

Enbridge Gas Inc.

**Application for 2019 natural gas rates and other charges
effective January 1, 2019**

DECISION AND PROCEDURAL ORDER NO. 2

April 1, 2019

On August 30, 2018, the Ontario Energy Board (OEB) approved the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited. In its decision, the OEB also approved a rate-setting framework and associated parameters for the deferred rebasing period of 2019 to 2023. The companies amalgamated effective January 1, 2019, and the new company is called Enbridge Gas Inc.

Enbridge Gas Inc. (Enbridge Gas) filed a complete application with the OEB on December 14, 2018 under section 36(1) of the *Ontario Energy Board Act, 1998* seeking approval for changes to its natural gas rates effective January 1, 2019. On December 3, 2018, the OEB declared the current rates of Enbridge Gas to be interim effective January 1, 2019 until the OEB issues a final rate order in this matter.

The OEB issued Procedural Order No. 1 on February 22, 2019 inviting submissions on the draft issues list provided in the application. The Vulnerable Energy Consumers Coalition (VECC), the Association of Power Producers of Ontario (APPrO) and OEB staff filed submissions. The OEB also provided parties the opportunity to file a reply on the submissions of others.

The OEB has considered Enbridge Gas' draft issues list and the submissions of all parties and accepts the issues proposed by Enbridge Gas with the exception of Issues 7 and 8. The OEB has also added three new issues. An OEB-approved Issues List is attached as Schedule A to this Decision and Procedural Order.

In addition, this Decision and Procedural Order makes changes to the schedule for this proceeding that was set out in Procedural Order No. 1.

Issues List

The OEB accepts Enbridge Gas' proposal for all of the issues proposed by Enbridge Gas except the original Issues 7 and 8. The OEB has also added three new issues on:

- Response to OEB Directions
- Customer Connection Policy
- Utility System Plan and Asset Management Plans

The OEB also discusses the letters of comment filed in this proceeding, and provides reasons for its acceptance that gas supply planning not be reflected on the Issues List.

Original Issue 7

Enbridge Gas' original Issue 7 was as follows:

Are the rate schedule changes for the Union Gas rate zones appropriate?

- a. *System expansion surcharge term update*
- b. *Elimination of Union South Rate U2*
- c. *Elimination of Union South supplemental services*
- d. *Elimination of Union South multiple delivery points service option*
- e. *Rate C1 interruptible transportation within Dawn*
- f. *Rate M13 General Terms and Conditions changes*

The OEB established the rate-setting framework to be used during Enbridge Gas' deferred rebasing period in a previous proceeding (MAADs proceeding).¹ This is an incentive-rating setting mechanism (IRM) framework with specified adjustments during the plan term. Adjustments to rate schedules are generally not considered during an IRM term. The OEB understands that some of the proposed adjustments are simply recognizing corporate name changes that can avoid confusion for customers. To the extent that any of the proposed changes are essential to avoid confusion or harm to customers, the OEB will consider them. Otherwise, they should wait until the next rate rebasing application.

The OEB is therefore amending this issue (now Issue 8) as follows:

Are there any necessary rate schedule changes, and if so, are the changes appropriate?

¹ EB-2017-0306 and EB-2017-0307

Original Issue 8

Enbridge Gas' original Issue 8 was as follows:

Are the rate design proposals for the Union Gas rate zones appropriate?

- a. One-time adjustment for Capital Pass-Through Projects*
- b. General service monthly customer charge*
- c. Parkway Delivery Obligation adjustment*
- d. DSM budget allocation*

Similar to the original Issue 7, this is an IRM application. Adjustments to rate design are generally not considered during an IRM term. To the extent that the rate design proposals are implementing the results of previous OEB decisions, or are required to transition to the OEB-approved IRM framework, the OEB will consider them. Otherwise, they should wait until the next rate rebasing application.

The OEB is therefore amending this issue (now Issue 7) as follows:

Are any rate design proposals appropriate in the context of previous OEB decisions, including:

- a. One-time adjustment for Capital Pass-Through Projects*
- b. General service monthly customer charge*
- c. Parkway Delivery Obligation adjustment*
- d. DSM budget allocation?*

Response to OEB Directions

APPPrO submitted that an issue should be added on whether Enbridge Gas has complied with previous OEB Decisions and Orders. OEB staff agreed, but argued that it is not necessary to assess the application against OEB decisions that pre-date the MAADs Decision. Enbridge Gas agreed with OEB staff that if the issue is added it should be limited to the MAADs Decision.

