EB-2022-0200

EGI PANELS 15, 16 AND 17

COMPENDIUM OF MATERIALS

SCHOOL ENERGY COALITION

2024 Test Year Depreciation Expense - EGI

Line No.	Particulars ($ millions)	Plant (1) Average Balance	Rate	Provision
		(a)	(b)	(c)
	Intangible Plant			
1	Franchises and consents	1.2		0.0
2	Intangible plant - Other	0.5		0.0
3	Total	1.7		0.0
	Local Storage Plant			
4	Structures and improvements	8.5	1.69%	0.1
5	Gas holders - storage	7.3	0.96%	0.1
6	Gas holders - equipment	24.8	1.06%	0.3
7	Total	40.5		0.5
	Underground Storage Plant			
8	Land rights	76.5	1.48%	1.1
9	Structures and improvements	115.8	3.94%	4.5
10	Wells	193.9	3.85%	7.3
11	Wells Equipment	17.3	1.32%	0.2
12	Field Lines	259.0	2.54%	6.4
13	Compressor equipment	725.8	2.88%	20.9
14	Measuring & regulating equipment	108.9	2.60%	2.8
15	Total	1,497.2		43.2
	Transmission Plant			
16	Land rights	91.8	1.71%	1.6
17	Compressor Structures and improvements	167.5	2.07%	3.5
18	Measuring and Regulating Structures and Improvements	11.5	1.40%	0.2
19	Equipment	3.0	2.23%	0.1
20	Mains	3,128.6	1.77%	54.9
21	Compressor equipment	1,031.8	3.72%	38.4
22	Measuring & regulating equipment	526.4	3.06%	15.8
23	Total	4,960.5		114.4

2024 Test Year Depreciation Expense - EGI (Continued)

Line No.	Particulars ($ millions)	Plant (1) Average Balance (a)	Rate (b)	Provision (c)	
	Distribution Plant				
24	Renewable Natural Gas (2)	31.4	Various	1.2	
25	Land rights	68.0	1.80%	1.2	
26	Structures and improvements - Other	258.8	3.17%	7.0	
27	Structures and improvements - Stoney Creek	33.5	4.47%	1.5	
28	Structures and improvements - Win-Rhodes	26.2	4.27%	1.1	
29	Structures and improvements - London Admin	22.4	11.95%	2.7	
30	Structures and improvements - Kingston Office	18.9	4.21%	0.8	
31	Structures and improvements - Mainway	9.0	50.48%	9.1	
32	Services - metallic	611.4	3.63%	22.0	/u
33	Services - plastic	5,036.2	2.73%	136.3	/u
34	Regulators	508.3	8.86%	44.7	
35	Mains - Envision	222.2	5.78%	12.6	
36	Mains - coated and wraped	4,008.8	3.38%	134.7	
37	Mains - plastic	3,839.1	2.72%	103.5	/u
38	Company NGV Compressor Stations	12.4	3.70%	0.5	
39	Measuring & regulating equipment	1,132.6	2.89%	32.4	
40	Customer M&R Equipment	174.4	3.34%	5.7	
41	Meters	1,164.5	10.25%	118.5	/u
42	Total	17,178.0		635.3	
	General				
43	Investment in leased assets	37.7		1.5	
44	Structures and improvements - Other	37.9	1.44%	0.5	
45	Structures and improvements - VPC	119.4	6.36%	7.6	
46	Structures and improvements - Thorold	0.0	59.23%	0.0	
47	Structures and improvements - Markham	37.1	4.21%	1.6	
48	Structures and improvements - Keil	78.2	5.62%	4.4	
49	Structures and improvements - Bloomfield	21.6	14.63%	3.2	
50	Office furniture and equipment	38.0	4.03%	1.5	
51	Transporation equipment	156.1	4.65%	7.2	
52	Heavy work equipment	52.4	8.29%	4.3	
53	Tools and other equipment	91.9	11.92%	10.9	
54	Rental - Refuel Appl	0.8	10.05%	0.1	
55	Rental - NGV Stations	8.1	3.71%	0.3	
56	Communications structures and equipment	9.6	26.25%	2.6	
57	Computer Equipment	36.0	13.34%	4.2	
58	Computer Equipment - post 2023	12.1	25.00%	3.3	

2024 Test Year Depreciation Expense - EGI (Continued)

Line No.	Particulars ($ millions)	Plant (1) Average Balance	Rate	Provision
		(a)	(b)	(c)
59	Software Acquired Intangibles	150.9	8.77%	15.5
60	Software Acquired Intangibles - post 2023	14.3	25.00%	2.5
61	Software Developed Intangibles	60.2	10.04%	6.5
62	Software Developed Intangibles - post 2023	14.4	25.00%	2.7
63	CIS Acquired Software	111.0	8.24%	9.1
64	TIS/IT Software	0.0	10.00%	0.0
65	WAMS	89.9	10.74%	9.7
66	Total	1,177.6		99.1
67	Plant held for future use	1.7	3.63% 2.73%	0.0
68	Total	24,857.3	3.59%	892.4

Notes:
(1) Average of the opening and closing plant balances.
(2) Represents forecasted RNG projects in total using a blended rate of assets.

Concentric has recommended establishing new plant accounts for computer hardware and software to depreciate assets going into service after January 1, 2024. The pre-existing accounts will remain, however no new assets will be added after December 31, 2023. The variance between the calculated accrued depreciation and the book accumulated depreciation as of December 31, 2021, will be amortized over the composite remaining life of the assets. Once the last asset is retired for the pools in these pre-existing accounts, depreciation expense will cease on these accounts.

3.2. Net Salvage Methodology

17. In accordance with the OEB Uniform System of Accounts (USoA), EGD and Union have historically recovered the future cost of abandoning assets through the net salvage component of depreciation rates. EGD rate zone currently uses the CDNS method while Union rate zone uses the Traditional Method. The Enbridge Gas Depreciation Study details the differences in methodologies for net salvage on pages 20-23. Concentric recommends the use of the CDNS method for Enbridge Gas as it aligns with the current method approved by the OEB for the EGD rate zone, is more generationally equitable for customers by passing on the benefit of any return on capital and adjusts for inflation in the future requirement of net salvage.

18. In its decision for EGD's 2014 to 2018 IRM, the OEB directed that the discount rate used to calculate net salvage under CDNS should be examined in more detail at the next rebasing proceeding.[6] Concentric recommended the use of a credit adjusted risk-free (CARF) rate as an appropriate discount rate on the basis that the CARF is consistent with discount rates mandated by accounting standards for asset retirement obligations for financial statement disclosures and estimating the discount

[6] EB-2012-0459, OEB Decision with Reasons, July 17, 2014, pp.56-58.

