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VIA RESS, EMAIL and COURIER

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

Dear Ms. Walli:

Re: EB-2018-0305 Enbridge Gas Inc. (“Enbridge Gas”) – 2019 Rate Application

Enbridge Gas filed an application with the Ontario Energy Board (“OEB” or the “Board”) on December 14, 2018, under section 36 of the *Ontario Energy Board Act, 1998*, for an order approving just and reasonable rates for the sale, distribution, transmission and storage of gas for each of its Enbridge Gas Distribution, Union North and Union South rate zones to be effective January 1, 2019 (the “Application”). The Application was prepared in accordance with all relevant OEB guidance.

Subsequent to the filing of the Application, Enbridge Gas received 143 letters of comment from customers. The comments primarily fall into four categories:

1. Explain the proposed rate increase;
2. Programs available to help customers reduce their bill;
3. How Enbridge Gas and the OEB ensure customers are protected; and
4. The OEB’s approval of the amalgamation (also referred to as the “merger”) of Enbridge Gas Distribution (“EGD”) and Union Gas Limited (“Union”) into Enbridge Gas, and the impact to the Application.

As per the OEB’s Decision and Procedural Order No. 2, Enbridge Gas’s response to the matters raised in the letters of comment follows. Section 5 addresses other comments that do not fall within the four categories.

1. Proposed Rate Increase

As part of a typical annual rate application, Enbridge Gas files, for review and approval by the OEB, a proposed adjustment to rates that is primarily reflective of:

- Increases for capital projects or programs that are required to ensure safe and reliable service to customers;¹

¹ Please see [Exhibit B1](#), Tab 2, Schedule 1 of Enbridge Gas’s 2019 rate application for further details.

- Increases for an inflation factor from Stats Canada that is reduced by an OEB approved stretch factor. In the Application, the inflation factor is 1.37%, which is then reduced by a 0.3% stretch factor, for a total rate increase of 1.07%;²
- Increases or decreases for adjustments based on the average consumption levels of customers;³ and
- Increases or decreases from previous OEB Decisions.⁴

Additional information for the Application can be found on either of Enbridge Gas's websites, the addresses for which are provided below for ease of reference.

EGD rate zone's website: <https://www.enbridgegas.com/Regulatory-Proceedings>

Union rate zones' website: <https://www.uniongas.com/about-us/company-overview/regulatory/rate-cases/eb-2018-0305>

For information on how to understand your bill, including the different charges (i.e. gas used, storage, and delivery), please refer to the respective sections of Enbridge Gas's websites: <https://www.enbridgegas.com/My-Account/Understand-Your-Bill> or <https://www.uniongas.com/residential/manage-your-account/billing/understanding-your-bill>

2. Programs Available to Customers

- Enbridge Gas provides funding for its Low Income Energy Assistance Program, which offers emergency relief to income-eligible families who face financial difficulties paying their natural gas bills. Qualifying Enbridge Gas customers can receive emergency financial assistance of up to \$500 per household which represents about six-months of gas use.
- Enbridge Gas offers energy conservation programs specifically for low-income families. Conservation is one of the best long-term ways to reduce energy costs in the home. For example, our Home Weatherization Program offers free home improvements, including insulation and a smart or programmable thermostat, that will help income-eligible customers save money and energy.
- Enbridge Gas works with customers who find themselves behind in paying their gas bills on a case-by-case basis to structure fair repayment plans as a way to help catch-up on overdue bills and avoid disconnection.
- Enbridge Gas also offers a budget billing/equal billing program to help spread a customer's annual natural gas costs evenly through the year for easier budgeting and a more predictable monthly bill.

² Please see [Exhibit B1](#), Tab 1, Schedule 1, pages 3 – 5 for further details.

³ Ibid., page 12 for further details.

⁴ Ibid., pages 39 – 40 for further details.