The OEB has determined that it is appropriate to have an issue to consider whether Enbridge Gas has appropriately responded to OEB directions. A new Issue 1 has been added. To address OEB staff's issue, the OEB has included the word "relevant" to describe the OEB directions. To the extent that any previous directions have been superseded by the MAADs Decision or are in any other way not relevant to an IRM application, they would not be in scope of this proceeding.

Customer Connection Policy

OEB staff recommended that an issue be added to consider whether Enbridge Gas' customer connection policy is appropriate. The policy was amended during Enbridge Gas Distribution Inc.'s previous Custom IR term. The changes related to the manner in which the economic feasibility of connecting a new infill customer (i.e. the Profitability Index) is determined. The changes require a contribution in aid of construction from every new infill customer if the Profitability Index is less than 1.0.² Enbridge Gas did not oppose this issue, but noted that this application concerns a rate-setting mechanism where rates are adjusted by a Price Cap Index, per the MAADs Decision.

On March 29, 2019, EPCOR Natural Gas Limited Partnership (EPCOR) was granted late intervention. In its request, EPCOR indicated its expectation that changes related to Enbridge Gas' Economic Feasibility Procedure and Policy for both system expansion and community expansion projects would be considered in this proceeding. Accordingly, EPCOR proposed an additional issue.

The OEB has determined that policies and procedures with respect to system expansions and community expansion are not in scope of this IRM proceeding. Policies related to community expansion have previously been determined by the OEB in a separate proceeding.³ Any issues with these policies are expected to be dealt with in separate proceedings (proceedings related to the community expansion or on a stand-alone basis if there is no related proceeding). System expansions are typically handled through leave to construct applications. Customer connections are in scope as described below.

The OEB is adding a shortened version of the issue proposed by OEB staff. The OEB does not find the additional detail proposed by OEB staff necessary. The OEB acknowledges Enbridge Gas' submission about the nature of adjustments during its IRM term. A Price Cap Index is designed to incent productivity improvements. However, utilities are also expected to retain or improve the level of services to customers during the IRM term. The OEB will therefore consider whether the change to the customer connection policy is appropriate, particularly with respect to the connection of consumers (not communities).

² A Profitability Index 1.0 means that the revenues over a defined period are sufficient to meet the service costs.

³ EB-2016-0004, EB-2016-0137/38/39

The following issue has been added as Issue 13:

Is Enbridge Gas' customer connection policy and Profitability Index calculation for consumers appropriate and in accordance with OEB guidelines?

Utility System Plan and Asset Management Plans

OEB staff submitted that the Incremental Capital Module (ICM) funding request should be viewed in light of the overall spending and pacing of investments proposed in the Utility System Plan (USP) and suggested that the wording of the issue should be adapted from the Alectra Utilities 2018 rate application.⁴ OEB staff further suggested that the cost variance (revised vs. budgeted) of projects requested for ICM funding and approved in a leave to construct proceeding should be reviewed in this application.

The OEB has determined that it is appropriate to clarify the scope of the review of the USP and Asset Management Plans (AMPs). The OEB confirms that it will not be approving the USP or AMPs in this proceeding. The review of the USP and AMPs is to provide context for whether the ICMs should be approved. In approving an ICM, the OEB must determine that the proposed project is needed and prudent. If a capital project proposed for ICM treatment has been granted leave to construct in a separate proceeding, the OEB will not re-adjudicate the same issues that resulted in the OEB determining that the project is in the public interest. On that basis, the OEB agrees with Enbridge Gas that the list of factors used by the OEB for the Alectra Utilities proceeding may be too extensive in this circumstance. However, if the cost of a project proposed for ICM treatment has changed from the leave to construct proceeding, the OEB will assess if the cost is appropriate for recovery through the ICM.

Determining that a project is in the public interest and determining whether it is eligible for incremental capital funding during an IRM term have different considerations. An ICM is a funding mechanism for significant, incremental and discrete capital projects for which a utility is granted rate recovery in advance of its next rebasing application. The OEB will use the established ICM criteria to determine whether the proposed ICM fits within the total eligible incremental capital amount, and that each project has a significant influence on the operation of Enbridge Gas. This will necessitate consideration of the proposed ICMs in the context of Enbridge Gas' overall USP and AMPs.

