

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).<sup>1</sup>

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.

---

<sup>1</sup> Exhibit C1, Tab 2, Schedule 1; Exhibit C1, Tab 3, Schedule 1, pages 46 to 58.