

ENBRIDGE GAS INC.  
Answer to Interrogatory from  
Energy Probe Research Foundation (EP)

Reference: Exhibit B1, Tab 2, Schedule 1, Page 9 and Table 4

Preamble: *“The Board’s ICM materiality threshold calculation results in a 2019 threshold value of \$468.513 million for the EGD rate zone and \$375.2 million for the combined Union rate zones. The materiality threshold establishes the minimum capital expenditures a utility must fund through base rates. The maximum incremental capital investment eligible for ICM funding is the amount of capital expenditures in the year in excess of the threshold value.”*

Question:

- a) Please confirm that per Table 4 the ICM calculation assumes a rate increase for the PCI for 2019 for EGD of 1.07% and Union of 0.72%.
- b) Why is EGI proposing a PCI arithmetic average based in the 5-year deferred rebasing period, as opposed to a forecast of expenditures and base rates over the period? Please explain and discuss the options considered.
- c) Please explain why a combined consolidated EGI ICM threshold is not more appropriate.

---

**Response**

- a) The 2019 ICM threshold calculation assumes that, for the EGD rate zone, rates will increase by 1.07% from its 2018 Board Approved rates. For the Union rate zones, the ICM threshold calculation reflects that rates have been increasing at an average of 0.72% since its 2013 Board Approved rates.  
Please see Exhibit I.LPMA.12 for the calculation of the average PCI for the Union rate zones.
- b) Please refer to:
  - Exhibit B1, Tab 2, Schedule 1, Page 10 and Page 11
  - Report of the OEB EB-2014-0219 “New Policy Options for the Funding of Capital Investments: Supplemental Report” January 22, 2016, page 16

- Decision Order: EB-2017-0306/EB-2017-0307, pages 32, 33

The amalgamation and rate setting mechanism approved by the Board for EGD and Union includes the use of the ICM mechanism for the funding of incremental capital.

The ICM materiality threshold formula estimates the threshold value for multiple years ahead of the base year. The multi-year formula requires that both the growth factor “g” and the PCI factor, be annualized. The proposed annualized PCI is calculated as the arithmetic average since the base year.

- c) Please see Exhibit I.VECC.7.