

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

Reference: USP - Exhibit C1/Tab 1/ Schedule 1/ pgs. 37-41

Question:

Enbridge Gas' total historical and overall forecasted 10-year spend profile by investment category is provided in Figure 6 of the USP. Similarly, the 10-year spend profile of Enbridge Gas Distribution and Union Gas is provided in figures 7 and 8 respectively. The spending profile of Enbridge Gas Distribution and Union Gas is developed using the current AMP methodologies of the respective companies.

- a) How will Enbridge Gas and its customers benefit in terms of costs and rates as a result of the integration of the two AMP methodologies?
- b) Would it be reasonable to limit the major capital expenditures for Enbridge Gas Distribution and Union Gas to all but the essential expenditures until the fully integrated USP and AMP programs are filed in 2021?
- c) In each of Figures 6, 7 and 8, the Overhead line item comprises nominally 20% of each year's expenditures. Please provide the major cost components of this line item.
- d) Please confirm if the Overhead line item includes any OM&A costs. If not, please provide a reference where the associated OM&A costs can be found.

Response

- a) Enbridge Gas customers will benefit as a combined asset management process and asset management plan will describe:
 - Policy and strategies for achieving effective asset management for all assets within Enbridge Gas's regulated operations;
 - Process and governance for asset management;
 - Asset class objectives and life cycle management policies;
 - Asset inventory, condition methodology, condition findings, risks, opportunities, and strategies; and,
 - Optimized 10-year capital expenditures required to manage assets from 2019-2028.

This is a ratepayer benefit as it provides transparency into how and why costs will be incurred. It demonstrates Enbridge Gas's commitment to safety and reliability while managing costs effectively and provides a long-term view and rationale for expenditures.

- b) No, both legacy Asset Management System of Union Gas and Enbridge Gas Distribution are founded on asset management principles of ISO 5500x. Enbridge Gas has identified projects to address asset condition and risk mitigation based on the respective asset management frameworks to date. In cases where the integrated assets may impact the solution identified, projects are planned in the future to allow the integration work to further inform the solution. As a result, the major capital expenditures identified in the respective AMPs are considered to be essential expenditures.
- c) Figure 6 for Enbridge Gas is the sum of the overheads presented in Figure 7 and Table 8 for EGD and Union respectively.

Figure 7 - EGD overheads are comprised of four cost components:

- Administrative & General overheads ("A&G"). A&G are costs that support the delivery of capital projects but cannot be tied directly to a particular project. It is the capitalization of support services based on an approved OEB rate of capitalization for departments such as HR, Finance, and IT, Legal, Executive, Supply Chain, Regulatory, etc.
- Departmental Labour Costs ("DLC"). DLC are determined by the degree of support each functional group provides directly to capital projects. DLC is generally allocated from Operations and Engineering departments.
- Interest during construction
- Alliance partner overheads

Table 8 – Union overheads are comprised of three cost components:

- Indirect overhead allocations ("OH"). OH are costs that support the delivery of capital projects but cannot be tied directly to a particular project. It is the capitalization of support services such as HR, IT, Finance, Legal, etc. and direct capital support (Engineering, Operations)
- Alliance partner overheads
- District contractor pre-work costs

- d) The overhead categories of A&G, DLC and OH listed in part c) above are all allocations of OM&A costs that have direct causal linkage to support capital projects.