Table 1
Summary of Revenue (Deficiency)/Sufficiency - EGI

Line No.	Particulars ($ millions)	2019 Actual	2020 Actual	2021 Actual	2022 Estimate	2023 Bridge Year	2024 Test Year	
	Revenue at Existing Rates							
1	Gas Sales, Transportation, and Storage	4,779.7	4,266.7	4,628.6	5,095.3	5,810.1	6,016.3	/u
2	Gas Costs	(2,265.3)	(1,781.3)	(2,110.5)	(2,440.1)	(3,047.3)	(3,228.0)	
3	Impact of (colder)/warmer weather (1)	(67.0)	33.0	55.0	(28.0)	-	-	
4	Revenue, weather normalized, net of Gas Costs	2,447.4	2,518.4	2,573.1	2,627.2	2,762.8	2,788.3	/u
	Revenue Requirement							
5	Operating Costs	3,907.7	3,477.8	3,794.2	4,231.8	4,920.8	5,297.2	/u
6	Cost of Capital (2)	789.2	792.3	800.2	869.8	901.5	955.7	/u
7	Other Operating Revenues	(47.8)	(52.2)	(50.0)	(60.0)	(63.2)	(64.3)	
8	Income Taxes	59.9	39.2	41.8	33.7	42.1	43.8	/u
9	Taxes on Deficiency/(Sufficiency)	(25.5)	(3.5)	(15.3)	(7.2)	(3.2)	77.9	/u
10	Total Revenue Requirement	4,683.5	4,253.6	4,570.9	5,068.1	5,798.0	6,310.4	/u
11	Gas Costs	(2,265.3)	(1,781.3)	(2,110.5)	(2,440.1)	(3,047.3)	(3,228.0)	
12	Revenue Requirement, excluding Gas Costs	2,418.2	2,472.3	2,460.4	2,628.0	2,750.7	3,082.4	/u
	(Deficiency)/Sufficiency							
13	(Deficiency)/Sufficiency, gross	96.2	13.1	57.7	27.2	12.1	(294.1)	/u
14	(Deficiency)/Sufficiency, weather normalized	29.2	46.1	112.7	(0.8)	12.1	(294.1)	/u
15	2024 Deficiency as % of 2024 Revenue Forecast (line 14/line 1)						4.9%	/u
	Average Annual Growth 2019 to 2023							
16	Revenue, weather normalized, net of gas costs (line 4)						3.1%	
17	Revenue Requirement, excluding gas costs (line 12)						2.7%	

Notes:
(1) Financial impact of colder/warmer than normal weather. 2023 and 2024 forecasts are based on normal weather.
(2) Cost of Capital amounts reflect the annual OEB-formula return on equity %'s. 2023 and 2024 amounts reflect the 2022 OEB-formula equity %.

CONCENTRIC ADVISORS

October 14, 2022

Enbridge Gas Inc.
500 Consumers Road
North York, ON
M2J1P8

Attention: Danielle Dreveny
Manager, Capital FP&A

Dear Ms. Dreveny;

Pursuant to your request, we have conducted a depreciation study related to the gas transmission, distribution and storage systems and related general plant of Enbridge Gas Inc. Our report presents a description of the methods used in the estimation of depreciation and net salvage, the statistical analysis of service life and the summary and detailed tabulations of annual and accrued depreciation.

We gratefully acknowledge the assistance of Enbridge Gas personnel in the completion of the review.

Should you have any questions or concerns, please do not hesitate to contact me directly at 587.997.6489

Yours truly,

Concentric Advisors, ULC

Larry E. Kennedy
Senior Vice President

Amanda Nori
Project Manager

LEK/ta
Project: 70079

The following table sets out the differences in the two methods:

Average Life Group Procedure				Equal Life Group Procedure			
Year	Accruals ($)	Retirements ($)	Acc. Deprn Balance ($)	Year	Accruals ($)	Retirements ($)	Acc. Deprn Balance ($)
1	200		200	1	267		267
2	200		400	2	267		534
3	200		600	3	267		801
4	200		800	4	267		1,068
5	200	1,000	0	5	267	1,000	335
6	100		100	6	67		402
7	100		200	7	67		469
8	100		300	8	67		536
9	100		400	9	67		603
10	100		500	10	67		670
11	100		600	11	66		736
12	100		700	12	66		802
13	100		800	13	66		868
14	100		900	14	66		934
15	100	1,000	0	15	66	1,000	0

It should be noted from the table that overall, both methods will recover the same original cost, however, there are two key differences. First, using the ALG procedure, after the first 5 years, no depreciation has been collected for the asset remaining in service. Essentially, the concept of depreciation expense matching the assets providing service is not met. With the ELG procedure, this problem is remedied and after the retirement at year 5 of the shorter life asset, an appropriate provision for the first 5 years of service on the longer living asset is accumulated ($67 X 5 years = $335). Under ELG all current users are sharing the cost of all assets in service.

Secondly, under ALG the customers using the last remaining assets are required to pick up an adjustment for the under accrual of depreciation expense during the early years of the account. This inter-generational inequity may potentially result in a situation at EGI where users in the later years of the system bear the cost of under accruals which benefited earlier users of the system.

Effectively, later users of the system would be subsiding previous users. With potential changes in the utility industry, future users of the facilities may be different from the current system users. This lack of stability may magnify the inter-generational inequity of the ALG procedure.

3.1.1.3 Generation Arrangement

The Generation Arrangement is a depreciation process that was commonly used in the telephone industry and that may be used to assist in the blending of past retirement experience with the expectations of future life characteristics. In its most pure form, the Generation Arrangement can be used with the ELG method; however, in the more typical usage, and the manner in which Union has

that can be used to set depreciation rates that accurately reflect the annual consumption in service value. Appropriate depreciation rates also help to ensure that both long term intergenerational equity among customers and a reasonable opportunity for the recovery of investment are achievable.

