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March 8, 2019

**BY EMAIL, COURIER & RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Re: EB-2018-0305 Enbridge Gas Inc. – 2019 Rate Application**  
**Reply Submission on Draft Issues List**

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In accordance with the Ontario Energy Board's Procedural Order No. 1 issued in the above noted proceeding, enclosed please find Enbridge's reply submission on the draft issues list.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Bonnie Jean Adams  
Regulatory Coordinator

cc: EB-2018-0305 Intervenors  
Crawford Smith, Torys

## **Enbridge Gas Reply Submission**

### **Draft Issues List**

On December 14, 2018, Enbridge Gas Distribution Inc. (“EGD”) and Union Gas Limited (“Union”) filed an application with the Ontario Energy Board (the “Board” or “OEB”) for an order approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2019. As of January 1, 2019, and in accordance with the Board’s Decision issued in the MAADs and rate-setting mechanism proceeding, EGD and Union amalgamated to become Enbridge Gas Inc. (“Enbridge Gas” or “the Company”).<sup>1</sup>

Procedural Order No. 1, dated February 22, 2019, provides for submissions of Board staff and intervenors on a draft issues list to be filed by February 28, 2019 and reply submissions to be filed by March 8, 2019.

The following parties made submissions on the draft issues list:

- Ontario Energy Board staff (“Board staff”)
- Association of Power Producers of Ontario (“APPrO”)
- Vulnerable Energy Consumers Coalition (“VECC”)

In addition, Board staff provided a reply submission on March 7, 2019 addressing various issues raised by APPrO and VECC.

In response to the submissions set out above, Enbridge Gas has focused its reply on the following areas:

1. Incremental Capital Module (“ICM”) and Utility System Plan (“USP”)
2. Customer Engagement
3. Customer Connection Policy
4. Commitments and Directives
5. Gas Supply Plan

#### **1. Incremental Capital Module and Utility System Plan**

Intervenors and Board staff made submissions with respect to Enbridge Gas’s proposed ICM funding request. In Enbridge Gas’s submission, the draft issues list, filed at Exhibit A1, Tab 6,

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<sup>1</sup> EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018. The Decision and Order was later amended by the Board on September 17, 2018 with no material changes.

Schedule 1, is sufficiently broad for parties to submit questions on ICM for this 2019 rate application.<sup>2</sup>

Enbridge Gas opposes having an issue on the draft issues list where the topic has already been approved in a prior Board Decision, or is a part of an active proceeding. Board staff's submission acknowledges the uncertainty of the ICM factors included in their proposed issue:

*“Given that the potential ICM projects are subject to a leave to construct application where the need and costs have been or will be reviewed, the question is whether a comprehensive review of the ICM projects is required in this proceeding. OEB staff has provided a list of factors to be considered which has been adapted from the Alectra Utilities 2018 rate application.”<sup>3</sup>*

Enbridge Gas notes that, of the proposed ICM projects included in this 2019 rates application, (1) three have a Board Decision and Order already determining the projects are needed (including in relation to timing) and in the public interest; and (2) one is a part of an active proceeding under a section 90 leave-to-construct.<sup>4</sup> In these circumstances, it is inappropriate to include the list of factors adapted from the Alectra Utilities 2018 rate application.<sup>5</sup> In this respect, it is important to bear in mind that there is no equivalent leave-to-construct process in relation to electricity distribution capital.

Board staff and APPrO made other submissions on the proposed ICM projects, USP and Asset Management Plan (“AMP”) processes.<sup>6</sup> Specifically, Board staff proposes to add an issue regarding the appropriateness of the USP and AMP planning process and an issue regarding the revised costs of ICM projects. Enbridge Gas has no concern with including these on the issues list, but submits they are already covered under the original draft issues list filed at Exhibit A1, Tab 6, Schedule 1.<sup>7</sup>

In VECC's submission, there is reference to the USP for the period 2019 - 2022 to “support the rate plan proposal”. Enbridge Gas agrees with Board staff's reply submission that rates are set per the Board-approved price cap formula, and Enbridge Gas is not seeking approval of the USP

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<sup>2</sup> Issues No. 8 and 9.

<sup>3</sup> Board staff submission, February 28, 2019, page 4.

