

InterGroup's Answer to Undertaking J17.12 from
School Energy Coalition (SEC)

Undertaking

Transcript - 17

Using the latest version of Enbridge's proposed 2024 forecast depreciation (\$892.4), to do a calculation of the interactive impact of all Panel 16's recommendations, set out individually to see the final result.

Response:

The attached table and Excel file provides the interactive effects of InterGroup's recommendations, under four scenarios. This combination of four scenarios arises for the following reasons:

First, InterGroup noted that for Accounts 475.21 and 475.30, the 61-R3 and 65-R3 respectively were "better estimates" ... "for the current review" (Exhibit M1, page 7) but that 70-R3 and 70-R4 were alternatives that could be a "better fit overall" though "likely less robust" at this time than the 61-R3 and 65-R3 estimates. InterGroup has provided both sets of estimates in the attached.

Second, the InterGroup evidence indicated that CDNS as a conceptual methodology was "well-supported" and the concept was "well suited to use in this proceeding" (Exhibit M1, page 8) but noted significant concerns with the Concentric CDNS calculations which are "not accurate" (Exhibit M1, page 9) and which underestimated the degree of accrual for net salvage. In the transcript Mr. Bowman clarified that in the case of Enbridge "As I noted, I would not even be troubled if the Board were to determine that it wanted to go to the traditional approach and increase the net salvage accrual even further." (Transcript Volume 17, pages 182-183).

The attached tables provide the estimated annual accrual as follows:

Estimated Total Annual Depreciation and Salvage Accrual for 2024 (\$M)

	Under CDNS (InterGroup approach)	Under Traditional Net Salvage
Using 61-R3 and 65-R3 for 475.21 and 474.30 respectively (Recommended Life Estimates tab in Attachment 1)	\$733.4 million	\$781.0 million
Using 70-R3 and 70-R4 for 475.21 and 474.30 respectively (Longer Life Alternative tab in Attachment 1)	\$710.6 million	\$756.8 million

The above values compare to the overall accrual under existing rates of \$771.6 million, and under Concentric's ELG proposal of \$892.4 million.

It should be noted that the following Net Salvage accruals are built into the above estimated costs for 2024:

Estimated Total Annual Net Salvage Accrual for 2024 (\$M)

	Under CDNS (InterGroup approach)	Under Traditional Net Salvage ¹
Using 61-R3 and 65-R3 for 475.21 and 474.30 respectively	\$59.8 million	\$107.3 million
Using 70-R3 and 70-R4 for 475.21 and 474.30 respectively	\$54.7 million	\$100.9 million

The above net salvage accruals compare to Concentric's net salvage accrual of \$91.9 million (as shown in Exhibit M.1 page 52).

It is important to note that the CDNS values above are per the InterGroup approach to CDNS, not the Concentric approach. However, they do not include any "true-up" of the net salvage accrued balances, as the data necessary to calculate this amount for 2024 was not available (2024 gross plant by vintage, as well as accumulated depreciation and net salvage for 2024, as these amounts must be recalculated each year) but it is

¹ This number is not directly reported in the attached supporting files but can be derived by the total under CDNS plus the change to move to Traditional under each scenario.

not expected to be material to the overall assessment. The values for the Traditional Approach to Net Salvage do include true-up of both the life and net salvage portions of the accumulated depreciation.

In the tables in Excel Attachment 1, the first sets of columns reproduce the Equal Life Group and Average Service Life/Average Life Group (ASL/ALG) 2024 values from Concentric's life, dispersion, and net salvage parameters (columns E to S in the Excel version). Then the InterGroup lives are applied to Concentric's ASL calculations (Columns U to X in Excel), followed by the InterGroup net salvage parameters and correction of the CDNS calculations (Columns Z to AC), to yield the final recommended values under CDNS (columns AE to AH). The final set of columns (AJ to AM) are the Traditional Approach to net salvage rates.

The supporting calculations for CDNS are also provided in an additional supporting Excel file. Note that the ASL rates and CDNS accruals are the same as reported in InterGroup's previous submissions, Exhibit M.1 and Attachments thereto, and Exhibit N.M.1 and supporting files².

Additional Notes:

The above estimates take into account the Average Service Life/Average Life Group procedure (ASL/ALG) and the 2024 plant in service, as per the response to Exhibit I.4.5-Staff-170 Attachment 1 (March 22 version). Note that the values reported in I.4.5-Staff-170 Attachment 1 show rates, plant in service, and annual expense – the product of rates times plant in service should generally equal annual expense, but this does not always appear to be the case – both versions (calculated and reported) are shown in the attached tables to support reconciliation. Further, the Concentric depreciation rates are often different in different sources (e.g., the original Concentric study in Ex 4, Tab 5, Sch. 1, Attachment 1; the response to I.4.4-OGVG-6; the response to I.4.5-Staff 170-Attachment 1, etc.). The attached consistently uses the values from I.4.5-Staff-170 Attachment 1, but the attachment attempts to note through values in red where certain Concentric rates differ between sources.

Finally, no attempt has been made to update the rates for the final Concentric proposals in the June 16, 2023 updated Ex. 2 filings.

² While the impacts in this response are comprehensive, it is important to note that earlier responses may not indicate the same values for various reasons. For example, the response Exhibit N.M.1-IGUA-1 shows the impacts of InterGroup proposals on the life component of depreciation expense only (comparing Concentric ELG to InterGroup ASL and updated lives), not the combined impacts on life and net salvage. Similarly, the impacts in Exhibit N.M.1-EGI-9 Table 2 are the impacts moving from Concentric ELG to InterGroup ELG life proposals, so are not comparable to the impacts shown in the attachment to this undertaking, which show Concentric ASL/ALG versus InterGroup ASL/ALG, again only for the life component of depreciation expense.

InterGroup's Answer to Undertaking J18.1 from
Commissioner Duff

Undertaking

Transcript - 18

To formulate a list of 10 asset accounts to be included in the study.

Response:

InterGroup recommends the following accounts to be included in the study:

Distribution

- 473.01 Services Metal
- 473.02 Services Plastic
- 475.21 Mains Coated and Wrapped
- 475.3 Mains Plastic
- 477.00 Measuring and Regulating Equipment

Transmission

- 465.00 Mains
- 466.00 Compressors
- 467.00 Measuring and Regulating Equipment

Storage

- 453.00 Wells
- 456.00 Compressors