

VECC INTERROGATORY #12

INTERROGATORY

References: Exhibit C Tab1 Schedule 1 Pages1-6: Exhibit B Tab 6 Schedule 1

- a) Please Update the Exhibits to indicate the actual December 31, 2008 Balances - both principle and interest and amounts to be cleared July 1, 2009.
- b) Provide details of the interest calculations shown in Ex B Tab 6 S1 as updated
- c) Confirm which Accounts are/are not proposed to be cleared July 1, 2009 and provide a schedule showing the details of the amounts to be cleared to each rate class and the associated rate riders
- d) If the DSM- related accounts for 2008 are not to be cleared indicate the best estimate of the timing for clearance of these.

RESPONSE

- a) EGD has filed the principal and interest balances within the deferral and variance accounts proposed for clearance commencing July 1, 2009 within its EB-2009-0055 Earnings Sharing Mechanism and Other Deferral and Variance Accounts Clearance Review application.
- b) See response to part a).
- c) Evidence within EB-2009-0055 outlines the accounts proposed to be cleared and shows the details of clearance amounts to each rate class.
- d) The 2008 DSM-related accounts are not proposed for clearance at July 1, 2009 within the EB-2009-0055 evidence. The planned timing of clearance of any 2008 DSM-related account balances will depend on the timing of deliberations of the DSM Evaluation and Audit Committee, and on when it will be most efficient to implement the clearance in conjunction with a QRAM or other proceeding.

Witnesses: K. Culbert
A. Kacicnik

VECC INTERROGATORY #13

INTERROGATORY

References: Exhibit C Tab1 Schedule 2 Pages1-2 (IFRSCCDA)

- a) Provide a copy of the Application for an Accounting Order for the IFRSCCDA
- b) What is the status of the Board's disposition of EGDs request?
- c) Provide references/copies of Board correspondence/direction on IFRS.

RESPONSE

- a) The application for approval of the IFRSCCDA was requested within the context of the Fiscal 2009, EB-2008-0219 proceeding.
- b) EGD's request is being considered as an issue in phase two of this EB-2008-0219 proceeding.
- c) Board initiated consultative discussions and correspondence with respect to the impact of IFRS on Ontario rate regulated utilities can be found on the Board's website under docket number EB-2008-0408.

Witnesses: K. Culbert
N. Kishinchandani

VECC INTERROGATORY #14

INTERROGATORY

References: Exhibit C Tab1 Schedule 3 Pages1-2

- a) Provide a summary of the range of labor rates (based on qualifications) resulting from the RFP for field operations. Compare this to the current (up to Dec 2008) contract(s).
- b) Did EGD conduct a review of other rates, such as those paid by Union Gas for similar services? If so provide the comparisons(based on the qualifications required by the contractors personnel (gas fitter etc))
- c) Give the current economic situation does EGD plan to reopen the negotiation of the hourly rates and charges for field services?
- d) Provide the detailed calculations of the current and proposed service charges based on the costs to provide each of the services (transportation, technician time/cost and EGD in house costs etc.)
- e) Is any of the Field Services providers a related party of EGD, or are they fully independent of EGD? If the former please provide details of the relationship
- f) Why are base costs for services not reducing as a result of implementation of Envision? Please Discuss.
- g) Provide a Schedule of Historic (2003-2008) and forecast 2009 Revenues from Specific Service Charges.
- h) Why should the Board approve an increase in SCC and Other Revenue during the IRM period? Discuss the regulatory approach and precedents.

RESPONSE

- a) The labour rates for 2008 averaged \$53 - \$67/hr depending on the skill level. The corresponding labour rates for 2009 average \$58 - \$73 /hr, averaging a 9% increase.
- b) EGD conducted a review of the non-energy services provided by Union Gas and concluded that the services provided by Union Gas differed from that of EGD and thus would not be beneficial as a comparator. As an example, Union Gas does not identify an hourly rate in their cost structure. The EGD rates are reflective of a current market value and followed an extensive 18 month RFP process for service and construction services.

Witnesses: D. Broude
A. Welburn

- c) EGD has no plans to re-open the negotiations of the hourly rates and charges for field services. The rates are reflective of the current market value.
- d) The hourly services charges were calculated using the same fully allocated cost methodology as in 2003 rate case when the \$130/hr rate was approved.

