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VIA EMAIL, RESS, and COURIER

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Dear Ms Walli:

Re: EB-2015-0040 - Consultation on the Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs

Enbridge Gas Distribution Inc. (“Enbridge”) is writing to provide comments in response to the Ontario Energy Board’s (“OEB”) May 18, 2017 letter and corresponding Report on the Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs (“OPEB”) in the electricity and natural gas sectors.

In the report, the Board has determined that it will use pension and OPEB amounts determined through the accrual accounting method for rate-setting, unless that method does not result in just and reasonable rates. For utilities using the accrual accounting method, a variance account will be used to track the difference between the forecasted accrual amounts in rates and actual cash payment(s) made, with an asymmetric carrying charge in favour of ratepayers applied to the differential.¹ Carrying charges on the new tracking account will be assessed on the monthly opening account balance at the Board’s prescribed Construction Work In Progress (“CWIP”) rate.²

¹ OEB Report on Regulatory Treatment of Pensions and OPEBs, May 18, 2017, page 8

² OEB Report on Regulatory Treatment of Pensions and OPEBs, May 18, 2017, page 12

The Board indicated that utilities will not be compensated for under-recoveries unless the financial viability of the utility would be compromised by such an arrangement.³

Finally, the Board proposed that the variance account would be effective from the 1st of the month following issuance of its Report, unless otherwise ordered by the Board.⁴ Within the Board's letter accompanying the report, it requested comments on six implementation matters. The following are Enbridge's comments.

Effective Date of the New Variance Tracking Account

Enbridge's view is that the new variance tracking account should be effective at the beginning of the utility's next fiscal year (ie. for Enbridge this would be January 1, 2018), as opposed to starting mid-way through a fiscal year. Enbridge believes the intent of the account is to capture a full year's variance (on a cumulative on-going basis) between the accrual costs included in rates and the annual cash payments made. Commencing the variance account mid-way through a fiscal period overlooks recoveries and/or payments made during the first part of the year, which could be substantial and to the benefit or detriment of utilities or ratepayers.

Mechanics of the New Variance Tracking Account

Enbridge's believes that the variance between the pension and OPEB accrual cost included in rates, and the annual cash payments made, should be calculated on an annual basis at the end of the year, and that interest should accumulate from that point onward. An annual variance calculation would be administratively efficient, and simpler as it would remove the impacts of (or need to consider) in-period timing differences. By in-period timing differences, the Company is referring to the fact that accrual based Pension and OPEB costs (which may differ from the forecast included in rates) are typically recorded on a fairly evenly monthly basis in accordance with service rendered, whereas the amount recovered/collected through rates is less even due to the seasonal consumption profile of many utilities, and that cash payments are often made in larger periodic payments (such as quarterly).

Enbridge also believes that that the application of carrying charges in an asymmetric manner is not consistent with Board's principle of fairness, and as such interest should

³ OEB Report on Regulatory Treatment of Pensions and OPEBs, May 18, 2017, page 10

⁴ OEB Report on Regulatory Treatment of Pensions and OPEBs, May 18, 2017, page 11

be calculated in a symmetric manner on the cumulative variance recorded in the account.

The Manner in Which Carrying Charges are Applied to Balances Tracked in Previously Established Variance Accounts

Enbridge has no comments as, based on its understanding of the Board report, it does not have any of the referenced previously established variance accounts.

The Requirement to Track Only the Gross Accrual Cost as Opposed to Identifying Amounts Expensed vs. Capitalized

Enbridge does not currently capitalize pension and OPEB costs, and therefore views the tracking of the gross accrual cost as appropriate, but recognizes there may be circumstances where it is appropriate for certain other utilities to identify expensed amounts from capitalized amounts.

The Timing of the OEB's Consideration of a Transition to the Accrual Method for Utilities Currently on Cash

Enbridge has no comments as it currently utilizes the accrual method for recovering pension and OPEB costs.

The Timing of the Disposition of Both the New and Previously Established Variance Accounts

Enbridge proposes that the disposition of carrying charges, calculated on the cumulative variance in the newly established variance account, should occur on an annual basis in conjunction with existing processes supporting the clearance of the majority of other deferral and variance accounts, as this would be efficient and would minimize administrative costs. With regards to the timing of the disposition of previously established variance, Enbridge has no comments, based on its understanding that it does not have any such accounts. It is Enbridge's position however, that any utility specific prior approval for deferral or variance account recovery or refund, which differs

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from the prospective treatment for previously established variance accounts (as described with the Board's report), should be maintained until such time as the established recovery period is complete.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

(Original Signed)

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