CCC INTERROGATORY #4

INTERROGATORY

Reference: Ex. B/T2/S4/p. 4

Please provide a detailed calculation setting out how the $8.9 million in IT underspending was derived. Please explain the nature of the IT Infrastructure Consolidation project with Enbridge Inc.

RESPONSE

The major drivers for the IT capital underspending (as compared to the budgets presented in the Custom IR proceeding) are:

- IT Infrastructure: $3.4M
  - Consolidation of IT Infrastructure within Enbridge Inc. (IT Shared Services):
    - The capital spend for IT Infrastructure, which includes Network Services, Data Centre Operations and IT Risk Management, is now contained within IT Shared Services (as per ARC exemption filing for IT Shared Services with OEB) and services are provided to EGD and other business units on a standard, consistent and cost effective basis. This has resulted in a spend reduction of $3.4 million.
- Enhancement/Upgrade Projects: $5.0M
  - Delayed EnTRAC Enhancement:
    - Reductions in capital spend of $2M. WAMS impacted systems such as the Customer Information Systems ("CIS") application were under freeze conditions to complete WAMS. EnTRAC integrates to the CIS application, therefore EnTRAC was delayed and the new timing of this spend is 2018.
  - CIS Software Upgrade:
    - A major upgrade is performed every 3 to 4 years. The last major upgrade performed was in 2015, and the timing for the next upgrade (with a forcast spend of $3M) has been changed from 2016 to2018 / 2019.

The Infrastructure consolidation with Enbridge Inc. involves all infrastructure services such as Core Infrastructure Services, Network Services, Security Operations, Service Management, Productivity Services being provided by Enbridge Inc. for EGD and other business units. Costs are determined for the entire operation and then reallocated to the various business units based on capital employed, blended rates, FTEs and time estimations through the corporate Cost Allocation Methodology ("CAM"). With this model

Witnesses: S. Fallis
B. Misra

the synergies and savings associated with consolidating and integrating within the broader enterprise are distributed back to the business units. In addition, new and enhanced services requires less capital investment and ongoing costs by EGD due to the fact that the services benefit from economies of scale for the initial investment (e.g., lower licensing and hardware costs) and the sharing of ongoing operating costs across a larger user base.

Witnesses: S. Fallis
B. Misra