9% Supervision
40% Fringe Benefits
20% Administration
56% Productivity Rate (50% productivity in 2003)

As an example:

Service Technician Rate				
		2003		2009
Hourly Rate		24.96		30.31
Annual Direct Labour		51,917		63,045
Overtime (15%)		7,788		9,457
Supervision (9%)	9%	4,673	9%	5,674
		64,377		78,176
Fringe Benefits (40%)	40%	25,751	40%	31,270
Service Van Operating/Leasing Costs		10,080		11,592
		100,208		121,038
Administration (20%)	20%	20,042	20%	24,208
Total Allocated cost		120,249		145,245
Total Work Hours				
Annual Work Hours (excl Stat, vacations)		1,593		1,593
Overtime (15%)		239		239
		1,832		1,832
No of Billable hrs (Less Productivity)	50%	916	56%	1,026
Billable Hrly Rate		131.28		141.58

- e) Field services are provided by Enbridge employees as well as the Extended Alliance (EA). The EA service provider is independent of EGD.
- f) Services provided by outside parties reflect market rates. Productivity improvements have been incorporated into the rates. This is reflected in the rate increase being lower than the inflationary rate applied over the five year period since 2003. Using

Witnesses: D. Broude
A. Welburn

strictly inflationary rate increases of 2.5% annually since 2003 when the rates were set, would result in an overall rate increase of 16%. Since there have been productivity efficiencies realized, the proposed rates are 9% over the current rates. See the response to VECC Interrogatory #16 at Exhibit I, Tab 7, Schedule 16 which shows that EnVision is achieving the intended efficiencies. Prices have been flat for the period of 2003 to 2008. The new EA contract incorporates an annual productivity factor which reduces the annual inflationary increase in the prices they can charge.

g) Schedule of Historic (2004 to 2008) and Forecast revenues for 2009

Rider G Revenues (000)	Actual 2004 AYR04	Actual 2005 AYR05	Actual 2006 AYR06	Actual 2007 AYR07	Actual 2008 AYR08	Budget 2009	Proposed Rate Increase Included	VAR
<u>Account Name</u>								
New account fee revenue	7,048	5,686	5,568	5,755	5,358	5,231	5,231	
Redlock fee revenue	3,271	2,368	2,167	2,006	2,130	2,396	2,580	(184)
Safety inspection revenue	360	263	239	415	642	525	565	(40)
Meter testing revenue	80	319	361	546	581	400	431	(31)
Street service alteration revenue	773	946	764	934	1,177	818	818	
NSF fee revenue	414	304	333	237	232	150	150	
Lawyer's letters fee revenue	354	220	188	182	37	53	53	
Rental Revenue - NGV Program	682	464	419	366	387	385	385	
	12,982	10,570	10,039	10,440	10,544	9,957	10,213	(255)

h) In the Settlement Agreement it was agreed that:

miscellaneous, regulated non-energy service charges shall be handled outside the adjustment formula. If Enbridge proposes any changes to miscellaneous non-energy service charges during the term of the IR Plan, it will provide the Board with evidence that supports the change.

The service charges are related to certain customers support and operational services, and are provided by EGD on an as-needed, user-pay basis. The service charges are cost-based and there is no net impact to earnings associated with these service charge increases.

Witnesses: D. Broude
A. Welburn

VECC INTERROGATORY #15

INTERROGATORY

References: Exhibit C Tab1 Schedule 4 paras 7 and 8

- a) Provide the detailed wording both in the Handbook and on customer bills in blackline format
- b) Compare the proposed changed wording to the similar wording used by Union Gas Limited and Natural Resource Gas (NRG)
- c) Provide a similar blackline version of the proposed changes in Ex B Tab 3 S 2 Part III Terms and Conditions Applicable to all services, Section F.
- d) Has EGD considered the submissions in EB-2008-0150 regarding the effective dates from which LPP charges are levied? If so provide the Company's position on this issue (if different from its final submission in EB-2008-0150)

RESPONSE

- a) The Company has proposed two changes to Section F – Payment Conditions. The first change identifies the effective annual interest rate applicable to the 1.5% per month late payment charge. The federal Interest Act requires that the effective annual interest rate be stated on customers' bills. This amendment aligns the Rate handbook with the wording that the Company cites on customers' bill for an effective annual interest rate for late payment charges. The second change recognizes the fact that some service contracts for unbundled services set out payment terms that are different from what is set out in the general terms and conditions.

