

ENERGY PROBE INTERROGATORY #7

INTERROGATORY

Issue 2 – Cost Consequences

Ref: Exhibit B / Tab 1 / Schedule 1 / Appendix 7

Preamble: Enbridge asserts that the DCF analysis approved by the Board for Natural Gas Distribution System Expansion Projects under the E.B.O. 188 Guidelines should be applied to the RNG BMS, Injection and GESP Projects. Energy Probe wishes to compare and understand this analogy in more detail.

- a) Specifically tabulate and compare the input assumptions for each of the RNG Injection and CE Projects.
- b) Please provide a revised analysis for the RNG Injection Project in Appendix 7, using the same assumptions as the hypothetical E.B.O. 188 CE project. Please provide a revised revenue requirement schedule.

RESPONSE

- a) The table below shows a comparison between the RNG injection service input assumptions and a CE project input assumptions. The table shows that the resulting PI from using the CE inputs is 1.18 versus 1.10. There are 2 key drivers of the difference: 1) the use of fully allocated costs in the original example versus incremental costs in the CE example; and 2) RNG injection example includes an inflation factor for O&M whereas the CE example does not.

Input Assumptions	Community Expansion Project	RNG Injection	RNG Injection (Using CE inputs)
Economic Feasibility Horizon	Residential - 40 Years Large Volume - 20 Years	20 Years	20 Years
Customer Addition Forecast	10 Years	N/A - one customer only	N/A - one customer only
Customer Revenue Horizon	Various - ends at 40 years for residential and 20 for large volume customers	20 Years	20 Years
Cost Basis	Incremental	Fully Allocated	Incremental
<u>Feasibility Parameters:</u>			
Revenue Rate	QRAM	Fixed Monthly Rate	Fixed Monthly rate
Discount Rate (after-tax weighted average cost of capital)	5.41% (2017 OEB approved capital parameters)	5.43% (current OEB approved capital parameters)	5.43% (current OEB approved capital parameters)
CCA Rate	6%	6%	6%
Income Tax Rate	26.50%	26.50%	26.50%
Municipal Tax Rate	10 Yr. municipal exemption (field estimate thereafter)	0.59%	0.59%
<u>Inflation assumption:</u>			
Revenue	0%	0%	0%
O&M	0%	2%	0%
PI	1.00	1.10	1.18

b) Please see Attachments 1 and 2 to this response.