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VIA RESS, EMAIL & COURIER

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

Re: Comments of Enbridge Gas Distribution Inc.

The following are the comments of Enbridge Gas Distribution Inc. ("Enbridge" and / or the "Company") in response to the Ontario Energy Board's ("OEB" or the "Board") Letter (EB-2015-0040) seeking submissions on the "Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs"

Enbridge provides a non-contributory basic pension plan that provides defined benefit or defined contribution pension benefits to the majority of its employees. The Company has two supplemental non-contributory defined benefit pension plans that provide pension benefits in excess of the basic plan for certain employees. The Company also provides other post-employment benefits ("OPEB") for qualifying retired employees.

The accounting for Enbridge is governed by generally accepted accounting principles in the United States of America ("US GAAP"). Costs related to the period are expensed on an accrual basis. Currently, Enbridge has an approved variance account which refunds to, or collects from ratepayers any variance in actual accrual based costs as compared to the forecast included in rates.

Within its letter dated May 14, 2015, the OEB stated its intended objectives of this consultative process are to:

- Develop standard principles to guide OEB review of pension and OPEB costs in the future;

- Establish specific information requirements for applications that will be incremental to current filing requirements; and

- Establish appropriate regulatory mechanisms for cost recovery which can be applied consistently across the gas and electricity sectors for rate regulated entities.

Enbridge's general comments

The pension and OPEB cost questions / issues which the Board is seeking submissions about, involves complex financial, rate, and tax related issues. Enbridge submits that it is important that the Board has available, thorough submissions by all regulated entities, details of the various current treatments of these costs, including why they believe that the current treatment is appropriate given their facts and circumstances.

Enbridge supports the development of guiding principles which the Board can consider in determining the appropriate treatment for each different regulated entity in Ontario. Enbridge does not, however, believe that such principles can be strictly applied to each regulated entity given the variety of circumstances for each entity's pension and OPEB plans related requirements and impacts.

Enbridge also supports the establishment of certain information filing requirements in respect to pension and OPEB related applications.

Enbridge does not support the considered objective that any individual mechanism for cost recovery can be applied consistently across all regulated entities. Enbridge believes the compiling and understanding of all the details and reasons for each regulated entity's required and current financial treatment will support this assertion.

As an example, upon review of evidence in past regulatory proceedings, the Board recognized the benefit of, and has approved of, the use of different accounting standards (e.g., IFRS, US GAAP, etc.) for rate making purposes for various regulated entities. Enbridge believes the future regulatory treatment of pension and OPEB costs should be consistent with the past approved regulatory treatment where the Board has already considered the required financial accounting treatment of these costs within different accounting standards.

Enbridge's comments on the OEB's high level questions

General Principles:

1. **What principles should the OEB adopt in addressing pension and OPEB issues?**

   - Consistency across gas and electricity sectors – Enbridge supports the development of "high level" guiding principles which will allow Utilities to select the most appropriate method for their Pension and OPEB's. From these "high level" guiding principles, the Board can consider the appropriate treatment for each different regulated entity across gas and utility sectors. Given the varying circumstances of each entity within the gas and electric sectors, guiding principles may result in varying treatments.

   - Intergenerational equity / financial protection for future ratepayers – Enbridge agrees that this is a very important principle to be addressed through the choice of an accounting and rate related methodology. One generation should not be receiving benefits through current rates at the expense of future ratepayers through the rates they will pay.

- Ensuring the most efficient level of costs for ratepayers – Enbridge does not believe this is a principle that is appropriately applicable to pension and OPEB costs any more so than any other cost. Pension and OPEB costs are one type of costs that makes up a utility's request for annual revenue requirement that are recovered in Rates paid by the Customer. One interpretation of this principle could be that only the absolute lowest level of pension and OPEB costs, compared to all entities in Ontario who pay such costs, are to be paid to regulated entity employees and recovered from ratepayers. A guiding principle of the regulated Tribunal process is for the OEB to determine just and reasonable rates. This determination is made not on any one individual cost but rather the impact of all costs that make up a utilities revenue requirement. Therefore, efficiency should be determined at the aggregate cost level and not at the cost element of pensions and OPEB. This interpretation could result in the resources that regulated entities are able to attract not performing at the same level of effectiveness as those currently attracted, perhaps reducing the overall efficiency of the regulated entity. In addition, this interpretation could also be viewed as putting regulated entities that operate in larger areas such as Toronto at a disadvantage as compared to entities that operate in smaller communities where the cost of living is lower.