The pipeline system will experience both interim and final retirement activity. Interim or ongoing retirements represent those retirements described by the interim survivor curve, which is commonly referred to as the Iowa curve. Terminal or final retirements represent those retirements described by the truncation of the interim survivor curve at the truncation date (or economic life). Interim retirements include retirements related to replacements that are primarily caused by wear and tear, deterioration, and technological obsolescence, i.e. the replacement of an item of equipment with a newer item with greater functionality. Terminal retirements include retirements related to the final abandonment of major components of the system caused by the economic obsolescence of the system. Such retirements are not expected to occur all at once. Rather, it is anticipated that there will be a relatively restricted period during which these major retirements will occur. In order to readily perform the mathematical calculations of average and remaining life, the timing of the terminal and final retirements is represented by a single point, the economic planning horizon (or life span date).

3.2.2 Decarbonization

On June 8th, 2016, the Office of the Ontario Premier Kathleen Wynne released its plan for a "low-carbon future" in its "Climate Change Action Plan". The action plan outlined Ontario's plan to begin phasing out natural gas for heating by providing incentives to retrofit buildings. This plan was replaced on November 29, 2018 with the Made-in-Ontario Environment Plan released by Premier Doug Ford. The Made-in-Ontario Environment Plan commits to reducing greenhouse gas emissions to 30 percent below 2005 levels by 2030.

EGI has responded to the Made-in-Ontario-Plan with a number of low carbon strategies, including a pilot program to test the blending of hydrogen, a voluntary RNG program, and the filing of a new DSM 2022-2027 Plan. The pilot program will provide EGI with a better understanding of the future use of hydrogen within the gas distribution system. These strategies will enable EGI to better plan for a lower carbon future.

In addition to the Made-in-Ontario Environment Plan, the Canadian federal government has passed a number of acts and regulations intended to bring Canada in line with Paris Accord. Prime Minister Justin Trudeau signed the Canadian Net-Zero Emissions Accountability Act on June 30, 2021. This act sets the goal of 2030 greenhouse gas emissions being 40-45 percent below 2005 levels by 2030. Further, there is the requirement that greenhouse gas emission goals be set for 2035, 2040, and 2045 at least ten years in advance. Ultimately, the goal is for Canada to attain net-zero emissions by 2050. It is noted that both the cities of Hamilton and Toronto have made net-zero commitments independent of federal or provincial mandates.

The federal government notes that the movement to hydrogen may be an important step in order to achieve a net-zero emissions target by 2050. The federal government has created a fund intended to increase production of low-carbon fuels, including hydrogen and renewable natural gas. The use of

hydrogen and renewable natural gas may have a significant impact on the business of EGI in the foreseeable future.

3.2.3 Economic Planning Horizon Recommendations

While there is strong evidence that the future of natural gas in Ontario may be impacted by climate change legislation, it is still unknown to what extent this change will impact EGI's system. The introduction of hydrogen may have a life lengthening impact on the system if it is determined that hydrogen is a sustainable replacement fuel. The same may be true of renewable natural gas or other low carbon fuels. However, it may also be true that the move from carbon based fuels necessitates a greater electrification, in which case there may be a life shortening impact on some or all of the EGI system.

The future growth and retirement programs of the EGI system may be significantly different than the retirement patterns witnessed in the past. While future retirements that are caused by physical forces of retirement such as wear and tear and changes in technology of the assets will continue, it is reasonable to anticipate that the utilization of large groups of assets may change due to the implementation of climate change legislation. Consistent with the reduction in the utilization of the assets, it could be assumed that large scale retirement of assets may be required in the periods between now and 2050.

Common depreciation practice is to deal with the anticipated large scale retirements through the introduction of an economic planning horizon within the depreciation rate calculations. However, at this time the future impacts of the relevant climate change legislation have not been sufficiently studied, nor have specific programs been put into place that would provide indications of the changes in the utilization levels. Concentric views that additional study of the changes is required before the introduction of a Life Span date for the EGI system into the depreciation rate calculations. While such an introduction will cause a significant increase in the depreciation rate, Concentric notes that future depreciation studies of the EGI system may require the introduction of an EPH into the depreciation rate calculations. Concentric has attached Appendix 1 that shows the depreciation rate calculations using the same recommended depreciation parameters as the current study, with the introduction of a 2050 EPH. While Concentric is not recommending this move at this time, the calculations are provided as an example of what would be expected if a 2050 EPH were approved.

3.3 Estimation of Survivor Curves and Net Salvage

3.3.1 Survivor Curves

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve plotting the number of units which survive at successive ages using the retirement rate method of analysis.

The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as Iowa type curves. The Iowa curves *"...were sorted into three groups according to whether the mode was to the left, approximately coincident with, or to the right of the average-life ordinate. The curves in each of these three groups*

ENBRIDGE GAS INC.

Answer to Interrogatory from
Industrial Gas Users Association (IGUA)

Interrogatory

Reference:

Exhibit 4, Tab 5, Schedule 1, Attachment 1, page 3-3.

Preamble:

Concentric provides an example in a table comparing the ELG and ALG procedure, and concludes: *First, using the ALG procedure, after the first 5 years, no depreciation has been collected for the asset remaining in service. Essentially, the concept of depreciation expense matching the assets providing service is not met.*

Question(s):

a) Please confirm that the example may not properly reflect the results of a mass property account where a significant portion of a vintage of assets are retired at or after the average service life, and over a relatively short period of time. For example, if 95% of the vintage of assets are retired at approximately year 50, does Concentric agree that the difference under ELG and ALG would be less significant. If not confirmed, please explain.

b) Notwithstanding the simplified example provided by Concentric, does Concentric agree that while $1,000 of accumulated depreciation is removed under the ALG example in year 5, from an accounting perspective both assets were charged $100 of depreciation per year (i.e, $500 in total up to year 5), as opposed to just one asset being charged $1,000 of depreciation expense? For example, the asset that was retired would have in theory been charged $500 of depreciation expense ($100 per year) and would have negative accumulated depreciation of $500 with the retirement of $1,000 in year 5, whereas the second asset would also have $500 of depreciation accumulated. If not confirmed, please reconcile the above with the required accounting entries to record mass property depreciation under US GAAP and best practices for regulated utilities.

c) Please confirm that the determination of depreciation under either ELG or ALG is an estimate. If not confirmed, please explain.

d) Please confirm that Concentric expects that future updates to the estimated lives of at least some of the asset classes will be required whether an ELG or ALG procedure is applied. If not confirmed, please explain.

e) Please confirm that adoption of the ELG procedure will increase the depreciation expense for EGI, all else being equal. If not confirmed, please explain.

f) Concentric has advised that EGI continues to consider the adoption of modified depreciation expense in the future to reflect an economic depreciation expense based on an economic planning horizon. Adoption of an economic planning horizon approach will truncate the lives of the assets and further increase depreciation expense as Concentric's calculations demonstrate. EGI is applying to increase depreciation expense by $193.9 million in 2024. Please quantify the portion of this increase that is related to the change from the ALG and generation arrangement procedures to ELG. Please also provide the detailed calculations in Excel showing the derivation of the change on an account-by-account basis.