The proposed Rate Handbook wording (blackline format) from Exhibit B, Tab 3, Schedule 2, page 5 of 9, Section F – Payment Conditions captures both changes is provided below:

Enbridge Gas Distribution charges are due when the bill is received, which is considered to be three days after the date the bill is rendered, or within such other time period as set out in the Service Contract. A late payment charge of 1.5% per month (19.56% effectively per annum) of all of the unpaid Enbridge Gas Distribution charges, including all applicable federal and provincial taxes, is applied to the account on the seventeenth (17th) day following the date the bill is due or within such other time period as set out in the Service Contract.

Witnesses: J. Collier
A. Kacicnik
M. Giridhar

The requested Late Payment Charge wording on customers' bills is provided below.

A late payment charge equal to 1.5% per month or 18% per annum (for an effective rate of 19.56% per annum) multiplied by a total of all unpaid charges excluding any unpaid Direct Energy Essential Home Services charges that are not rental water heater charges, will be added to your bill if full payment is not received by the late payment effective date below.

- b) The Company does not receive Union Gas' or NRG's customer bills and has not reviewed their proposals for Rate Handbook changes stemming from the requirement of the federal Interest Act. Having said that, the Company presumes both utilities would have taken steps to make such changes in order to comply with the requirement of the federal Interest Act to state the effective annual interest rate on customers' bills and, consequently, to reflect the same requirement in their rate handbooks.
- c) Please see the response under a) above. Note that Section F – Payment Conditions is applicable to all services.
- d) No.

Witnesses: J. Collier
A. Kacicnik
M. Giridhar

VECC INTERROGATORY #16

INTERROGATORY

References: Exhibit C Tab1 Schedule 5 Tables 1 and 2

- a) Provide an update to Table 1 to reflect 2008 actuals and, if appropriate revisions to 2009-2014 forecasts
- b) Update Table 2 to show 2008 actuals and variances
- c) Add notes on 2008 Cost Variances to Budget

RESPONSE

a) Table 1: EnVision Cost & Benefits: Actuals 2003-2008, Forecast 2009 – 2014

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT	FCT
<i>Accenture Fees</i>	6.1	21.8	21.4	13.7	12.8	13.2	12.0	8.1	6.8	6.8	6.8	1.7
<i>Gain Sharing Updated</i>				1.5	1.8	2.3	0.0	2.2				
<i>IT Costs (O+M)</i>				0.8	1.1	1.3	1.2	1.2	1.2	1.2	1.2	0.4
<i>IT Costs (Capital)</i>				5.0	1.7	2.5	1.5	1.5	1.5	1.5	1.5	0.4
<i>Business Resources</i>	0.3	1.7	7.9	9.5	6.3	3.4	1.8	1.7	0.7	0.3		
Total Costs	6.4	23.5	29.3	30.5	23.7	22.7	16.5	14.7	10.2	9.8	9.5	2.5
<i>Operations & Engineering Benefits</i>	0	(0.3)	(9.3)	(22.1)	(32.8)	(30.8)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(7.0)
<i>IT Cost Savings</i>	(1.3)	(2.2)	(2.0)	(3.6)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(0.9)
Total Benefits	(1.3)	(2.5)	(11.3)	(25.7)	(36.6)	(34.6)	(31.9)	(31.9)	(31.9)	(31.9)	(31.9)	(7.9)
Net Costs/Benefits	5.1	21.0	18.0	4.8	(12.9)	(11.9)	(15.4)	(17.2)	(21.7)	(22.1)	(22.4)	(5.4)

A negotiated agreement with Accenture on the gain sharing, provides \$4.5M in fixed fees payable to Accenture in 2006, 2007 and 2008. The fixed fees payable in 2006 and 2007 were already accrued in the years associated with the payout and have no cost impacts for 2008. A further \$3.3M in variable amounts may be payable to Accenture in 2008 and 2009; however, the amounts are undetermined at this time and not expected to have a material impact on the NPV.

Witnesses: D. Broude
A. Welburn

b) Table 2: EnVision Cost Variances 2006 – 2008

	2006	2006	2006	2007	2007	2007	2008	2008	2008
	BUD	ACT	VAR	BUD	ACT	VAR	BUD	ACT	VAR
Accenture Fees	12.0	13.7	(1.7)	12	12.8	(0.8)	12	13.2	(1.2)
Gain Sharing	0.0	1.5	(1.5)	0	1.8	(1.8)	0.0	2.3	(2.3)
IT Costs (O+M)	1.0	0.8	0.2	1	1.1	(0.1)	1.0	1.3	(0.3)
IT Costs (Capital)	0.0	5.0	(5.0)	0	1.7	(1.7)	0.0	2.5	(2.5)
Business Resources	0.0	9.5	(9.5)	0	6.3	(6.3)	0.0	3.4	(3.4)
Total Costs	13.0	30.5	(17.5)	13.0	23.7	(10.7)	13.0	22.7	(9.7)

c) 2008 Cost Variances to Budget ("BUD")