<sup>4</sup> NPS 30 Don River Replacement (EB-2018-0108), Sudbury Replacement Project (EB-2017-0180), and the Kingsville Transmission Reinforcement Project (EB-2018-0013) have all received the Boards approval under a section 90 leave-to-construct. The Stratford leave-to-construct is an active proceeding in front of the Board (EB-2018-0306).

<sup>5</sup> Board staff submission, pages 4 to 5, Issue No. 1.

<sup>6</sup> Board staff submission, page 5, Issues No. 2 and 3; APPrO submission, March 1, 2019, page 2.

<sup>7</sup> Exhibit A1, Tab 6, Schedule 1, Issues No. 8 and 9.

in this 2019 rates application. Further, as the Board confirmed in EB-2017-0024, it does not approve a USP (or DSP) filed in a cost of service or ICM proceeding.<sup>8</sup>

## **2. Customer Engagement**

Enbridge Gas filed in its application customer engagement completed by Ipsos Public Affairs and Innovative Research Group at Exhibit D1. APPrO and VECC question how the customer engagement is applicable to the rates application.<sup>9</sup> As Board staff notes in its reply submission: 1) there is no customer engagement required to support a rate plan and 2) the Board does not explicitly approve customer engagement research.<sup>10</sup> However, the engagements were relevant inputs to the USP and AMP planning processes and have been filed as a result.

## **3. Customer Connection Policy**

Board staff submits that the change in customer connection policy in the EGD rate zone should be an issue in this proceeding.

In 2015, EGD refined its approach to determine the Profitability Index for each infill customer. The company enhanced its cost estimation methodology to improve the accuracy of project feasibility assessment of residential customers. This new approach was intended to improve the cost estimation of residential service to ensure that new customers pay an appropriate amount of Contribution in Aid of Construction (“CIAC”) and are not subsidized by existing ratepayers, hence better aligned with E.B.O. 188.

Board staff is of the view that since the change in the estimation methodology was made during EGD’s Custom IR period and has not been examined by the OEB in any proceeding, this should be an issue in this proceeding. The applicant does not oppose this issue, but notes this 2019 rates application concerns adjustments pursuant to a rate setting mechanism where the 2018 approved base rates is to be adjusted using a Price Cap index as per the MAADs Decision and Order.<sup>11</sup>

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<sup>8</sup> EB-2017-0024, Procedural Order No. 2, October 24, 2017, page 4.

<sup>9</sup> APPrO submission, page 2; VECC submission, March 1, 2019, page 1.

<sup>10</sup> Board staff reply submission, March 7, 2019, pages 2 to 3.

<sup>11</sup> EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018.

#### **4. Commitments and Directives**

Included in APPrO's submission is an issue for compliance with prior applicable OEB Decision and Orders. APPrO also includes several points where they seek explanations related to: a) Earning Sharing Mechanism ("ESM"), b) Y factor cost flow throughs, c) the USP, and d) the customer engagement undertaken by the applicant. The USP and customer engagement questions were addressed in parts 1 and 2 of this submission, respectively.

The ESM and Y factors were approved in the Board's Decision and Order in the MAADs proceeding.<sup>12</sup> The assessment of ESM is completed after the financial information is available. That is, a 2019 ESM and deferral account disposition will be filed sometime in 2020 after filing the company's year-end financial information.

Enbridge Gas agrees with Board staff's reply submission that should the issue be included in the final issues list, it should be limited to whether the application is consistent with the MAADs Decision.

#### **5. Gas Supply Plan**

Board Staff and VECC made submissions to include an issue related to the cost consequences of the Gas Supply Plan(s) filed. With respect to the Gas Supply Plans for the Union rate zones, Board Staff recognizes that, consistent with past practice, it has been filed for information purposes only. Further, Board staff notes that given the recently initiated gas supply consultation, the Board should wait before considering how to approach the review of the cost consequences of the integrated gas supply plan for Enbridge Gas Inc.<sup>13</sup>

Enbridge Gas has no issue with including Board Staff's wording on the draft issues list with respect to the EGD rate zone's Gas Supply Plan. However, for the reasons outlined above, Enbridge Gas opposes including the wording proposed by VECC, which does not delineate between the EGD and Union rate zones.<sup>14</sup>

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<sup>12</sup> EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018.

<sup>13</sup> Board staff submission, pages 5 to 6.

<sup>14</sup> VECC submission, page 1.