VT INCEPIT FIDELIS SIC PERMANET

Ontario

ONTARIO ENERGY BOARD

FILE NO.: **EB-2020-0181** **Enbridge Gas Inc.**

VOLUME: **Technical Conference**

DATE: **February 17, 2021**

EB-2020-0181

THE ONTARIO ENERGY BOARD

Enbridge Gas Inc.

Application for natural gas distribution rates and other charges effective January 1, 2021

Technical Conference held by videoconference
from 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Wednesday, February 17, 2021
commencing at 9:30 a.m.

TECHNICAL CONFERENCE

A P P E A R A N C E S

IAN RICHLER	OEB Counsel
KHALIL VIRANEY LILLIAN ING	OEB Staff
DAVID STEVENS ANTON KACICNIK RAKESH TORUL ALLISON EVANS STEPHANIE ALLMAN	Enbridge Gas Inc. (EGI)
ALBERT ENGEL	Building Owners and Managers Association (BOMA)
SCOTT POLLOCK	Canadian Manufacturers & Exporters (CME)
JAYA CHATTERJEE LES JONES	City of Kitchener
TOM LADANYI	Energy Probe Research Foundation (Energy Probe)
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
RANDY AIKEN	London Property Management Association (LPMA)
MICHAEL BUONAGURO	Ontario Greenhouse Vegetable Growers (OGVG)
MIKE McLEOD	Quinte Manufacturers Association (QMA)
LINDA WAINEWRIGHT	Six Nations Natural Gas
MARK GARNER	Vulnerable Energy Consumers Coalition (VECC)

I N D E X   O F   P R O C E E D I N G S

E X H I B I T S

Description	Page No.
NO EXHIBITS WERE FILED IN THIS PROCEEDING.	

U N D E R T A K I N G S

Description	Page No.

U N D E R T A K I N G S

U N D E R T A K I N G S

Wednesday, February 17, 2021

--- On commencing at 9:30 a.m.

MR. RICHLER: Good morning. Welcome to the virtual technical conference for EB-2021-0181, which is a rate application by Enbridge Gas Inc. under the Ontario Energy Board's incremental capital module, or ICM.

My name is Ian Richler, and I am counsel with the OEB. Also on the line from the OEB are Khalil Viraney, the case manager for this application, and Lillian Ing, the hearings advisor.

A couple of quick administrative matters before we get started. First, this technical conference is being transcribed, and the transcription will form part of the record of the proceeding. For the benefit of the reporter, we are recording today's session, but that recording will not be posted.

Second, unless you are speaking or are a witness, I would ask you to please turn off your camera and mute your microphone. If you need to interject when it's not your turn, you can turn on your camera, and I will call on you. If I don't see you, then just speak up.

We can now proceed with appearances, starting with intervenors. When I call on you, please state your name and who you represent for the record. After that I will ask the applicant's counsel to introduce himself and his colleagues and the witness panel.

So I will go through in the order that people appear on my screen, starting with Mr. Ladanyi.

APPEARANCES:

MR. LADANYI: Good morning. I'm Tom Ladanyi, and I represent Energy Probe.

MR. RICHLER: Mr. Quinn.

MR. QUINN: Good morning. Dwayne Quinn on behalf of FRPO.

MR. RICHLER: Mr. Buonaguro.

MR. BUONAGURO: Good morning. Michael Buonaguro, counsel for OGVG.

MR. RICHLER: Ms. Chatterjee.

MS. CHATTERJEE: Good morning. Jaya Chatterjee from City of Kitchener.

MR. RICHLER: Mr. Aiken.

MR. AIKEN: Good morning. Randy Aiken, consultant for the London Property Management Association.

MR. RICHLER: Ms. Wainewright.

MS. WAINEWRIGHT: Good morning. Linda Wainewright on behalf of Six Nations Natural Gas.

MR. RICHLER: Mr. Engel.

MR. ENGEL: It's Albert Engel on behalf of BOMA.

MR. RICHLER: Mr. Pollock.

MR. POLLOCK: Scott Pollock on behalf of Canadian Manufacturers and Exporters.

MR. RICHLER: Mr. Garner.

MR. GARNER: Mark Garner on behalf of VECC. Thank you.

MR. RICHLER: Have I missed anyone? There's a couple of people who I can't really see who their name is or who they represent, so please speak up now if you are from an intervenor and you haven't introduced yourself yet.

MR. McLEOD: It's Mike McLeod for the Quinte Manufacturers Association, QMA.

MR. RICHLER: Thank you, Mr. McLeod.

MR. JONES: Les Jones from the City of Kitchener.

MR. RICHLER: Thank you. Have I missed anyone else? Okay. I am still seeing one or two people who I can't really tell from their icon or avatar who they are, so I would ask you if you can change your name so it shows your full name and organization, that would be appreciated.

Mr. Stevens, could you introduce yourself and your colleagues and then your witness panel, please?

MR. STEVENS: Thank you, Ian. Good morning, everybody. My name is David Stevens. I am counsel assisting Enbridge Gas in this matter. With me today from the Enbridge regulatory group are Anton Kacicnik, Rakesh Torul, and Allison Evans, and also with us are the witness panel for today. In alphabetical order, they are Danielle Dreveny, manager, capital FP&A; Shawn Khoshaien, director, integrity and asset management; Catherine McCowan, manager, risk, strategy, and planning; and Eric Naczynski, manager, asset classes, distribution, and STO.

ENBRIDGE GAS INC. – PANEL 1

Danielle Dreveny

Shawn Khoshaien

Catherine McCowan

Eric Naczynski

MR. RICHLER: Thank you, Mr. Stevens. Did you have any preliminary matters you wanted to speak to or are we ready to proceed?

PRELIMINARY MATTERS:

MR. STEVENS: I have just one preliminary matter, if I may, Ian.

MR. RICHLER: Please.

MR. STEVENS: Through an exchange of correspondence with counsel to Environmental Defence, Kent Elson, who is unable to attend today, Enbridge Gas has agreed to answer an undertaking as part of today's proceeding and the following process. So if I may, I thought it might be most efficient simply to read out the undertaking that was requested by Kent Elson.

MR. RICHLER: Sounds good.

MR. STEVENS: And perhaps we could refer to it as Undertaking JT1.1.

MR. RICHLER: Yes, thanks.

MR. STEVENS: So the undertaking is as follows. The Board ruled that "Enbridge Gas should be prepared to respond to questions pertaining to how the London line replacement and the Sarnia industrial line reinforcement projects are informed by the USP and asset management plan (AMP)". To that end, we ask that Enbridge Gas provide, A), the demand forecasts underlying the London line replacement project, the Sarnia industrial line reinforcement project, the USP, and the AMP; B), create a table comparing the relative demand forecasts; C), explain any variances between the demand forecasts; and D), explain how the project demand forecasts are informed by the demand forecasts used in its utility system planning and asset management planning.

As I mentioned, Enbridge Gas has agreed to provide a response, specifically -- and Mr. Elson's aware of this -- Enbridge Gas has agreed to provide a response to part D of the question, as well as to advise as to the reasons why the company declines to provide a response to parts A through C.

MR. RICHLER: Thank you. So again, that's JT1.1.

UNDERTAKING NO. JT1.1: THE BOARD RULED THAT "ENBRIDGE GAS SHOULD BE PREPARED TO RESPOND TO QUESTIONS PERTAINING TO HOW THE LONDON LINE REPLACEMENT AND THE SARNIA INDUSTRIAL LINE REINFORCEMENT PROJECTS ARE INFORMED BY THE USP AND ASSET MANAGEMENT PLAN (AMP)". TO THAT END, WE ASK THAT ENBRIDGE GAS PROVIDE, A), THE DEMAND FORECASTS UNDERLYING THE LONDON LINE REPLACEMENT PROJECT, THE SARNIA INDUSTRIAL LINE REINFORCEMENT PROJECT, THE USP, AND THE AMP; B), CREATE A TABLE COMPARING THE RELATIVE DEMAND FORECASTS; C), EXPLAIN ANY VARIANCES BETWEEN THE DEMAND FORECASTS; AND D), EXPLAIN HOW THE PROJECT DEMAND FORECASTS ARE INFORMED BY THE DEMAND FORECASTS USED IN ITS UTILITY SYSTEM PLANNING AND ASSET MANAGEMENT PLANNING. TO PROVIDE A RESPONSE TO PART D OF THE QUESTION, AS WELL AS TO ADVISE AS TO THE REASONS WHY THE COMPANY DECLINES TO PROVIDE A RESPONSE

TO PARTS A THROUGH C.

MR. RICHLER: All right. I am looking at the schedule that was circulated by Ms. Ing, and I see that first up is Mr. Quinn, so Mr. Quinn, over to you.

EXAMINATION BY MR. QUINN:

MR. QUINN: Thank you, Mr. Richler. Good morning, panel. Dwayne Quinn on behalf of FRPO, and I'd like to start by ensuring consistent understanding of the categorization of capital investment. If you could please turn up Exhibit C, tab 1, schedule 1, page 42, please.

MR. STEVENS: I'm sorry to interject, Dwayne, but Stephanie Allman is just bringing the document up on the screen, and that reminds me that I neglected to mention that Stephanie Allman is also here from Enbridge as part of the -- one of the representatives of the regulatory group, and our thanks to her for helping us keep on track by projecting each of the exhibits today.

MR. QUINN: Yes, we are glad to have her. She is quicker than I am at bringing them up. Thank you.

Okay. I want to ensure that we have an understanding of the differentiation between system renewal and system service. I see the definitions included here, but can you please help me understand how they apply? If they were an older vintage pipeline with some corrosion and/or leak history, from which category does the capital come?

MS. McCOWAN: That would be classified as a main replacement and would sit under the system renewal.

MR. QUINN: So system renewal, not system service.

MS. McCOWAN: That's correct.

MR. QUINN: And is there a dividing line between the two where some renewal projects become system service investments?

MS. McCOWAN: I understand the confusion. I think the way I would characterize it is that in the system service we are looking at more proactive means of extending the pipe life, of understanding the conditions. So where you see spends for integrity, that would be for the installation of launchers and receivers, for the performing of integrity digs after we've identified potential problems through inline inspection, whereas in the system renewal, what you are seeing are the replacement projects that are required when we've found that the condition of the asset warrants a replacement.

MR. QUINN: Okay. So said a little differently, would system service then be considered like betterment, like, capitalized as a betterment?

MS. McCOWAN: I guess I don't know the implications of "betterment". Do you mean extension of life?

MR. QUINN: Exactly. Enhancement or extension of the life.

MS. McCOWAN: Certainly some of them are. We do see that where we're investing in inline inspection and the installation of launchers and receivers, that that, through certainty of the actual condition of the asset, can allow us to extend its life, so, yes, in that context for sure.

MR. QUINN: Okay. Thank you. So I am trying to understand this, and how would this apply, then, to the Windsor line? The Windsor line was a complete -- not complete, but most of the Windsor line was replaced under the Windsor line project. Would that go under system renewal?

MS. McCOWAN: Yes, it would be a main replacement project.

MR. QUINN: So if you could turn up FRPO 1, please, in the IRs. It's actually, I think, on the second page. We have the respective budgets for Enbridge and Union Gas rate zones, and what I was trying to do is to figure out where is the Windsor line in the numbers that we're seeing under the Union Gas rate zone?

MS. McCOWAN: I would need to take that away to know, to be honest.

MS. DREVENY: I can comment on that.

MR. QUINN: Sure.

MS. DREVENY: The Windsor line is reflected under the system service line in the UG rate zone table.

MR. QUINN: System service?

MS. DREVENY: Yes.

MR. QUINN: This is where I am trying -- I am struggling with that definition, then, as the Windsor line was -- and I don't know if I can repeat the words Ms. McCowan used, but that is a replacement. In essence, it's a replacement, it's not a betterment or -- and those are my words, sorry -- it's not an enhancement or extension of life of the existing assets. How does that fall under system service as opposed to system renewal?

MS. McCOWAN: Right. I think, perhaps -- and I will let Danielle jump in if I have got this wrong, but I believe what's happened there is that as the two legacy companies came together we realized that there were some discrepancies between how we categorized our asset class investments, and that what you're seeing is an alignment of them in the rate filing that we have before us now. Is that true, Danielle?

MS. DREVENY: That is correct.

MS. McCOWAN: Okay.

MR. QUINN: Okay. So accepting that as, I don't want to say the final answer, but that seems to make sense now that I can see it better. The funding is showing it as a forecast for 2020, but it's -- but it's not budgeted at all then, the Windsor line is not budgeted at all for 2021?

MS. McCOWAN: That's right. The Windsor line was intended to be completed in 2020.

MR. QUINN: Yet parts are going into service only in 2021, as I understand.

MS. McCOWAN: Danielle, can you speak to the capital treatment of that?

MS. DREVENY: Yes, in the budget that is reflected here there is a portion of the Windsor line costs that are reflected in 2021, so 2020 reflects the in-service capital.

MR. QUINN: But it's not in-service until 2021. Some of the line is not going into service until 2021.

MS. DREVENY: That is correct, but that shift was not reflected at the time of the creation of the rates application.

MR. QUINN: Could you update this table, just specifically the Union Gas rate zone -- and this doesn't have implications for the Enbridge rate zone -- as to the corrections you just talked -- I shouldn't say corrections, clarifications you just talked about in terms of the Windsor line and what the company is proposing where funds are coming from for the Windsor line delineated between 2020 and 2021?

MR. STEVENS: Dwayne, it's David Stevens speaking. Just so I understand your request, you are asking that the UG rate zone table attached to FRPO Number 1 be updated to reflect the current timing and categorization of the in-service capital for the Windsor line?

MR. QUINN: Sure, yeah, that's well said, David.

MR. STEVENS: Thank you, we can provide that undertaking.

MR. QUINN: Okay, thank you.

MR. RICHLER: Sorry, Mr. Quinn, we will mark that down as Undertaking JT1.2.

UNDERTAKING NO. JT1.2: TO UPDATE THE UG RATE ZONE TABLE ATTACHED TO FRPO NUMBER 1 TO REFLECT THE CURRENT TIMING AND CATEGORIZATION OF THE IN-SERVICE CAPITAL FOR THE WINDSOR LINE.

MR. QUINN: Okay, thank you. Now, I didn't say this at the outset in preliminary matters, but I know a number of my colleagues, some of them who couldn't attend today, and I am going to be asking questions in their areas, but some of my colleagues had said that they would follow up with questions. While this is FRPO's time, I also wondered if it made sense in terms of context because I've asked some questions of other parties, if there's questions or clarifications, I want other parties to feel free to jump in as I go, just as a note.

Okay. Thank you for those answers and the undertaking.

If we can turn up FRPO 2, please. So in this interrogatory we asked about the step change in system renewal spending, which you answered is a result of changes to inclusion of overheads in the figures, while directing us to SEC 13 for a comparison.

First off, do I have that right? The answer, in terms of the step changes, is due to overhead adjustments?

MS. McCOWAN: Yes, it's partially related to the overhead inclusion, and then, as noted in the response here, there are some specific projects that lead to higher spend in the replacement category.

MR. QUINN: Okay. Well, possibly we can get into the detail, but I think if we move to SEC 13, there's more detail there that we can rely upon that as opposed to speaking without the numbers. Yes, sorry, Figure 6, please. It's on the second page, I think it is. That's it, thank you.

So I am still looking at this, and this -- my understanding is that Mr. Shepherd had asked for this to try to see a comparison of apples to apples with the overheads included; is that correct?

MS. McCOWAN: I believe so.

MR. QUINN: Okay. Well, I don't see overheads on here, so my understanding is they are included for purposes of comparison?

MS. DREVENY: That's correct.

MR. QUINN: Okay. Thank you. So, now, I just did some simple math. But for system renewal from 2016 to 2020, we have now, with overheads included, 318 million for system renewal, and in the next five-year period, 2021 to 2025, my numbers say it's 577 million.

If you accept those numbers subject to check, we don't have a doubling, but close to doubling, with the overheads included as the distinguishing factor that was provided to us in FRPO 2.

So can you help us with other factors that contributed? I understand that there's projects that may have changed, but I guess I am going to be specific. We looked for a system constraint, and -- I shouldn't say system constraint. In the IRP proceeding -- a change in the condition ratings of the systems, and in FRPO 2 we were told, as I understand it, there is no change in condition ratings for the systems that would have caused that elevation in system renewal spending; is that correct?

MS. McCOWAN: Yes, that was the response.

MR. QUINN: Okay. So I understood -- and then further in that answer talks about an aging -- it's, you know, endemic to an aging system and the condition of the system, but it would suggest that over a five-year period the system got twice as old or twice in as bad a condition.

Can you help us with what other factors would have contributed to this step change, as we call it, from spending previously to now?

MR. NACZYNSKI: Why don't I start with that one, Mr. Quinn. In section 5 of our asset plan -- and I am not asking Stephanie to pull it up at this moment, but we go through the strategies of each of the asset classes and, you know, highlight some of the things, the themes, the, certainly the health and condition of those various assets, and then flowing from those strategies are a series of investments that would come out, and some of those were identified in FRPO 2. You saw that.

So, you know, certainly was the inclusion of overhead here, but you also saw a number of other projects and things that were listed out there, and certainly with system renewal for 2021, in that number there you also, of course, have the London lines project, which is included in there as well, so that's certainly a case in point, but there would be others from a system renewal that are included in there as well.

MR. QUINN: Okay. Let's try to break that down a little bit. What changed in the process? The process you described --

MR. NACZYNSKI: Yeah.

MR. QUINN: -- what, if anything, has changed that resulted in significantly greater need for system renewal investment?

MR. NACZYNSKI: So the change is a, if you want, an adherence or a review of our asset management practice within the combined organization now and going through a more detailed review of the assets, their health and condition, and going through those. So over the last 18 months, if you will, since the amalgamation there has been a lot of work that's been done, particularly in my group, where we've looked at the inventories, the health and condition, looking at the strategies that we will need to do to maintain and manage those assets, and again, that is detailed in section 5 of the asset management plan as filed.

MR. QUINN: So it's a more rigorous assessment than was done historically? I guess what I am trying to reflect on, Erik, is what is the change?

MR. NACZYNSKI: And what I'm trying -- I guess what I am trying to articulate, you know, has there been a change in the condition of the assets? No. But there's been a change of how we looked at them and how we want to be more systematic in the review of those assets.

MR. QUINN: More systematic. And I want to be specific. On a technical end? Is there anything technically that, you know -- I asked for change in the condition rating, but is there anything else technically, a code change, a directive from the TSSA, something that led to a review that was done differently, projects that were out before have either been expanded or are now in, to your capital spending plan?

MR. NACZYNSKI: With respect to code change, I don't know if I would -- I don't think I could say there's a code change with respect to TSSA. I now that Shawn may have some more insights on things like some of our integrity spend and our integrity management programs that we have as we look to try to bring the two legacy organizations together, but Shawn, you may have some insights on some of the integrity type activities that would be supporting this.

MR. KHOSHAIEN: Yeah, I will jump in. So the way I would explain it is the integration between the two legacy companies certainly led into more detailed assessments, and part of our assessments is trying to better understand the condition of our assets and drive out uncertainty in our analysis.

So by doing a lot of that, we are -- essentially have a lot better understanding of the condition of our assets, which led into the strategies that Erik was talking about, and those are filters that we are using now to develop our asset management strategies on specific projects.

And integrity fraud -- and maybe I will give you an example of that. We are doing more inline inspections, which is a way to target specific conditions in our assets, and in a way by doing that we are extending the life of that asset.

So it may appear that there's more work upfront, but long-term investment we are getting more life out of those assets.

