



EB-2012-0459

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving or fixing rates for the sale, distribution, transmission and storage of gas commencing January 1, 2014.

**DECISION ON ISSUES LIST
AND
DECISION ON MOTION**

November 5, 2013

Enbridge Gas Distribution Inc. (“Enbridge”) filed an application dated July 3, 2013 with the Ontario Energy Board (the “Board”) under section 36 of the *Ontario Energy Board Act, S.O. 1998, c.15, Schedule B* for an order or orders approving rates for a five year period commencing January 1, 2014. The Board has assigned file number EB-2012-0459 to the application. A record of all procedural matters in this proceeding is available on the Board’s web site.

Issues List

On October 25, 2013 the parties and Board staff participated in an Issues Conference to discuss the Draft Issues List which was attached to Procedural Order No. 2 dated October 3, 2013. On October 28, 2013 Board staff filed a “Proposed Issues List” and indicated that it was the product of the Issues Conference and that there were no contested issues.

The Board has considered the “Proposed Issues List” and on the basis that the list appears to comprehensively address the matters before the Board for this application and that the list shows no issues in dispute, will accept it as the Issues List for the proceeding. The Issues List is attached as Appendix A.

Motion - Enbridge’s 2014 Gas Supply Plan

The Board is in receipt of the Notice of Motion filed by Enbridge on October 29, 2013 (the “Motion”) seeking:

1. Approval of a 2014 Unabsorbed Demand Charges Deferral Account (2014 UDCDA), which will record any unabsorbed demand charges up to a maximum amount of \$62.8 million, other than those which are forecast and included within the 2014 Design Day Criteria Transportation Deferral Account (DDCTDA); and
2. Interim approval of Enbridge’s updated 2014 gas supply plan (including forecast volumes), as set out at Exhibit D3-3-1 (updated), for use within Enbridge’s 2014 QRAM applications, until such time as a final decision in this proceeding is implemented.

The Motion was supported by evidence and included a Settlement Agreement and related updates to the pre-filed evidence, in the D series of exhibits. The Settlement Agreement dated October 29, 2013 addresses the 2014 UDCDA, the gas supply plan for QRAM applications, clearance of the UDCDA, and a reservation of parties’ rights regarding gas supply plans in 2015 and beyond. The Settlement Agreement shows no opposition from any of the participating parties to any matters addressed in the agreement. The updates to the D series of exhibits provided explanations of the revisions to the 2014 gas supply plan.

The Board has considered the Motion and the associated evidence and will grant the relief sought. The Board notes that with respect to the updated 2014 gas supply plan, the approval is an interim approval.

The case timetable is attached as Appendix D. Please note that the case timetable is unchanged from the case timetable attached to Procedural Order No. 2. Please be aware that further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. The Issues List for the proceeding shall be the Issues List attached as Appendix A.
2. The 2014 gas supply plan attached as Appendix B is approved on an interim basis.
3. The 2014 Unabsorbed Demand Charges Deferral Account (2014 UDCDA) as described in Appendix C is approved.

All filings to the Board must quote file number **EB-2012-0459**, be made electronically through the Board's web portal at www.pes.ontarioenergyboard.ca/eservice/ in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address.

All filings shall use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available, parties may email their documents to the address below.

Persons who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

For all electronic correspondence and materials related to this proceeding, parties must include in their distribution lists the Case Manager, Colin Schuch at colin.schuch@ontarioenergyboard.ca and Senior Legal Counsel, Kristi Sebalj at kristi.sebalj@ontarioenergyboard.ca

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

ADDRESS

Ontario Energy Board
P.O. Box 2319
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Toronto ON M4P 1E4
Attention: Board Secretary

Filings:

<https://www.pes.ontarioenergyboard.ca/eservice/>

E-mail: boardsec@ontarioenergyboard.ca

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto **November 5, 2013**

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX “A”