Response:

The following response has been provided by Concentric:

a) Concentric agrees that the example provided in the depreciation report is a simplified example, used to explain the concept of Average Life Group versus Equal Life Group. For the impact of ALG on the Enbridge Gas depreciation study, please see response to Exhibit I.4.5-STAFF-173 part e).

b) Confirmed.

c) All depreciation parameters are an estimate, however the depreciation expense and rate that result from the estimates are based on mathematical formulas. As such, the depreciation expense and rates themselves are mathematically derived figures based on an underlying estimate.

d) Confirmed.

e) All straight line depreciation procedures accrue the same amount of depreciation expense over the life of the account. However, the immediate impact of a change to ELG for Enbridge Gas is an increase in the depreciation expense. This increase will lessen in later years, and eventually it is expected that the ELG procedure will result in lower accruals than ALG.

f) Concentric provided the depreciation expense using the ALG procedure in response at Exhibit I.4.5-STAFF-173 part e). It is expected that the change from the

Generation Arrangement results in minimal depreciation impact as the Generation Arrangement and ELG use very similar calculations. Due to the extraordinary amount of effort to perform the Generation Arrangement calculations for every account, Concentric has not included these calculations as part of this response.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Industrial Gas Users Association (IGUA)

Interrogatory

Reference:

Exhibit 4, Tab 5, Schedule 1, Attachment 1, page 3-10.

Preamble:

Concentric discusses four alternatives to address the collection of salvage costs

Question(s):

a) Please prepare a schedule (in a working Excel file) that provides the last ten years of negative net salvage collected by EGD and Union, as well as the last 10 years of actual salvage costs incurred (i.e., 2013 to 2022).

b) Please also provide a schedule showing the build up of the accumulated net salvage balance using the opening balance at the beginning of the 10-year period for each entity.

c) Please provide a forecast of the net salvage to be collected and the salvage costs forecast to be incurred for the next 10 years (i.e., 2023 to 2032).

Response:

a-b) Please see Attachment 1. Enbridge Gas is not able to quantify the actual amounts collected. The attachment is populated based on the site restoration cost provision included within accumulated depreciation, net of costs incurred over time. Please see response at Exhibit I.1.8-Staff-17 for further details.

c) Please see the 2023 to 2026 forecast in response at Exhibit I.1.8-STAFF-17, part f). Enbridge Gas is only able to provide forecast data for 2023 to 2026 as the data is not available for the 2027 to 2032 period.

Table 1 - Historical Net Salvage by Utility in $ Million

	EGD					Union				EGI			
Year	Opening Balance	Cost of Removal	Adjustments	Clearance Adjustment	Closing Balance	Opening Balance	Cost of Removal	Adjustments	Closing Balance	Opening Balance	Cost of Removal	Adjustments	Closing Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
2013	859.1	(35.6)	81.0	-	904.5	559.7	(5.4)	38.8	593.1	-	-	-	-
2014	904.5	(25.9)	37.0	(379.8)	535.8	593.1	(8.4)	32.4	617.1	-	-	-	-
2015	535.8	(43.8)	61.2	-	553.2	617.1	(6.4)	30.9	641.6	-	-	-	-
2016	553.2	(18.7)	42.5	-	577.0	641.6	(7.8)	35.8	669.6	-	-	-	-
2017	577.0	(46.1)	71.7	-	602.6	669.6	(8.7)	34.6	695.5	-	-	-	-
2018	602.6	(49.6)	83.1	-	636.1	695.5	(12.1)	39.0	722.4	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	1,358.5	(51.2)	116.6	1,423.8
2020	-	-	-	-	-	-	-	-	-	1,423.8	(48.5)	79.5	1,454.8
2021	-	-	-	-	-	-	-	-	-	1,454.8	(57.4)	145.5	1,542.9
2022	-	-	-	-	-	-	-	-	-	1,542.9	(64.6)	137.2	1,615.5

Table 1: Estimated Impact of Findings on Enbridge Gas's Proposed Depreciation Expense

Line no	Finding/Recommendation	Estimated Impact on Enbridge Gas's Proposed Depreciation for 2024 ($M) [1]	Note/Explanation
	Depreciation Rates Estimate Procedure		
1	Use of ASL/ALG procedure rather than ELG procedure	-81.4	Exhibit 1.4.5-Staff-170 Attachment 1
	Subtotal	**-81.4**	
	Asset Life Parmeters		
2	Use of life parameter of Iowa 45-R2.5 for Account 452.00	-0.3	Note 2
3	Use of life parameter of Iowa 44-R4 for Account 456.00	-1.5	Note 2
4	Use of life parameter of Iowa 40-R.25 for Account 457.00	-0.4	Note 2
5	Use of life parameter of Iowa 70-R4 for Account 465.00	-7.0	Note 2
6	Use of life parameter of Iowa 70-R3, or at a minimum Iowa 61-R3 for Account 475.21	-15 (at 70-R3); -7 (at 61-R3)	Note 2
7	Use of life parameter of Iowa 70-R4, or at a minimum Iowa 65-R3 for Account 475.30	-9 (at 70-R4); -5 (at 65-R3)	Note 2
	Subtotal	**-21.2 to -33.2**	
	CDNS Calculation Methodology		
8	Correct CDNS net salvage rate calculation (compared to Concentric ELG or ALG analysis)	+2.9 (vs. ELG); +14.0 (vs. ALG)	Attachment 1 to InterGroup's evidence
9	Use CDNS discount rate based on return on rate base 5.87% rather than 3.75% CARF rate [3]	-24.9	Attachment 2 to InterGroup's evidence
	Subtotal	**-10.9 to -22.0**	
	Net Salvage Parameters		
10	Maintain the currently approved Union rate of negative 15% for Account 465.00	-2.0	Note 4
11	Maintain the currently approved Union rate of negative 5% for Account 466.00	-1.0	Note 4
12	Maintain the currently approved Union rate of negative 10% for Account 467.00	-1.0	Note 4
13	Use negative 40% net salvage estimate for Account 473.02	-5.0	Note 4
14	Use negative 40% net salvage estimate for Account 475.21	-40.0	Note 4
15	Use negative 25% net salvage estimate for Account 475.30	-20.0	Note 4
	Subtotal	**-69.0**	

Notes:

1. The impacts quantified for each recommendation are high level estimates. Each impact is quantified independent of other recommendations (i.e. impact only compares to Enbridge Gas's proposal for that one aspect). Therefore, the impacts are not additive and the adoption of a recommendation could change the impact quantified for another recommendation. All estimates, except finding #1, were quantified by InterGroup.
2. Based on the life estimate difference from proposed and plant balances as per Exhibit I.4.5-IGUA-25 Attachment 3.
3. Return on rate base of 5.87% as per Exhibit 5, Tab 2, Schedule 1, Attachment 6, page 1.
4. Based on calculated CDNS rate difference from proposed and plant balances as per Exhibit I.4.5-IGUA-25 Attachment 3.