MR. QUINN: Okay. Can I -- because I am trying to get evidence that helps us understand this and helps the Board understand this. Can you provide us a list of assets that were targeted for replacement in the -- in a five-year forecast, say, last year or the year before and that are now going to have their life extended by the investments you're making in these inline inspections?

I am not asking you to do it now, Shawn, I am asking for an undertaking --

MR. KHOSHAIEN: Yeah, we can. I think, you know, there's -- certainly we can take that away and --

MS. McCOWAN: I think, to Shawn's point, though, that the investment comes well in advance of the extension of the life, and so where we're installing launchers and receivers and doing inline inspection this year, that extension of life could be, you know, on a project that wouldn't yet even appear in the asset management plan.

So while I am happy to take a look, I am not 100 percent sure that we will find a good example.

MR. STEVENS: Can I suggest this, having listened to the exchange, Dwayne, that Enbridge will undertake to provide examples of assets whose life may be extended by ILI or other activities being done now?

MR. QUINN: Sure, sure, David, I appreciate -- I am not looking for an exhaustive or comprehensive list, but Mr. Khoshaien is talking about an evolution in processes of using inline inspections to extend asset life, which we would be encouraged by if it's a fraction of the cost. So if you could answer that, what the cost of the inline inspection investment is and -- on the specific projects, that would help us to understand bang for buck and hopefully in support of what you're asking for.

MR. STEVENS: So I read out what I think -- what I was proposing, and to that we will add an indication of the current expenditures on the subject assets.

MR. QUINN: Subject assets, sure, that's said more comprehensively, great, thank you.

MR. RICHLER: And we will record that as Undertaking JT1.3.

UNDERTAKING NO. JT1.3: TO PROVIDE EXAMPLES OF ASSETS WHOSE LIFE MAY BE EXTENDED BY ILI OR OTHER ACTIVITIES BEING DONE NOW, AND TO ADD AN INDICATION OF THE CURRENT EXPENDITURES ON THE SUBJECT ASSETS.

MR. QUINN: Okay, thank you. Now -- and maybe it is better for us to go back to FRPO 2, because I realize this references back to FRPO 2. Again, it's -- the question is on the first page, but the answer is on the second page, where we are seeking to find if there are any other economic assessments changes that contributed to this increase, and the answer, of course, says there have been no changes to system renewal expenditures as a result of economic assessments.

If I change that question to, are there any other economic factors that have changed that have contributed to the increase, does that change the answer?

MS. McCOWAN: Could you be more specific by economic factor? Off the top of my head I don't believe so, but I want to be responsive --

MR. QUINN: Okay. Sure, how about it would include the availability of capital as an economic factor, considering specifically ICM funds.

MS. McCOWAN: No, the asset plan is built up from the needs of the assets. We do try to constrain it to the materiality threshold, so if you regard it from that perspective, perhaps, but I -- it is built from the needs of the assets up to create the capital budget, and projects are pushed out from 2021 in order to try and constrain it to the materiality threshold.

MR. QUINN: So it's not ICM, and we are going to talk about materiality threshold and your maximum allowable incremental capital later. But if it's not ICM, you are saying there is no other capital or economic factor that has contributed to a near-doubling of the budget over the next five years?

MS. McCOWAN: No, that's not a factor that we consider. When we are putting these projects together, we are putting them together on the basis of the needs of the assets.

MR. QUINN: Okay. Thank you. If we can turn up FRPO 5, please. So in FRPO 5 we were trying to understand the concept of maximizing the value of investments. Now, you -- from there you directed us to page 61 of C, tab 2, schedule 1, which is a chart which depicts a number of value attributes, such as safety, operational and environmental risks.

Stopping there, while we accept there is inherent value in those attributes, can someone explain how you convert these metrics into value?

MS. McCOWAN: Yes, so as we have implemented the Copperleaf C55, there is something called a value framework, and the point of the value framework is to monetize all of those different sorts of value to compare -- so that the projects can be fully valued and then also compared one project to another.

MR. QUINN: Okay. I trust -- and I accept that as a high-level answer. But if you would look at safety, just to land on one, how would you look at safety and create a monetization of the value of safety?

MS. McCOWAN: Sure, so there is a probability of an event occurring that could lead to an undesirable consequence, including a fatality or an injury, and you monetize that by looking at the amount that the organization is prepared to spend in order to avoid that undesirable outcome.

MR. QUINN: Well, I understand from a risk assessment point of view there's a number of frameworks that try to assess what is the probability of a risk and what is the consequence, the financial consequence, of the risk. But when you get into -- and I don't want to get into moral, ethical decisions, but the value of safety, where loss of life or circumstances like that are in the attributes that you're including --

MS. McCOWAN: Um-hmm.

MR. QUINN: -- how do you take that -- you know, I heard you say how much you're willing to invest to avoid the risk. What is the cost of the risk? What is the consequence, the financial consequence? Even if the probability is relatively low, how do you establish a financial consequence?

MS. McCOWAN: So the financial consequence is the -- as I said, it's the amount that we're prepared to spend as an organization, and every organization will have a different risk tolerance, but in -- for Enbridge, what we do is we set a target as to where we would want to maintain the health and safety risk, and we will spend above that to lower it back down to that target.

MR. QUINN: Okay. I am going to move away from safety, because some of it's very difficult to quantify in terms of consequence of risk. But if we take a look at an operational risk --

MS. McCOWAN: Mm-hmm.

MR. QUINN: -- and the simple one in the gas industry is security supply, so the operational risk is security supply and the probability of that consequence is X. What you're saying is the consequence is Y, and my understanding would be Y would be estimated as what is the cost to restore service to all those customers who are out of service, notwithstanding there's some other customer-service metrics that you want to manage.

But just the sheer consequence, my understanding would be, is that consequence would be estimated on the basis of restoration of service; do I have that correct?

MS. McCOWAN: It's partially restoration of service, but some of our customers use natural gas for process, and so there can be additional costs through that. There can be costs related to, you know, traffic disruption -- you can imagine that if this occurs in downtown Toronto that, you know, the costs related to a leak that leads to an operational issue are beyond just the direct cost of relighting the customers and go into the full disruption of that event.

MR. QUINN: Okay. I risk getting us into detail, so I am going to try to take it back up a level.

But what we're talking about is financial consequences of the event occurring and what are the financial consequences that are being evaluated. What I thought I heard you say with safety is the consequences, what we're willing to spend to avoid the incident, and those aren't the same things in my mind.

MS. McCOWAN: So in some -- yeah, so in all of the -- all of the different types of risk, so in our asset plan, our asset management plan, you will see the different types of risk, and so there are health and safety risks, certainly there's operational reliability, environmental risk, reputational risk, and all of those. What the value framework attempts to do is to monetize across all of those the amount that we're prepared to spend in order to avoid that event.

Now, in some cases, you know, the -- for example, in your example of relighting the customer, it's very one-to-one. You would spend to avoid a specific cost. But in the case of safety or environmental damage, where the costs are not as directly comparable to what you would expend to avoid, it's a little bit more complex to make that comparison.

MR. QUINN: I agree with complex. But I just -- maybe if I use a different analogy. What I hear is you talking about, monetize how much you would spend to avoid. In a different framework or in a different analogy, that would be, how much are you willing to spend on insurance to make sure that you don't incur the loss. The different aspect of it is the quantification of the financial cost of the loss --

MS. McCOWAN: Um-hmm.

MR. QUINN: -- and I am struggling with, in what you're doing, I think what I am hearing is first you're estimating the value of the loss, and then you're trying to figure out how much insurance you're willing to pay to avoid it; is that -- do I have that right?

MS. McCOWAN: I don't think --

MR. NACZYNSKI: If I could --

MS. McCOWAN: Sure.

MR. NACZYNSKI: -- I would say it's -- not to use a double negative, but you're not incorrect with the statement there. I mean, just like when you drive a car, Dwayne, you have got, you know, your costs of all your inputs that go into that car to manage it, but then you also buy insurance, not only because you have to, but you buy insurance because you're trying to mitigate some unfortunate outcome that you may have, and there's a value that you place on that at the end of the day. If you wanted to -- right? So that's -- there are things within the risk framework and -- well, risk framework of -- within the value framework. It's what is the value to the organization, if you will, for those things. And I know, you know, Catherine, you know, alluded to or mentioned the value preventing the loss of life. That's not taken from the insurance, so what that, you know, monetization would be, it's what's that value.

So when we are looking at the overall value framework, yes, you have got things that you can monetize. It's $100 per customer to relight. You have got to close the wing lock, you've got to dispatch someone to the site to relight, you know, inspections, but you have also got things like, what does it mean when you are in the newspapers with a large outage, and there's those other things that you can't monetize quite as easily. And for those, you know, we look at the matrix, the risk matrix that we have, which is included in the asset management plan as well, so you can see that, and you look at, what is the probability of that occurrence times the undesired event that we are looking at from a consequence perspective.

So there's a combination of things that go in there to create the value of what that investment is, Dwayne.

MR. GARNER: Dwayne, it's Mark Garner. I wonder, do you mind if I just ask a question?

MR. QUINN: Yeah, feel free, Mark.

MR. GARNER: Sorry, I don't think this may help Mr. Quinn, but it may help me. You are talking about the Copperleaf 55 software package right now, correct?

MS. McCOWAN: That's correct.

MR. GARNER: Okay. So that package is widely -- or it's been adopted by the electric utilities a lot. Is the package you get for gas similar in the underlying logic or the underlying -- you know, the algorithm logic in it? Are they similar pieces of software; do you know?

MR. NACZYNSKI: So I will jump in on that one as -- so the underlying logic and/or the engine, if you will, within Copperleaf is the same. However, every company, as you're probably aware if you've been through with the electrics on this, the value framework is customized, if you will, for each user of the software.

So what's happening here in Ontario for Enbridge or what happens in B.C. for Fortis, for example, would be different based on the value framework and would be different for, you know, Alectra or other electric utilities here within Ontario; that's correct.

MR. GARNER: Okay. Thank you.

MR. NACZYNSKI: Value frameworks are different based on the values of that organization.

MR. GARNER: Thank you. Sorry, Dwayne.

MR. QUINN: Not at all, Mark. I want to invite clarifications as we go.

So I appreciate your answer, Erik. I am going to have to read and reread that a little bit, but I think it's helpful just to move on, because I again don't want to get into too much detail.

We asked about -- in B), in this interrogatory FRPO 5, we asked about the direction given by the government structure to those who oversee the program, including prioritizations and recommendations for the portfolio of investments. The answer talks about processes likely undertaken by overseers, but what are the instructions as they pertain to maximizing the value, and what -- what is the instruction of that -- on the highest NPV or something like that to help us understand that -- those instructions from the government structure to those we are seeing?

MS. McCOWAN: Right. So maybe I -- I may need to take a step back to be sure I understand your question. So the government's team is the one that I lead, and so we actually execute this optimization process, and as we have described in section 6 of the asset management plan, we set a constraint that was based on the materiality threshold for 2021, and then we just -- you know, without anything better to go by, we just escalated it by a growth factor for the -- out to 2025, and our goal was to maximize the value of the investments that would fit within that -- that constraint.

MR. QUINN: So when you say "maximize the value", though, what are you -- what parameter are you maximizing?

MS. McCOWAN: So it's the value, as we are just speaking about with the value framework, so the value of all of the benefits that flow from that investment, whether that be risk reduction or improved operational reliability, or reduced operating cost, all of those things offset by the cost of the investment, so the net present value of that stream of benefits, a cost and benefits, and then we try to derive the most value up to the materiality threshold.

MR. QUINN: Okay. That's great for now. I am going to come back to the constraint that you described before, but what I am understanding the answer is, it is the net present value of the stream of benefits? Okay.

MS. McCOWAN: That's correct.

MR. QUINN: Thank you. If you could move to FRPO 11, please. This is handy, because I think you were helping with clarity that might help us further here.

So in FRPO 11 we asked about the decision-making authority and the financial incentives. The org chart helped us with an understanding of those who are involved in the process by title. However, when we asked about the financial incentives we were informed they were tied to strategic priorities, with evidentiary reference to a picture of priorities.

What we are trying to understand is, are the financial incentives tied to this opposition of maximizing the value?

MS. McCOWAN: They are not.

MR. QUINN: Okay. I will go to the evidence in a moment. But just, if I am looking at this picture then, Ms. McCowan, you said you are part of that government structure that gives instruction --

MS. McCOWAN: Um-hmm.

MR. QUINN: -- you are not on this org chart then?

MS. McCOWAN: Yes, I am actually the manager of integrity and asset management governance. Mr. Stevens was out of date by one reorganization on my job title when he introduced me. I apologize.

MR. QUINN: Okay. No, no, no, I am just trying to understand. So you -- so your instruction -- but you appear, for lack of a better term, of let's say the manager of distribution asset classes --

MS. McCOWAN: That's correct.

MR. NACZYNSKI: That would be me, Dwayne. Oh, sorry. You're -- I am the manager of the asset classes and Catherine is the manager of the governance.

MR. QUINN: Okay. That's helpful in understanding, Erik. Is the director of integrity and asset management with us this morning? I didn't try to reconcile the CVs to this.

MR. KHOSHAIEN: Yeah, that's me, Dwayne, Shawn Khoshaien.

MR. QUINN: Okay. Okay, Shawn. That's -- okay. That's helpful for me to see this in terms of the framework, because it might help us with questions asked later, at least the direction of the questions.

The -- what I hear, the answer is no to our question of, financial incentives are not tied to maximizing the value? Do I have that correct?

MS. McCOWAN: Sorry, I think I misspoke. Certainly my financial incentives are not tied to that. What I would say is that part of my role is to maximize the value. So my role is to make sure that the investments that are put forward are following the asset management process and through that that we are maximizing the value of the asset plan.

MR. QUINN: So reconciling that with your previous answer, you are saying there's no explicit tie of --

MS. McCOWAN: No explicit tie.

MR. QUINN: -- financial incentive -- but there is an implicit, because it's part of your role.

MS. McCOWAN: Yes.

MR. QUINN: Okay. So I am hoping this will be helpful, because I heard you talk about the constraint of materiality threshold, and this might be the time to try to walk through that for understanding. And a number of interrogatory responses, including FRPO 15 -- I guess we will turn up FRPO 15 so we can see where -- what we were asking and where we were led to.

So we're -- you know, this question simply is:

"Please describe the process for determination of overall constraint and provide the values used for each of the components."

We were referred to 6.1.2, and I am going to take us there in a moment, but what we were looking for of -- essentially is, you know, system numbers. What we don't have here is some numbers. It may come out of our discussion, but I am trying to get the ability to put some figures into boxes to understand, how do we get from there to here. So let's look at the process, and possibly by the end of our discussions this morning we can put some numbers in boxes.

So it gives an evidentiary reference of page 252 of the asset management plan, I think it is, but it's section 6.1.2.

Sorry, I am having trouble catching up again here. It looks like it's page 416 of the PDF. Yeah, okay. I think I have got it now. Somehow there's a difference in your page numbers and mine, but nonetheless. So we have 6.1.2.

So the idea of this optimization process -- I am going to start first with the first step in the process. You talked about the calculation of the materiality threshold. That's the Board-approved calculation for how much capital rates would support; is that right?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. Now, what -- the factor that we didn't have understanding, and hopefully last night I gained understanding, but you can confirm, but how do you come up with the maximum -- sorry, the maximum allowable incremental capital that the company would spend? Because it's over and above -- and to the extent we have ICM projects, the company is investing in projects beyond what rates support -- that's the idea of the concept of the ICM -- how do you calculate -- how do you come up with the maximum allowable capital the company is willing to invest?

MS. McCOWAN: I -- Danielle, maybe you want to take a crack. I can maybe start. I believe that the maximum capital is the sum of the investments that are put forward, and that the materiality threshold is the amount that's supported by the rate base. Danielle, can you confirm?

MS. DREVENY: That's correct. That's confirmed, Catherine.

MR. QUINN: Okay. But when you are establishing that -- and, you know, respectfully, nobody has an infinite amount of capital -- how do you determine which projects make the grade to be an investment that's being put forward which then drives the maximum capital that the company is going to invest?

MS. McCOWAN: Oh, sure. If you scroll back up there -- I believe it's 6.1.1. Yes. This is the process where all projects have to be, to use your term, make the grade. So there are many things that are brought forward by various proponents that don't make the grade. You know, we talk about some of them in the asset plan, for example the response to low pressure systems. These are things that I would say are still under investigation. They're not well enough developed for us to consider -- within asset management governance we don't believe that they are yet well enough developed for us to put them in the asset plan as an investment. And, you know, we don't subscribe to the idea of, well, you know, put aside some money for that. So these are the criteria that we use here in 6.1.1.

So I don't need to read them out to you, probably, but --

MR. QUINN: No --

MS. McCOWAN: -- all of the investments that are in the asset plan for consideration and going into the optimization process meet these criteria.

MR. QUINN: Some of these criteria?

MS. McCOWAN: Yes.

MR. QUINN: Not all.

MS. McCOWAN: No.

MR. QUINN: If you were to go through your projects and say, okay -- and just pick a number, it's ten times the materiality threshold -- I think there would be some cause for saying, how do we -- well, just -- I am making a hypothetical here, but at some point there has to be an element of reasonability. Is there any calculation that says this is the maximum amount that we are able to finance for projects for this year?

MS. McCOWAN: There is no calculation to that effect.

MR. QUINN: Okay. That's what I was trying to get to.

All right. We may come back here later, but because 6.1.2 is referenced a number of times, but I just want to stick with this flow of the capital consideration.

So if we can go back, then, to FRPO 26, please. This is where you had brought us to 6.1.1. It's on the next page, if I may ask -- thank you. This is where you brought us. That's why it looked, obviously, very familiar. And that -- that provides us that clarification, but what does the iterative process look like? So let's say it's not ten times, as I had said hypothetically, but there's some number of projects that, well, frankly, from a finance point of view is more than the company thinks is reasonable.

How do you vet these projects toward coming down to what you believe would be a -- an appropriate bundle of projects to put forward for the application?

MS. McCOWAN: Right, right. So we actually do -- so aside from the criteria that you see here, projects that are passing all of those criteria are in the pre-optimization as they're proposed by the asset managers. The first attempt is to run a scenario where we see -- where we use the constraint and see if we can fit everything in, and that one failed, as we noted in the Asset Management Plan.

The next is to start removing some of the really large ICM-eligible projects, so ones where we don't think there would be any chance of it balancing, but to try and leave smaller ones in, and also to allow projects that don't have fixed timing and needs to be pushed out a little bit.

So examples of where that happened would be some of the stations projects were pushed out, some of the real-estate projects were pushed out a little bit.

And so we kind of perform that iteratively to bring as many of the ICM-eligible projects in below the line and to push some of the projects that have more flexibility out a little bit.

So that's the iterative process. And the results of that are described in the section 6.

MR. QUINN: Okay. That's helpful to read, thank you. But I guess what I am hearing you say is if you have got large projects that have ICM eligibility, you are removing those projects to come under -- to try to come underneath the capital constraint that was calculated; do I have that right?

MS. McCOWAN: That's correct, yeah.

MR. QUINN: Okay. And with some regard also to flexibility?

MS. McCOWAN: Yes --

MR. QUINN: Taking that -- sorry, I cut you off.

MS. McCOWAN: No, I had nothing further.

MR. QUINN: Okay. So I had added more flexibility. You were just confirming that?

MS. McCOWAN: Yes.

