

ENBRIDGE GAS INC.  
Answer to Interrogatory from  
Building Owners and Managers Association of Greater Toronto (BOMA)

Reference: Exhibit C1, Tab 2, Schedule 1, p45

Question:

- (a) Please explain what Fig. 1.9-2 is intended to show.
- (b) Please confirm that for 2019, \$364M represents the base capital.
- (c) Please confirm that the only EGD ICM request for 2019 is the NPS Don River Replacement. What is the amount being requested for 2019 in-service capital? In what year did the remainder of the capital for Don River Replacement come into service, and in what amounts? Please provide the business case.
- (d) Please provide a priority listing, and a business case, if one is not already in evidence, for each of the other ICM eligible capital projects listed in Fig. 1.9-5.
- (e) Please describe the steps EGD takes to establish its proposed 2019 capex. Please show how each step leads to the prioritized project list requested above.

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**Response**

- a) Figure 1.9-2 is an illustration from the EGD rate zone's PowerPlan Asset Management Planning ("PP-AMP") levelling tool that shows the profile of capital spend from 2019 to 2028 (excluding total overheads) prior to the annual portfolio optimization process. *"The initial spend profile is the result of the previous optimization and approved portfolio, with the addition of new business cases and updates to existing ones".*<sup>1</sup>

The different colour blocks illustrate the various projects and programs, the hatched area illustrates those that are mandatory and fixed, and the red line from years 2019 to 2023 illustrates the optimization capital as derived from Table 1.9-3.<sup>2</sup>

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<sup>1</sup> Exhibit C1, Tab 2, Schedule 1, page 44.

<sup>2</sup> Ibid.

- b) \$364 million represents the total capital prior to the EGD rate zone’s optimization process (excluding overhead) for the year 2019; this includes base capital and ICM-eligible capital.
- c) Confirmed, the Don River Replacement project is the only project in the EGD rate zone for which ICM treatment is being requested. The 2019 in-service capital is \$34.2 million. The remaining capital comes into service in 2020 and amounts to \$1.1 million. Please refer to Table 9 in Exhibit B1, Tab 2, Schedule 1. As shown in Table 8 in Exhibit B1, Tab 2, Schedule 1, the Company is seeking for partial funding for the Don River Replacement project of \$13.1 million due to the amount of ICM capital exceeding the maximum eligible incremental capital amount. The business case for this project can be found in Exhibit C1, Tab 2, Schedule 1, page 699.
- d) The table below shows the 2019 ICM-eligible project and future potential ICM projects listed in Table 1.9-5 with reference to the respective business cases.

<b><u>Project Name</u></b>	<b><u>Business Case Reference</u></b>
NPS 30 Don River Replacement	Exhibit C1, Tab 2, Schedule 1, page 699
NPS 20 Don River Relocation	Exhibit C1, Tab 2, Schedule 1, page 694
SCOR: Meter Area Upgrade	Exhibit C1, Tab 2, Schedule 1, page 1176
NPS 12 St. Laurent Ottawa North Main Replacement	Exhibit C1, Tab 2, Schedule 1, page 708
Kennedy Road Expansion	Exhibit C1, Tab 2, Schedule 1, page 1292
NPS 12 Martin Grove Road Main Replacement Phase 2	Exhibit C1, Tab 2, Schedule 1, page 703
VPC Core and Shell Obsolescence	Exhibit C1, Tab 2, Schedule 1, page 1332
SMOC/Coventry Consolidated Facility	Exhibit C1, Tab 2, Schedule 1, page 1282

e) The EGD rate zone’s Asset Management process of establishing its proposed capital expenditure budget is illustrated at Figure 4.2-1.<sup>3</sup> The relevant steps described for this response include steps 1, 2, 3a, 3b, 6, 7, 8, 9, 10.

<b>Step in EGD’s Asset Management Core Process (from Figure 4.2-1):</b>	<b>Description of how this informs capital budget:</b>
1. Risk/Opportunity Identification  2. Business Case Initiation  3a. Quantitative Risk Assessment (Ro)	Risks and opportunities are identified by the business and preliminary risk is assessed. A business case is created in PP-AMP.  [Refer to Exhibit C1, Tab 2, Schedule 1, Page 79-82 for details.]
3b. Quantitative Risk Assessment (Ro, Rn)  6. Business Case Scope Development & Cost Estimation  7. Asset Manager Review & Approval of Business Case	Solution scope and cost estimation is developed by the business. Risk assessment is advanced with solution planning. Completed risk assessment and solution details are incorporated on the business case in PP-AMP. Asset Class Manager (ACM) reviews and approves the business case for consideration in portfolio optimization.  [Refer to Exhibit C1, Tab 2, Schedule 1, Page 83-84 for details.]
8. Portfolio Optimization  9. Review & Approval of Asset Class Optimized Portfolio  10. Approved Portfolio	In the process of portfolio optimization at EGD the “Annual Net Direct Capital is constrained, and the lifetime pre- and post-solution risks determined by QRAs are analyzed to minimize the total risk associated with the portfolio over a specific timeframe” [Exhibit C1, Tab 2, Schedule 1, Page 84].  All ACM endorsed project and program business cases are considered in portfolio optimization. An overview of the process is described in Exhibit C1, Tab 2, Schedule 1, Page 84-86.  <i>“Running the leveling tool (as outlined in Section 4.2.3) at the defined optimization capital (Table 6.1-1), an optimized solution could not be obtained. This was due to the level of fixed and mandatory projects. To resolve this, business cases that met the incremental capital criteria (Table 6.1-2) were removed from the leveling process and leveling was repeated until an optimized solution was obtained. Since ICM-eligible capital is different in kind from initiatives carried out through base capital, removing these initiatives from levelling provided EGD with the best understanding of an optimized typical base spend profile. ICM eligible business cases (presented in Table 6.1-3) were considered in addition to the optimized result. Where possible, through subsequent reviews of the results, ICM-eligible capital was proposed within the optimization capital and treated as base (Table 6.1-1). The optimized result is illustrated in Figure 6.1-2.” [Exhibit C1, Tab 2, Schedule 1, Page 377].</i>

<sup>3</sup> Exhibit C1, Tab 2, Schedule 1, page 78.