

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.