MR. QUINN: Okay. I am sorry. In the event that you're -- well, I guess I need to back up, because I read this in here, and I want to confirm it. These processes, this whole iterative process, was done, in my understanding, twice; once for the Enbridge rate zone and once for the Union rate zone?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. so there is no combination or combined process where these projects are evaluated together to the extent that you talk about what projects may have more flexibility. If there was more flexibility in the Enbridge zone on a project, that isn't taken into account to help you with your capital constraints?

MS. McCOWAN: No.

MR. QUINN: When does the company anticipate that these processes will be combined?

MS. McCOWAN: I -- I don't know, but I would expect it would not be before rebasing.

MR. NACZYNSKI: That's an overall strategy we are still looking at as an organization, right, so we have the current framework as set forth right now in MAADs, and I believe that goes until 2023.

MR. QUINN: Okay. Thank you, Erik. I'm sorry, I am just reading the next question. I was going to take you to another IR, but I think in the course of our discussions we may have covered most of it. Okay. Well, I think we will touch on it just to make sure I have the record straight, as opposed to making assumptions.

So in FRPO 7, please. So in part 2, A2, it says:

"Enbridge calculates the ICM materiality threshold annually and uses this as the capital constraint in our Copperleaf C55 (the asset investment planning tool) to ensure the optimized projects are within the rates approved by the OEB."

Now -- and maybe it's the term "the rates approved by the OEB", but implicit in that is that is the amount of capital that the current rates would support?

MS. McCOWAN: Yes, that's the language that we do use within asset management, is that we try to keep it below the materiality threshold.

MR. QUINN: But it is the, what project, what portfolio projects would be supported by the rates that are currently in place.

MS. McCOWAN: That's correct.

MR. QUINN: So it is in essence a maximization of projects.

MS. McCOWAN: Yeah, since -- since the desired spend significantly exceeds the materiality threshold, we try to constrain it down to the materiality threshold by pushing projects out where they have that ability.

MR. QUINN: But isn't the practical effect of doing that saying we are going to maximize the projects under the threshold and then take incremental projects and use those to increase the rates to do more?

MS. McCOWAN: But that would only happen if we could already push the ones that were required out sufficiently to allow those incremental projects to come below the line. And to the extent they come partially below the line we also do that.

MR. QUINN: I want to make sure our language is specific here.

MS. McCOWAN: Okay.

MR. QUINN: We are talking about in the same test year, so for 2021, you are maximizing the number of projects or maximizing the amount you can spend on projects up to the ICM threshold by taking ICM-eligible projects and saying those will go into a different bucket for which we can get additional rates to support those projects; isn't that what the process is?

MS. McCOWAN: I disagree with the premise. We're -- we -- we demonstrated through our optimization process that we took quite a number of projects, even within 2021, that would have otherwise -- that were desired to be in 2021, and they were pushed out into later years.

MR. QUINN: Where is that demonstrated?

MS. McCOWAN: If you look at the -- in section 6, you can see the pre-optimized investment plan.

MR. QUINN: Maybe you can help us with the reference on that at least so I can look at it later.

MS. McCOWAN: It will be in section -- so if you look in section 6, Figure 6.1-2.

MR. QUINN: It might help to turn that up just to make sure. 6.1-2?

MS. McCOWAN: Figure 6.1-2. And I would need to validate exactly which projects moved, but you can see the pre-optimized spend there for the Union Gas rate zone was nearly $950 million.

MR. QUINN: Okay.

MS. McCOWAN: Sorry, it's Figure 6.1-2 on page 254. Oh, yeah.

MR. QUINN: Okay.

MR. NACZYNSKI: Almost there, Stephanie. There you go.

MS. McCOWAN: Yeah.

MR. QUINN: Yeah, sorry, I had it on my tablet, but I wasn't seeing the screen here. So this is helpful.

Can I ask by way of undertaking that you provide from that initial look if this is somewhere else in the interrogatories, I didn't see it, but what projects were moved either, A), into ICM or, B), into future years and what years they were pushed to?

MS. McCOWAN: Yes.

MR. STEVENS: It's David Stevens speaking. Just a question for the witnesses as to whether the information is retained at that level of granularity?

MS. McCOWAN: I believe it is. Why don't we take it away to do the best we can to provide that information.

MR. QUINN: That's reasonable to me, David.

MR. STEVENS: Thank you. So to be clear, the undertaking is in relation to Figure 6.1-2 to advise as to what projects within the Union Gas rate zone 2021 pre-optimized spend profile were moved to future years or to ICM request within 2021?

MR. QUINN: Yes, and again, David, I want to be clear with that, and the capital associated with those projects. We just don't want to know a figure in a breadbasket. If it's 2 million or 20 million, that makes a difference, so just those projects and the capital impact that was moved either into ICM or future years.

MR. STEVENS: Yes, that's fine.

MR. QUINN: Okay. Thank you.

MR. STEVENS: And again, with the caveat of the discussion we just had with Catherine that it will be based on the best information that's available to the company -- that still exists or is available for the company.

MR. QUINN: I accept it as such, thanks.

MR. LADANYI: Dwayne, can I ask a question before we move on?

MR. QUINN: Please. Yes, Tom go ahead.

MR. RICHLER: Sorry, just, Mr. Ladanyi, just before you go, I just wanted to -- I just wanted to make sure we note that as Undertaking JT1.4.

UNDERTAKING NO. JT1.4: IN RELATION TO FIGURE 6.1-2, TO ADVISE AS TO WHAT PROJECTS WITHIN THE UNION GAS RATE ZONE 2021 PRE-OPTIMIZED SPEND PROFILE WERE MOVED TO FUTURE YEARS OR TO ICM REQUEST WITHIN 2021, BASED ON THE BEST INFORMATION THAT STILL EXISTS OR IS AVAILABLE FOR THE COMPANY.

MR. RICHLER: Go ahead, Mr. Ladanyi.

MR. LADANYI: Thank you. So when I look at this figure it appears to be that some number, roughly just below $5 million, seems to be some kind of a limit; is that right?

MS. McCOWAN: No, at this stage there's no limit. This is the pre-optimized picture.

MR. LADANYI: Okay. So it's pre-optimized, but you must have some kind of a constraint, an upper constraint. I am troubled with the discussion. Is it how much you can handle in terms of what kind of staff or contractors have, or is it some kind of financial constraint? What is the constraint?

MS. McCOWAN: Yeah, so it's a fair point that although there is no financial constraint that forms the upper constraint, when people are putting forward work there's a natural understanding of how much work they think they can do in a given year. So I think it's a fair point to say that as people put forward replacement projects or real-estate projects or the amount of fleet they think they need, that that is going to be informed by roughly the amount of work they're used to doing, that they think they can handle. But we don't impose any type of a financial constraint on the work that is allowed to be put forward.

MR. LADANYI: I am still having difficulty with this. So maybe you can help me. Don't you, for example, contact your contractors and say, how many crews do you have, how many backhoes do you have, how many silos do you have? Like, there must be some kind of constraint.

MS. McCOWAN: So again, that is not actually part of our process. Where that would come in would be as people receive the work plan and actually start to execute it. Then they would be looking to, what are the resources. And one of the checks as we go through this asset management process is to make sure that the execution groups, as we call them, can deliver the work plan.

So before -- you'll see in the presentation that we filed from June 9th of last year that the set of reviews are initially that people are reviewing all the investments that are put forward to make sure that they do address the risks and opportunities that the organization has. But after we do the optimization there's then a cycle back with the execution groups to confirm that they're able to execute the work.

But at this pre-optimization stage there is no formal requirement to validate that there's enough crews in 2024 or 2023 to do the work. We assume that if the work is being put forward that we would be able to ramp up to do that work.

And, you know, as I said earlier just now, there is probably a natural tendency for people to put forward work roughly consistent with what they know they can handle, but other than that, we don't impose any sort of a limit.

MR. NACZYNSKI: Just further, actually, if I could, Tom, as well. Erik here. A few other points that I would make that, you know, something like customer -- as you see this coloured bar chart here, things like customer connections, we know we have a forecast on what those connections are going to be, we have got meter replacements and things like that, Tom, that we would be doing as well, so those are things that are part of that base spend that we do that would be fairly similar year to year, so they appear as kind of a, you know, a line item on here that would be, you know, of similar value.

MR. LADANYI: Turning back to Union Gas 2021 -- I think that's what we were discussing here. So some people at Union Gas were under the impression that Enbridge could actually handle $900 million of work in one year. It seems amazing to me. Like, there was -- like, they just dreamed this up without checking with anybody? This is -- how did this come about?

MR. NACZYNSKI: Yeah, so this is part of my role, Tom. In the -- you know, Catherine's got the governance. She sets out the framework. She says, here is the criteria that you need to have various business cases. And my team then works -- you know, the asset managers that report to me, the conductors of the orchestra, where they are working with their stakeholders across the various regions throughout Ontario, bringing forward whatever, you know, issues or concerns have been brought up either directly from, you know, the, you know, the regional operations group or from our integrity work that we do as well, and, you know, those investments are brought forward, and to your point, like, is it somebody dreaming some of these things up, umm, I don't know if I would go that far to say, but there's certainly, you know, the things that have been assessed, they have met those criteria that Catherine's already put out. Certainly one of these large -- you know, one of these blocks that will be here in the hatched is the London lines, for example, at 160-something million for that one, and there, of course, are other projects that have been brought in as well too.

So, no, I don't think people are dreaming, but these are the needs that have been identified for those assets as they brought those forward, Tom.

MR. LADANYI: Okay. I will leave that over to Dwayne again. Sorry, Dwayne, for taking up your time.

MR. QUINN: Not at all, Tom. And I invite this type of process, because I know it will be efficient for us all in our understanding, so -- and I am not seeing your perspective on some of these things, so please introduce it. Mr. --

MR. RICHLER: Mr. Quinn, sorry, sorry, Mr. Quinn, I hate to interject, but I just note that we are a little past the time for our scheduled morning break, so I wonder if now might be a good time to take ten minutes?

MR. QUINN: I was just about to say that, Mr. Richler, but can I ask one more question and then we can move to the break, because then I am going to move into a different section.

MR. RICHLER: Okay. Please do that.

MR. QUINN: Yeah, just, as you were talking about meeting with stakeholder groups, Erik, what you're referring us to is those who had identified projects and their resource constraints for their ability to do those projects; correct?

MR. NACZYNSKI: Umm, that is correct, but just duly note that we have got multiple groups throughout the organization, Dwayne, so if you are talking about a regional group, they would have their -- you know, they do

work with their contractors, they know how many names or
whatever, they would replace how many third-party
relocations in the London area, for example --
MR. QUINN: Yeah, no, I don't want to get into
specifics, Erik, just to say that it's the resource side,
our ability to do this on the resource side, and the
resource is different from money. It's capability,
contractors --
MR. NACZYNSKI: Absolutely, and part of my team's
role, as is right now, is to cycle back, as Catherine
indicated, is to cycle back with those various stakeholder
groups, and it could be multiples. I just want to
emphasize that. But, yes, we would go and say, can you
actually do this, and if the answer is yes, then that would
then be fed back to Catherine that, yes, we could -- this
is a spend that could be done.
MR. QUINN: Okay. So how do you take into account
ratepayer impact in this iterative process?
MS. McCOWAN: So the ratepayer impact is, as I said
before, we try to keep things below the materiality
threshold and minimize the lumpiness, but if there are
significant investments, then we defend them through a
process like this one, right? This is the process to
defend the impact to ratepayers. We survey our customers,
we try to do the things that we believe they expect us to
do, and that -- and to understand the impact to ratepayers.
MR. QUINN: So are there any criteria for allowable
rate impacts?

MS. McCOWAN: I am not aware of any.
MR. QUINN: Okay.
MS. McCOWAN: But it's also not my area of expertise.
MR. QUINN: I am going to stop there, but after the break if there's anybody else who has that area of expertise to help us with ratepayer impact we can come back to it, but then I am going to go off into a different area. I just saw that fitting in with what we discussed. So I will leave it at that for now --
MR. STEVENS: Just before we break, Dwayne, to understand your question, you're asking whether there's any criteria associated with the budget process that specifically addresses rate impacts?
MR. QUINN: Yes.
MR. STEVENS: Okay. Understood.
MR. QUINN: Okay. Sorry, Mr. Richler. I just wanted to finish that section.
MR. RICHLER: Thank you for that.
So we will break now. We will resume at eleven o'clock sharp, and just a reminder to turn off your mics while we are on break. Thank you.
--- Recess taken at 10:47 a.m.
--- On resuming at 11:00 a.m.
MR. RICHLER: So we are going back on the record now. Mr. Quinn.
MR. QUINN: Yes, thank you, Mr. Richler. I have tried to use part of the time to go through some questions. Because others couldn't attend, I did reach out to others.

I have some questions based on others' IRs --

MR. STEVENS: Dwayne, Dwayne, sorry, it's David Stevens. Just before we -- you move on -- I wasn't sure if you were going to move on -- you had asked us just to confirm if we had any more information about criteria associated with rate impact that are specifically part of the budget process, and I think Anton Kacicnik was going to speak just briefly to that.

MR. KACICNIK: Yeah, hi, Dwayne. It's Anton on behalf of Enbridge.

MR. QUINN: Hi, Anton.

MR. KACICNIK: Hi. We are not familiar with any criteria or guidance from the Board as far as rate impacts that come out from ICM projects are concerned. They are typically small, not material impacts, and I was listening to Catherine's evidence. It's my understanding that the Asset Management Plan helps with that by prioritizing and pacing investments over the term of the incentive regulation plan.

MR. QUINN: I follow all of that, Anton, and I agree, but when you use the word "pacing", that kind of is a different -- a very different profile than a step change in what we are seeing in system renewal, and that's part of our challenge. So how does the AMP help you with pacing when you double your budget in one area from previous five years to the next five years?

MR. KACICNIK: It will help to pass it over to Catherine to speak about system renewal, but when I said pacing I had total in-service capital additions in mind, so that's what really is the driver behind any qualifying ICM projects and therefore impact on rates. So I will help to turn it over to Catherine to speak to items below the ICM threshold.

MS. McCOWAN: Sure, thanks a lot, Anton. I think -- I don't know, Dwayne, is there a question beyond what both Erik and I have already spoken to? We did talk about the system renewal spend earlier on.

MR. QUINN: Well, I just -- Anton had opened up a subject that AMP improves pacing, but I see step changes, for lack of better term, in a bunch of categories, and it doesn't reconcile.

MS. McCOWAN: Sure. Perhaps Erik was going here with his comments about the strategies that are outlined in section 5, but there is no doubt that we see the need to invest more in the replacement, for example, of certain things like vintage steel and vintage plastic, because their failure modes have been well-studied or well-understood, and we see a need to increase the spend in those sorts of categories in a paced manner, but nonetheless increased, because the assets are reaching the end of their age -- or the end of their life.

MR. QUINN: But -- sorry, I don't want to be argumentative, but I am struggling with that answer, in that they are reaching the end of their life. If we just take ourselves back a few years ago, they weren't -- somehow they weren't reaching the end of their life, but in a couple years all of a sudden a larger proportion of those assets are now reaching their useful life, and what part of this dialogue this morning is trying to understand is what has changed beyond ICM ability to get funds for the projects to be approved.

MR. NACZYNSKI: I think if I could add to that, as we look at vintage steel, for example, that's one that Catherine just mentioned, within section 5 you can see the projected leak rates that we have on those various -- on those various assets, and you can see that, you know, it's not getting less, that we need to be looking at how we are going to, you know, manage those assets as they, you know, move further down in their life cycle. And that is -- I mean, this is fairly well-documented in the asset plan, and then what's the strategy on how we want to manage that, so that does then lead itself into increases in vintage steel replacements, but also there is, you know, compression, which is another one that was highlighted in that previous IR from some of the compressor replacements as well as compressors approach, you know, their end of life as well, and then how do we bring this in to Anton's point, you know, phasing. Obviously, we are not going to go -- and if you look at the distribution of the in-service of those main assets, you can see a huge, you know, bulge, if you will, of installation in the 1950s and the late 1940s, and how do we manage that, because we're certainly not going to be able to replace the assets at 6- or 700 kilometres a year at the same rate they were installed, so how we break that down into manageable bite-sized chunks, and one of those things are, you know, some of the -- specific to the Union Gas rate zone, the bare and unprotected steel replacement program, and that over a number of years is about, you know, 50, $60 million. That's all within base capital, it's all within, you know, the replacement, you know, and it's small projects throughout, you know, largely, you know, London, Hamilton, where we are going in and replacing those assets. And again, those are smaller projects that are run by the regions.

But that is an example of, you know, we understand that the leaks are increasing, and we work through our risk assessment, probability times consequence, which then leads us to a bunch of value and, you know, that helps us prioritize when and where each project will be done. So those are a couple of examples at a high level for you, but again, lots of details here in section 5 of that plan.

MR. QUINN: I know. There are lots of details, and I appreciate you live this, Erik, so it all flows off.

MR. NACZYNSKI: Yeah, absolutely.

MR. QUINN: But from our perspective it says, okay, what's changed when system renewal doubles, and I haven't heard an answer beyond -- well, I have a better understanding of your process, which I am thankful for, but I haven't heard something that creates that step increase. So maybe what we need to do is look at some specifics, and I have those in my next questions, but before I do, where I am starting at the outset is, I have questions from some other parties that I wasn't able to go completely through to see if we have already covered off answers for them.

So once I get through most of the questions I have I would like to turn it over to Tom, go through my questions, hear what he has to ask, go through my questions a little bit better, and maybe even over the lunch how, and then I am not duplicating questions that were already asked or there's sufficient answer on the record on this point. So I just want to cue Tom that I may ask him if he can start before lunch if I get there, and then I will double back in the afternoon with others' questions.

MR. KHOSHAIEN: Dwayne, if you don't mind, if I could just add one more thing to what Erik and Catherine already mentioned that hopefully will help you understand that. I would say one of the things that was evolving in Enbridge is the condition assessments of our projects and the way we approach that understanding of condition of our assets.

So that has evolved, I would say the last few years, compared to the legacy Union Gas way of looking at it. So we have a much better understanding of our risks and condition of our assets, we have asset health review, which is a very detailed process that feeds into the strategies that Erik was talking about. So some of those have certainly pointed at us towards the strategy of renewal on some of our assets.

MR. QUINN: Oh, sorry, Mr. Khoshaien, I appreciate that, but I don't know where to go with that, because earlier I had asked about any changes in condition -- I call it condition rating. I am hearing you say you're doing a refinement of your condition assessment. We might be just using different vernacular, but can you point to any specific differentiating criteria that has been added recently?

MR. KHOSHAIEN: So maybe this is one of those things maybe we have to have a conversation on and get back to you.

MR. QUINN: Okay.

MR. KHOSHAIEN: Yeah.

MR. QUINN: If you are able to do that, because I do want to respect that I have a certain amount of time and I don't want to take too much of your time. I am looking for specific condition, you call it assessment, sure, we will use your term, condition assessment systems and what may have changed in terms of criteria, specific criteria, which contributed to an advancement of the need to have system renewal. Is that clear enough, Mr. Stevens?

MR. STEVENS: Thank you, Dwayne. I was just writing down as you were speaking.

MR. QUINN: Yeah, yeah.

MR. STEVENS: Yes, I believe that is clear, and we can provide that undertaking, Dwayne, you know, subject, of course, to the understanding that we will just provide any additional information that we have beyond what the witnesses have already spoken to.

MR. QUINN: Fair.

MR. RICHLER: That's JT1.5.

UNDERTAKING NO. JT1.5: TO PROVIDE A LIST OF SPECIFIC CONDITION ASSESSMENT SYSTEMS AND WHAT MAY HAVE CHANGED IN TERMS OF SPECIFIC CRITERIA WHICH CONTRIBUTED TO AN ADVANCEMENT OF THE NEED TO HAVE SYSTEM RENEWAL.

