

ENBRIDGE GAS INC.

Answer to Interrogatory from  
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit 10, Tab 1, Schedule 1, Page 3, Paragraph 6

Preamble:

“A Price Cap IR provides incentives for the utility to implement comprehensive, longer term productivity improvements which are then passed on to customers at the next rebasing and results in more stable and predictable rates.”

Question(s):

- a) Please list the incentives that the Price Cap IR plan proposed by Enbridge provides for productivity improvements in Operations, Maintenance and Administration, discuss each one and explain how and when the savings from productivity improvements are passed to customers.
- b) Please list the incentives that the Price Cap IR plan proposed by Enbridge provides for productivity improvements in Corporate Shared Services allocated to EGI, discuss each one and explain how and when the savings from productivity improvements are passed to customers.
- c) Please list the incentives that the Price Cap IR plan proposed by Enbridge provides for productivity improvements in Capital Expenditures, discuss each one and explain how and when the savings from productivity improvements are passed to customers.

Response:

- a-c) This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas's February 1, 2023 letter.

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Answer to Interrogatory from  
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit 10, Tab 1, Schedule 1, Page 3, Paragraph 7

Preamble:

A Price Cap IR also allows for potential recovery of incremental capital investment through the ICM mechanism and the potential to address unforeseen items through a Z factor.

Question(s):

Does the ICM mechanism increase or decrease the incentives for productivity improvements in Capital Expenditures? Please explain your answer.

Response:

This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas's February 1, 2023 letter.

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Answer to Interrogatory from  
Energy Probe Research Foundation (EP)

Interrogatory

Reference:

Exhibit 10, Tab 1, Schedule 1, Page 6, Paragraph 14

Preamble:

“Enbridge Gas proposes a 25% weighting for labour and 75% weighting for non-labour because these weights are broadly consistent with the share of non-labor and labor costs for Enbridge Gas and other gas distributors.”

Question(s):

- a) Please explain why the 75% for the non-labour component and the 25% for the labour component are appropriate for the cost pressures experienced by Enbridge Gas, specifically as they relate to operations, maintenance, administration, head office cost allocation, construction labour, and construction materials.
- b) Please file the numerical data that supports the Enbridge proposal.

Response:

a-b) This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas's February 1, 2023 letter.

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Answer to Interrogatory from  
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Interrogatory

Reference:

Exhibit 10, Tab 1, Schedule 1, Attachment 1, Page 14, *Industry Benchmarking*

Question(s):

- a) Please provide the working papers for the benchmarking.
- b) Please provide a summary of scale factors for US sample and EGI (select year(s)).
- c) Please divide US sample into Southern/Northern distributors by
  - km/miles of distribution pipe,
  - volume of gas distributed,
  - number of customers,
  - average volume gas delivered per customer,
  - average degree days
  - average distribution unit cost
  - net book value of assets
  - value of assets per customer
  - annual depreciation expense
  - ratio of depreciation expense to net assets.
- d) Please comment on the following:
  - i. Southern US companies distribute less gas per customer due to a shorter heating season. Accordingly, distribution unit costs are higher.
  - ii. Number of Customers is/is not the most appropriate benchmark.
    - volume of gas distributed per customer
    - Unit Revenue per customer
    - Is/is not a better benchmark.

Response:

a-d) This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas's February 1, 2023 letter.

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Answer to Interrogatory from  
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Reference:

Exhibit 10, Tab 1, Schedule 1, Attachment 1, Pages 21 and 23, 6.3 Stretch Factor

Preamble:

“BV believes the electricity distribution experience strongly supports a reduction in EGI’s stretch factor. Like the electricity distributors, EGI has been continuously under IRM since 2008. The discipline and enhanced incentives of ongoing, multiple IR plans has almost certainly improved the Company’s cost performance, similar to what has been observed for electricity distributors. In addition to the generally strong incentive properties of IRM, EGI’s cost efficiencies are currently being augmented by savings achieved through the amalgamation of EGD and Union Gas.”

Question(s):

- a) Please compare total costs before and after amalgamation and discuss whether amalgamation has/has not improved EGI’s total cost score relative to the US Northeast Sample.
- b) Why are electricity distributors’ costs relevant to EGI? Please explain.

Response:

a-b) This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas’s February 1, 2023 letter.

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Interrogatory

Reference:

Exhibit 10, Tab 1, Schedule 1, Attachment 1, Pages 27 and 28

Preamble:

“Dr. Kauffman discusses the methods for asset depreciation and selects the Hyperbolic method Under hyperbolic decay, capital services are computed using the hyperbolic function below:

$$\frac{St}{N-\beta t}$$

Here,  $S_t$  is the relative efficiency of assets in year  $t$ ,  $N$  is asset service life, and  $\beta$  is a parameter reflecting the rate of decay. In its computation of TFP growth for the U.S. economy, the BLS computes capital services provided by structures using a value of 0.75 for  $\beta$ , and the same value for  $\beta$  is used in this study. Drawing on the most recent National Grid precedent, the service life for assets is 51 years.”

Question(s):

- a) Why is 51 years appropriate for
  - i. Whole US sample,
  - ii. Northeast Sample?
- b) Why is average asset life of 51 years appropriate for EGI?
- c) What is the average life of EGI Assets, based on the latest depreciation study?
- d) If it is lower, or greater, what, directionally, would be the effect(s) on the capital component of TFP?
- e) Why is  $\beta=0.75$  appropriate for EGI?

Response:

a-e) This evidence will be addressed in Phase 2 of the proceeding as noted in Enbridge Gas's February 1, 2023 letter.