In the example above Concentric considers two assets of average age of 10, under both the ELG and ASL (ALG) procedures. Concentric's portrayal attempts to indicate that the costs of these two assets included in revenue requirement under ASL ($200/year; $100/year) would lead to an insufficient accrual of accumulated depreciation as compared to ELG ($267/year; $67/year). Concentric's example is suggesting that ASL has set a depreciation expense that is too low in the first 5 years, such that customers in the last 5 years must pay more, which Concentric indicates is an issue for inter-generational equity. Concentric suggests that there is better intergenerational equity when customers pay $267/year for the two assets in service in years 1-5 and $67/year for the one asset in service for years 6-15.

The Concentric example portrayed above is flawed for two reasons:

1) The analysis portrays a sort of terminal account, where there is no turnover or reinvestment.

2) The analysis does not consider the Service Value of the group of assets in question, for which ratepayers are fundamentally paying via depreciation expense. Service value can be understood mathematically (e.g., "The service value of the plant, for depreciation purposes shall be its cost less its estimated net salvage value"[12]) or by the notional concept of the capacity to deliver the services provided by the group of assets (e.g., trucks, or mains). Depreciation is the process of allocating the service value of a group of assets over the life of the group, not just the original cost of each individual asset.

Concentric also fails to note that at the outset these assets are not distinguishable. They are, for example, two meters of the same quality and composition. One may be hit by some external event (e.g., a collision with garden equipment) in year 5, and another may be retired for corrosion in year 15, but at the outset, one does not know whether this will occur, or at which age, or to which meter. All one knows at the beginning is that the meters will live an average of 10 years, with some symmetrical dispersion (and even this is an estimate). It is important to note that this uncertainty is true under ASL or ELG.

In order to address the above concerns, a more appropriate example of a continuing property account the following example is provided:

[12] For example, OEB Uniform System of Accounts for Class A Gas Utilities (April 1, 1996), Appendix A, 5A.

On the second rationale, adoption of ELG does not bear a clear linkage to addressing the noted energy transition policy issues. There are multiple utilities, such as electrical utilities, who do not face obsolescence risk but use ELG, and an even greater complement of utilities which do face obsolescence risk that use ASL (including basically all US gas utilities).[24] ASL is not a procedure based on artificially deferred asset cost collection – it matches the depreciation of the asset group to the service it provides in each year.

Further, energy transition is a major topic that encompasses the issues of obsolescence, the rights and risk-sharing regarding recovery of capital investment, stranded assets, and potential new fuels and future alternative utility plant uses. This policy issue merits a proper vetting and a broad consistent policy approach. Adopting ELG as an obscure means to accelerate capital recovery and reduce utility investor exposure to energy transition appears to be a poor justification. Energy transition is a matter that is best addressed directly rather than indirectly. The topic of energy transition is further addressed in Section 8 of this report.

4.4 FINDINGS

1. The proposed transition to the ELG procedure at this time is problematic for three reasons:
    a. The purported increased precision of ELG is likely not supported in this case, given limitations on data and the merging of the accounts of two utilities. In contrast the ASL approach is well-accepted, pervasive in North America, and somewhat less sensitive to issues with capital asset data. Assertions that ELG can improve intergenerational equity also do not reflect the premise of group accounting – that some individual assets will last for shorter periods and some will last longer, yet the average performance across the group will be experienced by all generations of ratepayers. ELG excessively burdens the early or current generations of ratepayers with costs that do not reflect average or expected asset group performance.
    b. The financial impact of a transition to ELG is significant for go-forward depreciation calculations. However, this impact is compounded by the implicit need to address the fact that, as a more aggressive procedure, the ELG calculations indicate accumulated depreciation is both in a large shortfall, and also must be recovered over a shorter period than using the ASL procedure. These three factors (faster depreciation, showing a larger current shortfall, and with a shorter period to recover the shortfall) combine to drive the large effect of adopting ELG.
    c. The justification for adopting ELG due to a pending energy transition is misdirected. The issue of energy transition is a significant matter of policy that should be addressed directly through decisions of the regulator, not through the selection of a technical change in depreciation methodology.
2. Concentric has made a sound conclusion that Generation Arrangement is not an appropriate procedure to be used for Enbridge Gas at this time.

[24] EB-2022-0200, Exhibit I.4.5-Staff-173(d)

3.0 SUMMARY OF FINDINGS

The analysis summarized in this report addresses the below findings. Note that the impacts quantified for each recommendation are high level estimates of the change in annual depreciation compared to the Enbridge Gas's proposals. Each impact is quantified independent of other recommendations (i.e. the impact only compares to Enbridge Gas's proposal for that one aspect, keeping the group procedures (e.g., ELG, ASL) the same).

Equal Life Group Procedure:

Depreciation is a component of revenue requirement that reflects the costs associated with allocating the capital investment of the utility over its life. Typically, these costs are recorded and analyzed for a group of similar assets, as part of an asset account (for example, meters).

In order to determine the depreciation expense for a group, it is necessary to use methods that can analyze the life expectations of the group of assets. There are different ways to conduct this analysis, which is described as the group depreciation 'procedure' to be applied. The selection of a group procedure can have material impacts on the calculation of depreciation expense to be recorded each year.

Concentric proposes to adopt a new procedure that is part of the methodology of calculating depreciation rates, known as Equal Life Group ("ELG"). The procedure was not used by either EGD or Union previously, and results in higher depreciation expense in the 2024 Rebasing[3] than the more commonly used Average Service Life ("ASL", also known as Average Life Group "ALG").[4] In addition, ELG is premised on highly accurate input data and does not match well with the concept of designing rates to reflect the average life performance of assets organized into groups (e.g., a set of trucks, or a set of pipes).