⁴ Decision on Issues List and Interim Rates and Procedural Order No. 3, EB-2017-0024, November 17, 2017

The OEB agrees with Enbridge Gas that customer engagement is relevant to the USP and AMP planning processes, and therefore is a consideration for the review of the ICMs. It is generally not a requirement to file the results of customer engagement with IRM applications that do not include ICMs, given the mechanistic nature of the Price Cap IR rate adjustments. A new issue on customer engagement has not been added to the Issues List, as proposed by VECC, because the customer engagement will be considered as part of whether the projects are eligible for ICM funding.

The OEB has determined that the following issues will be added to the Issues List.

Do the USP and AMPs support approval of the ICMs?

Are the costs of the ICM projects appropriate, to the extent that they differ from the costs considered by the OEB in granting leave to construct?

Gas Supply Planning

Enbridge Gas is seeking OEB approval of the cost consequences of the Enbridge Gas Distribution rate zone 2019 Gas Supply Plan and associated gas cost forecast for 2019. OEB staff submitted that this request was not clearly identified in the draft issues list, and suggested that it be added as a new issue. VECC also proposed that issues relating to gas supply planning be added. In response, Enbridge Gas accepted the suggestion of OEB staff but rejected the proposed wording of VECC which did not distinguish between the Enbridge Gas Distribution and Union Gas rate zones.

The OEB has determined that gas supply planning is out of scope of this proceeding. In the MAADs proceeding that determined the rate-setting framework for Enbridge Gas,⁵ the OEB made clear that there was a separate process for the review and assessment of gas supply plans, and therefore this matter was not considered.

The OEB established a deadline of May 1, 2019 for all rate-regulated natural gas distributors to file their five-year natural gas supply plans covering the period January 1, 2020 to December 31, 2024.⁶ Furthermore, the OEB issued a letter to initiate a consultation to consider the merits of moving to a single annual natural gas rate application that will include both delivery-related and commodity-related rates.⁷

The OEB recognizes that 2019 is a period of transition and that there is no approved gas supply plan for 2019. To the extent that any approvals are essential to the

⁵ EB-2017-0306 and EB-2017-0307

⁶ OEB Letter December 20, 2019

⁷ OEB Letter January 17, 2019

continued adjudication of QRAM applications, these can be identified by Enbridge Gas and filed in a stand-alone application. It is therefore appropriate that Enbridge Gas did not include gas supply planning on its proposed Issues List.

OTHER MATTERS

The OEB notes that there were numerous letters of comment from customers filed in this proceeding. While this is an IRM rate application, before the close of record for this proceeding the OEB requires Enbridge Gas to file with the OEB its responses to the matters raised in these letters of comments, as would be required for a cost of service rate application.⁸

The OEB is revising the timetable for this proceeding established in Procedural Order No. 1. The revised timeline is set out below.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Issues List attached as Schedule A to this Decision and Procedural Order No. 2 is approved.
2. OEB staff and intervenors that require information and material from the applicants that is in addition to the evidence filed, and that is relevant to the hearing, shall request it by written interrogatories filed with the OEB and delivered to the applicant and all intervenors by **April 5, 2019**.
3. The applicant shall file with the OEB complete written responses to all interrogatories and serve them on all intervenors by **April 25, 2019**.
4. Following its review of Enbridge Gas' responses to interrogatories, the OEB will determine if a technical conference is required. If required, a transcribed technical conference will be held on **May 1, 2019** starting at 9:30 a.m. in the OEB's Offices at 2300 Yonge Street, 25th floor, Toronto, Ontario to clarify any matters arising from the interrogatories only. If required, the technical conference will continue on **May 2, 2019**. Parties intending to participate are to notify Enbridge Gas and copy all parties, of the topic areas for questioning by **April 29, 2019**.

