoing. Integration and optimization began in Q1 2017. What are the expected annual savings for Union and EGD related to these functions?

CCC-15

(Ex. B/T1/p. 33)

Union has always purchased services from its parent. EGD has always purchased services from its parent. For each year 2013-2018 please provide a detailed list of all services purchased from the relevant parent company, and the associated costs. Please include forecast and actual numbers in each year.

CCC-16

(Ex. B/T1/p. 35)

The evidence cites a savings estimate of \$14 million per year related to Engineering, Asset Management and Integrity, Public Affairs, DSM, Cap and Trade and other Low Carbon Business Development. Please explain how this number was derived.

CCC-17

(Ex. B/T1/p. 37)

The Applicants expect \$180 million in savings related to the alignment of the management structure within the merged entity. Please explain how this number was derived. Please include all assumptions.

CCC-18

(Ex. B/T1/p. 38)

In developing the Application and the proposed rate plan did Union and/or EGD specifically engage customers regarding the elements of the rate plan? If so, please provide the results of that customer engagement. If not, why not? Please provide copies of all materials related to the customer engagement referred to in the evidence (that undertaken in preparation of the 2019 rate applications).

CCC-19

What are the anticipated plans for customer engagement during the rate plan term? If customers supported a more balanced approach to earnings sharing (sharing of benefits with customers prior to year six or year 11), would the Applicants change their approach to earnings sharing? If not, why not?

Rebasing Deferral

CCC-20

(Ex. B/T1/p. 42)

The Applicants have proposed an earnings sharing mechanism that does not apply until year six of the deferred rebasing period. Would the Applicants accept a more balanced approach to earnings sharing – one that allowed customers to share in the benefits of the merger earlier in the rate plan period? If not, why not?

CCC-21

Please provide a table setting out all of the future commitments the Applicants have made or been directed to make during their respective rate plan terms (2013-2018) either through Settlement Agreements or Board Decisions (Board Directives). For each one, please provide the status of the commitment or directive.

RATE-SETTING MECHANISM

Rate-Framework

CCC-22

For EGD and Union please provide the following:

- a) A detailed table setting out forecast (Board approved) O&M costs for the period 2013-2018 and actual O&M costs by cost category.
- b) A detailed tables setting out forecast (Board approved) capital expenditures for the period 2013-2018 and actual capital expenditures.
- c) A detailed table setting out forecast (Board approved) Other Revenue and actual Other Revenue for the period 2013-2018.

CCC-23

Please confirm the following:

- a) Union's current rates are based on its approved 2013 rates, subject to two adjustments made as part of the EB-2013-0202 Settlement Agreement.
- b) Union's last cost of service rebasing and cost allocation study was undertaken as part of that 2013 rate application.
- c) EGD's current rates are based on its approved 2013 rates.
- d) EGD's last cost of service proceeding and cost allocation study was undertaken as part of that 2013 rate application.

CCC-24

(Ex. B/T1)

If the Board rejects the Applicant's rate-setting mechanism, how should rates be set for 2019?

CCC-25

(Ex. B/T1/p. 8)

Was the NERA study subject to an RFP process? If not, why not? Please provide the complete terms of reference for the study.

CCC-26

(Ex. B/T1/p. 10)

Please explain, in detail, how the annual adjustments to normalized average consumption will be calculated and applied to rates.

CCC-27

(Ex. B/T1/p. 12)

What are the current Z-factor materiality thresholds for Union and EGD? Does the \$1 million materiality threshold apply to both capital and OM&A "events"? Is the Z-factor intended to be symmetrical? If not, why not?

CCC-28

(Ex. B/T1/p. 12)

Please explain the differences between the proposed ICM and Union's currently approved capital pass-through mechanism. Which approach allows for more capital recovery? What is the anticipated annual ICM request for the first five years of the proposed rate plan? Will the ICM be based on rate zones? Will the ICM amounts be subject to a true-up process?

CCC-29

(Ex. B/T1/p. 20)

Please provide a list of all specific service charges (account related etc.) for Union and EGD? Are the currently approved charges expected to remain in place until 2029? If not, how will they be changed during the rate plan? How were those

charges derived and when were they derived? Is Amalco seeking any approvals through this application with respect to those charges?

CCC-30

(Ex. B/T1/p. 29)

From the Applicants' perspective – what specific changes to rates, regulated services, cost allocation or rate design should be permitted or required during the deferred rebasing period and what process should be required for such changes to be made? Please provide examples.

CCC-30

(Ex. B/T1/p. 29)

With respect to cost allocation changes, why would it be fair to adjust some elements of cost allocation without undertaking a complete cost allocation study?

CCC-31

(Ex. B/T1/Attachment 3)

With respect to the list of deferral and variance accounts that will continue, will these continue to be cleared on a rate zone basis? If not, how will they be cleared?