1. The proposed transition to the ELG procedure at this time is problematic for three reasons:
    a. The purported increased precision of ELG is likely not supported in this case, given limitations on data and the merging of the accounts of two utilities. In contrast the ASL approach is well-accepted, pervasive in North America, and somewhat less sensitive to issues with capital asset data. Assertions that ELG can improve intergenerational equity also do not reflect the premise of group accounting – that some individual assets will last for shorter periods and some will last longer, yet the average performance across the group will be experienced by all generations of ratepayers. ELG excessively burdens the early or current generations of ratepayers with costs that do not reflect average or expected asset group performance.

[3] As discussed further in this submission, theoretically ELG results in higher depreciation expense early in an asset's life, and lower depreciation expense later. However, in practice this is not the case when looking at the utility as a whole, since the newest asset's will typically be the most costly, and it is these assets that are responsible for much of the depreciation expense in a given year. As a result, ELG typically leads to higher depreciation expense every time a new study is performed, compared to alternatives.
[4] EGD used the ASL procedure and Union used a different approach known as Generation Arrangement.

475 – Mains – Envision: 25-SQ

This account houses EGD's EnVision Project costs. These are not physical assets, the costs are capitalized as approved by the OEB and are being depreciated over a period of 25 years.

483 – Office Furniture and Equipment: 15-SQ

Both Union and EGD had previously approved 15-SQ for this account. This is in line with industry peers and continues to be the expectation for this account moving forward based on discussions with company personnel. There is no reason to change the life recommendation on this account.

486 – Tools and Work Equipment: 15-SQ

The currently approved EGD life is not in line with what is experienced in the field with the assets housed in this account. The company policy is currently to keep tools for 15 years, which is in line with industry peers and the currently approved Union life.

487.7 – Rental – NGV Appl: 15-SQ

The life choice for this account is heavily weighted towards conversations with operations staff, as there are no industry peers that breakout these assets out onto their own, thus giving no peers that are reflective of the retirement patterns. The operations staff indicated that 15 years is an appropriate life for these assets.

487.8 – Rental – NGV Stations: 20-SQ

The life choice for this account is heavily weighted towards conversations with operations staff, as there are no industry peers that breakout these assets onto their own, thus giving no peers that are reflective of the retirement patterns. The operations staff indicated that 20 years is an appropriate life for these assets.

488 – Communication Structures and Equipment: 10-SQ

This is a technology heavy account with lives shortening due to the impact of changing technology. A 10-year life recommendation is in line with the currently approved Union life and industry peers.

490 – Computer Equipment: 4-SQ

All industry peers considered are between 3 to 6 years. The recommendation of a four year life is in line with those peers as well as conversations with operations staff regarding the refresh cycles. Laptops, radios, video conferencing equipment is all on a four year cycle, and cell phones are on a three year cycle.

ENBRIDGE GAS INC.

Answer to Undertaking from
Environmental Defence (ED)

Undertaking

Tr: 140

To provide the cost to decommission all assets, today, on a best-efforts basis.

Response:

The following response was provided by Concentric Energy Advisors:

Concentric has calculated a total estimate to decommission all assets currently in service of $6.9 billion. This amount is based on the calculated net salvage estimates as recommended in the current depreciation study. In order to calculate this estimate, Concentric calculated the net salvage amount required using the traditional estimate and divided this amount by the Adjusted Original Cost amount in the CDNS calculations, as provided at Exhibit JT4.4, Attachment 1. This column inflates the original cost amount into 2021 dollars, as such, the impact of inflation is recognized in both the cost of retirement and the original cost amount. The resultant net salvage estimate has been stripped of inflation. By multiplying this amount by the original cost at the date of installation, a cost of retirement without any impact of inflation can be calculated.

In a discussion between Ms. Dreveny, Mr. Kennedy, and Mr. Elson during the technical conference on Monday, March 27,2023, the future net salvage amount of $21.3 billion and the discounted amount of $4.7 billion were discussed. It is expected that the amount required to remove all assets today would be higher than the discounted amount of $4.7 billion as the discount rate used in the CDNS calculations is higher than the inflation rate.

Table 1

Account	Net Salvage Amount	Net Salvage Rate
452.00	$10,945,024	(10%)
453.00	$50,711,822	(35%)
455.00	$22,763,328	(11%)
456.00	$53,711,565	(8%)
457.00	$9,919,357	(13%)
462.00	$13,000,576	(8%)
463.00	$570,443	(5%)
464.00	$210,138	(7%)
465.00	$485,658,981	(17%)
466.00	$84,103,648	(8%)
467.00	$84,423,934	(21%)
473.01	$140,224,550	(26%)
473.02	$1,721,237,476	(39%)
475.21	$1,712,599,533	(52%)
475.30	$2,364,797,512	(68%)
477.00	$117,019,936	(12%)
TOTAL	**$6,871,897,823**	

i. US GAAP prescribes the discount rate to use in an ARO calculation, which as I discuss below is different from the proper discount rate to use in a CDNS calculation.

ii. An ARO calculation calculates both a distinct ARO asset and a distinct ARO obligation related to the asset amortized, with the obligation accreted over the life of the asset.[103]

I also note that use of a CARF of 3.75% is likely not reflective of the future credit adjusted risk-free rate for Enbridge. Specifically, the current 30-year Canada bond yield closed at 2.949% on March 23, 2023. Based on February and March 2023 updates from Canadian banks the 30-year Government of Canada Bond Yield is forecast to be consistent with the current levels in 2024. The current forecasts are as follow for 2024: RBC Economics (2.85%),[104] TD Economics (2.90%),[105] National Bank of Canada (2.80%),[106] CIBC (average of 2.875%),[107] and Scotiabank (3.00%).[108]

In Exhibit 5, Tab 2, Schedule 1 at page 6 of 11, Enbridge states:

> 12. Enbridge Gas's interest rate spreads have widened during 2022 as GoC benchmark bond rates and market volatility has increased. EGD 10-year spreads during 2011 were approximately 105bps. Enbridge Gas 10-year spreads in January 2022 were approximately 120 bps and by September 2022 were approximately 155bps.