Issues List

Enbridge 2014-2018 Customized IR Plan

EB-2012-0459

A. Enbridge’s Customized IR Plan

1. Is Enbridge’s proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?
2. Does Enbridge’s Customized IR plan include appropriate incentives for sustainable efficiency improvements?
3. Does Enbridge’s Customized IR plan ensure appropriate quality of service for customers?
4. Does Enbridge’s IR plan create an environment that is conducive to investment, to the benefit of customers and shareholders?
5. Is the methodology within Enbridge’s Customized IR plan for determining annual Allowed Revenue amounts appropriate?
6. Is the methodology within Enbridge’s Customized IR plan for updating the 2017 and 2018 Annual Revenue amounts within the 2016 Rate Adjustment proceeding appropriate?
7. Is the methodology within Enbridge’s Customized IR plan for determining final rates for 2014 appropriate?
8. Is the methodology within Enbridge’s Customized IR plan for setting final rates for 2015 through 2018 through annual Rate Adjustment proceedings, including cost allocation and rate design, appropriate?
9. Are the cost of capital parameters for 2014 to 2018 (ROE, debt rates) within Enbridge’s Customized IR plan appropriate?

10. Are the following components within Enbridge's Customized IR plan appropriate?
 - a. Z Factor mechanism
 - b. Off-ramp condition
 - c. Earnings Sharing Mechanism
 - d. Treatment of Cost of Capital
 - e. Performance Measurement mechanisms, including Service Quality Requirements (SQRs)
 - f. Sustainable Efficiency Incentive Mechanism
 - g. Annual reporting requirements
 - h. Rebasing proposal
 - i. Treatment of pension expense and employee future benefits costs
 - j. Treatment of DSM costs
 - k. Treatment of Customer Care and CIS costs

11. Is the proposal to continue Enbridge's current deferral and variance accounts through the IR term appropriate?

12. Is the proposal for the creation of the following new deferral and variance accounts appropriate?
 - a. Greater Toronto Area Project Variance Account ("GTAPVA")
 - b. Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA")
 - c. Customer Care Services Procurement Deferral Account ("CCSPDA")
 - d. Greenhouse Gas Emission Impact Deferral account ("GGEIDA")

13. Is the proposal to permit Enbridge to apply for changes in rate design and new energy and non-energy services during the IR term appropriate?

14. Is Enbridge's proposal to continue the RCAM methodology during the IR period appropriate?
15. Is Enbridge's proposal to continue the current methodologies to cost and price other service charges and late payment penalties appropriate?
16. Are the overall levels of allowed revenue, rates and bill impacts for each of the years of the IR plan reasonable given the impact on consumers?

B. Allowed Revenue and Rate Base

17. Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including:
 - a. Is the depreciation amount appropriate?
 - b. Is the operating costs amount appropriate?
 - c. Is the allocation of O&M costs between utility and non-utility (unregulated) operations appropriate?
 - d. Is the amount for income and municipal taxes appropriate?
 - e. Is the cost of capital amount appropriate?
 - f. Is the Other Revenues amount appropriate?
18. Is the rate base for each of 2014, 2015 and 2016 appropriate, including:
 - a. Opening rate base;
 - b. Forecast level of Capital expenditures;
 - c. Forecast Customer additions;
 - d. Proposed Capital additions;
 - e. Allocation of the cost and use of capital assets between utility and non-utility (unregulated) operations;
 - f. Working capital allowance; and
 - g. All other components of and adjustments to rate base.

19. Is the preliminary Allowed Revenue amount for each of 2017 and 2018 appropriate, including:
 - a. Is the preliminary depreciation amount appropriate?
 - b. Is the operating costs amount appropriate?
 - c. Is the allocation of O&M costs between utility and non-utility (unregulated) operations appropriate?
 - d. Is the preliminary amount for income and municipal taxes appropriate?
 - e. Is the preliminary cost of capital amount appropriate?
 - f. Is the Other Revenues amount appropriate?
20. Is the preliminary rate base for each of 2017 and 2018 appropriate, including the method for establishing that preliminary level?

