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

Reference: AMP – Exhibit C1/Tab 2/Schedule 1/Pg.99 and Asset Management Plan (EB-2012-0459, Exhibit B2/Tab 10/Schedule 1/Pg.35)

Question:

In 2013, Enbridge Gas Distribution filed an Asset Management Plan (AMP) with the OEB for the first time as part of its Customer IR filing (EB-2012-0459). In that AMP average customer growth for the period 2018 to 2022 was forecasted at an average rate of 40,000 per year. In the current AMP the average customer growth between 2018 and 2028 has been forecasted at approximately 30,000 per year. The table below compares the Customer Growth Capital Costs for the period 2019 to 2022 based on the two Asset Management Plan

Customer Growth Capital Costs ($000)	2019	2020	2021	2022
AMP – EB-2012-0459	105,956	108,137	110,324	112,966
AMP – EB-2018-0305	98,835	102,530	104,681	103,585

a) Please explain how the 25% reduction in customer growth has impacted the customer growth related capital expenditure forecast for the period 2019 to 2028.
b) Based on the table above, there is a minimal reduction in customer growth related capital costs between the two AMPs. Considering the significant reduction in customer growth forecast between the two AMPs, why is there no corresponding reduction in capital costs?

How has the change in the Customer Connection Policy of Enbridge Gas that requires every new customer to meet a PI of 1.0 and pay a capital contribution if required, impacted the capital expenditure forecast for the period 2019 to 2023.

Response

The customer growth related capital expenditure for the period 2019-2028 was determined using the most up to date customer growth forecasts and the most recent historical costs. This is further explained in section 5.5, under the methodology heading:

> One of the key drivers of Customer Growth capital requirements is the historical spend profile in each area. **Capital spend is not uniform across all areas, as some areas have inherently higher costs (e.g., hard rock, type of joint trench agreements, densely populated areas, and type of customers predominantly being attached). Based on the historical spend in each area containing unique characteristics, combined with forecast customer additions and inflation, the 10-year capital expenditure forecast was determined**. The capital requirement includes an allowance for some localized main extensions and operational considerations.[1]

Other capital considerations that impact the capital costs for customer additions are included in section 5 of the Asset Plan.[2] Some of the key cost impacts discussed in this reference are:

- Increased need for hydrovac in working around live gas facilities
- Increased winter construction resulting in higher construction costs (winter premium)
- Increased municipal and conservation authority requirements (increased trenchless technologies)
- Increased apartment apartments/condominiums due to urban density have been accounting for a larger share of total housing starts, and one building counts as a single customer addition.

As discussed above, the customer growth related capital expenditure was determined using the most up to date forecasts. Any impacts accruing to Enbridge Gas Distribution's refinement in 2015 of its cost estimation approach for residential infill customers is reflected in the net historical costs. Therefore, the change in the Customer Connection Policy has been included in the estimate.

[1] Exhibit C1, Tab 2, Schedule 1, pages 102-103.
[2] Ibid.