- Stable cost levels – Enbridge agrees that stability in cost levels for accounting and inclusion in rates for pension and OPEB's is an important consideration.

- Pension costs which are comparable as measured by other benchmarks – Pension and OPEB costs are generally elements which each regulated entity must consider within a total compensation package which it will offer to the marketplace. While Enbridge believes benchmarking of pension and OPEB costs can be helpful, the Company believes total compensation and the various factors which affect different entities' total compensation is a more useful benchmarking exercise. In addition, the selection of an appropriate benchmark needs to consider the facts and circumstances for the entities involved. The facts and circumstances may differ greatly depending on whether the entity distributes gas or electricity, is privately, municipally or government owned and the location of the individual entities. All of these factors could and should be considered in the selection of a benchmark which may not be the same for all entities.

2. Are there other types of costs previously considered by the OEB that provide suitable analogies for the consideration of pension and OPEB issues?

Enbridge does not believe that other types of costs provide suitable analogies for the consideration of pension and OPEB issues. Enbridge believes that pension and OPEB issues have their own unique required financial treatment, estimation factors and regulation requirements and that no other type of cost, such as deferred taxes, asset retirement obligations or site restoration costs, considered by the Board would be useful from a comparative treatment perspective.

Information Requirements:

3. Should the applicants be required to compare their pension and OPEB costs to industry norms and/or other benchmarks?

As noted above, pension and OPEB costs are elements of total compensation considerations within various regulated entities. Each entity has a variety of circumstances which influence what level of compensation they incur and how pension and OPEB costs are treated from an accounting perspective. As such Enrbidge does not believe it is useful to compare such individual compensation related costs of individual regulated entities to industry norms and benchmarks.

Assuming the benchmarking was performed at the total compensation level, rather than at the pension and OPEB costs level, and an acceptable benchmark can be located, the use of benchmarking may prove to be a valuable tool to the OEB.

4. What other relevant information should the Board evaluate in order to effectively assess the pension and OPEB costs that a rate-regulated entity is seeking to be included in the rates charged to customers?

Other information that should be evaluated includes:

- Actuarial valuations;
- Type of pension plans (single-employer, jointly-sponsored, multi-employer pension plans, etc.);
- Employee demographics;
- Statement of Investment Policies & Practices (including target asset allocations);
- Actuarial assumptions used in the actuarial valuation of the pension and OPEB liabilities; and
- Total compensation.

Accounting and Recovery in Rates:

5. a) Should the OEB establish accounting and recovery methods for both the electricity and gas sectors?

Enbridge does not support the OEB establishing a required accounting treatment for all electricity and gas distribution entities. The OEB already considers and understands it to be appropriate that different entities in both sectors may have different accounting requirements and therefore varying recovery mechanisms. Enbridge supports the continuation of the OEB determining just and reasonable rates at the aggregate Revenue Requirement level as well as the development of “high level” guiding principles which the Board can consider in determining the appropriate treatment for each different regulated entity in Ontario.

b) What criteria should be considered to determine the appropriate approach?

Some of the criteria requiring consideration are: type of plan (DB or DC) and valuation methodology, required accounting standard, inter-generational equity, rate stability, etc. An overarching consideration should be what criteria are applicable to the individual entities and what impact each has on the selection of the appropriate accounting treatments.

c) If one method is adopted, what should it be: cash (pay-as-you-go) basis, funding contribution basis, accrual basis or another method?

Enbridge believes that each entity will have a variety of circumstances that influence the method they should be allowed in their situation. Within its Fiscal 2013, EB-2011-0354 proceeding, Enbridge filed evidence in support of the use of the accrual basis for rate recovery to match the manner of its required accounting treatment of pension and OPEB costs. The OEB approved of the proposed accrual basis for rate recovery purposes. Under this method, the service costs are included in rates in the period in which they were provided to the utility which ensures inter-generational equity. Providing for cost recovery based on the pay-as-you-go basis or the contribution basis would not provide for inter-generational equity as portions of the cost of service would be included in rates in periods subsequent to the period in which the services were provided to the utility.

d) Should the method for recovering costs relating to registered pension plans be different from that used for unregistered pension and OPEB plans?

Enbridge does not believe that it would be appropriate to have the accounting treatment for registered and unregistered plans differ. Both registered and unregistered pension and OPEB costs are an integral part of the total compensation provided to Enbridge employees. Whether the costs incurred are related to a registered or unregistered plan are immaterial; they should receive the same treatment which should be driven by the nature of the costs and not the registered status.

