

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit B1/Tab 2/Schedule 1/pgs.18-19

Question:

Enbridge Gas has requested incremental capital funding during the current deferred rebasing period for the Sudbury Replacement project as part of this proceeding. Due to the October 2018 in-service date, the project falls between qualifying for incremental rate treatment under Union Gas' 2014-2018 capital pass-through mechanism and qualifying for incremental rate treatment under the ICM. Given the magnitude of the \$95.3 million investment in the Sudbury Replacement project, Enbridge Gas has indicated that incremental funding of the project is required. Union Gas was not able to reprioritize 2018 capital investment in order to fund this investment through existing rates.

- a) Does the Sudbury Replacement project qualify for ICM funding under the OEB's ICM/ACM capital funding policy? If yes, please explain.
- b) What was the total capital investment of Union Gas in 2018 excluding the Sudbury Replacement project?
- c) If the OEB finds that the Sudbury Replacement project does not qualify for ICM funding, how would the decision impact the future capital investment plans of Enbridge Gas?
- d) In Exhibit B1/Tab 2/Schedule 1/Pg. 25, Enbridge Gas has indicated that the budget has been updated from the approved filing budget of \$74.1 million in EB-2017-0180. Please explain the reasons for the increase in the actual spend and outline the steps that Union Gas undertook to reduce the spending.
- e) Please provide the cost components of the Sudbury project that exceeded the initial estimates and corresponding notes explaining the variance.

Response

- a) Yes, it is Enbridge Gas's position that the Sudbury Replacement project qualifies for ICM funding under the OEB's ICM/ACM capital funding policy. Enbridge believes the intention of the OEB's policy is to ensure regulated entities make prudent capital decisions while under a Price Cap incentive rate-setting mechanism.

The Sudbury Replacement Project was required to ensure safe and reliable service to customers in the Union North rate zone. As per the Board's Decision and Order in the Sudbury Replacement Project proceeding:

The OEB finds that the necessity for an expedited completion of the Sudbury Replacement Project to address the safety and reliability risks identified by Union is a "special circumstance" that justifies granting the requested exemption.¹

Please refer to Exhibit B1, Tab 2, Schedule 1, pages 18 to 20 for further background on the ICM funding request for the Sudbury Replacement Project.

- b) Total capital spend for legacy Union in 2018 was \$519.2 million. Excluding capital pass-through of \$80 million and Sudbury spend of \$86.3 million, the remaining spend is \$352.9 million.
- c) Enbridge Gas does not select projects based on their funding mechanisms. Projects are evaluated and prioritized using a methodology designed to ensure maintenance capital resources are employed to address the highest priority items across all asset categories.
- d) Please see Exhibit I.EP.16.
- e) Please see Exhibit I.EP.16.

¹ EB-2015-0042 Decision and Order, April 23, 2015, page 2.