ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
CONSUMERS COUNCIL OF CANADA INTERROGATORY #30

INTERROGATORY

A3. Are the costs of the facilities and rate impacts to customers appropriate?

Reference: Ex. A/T2/S1/p. 8

a) The evidence indicates that the updated estimated cost of the GTA project is $686.5 million. How does this compare to the costs set out in the original Application of December 21, 2012 and the updated application of 2013-04-15? Please describe how the new proposals compare to the proposals set out in the original Application. Please explain the reason for the differences in cost between the three different proposals.

b) Specifically please show how the current updated proposal differs from that originally filed on December 21, 2012 (Parkway to Albion). Please compare and contrast the DCF analysis of that filing with the current update.

c) Please specifically address the following changes from the 2013-04-15 filing (BramWest to Albion 42 inch pipeline) to the current proposal:
   i) The average O&M costs have been reduced from $14.0 million (May 15 filing) to $13.3 million (July 22 filing) and notwithstanding the longer and larger pipeline. Please explain the reasons for this.
   ii) The total transportation savings have increased from $392,136,859 to $1,732,650,739. Please specify the basis for these savings including the assumptions in respect to Direct Purchase change in current contracting practice once the project is completed.
   iii) Transportation service charges have increased from $382,373,164 to $471,256,624.
   iv) Annual Volumes have changed from 751,758,344 to 706,621,245

Witnesses: J. Denomy
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RESPONSE

For all responses, please also review Exhibit A, Tab 2, Schedule 4 that summarizes the changes for each update.

a) Please see attachment for a comparison and variance analysis of each of the four cost scenarios filed as part of this Application.

b) The Table below shows the major catgeories contained within the economic feasibility DCF from the original filing to the Current Base Case. The description of difference field describes the major reasons for change in each category. In addition to the changes below, the filing from 12/21/2012 used 2012 feasibility parameters while 2013 parameters were used in the current base case.

Column #	1	2	
Document Type:	**Evidence**	**Evidence**	
Scenario Description:	Originally filed **36''**	Current Base Case **42''**	
Filed Date:	12/21/2012	7/22/2013	
Reference:	Exh E/T1/S1, pg 6 & Attachment	Ex. E, Tab 1, Sch. 1	
Capital Investment			
			Description of difference
Total Proposed Capital	$575,309,331	$652,144,124	Segment A is ~1.5 km longer and NPS 42 in current base case, versus NPS 36 original. Different construction schedules and in service dates between the two submissions drive differences in construction labour and project execution costs as well as IDC.
Total Transportation Savings	$511,151,468	$1,732,650,739	Savings baseline has changed from discretionary services previously in use, to a future base case of long haul FT at new mainline tolls
Total Transportation Services Charge	$0	$471,256,624	Shared usage of Segment A pipeline adds revenue for the transportation services from Parkway West to Albion
Total Distribution Revenues	$4,843,361,699	$4,546,724,222	As per Update #4 customer original customer additions were in error and included additions from Markham gate influence area
Total Customer Additions (2015 - 2024)	156,181	146,337	As per Update #4 customer original customer additions were in error and included additions from Markham gate influence area
SUMMARY OF RESULTS			
Net Present Value (40 years)	$20,290,078	$667,432,377	
Profitability Index (40 years)	1.02	1.73	

c)

i) The reduction in average O&M costs between the requested periods is the result of the reduction in forecasted customer additions, as updated on June 3, 2013 (Update #4). In total, customer additions were adjusted down from 156,181 to 146,337.

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ii) The expected gas supply benefits increased due primarily to the assumption that Enbridge would firm up its gas supply portfolio. In other words, Enbridge would increase the amount of long haul firm transportion in its supply portfolio rather than utilize discretionary STFT. This long haul firm transportation would then be displaced with short haul transportation service once the GTA Project Facilities are in service. In terms of Direct Purchase customers Enbridge had assumed that Direct Purchase supplies were entirely sourced at Dawn. The update assumes that a portion of Direct Purchase supplies flow from Empress and that these supplies have been firmed up as well. These Direct Purchase supplies are then assumed to be displaced with short haul firm transportation service once the GTA Project Facilities are in service.

    Please see the response to TCPL Interrogatory #3 at Exhibit I.A1.EGD (Update).TCPL.3 for a discussion of why Enbridge has assumed that transportation contracts on the TransCanada system will be firmed up.

iii) The increase in transportation services charge between the 2013-04-15 filing and the current proposal is due to the increase in capital cost and O&M associated with the longer pipeline

iv) Please refer to item (c) i) above.

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