C. 2014 Rates

21. Is the 2014 forecast of Customer Additions appropriate?
22. Is the 2014 revenue forecast appropriate?
23. Is the 2014 gas volume forecast appropriate?
24. Is the 2014 degree day forecast for each of the Company's delivery areas (EDA, CDA and Niagara) appropriate?
25. Is the 2014 Average Use forecast appropriate?
26. Is the 2014 level of Unaccounted For ("UAF") volume appropriate?
27. Is Enbridge's forecast of gas, transportation and storage costs for 2014 appropriate?
28. Is the Allowed Revenue deficiency or sufficiency for the 2014 Fiscal Year calculated correctly?

29. Is the overall change in Allowed Revenue reasonable given the impact on consumers?
30. Is Enbridge's utility Cost Allocation Study, including the methodologies and judgments used and the proposed application of that study with respect to 2014 Fiscal Year rates, appropriate?
31. Are the rates proposed for implementation effective January 1, 2014 and appearing in Exhibit H, just and reasonable?
32. How should the Board implement the rates relevant to this proceeding if they cannot be implemented on or before January 1, 2014?

D. Alternative Proposals

33. With respect to any alternative IR plan proposed for Enbridge, does that proposal meet the Board's objectives for incentive regulation for gas distributors and is it appropriate?
34. With respect to each of the components of any alternative IR proposal, are those components appropriate?

E. Other

35. What are the regulatory alternatives to the Board approving the Enbridge rate proposal? Are any alternatives to approving the rate proposal appropriate?
36. Is Enbridge's proposal for Transactional Services ("TS"), including the classification of transactions within TS and the treatment and sharing of TS revenues, appropriate?
37. Is the proposal to introduce a new Hybrid 50/50 forecasting methodology for the determination of a heating degree day ("HDD") forecast for the Company's "Central Delivery Area", and to retain the existing forecasting methodologies for the EDA and Niagara areas, appropriate?
38. Is the proposed implementation, treatment and cost recovery related to the change in the peak gas day design criteria, approved by the Board in the 2013 rate application (EB-2011-0354), appropriate?

39. Are the proposed depreciation rate changes, to be in use beginning in the 2014 Fiscal Year, related to a reduction in the annual level of Site Restoration Cost/Asset Retirement Obligation (“SRC/ARO”) collected, appropriate?
 - a. Is Enbridge’s proposal to continue with all other depreciation rates established in the EB-2011-0354 proceeding, throughout the IR period appropriate?
40. Are the proposed amounts to be returned to ratepayers over a 5 year period related to the estimated reduction to the amount of SRC/ARO previously collected, appropriate?
41. Is the proposal for the Open Bill Access Program appropriate?
42. Are the proposed changes to Rate 100 and Rate 110 appropriate?
43. Are the proposed changes to the Rate Handbook appropriate?
44. Is Enbridge’s rate design for the proposed Rate 332 appropriate?
45. Is the rate of return on the Natural Gas Vehicle (“NGV”) program appropriate?
46. Has Enbridge responded appropriately to all relevant Board directions from previous proceedings, including commitments from prior settlement agreements?
47. Are Enbridge's economic and business planning assumptions appropriate?
48. Is Enbridge’s updated asset plan appropriate?
49. Is Enbridge’s proposal to increase firm transportation for 2014 appropriate? What are the implications, if any, of that proposal on the gas supply and transportation strategy for 2015-2018? What is the appropriate process to develop, review and approve the gas supply and transportation strategy for 2015-2018?

APPENDIX "B"

Enbridge Gas Distribution Inc.