⁸ Filing Requirements For Natural Gas Rate Applications Section 2.1.6

5. Enbridge Gas shall file with the OEB complete written responses to all undertakings from the technical conference and serve them on all intervenors by **May 8, 2019**.
6. A settlement conference will be convened on **May 13, 2019** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the settlement conference will continue on **May 14, 2019**.
7. Any settlement proposal arising from the settlement conference shall be filed with the OEB on or before **May 29, 2019**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues, indicating with reasons whether the parties believe those issues should be dealt with by way of oral or written hearing.
8. Any submission from OEB staff on a settlement proposal shall be filed with the OEB and served on all parties by **June 7, 2019**.
9. If there is no settlement proposal arising from the settlement conference, Enbridge Gas shall file a statement to that effect with the OEB by **May 21, 2019**. In that event, parties shall file and serve on the other parties by **May 27, 2019** any submissions on which issues shall be heard in writing, and for which issues the OEB should hold an oral hearing.
10. The OEB is setting **June 12, 2019**, from 9:30 a.m. to 12:00 p.m. at 2300 Yonge Street, 25th floor, Toronto, for Enbridge Gas to present to the OEB any settlement proposal and a summary of any unsettled issues in the case.

All filings to the OEB must quote the file number, EB-2018-0305 and be made electronically in searchable/unrestricted PDF format through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Khalil Viraney at Khalil.Viraney@oeb.ca and OEB Counsel, Ian Richler at Ian.Richler@oeb.ca.

ADDRESS

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DATED at Toronto, **April 1, 2019**

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A

ISSUES LIST

DECISION AND PROCEDURAL ORDER NO. 2

ONTARIO ENERGY BOARD

EB-2018-0305

APRIL 1, 2019

ISSUES LIST

1. Has Enbridge Gas responded appropriately to all relevant OEB directions from previous proceedings?
2. Is the Price Cap Index calculated appropriately?
3. Does the accounting order wording in the following new accounts appropriately reflect the OEB's MAADs Decision?
 - a) Earnings Sharing Mechanism Deferral Account (Enbridge Gas)
 - b) Tax Variance Deferral Account (Enbridge Gas)
 - c) Accounting Policy Changes Deferral Account (Enbridge Gas)
4. Should the following deferral accounts be established?
 - a) Incremental Capital Module – EGD Rate Zone
 - b) Incremental Capital Module – Union Gas Rate Zones
5. Should the proposed changes be made to the accounting orders for the following deferral accounts?

EGD Rate Zone

- a. 179.24 Post Retirement True-up Variance Account
- b. 179.48 Open Bill Revenue Variance Account
- c. 179.08 Ex-Franchise Third Party Billing Services Deferral Account
- d. 179.70 Purchased Gas Variance Account
- e. 179.88 Storage and Transportation Deferral Account
- f. 179.94 OEB Cost Assessment Variance Account

Union Gas Rate Zones

- g. 179-136 Parkway West Project Costs
- h. 179-137 Brantford-Kirkwall/Parkway D Project Costs
- i. 179-142 Lobo C Compressor/Hamilton to Milton Project Costs
- j. 179-144 Dawn H/Lobo D/Bright C Compressor Project Costs
- k. 179-149 Burlington Oakville Project Costs
- l. 179-156 Panhandle Reinforcement Project Costs

6. Should the following deferral and variance accounts be discontinued as proposed?
 - a. 179-100 Union North Tolls and Fuel
 - b. 179-105 Union North PGVA
 - c. 179-103 Unbundled Services Unauthorized Storage Overrun Deferral Account

7. Are any rate design proposals appropriate in the context of previous OEB decisions, including:
 - a. One-time adjustment for Capital Pass-Through Projects
 - b. General service monthly customer charge
 - c. Parkway Delivery Obligation adjustment
 - d. DSM budget allocation?

8. Are there any necessary rate schedule changes, and if so, are the changes appropriate?

9. Do the USP and AMPs support approval of the ICMs?

10. Are the costs of the ICM projects appropriate, to the extent that they differ from the costs considered by the OEB in granting leave to construct?

11. Is the NPS 30 Don River Replacement Project in the EGD rate zone eligible for Incremental Capital Module (ICM) funding?
 - a. If yes, is the ICM rate rider for the NPS 30 Don River Replacement Project calculated appropriately?

12. Are the Sudbury Replacement Project in the Union North rate zone and the Kingsville Transmission Reinforcement and Stratford Reinforcement projects in the Union South rate zone eligible for ICM funding?
 - a. If yes, are the ICM rate riders for the Sudbury, Kingsville and Stratford projects calculated appropriately?

13. Is Enbridge Gas' customer connection policy and Profitability Index calculation for consumers appropriate and in accordance with OEB guidelines?