MR. QUINN: Okay. Thank you, Mr. Khoshaien. I appreciate you're trying to help us out. I just -- I would like specific criteria, and that will be helpful, so thank you.

What I'd like to do then, we were trying to understand the process of prioritization, and we learned some things before the break. But if we could move to FRPO 28, please.

We had asked about the London Lines having low operational and financial risks, leading to a very high negative total, yet it was given priority. The answer indicates that these risks were reassessed, and we want to understand, first, the process of the assessment and the process of prioritization.

So page 2 of the response indicates that the operational risk value has increased to 5 million -- I assume that's 5 million as a number -- from 520,000, if my units are correct. Do I have that right?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. That's, well, an order of magnitude change. Can somebody help me with what type of change would have driven an order of magnitude increase?

MS. McCOWAN: Yeah. So I can help you. Quite honestly, I am not sure what was initially in C55 for this particular investment. The risk assessment had not been completed at the time that the extract was pulled for the original filing in October. So -- sorry, the risk assessment had been completed, but it had not been entered into C55, so what was prepared for the London Lines leave to construct and filed as part of that -- of the interrogatories related to that -- that was the risk assessment that was done using our 7 by 7 matrix. It has now been translated over to the C55, and that's what you see here, but the decision to proceed with the London Lines was based through our risk management process. So Enbridge has a risk management process where risks are identified, evaluated, the risk owner makes a decision as to whether risks need to be treated, and then different treatment alternatives are considered. So you can through the London Lines leave-to-construct process, it was clear that we had been treating risk on an interim basis through increased survey and things like that, but really the ultimate requirement to treat the risk was to replace the lines, and that was the decision that was taken.

MR. QUINN: I wanted to not get too far ahead of ourselves. I am just focussed on the operational risk.

MS. McCOWAN: Um-hmm.

MR. QUINN: It's gone up from 520,000 to 5 million. You said there was a reassessment that was done -- or, sorry, an assessment was done, but it hadn't been put in the system, but something was in the system previously that had indicated 520,000.

What factor or factors increased that operational risk by tenfold?

MS. McCOWAN: Yeah, let me -- go ahead.

MR. NACZYNSKI: What I was going to say on this one, Dwayne, I am -- I will put it -- I am not familiar with what was in the system at the time. It was then updated as Catherine has described. So I would -- I guess what I am saying is I don't think I can go back and compare for you the 500,000 to the 5 million or that step change on how that was done. But the information that's in front of you now is what is correct and is what is updated.

MR. QUINN: Is there anybody that can help us with what created that impact?

MS. McCOWAN: I don't believe so, because certainly in responding to this interrogatory I went back to the system to see what had been the inputs to that. The only thing I can surmise is that somebody in entering the project attempted to fill in some sort of a risk assessment and, you know, stopped recognizing that a further risk assessment would be required as part of the leave to construct. So leaving it to that process.

MR. QUINN: Okay. I am going to take a note here, and I will move forward, but I may come back to questions later on, but I don't want to do it inefficiently.

So similarly, the financial risk, while it doesn't go up by an order of magnitude, it goes up by a factor of 7. Is the explanation the same for that, is that it was incomplete before, or not --

MS. McCOWAN: Yes, yes, it is.

MR. NACZYNSKI: That's correct, Dwayne, that is correct.

MR. QUINN: Okay. Well, I, again, want to be efficient, so I will use that during our break sometime maybe to come back to just a follow-up question.

But then I want to deal with the outcome of that process. So putting these value increases together, it ends up with a .5 million increase in the total -- sorry, put together with the .5 million increase the total investment went up by .5 million. The total number moves from 101 million to 94 million, as you see on the screen. Both are negative, so I am interpreting that move of being less negative as having more value; is that correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. Yet the number is still very high negative. Can you explain the process that led to the priority placed on this project over other projects?

MS. McCOWAN: So I will say two things. The first is that the project was prioritized based on our risk management process and the need to address the risk. I mean, the project had already been identified to the previous asset management plan and was confirmed through our risk management process.

To the extent that the value here is a significant negative number, I think it's fair to say that, having implemented Copperleaf a year ago or a little over a year ago, we are still working through the details of how value is represented in this value framework. Enbridge doesn't agree that this project has negative -- significant negative value to the organization or to ratepayers. This project is important for the safety and reliability of the customers that are fed off of that pipeline. And so your representing it as a negative value doesn't really sit with how we would view this project.

MR. QUINN: Well, to be fair, I am not representing it as a negative value. That's what the refined assessment is presenting when it presents a negative $94 million. So if this is the process, and we have talked a little bit and I understand the process better, and we still end up with a hugely negative net present value, what drives that priority to the top of the list?

MS. McCOWAN: Right. And so I think I answered earlier that really this project was moved ahead based on our risk management processes and not its net present value.

MR. QUINN: So what aspect of the risk management process moved it ahead? If the reassessment only increased and made significant increases in the operational and financial risk value, what other part of your risk management exercise created the urgency?

MS. McCOWAN: So the risk management process, when we look at where all of the various operational reliability and health and safety risks sit on our risk matrix, and in particular I think in this particular project there was a high operational reliability risk, that -- the presence of high risks and quite a number of medium risks drove us to want to treat this risk.

MR. QUINN: Okay. The high operational reliability risk, if I -- that's what you said; correct?

MS. McCOWAN: I believe so.

MR. QUINN: Okay. So wouldn't that be reflected in your operational risk value?

MS. McCOWAN: It is -- I think where I was speaking about our, I will call it discomfort with how the value is actually reflected, is when you do the mechanics of a risk assessment and then convert it into the Copperleaf model, I believe we would see more value from this investment than is reflected here, and so, you know, as we're learning about how the model works, I think that we will need to, I will say calibrate, but really understand what drives those particular aspects of risk and how do they a little bit more closely align with Enbridge's tolerance for risk.

MR. QUINN: And I don't want to be disrespectful here, but it sounds like we have done a lot of rigorous process to do all these evaluations with the best tool we have, admittedly a new tool, but once we get the results, if we don't like what it shows, we know the tool isn't working right, so we want to go with our priorities anyway; is that what you are saying?

MS. McCOWAN: It's not what I am saying, and I understand why you might think that. In fact, the risk assessment for the London Lines was done outside of the tool. That -- that risk management process unfolded to push the London Lines forward. The population of the risk assessment results into the Copperleaf tool occurred honestly when we received this interrogatory. We took the results from the risk assessment as an exercise to backwards populate to the tool and see where it would have landed, and I think it's a learning for us all as we are coming to understand how the tool works and how it interacts with our risk management processes, but we have confidence in our risk management processes and the people that made the decision to treat the risk, and all of that was filed as part of the leave-to-construct interrogatories for the London Lines.

MR. QUINN: Okay. Well, I am going to stick with this prioritization, because we did ask specifics to understand this process of prioritization. And so in FRPO -- I will take us back to the interrogatories I have. So this is FRPO 28. It's easy to just flip up a couple, there's FRPO 27, because we asked similar questions about Kirkland Lake lateral, and I understand it's not in the 2021 ask, but I am asking about the process to develop the prioritization of projects. So the investment summary --

MS. McCOWAN: Sorry, I am not hearing the audio well.

MR. QUINN: Oh, I'm sorry. Maybe I am leaning forward. I will just turn the mic this way. Is that better? Is that better?

MR. NACZYNSKI: I can hear you, Dwayne. Catherine, can you --

MS. McCOWAN: The word "better" came across.

MR. QUINN: Okay.

MS. McCOWAN: So is it on my end?

MR. QUINN: I think it may be, but hopefully you can hear me all right. If one of us needs to turn off our pictures to improve things, we can take that step in a moment, but can you hear me now, Ms. McCowan?

MS. McCOWAN: Yes, you're good right now, thanks.

MR. QUINN: All right. So I guess, if you turn to the evidence -- and I am just trying to be helpful, Stephanie. I have got the PDF as page 561 of my PDF. We seem to be two pages off on the previous one. But I am looking at the investment summary report, 102128.

MS. ALLMAN: Dwayne, is this Exhibit C21?

MR. QUINN: It's in your application now, page 561. Again, these pages don't have numbers on them, so I can't give you a numeric reference except for the investment code. And so you're very close. See, yours is 560 -- mine shows 561 as the Kirkland Lake lateral, which I think you just have to go -- and I am just going to check here. Yes, just go up two pages. There it is.

Okay. So on page -- the second page of that report is the comparable value assessment that's done. It's on the bottom right-hand corner. Yes, that's it. If you don't mind just scrolling that a bit to the left so the witnesses, yeah, will be able to see it in terms of the numbers. Oh, that's helpful, thank you.

MR. NACZYNSKI: There we go.

MR. QUINN: Okay. So we are trying to understand, you know, this value proposition again and the prioritization as it relates to a project like this. As a starting point to try and understand, the rows in the value function measure change from OPEX and CAPEX savings to, in the London Lines -- sorry, to what we saw in the London Lines, those referred to as operational and financial risk.

Can you help me with the differentiation between the operational and financial risk values and the OPEX and CAPEX savings?

MS. McCOWAN: Yeah, sure. So in this case, because the Kirkland Lake project was largely driven by the anticipated cost of repairs following ongoing external corrosion direct assessment, that the net present value of replacing the pipeline was actually found to be less than the cost of the ongoing operating -- OPEX to do repairs to the pipeline. And that was partly because we knew there was already a number of scheduled digs required on that pipeline just based on findings that we'd already had. And so there was quite a lot of known upcoming operating costs for that pipeline, and so doing a straight financial comparison was enough to make the decision to do the replacement.

You can see at the bottom where all of those risk aspects are zero. That's because there isn't, like, the equivalent of a risk assessment done in this case.

MR. QUINN: Okay --

MR. NACZYNSKI: Maybe if I could -- sorry, Dwayne, if I could just interject.

MR. QUINN: I am struggling a little bit, because I asked about the difference between the OPEX and CAPEX, and I think, if I heard Ms. McCowan's answer correctly, she went to the bottom line where I was still trying to figure out the definitions above.

MR. NACZYNSKI: Right. And that's what I was going to provide some clarity on for you, Dwayne, if I may. So in the other assessment that you looked at, you saw reputational, safety, revenue, you know, those items that are toward the financial risk.

If you were looking at a -- from the risk matrix you are looking at a probability times a consequence, and then you get a monetization, that's represented in that value. So I haven't had an outage on the London Lines, but I might, and I have a probability of that, and, you know, X dollars for all the customers that got relit, that would be a financial value that I would have mitigated through this project.

So that's where in the bottom portion of this document where you've got those value function measures, financial risk, because it's a risk that something could happen -- it hasn't happened, but it could happen. Those numbers at the top in this one for Kirkland Lake, you have got OPEX, CAPEX, CA, meaning Canadian dollars, right? This is an enterprise tool.

So when we are talking about the Kirkland Lake lateral as -- it's a temp line. It operates above 30 percent SMYS. There was an ECPA done as a part of the integrity management work, and they identified a number of things that they would have to keep investigating.

So in this case we have got more specific details, but if we do nothing, I am going to have to dig up the line this many times, this many per year, with this much cost, and actually have some certainty around that, which is why it's represented as, if you will, hard numbers in budget and cost avoidance in this case. So that's where those are coming from, both O&M and capital, because of course not all digs are capitalized. Some things are O&M and some things are capital, and this includes that string of benefits out over the next number of years that relate to this project.

Does that help, Dwayne, as far as the difference, the risk versus the hard, you know, number, if you will, from the value perspective?

MR. QUINN: The short answer is it does help, Erik. I will have to reread the transcript to maybe get the full value of it, because I was trying to break down questions in my mind, because just speaking to the definitions that are on this page here --

MR. NACZYNSKI: Yup.

MR. QUINN: -- you have got a budget avoidance -- sorry, a cost avoidance of OPEX and a budget savings of OPEX.

MR. NACZYNSKI: Yeah.

MR. QUINN: Are those not the same, or how do you differentiate -- or the difference between the cost avoidance and the budgeted savings?

MS. McCOWAN: I'd have to check, and maybe Erik can jump in if I misstep here, but I believe that a budget savings is that -- we allow people to claim that if it's actually in the budget for a given year and will be avoided, whereas if you are talking about a cost avoidance, it's maybe something that would have needed to go up, the budget might have had to increase in order to accommodate it, and now it will not need to.

MR. NACZYNSKI: That's correct, Catherine.

MR. QUINN: Okay. Having hopefully understood that, so the same thing would be for CAPEX as OPEX. But you've come up with a value, and this value is -- as I understood from the explanation earlier, these values are to be able to compare apples to apples in terms of the value of the project. Do I have that correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. So -- and I think this is where you took me to the bottom line to say, okay, well, when we take all these operational and capital risks into account, it is less expensive from a total investment cost to actually replace it, and thus we end up with a $4.6 million positive value; is that correct?

MS. McCOWAN: That's correct.

MR. NACZYNSKI: Yeah. In the case of Kirkland Lake, that's correct.

MR. QUINN: Okay. So if these projects are compared on the basis of value -- before I get to that, the $4.6 million, if I were, and I am, a ratepayer who is willing to provide our funds to be willing to invest in your projects, I would simply -- I'd look at this as a positive project or a winner, something that I would want to invest in, as opposed to saying don't spend the $14 million, I will let it roll and hope I avoid costs down the road. Is that -- do I have this perspective correct?

MS. McCOWAN: Yes.

MR. QUINN: Okay. So if we look at this project, and it's a very positive project, and we compare it to the London Lines, which is just two pages down if you need to see what the numbers look like there, but to remind us we are talking about a 94 million -- well, it's 100 million on this slide, so your updated slide says it's $94 million negative -- how does the company justify advancing the London Lines ahead of Kirkland Lake?

MS. McCOWAN: I think it's a really good question. So I guess I will take a crack at it, and then perhaps Erik wants to jump in. I think we do come down to some extent as to when the projects are identified, so the London Lines had been a part of the AMP for Union Gas rate zone previously and was, you know, I'll say being prepared and underway in terms of its planning.

This project, I think, came up a little later in the game and was really being driven out as we saw more and more problems through the inspection work and realized that we would be seeing increasing amounts of cost, and I think, you know, all things being equal, we would probably love to replace this line in 2021 as well but, you know, in terms of ability to get it planned up and ready for construction, that wasn't a possibility, and we have put it forward for 2022.

I don't know, Erik, can you jump in on that?

MR. NACZYNSKI: Yeah, no, and in as far as the timing, that's exactly it. This project was brought up, sorry, the midway point next year, and then it was assessed using a very financial means of taking a look at it, and is scheduled for the first possible available time to have the work done, which is next year. So some pre-spend dollars you will see in the forecast for this year with the execution next year.

But I do want to just -- I guess -- Catherine's done a great job explaining, but with respect to the London Lines, there is a risk process that we go through, there are risk owners who have that risk, and that, yes, we would assess the value, but the value needs to be taken into consideration with, you know, good common sense and, you know, you know, engineering conversations, and, you know, we've gone through the London Lines in particular through the LTC process and vetted and went through all the leak rates and all that information that we had to determine that -- you know, the need of that project.

I do respect where you are coming from from the process perspective and say, well, how did you get so much operations value here versus other, and I can appreciate where you are coming from on that one, and we continue to work to refine the process as we go through this with a new system, a new tool, a merged organization, and trying to get an asset plan done in 18 months from the MAADs application, and, yes, London Lines was already in the Union Gas plan, and we have spoken to that in some of the interrogatories about why London, you know, after Windsor and how that -- and how that went through.

So I hope that provides a little bit more colour on where that's coming from.

MR. QUINN: Well, I am going up a learning curve fairly rapidly given the time of this technical conference relative to getting IRs back, and I am going to have to look at the transcript, but I -- and I understand and appreciate the integration challenges -- not fully. I can't say I fully understand or appreciate the integration challenges of the two companies, but asset management plans were used by the respective companies previously in some way, shape, or form. You're now -- and I understand it. Yu are still doing them separately. So we would expect that the rigour would be applied and the projects would be prioritized, but that may be better handled in submissions later on.

I want to just catch one point that I thought I heard you say, Erik, and then move on, because I think it's pertinent, but you said, you know, we had no outages on the London Lines. You were involved with the London Lines assessment, I assume?

MR. NACZYNSKI: I was involved, yes, in the London Lines work.

MR. QUINN: So there were no outages, as you stated?

MR. NACZYNSKI: When I -- if I misstated in my earlier statement -- I am not -- I was involved with the work. I don't know if there were any operational outages on the London Lines. It would be whatever's on the record for that proceeding, as we put that together.

MR. QUINN: Okay. Well, that probably helps, because that's a good segue into what I don't think is on the record. If you can turn up FRPO 31, please.

So in the response on page 2, EGI states that it provided clarification regarding the line between Komoka and Byron.

MR. NACZYNSKI: Yeah.

MR. QUINN: And we can turn it up as necessary, but EGI clarified that it made the mistake in describing the line -- described -- sorry, I'm going to read this properly -- made the mistake in describing the line as it was a couple years ago, not as it is now, but it did not answer our questions regarding the decision to remove a section in advance of the rest of the line. We are still trying to understand this decision in the context of the prudence of spending of $100 million to replace the whole thing.

So breaking down that interest, when was the section between Komoka and Byron removed?

MR. STEVENS: Dwayne, it's David Stevens speaking. I prefer not to be interventionist, but in terms of these specific questions, Enbridge Gas's position is that issues related to the need, timing, and cost of the London Lines project were before the Board in the 2020-0192 proceeding. The parties had the opportunity of full participation. The Board has now rendered a decision in that matter, and Enbridge's view is that detailed questions about that project are not in scope for this ICM funding request, so we are not going to answer the question.

MR. QUINN: I understand that's your position, David. I am not going to debate that position, but I am going to suggest that full participation with an incorrect record, which was clarified in the submissions phase, doesn't necessarily allow full participation. So we are trying to understand the prudence of it, because that's one of the criteria for ICM. So we are asking a few questions to try to understand that in context.

MR. STEVENS: Your position is noted, Dwayne. Enbridge Gas does not believe that these items or issues are relevant in the ICM funding request and instead that they were properly part of the LTC application, so we are not going to answer the questions.

MR. QUINN: These are factual questions. I will ask the question. You can refuse it as you see fit.

But what is the gap currently now between the east and west ends of the segment that was removed between Komoka and Byron?

MR. STEVENS: Enbridge declines to answer that question, for the reasons I have already stated.

MR. QUINN: Okay. And what would the cost be to reconnect those two disconnected portions of pipe?

MR. STEVENS: The same answer.

MR. QUINN: Okay. Thank you. So in advancing this project through the capital modelling that we just went through, what alternatives were considered in terms of doing that project as a complete project versus doing it in segments?

MR. STEVENS: Again, Dwayne, the alternatives to the project were canvassed and discussed and -- before the Board in the leave-to-construct application. We don't believe that it's appropriate to revisit those issues in this ICM funding request application, so we decline to answer the question.

MR. QUINN: Okay. Well, I want to ask a slightly different question, and this is reliant on Mr. -- well, actually, I don't want to presume that, but -- because it could be either of two witnesses.

There is a pending project to -- in your Asset Management Plan for the refurbishment of the Byron transmission station. Is that correct?

MR. NACZYNSKI: That's correct.

MR. STEVENS: Can you point us to it? What year is that for?

MR. QUINN: I don't have the year handy.

MR. STEVENS: Is it a 2021 project, I should ask?

