

ENBRIDGE GAS INC.
Answer to Interrogatory from
School Energy Coalition (SEC)

Reference: B1/2/1, App. D

Question:

SEC is seeking to better understand the Union earnings-sharing calculation for 2017. In EB-2017-0306/7 (Ex. C.SEC.19 on March 23, 2018), Union reported 2017 operating revenue of \$2,118,989 (all figures \$000s), and that is the same amount showing in the current Application. The total operating expenses, however, was reported in the previous case as \$1,769,137, and is now reported as \$1,772,606, a decrease in earnings of about \$3.5 million. The expected tax provision was reported in the previous case as \$1.8 million credit, but is now reported as a \$5.0 million credit, an increase in earnings of about \$3.2 million. Please provide details of these changes from the previous reported figures to the current reported figures for 2017.

Response

The primary cause for the variances in the quoted amounts results from the comparison of dissimilar values. Within Union's preliminary¹ 2017 actual utility results, presented as part of the response to SEC interrogatory #19 Attachment 1 (Exhibit C.SEC.19, Attachment 1) within the EB-2017-0306/7 proceeding, \$1,769,137 thousand reflected a Cost of Service value, inclusive of total Operating Expenses of \$1,772,786 thousand, Other Expenses of \$1,441 thousand, and Income Taxes on earnings of (\$5,090) thousand, as can be seen in Attachment 2 to that interrogatory response. By comparison, the \$1,772,606 shown in Exhibit B1, Tab 2, Schedule 1, Appendix D of this proceeding, which reflects Union's final 2017 utility results as were filed at Exhibit A, Tab 2, Appendix B, Schedule 1 of the EB-2018-0105 proceeding, only reflects total Operating Expenses.

Table 1 below provides a comparison of the preliminary cost of service amounts reported in Exhibit C.SEC.19 (Attachments 1 and 2) of the EB-2017-0306/7 proceeding, as compared to final actual 2017 amounts presented at Exhibit B1, Tab 2, Schedule 1, Appendix D of this proceeding (as were filed at Exhibit A, Tab 2, Appendix B, Schedule 1 of the EB-2018-0105 proceeding).

¹ EB-2018-0306/0307, Exhibit C.SEC.19, Attachment 2, Note (5).

Table 1
Calculation of Cost of Service for 2017

Line No.	Particulars (\$ 000's)	EB-2017-0306/7 C.SEC.19	Actual	Difference
1	Total Operating Expenses	1,772,786	1,772,606	180
2	Income Taxes	(5,090)	(5,047)	(43)
3	Total Other	1,441	1,441	(0)
4	Cost of Service (line 1 + line 2 + line 3)	\$ 1,769,137	\$ 1,769,001	\$ 136

The small change between the preliminary and final Cost of Service is primarily attributable to the removal of \$0.180 million in legal fees related to the amalgamation from utility operating expenses, and its corresponding impact on income taxes on earnings.

With respect to the referenced tax amounts, the cause of the variance is again due to the comparison of dissimilar values. Within Union's preliminary 2017 actual utility results, presented as part of the response to SEC interrogatory #19 Attachment 1 (Exhibit C.SEC.19 Attachment 1) within the EB-2017-0306/7 proceeding, (\$1,800) thousand reflected the provision of income taxes required to gross-up the net sufficiency amount, whereas the (\$5,047) shown in Exhibit B1, Tab 2, Schedule 1, Appendix D of this proceeding, which reflects Union's final 2017 utility results as were filed at Exhibit A, Tab 2, Appendix B, Schedule 1 of the EB-2018-0105 proceeding, reflects the provision for income taxes on earnings (for which comparable values are shown in Table 1 above).

Table 2 below provides a comparison of the preliminary 2017 calculation of the provision for income taxes required to gross-up the net sufficiency amount as reported in Exhibit C.SEC.19 (Attachment 1) of the EB-2017-0306/7 proceeding, as compared to the calculation of the final actual 2017 amount which was presented at Exhibit A, Tab 2, Appendix A of the EB-2018-0105 proceeding.

For reference, Exhibit A, Tab 2, Appendix A from the EB-2018-0105 proceeding provides a calculation of Union's final actual 2017 revenue sufficiency, which is in a similar format to the preliminary actual results which were presented in the response to SEC interrogatory #19 Attachment 1 (Exhibit C.SEC.19 Attachment 1), within the EB-2017-0306/7 proceeding.

Table 2
Calculation of Provision for Income Taxes on Deficiency/(Sufficiency) for 2017

Line No.	Particulars (\$ 000's)	EB-2017-0306/7 C.SEC.19	Actual	Difference
1	Revenue Deficiency/(Sufficiency) after tax	(4,993)	(5,112)	(119)
2	Tax Prorated (1-.265) Distribution Revenue	0.735	0.735	0.735
3	Deficiency/(Sufficiency) (line 1/line 2) Provision for Income Taxes on	(6,793)	(6,955)	(162)
4	Deficiency/(Sufficiency) (line 3 - line 1)	\$ (1,800)	\$ (1,843)	\$ (43)