6. a, b & c) Should the OEB take into account impacts of financial reporting (US GAAP, ASPE, and IFRS), - legal, and tax matters?

Yes, the OEB should take into account impacts of financial reporting, legal and tax matters. Presenting financial information to various stakeholders on a different presentation basis may be misleading to users of the financial information. Additionally, if the OEB requires the cost of pension and OPEB be recovered in rates on a different basis than the entity accounts for them in the financial statements, there may be additional costs and effort necessary to effectively track these items in the various accounting methods. This treatment could also result in additional deferral accounts being established to track differences between these methods. There are also additional tax, legal and administrative costs that would be associated with changing methodologies which would in turn impact the ratepayers.

7. a) Would it be appropriate to establish a deferral or variance account(s) in association with the approaches discussed above in numbers 5 & 6 respectively?

If the OEB prescribes any required accounting and regulatory treatment different than that which is currently used by Enbridge, the Company views the creation of a deferral account to capture any transitional costs related to this change to be appropriate. In addition, any incremental annual costs related to a change in the regulatory treatments, including consulting, legal and additional administration costs, should be eligible for deferral and future clearance.

b) How should the accounts operate?

The determination of how a transitional, other deferral or variance account should operate would be wholly dependent on the prescribed treatment the OEB sets forth. Enbridge believes that the way the various accounts should operate may be dependent on the facts and circumstances of the individual utility as well as the impact on rates.

c) Should interest be applied to the accounts, and if so, why?

The applicability of interest to any deferral or variance account would be dependent on the account's intended purpose.

d) How should the transition from the current practice to the new method of recovery be addressed?

i**) Should the transition be phased-in, applied retrospectively with catch-up adjustments for amounts collected from ratepayers to date but not yet paid out, prospectively with no adjustments for prior periods or a combination of these methods?**

Enbridge believes that any transition should keep both the utility and the ratepayer in the same position that they would have been if the mechanism had always been in place.

ii) Should a generic approach be used or should the transition be addressed on a case by case basis?

Enbridge believes that the approach to transition would need to be assessed on a case by case basis taking into account the various facts and circumstances of each entity, including the impact on rates.

8. a) Would it be appropriate to establish some form of segregated fund or similar set-aside mechanism for amounts which are collected from ratepayers before they are paid out?

It should be noted that for registered retirement plans ("RPPs") the assets are already maintained in a pension trust. If the OEB were to impose the need for a segregated fund or similar mechanism for non-RPP pension and OPEB plans that do not presently exist, there would be additional costs, including legal, administrative and other expenses, incurred which would, in turn, be passed onto the ratepayer through higher rates. As a result, Enbridge does not believe it is appropriate or required to establish such a mechanism. Additionally, Enbridge believes the OEB has sufficient financial information available to determine the financial viability of each entity it regulates in relation to amounts collected from ratepayers.

b) What tax, legal, accounting or other issues arise?

Where some form of a segregated fund was deemed required by the OEB, there would be different legal and tax related issues depending on the required form of such a fund. This could potentially range from the segregated fund being required to file tax returns and potentially pay taxes stand-alone as well as there being additional administrative and accounting costs related to the maintenance of the segregated fund. As there are additional tax, legal and administrative costs associated with changes, ratepayers could be impacted by higher rates.

c) How should the transition to the new practice be addressed?

i**) Should the transition be phased-in, applied retrospectively with catch-up adjustments for amounts collected from ratepayers to date but not yet paid out, prospectively with no adjustments for prior periods or a combination of these methods?**

Enbridge believes that any transition should keep both the utility and the ratepayer in the same position that they would have been if the mechanism had always been in place.

ii) Should a generic approach be used or should the transition be addressed on a case by case basis?

Enbridge believes that the approach to transition in this regard would need to be assessed on a case by case basis based on the individual facts and circumstances of the entities involved, the impact it has on their pension and OPEB plans, and any potential impacts on rates.

9. a) What information should the utilities report and how frequently should it be reported?

The following is a summary of the information that each utility should provide to the OEB:

Report	**Frequency**
Actuarial valuations	Tri-annually at minimum
Summary of actuarial assumptions	Tri-annually at minimum
Audited financial statements	Annually
Statement of investment policies and procedures	Annually

Should you have any questions regarding this submission, please feel free to contact me or Andrew Mandyam at 416-495-6350.

Yours truly,

(Original Signed)

Joanne Barradas
Controller, Enbridge

cc: Andrew Mandyam, Director of Regulatory Affairs, Enbridge