MR. QUINN: No, it's not a 2021 project, in my recollection, but I am trying to understand, does the change in the Byron to -- or I should say it the other way -- the Komoka to Byron segment change any of the work

associated with the Byron transmission station
refurbishment?

MR. STEVENS: Dwayne, Enbridge Gas's view is that details of future projects that aren't part of the 2021 year are not relevant to the determinations that the Board will be making in this proceeding.

MR. QUINN: So if we wanted more fulsome answers, David, we have our relief to seek in terms of putting a motion in? That's the path you're pointing us to?

MR. STEVENS: Well, I am not pointing you to any path, Dwayne. But I certainly acknowledge that that is an option that's open to you.

MR. QUINN: Okay. Well --

MS. McCOWAN: Just by way of confirmation, I am just looking at the Byron transmission station, which is part of the Asset Management Plan, and it does look to be a 2021 investment in that plan. I don't know, Erik, if you're able to speak to it.

MR. NACZYNSKI: Yeah, thank you, Catherine. Not to interject on our lawyer, but I did pull it up in the system, as you did, Catherine, and do confirm that it is a 2021 in-service date project, yes.

MR. STEVENS: Okay. so I was premising my objections, Dwayne, on the fact that it appeared it was beyond 2021. Since it is within 2021, I would ask you to repeat your question.

MR. QUINN: Does the disconnection of the portion of pipe between Komoka and Byron change the scope of work that would be undertaken for the Byron transmission station?

MR. NACZYNSKI: It does not, because, as noted in the graphic or the text on the screen, there was an abandonment of that segment in 2018, as you're aware, and it is no longer connected. And here we are three years later and the Byron transmission station does not include a scope that relates to any, you know, segment that has been previously abandoned.

MR. QUINN: Right. But if you've got a stub of pipe, and I will call it a stub because I'm not getting any definition, you have got a stub of pipe going west from Byron to customers that still need to be fed --

MR. NACZYNSKI: Right.

MR. QUINN: -- is that not included in the station currently?

MR. NACZYNSKI: The current scope is to address any capacity issues with the current station, and that is what that project is for.

MR. QUINN: So it's to --

MR. NACZYNSKI: But the systems are not interconnected any more right, Dwayne? So the piece of pipe that connected them was abandoned several years ago, and I will mention that was -- you know, I was not involved in any of those conversations. Certainly that's before the merger of -- and I am a legacy -- Enbridge Gas. I was not involved in any of the conversations with that abandonment, so I would like to just clarify that in my response in my involvement with the London Lines. It would only be since the merger of the -- you know, it's for about a year now since we have merged -- but it does not include the scope of a new piece of pipe that has already been abandoned, so, no.

MR. QUINN: I get that. I followed your answer, and I don't want to get into too much detail and risk sort of other challenges, but what I am understanding is the piece of pipe between Komoka and Byron has been disconnected.

MR. NACZYNSKI: Yes.

MR. QUINN: But are there any customers that are fed still from Byron that were on -- that were or are on the remaining segment, which may be some length of stub that goes west out of the Byron station?

MR. NACZYNSKI: I would have to confirm for you. I would be somewhat speculating in my response, but I know that when the line was abandoned any customers that were connected to it were moved into different systems or reintegrated into the rest of the surrounding network as a part of that project.

MR. QUINN: Maybe I am more familiar with you than that part of the project, but there is one line that goes from point A to point B -- I shouldn't say one line. There could be two lines, because there is Dominion and London Lines, so I am not an authority on all of that.

MR. NACZYNSKI: Yeah.

MR. QUINN: But the fact of the matter is it's a portion of what was called the London Line system, which is not necessarily called that any more.

MR. NACZYNSKI: Yeah.

MR. QUINN: But still you have customers that need a feed. You didn't say, 'Sorry about your luck. We have to disconnect this pipe.'

MR. STEVENS: If I may interject, Dwayne, I am struggling to understand the relevance of these questions to what's before the Board. I thought perhaps you were going to be asking about the defined Byron project and whether that was properly part of the 2021 base or not. Instead we seem to be talking about fine details of what might or might not be part of some project, and I'm having a lot of difficulty understanding how that's relevant to the Board's ICM funding determinations. Perhaps you can help.

MR. QUINN: I can help by asking the witness, are there any cost reductions as a result of not having to feed the -- the line going west from Byron to Komoka? Does that result in cost reductions in terms of your station refurbishment?

MR. STEVENS: Sorry, are you asking about cost reductions versus what's in the Asset Management Plan, Dwayne?

MR. QUINN: Yes. So if the line was still there, would this project look different and the costs be higher?

MR. STEVENS: Sorry, if the line that was abandoned some years ago was still there?

MR. QUINN: Yes.

MR. NACZYNSKI: Yes --

MR. STEVENS: Again, I am struggling to understand how that fits into what we are looking at here. The Board's indicated in its procedural order that it's not expecting the same searching review of all of the various elements of the Asset Management Plan as one might see in a rebasing case. We seem to be getting, you know, not just into the weeds, but into the dirt under the weeds here.

MR. NACZYNSKI: I could -- my understanding is that gas went from Byron Trans to Komoka, so by including it, it would likely increase the cost of Byron Trans because it would have to flow more, so that would be my understanding at this point, so I would say it would probably make it more money, Dwayne, so that would be where I'd be. That would be my answer --

MR. QUINN: This is what I was trying to look at in terms of your value function. Your value function only says, here is a cost, but if this is all tied together as integrated for your plan, when you have one -- you do one thing, it has an effect on another project, and this is how it's integrated, so I -- you know, I am trying to enhance the record for the Board. I understand some concerns that Enbridge still may hold because of the past proceeding. We still have concerns in that area, but I think for the purposes of not making everybody's time inefficient I will move on with noted refusals on questions we have asked.

I am going to -- Tom, I am going to ask one set of questions here, but then I am going to ask you to cue up, because then I can go back through the other questions and hopefully limit our time this afternoon. So these questions were submitted by -- and I don't know if they want their name on it or not, but I will just ask the questions, and they can get attribution later if they want.

But is it true that the current asset management and utility system plans do not include documentation related to IRP, or integrated resource planning?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. Thank you. Through the IRP proceeding Enbridge indicated that it would be including IRP-related information in future asset management plans. When will the next version be available, and will it include information documenting Enbridge's consideration of IRP alternatives?

MS. McCOWAN: Right. And so, having participated in the IRP hearing, I think we spoke about the timing of that framework being important in terms of whether or not we're able to accommodate it within the next asset management plan. The next asset management plan is expected to be prepared for 2022 in order to support the rebasing. We intend to file an addendum to the existing Asset Management Plan as part of the 2022 rates case.

But in terms of specifically what will be included for the next asset management plan, I think we really do need to be seeing what that framework looks like and understanding, you know, how many projects does it extend to, what's the nature of the analysis required, the resources required to do it. All of that type of thing is part of the ramp-up that I think Mr. Steirs described at the time.

MR. QUINN: Okay. And I don't want to get too much off of the other record, but specifically, there's a question that was asked here, and I heard two different numbers. I heard in 2022 but for the purposes of what would be the 2024 test year. Is that what you are saying?

MR. STEVENS: I think, Dwayne, we were all part of the IRP technical conference, I think what Catherine is speaking to is the next iterations, putting aside when IRP will be reflected. She is speaking to when the next iterations of the Asset Management Plan will be produced. And I think the further evidence here and in the IRP proceeding is that Enbridge will integrate the aspects of the IRP framework that are relevant into its asset management plan, but that's going to take some time, and it's going to depend on what the Board's decision directs, and it's going to depend on when the Board's decision is issued relative to when these next iterations of the asset management plan or Asset Management Plan update are being prepared.

So that, not to put too fine a point on it, but there's no specific commitment or no specific information at this point as to exactly when the IRP framework requirements will be reflected in an AMP, but of course the utility will do what's expected of it from the Board and will take proper steps to update its processes on a reasonable timeline.

MR. QUINN: I am going to get clarification in a moment, but I am going to read the last part of this question, because it includes a portion from the London Lines decision, and then I will ask -- make sure that I get clarity in the previous question, because, Mr. Stevens, you might have been answering this next question and not the one I was trying to ask the witness.

So Enbridge has an obligation -- this is from page 20 of the London Lines decision. You can bring it up if you feel you want the witnesses to see it, but it is a generic question, so I will just read it into the record. It says:

"Enbridge has an obligation to conduct a more rigorous integrated resource planning assessment at the preliminary stage of projects -- projects development in future cases. As OEB Staff also notes, the failure to present detailed analyses makes it unlikely that Enbridge would select an alternative including DSM or other non-build project option. The OEB acknowledges that more direction is likely to be provided to Enbridge Gas in the future leave-to-construct projects as a part of the ongoing IRP proceeding. In the interim, however, the OEB believes that all parties would be assisted if Enbridge would in the future undertake in-depth, quantitative, and qualitative analyses of alternatives that specifically include the impacts of DSM programs on the need for or project design of facilities for which Enbridge Gas has applied for leave to construct."

With that as a preface, how does Enbridge intend to action the OEB's direction in relation to the utility system plan and the Asset Management Plan?

MR. STEVENS: I think, Dwayne, those are really proper questions for the IRP proceeding. They don't relate specifically to the two requests for ICM funding for 2021 in -- related to already-approved LTC applications.

MR. QUINN: I will accept that, David, because I want to move forward and give others time.

The witness earlier, when I was asking about the timing, I want to differentiate, when I heard 2022, that's when it would be done, I was thinking for the 2022 rates or 2022 test year, but I think what the witness was saying, it would be done in 2022 as part of the rebasing application.

First off, do I have that part correct?

MR. STEVENS: I think we may be at cross-purposes with the word "it", Dwayne. I heard Catherine to speak about the next two, if I might call it iterations of the Asset Management Plan. Is that what you are asking about?

MR. QUINN: The question asks, when will the next version be available, and will it include information documenting Enbridge's consideration for IRP alternatives.

MR. STEVENS: And I tried to encapsulate the answer to the second part of that, and perhaps Catherine can repeat when the next AMP iterations with or without IRP considerations will be available.

MR. QUINN: Thank you.

MS. McCOWAN: Yes, sure. And I muddied the water by referring to rebasing. The next full AMP will be published mid to late of 2022, and for that, just, you know, for clarity, that Asset Management Plan will be based off of investments that are formalized by late this year, early January.

So when I speak of the importance of the timing of the release of that framework and the degree to which it impacts many projects or few projects, if you imagine that all of those investments are going to be, you know, developed for the end of this year or very early next year, the ability to respond to any significant new requirements of IRP between January, say, and the publication of the next AMP may be limited.

MR. QUINN: Okay.

MR. STEVENS: I think, to be fair, Dwayne, these are really questions that are much more in scope within the IRP proceeding.

MR. QUINN: Fair enough, David. I am just -- I am going to ask for clarification for my knowledge, and it's related to this process.

I understand that the integration may take some time. I heard the answers. I am not going to go back over that. But will there be another iteration of -- can the Board expect another iteration of the Asset Management Plan to be filed with the 2022 rates application?

MS. McCOWAN: Yes, we intend to file an addendum, as we did for the 2020 rates.

MR. QUINN: Okay. That's what I was trying to clarify. Thank you, Ms. McCowan.

Tom, if you want to jump in, I have some other questions, but I -- it would be more efficient to defer to you and come back sometime after the break, even after you are finished all your questions, and just finalize them.

EXAMINATION BY MR. LADANYI:

MR. LADANYI: Okay. Thank you, Dwayne. I am ready to go. So can everyone hear me?

MR. KHOSHAIEN: Yes, we can.

MR. LADANYI: Yes, very good. I had some problems a few days ago on a different session, so I want to make sure everyone can hear me.

So we can turn to APPrO Number 2. Now, I sent yesterday, late yesterday afternoon, a list of interrogatories that I will be referring to to Mr. Stevens, and I think you should have them ready. So if we can scroll down to the questions first.

So this question is in relation to the Sarnia industrial line reinforcement project. As you can see in the preamble quoted, the project cost went from $30.8 million in the previous filing to $32.9 million, and APPrO is asking three questions related to that, and one is -- (a) is, provide a detailed breakdown of the budget; and (b) is, please explain the reason for the increase in the budget. And (c), it asks for alternatives. Anyways, so we will only deal with parts (a) and (b). And if you can turn to the next page, please, to the answers.

So this is the -- on the top of the page here you see the budget with the -- that was used in the leave-to-construct application, and then you can scroll down a little bit, and you can see the budget that was in this application, and you can see the difference. And the difference, as I can tell, is only in the indirect overhead line; is that right?

MS. DREVENY: That's correct.

MR. LADANYI: And the difference is about $2.1 million.

MS. DREVENY: Correct.

MR. LADANYI: All right. And then in part (b), if you scroll down a little bit, so answer (b), APPrO asked you for the reasons, and you refer APPrO to your response to Staff 4(b). And if we can turn to Staff 4(b) now, please. And that is on the next page. Very good.

We see Staff 4(b) there, and there you say:

> "The ICM overhead amount is based on the revised indirect overhead capitalization policy that Enbridge Gas implemented effective 2020."

So does "effective 2020" mean January 2020?

MS. DREVENY: Yes, that is correct.

MR. LADANYI: All right. Then was the policy approved by the OEB?

MS. DREVENY: The policy has not yet been approved by the OEB, no.

MR. LADANYI: So it's an internal policy unapproved.

So the Sarnia line project, as I understand -- I looked at the dates, and you will have to believe me. So the IR responses in Sarnia project -- line project were actually -- Sarnia industrial line project were filed in January 2020.

So was that after the policy was implemented or before the policy was implemented?

MS. DREVENY: It sounds like it would have been done around the same time. So the policy was implemented for January 1, 2020.

MR. LADANYI: And there was an evidence update in February 2020, and there was reply argument from Enbridge in February 2020. And as far as I can tell, neither of these is there any mention of a change in the capitalization of overhead or a change in the cost of the project. Would you accept that subject to check?

MS. DREVENY: Yes.

MR. LADANYI: Okay. If you go back and look at your response to part (b), you refer us to your response to LPMA number 7(c), and if we go to LPMA number 7(c) now, please. And I won't read the whole thing to you. It says it was implemented January 1st, 2020, so we already know you didn't actually update your evidence with respect to the capitalization change.

So it says in the second paragraph:

> "Under the previous methodology the Union rate zone overhead line was comprised of indirect and overhead allocations, alliance partner overheads,

and district contractor pre-work costs. Union rate zones also applied burdens of loadings directly to capital projects. In a new methodology, the overhead line is comprised of indirect overhead allocations, direct and indirect burdens, and interest during construction. The same components are applied to the EGD rate zones."

Now, if we can go back to the APPrO interrogatory response, page 2, which we had just at the beginning. So what I understand from the change in the policy was that the overheads are now shown on a different line. The total amount of overheads did not change, but they should be now in a different line. There should be inside the labour construction labour costs as burdens, but those lines are unchanged, so can you explain to me what happened here?

MS. DREVENY: So I would have to go back and have an understanding of whether or not there was direct company labour that was included in the construction and labour component. The burdens that get applied are only relevant to internal company resources.

MR. LADANYI: So the change in capitalization policy -- I am trying to understand this. So are you saying that under the new policy Enbridge is capitalizing more cost than it did before, or under the new policy Enbridge is actually putting those capitalized costs in different lines, essentially as your estimates?

MS. DREVENY: Sorry, in total the results of their bias capitalization study did yield a slightly higher amount of capitalization between the two rate zones. I believe we called that out -- it may have been in LPMA 7 -- that the overall impact was expected to be, I believe, $8 million is what we cited on a budget basis.

MR. KACICNIK: If I may add to this response -- it's Anton Kacicnik on behalf of Enbridge. Tom, if we can go back to LPMA number 7 for a moment.

MR. LADANYI: Yes.

MR. KACICNIK: There was a very good description of the accounting policy change deferral account, and I think it's worthwhile to spend a minute on it.

So if you scroll down, Stephanie, you see that paragraph says that the change in overhead capitalization is being tracked in the accounting policy change deferral account, and the Board established that deferral account for Enbridge Gas as part of their MAADs decision, and what we record in there is any accounting policy changes that come about from amalgamation. And this overhead capitalization harmonization is one of those.

So even though we are seeing an increased level of capitalization, those impacts, including the offsetting decreasing O&M, will be captured in this account. For example, the account will capture a decreasing O&M expense of 8 million, and it will capture the revenue-requirement impact of increased capital cost as another part of the input.

So in other words, the ratepayers will be kept whole from this accounting policy change throughout the deferred rebasing term.

MR. LADANYI: So Anton, if I can understand what you're saying, is that you're asking ratepayers to pay a higher cost in the ICM for the next two to three years and then possibly at the rebasing, which I understand -- I believe that this account will be cleared -- the ratepayers might get a credit back of $8 million; is that what you are saying?

MR. KACICNIK: The ratepayers will be kept whole, yeah, the account is proposed to be cleared on rebasing, and they would get the total impact of this change back, Tom. So they would be no worse off.

MR. LADANYI: I will have to remember that for rebasing if I am in that proceeding.

Now, if we can turn to Energy Probe Number 2. And perhaps maybe we can go to the next page. And I would ask in that interrogatory, but if you want to look at the question first, this is for the audience, that you refile your tables on the same basis as they were provided up until 2020. So the policy changed in 2020. So then you have a new policy in effect, and I asked if you could file it on the same basis as before. And since we are only dealing with Union Gas ICM applications -- there's no Enbridge Gas distribution legacy projects here. So let's look at Union Gas for a moment, and let's look at page 2.

So if you look at those numbers -- and we can do some simple math and see that the capitalizations increased over the years -- overhead capitalization increased over the years -- and I won't go through all the numbers, but it appears to me that they roughly started about 7.4 percent of the total, and as we get to 2020 it's now 19.4 percent of the total.

And then if you actually try to do the calculation of how overhead was calculated, the impression is that it's roughly now about 24 percent of the cost. And can somebody tell me how overhead is estimated for 2020 projects?

MS. DREVENY: The overhead estimate is based on the O&M budget cycle and the amount of overheads calculated from the O&M budget.

MR. LADANYI: So are they driven by the capital expenditures or are they driven by the O&M budget?

MS. DREVENY: It would be -- the rates that are applied are driven by the amount of capital support that the groups are providing to capital projects.

MR. LADANYI: So if I can turn to the next page, which shows us 2021, so if you look at 2021 numbers, my impression if, looking at it -- and perhaps I could be wrong -- is that if -- and let's look at 2021 and look at 2022. I don't know if we are allowed to talk about 2022 -- is that the total overhead is really about 22 percent of all the lines that are above the total overhead line.

So if you sum up all the lines, one, two three, four, five, and, sorry, not two, three, and four, get a total, and then you calculate 22 percent of the total, you will get the total overhead number. That appears to be what was done for '21 and '22.

MS. DREVENY: I'd agree with that.

MR. LADANYI: So that 22 percent, is that inside a policy or -- how do we know what this is, really, you know, and how you do it? This appears to be almost like a black box, looking from the outside.

MS. DREVENY: The 22 percent would represent an average. So I will also state that when overheads are calculated and allocated to projects, it's based on a capital expenditure view, and what we're seeing here is an in-service view, so that will also cause fluctuations in the rates that you see.

MR. LADANYI: So you can understand our concern if the overheads are increasing, which means that your overall total budget for 2021 has gone up and means therefore that more of your capital expenditures will be above the threshold and will therefore be eligible for ICM; wouldn't that be right?

MS. DREVENY: Yes, to the extent that the overhead percentage does increase, it does increase the amount of capital that falls into base and potentially pushes more above the threshold, correct.