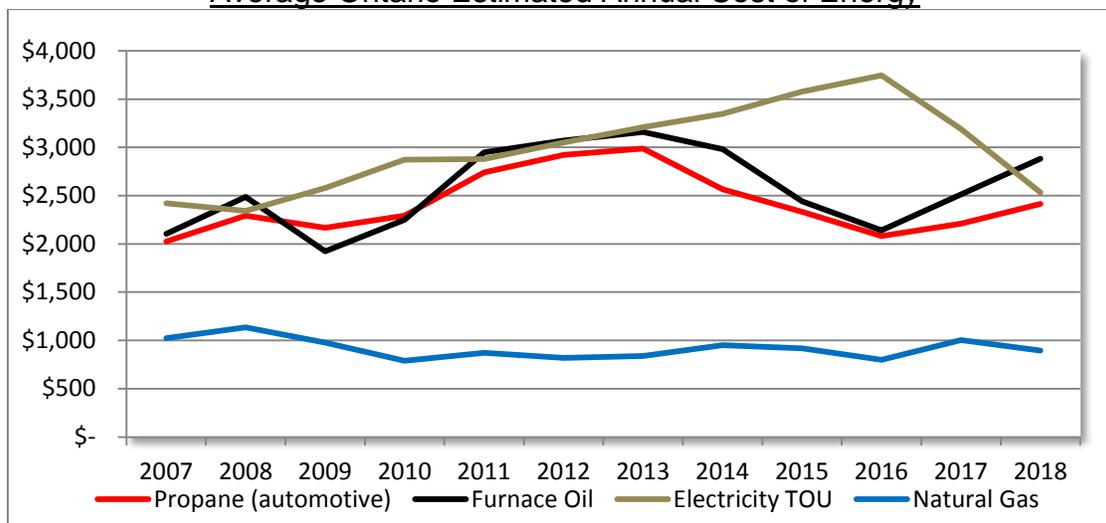
Additional information is available at <https://enbridgesmartsavings.com/> or <https://www.uniongas.com/savemoney>.

3. The Role of Enbridge Gas and the OEB

Natural gas distributors such as Enbridge Gas require significant investments in order to serve customers. Examples of the facilities Enbridge Gas manages in order to serve customers are buildings, pipelines, storage facilities, and compression stations. In Ontario, natural gas distributors such as Enbridge Gas are regulated by the OEB, the provincial energy regulator. One of the OEB’s roles is to review rate change applications, such as this 2019 rate application.

Enbridge Gas has provided stable rates to customers for over 10 years. Please see Table 1 below, which shows an estimate of the average residential customer’s cost of energy from 2007 - 2018.

Table 1
Average Ontario Estimated Annual Cost of Energy



4. The Amalgamation of EGD and Union

The delivery rate changes in the Application reflect the expected costs to safely and reliably deliver natural gas to homes and business in 2019. While the utilities amalgamated on Jan. 1, 2019, and are using a common OEB approved mechanism to calculate delivery rates, the rates for customers in the Union rate zones and Enbridge Gas Distribution rate zone remain distinct. Please see section 1 for an overview of the proposed rate change in the Application.

5. Other

New Customers

When a new customer or developer wants natural gas service, Enbridge Gas follows its contribution-in-aid of construction policy ("CIAC" policy) to ensure new customers pay a fair amount, and that it does not cause undue burden on existing customers. In 2015, Enbridge Gas Distribution refined its CIAC amount to ensure this balance between new and existing customers is maintained.

The OEB added Enbridge Gas's change in CIAC policy as an issue to be examined as part of this 2019 rate proceeding, the outcome of which will be determined in the OEB's Decision and Order.

Other Resources for Customers

For further details of the Application, please see the Executive Summary that was filed as part of evidence, and is enclosed for ease of reference. The entire application can be found on the Enbridge Gas or OEB's websites.

Further, Enbridge Gas encourages any customers to contact Enbridge Gas should they have any additional questions, comments, or concerns.

- EGD rate zone: enbridgegas.com/Contact-Us
- Union rate zones: uniongas.com/contact-us

Enbridge Gas also notes that the results for its customer engagement studies were filed as part of this application, and can be found on Enbridge Gas's websites, under Exhibit D1: <https://www.uniongas.com/about-us/company-overview/regulatory/rate-cases/eb-2018-0305>

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Rakesh Torul
Technical Manager, Regulatory Applications

cc: EB-2018-0305 Intervenors
Crawford Smith, Lax O'Sullivan Lisus Gottlieb

- 1 • an annual rate change determined by a price cap index (“PCI”) formula, where PCI
- 2 growth is driven by an inflation factor using GDP IPI FDD, less a productivity factor of
- 3 zero and a stretch factor of 0.3%;
- 4 • average use / normalized average consumption adjustments for each of the rate zones, in
- 5 accordance with the applicable Board-approved methodologies; and
- 6 • one-time base rate adjustments approved in the MAADs Decision.³

