

ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
CONSUMERS COUNCIL OF CANADA INTERROGATORY #33

INTERROGATORY

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

Reference: Undertaking JT1.3; A/T3/S9/Attachment 3

Pre-ambule – Please refer to Technical Conference Undertaking JT2.13. This interrogatory is seeking to update that response, in the same summary format as at page 2 of 2 of that response, and under two different scenarios (1) EGD's toll revenue assumptions (2) 50% of the expected toll revenues.

- a) Please provide the following sensitivity analysis in the form of the DCF result summary the following individual and combined assumptions and under two scenarios (1) expected shipper contract toll revenue – i.e. current case; and (2) 50% of expected toll revenues.
 - i) 10% increase capital and maintenance costs (E/T1/S1/pg.9);
 - ii) 10% reduction in Commodity Prices Assumptions (Table A3);
 - iii) 10% reduction in forecast Transportation Savings;
 - iv) A reduction of 0.5% in average annual customer (all classes) consumption in each year for the first 25 years of the project;

RESPONSE

Please find below the requested sensitivities.

Please note, item (iv) has been included as requested. However, the economic feasibility assumes costs, average use and distribution revenue rates are held constant in current year terms over the 40 year horizon.

Witnesses: J. Denomy
S. Murray

I.A3.EGD (Update).CCC.33a(1)

Column #	1	2	3	4	5	6
Document Type:	Evidence	IR	IR	IR	IR	IR
Scenario Description:	Current Base Case 42"	(i) 10% increase in Capex 42"	(ii) 10% reduction in Commodity Prices Assumptions 42"	(iii) 10% reduction in Transportation Savings 42"	(iv) 0.5% reduction in average annual customer consumption 42"	(i) to (iv) combined 42"
Filed Date:	7/22/2013	8/12/2013	8/12/2013	8/12/2013	8/12/2013	8/12/2013
Reference:	Ex. E, Tab 1, Sch. 1	CCC-33.a.1.i	CCC-33.a.1.ii	CCC-33.a.1.iii	CCC-33.a.1.iv	CCC-33.a.1.i to iv

Capital Investment

Total Upfront Capital	\$652,144,124	\$717,358,537	\$652,144,124	\$652,144,124	\$652,144,124	\$717,358,537
Future Reinforcement Projects						
2017	\$21,000,000	\$23,100,000	\$21,000,000	\$21,000,000	\$21,000,000	\$23,100,000
2018	\$16,400,000	\$18,040,000	\$16,400,000	\$16,400,000	\$16,400,000	\$18,040,000
2019	\$13,000,000	\$14,300,000	\$13,000,000	\$13,000,000	\$13,000,000	\$14,300,000
2020	\$250,000	\$275,000	\$250,000	\$250,000	\$250,000	\$275,000
Capital Maintenance Costs¹	\$5,230,240	\$5,753,264	\$5,230,240	\$5,230,240	\$5,230,240	\$5,753,264
Services²	\$379,533,696	\$417,487,066	\$379,533,696	\$379,533,696	\$379,533,696	\$417,487,066
Total Capital	\$1,087,558,060	\$1,196,313,866	\$1,087,558,060	\$1,087,558,060	\$1,087,558,060	\$1,196,313,866
Total Transportation Savings^{1,3}	\$1,732,650,739	\$1,732,650,739	\$1,802,550,575 ⁵	\$1,559,385,665	\$1,732,650,739	\$1,622,295,517 ⁶
Total Transportation Services Charge^{1,4}	\$471,256,624	\$517,377,889	\$471,256,624	\$471,256,624	\$471,256,624	\$517,377,889
Total Distribution Revenues¹	\$4,546,724,222	\$4,546,724,222	\$4,546,724,222	\$4,546,724,222	\$4,147,019,522	\$4,147,019,522
Total Customer Additions (2015 - 2024)	146,337	146,337	146,337	146,337	146,337	146,337
Total Volumes (10³m³)	24,709,032	24,709,032	24,709,032	24,709,032	22,537,605	22,537,605
SUMMARY OF RESULTS						
Net Present Value (40 years)	\$667,432,377	\$600,770,866	\$701,942,955	\$581,934,923	\$626,470,825	\$505,371,381
Variance to Current Base Case NPV (40 years)		(\$66,661,511)	\$34,510,579	(\$85,497,454)	(\$40,961,552)	(\$162,060,995)
Profitability Index (40 years)	1.73	1.60	1.77	1.64	1.69	1.50

NOTES:

¹Total for the 40 year horizon of analysis.

²Services include the costs for distribution mains, services and meters based on the 2013 capital budget.