MR. LADANYI: Now, you mentioned this policy. Is this policy on the record anywhere, this new capitalization policy?

MS. DREVENY: No, it is not.

MR. LADANYI: Mr. Stevens, would I be allowed to have an undertaking to ask for the policy?

MR. STEVENS: I guess I will start by asking the witnesses whether it's something that is available in a form that can be produced.

MS. DREVENY: Yes, we do have a report available that could be shared.

MR. STEVENS: Then, yes, we can provide a copy of that, Tom.

MR. LADANYI: May I have an undertaking, Ian?

MR. RICHLER: Yes, JT1.6.

UNDERTAKING NO. JT1.6: TO PROVIDE THE NEW CAPITALIZATION POLICY.

MR. LADANYI: Thank you. Now if we can turn to Energy Probe Number 7. And here I am particularly interested in contingency. As you may know from some other proceedings, particularly with Union -- Union panel for London Lines and Windsor line replacement, I am very interested in how the company calculates its contingency amount and how the company uses contingency.

MR. STEVENS: Sorry, Tom, you are interested in the contingency in relation to the projects the Board has already reviewed and approved?

MR. LADANYI: Well, I will ask the specific ones, and then we will see where it takes us, okay?

MR. STEVENS: Just so it doesn't take you by surprise, it will be Enbridge Gas's view that questions about the specifics of costs that have already been considered by the Board in the LTC applications or that could have been considered by the Board in the LTC applications are not in scope for this proceeding.

MR. LADANYI: Quite right, and I have actually argued about contingency issues, but actually, I am not going to bring up any of those items or issues before -- that I used before.

So if we can look at the London Line replacement, okay, and we see the contingency of $13.3 million. Can you see that? It's on the next page. Yeah, here it is. And I specifically asked about spend to date, which is, you show here as 7.6 million.

Can you tell me if any of the contingency was used up or it still remains to be used up?

MR. STEVENS: I think, Tom, I am struggling to understand how this is relevant. My understanding is that the ICM rate riders will be based upon the forecast costs of the projects, and that to the extent that there's differences between the forecast and average cost -- actual cost of the projects, in terms of the revenue requirement during the deferred rebasing term, that will be tracked within a deferral or variance account, which will be subject to clearance at rebasing.

MR. LADANYI: Yes, I know that. Actually, I was going to follow up on that in a second. I was going to ask, actually, how contingency was calculated first.

MR. STEVENS: Again, I believe that's something that may have been an issue within the LTC applications. I don't think that that's relevant or an issue within this proceeding, so we are not going to answer that question.

MR. LADANYI: Okay. You want to talk about deferral account. Could you now tell me about the deferral account? What exactly is going to be in this deferral account?

MR. STEVENS: I don't have the details in front of me, Tom. If it would be helpful, I am sure we could provide an undertaking to advise as to the nature and mechanics of the deferral account relevant to the ICM projects.

MR. LADANYI: Maybe Mr. Kacicnik can help us.

MR. KACICNIK: Yes, I hope I can, Tom. So the ICM variance account will record the variance between ICM revenues collected from customers versus the actual revenue requirement of the ICM projects. So it will record that variance, and then the Board on rebasing will decide if and how to clear that variance to customers.

MR. LADANYI: If. So if anything was over-collected as a result of excessive contingency, it will be returned?

MR. KACICNIK: Yeah, then revenues would be higher than the actual cost, yes, so customers would see a refund from that account.

MR. LADANYI: Okay. Thank you.

MR. KACICNIK: You're welcome.

MR. LADANYI: So let's move to Energy Probe number 10. So question (b), we are discussing here the Sarnia industrial line reinforcement project again, and we asked:

> "Please confirm that the project will generate in excess of $5.8 million of incremental revenue over the same period."

And you're referring us to Staff 4(c). And Staff 4(c) says basically the same thing, so I won't look it up.

And question (c):

"Given the incremental revenue generated, please explain why the project qualifies as an ICM project and it is appropriate to seek to recover the Sarnia incremental revenue requirement in the amount of 3.9 million through the ICM relief over the 2021 period to 2023 period."

And you're referring me to response to OGVG Number 1. So we can turn to that, please. Essentially -- and I will not read you the whole question, but OGVG number 1 asks more or less the same question that we did in their question (a), and you provide a more extensive response there, if you turn the page 3, please.

And you're explaining -- you say:

"The materiality threshold...

It's about halfway in that paragraph:

"...threshold calculation for determining the maximum eligible incremental capital includes a growth factor that accounts for incremental revenue and growth in customers that may arise due to the implementation of an ICM-eligible project."

And then you say:

"Since the materiality threshold calculation accounts for incremental revenues, it is not appropriate for it not to be included in the determination of project revenue requirement."

So you're saying -- are you saying that the $5.8 million is immaterial, it doesn't really matter what an amount is, what incremental amount is as far as ICM is -- request is concerned?

MS. DREVENY: I think what's being stated here is that the 5.8 million will be taken into consideration with the growth factor that's applied for the 2022 and 2023 materiality threshold calculations.

MR. LADANYI: Okay. And for the materiality threshold calculations for 2021, do they include the $5.8 million in it or not?

MS. DREVENY: I would have to verify, but I believe it would only include the revenues for 2021; correct, Anton?

MR. KACICNIK: Well, you see what's on the screen in OGVG Number 1 is actually an excerpt from the Board's decision from our 2019 rate case.

MR. LADANYI: Right.

MR. KACICNIK: And the issue or questions there were very similar to the questions that Tom is asking today, and the Board made it clear that the ICM policy will apply in its entirety and it does not require utilities to include revenues that projects will generate as an offset to the revenue requirement of the projects, and that makes it symmetric for the projects that are below the ICM threshold and the projects that are above the ICM threshold.

In other words, revenue growth is reflected in the ICM formula in two ways. One is through the PCI factor that's in the formula and the other is the G, or growth factor.

So both of those factors determine the capability of our base rates to support in-service capital to a certain level, and then any additional in-service capital beyond that line is then treated as incremental capital module projects. Like, this, of course, is a proxy, it's not an exact calculation, so this formula stands in as a proxy as to what base rates can support in the test year.

MR. LADANYI: Thank you for that, Anton. And since you did mention the formula, can we then turn to your Exhibit B, tab 2, schedule 1, page 8. Oh, there is the formula, good.

I am particularly interested in G. So G is the growth factor that you are referring to; is that right, Anton?

MR. KACICNIK: Yes, it is, Tom.

MR. LADANYI: Okay. And if you turn to the next page. So the growth factor that we see for Union is on line 5, and that is 1.46 percent, and then if you turn to page 10, the following page, and paragraph 23. Can you scroll up a bit? Okay. It says that:

> "2021 growth factor for the Union rate zones has been calculated by comparing the percentage difference in annual revenues between 2019 (the most recent complete year) and 2013 as the approved base year revenues."

So I understand here that it actually has nothing to do with revenues at all. The growth factor, it does not pick up any growth that would have happened since 2019; isn't that right?

MR. KACICNIK: What it does, it approximates the growth into 2021, Tom, by using these outcomes and then extending them into 2021. So, in effect, the ICM threshold for 2021 does reflect the capacity of our base rates to support that in-service capital up to the ICM threshold line.

The Board made it clear that in price cap rates and costs are decoupled, so they provided this formula that stands in as a proxy. This is not cost-of-service type calculation, but it's a -- it's a proxy calculation that the Board devised to help utilities do this using historical information.

MR. LADANYI: So in the case of Sarnia industrial line, the revenues -- the incremental excess revenues from that line will be credited back to ratepayers through the earnings sharing mechanism; is that right?

MR. KACICNIK: The earnings sharing mechanism looks at actual utility results for the year, Tom, and as far as if we exceed the, I think it's 150 basis points above the allowed ROE, then we share those results with ratepayers on a 50/50 basis.

MR. LADANYI: So ratepayers would get 50 percent of the incremental, and Enbridge keeps the other 50 percent, roughly. But also, I was wondering about the deferral account you mentioned a few minutes ago. Would this be reflected -- the actual earnings from the Sarnia industrial line, would they be in the deferral account, the ICM deferral account?

MR. KACICNIK: The ICM deferral account looks at the various between actual revenues collected from customers for the ICM unit rates versus the actual revenue requirement of the project, so that's what's captured in that variance account. Earnings sharing looks at the total utility results, and for that one, I am not sure, Tom, if the impacts of ICM variance account are stripped out or not. I would need to confirm that.

MR. LADANYI: Ian, can I have an undertaking for that, please, so Anton can explain to us what would be the impact of the incremental revenues for the Sarnia industrial line and how that would be treated by Enbridge, whether it would be seen through the ICM deferral account or we would see this through the earnings sharing or both.

MR. KACICNIK: I would just clarify what the undertaking would be here. It would not be specific to Sarnia line. We would just need to check and verify if the variance account amounts are considered in ESM calculation or not.

MR. LADANYI: Fine.

MR. STEVENS: To be clear, we are talking about the variances as between the revenues recovered through the rider versus the revenues that would have been recovered if the actual project costs were known?

MR. KACICNIK: No, I think Tom is asking whether or not the variance between what's collected from customers through ICM unit rates or in other words revenues versus the project actual cost, if that variance plays into earnings sharing calculation or not.

MR. RICHLER: Mr. Ladanyi, does that capture what you're looking for?

MR. LADANYI: Yes, it does.

MR. RICHLER: So we will call that JT1.7.

UNDERTAKING NO. JT1.7: TO ADVISE WHETHER OR NOT THE VARIANCE BETWEEN WHAT'S COLLECTED FROM CUSTOMERS THROUGH ICM UNIT RATES OR IN OTHER WORDS REVENUES VERSUS THE PROJECT ACTUAL COST, IF THAT VARIANCE PLAYS INTO EARNINGS SHARING CALCULATION OR NOT.

MR. RICHLER: And maybe I will just take this opportunity to do a bit of a time check. Mr. Ladanyi, how much time do you still need?

MR. LADANYI: I am actually finished.

MR. RICHLER: You're finished? Okay. Well, that's perfect, because now is a good time to take our lunch break. And before we do, I will just check with Mr. Quinn. Mr. Quinn, you had reserved some of your time this morning. Just to confirm, do you have additional questions that you want to put to these witnesses?

MR. QUINN: Yes, I definitely do, Ian, and to maybe your next question, it will be somewhere between half an hour and maybe 40, 45 minutes, but I will try to keep it close to half an hour, as I have been able to cut a couple of questions.

MR. RICHLER: So let's take our lunch break now, and when we come back, Mr. Quinn, you will be first up. So we will see everyone back here at 1:30. And again, I remind everyone to put yourselves on mute, thank you.

MR. QUINN: Thank you.

--- Luncheon recess taken at 12:32 p.m.

--- On resuming at 1:30 p.m.

MR. RICHLER: We are back after the break, and before we turn it back over to Mr. Quinn, Mr. Garner had a follow-up question he wanted to ask. So Mr. Garner?

MR. GARNER: Thank you. I wanted to follow up on Mr. Ladanyi's questions about the change in policy and overheads. And just what I heard was a couple of things, but one I heard was that the Board hadn't approved the change in overhead policy, and then the second thing I heard was that Enbridge was capturing the changes in a deferral account in the interim. That's correct; right?

MS. DREVENY: Correct.

MR. GARNER: But the other thing I hear is a few times the reliance, as Mr. Stevens has been saying, on the LTC approvals of the Board. And I am correct, is the Board didn't approve in those LTC numbers the implication of those changes that you are now seeking, though, in the ICM; is that correct?

MR. STEVENS: My understanding, Mark -- it's David Stevens speaking -- from my recollection is that the Board doesn't actually consider and approve overheads as part of the LTC applications. The overhead numbers are provided for informational purposes. But the Board's LTC process, when it considers the cost, is considering the project costs exclusive of overheads.

MR. GARNER: Let me put it this way. I have looked at the evidence in the LTCs, and I don't see those same overhead numbers that are presented in the Board's decisions as the ones that are presented in the ICM; is that at least correct?

MS. DREVENY: Yes, that's correct.

MR. GARNER: So here's my question, and it may be a matter for argument, but I want to raise it, because it may be raised in argument, and David, it may be something you want to address, but why wouldn't it therefore be, the word is more correct, for the ICMs to reflect the original LTC values, as opposed to the ones that are being shown in the ICM request and then using the same deferral account, make the appropriate adjustment, and then have that dealt with later?

So the presumption, what I am getting at, the presumption being that the ICMs work under the current -- or, sorry, the previous policy, as opposed to the new policy, why wouldn't that be the more correct way to do it?

MR. STEVENS: I suppose I have to agree with you, Mark. I think that will become a matter for argument. I just observe that the approach that Enbridge is proposing will at least in theory minimize the variance that has to be tracked and then returned.

MR. GARNER: Right. I guess what I -- a specific question then is, what would be the adjustment you would make to the account that you have now that tracks those overheads if you were to take my suggestion and you were to do the ICM under the old overhead policy and the revenue requirement calculated that way and then make any adjustments in the -- in the variance account? What would have to be done? Is there any impediment to doing that, like, from an accounting methodology? Is there anything that would impede that solution?

MR. STEVENS: I am not sure whether that's something that the witnesses or Anton can speak to or not.

MR. GARNER: Well, I think it's important if you are going to make the argument. I guess I am leaving it to you, but if, you know, one were to make the argument, I would like to hear if you said to me, well, that's not accounting-wise possible, that there's an impediment to doing that. Is there an impediment to doing that?

MR. STEVENS: I understand your question. I just don't know whether the witnesses sitting here right now can answer it or whether we'd need to provide an answer in writing.

MR. GARNER: Okay. Well, I'll put the question out there. I'll leave you to decide whether you can, would, will, and what you'd like to do.

MR. STEVENS: The question is whether there's an impediment to using the --

MR. GARNER: Well, the question would be --

MR. STEVENS: -- prior overhead methodology?

MR. GARNER: Right. And then using the same deferral account to make the adjustment -- I guess it would be kind of a reverse adjustment; right? Right now the account captures that change, and in this case it wouldn't capture that change in the ICM, but the, you know, the change might be in a reversal of that be in the account. I am actually not clear myself how it would work. That is why I am kind of looking at Enbridge and saying, how does that work, and can it?

MR. KACICNIK: Mark, it's Anton on behalf of Enbridge. I think it would be difficult to do it in that manner from a practical perspective, because as we are coming together as an amalgamated utility now any accounting policy changes that we implement apply across the entire capital investments that we are making. So everything is now subject to this harmonized overhead capitalization policy.

So I think that to have one project being excluded and treating it in a different manner would be difficult to do in practical terms. It would be awkward.

MR. GARNER: But could you set up an account that would basically cover the overheads in that project and then after whatever the disposition and I guess review of your new policy by the Board when you do your cost-of-service application the results would then be implemented in the Board's subsequent decision?

MR. KACICNIK: I know from prior experiences of what regulatory accounting group tells us is when you treat something differently it's very difficult to handle it from a practical perspective. Like, all in all, Mark, if you recall what I said in the morning, because of the existence of the accounting policy change deferral account, the customers will be kept whole, so there is no negative impact through the end of the further rebasing period from this on customers.

MR. GARNER: All right. Okay. Thank you, Enbridge, thanks, David.

MR. RICHLER: Mr. Quinn, back to you.

THE REPORTER: Dwayne, your audio is not coming through.

CONTINUED EXAMINATION BY MR. QUINN:

MR. QUINN: Thank you. I have a mic beside me and I have the mute button, so I was double muted. Thank you.

So, yes, what I was saying, I cut some questions. We should be closer to half an hour, hopefully, but this first question, it relates back to our conversation this morning.

Without the benefit of the transcript, I've got to -- I want to try to make sure we have the information on the record. To Mark's point, if we are going to make argument, I would rather make it with whatever facts we can get and reflect those facts, as opposed to what I thought I heard was said.

So starting with this concept of the value that is created from each of the projects, is there any listing anywhere in evidence or interrogatories -- I couldn't find it in the lunch hour -- a listing of projects by net present value?

MS. McCOWAN: No, there isn't.

MR. QUINN: There is not, did you say?

MS. McCOWAN: That's correct. There is not.

MR. QUINN: Could Enbridge undertake to provide a list of projects, the top-ten highest value projects, net present value projects, and the top-ten highest negative value projects that are in the 2021 program spends?

MS. McCOWAN: We can certainly take that undertaking. I do want to provide a couple of provisos, and they are described in our Asset Management Plan. One is that a significant amount of our investments are mandatory. So to the categories that are explained in 6.1.1, they do not have a value framework completed for them because the spend is mandatory.

And the other thing that's also noted in there is that as a result of COVID-19 we ran out of time to do the workshops to complete all of the value assessments, so there are projects in 2021 that did not get a value assessment but we would have liked to.

So we can certainly provide what went -- what was done, but I would also say that there will be some gaps in just looking at that.

MR. QUINN: Okay. I don't want to create a lot of extra work. I respect that there's -- this process is continuing to evolve. But from the projects that have been derived at a value -- I don't want to say a value proposition, but the net value that has been determined, the top-ten highest positive values and top-ten highest negative values --

MS. McCOWAN: Sure.

MR. QUINN: -- that would be helpful, thank you. And then maybe to make it clearer, projects that are over a $1 million spend. We are not looking at very small projects. If there are little small projects, it's the bigger projects we are looking at.

MS. McCOWAN: Okay.

MR. STEVENS: Subject to the provisos that Catherine pointed out and anything else we might mention in the response, we can provide that undertaking.

MR. QUINN: Okay. Thank you.

MR. RICHLER: JT1.8.

UNDERTAKING NO. JT1.8: TO PROVIDE A LIST OF PROJECTS, THE TOP-TEN HIGHEST VALUE PROJECTS, NET PRESENT VALUE PROJECTS, AND THE TOP-TEN HIGHEST NEGATIVE VALUE PROJECTS THAT ARE IN THE 2021 PROGRAM SPENDS, SUBJECT TO THE PROVISOS MENTIONED.

MR. QUINN: And this is a separate but related point, but -- and I respect that we had some conversations this morning, and I certainly have a lot better understanding now than I did a few hours ago, but specific to the London line, I know that Mr. Khoshaien had accepted to talking about generally how condition assessment may have changed over time, but with specific regard to London line, what specific factors led to the prioritization of the London Lines given its high negative NPV?

MS. McCOWAN: So I think we introduced the fact this morning -- and Erik can jump in here -- but that the London Lines had been identified for some time as having poor condition and was, I'll say planned even as far back as the previous Union Gas AMP as being the next line that needed replacement.

And so really, you know, we were confirming that that was the case as we went through our risk assessment for it, but the condition of the line drove us to continue the plans that were already in place.

MR. QUINN: Well, and I respect that there might have been some underlying presumptions from the past, but the past -- and I don't want to go into the record and risk that, but the record showed there were many studies of the line which basically outlined a plan to replace it in segments.

However, this -- as it was applied for, this was the whole project, and Enbridge has a new value-based system to determine projects and their value as we have talked about this morning.

So what I am looking for is what specific factors led to the prioritization of the London Lines, given the result that was achieved of a negative $94 million net present value?

MS. McCOWAN: And I think I mentioned this morning is that really that was driven by the risk assessment. Going back as far as the previous AMP, that project was identified as one to be replaced in its entirety, not in phases, and that was confirmed through the risk management process that was all laid out in the leave to construct.

And it was really a case of confirming a decision as we went along through that process, and that it was the right decision to be making.

MR. QUINN: I am looking for specific factors. No disrespect to your answer, you went through a process, and it evolved the net present value from 101 -- or $100 million negative net present value to 94.

MS. McCOWAN: Um-hmm.