7

8 The incremental capital module (“ICM”) evidence at Exhibit B1, Tab 2, Schedule 1 addresses

9 Enbridge Gas’s request for incremental funding of capital investment needs not funded through

10 existing rates or going forward price cap determined rates. The Board approved the use of an

11 ICM to fund incremental capital during the deferred rebasing period as part of the MAADs

12 Decision. There are four projects for which Enbridge Gas is seeking ICM funding: the Don

13 River replacement project in the EGD rate zone; the Sudbury replacement project in the Union

14 North rate zone; and the Kingsville reinforcement and Stratford reinforcement projects in the

15 Union South rate zone.

16

17 For Rate 01 residential customers in Union North with annual consumption of 2,200 m³, the bill

18 impact related to the ICM funding request is an increase of \$8.80 in 2019. There are no bill

19 impacts associated with the ICM funding requests for a typical Rate 1 residential customer in the

20 EGD rate zone or a typical Rate M1 residential customer in the Union South rate zone due to the

³ As filed in Exhibit B1, Tab 1, Schedule 1.

1 proposal to include the credit balance of the 2019 revenue requirements for the Don River,
2 Kingsville and Stratford projects with the 2020 revenue requirement.

3

4 For typical Rate 1 residential customers in the EGD rate zone with annual consumption of 2,400
5 m³, the bill impact is a net increase of \$5.74 per year for sales service customers and a net
6 increase of \$4.74 for bundled direct purchase customers.⁴

7

8 For Rate M1 residential customers in Union South with annual consumption of 2,200 m³, the
9 total bill impact is a net increase of \$9.98 per year for sales service customers and \$9.91 for
10 bundled direct purchase customers.

11

12 For Rate 01 residential customers in Union North West with annual consumption of 2,200 m³,
13 the bill impact is a net increase of \$6.81 per year for sales service customers and \$6.75 for
14 bundled direct purchase customers, inclusive of the ICM request.⁵ For Rate 01 residential
15 customers in Union North East with annual consumption of 2,200 m³, the bill impact is a net
16 increase of \$4.88 per year for sales service customers and \$4.82 for bundled direct purchase
17 customers, inclusive of the ICM request.

⁴ 2,400 m³ used in accordance with the typical residential consumption in the EGD rate zone.

⁵ 2,200 m³ used in accordance with the typical residential consumption in the Union rate zones.

Table 1
Enbridge Gas's Annual Bill Impacts
Proposed January 1, 2019 Rates

<u>Rate Class</u>	<u>System Sales¹</u>	<u>Direct Purchase¹</u>
EGD rate zone		
Rate 1	\$5.74	\$4.74
Union South rate zone		
Rate M1	\$9.98	\$9.91
Union North rate zone		
<i>North West</i>		
Rate 01	\$6.81	\$6.75
<i>North East</i>		
Rate 01	\$4.88	\$4.82

¹ Based on 2,400 m³ and 2,200 m³ consumption for a residential customer in EGD and Union rate zones respectively.

1
2 The Utility System Plan (“USP”) at Exhibit C1, Tab 1, Schedule 1 supports the 2019 rate
3 application. Strong asset management that balances cost, risk and performance, while delivering
4 value to customers has been at the core of EGD and Union’s business for years and is
5 demonstrated throughout Enbridge Gas’s USP and in the Asset Management Plans for each of
6 the EGD and Union rate zones (Exhibit C1, Tab 2, Schedule 1 and Exhibit C1, Tab 3, Schedule 1
7 respectively).

8
9 In 2017, EGD and Union each engaged a consultant to assist in the design and implementation of
10 extensive customer consultation programs in support of their respective business plans. EGD
11 engaged Ipsos Public Affairs (“Ipsos”) while Union engaged Innovative Research Group Inc.

1 (“IRG”). The reports prepared by these consultants are provided at Exhibit D1, Tab 1, Schedule
2 1 and Exhibit D1, Tab 2, Schedule 1. For both EGD and Union, the consultations were intended
3 to complement the regular customer satisfaction surveys and market research that each of EGD
4 and Union perform on an ongoing basis.

5
6 The objective of EGD’s consultation was to explore the needs and preferences of customers
7 regarding ongoing and future initiatives to help inform the organization’s investment plans. Ipsos
8 developed a multifaceted customer survey to collect feedback from different groups ranging
9 from residential to large volume customers. The survey was conducted by telephone with a
10 random and representative sample of residential, general service business and Rate 6 business
11 customers. For large volume customers the survey was conducted online.