[103] The accounting guidance follows these steps: 1) A future obligation is calculated for the settlement of legal and constructive obligations. 2) The obligation is discounted to the current year. 3) The value as of the current year is set up using the following accounting entry: Dr. ARO asset; Cr. ARO liability. 4) The ARO asset is amortized over the remaining life of the assets to which the obligation relates. 5) The ARO liability is accreted over the remaining life using the same discount rate so that the future obligation equals the future expected cash outflow at the end of the life of the assets.
[104] https://thoughtleadership.rbc.com/wp-content/uploads/rates.pdf
[105] https://economics.td.com/ca-forecast-tables
[106] https://www.nbc.ca/content/dam/bnc/taux-analyses/analyse-eco/mensuel/monthly-fixed-income-monitor.pdf
[107] https://economics.cibccm.com/cds?id=618caf6c-998f-4630-abab-0a843bda2bda&flag=E
[108] https://www.scotiabank.com/ca/en/about/economics/forecast-snapshot.html

Taking the above information at face value, assuming a risk-free rate is reflective of the 30-year GoC bond yield of approximately 3.00% and Enbridge's credit spread is 155 bps per the September 2022 information, this provides for a CARF of 4.55% as compared to the 3.75% assumed.

Even if the CARF is updated to 4.55% it is important to observe that the CARF is not indicative of the actual rate inherent in the financing of net salvage costs. The collection of net salvage costs results in an accumulation of amounts in accumulated depreciation which offsets rate base. Therefore, the effective rate customers earn on the advance payment of net salvage costs is Enbridge's weighted average cost of debt and equity capital (WACC) that would otherwise be issued to finance rate base.

The CDNS method discounts the amount of future salvage costs to be collected. However, if those costs were not deferred and instead were collected all in advance, then the amount would sit as an offset to rate base and compensate customers through the resulting reduction in Enbridge's WACC. Effectively, deferral of the amount of salvage costs collected reduces the amount collected in advance and thus the amount that sits as an offset to rate base, reducing the avoidance of payment of return earned on investment which avoidance would have resulted had the collection of salvage costs not been deferred. Discounting the obligation by any other amount such as the pension rate, historical debt rates or the CARF ignores this relationship between the collection of net salvage costs and the return that customers would effectively receive through the offset to rate base resulting from the advance payment of those costs.

I also observe that during the technical conference on March 27, 2023 Enbridge and its expert acknowledged that the pre-collected net salvage funds are in fact used for working capital and investment purposes. Specifically, Mr. Kennedy states at lines 3 to 12 of page 42 of the final transcript:

> It also recognizes the fact that the company is putting in its pocket today $1.3 billion in dollars of the day that it has got quite potential to do other things with. It has the potential to use that money in its working capital to reduce its credit.

Table 4
Cost Pressures

Driver	(Deficiency)/Sufficiency in $millions
Increased TIS costs	(75)
Higher DSM costs than in rates	(33)
Higher integrity program costs	(25)
Higher locate costs	(15)
Higher bad debt	(10)
Higher loss within insurance deductibles, net of savings from premiums	(6)
Costs previously in Deferral and Variance accounts during IR term	(7)
Lower Pension and OPEB costs	50
Other	(14)
Total	**(135)**

5. Higher depreciation resulting from new depreciation study: $160.4 million

Table 5
Depreciation Proposal

Driver	2024 Depreciation at Existing rates in $millions	2024 Depreciation at Proposed rates in $millions	(Deficiency)/Sufficiency in $millions	Reference
Increase in depreciation expense	771.6	891.9	(163.7)[3]	Exhibit 4, Tab 5, Schedule 1, Attachment 2, updated March 8, 2023 for depreciation at existing rates. Exhibit 4, Tab 5, Schedule 1, Page 16 for depreciation at proposed rates.
Decrease in rate base[4]	16,336	16,281	3.3	
Total			**(160.4)**	

6. Increase equity thickness from 36% to 38% in 2024: $26.3 million.

   Please see Table 2 in Exhibit 5, Tab 3, Schedule 1, updated March 8, 2023 for the detailed calculation.

[3] Grossed up for taxes
[4] Reduction in rate base because of increase in depreciation expense under the depreciation proposal

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Ref 1: Exhibit 1, Tab 8, Schedule 1, Attachment 2 – 2021 Audited Financial Statement (AFS)
Ref 2: EB-2012-0459, Decision with Reasons, July 17, 2014

Question(s):

In the 2021 AFSs, Note 5 shows long-term regulatory liabilities for the future removal and site restoration reserves of $1,543 million for 2021. Footnote 9 states that the amount consists of amounts collected from customers, with the approval of the OEB, to fund future costs of removal and site restoration relating to property, plant and equipment. These costs are collected as part of the depreciation expense charged on property, plant and equipment that is reflected in rates.

In the OEB's Decision for EGD's 2014-2018 Custom IR proceeding noted in Reference 2, the OEB approved the Constant Dollar Net Salvage (CDNS) method for site restoration costs (SRC). In that proceeding, EGD proposed to refund $259.8 million in excess SRC to ratepayers. The OEB decided that the refund would be increased by an additional $120 million and the SRC provision for 2014 to 2018 would be reduced by $85 million.

a) Please confirm that the $1,543 million of future removal and site restoration reserves shown in the 2021 AFS represents the amount that has been recovered from customers in rates as at December 31, 2021. If not confirmed, please explain what the amount represents.

b) Please provide the approximate amount of site restoration costs that have been recovered to date.
    i. Please confirm that this amount would be equal to the SRC provision in accumulated depreciation. If not confirmed, please explain why not.

c) On page 60 of Reference 2, it was estimated that EGD would require over $3 billion in the future to remove and replace assets at the end of their useful lives. Please provide the most current update on the estimated total future removal and replacement costs.

d) Please confirm that when SRC are incurred, actual SRC costs draw down the accumulated SRC reserve in accumulated depreciation. If not confirmed, please explain how SRC are recorded for regulatory purposes when incurred and confirm that there is no double counting of recovery of SRC.

e) In EGD's 2014 to 2018 Custom IR proceeding, the OEB required the SRC refund to be increased by an additional $120 million and the SRC provision for 2014 to 2018 to be reduced by $85 million. Please explain the implications of the OEB's decision to the SRC reserve and annual SRC provision in its 2021 AFS and for 2024 to 2028.

f) Please quantify the annual SRC provision from 2024 to 2028.
   ii. Please explain whether the annual SRC provision is equal to the SRC forecasted to be incurred from 2024 to 2028.
   iii. If the annual SRC provision is not equal to the SRC forecasted to be incurred from 2024 to 2028 are not equal, please provide the annual SRC forecasted to be incurred from 2024 to 2028.

g) When EGD was approved to transition from the Traditional method of accounting for SRC to the CDNS method in EGD's 2014 to 2018 Custom IR proceeding, the accumulated depreciation requirement (i.e. SRC reserve) was less than the requirement using the Traditional method. The difference between the two was approved to be returned to ratepayers. In the current rate application, Enbridge Gas is proposing that Union Gas transition from the Traditional Method to the CDNS method. For Union Gas, please quantify the SRC reserve under the Traditional method and the SRC reserve under the CDNS method.
   i. If there is no difference in the SRC reserve between the two methods, please explain why and how it is different from EGD's circumstances when EGD transitioned from the Traditional method to the CDNS method.
   ii. If there is a difference in the SRC reserve between the two methods, please explain the difference and Enbridge Gas's proposed treatment for the difference.

