ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers &Exporters (CME)

Reference: Exhibit B1, Tab 2, Schedule 1, page 9 of 36

Question:

At Exhibit B1, Tab 2, Schedule 1, EGI states: "Enbridge Gas proposes to use a simple average of the actual annual PCI that has been used to increase rates during the price cap IR term since its last rebasing". According, to EGI, this is because "the average PCI more accurately reflects the impact PCI has had on rates and revenue since the bas year than the use of the current year PCI."

(a) What impact would using the current year PCI% of 1.07% have on the Union rate zone's materiality threshold? Please show all calculations to the degree that they are not already part of the evidence.

(b) Assuming the use of current year PCI% has impact an impact on the Union rate zone's materiality threshold, does that impact EGI's capital planning or specific projects? If so how?

Response

a) Please see Exhibit I.LPMA.11 for the impact of using a PCI% of 1.07% to calculate the Union rate zones' materiality threshold.

Using the 2019 PCI of 1.07% for Union instead of using the six year average PCI of 0.72% in the threshold formula would indicate that the rates have been adjusted at 1.07% in each individual year for the period of 2014-2019. The cumulated rate increase would have been 6.42% instead of an actual cumulated rate increase of 4.31% as seen in the table on the following page.

Year	2019 PCI	Actual PCI
2014	1.07%	0.51%
2015	1.07%	0.66%
2016	1.07%	0.71%
2017	1.07%	0.70%
2018	1.07%	0.66%
2019	1.07%	1.07%
Simple cumulative Total	6.42%	4.31%
Arithmetic Average	1.07%	0.72%

As a result, the threshold amount for Union would have been over-estimated by approximately $23.3 million by using the higher PCI rate of 1.07% instead of 0.72%.

b) Many factors were taken into consideration in the respective capital portfolios, such as asset condition, risk and opportunity, customer preferences, ratepayer impacts and the materiality threshold. Changes to these factors, including the materiality threshold, will have an impact on capital planning. All projects identified within the Asset Management Plans have been identified to fulfill a need and will be completed.

Investments in the EGD rate zone are optimized based on the Asset Management Principles outlined in Section 4.1.3.4 Optimize Portfolio Based on Asset Management Principles (p. 71-4). Please refer to the Asset Management Core Process steps Risk Management (Section 4.2.1 p. 79), Solution Planning (Section 4.2.2 p. 83) and Portfolio Optimization (Section 4.2.3 p. 84).[1]

Some projects have more flexibility than others in the timing of their execution and these are the projects that may either be brought forward or deferred if there was a change to the materiality threshold.

[1] Exhibit C1, Tab 2, Schedule 1; Exhibit C1, Tab 3, Schedule 1, pages 46 to 58.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers &Exporters (CME)

Reference: Exhibit B1, Tab 2, Schedule 1, page 13 of 36; Report of the OEB, EB-2014-0219 – New Policy Options for the Funding of Capital Investments: Supplemental Report

Question:

At Exhibit B1, Tab 2, Schedule 1, page 13, EGI states: "Enbridge Gas recognizes the Board considered and did not change the approach of comparing weather-normalized revenues to weather-actual revenues in the EB-2014-0219 Supplemental Report. The Board's explanation for not changing the approach was due to the high proportion of electric revenues from fixed charges that are non-weather sensitive."

In the Board's supplemental report regarding options for funding capital investments, the Board also stated that another reason for keeping the weather actual demand was that KPMG found no "quantitative evidence that the present calculation is resulting in a systematic bias in the materiality threshold formula, resulting in a misspecification of the amount of capital that is reflected in rates."

(a) Is EGI leading any evidence in this proceeding regarding a possible systematic bias in the materiality threshold formula? If so, please provide references to its location in EGI's application.

(b) If the answer to (a) above is no, why not?

Response

Enbridge Gas is not leading evidence on this topic.

Enbridge Gas recognizes the Board considered and did not change the approach of comparing weather-normalized revenues to weather-actual revenues in the EB-2014-0219 Supplemental Report.

In the Supplemental report, the Board also observes that any error introduced is reduced by the proportion of revenues that are from non-weather-sensitive charges such as the monthly fixed service charge among others (variable charges for non-weather sensitive customer classes, and due to the fact that there is base load consumption even for weather-sensitive customers).

As stated in Exhibit B1, Tab 2, Schedule 1, page 13 of the evidence, Enbridge Gas has a considerably higher proportion of volumetric charges that are weather sensitive for general service customers than electric LDCs. If the weather-actual results are used in the calculation, then the year over year weather fluctuations would cause more volatility in the year-over-year ICM threshold amount. Using a weather-normalized approach levels this volatility and provides a more predictable outcome.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers &Exporters (CME)

Reference: Exhibit B1, Tab 2, Schedule 1, pages 24-25 of 36

Question:

At Exhibit B1, Tab 2, Schedule 1, pages 25-26, EGI discusses the Sudbury Replacement Project.

(a) Please explain all variances between the approved EB-2017-0180 filing budget and the budget provided in EGI's present application.

Response

Please see Exhibit I.EP.16.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers &Exporters (CME)

Reference: Exhibit B1, Tab 2, Schedule 1, pages 25-26 of 36

Question:

At Exhibit B1, Tab 2, Schedule 1, pages 25-26, EGI discusses the Kingsville Reinforcement Project

(a) Please confirm whether the current cost projections are still $121.4 million for the Kingsville Reinforcement project?

(b) To the extent that the cost projections have changed, please provide the current cost projections, and explain all variances.

Response

a-b) Please see Exhibit I.EP.16.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers &Exporters (CME)

Reference: Exhibit D1, Tab 1, Schedule 1, page 2 of 86

Question:

At Exhibit D1, Tab 1, Schedule 1, page 2, EGI has provided a report by Ipsos Public Affairs.

(a) The report is labelled as a “Draft Report”. Was a final report produced by Ipsos? If so, please file it as part of this proceeding. If not, why not?

(b) When were the final reports by Ipsos and Innovative Research Group Inc. delivered to Enbridge and Union respectively?

(c) Please outline how the results of the reports were incorporated in the development of Enbridge and Union’s (or EGI’s) business planning. Are there any specific projects or investments which were scheduled or postponed as the result of the customer consultations, if so, which projects or investments were they?

Response

(a) EGD’s customer engagement study was conducted by Ipsos and a report of the findings was provided to the company in August 2017. The report was final at the time and was titled as draft as it was an expectation that a customer engagement study would be an ongoing endeavor within utility business planning.

(b) Both customer engagement reports were delivered in August 2017.

(c) Please see Exhibit I.STAFF.33.