EB-2012-0459

SUMMARY OF GAS COST TO OPERATIONS
YEAR ENDED DECEMBER 31, 2014

Item #	Col. 1 10 ³ m ³	Col. 2 \$(000)	Col. 3 \$/10 ³ m ³ (Col.2 / Col.1)	Col. 4 \$/GJ (Col.3 / 37.69)
<u>Western Canadian Supplies</u>				
1.1	Alberta Production	0.0	0.0	0.000
1.2	Western - @ Empress - TCPL	2,932,223.6	364,714.7	124.382
1.3	Western - @ Nova - TCPL	938,105.2	117,147.7	124.877
1.4	Western Buy/Sell - with Fuel	1,326.7	168.6	127.094
1.5	Western - @ Alliance	962,756.8	125,441.6	130.294
1.6	Less TCPL Fuel Requirement	(72,504.3)	0.0	3.457
1.	<u>Total Western Canadian Supplies</u>	<u>4,761,908.0</u>	<u>607,472.6</u>	<u>127.569</u>
2.	<u>Peaking Supplies</u>	<u>36,068.0</u>	<u>8,637.9</u>	<u>239.488</u>
3.	<u>Ontario Production</u>	<u>730.0</u>	<u>130.6</u>	<u>178.843</u>
4.	<u>Chicago Supplies</u>	<u>1,847,142.8</u>	<u>271,897.1</u>	<u>147.199</u>
5.	<u>Delivered Supplies</u>	<u>924,668.5</u>	<u>150,356.2</u>	<u>162.606</u>
6.	<u>Total Supply Costs</u>	<u>7,570,517.3</u>	<u>1,038,494.3</u>	<u>137.176</u>
<u>Transportation Costs</u>				
7.1	TCPL - FT - Demand		229,942.4	
7.2	- FT - Commodity	3,799,151.2	0.0	
7.3	- Parkway to CDA		3,410.5	
7.4	- STS - CDA		12,924.1	
7.5	- STS - EDA		9,436.8	
7.6	- Dawn to CDA		9,226.6	
7.7	- Dawn to EDA		18,173.0	
7.8	- Dawn to Iroquois		6,129.2	
7.9	Other Charges		0.0	
7.10	Nova Transmission		7,039.6	
7.11	Alliance Pipeline		43,550.1	
7.12	Vector Pipeline		25,929.2	
7.	<u>Total Transportation Costs</u>		<u>365,761.4</u>	
8.	<u>Total Before PGVA Adjustment</u>	<u>7,570,517.3</u>	<u>1,404,255.7</u>	<u>185.490</u>
9.	<u>PGVA Adjustment</u>		<u>(88,369.7)</u>	
10.	<u>Total Purchases & Receipt</u>	<u>7,570,517.3</u>	<u>1,315,886.0</u>	<u>173.817</u>

SUMMARY OF GAS COST TO OPERATIONS
YEAR ENDED DECEMBER 31, 2014

Item #	Col. 1 10 ³ m ³	Col. 2 \$(000)	Col. 3 \$/10 ³ m ³ (Col.2 / Col.1)	Col. 4 \$/GJ (Col.3 / 37.69)
10. Total Purchases & Receipt	7,570,517.3	1,315,886.0	173.817	4.612
11. Storage Fluctuation	(86,272.7)	(14,995.7)		
12. Commodity Cost to Operations	7,484,244.5	1,300,890.3	173.817	
13. Storage and Transportation Costs		105,281.1		
14. Gas Cost to Operations	7,484,244.5	1,406,171.5	187.884	4.985
15. Western T-Service		49,681.4		
16. Forecasted Gas Costs	7,484,244.5	1,455,852.8	194.522	5.161

Reconciliation Of Natural Gas Sendout Volumes
To Sales Volumes
Year ended December 31, 2014

1. Sendout To Operations	7,484,244.5
2. T-Service Volumes	3,747,940.5
3. Total Sendout	11,232,185.0
4.1 Residential Sales	4,131,122.5
4.2 Commercial Sales	2,645,971.2
4.3 Industrial Sales	450,613.0
4.4 T-Service	3,733,346.0
4.5 Rate 200 T-Service (Gazifere)	41,475.4
4.6 Rate 200 Sales (Gazifere)	123,411.8
4.7 Company Use	4,197.7
4.8 Unaccounted For (UAF)	77,660.0
4.9 Unbilled Forecast - Sales	27,504.9
4.10 Unbilled Forecast - T-Service	(26,880.9)
4.11 Lost and Unaccounted For (LUF)	23,763.6
4. Total System Requirements	11,232,185.0

APPENDIX "C"

Enbridge Gas Distribution Inc.

