

FRPO INTERROGATORY #9

INTERROGATORY

REF: Exhibit B, Tab 5, Schedule 2, Page 1

Preamble: We would like to understand better the revenues, costs and benefits associated with EGD's storage.

Please provide the cost associated with storage in line 9.

- a) Please provide the breakdown between the storage cost between company-owned and market-priced storage for:
 - i) Space
 - ii) Unit cost of space
- b) Please provide how Enbridge ensures that the Affiliate Relationships Code is respected in the acquisition of market-based storage from Enbridge Inc.
- c) Is the same approach used with market-based storage purchased from Union Gas?
 - i) If not, why not?

RESPONSE

- a) The cost of Company-owned storage provided to the regulated utility is captured as part of the utility's revenue requirement, whereas market-based storage is included within gas costs. As such, it is not possible to directly compare the costs. In 2016, amounts paid by ratepayers for regulated storage comprised \$8.6M of direct O&M as well as the costs of debt and return on equity associated with the storage assets. Regulated storage represents 91.3 Bcf or approximately 97.5 PJ. In 2016, the Company incurred \$16.3M in costs attributable to storage purchased from third parties, representing 24.5 PJ or approximately 22.9 Bcf of third party storage.
- b) & c)

In 2016, Enbridge Gas Distribution did not acquire any market-based storage from Enbridge Inc. Furthermore, Union Gas was not an affiliate of Enbridge Gas Distribution during 2016.

Witnesses: K. Lakatos-Hayward
D. Small
A. Welburn

In any event, procurement of all market-based storage, as well as gas supply is governed by the Company's Gas Supply Risk Management Policy. The following excerpt of the document outlines the Policy Objectives.

OBJECTIVES

Enbridge Gas Distribution has the following objectives for procuring gas supply for sale or delivery (i.e., load balancing) to its customers:

- a) to purchase gas supply at the lowest reasonable price while minimizing risks to security of supply, reliability of supply, diversity of supply, deadline for supply, and contractual terms and conditions; and,***
- b) to encourage fair and equitable business practices and to treat all of the Company's gas suppliers on a fair and equitable basis, relative to each other, to Enbridge Gas Distribution's customers, and to Enbridge Gas Distribution itself.***

The Policy also references the requirement to comply with the Affiliate Relationships Code.

Witnesses: K. Lakatos-Hayward
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A. Welburn