ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

Reference: i) Exhibit B Tab 2 Schedule 1

Preamble: Enbridge is seeking approval for revenue requirement associated with the replacement of the Sudbury lateral that was constructed in 2018. APPRO would like to better understand this investment. The Sudbury lateral LTC application was filed on May 5, 2017 and was approved by the Board on September 28, 2017 and was planned to be in service in 2018.

Question:

a) Please confirm that the project is operational and went into service in 2018. If it failed to go into service in 2018, please explain why Enbridge failed to meet its planned in service date.
b) Enbridge notes that $3.4 million is to go into service in 2019. Please explain what this amount is in relation to (i.e. is it related to remediation work or is a portion of the pipeline that will not go into service until 2019 or some other reason).
c) Given that this project was approved for construction in 2017, did Enbridge seek approval for a capital pass through in its 2018 rate case? If no, why not? If yes, what was the determination?
d) Please confirm that the 2014-2018 IRM expired on December 31, 2018.
e) If the project went into service in 2018, please outline the income tax effects, if any, that were captured in 2018.
f) If the Board does not approve the request to provide the full year revenue requirement of approximately $9 million in 2019, how many basis points would this reduce Enbridge's ROE in 2019?

Response

a) The Sudbury Replacement Project went into service in October of 2018.

b) The $3.4 million in spend includes construction clean up, baseline integrity inspection, painting of impacted pipeline stations and anode installation on some services lines off the replaced pipeline.

c) The Sudbury Replacement Project did not qualify for capital pass through treatment in 2018 because there were only two months of revenue requirement, but within 2019 there is a full year's revenue requirement that would make it eligible.

d) Confirmed.

e) The income tax captured in 2018 provided a benefit to the project nearly offsetting the operating cost and return components of the 2018 revenue requirement. The 2018 income tax effect can be found in the ICM revenue requirement calculation which is filed as Exhibit B1, Tab 2, Schedule 1, Appendix E.

f) At present, without knowing what Enbridge Gas's 2019 actual utility rate base will be, Enbridge Gas is only able to provide an approximate ROE impact. Assuming Enbridge Gas's revenue stream was $9.8 million lower than it otherwise would have been due to the Sudbury ICM amount not being approved it would result in an after tax reduction in utility earnings of approximately $7.2 million (assumed tax rate of 26.5%). Further, assuming that Enbridge Gas's 2019 utility rate base will be in the range of $13 billion to $14 billion, which would result in a 36% deemed equity level of $4.68 billion to $5.04 billion, a $7.2 million reduction in utility income would translate into a utility ROE reduction in the range of 14 to 15 basis points.