MR. QUINN: I don't see in that just in terms of the optics of those numbers how that confirms its priority.

MR. STEVENS: I think Catherine's already spoken to this this morning, Dwayne. Obviously, the LTC application itself speaks to the need of the project, and the Board reviewed and accepted that need --

MR. QUINN: But we are talking about --

MR. STEVENS: As to the prioritization process, Catherine's spoken at length this morning about how the introduction of the numerical risk assessment is something that's evolved and came online as this project was already in midstream, and so there's a disconnect, I think, between thinking that there's an entire reliance on those numbers for priorities and what actually happened.

And I believe Catherine's spoken to that at length today, so I don't think that it's fruitful to go back into the same questions again.

MR. QUINN: I think it's fruitful, David, in that if I were doing this objectively -- and I am looking for confirming evidence that what had been prioritized in the past by Union Gas is still a priority amongst the portfolio projects, given this new tool we have to value the projects based upon all these components.

And when you go through the calculation and you end up still with a very negative number, does it not provide a cause for pause to say, are there not other projects that would provide more ratepayer value? So that's what I am trying to understand is, once the negative 94 is determined, what other specific factors led to it saying, well, it's still the highest priority project?

MS. McCOWAN: Right. And so I think I described before that you're absolutely right that it provided a pause -- or pause for us, or cause for pause, but I think, having -- having relied on the, you know, the engineering judgment of the decision-makers and the people who understood the condition of that asset, that was -- the decision to the risk management process was considered to be still a good and sound one in spite of what's looked at in the value framework.

And this is where I was speaking earlier today about, you know, a project like that leads us to believe that there's some aspects of project value that we don't believe are being fully understood through our value assessment.

And so we don't just rely on numbers, we look at all of the factors around the project in order to try and make sure we're addressing the best mix of risk and opportunity that we can.

MR. QUINN: So when -- I guess -- and I am just trying to create clarity. When you are trying to maximize the value of the project, of the project portfolio, does this project get included in the final optimized portfolio that you have maximized the value of?

MS. McCOWAN: No, the decision to proceed with the London Lines, as I said, was based on our risk management process. It did not get included as a result of its net present value.

MR. QUINN: But is it included in the optimized portfolio that the process is designed to maximize the value?

MS. McCOWAN: Right. So I think we also talked about the idea that we take out the ICM-eligible projects as we are going through that optimization exercise, because you can't make it -- you can't make them fit. And so the London Lines would be one that we pulled out initially in order to get a result through the optimization, and then those projects are layered back in afterwards.

So the negative net present value of this project was not a part of the optimization and didn't cause it to, you know, be pushed out to the end of the optimization window. Those decisions to pursue that project were made through our risk management process, which we will hope to align fully with the value assessment. But, as we said earlier today, we are working through that.

MR. QUINN: So I still would like to understand better, so maybe we can approach it this way. If Enbridge were to take only the Union Gas projects that are in the 2021 time frame for implementation and give us a total of what -- like, I asked for the top-ten positives and top-ten minuses. I accept the caveats. That's great. These same caveats might be there. But in the process of doing it, if you could add up all the positives and negatives and tell us what the total value is for 2021, that would be helpful. Then we can do our own math about how that is relative to the ICM projects that --

MR. STEVENS: Based on what I have heard, Dwayne, I don't believe that will be helpful. I mean, Catherine's evidence was that the value assessment process is new this year, and because of COVID and because of pressures, Enbridge wasn't able to complete the value assessment on all of the projects --

MR. QUINN: And so for the ones that are done, David, that's what I am asking for. I accept the caveats if some aren't done. I accept --

MR. STEVENS: But a total value is not going to be indicative of anything in that case, Dwayne.

MR. QUINN: Well, it is when you consider that this is the ICM process to talk about, are these ICM projects prudent, and therefore we can say in this value assessment profile there is a value here, and there's a whole portfolio of projects that have been optimized, and there's a value over here. How do they compare and how does that assist the Board in understanding the prudency of the projects that are being put forward?

MR. STEVENS: Well, I am sorry, I don't agree, and the witnesses' evidence is that this process was -- the utility did what they could, but the process wasn't finished, so an incomplete answer is not going to be useful, and I am afraid it is not going to be used fairly, so I am not willing to provide a total that doesn't represent a total -- or rather, to explain myself better, a total which does not represent all the items that one would expect it to represent.

MR. QUINN: Well, with that evidence we have to make assumptions as to why that occurred, and that's unfortunate, but without assistance then we have to just move on.

Please turn up SEC Number 1, please. I think I cut this question when reading, but I am just checking it. Okay. So there's the description.

So in G, section G of that answer, which is on page 4 of 4 -- maybe we should read the question. It might be helpful, because there's many pages between them. But what I am trying to get at -- and we can go back to the question if we need it -- it says:

> "Based upon the value -- sorry, when the portfolio optimization is performed, a capital constraint is applied."

And we talked about that earlier:

> "Based on the value, the optimization looks at investments that are not mandatory."

So if I am -- to determine the optimal timing. So if I understand correctly, you remove the mandatory projects out of the entire assessment of the portfolio; is that correct?

MS. McCOWAN: No, that's not correct.

MR. QUINN: Okay. How is it done --

MS. McCOWAN: The mandatory -- the mandatory projects are in the optimization, and they're in the year that they're required to be at. So if you think about the meter exchanges, the service relays that are going to be driven by leaks, all of that is mandatory, and so that forms quite a significant baseline of the optimization. And then projects that can move or have some flexibility, those are optimized around those.

MR. QUINN: Okay. And the capital constraint, though, you're referring to is the threshold for ICM; correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. So just above that then, the answer -- the last sentence of the answer at (f) says:

> "The optimization is described in section 1.9.1 of the Asset Management Plan."

That is the same optimization process we have been discussing; correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. All right. So if we could move down to page 11 of attachment 1 that's attached to this IR. Good. Okay.

So the second bullet underneath that table says:

> "The threshold is significantly higher than in the 2020 budget, and this process is driven by the PCI factor."

Which we understand. But it says:

"A movement of general-service customers to the contract market."

How does that affect the threshold by moving the customers from general-service to contract?

MS. McCOWAN: I will need either Danielle or Anton to jump in on this one.

MS. DREVENY: I think for my purposes we would need to take this away and come back with a written response on the explanation.

MR. QUINN: Okay. If I may, I just want to add to that, because I had a follow-up to it, because -- maybe I can try it this way, and I will try to include it all in just one sentence and you can seek clarification if you need.

How does the movement of general-service customers to contract affect the thresholds, as in our view they would potentially reduce the revenue if they are getting the preferred contract rate? Is that at least question clear enough? I understand you have to seek response from others, but...

MR. STEVENS: So as I understand your question, Dwayne, it's to explain the comment at SEC Number 1, attachment 1, page 11, that the ICM threshold is higher because of a movement of general-service customers to the contract market and why that did not actually cause the threshold to go down.

MR. QUINN: Yeah, you could -- that's fine. I can accept that.

MR. STEVENS: We can provide an answer to that. We can give an undertaking.

MR. RICHLER: JT1.9.

UNDERTAKING NO. JT1.9: TO EXPLAIN THE COMMENT AT SEC NUMBER 1, ATTACHMENT 1, PAGE 11, THAT THE ICM THRESHOLD IS HIGHER BECAUSE OF A MOVEMENT OF GENERAL-SERVICE CUSTOMERS TO THE CONTRACT MARKET AND WHY THAT DID NOT ACTUALLY CAUSE THE THRESHOLD TO GO DOWN.

MR. QUINN: Thank you. So if we can leaf down a little bit further to pages -- start with page 27 of those -- of that same attachment. Okay. That's great, thanks. I am not sure if everyone can see it well enough, but I will ask the general question first and then the specific question.

But this is referred to as a heat map. This is the matrix, for lack of a better term, that we were talking about earlier, Erik, in terms of likelihood and consequence of risk?

MR. NACZYNSKI: That's correct, Dwayne, yeah.

MR. QUINN: Okay. So I looked at these, because I thought, okay, well, this is interesting, but then also in the next two slides after that there is a listing of the projects that come under this, MP-01 or MP-05.

Can you tell me what those MP-01 and -05 refer to --

MR. NACZYNSKI: Yes, so -- certainly, and I will invite to Shawn as well if I -- to elaborate here a little bit if necessary, but MP-01, these are references to the -- oh, golly, the --

MS. McCOWAN: Integrated management system.

MR. NACZYNSKI: Thank you, IMS, IMS, yeah, the integrated -- [laughter] sorry [indiscernible] for the TLA -- yeah, for the IMS, for the integrated management system, and MP-01 is that of asset management and MP-05 is that of integrity management, so again, a framework of management programs that Enbridge Inc. has that we deploy.

MR. KHOSHAIEN: Yeah, maybe I will just add a little bit more to it, sure.

So as it was mentioned, so our integrated management system, so it's our management system approach to essentially setting expectations how we run the business, also focus on safety and reliability, so those two are two out of the eight programs under our integrated management system.

So -- and specifically, you know, MP-01, which is the asset management program, and MP-05, which is the integrity management program. And all of these programs have 11 elements to them, and, again, this is modelled after IESO 5500 and API 1127 acceptable practices.

MR. QUINN: I will have to look at that later. I am not as familiar with those, but I am not sure it's helpful to our inquiry as much as, I see in some of these projects -- and I didn't try to map them all on -- not intended -- map them all from the heat map down to the asset-related risks.

But are these the highest-priority risk projects that Enbridge has in either the asset or integrity management programs?

MS. McCOWAN: So I would say, yes, with one caveat, and that is, as we are working through our integration projects that have been on one of the two company's legacy registers are getting added. And I think, you know, if I can anticipate your next question, you will probably see that London Lines is not there, and that's because the risk assessment work was still underway at the time of this presentation, which would have been, I believe, early June, and so we -- it's a fairly structured process to add something to our risk register and start reporting it up through management review, so if we were in the middle of doing the risk assessment work at the time, it would not yet have been reported up through management review.

But the goal of this list is so that when our senior management reviews the asset plan, they can look at the various risks that have been reported up through the integrated management system and confirm that, yes, we have got mapping from all of these risks that we're concerned about to the asset plan, and that we are going to be addressing those risks within the five years of the asset plan.

MR. QUINN: Okay. That's helpful to a degree. If I heard what you said, the London Lines wasn't prepared at that point when this was presented but has subsequently been ranked or --

MS. McCOWAN: That's correct, and -- yeah, it was on the legacy Union Gas risk register. What we report through this process is as projects -- or as assets have a, I'll say a validated risk assessment across the two companies to review everything, and then they get added into the risks for reporting up through management review.

MR. QUINN: So where did it end up once that process was completed --

MS. McCOWAN: I believe it would be recorded as a high, because we typically will record the highest of the risks that are identified through the risk assessment process. So in the case, I believe the operational reliability of high risk would have been the one that was recorded for the London Lines. I would need to validate that to be sure.

MR. QUINN: I would like to ask that it be validated, including where it would rank in the system on the heat map, and I see the treatment and plan and timing, of course, your expectation is to replace it, so that I guess that's not that helpful, but where it ranks relative to other projects would be helpful.

MS. McCOWAN: Oh, so the -- yeah, if that's the information you're after, the full risk assessment was actually filed as one of the IRs to the leave to construct, and that had the whole heat map with where each of the scenarios ranked, and so you would have seen on there one, I believe, high related to operational reliability, and then a number of segments and scenarios that were identified as medium.

So that is the same risk matrix and would be

comparable to this list.
MR. QUINN: So if you have different segments of pipeline --
MS. McCOWAN: Um-hmm.
MR. QUINN: -- and one is rated as high and the other is rated as medium, how do you qualify that risk relative to the heat map? Like --
MS. McCOWAN: So -- yeah?
MR. QUINN: Do you break it down into the segments or --
MS. McCOWAN: So, yeah, if you looked at that risk assessment you would see that it's not only broken down by segments of the pipeline, but it's broken down by scenario. So there can be a scenario related to a small leak, there could be a scenario related to a rupture, and those would all have different implications for health and safety, for reliability, for economic loss, all of that type of thing.
And so in the risk assessment that was done, all of those scenarios for all of those segments were broken out.
MR. NACZYNSKI: And I believe that risk assessment is part of this project or part of this record here as well too in one of your interrogatory responses, Dwayne, it was included.
MR. QUINN: I am not sure that's the case.
MS. McCOWAN: I think we just pointed it to the IR for the London Lines.
MR. NACZYNSKI: Then my apologies. I stand corrected, thank you, Catherine, for that. If it was just referring

back to the LTC documentation then, very good, thank you, my apologies.

MR. QUINN: So because it is pointed to it is now part of the record; is that correct? Mr. Stevens, maybe?

MR. STEVENS: I mean, subject to later discussions about its relevance, I don't see -- from a practical perspective I don't see the benefit in reproducing the pages of paper into this proceeding, if that's what you are asking. You can treat it as having been brought into this proceeding for the purpose of being on the record.

MR. QUINN: I was asking the latter part. So we can treat it as being brought in.

MR. STEVENS: Yeah, again, without, obviously, our agreement as to its relevance.

MR. QUINN: Well, sorry, the witness has just established its relevance in the fact that it was missing from the heat map and described why, but the --

MR. STEVENS: Again, I think it will -- I don't want to get into argument right now, Dwayne, but --

MR. QUINN: Neither do I, so --

MR. STEVENS: -- we clearly have different views on something.

MR. QUINN: Okay. I am going to move on, and maybe we can try to finish this off.

If you could turn up SEC 22, please. Okay. Now, SEC 22 says -- says:

"Please provide the full investment value breakdown for each of the ICM projects in this

application, including the values for each
project under the categories listed. Provide
justification for each of those values."

We just talked about, of course, St. Laurent has been removed. London Lines, we have the value that's on the record, 94 million. Correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. And so the only other one is Sarnia, and I haven't looked that up, but is the Sarnia one part of the record, the value that the Sarnia line had --

MS. McCOWAN: We would not have put that through the value assessment, because it would have hit our mandatory requirement.

MR. QUINN: But I thought mandatory requirement values did go into the optimization process but they weren't discretionary, they stayed in.

MS. McCOWAN: Sorry, yes, they do, they go into the optimization as a must-do, so their value doesn't -- they are not valued from a value assessment perspective, and their value doesn't contribute. The cost of the project contributes up to the threshold, but the value of the project doesn't matter, because the project is fixed within the portfolio.

MR. QUINN: So how does the London Lines have a value of negative 94 if it's a mandatory project?

MS. McCOWAN: Sorry, I maybe misspoke. I thought you were asking about the Sarnia industrial line.

MR. QUINN: I was asking about Sarnia because I was making the same assumption as what I came to understand, I thought, as applied to London Lines. London Lines had a negative 94 NPV, and it was kept in the program as mandatory, but it was removed out of the program -- sorry, it was kept in as a priority, but it was removed out of the portfolio projects because it could get ICM funding, but it had a value associated with it.

MR. STEVENS: If I may, Dwayne, it appears to me -- and I might be wrong and the witnesses can correct me -- but it appears to me that perhaps your question is answered in the first sentence of this response. It's just slightly above what is showing on the screen right now.

MR. QUINN: So it's because of EBO 188.

MS. McCOWAN: Yeah.

MR. QUINN: And so if it's EBO 188, it should have a positive NPV, should it not?

MS. McCOWAN: Right. And so our approach in our asset management governance certainly at this time is that for a project that is approved through another regulatory path like EBO 188 or 134, that we don't replicate that value function in C55. It will lead, I would expect, to the same conclusion that the project has to be done, and so we put those projects in as fixed within our portfolio.

MR. QUINN: Okay. If you could turn up SEC 29, please.

MR. LADANYI: May I just ask a question, Dwayne?

MR. QUINN: Yeah, go ahead, Tom.

MR. LADANYI: Isn't EBO 188 only for system expansion projects? And Sarnia line is not a system expansion, it's actually a replacement?

MS. McCOWAN: I believe it's a reinforcement, but I stand to be corrected.

MR. NACZYNSKI: No, it's a reinforcement project. I believe it had a probability index of -- well, I've got it right here -- 1.09, so it has a probability index based on the new customers coming on.

MR. LADANYI: I know you calculate it, but would it still apply for -- as a reinforcement, EBO 188?

MR. NACZYNSKI: Would it still apply as a reinforcement? I don't know if I understand your question, Tom.

MR. LADANYI: Would EBO 188 apply to a project if it's only a reinforcement, in fact it's an existing pipeline, they're existing customers, not new customers, I understand, so that what we are talking about is existing customers taking more gas.

MR. NACZYNSKI: Correct. With a new contract and new gas delivery agreement that we then had to meet, and in order to meet that increased demand from that customer there was a 30-ish whatever million-dollar build required, so it is a new build to support that new contract.

MR. LADANYI: I will have to think about that. Thank you.

MR. QUINN: Thanks, Tom. So we have SEC 29, and I guess the statement was:

"Please confirm that if the applicant manages its business on the assumption of a long-term decline in demand for carbon fuels, then it is reasonable to expect that the average age of station assets should increase over time."

And the response, as I am reading it, says Enbridge does not agree with that statement, because -- sorry, because age is not the only factor in determining risk and performance of station assets.

So stopping there, while age is not the only factor, would you agree with me that it's a strong contributing factor?

MR. NACZYNSKI: I would suggest to you that there is a strong correlation between age and health. So I will agree to that. But recognizing there's a number of other factors and certainly stations as being aboveground assets with a, you know, maintenance program where an individual would visit that and attend that site would be able to be aware of any changes in health over time.

MR. QUINN: So your ability to inspect aboveground helps you with --

MR. NACZYNSKI: Certainly I can see it, we can touch it, we can look at it on an ongoing basis.

MR. QUINN: Well, what would you expect the average life of a station to be?

MR. NACZYNSKI: Yeah, so, again, in section 5 of the asset plan and the section under stations, and I believe the number was around 30 to 35 years, was in and around that time frame.

MR. QUINN: Obviously some variability, but 30 to 35 years.

MR. NACZYNSKI: That's correct, yeah. We need to make some assumptions as we worked through the programs that were required, and that was based on a, you know, subject-matter advisor support that we got, and, yeah, that was about that range. So --

MS. McCOWAN: Sorry, can I just clarify your question, please? Did you ask whether -- or what the average age of the stations was or the age at failure?

MR. QUINN: No, I asked the expected life, which is more the, how long it would be in-service, so more closer to the age of failure --

MS. McCOWAN: Okay. Thank you.

MR. QUINN: But I was getting to, because I am going to just break this down a little bit, but clearly, because it's aboveground, it has different components, being piping, filters, heat exchanger, that kind of thing.

MR. NACZYNSKI: Yeah, you bet.

MR. QUINN: So each has their own assessment, but clearly for the stations that are in the five-year plan under the system renewal there are condition-related, you know, refurbishments, repairs, replacements, whatever.

Can you provide the average age of those stations that are in your plan?

MR. STEVENS: Sorry, can you repeat the question, Dwayne? I am trying to understand the relevance of this to the examination of the two ICM funding requests.

MR. QUINN: Well, this question asked about, would it be reasonable to expect the average age of the stations should increase over time. I am trying to get some data behind it to say the stations that are in the five-year plan under system renewal, what is their average age.

MR. STEVENS: And I don't think that that's relevant to what we have to figure out in this case. The Board's instruction to all of us in procedural order number 3 was that review of the USP and AMP is necessary only so far as it provides context for here in the ICM applications and determining the maximum eligible incremental capital for 2021. The intent is not to undertake the same detailed assessment of the USP and AMP that would normally occur at a rebasing application.

