

ENERGY PROBE INTERROGATORY #8

INTERROGATORY

Issue 2 – Cost Consequences

Ref: Exhibit B / Tab 1 / Schedule 1 / Appendix 11 Pages 2-6

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 GESP and CE Projects
- b) Please provide a revised analysis for the GESP Loop Project in Appendix 11, using the same assumptions as the hypothetical CE Project. Please provide a revised revenue requirement schedule similar to Appendix 12.

RESPONSE

- a) Please see the table below. The table shows a comparison between the GES input assumptions and a CE project input assumptions. 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 2) No municipal taxes are assumed as most of the GES installations are expected to be on private property

The table shows that the resulting PI of using the CE inputs is 1.13 versus 1.10. The calculation used marginal costs as opposed to fully allocated costs. Municipal taxes were however not considered for the reasons stated above.

Input Assumptions	Community Expansion Project	Geothermal Energy Service Program	Geothermal Energy Service Program (using CE inputs)
Economic Feasibility Horizon	Residential - 40 Years Large Volume - 20 Years	40 Years	40 Years
Customer Addition Forecast	10 Years	10 Years	10 Years
Customer Revenue Horizon	Various - ends at 40 years for residential and 20 for large volume customers	30 Years	30 Years
Cost Basis	Incremental	Fully Allocated	Incremental
<u>Feasibility Parameters:</u>			
Revenue Rate	GRAM	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%	50%	50%
Income Tax Rate	26.50%	26.50%	26.50%
Municipal Tax Rate	10 Yr. municipal exemption (field estimate thereafter)	0.00%	0.00%
<u>Inflation assumption:</u>			
Revenue	0%	0%	0%
O&M	0%	0%	0%
PI	1.00	1.10	1.13

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