Response:

a) Not confirmed. The amount is the presumed amount recovered in rates, based on the salvage component in approved depreciation rates applied to actual gross plant values, net of actual removal and restoration costs incurred as of Dec. 31, 2021. The Company is not able to quantify the actual amount recovered in rates, which would have been based on applying approved salvage component of depreciation rates to the forecasts of gross plant, and then would have been subject to actual versus forecast customer and volumetric variances.

b) Enbridge Gas is not able to quantify the total amount of net salvage/site restoration costs it has recovered through depreciation to date, because as noted above the actual costs of removal and restoration have been netted against amounts recovered over time. Similarly, the site restoration cost provision included within accumulated depreciation reflects amounts recovered over time, net of costs incurred over time.

c) The estimated amount of future site restoration costs for all of Enbridge Gas's assets discounted to today's dollar equivalent is $4.7 billion ($21.3 billion undiscounted).

   The following response was prepared provided by Concentric:

   Please see response at Exhibit I.1.4.5-IGUA-14, Attachment 1 which provides the detailed CDNS calculations for each account. The currently estimated future cost of removal requirement is identified in the column "Future Salvage Requirement".

d) Confirmed.

e) The OEB's decision within EGD's custom incentive regulation (CIR) Application[1], which directed the refund of $379.8 million in site restoration reserves to ratepayers, as compared to the proposed $259.8, served to reduce the SRC reserve/liability reflected by the Company by $379.8 million by the end of 2018 (or by an incremental $120 million), as compared to what it would have been had the refund not occurred. That reduction in the reserve due to the amounts refunded carries on indefinitely, when considered discretely from any adjustments to the net salvage component of depreciation rates that are made and approved in subsequent depreciation studies. From a regulatory perspective, the reduction in the reserve increased utility rate base, as the reserve/liability is included as part of accumulated depreciation within rate base.

   With respect to the OEB's Decision which directed an $85 million reduction to the forecast reserve amounts to be collected (through the net salvage component of depreciation rates) over the 2014 – 2018 CIR term, it has also served to reduce the SRC reserve/liability reflected by the Company, as compared to what it otherwise would have been absent the directive. In order to implement that directive, the net salvage component of the depreciation rates approved as part of that proceeding were adjusted (i.e. lowered), such that when they were applied to the forecast depreciable gross plant balances, it resulted in a cumulative $85 million reduction in forecast depreciation expense over the 2014 to 2018 term, as compared to what it would have been based on the proposed depreciation rates. The actual reduction in the reserve that occurred over the 2014 to 2018 term would however have varied somewhat from the forecast $85 million, as it reflected the impact of applying the

[1] EB-2012-0459.

approved depreciation rates to the actual gross plant balances that occurred over that term.

Since 2018, the annual provision for site restoration reserves, recognized as part of depreciation expense on EGD rate zone assets, continues to be lower than it otherwise would have been absent the OEB's direction. The approved depreciation rates (i.e. rates with a lower net salvage component) continue to be applied to actual depreciable gross plant balances, and will continue to be applied until such time as new depreciation rates inclusive of an updated net salvage component are approved, as are being requested within this proceeding. Therefore, as at December 31, 2021, a greater than $85 million reduction to the reserve has occurred as a result of the continued application of the OEB approved depreciation rates beyond 2018.

As of the end of 2023, the outstanding reserve amount will reflect the cumulative reduction that occurred as a result of applying the approved depreciation rates (reflecting a lower net salvage component) to actual EGD rate zone gross depreciable plant balances over the 2014 to 2023 period. Commencing in 2024 and through 2028, the annual site restoration cost provision, which will impact the outstanding reserve, will cease being directly impacted by the OEB's directive in EB-2012-0459, as it is expected that new depreciation rates, inclusive of updated net salvage components, will be approved and implemented.

f) The estimated annual SRC provision for 2023 to 2026 is shown in Table 1. Enbridge Gas is unable to provide the estimate from 2027 to 2028 due to the forecasting horizon used for planning purposes. The forecasts for 2025 and 2026 do not include the changes to depreciation expense reflected in the March 8, 2023 update. Please see response at Exhibit I.1.2-SEC-6.

Table 1

$ Million	2023	2024	2025	2026
Estimated SRC provision	$91.2	$118.6	$135.0	$141.3

i) The annual SRC provision is not equal to the SRC forecasted for 2024 to 2026. This is due to differences in the timing of the collection of the SRC vs the SRC expenditures.

ii) The annual SRC forecasted to be incurred for 2024 to 2026 is show in Table 2:

Table 2

$ Million	2023	2024	2025	2026
Forecasted SRC incurred	$61.4	$62.8	$60.5	$55.5

g) The following response was provided by Concentric:

Given the harmonization of the accounts, it is not possible to develop a theorical net salvage accumulated depreciation calculation separately for the EGD and Union assets. Furthermore, given that booked accumulated depreciation amounts related to the legacy EGD assets were based on the use of the CDNS method, it is not feasible to recalculate those balances on the assumption that a traditional method of salvage analysis had been used.

However, in order to be responsive to the question, Concentric has calculated the accumulated depreciation variance resulting from the comparison of the calculated accumulated depreciation using the CDNS method and booked accumulated depreciation amounts on the harmonized company using the actual accumulated depreciation balances. The calculation is summarized below:

Calculated accumulated depreciation (using CDNS method)	$1,197 million
Booked accumulated depreciation	$1,543 million
Surplus/(Deficiency)	$ 346 million

Enbridge Gas is proposing a remaining life depreciation calculation (as currently approved for both the EGD and Union systems). The above accumulated depreciation variance is embedded in the estimated remaining life depreciation accruals of each account in accordance with the remaining life calculations included in Section 8 of the Concentric depreciation study report.