³Total transportation savings are equal to expected gas supply benefits and incorporate the total cost of landing gas in the Enbridge franchise area including costs associated with tolls, fuel and commodity procurement (i.e. basis differentials). Prepared with TransCanada tolls based on the NEB's Toll Order TG-006-2013 (issued June 11, 2013) which made TransCanada's Compliance Filing tolls final and effective July 1, 2013

⁴Transportation Services Charges to be received from contracted shippers for transportation from Parkway West to Albion. (Current Base Case)

⁵The 10% reduction in commodity prices effectively reduces basis which increases the expected gas supply benefits relative to the base case

⁶Result of combination of (ii) and (iii) - 10% reduction of transportation savings based on \$1,802.6MM

Witnesses: J. Denomy
 S. Murray

I.A3.EGD (Update).CCC.33a(2)

Column #	1	2	3	4	5	6	7
Document Type:	Evidence	IR	IR	IR	IR	IR	IR
Scenario Description:	Current Base Case	Current Base Case with 50% Transportation Services Charge	(i) 10% increase in Capex	(ii) 10% reduction in Commodity Prices Assumptions	(iii) 10% reduction in Transportation Savings	(iv) 0.5% reduction in average annual customer consumption	(i) to (iv) combined
	42"	42"	42"	42"	42"	42"	42"
Filed Date:	7/22/2013	8/12/2013	8/12/2013	8/12/2013	8/12/2013	8/12/2013	8/12/2013
Reference:	Ex. E, Tab 1, Sch. 1	CCC-33.a.2	CCC-33.a.2.i	CCC-33.a.2.ii	CCC-33.a.2.iii	CCC-33.a.2.iv	CCC-33.a.2.i to iv

Capital Investment

Total Upfront Capital	\$652,144,124	\$652,144,124	\$717,358,537	\$652,144,124	\$652,144,124	\$652,144,124	\$717,358,537
Future Reinforcement Projects							
2017	\$21,000,000	\$21,000,000	\$23,100,000	\$21,000,000	\$21,000,000	\$21,000,000	\$23,100,000
2018	\$16,400,000	\$16,400,000	\$18,040,000	\$16,400,000	\$16,400,000	\$16,400,000	\$18,040,000
2019	\$13,000,000	\$13,000,000	\$14,300,000	\$13,000,000	\$13,000,000	\$13,000,000	\$14,300,000
2020	\$250,000	\$250,000	\$275,000	\$250,000	\$250,000	\$250,000	\$275,000
Capital Maintenance Costs¹	\$5,230,240	\$5,230,240	\$5,753,264	\$5,230,240	\$5,230,240	\$5,230,240	\$5,753,264
Services²	\$379,533,696	\$379,533,696	\$417,487,066	\$379,533,696	\$379,533,696	\$379,533,696	\$417,487,066
Total Capital	\$1,087,558,060	\$1,087,558,060	\$1,196,313,866	\$1,087,558,060	\$1,087,558,060	\$1,087,558,060	\$1,196,313,866
Total Transportation Savings^{1,3}	\$1,732,650,739	\$1,732,650,739	\$1,732,650,739	\$1,802,550,575 ⁵	\$1,559,385,665	\$1,732,650,739	\$1,622,295,517 ⁶
Total Transportation Services Charge^{1,4}	\$471,256,624	\$235,628,312	\$258,688,944	\$235,628,312	\$235,628,312	\$235,628,312	\$258,688,944
Total Distribution Revenues¹	\$4,546,724,222	\$4,546,724,222	\$4,546,724,222	\$4,546,724,222	\$4,546,724,222	\$4,147,019,522	\$4,147,019,522
Total Customer Additions (2015 - 2024)	\$146,337	146,337	146,337	146,337	146,337	146,337	146,337
Total Volumes (10³ m³)	\$24,709,032	24,709,032	24,709,032	24,709,032	24,709,032	22,537,605	22,537,605
SUMMARY OF RESULTS							
Net Present Value (40 years)	\$667,432,377	\$588,387,488	\$513,949,658	\$622,898,067	\$502,890,034	\$547,425,936	\$418,550,173
Variance to Current Base Case NPV (40 years)		(\$79,044,889)	(\$153,482,719)	(\$44,534,310)	(\$164,542,342)	(\$120,006,441)	(\$248,882,203)
Profitability Index (40 years)	1.73	1.65	1.51	1.68	1.55	1.60	1.42

NOTES:

¹Total for the 40 year horizon of analysis.

²Services include the costs for distribution mains, services and meters based on the 2013 capital budget.

³Total transportation savings are equal to expected gas supply benefits and incorporate the total cost of landing gas in the Enbridge franchise area including costs associated with tolls, fuel and commodity procurement (i.e. basis differentials).

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