EB-2012-0459

UPDATED DEFERRAL ACCOUNT EVIDENCE

Unabsorbed Demand Costs Deferral Account (UDCDA) and DDCTDA

76. As described in its updated gas cost evidence at Exhibit D1, Tab 2, Schedule 1, the Company intends to contract for incremental one year long haul FT capacity on TCPL to meet its Peak Day requirements in 2014. A consequence of contracting for incremental long haul capacity is the possibility of Unabsorbed Demand Charges ("UDC").
77. To the extent that the Company is unable to utilize 100% of its contracted long haul TCPL FT capacity to meet customer demand and/or fill storage then the associated UDC costs will be debited in the UDCDA deferral account (excluding the amounts that will be captured in the DDCTDA – please refer to the Updated Exhibit D1, Tab 2, Schedule 1). Enbridge's forecast of UDC costs for 2014, excluding amounts that may be recorded within the 2014 DDCTDA, is \$62.8 million. That is the maximum amount that may be recorded within the 2014 UDCDA.
78. Enbridge will use its best efforts to mitigate the UDC that would otherwise be recorded in the 2014 DDCTDA and the 2014 UDCDA. For example, Enbridge will use transportation capacity to fill storage (by displacing discretionary purchases of gas at Dawn) where that is reasonably possible, to reduce the total amount of unutilized capacity. Where there is unutilized capacity, Enbridge will make best efforts to assign that capacity to third parties, to mitigate the UDC costs. The outcome of Enbridge's best efforts to mitigate UDC will be reflected in the amounts recorded in the 2014 DDCTDA and the 2014 UDCDA.
79. Simple interest is to be calculated on the opening balance of this account at the approved short-term debt interest rate.

Witnesses: K. Culbert
D. Small

80. In order to keep the Board and interested parties informed as to the total unutilized transportation costs the Company intends to provide the actual balance in the UDCDA and DDCTDA and the applicable interest through the QRAM process.
81. The Company proposes that as part of the April 2015 QRAM (or subsequent QRAM depending upon the clearance of the 2014 ESM) to clear the 2014 balance in the UDCDA and DDCTDA either through a onetime charge or over the subsequent 12 months which is consistent with the clearance of PGVA balances.

Witnesses: K. Culbert
D. Small

APPENDIX "D"

Enbridge Gas Distribution Inc.

EB-2012-0459

Preliminary Case Timetable

Date: November 5, 2013

	Event	Date
1.	Notice	July 23
2.	Procedural Order No. 1	August 27
3.	Submissions on need for a Preliminary Issue	September 4
4.	Submissions on Experts Plan	September 9
5.	Responding submissions on need for a Preliminary Issue	September 11
6.	Decision on need for a Preliminary Issue & Procedural Order No. 2	October 2
7.	Letter – from Board staff re: PEG deliverables	October 4
8.	Parties notify Enbridge of topics of interest for Information Session	October 8
9.	information session (hosted by Enbridge)	October 11
10.	File PEG written assessment report	October 22
11.	Issues Conference	October 25
12.	Submissions on Contested Issues	October 29
13.	Reply Submissions on Contested Issues	October 31
14.	Procedural Order No. 3 (Final Issues List)	November 6

15.	Interrogatories filed (Enbridge & PEG)	November 13
16.	Interrogatory responses (Enbridge & PEG)	December 11
17.	Intervenor evidence	December 18
18.	Interrogatories on Intervenor evidence	December 23
19.	Interrogatory responses on Intervenor evidence	January 10
20.	Technical Conference	January 16,17
21.	Undertakings from Tech Conf filed	January 23
22.	Settlement Conference	January 27 – February 7
23.	File Settlement Proposal	February 14
24.	Oral Hearing (10 hearing days)	February 20- March 7