Accenture Fees	\$1.2M	An adjustment for CPI and change orders.
Gain Sharing	\$2.3M	Negotiated settlement of Gain Sharing.
IT Costs (O+M)	\$0.3M	Higher wireless usage
IT Costs (Capital)	\$2.5M	System performance improvement, enhancements to realize business benefits increased by \$600k resource transfer from Business Resources.
Business Resources	(\$0.4M)	Incremental back office staff required by the Work Management Centre to maintain the flow of work levels was reduced to pre-Envision resource level as well as efficiencies in vacancy management.
	\$0.6M	Incremental back office staff required by the Planning Department to maintain the flow of work levels reduced by \$300k from 2007.
	\$1.1M	Increased Contractor costs required to maintain the flow of work levels reduced by \$700k from 2007.
	\$2.1M	Additional resources to drive system and process improvements that will reduce back office costs decreased by \$600k resource transfer to IT Costs (Capital).

The Envision project is in place and performing according to plan. Total costs associated with EnVision have been declining on an annual basis and the project NPV is projected at a robust \$46.2M. EGD has demonstrated that EnVision has been, and continues to be, a prudent investment in business transformation.

Witnesses: D. Broude
A. Welburn

VECC INTERROGATORY #17

INTERROGATORY

References: Exhibit C Tab1 Schedule 6 para 7 and 8 and Attachment 1

- a) Provide the status of the CIS replacement and new go live date
- b) If the CIS "go live date" is changed how does this affect the forecast of IVA transactions for 2009? Provide the impact delay of a month up to a July 1, 2009 go live date in terms of # transactions and costs recovered.
- c) Recalculate the 30c fee for 2009 based on July 1, 2009 CIS go live date and revise Attachment 1 to show costs recovered with the revised fee.

RESPONSE

- a) The CIS replacement project is scheduled to go into service in June 1, 2009.
- b) The IVA fee is not tied to the start date of the CIS replacement. The fee will go into place upon approval by the Board of this proposal and not upon the CIS replacement launch date.
- c) The fee would remain at 30 cents per transaction as it is based on an annual estimate.

Witnesses: I. Macpherson
B. Vari

VECC INTERROGATORY #18

INTERROGATORY

Reference: Exhibit C, Tab 1, Schedule 11

- a) Discuss the advantages/disadvantages of a the procedure for the 2010 rates case that separates the filings for the IRM rate adjustment formula evidence and for non-rate related changes, similar to the Phase 1 and 2 issues in this proceeding? In particular discuss how to address the changes to other revenue resulting from various service and transaction fees.
- b) What is the earliest date at which Deferral and Variance accounts can be cleared based on actual year end balances

RESPONSE

- a) Enbridge supports separate processes for the application of the annual rate adjustment pursuant to the IR Adjustment Formula and applications for other changes. Having separate processes would assist in having the rate adjustment application processed in time for new rates to be implemented on January 1st of the following year.

With respect to obtaining Board approvals for other changes, Enbridge supports applying for such changes either under Phase II of the annual rate adjustment application or, if needed, under a separate application/docket. This approach would allow for an appropriate process and timeline specific to the scope and nature of the requested changes.

Also, note that Enbridge's Incentive Regulation ("IR") plan Settlement Agreement provides for the process related to new energy services and changes to non-energy services. Any changes need to be approved by the Board and the Company must file an application (on notice) with supporting materials.

- b) Enbridge's IR plan Settlement Agreement provides that the clearance of Board-approved deferral and variance account balances within the IR plan term will occur in conjunction with July 1st QRAM applications.

Witnesses: R. Bourke
K. Culbert
A. Kacicnik

The actual year end balances become available, at the earliest, at the end of February. Given the timeline, the clearance cannot be accomplished in conjunction with the April 1st QRAM application (which is filed either on the last day of February or first day of March).

While the clearance of deferral and variance account balances could theoretically take place earlier than the July 1st QRAM application (although the timing of such a clearance would no longer be aligned with Enbridge's IR Settlement Agreement), this would not be practicable or efficient from billing and customer communication perspectives. In other words, if the clearance occurred outside of the QRAM application, it would necessitate additional customer communication (with associated costs), through bill inserts describing the one-time adjustment the customers would see on their bills.

Witnesses: R. Bourke
K. Culbert
A. Kacicnik