12
13 The vast majority of EGD’s customers are satisfied with the various aspects of the services
14 provided to them, the reliability of natural gas services provided to them and the safe delivery of
15 natural gas to their home or business. Customer ratings of customer service provided to them by
16 EGD are also high, and value for money is perceived positively by customers. Across all metrics
17 and customer segments, most customers feel that EGD should invest in maintaining current
18 levels of reliability, safety, and customer service. Between half and three quarters of customers
19 believe that EGD should invest in maintaining existing reliability, safety, and customer service
20 standards, while about one in five customers across the various customer groups believe that the
21 organization should invest in improving these three critical areas.

22

1 The objective of Union's consultation was similar to EGD's. IRG and Union developed online
2 workbooks for general service (residential and commercial/industrial) and contract customers
3 that would allow customers to share their needs and preferences. IRG then performed a
4 telephone survey for general service customers in order to draw generalizable conclusions that
5 can be applied to the broader population of Union's general service customers. In addition,
6 Union's sales representatives held meetings with strategic account and transportation customers
7 to gather feedback from these customers. IRG then followed up with the customers by telephone
8 to validate the process and to ensure the customers were provided the information they needed in
9 order to provide informed feedback. The results of the meetings with transportation customers is
10 summarized at Exhibit D1, Tab 3, Schedule 1.

11
12 Across all rate classes and all methodologies, customers express high levels of
13 satisfaction with Union. For the most part, what customers need is exactly what Union is
14 currently providing – safe, reliable natural gas delivery at a reasonable price. Customers want
15 Union's business planning to focus on price, reliability and safety, but not to the detriment of the
16 environment and customer service. They want a plan that will keep the system healthy and
17 reliable in the long run, while also ensuring Union demonstrates prudence in its spending
18 decisions. For pace of investment, customers prefer a steady rate at a higher level, over a more
19 reactive and less predictable pace.

20
21 In Exhibit E1, Tab 1, Schedule 1, Enbridge Gas describes how the gas supply evidence in this
22 application largely represents a continuation of the current approaches to gas supply planning for

1 EGD and Union rate zones. EGD's annual gas supply plan and supporting exhibits were filed in
2 each year's annual rate filing and are provided in this application at Exhibit E1, Tab 2, Schedule
3 1 and Exhibit E1, Tab 4, Schedules 1 to 9. In contrast, Union's deferral process was designed to
4 capture the difference between actual gas supply costs and the rate reference price, negating the
5 need for annual approval of the cost consequences of forecast gas supply costs. Union's gas
6 supply memorandum was filed on an annual basis within its annual rate filing and is provided in
7 this application at Exhibit E1, Tab 3, Schedule 1.

8
9 On March 16, 2017 the Board initiated a consultation to develop a Framework for the
10 Assessment of Distributor Gas Supply Plans ("Gas Supply Framework") and on October 25,
11 2018 released the final framework.⁶ EGD and Union filed a joint letter on November 20, 2018
12 outlining proposed timing for complying with the Gas Supply Framework. Enbridge Gas will
13 follow the process as ultimately defined by the Board.

14
15 Enbridge Gas will communicate the amalgamation and change in name to its customers in the
16 Union rate zones through various means including bill inserts and materials available online. The
17 communications will focus on why the name is changing, what the name change means to
18 customers and that customers will continue to receive the same reliable service after
19 amalgamation. Communications with customers in the EGD rate zone will not need to address
20 the change in name to the same extent, as customers are already familiar with the Enbridge

⁶ Report of the Ontario Energy Board, Framework for the Assessment of Distributor Gas Supply Plans, October 25, 2018.

1 name. Each of the websites for the EGD rate zone and Union rate zones will be maintained and
2 customers will continue to be able to find information there. The name Enbridge Gas will be
3 included on bills and rate schedules effective January 1, 2019. The EGD and Union Conditions
4 of Service will also be updated effective January 1, 2019 to reflect the new name. The updated
5 Conditions of Service are included for reference at Exhibit A1, Tab 5, Schedule 1 for the EGD
6 rate zone and Exhibit A1, Tab 5, Schedule 3 for the Union rate zones. Black-lined copies of the
7 Conditions of Service highlighting the changes are provided at Exhibit A1, Tab 5, Schedule 2 for
8 the EGD rate zone and Exhibit A1, Tab 5, Schedule 4 for the Union rate zones.