So where the witnesses have been able to answer the questions, I have been trying not to intercede where -- more than necessary, but where the request is to go out and to additional work and additional digging, no, we are not prepared to do that.

MR. QUINN: It's not a lot of additional digging, David, but I am going to move on, because you will see where I was going with it. I was trying to get the average in your plan, because it reflects in the answer to the station, but if you can turn up VECC 18, please, attachment 1. So these are 2021 expenditures, projects that are in the CAPEX expenditure for 2021; correct?

MS. McCOWAN: That's correct.

MR. QUINN: Okay. So there are some stations, and I didn't try to highlight every one of them, but there was Leamington north is in here on page 3, I think it is, yes, page 3, so just at page 3, there's Leamington north, there is Waterloo gate rebuild.

Can you provide us the age of those stations to give us some understanding of the age of the station relative to the fact it's coming around for renewal?

MR. NACZYNSKI: Okay. Umm...

MR. QUINN: Or the components. If it's only -- if it's not a complete rebuild -- like, Waterloo gate says "Waterloo gate rebuild", and it's $2 million. Leamington north gate doesn't say "rebuild", but it's 5.5, so to me I would suspect Leamington north is also a rebuild.

So what we are trying to do is understand how these stations are being brought forward, and SEC obviously had a concern in asking the questions in the first place. I am just trying to get some data.

MR. STEVENS: Is this information already found in the project descriptions and the asset plan?

MR. QUINN: No, I looked there, but thanks.

MS. McCOWAN: I believe that that's information we could get. You are looking for the age of the Leamington station and the --

MR. QUINN: Leamington north, Waterloo --

MS. McCOWAN: Waterloo gate?

MR. QUINN: Yeah, I see Brampton is here, Brampton gate. Again, I don't want to presume, but it's two and a half million dollars. Maybe it's not a full rebuild, but it's not, you know, probably not the regulators.

MR. NACZYNSKI: It is more than a regulator replacement at Brampton gate. That I can certainly attest to. It is a rebuild. And you would like to understand the approximate age or the drivers of the project? Because again, we already established that age isn't everything, right?

MR. QUINN: Okay. Well, that would help go to your point then, Erik. If you give us the age of the station and the driver of the project, then it gives us a clearer picture, and it may demonstrate, as you say, that there may be a correlation, but there's not -- it isn't always the driving factor.

MR. STEVENS: Well, in an effort to allow us to move along, Dwayne, I think I have heard two or three projects you are talking about.

MR. QUINN: I think, yeah --

MR. STEVENS: I am in no way agreeing to the relevance of any of this to the Board's examination, but I would like to get done today, so we are prepared to provide an undertaking as to the age of the station and the driver of the work for -- the projects I heard were Leamington gate, Waterloo gate, I believe, and I think I heard one more.

MR. NACZYNSKI: Brampton.

MS. McCOWAN: Brampton.

MR. QUINN: Brampton. I am just rescanning this. I hadn't tried to do this to -- I thought you folks would know your projects better than I. I don't see any other gate stations on here, so I am just trying to get more than one -- I am trying to get a bigger sample size, David, but if those are the only three, then we can be satisfied with those three.

MR. RICHLER: Okay. So we will call that Undertaking JT1.10, and Mr. Quinn, could we just get a time check?

UNDERTAKING NO. JT1.10: TO PROVIDE THE AGE OF THE STATION AND THE DRIVER OF THE WORK FOR THE LEAMINGTON GATE, WATERLOO GATE, AND BRAMPTON PROJECTS.

MR. QUINN: I would have been done before, but I would say now just a couple minutes, coming to the end, because I am staying on this interrogatory, because two things jumped out at me when I start seeing the detail of what was underneath some of those numbers.

And could somebody just help me with the score meter area upgrade that's in for 12.9? It's at the top of page 2.

MR. NACZYNSKI: Yeah, so the score meter area is the meter area at the Corunna facility, Dwayne, so at Tecumseh, the old EGD Tecumseh operation, that's upgrade to the meter area at Corunna.

MR. QUINN: Okay. And so it is -- it's storage-related.

MR. NACZYNSKI: That is a part of our storage asset class; that is correct.

MR. QUINN: Okay. And so is it the replacement of all of the -- or upgrading all of the meters that come out of Tecumseh?

MR. NACZYNSKI: It is a -- there is certainly a defined scope. This one here must have an investment within the asset plan that outlines what that is, but it is not a complete, you know, replacement of everything. There is a lot of assets there, as you're aware, so it is an upgrade to some of the assets at that location.

MR. QUINN: And so is there a project -- I imagine in the investment summary report there is a brief description of the project.

MR. NACZYNSKI: That is correct.

MR. QUINN: But is there a project report that was advanced for that project to go to the approving authorities to say this is one of our bigger projects, it's $13 million, here is what we are doing?

MS. McCOWAN: I believe this one actually was discussed in our previous asset management plan as EGD; right? This project has been -- this project's actually underway.

MR. NACZYNSKI: This project -- yeah, it's executing now. It started last year, so the work is already underway on this project, and you're right, Catherine, it was discussed in our last asset plan, possibly at a previous hearing that I was at, so -- but, yes it's executing now.

MR. QUINN: So you think there's something on the record in a past proceeding beyond what's in the investment summary?

MR. NACZYNSKI: What I guess I am saying there, I don't know what the extent of that information is back from whenever it was, 2018 or 2019. There obviously is the investment summary that's included with this application now as a part of this asset plan as filed, and I don't know if you have -- I don't know if there's another question you have specifically, Dwayne, or what kind of information you are looking for.

MR. QUINN: Well, as David well knows, we want to over time ensure that as storage assets are being replaced that it's done in a proper separation between the utility and non-utility. I was trying to get the background to see what was done and then eventually if there are any concerns ask questions of relevance in another proceeding to that effect.

But I am just trying to see if there's any additional information beyond what I saw in the investment summary.

MR. STEVENS: I think the information from the witnesses is that there is some information in the investment summary, and I acknowledge that it might be something you wish to pursue as part of a different proceeding, but I don't think any more information is required for the context of this proceeding.

MR. QUINN: Fair enough.

MS. McCOWAN: I am just looking at the asset plan, and under section 5.5.5.4 there is also a description of this project.

MR. QUINN: Okay. Actually -- thank you. I appreciate that I need to do a little more homework on that. These are coming from other interrogatories and they link together with my thoughts, but I will leave it at that, because I have one last question, and it's related to a project that is still in this VECC 18 attachment. This was helpful to see all the projects that are underneath the hundreds of millions of dollars in each respective area.

But on top of page 3 there is the Trafalgar 26 Branchton class location replacement. I am interpreting that -- and you can tell me if I am wrong -- that it's a replacement of a piece of pipe for purposes of upgraded class location, so a vintage piece of pipe that's 26 inches from the Dawn-Trafalgar system?

MR. NACZYNSKI: That's correct, Dwayne.

MR. QUINN: Okay. Is there additional information beyond what's on the investment summary on that project? Like, first off, would you need a leave -- I don't remember seeing a leave to construct for that.

MR. NACZYNSKI: So that project, Dwayne, there was an active leave to construct for that replacement, and you may recall that the company -- that Enbridge actually pulled that because of a change in code requirement, so it was on the list of projects. It was then -- the leave to construct was then pulled, for lack of a better word, and the -- you know, Enbridge is now reconsidering, does that need to go this year or in some subsequent year, but that is currently being evaluated.

MR. QUINN: Okay. That's then -- then it's not an issue for this year, and that's helpful to understand, and I appreciate it.

MR. NACZYNSKI: Well, so let me just emphasize, it will be subject to an LTC because of the land matters that are associated with that project. It is just whether or not it comes back this year as an LTC or, you know, we reconsider.

MR. QUINN: Right. Okay. Okay. Yes, thank you, witnesses. Actually, this has been helpful. I understand the process better. Obviously we may have some differences on some aspects of it, but I appreciate you have been responsive and helped me to understand, so thank you very much. Those are my questions, Mr. Richler.

MR. RICHLER: Thank you, Mr. Quinn.

The next and last person on our list for today is Khalil Viraney from OEB Staff. Over to you, Mr. Viraney.

EXAMINATION BY MR. VIRANEY:

MR. VIRANEY: Hello, everyone. I am just referring to APPrO IR Number 2, and this is about the indirect overheads, and you have provided a table of before and after, and as it was discussed earlier, there's a change in the indirect overheads. And I did provide a reference yesterday, and that is with respect to EB-2018-0305, and that was Staff 32(c). And in that IR there was an explanation of how overhead allocation is done for EGD and Union.

Can you explain this response, the differences in -- and reconcile it with this change in indirect overheads?

MS. DREVENY: Sure. So 32(c), as presented on the screen, reflects the legacy methodologies used by both EGD and Union Gas. So the original leave to construct for the Sarnia project would have included the assumption of the Union Gas overheads.

If you could scroll down a little bit, I will just call out what the components are, and then I will talk to the changes under the new policy.

So under the old methodology there were three components that made up the Union Gas overhead, so we had the indirect overhead allocations, and then we also included the alliance partner and district contractor pre-work costs.

Under the new methodology, the alliance partner and district contractor pre-work costs are now captured under a separate asset class grouping called EA fixed overheads, and under basically the overhead line we now have the elements of -- actually, if we can turn to, I believe, LPMA 7. I believe that calls out the different components.

So, yes, so they are summarized here. Under the new methodology, the overhead line is comprised of indirect overheads, direct and indirect burdens, and interest during construction.

So when we talk to the overheads that are now being reflected for the Sarnia project, the interest during construction is of course presented as a separate line item, but we would still have the indirect overhead, which would include the indirect burdens as well.

MR. VIRANEY: Okay. So now -- so now there is a change of around, I think, $2 million, and that is now being tracked in the accounting policy changes deferral account.

So am I correct that that $2 million is increased here, but is then recorded in the deferral account?

MS. DREVENY: So the sum of all of the impacts is recorded in the deferral account, yes. It is the revenue-requirement impact.

MR. VIRANEY: Oh, okay. So is it possible that can I request you to kind of explain this in the argument in-chief as to this change and then the relationship with the change in the indirect overheads and the capturing of the amount and the accounting policy change deferral account?

MS. DREVENY: Yes, I believe we could take that.

MR. STEVENS: May I ask a question, Khalil? Are you indifferent as to whether that's in argument in-chief or in an undertaking?

MR. VIRANEY: No, I'm -- I'm not indifferent to that. I just prefer it in argument in-chief because it gives context as well.

MR. STEVENS: Okay. So just to repeat, you'd like explanation as to the changes made to the overhead policy?

MR. VIRANEY: Yes, a more fulsome explanation of what has changed, the change in indirect overheads, and that I think the objective is still to keep the ratepayers whole, so then that change is then captured in the accounting policy changes deferral account. Is my understanding correct, or...

MR. STEVENS: I believe that's what the witnesses have said.

MR. VIRANEY: Yes.

MR. STEVENS: So, yes, that is something we can include in our argument in-chief.

MR. RICHLER: Sorry, I am not sure if we should really be marking that as an undertaking, but maybe just for the record we will give it an undertaking number, but the response will just be that it will be addressed in argument in-chief. So we will call that JT1.11.

UNDERTAKING NO. JT1.11: TO EXPLAIN IN ARGUMENT IN-CHIEF AS TO THE CHANGE AND THEN THE RELATIONSHIP WITH THE CHANGE IN THE INDIRECT OVERHEADS AND THE CAPTURING OF THE AMOUNT AND THE ACCOUNTING POLICY CHANGE DEFERRAL ACCOUNT.

MR. RICHLER: Mr. Viraney, go ahead. Did you have more questions?

MR. VIRANEY: Yeah. My next question is on response to Staff 8. So this is on page 3 of the response, and there it says that Enbridge inadvertently excluded from the 2020 rate application the Campbell Street station.

Now, I'm just trying to understand, it was excluded, but was it also omitted from the in-service capital forecast for 2020?

MS. McCOWAN: I -- oh, sorry, it was an in-service capital for 2021, so it was not planned for 2020.

MR. VIRANEY: Okay. So it was excluded in that application from -- but still was supposed to be in-service '21/'22.

MS. McCOWAN: That's right.
MR. VIRANEY: Okay. And then it goes on for the ILI dig blanket, and in that it says the 2023 blanket for digs was also omitted. So now this is again for 2023. It has no impact on '21.
MS. McCOWAN: That's correct.
MR. VIRANEY: Thank you.
Now I am going to Staff 12, and that is in relation to the Crowland Wells, that is the storage wells, and it says that Enbridge Gas intends to proceed with the alternative to operate Crowland without compression. But all these costs are not -- none of these costs are for 2021, they are all for -- because you have it here in the period 2021 to '25, but nothing -- is any amount included for 2021?
MS. McCOWAN: I don't believe there is any in-service capital for 2021. Erik, can you confirm that?
MR. NACZYNSKI: That's correct. So there is a range of work activities, but nothing in-service for 2021.
MR. VIRANEY: So it did not make it into the in-service capital forecast.
MS. McCOWAN: That's correct.
MR. NACZYNSKI: That's correct.
MS. McCOWAN: The project won't be completed this year.
MR. VIRANEY: Is it included for the capital expenditures for 2021?
MS. McCOWAN: From a capital expenditure perspective, we certainly are now expecting to spend. Erik, can you

confirm whether we were planning to spend at the time the budget would have been finalized?

MR. NACZYNSKI: I can't confirm that, Catherine.

MS. McCOWAN: We could take that one away.

MR. NACZYNSKI: We could take that one away. There is now -- there will -- as it is right now, there will be dollars that we're planning on spending this year, but nothing will go into service this year, because there's new wells that have to be drilled, et cetera. I don't know if that helps clarify, but at the time of this filing I don't know if we had come to that final decision on that.

MR. VIRANEY: Okay. So can I get an undertaking for that?

MS. McCOWAN: Absolutely, sure.

MR. NACZYNSKI: Yeah.

MR. RICHLER: JT1.12.

MR. STEVENS: And just to be clear, JT1.12 is to confirm if there is any 2021 capital expenditure for the Crowland Wells project?

MR. VIRANEY: Yes, exactly.

UNDERTAKING NO. JT1.12: TO CONFIRM IF THERE IS ANY 2021 CAPITAL EXPENDITURE FOR THE CROWLAND WELLS PROJECT.

MR. VIRANEY: And my next question is on Staff 13, and that's response to (a), and if you just see the one page, the last two lines. It says for Union there was a net reduction of 25.8 million in IT capital expenditures. So I couldn't understand that. So you had less capital expenditures and they were removed from the budget. So did you -- where is it in the budget? Does it show anywhere where it has been removed, or when you prepared the budget you removed it and therefore it is -- now the budget does not reflect that amount?

MS. McCOWAN: The budget does not reflect that amount.

MR. VIRANEY: Okay. The budget -- so you have a list of all those projects that's on page 2?

MS. McCOWAN: Um-hmm.

MR. VIRANEY: Now, were those amounts in any of the previous budgets, like 2019/2020?

MS. McCOWAN: I believe that where you may have seen those would be, when the previous AMP and addendum were filed, the IT budget or the TIS budget would have anticipated spending to this level through the 2021 period, and now as the team has gone through and reviewed and identified integration projects and things like that, there have been reductions to the tune of $25.8 million.

Danielle, do you want to jump in further on that?

MS. DREVENY: I think you're correct in that, Catherine, so these would have been present in one of the previous plans, and they have now been removed due to the integration projects that are planned.

MR. VIRANEY: Okay. So they have been removed, so in a way they would have impacted the in-service capital forecasts of previous years?

MS. DREVENY: Yes.

MS. McCOWAN: No.

MS. DREVENY: Well --

MS. McCOWAN: Sorry, of a previous year? These projects were planned for 2021.

MR. VIRANEY: For 2021, so these were not in 2020?

MS. McCOWAN: No, anything that related to integration for 2020 was already removed.

MR. VIRANEY: Okay.

MS. McCOWAN: And these projects relate to integration for 2021.

MR. VIRANEY: So if you go to the paragraph down, what is it -- then it refers to increases in expenditures. And I couldn't exactly get that where it talks about the reductions, and then those increases, I don't see them anywhere in the table.

MS. McCOWAN: So I think they are referring to the EGD rate zone here. So the Union Gas rate zone is described in the table above.

MR. VIRANEY: Okay.

MS. McCOWAN: And then the EGD rate zone is described in the paragraph. And I am just reading along, but what it indicates is that that's partially related to meter reading, handheld equipment, and the allocation of overheads.

MR. VIRANEY: Okay. So as I understand it, 25.8 million was removed from Union, and there was 6.8 million added to EGD's budget?

MS. McCOWAN: That's correct.

MR. VIRANEY: Okay.

MS. McCOWAN: And I think, just to clarify, that, you know, to characterize the addition of the overheads as "added" is maybe not completely correct, because the overheads would have been there, just presented in a separate spot previously.

MR. VIRANEY: Okay. My last question is on LPMA 4. So this is in reference to the change in the cost allocation methodology for the London line replacement project, and it also talks about the Windsor line replacement project.

So can you confirm how was the Windsor line allocated earlier?

MR. STEVENS: When you say "earlier", Khalil, are you referring to the pre-replacement line?

MR. VIRANEY: Yes. Was it different? Because it kind of talks about the London line and the fact that you have changed the methodology, but then it talks about the Windsor line as if there's some connection there. So was the Windsor line replacement cost allocation methodology also changed?

MS. DREVENY: I would have to look up the original versus the cost allocation that was used for the Windsor line, but I believe in the context of this reply it's stating that the London line will be used as a distribution project rather than other transmission, which is consistent with the approved treatment of the Windsor line and how it was approved.

MR. VIRANEY: Yeah, but what it doesn't clarify is that it clarifies that the London line cost allocation is being changed, but it doesn't say whether Windsor line was also changed.

MS. DREVENY: I would have to take that away and refer back to the Windsor line application to see if it was changed in that one as well.

MR. VIRANEY: Okay.

MR. RICHLER: So is that an undertaking to check on that?

MR. VIRANEY: Yes, please.

MR. RICHLER: JT1.13.

MR. STEVENS: To be clear, I believe the question is to confirm whether -- I am just writing as I speak -- whether the approved cost allocation for the Windsor line replacement is the same as the historic cost allocation for that pipeline?

MR. VIRANEY: Yes, is the same or it was changed. Or it was changed. The response kind of doesn't seem to indicate that.

MR. STEVENS: We can find out and advise.

UNDERTAKING NO. JT1.13: TO CONFIRM WHETHER THE APPROVED COST ALLOCATION FOR THE WINDSOR LINE REPLACEMENT IS THE SAME AS THE HISTORIC COST ALLOCATION FOR THAT PIPELINE, OR HAS IT BEEN CHANGED.

MR. VIRANEY: Those are all my questions, thank you.

MR. RICHLER: Okay. Thank you, Mr. Viraney.

So that brings us to the end of our agenda. I will just give everyone a real quick opportunity to let me know if you have any quick follow-up questions.

Seeing none, we will wrap up.

There is just one small housekeeping matter. A number of undertakings were given today, and I don't believe that the last procedural order expressly set out a deadline for responding to those, so I would just ask the applicant if they could give us a sense of when we might expect to see those answers to those undertakings filed?

MR. STEVENS: I think we would hope to be able to do it within a week, Ian, but I think to be fair we could certain -- or to be safe, we could certainly commit to providing all -- most, if not all, of them by the end of next week, so nine days.

MR. RICHLER: Okay. Thank you. And thank you to everyone. With that, we are adjourned.

--- Whereupon the conference concluded at 2:48 p.m.