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December 6, 2017

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: Enbridge Gas Distribution Inc. (“Enbridge”)
2018 Rate Adjustment Application (“Application”)
Ontario Energy Board (“Board”) File Number EB-2017-0086
Amended Settlement Proposal and Draft Rate Order**

Attached to this letter is an Amended Settlement Proposal, along with a draft Rate Order reflecting the Amended Settlement Proposal. Enbridge requests that the Board review and approve the Amended Settlement Proposal by Friday, December 8, 2017, in order that 2018 delivery rates can be implemented as of January 1, 2018.

Background

On December 4, 2017, the OEB held a hearing to consider the originally filed Settlement Proposal in this proceeding. At the conclusion of the December 4, 2017 hearing, the OEB hearing panel issued an oral decision rejecting the Settlement Proposal as filed.¹ The OEB hearing panel listed the specific conditions and terms within the Settlement Proposal that the OEB could not accept. In its oral decision, the OEB hearing panel offered parties “a very limited window” until today to reconsider and discuss positions and file an amended Settlement Proposal.

Since that time, the parties have been able to reach agreement, which is reflected in this Amended Settlement Proposal. The parties believe that this Amended Settlement Proposal addresses and takes appropriate account of the concerns raised by the OEB hearing panel in relation to the previously filed Amended Settlement Proposal.

The Amended Settlement Proposal and Draft Rate Order

The Amended Settlement Proposal includes a complete settlement of all items in this proceeding. Appendices A and B to the Amended Settlement Proposal provide updated financial details (inclusive of the impacts of the Amended Settlement Proposal) supporting the derivation of Enbridge’s 2018 Allowed Revenue and delivery rates.

¹ 1Tr.46-50.

The Amended Settlement Proposal is intended to be a standalone document, rather than an update to the previously-filed Settlement Proposal. To assist the Board in its review of the Amended Settlement Proposal, Enbridge has prepared a blacklined version of the document, showing the changes from the previously-filed Settlement Proposal. That blacklined version (for which no approval is requested) is attached.

Enbridge has prepared a draft Rate Order that reflects the Company's Application, taking into account the four adjustments set out in the Amended Settlement Proposal. The draft Rate Order is attached. It is in a consistent format from what has been filed in prior years during this Custom IR term. Included within the draft Rate Order package are the following items:

- Attachment 1 – the 2018 Rate Handbook
- Attachment 2 – evidence describing the development of the draft Rate Order, along with the key financial schedules supporting the draft Rate Order, with appropriate updates to reflect the four adjustments to Enbridge's Application that are set out in the Amended Settlement Proposal (to volumes, cost of capital, pension costs and Allowed Revenue).

Draft Accounting Order

Enbridge is also preparing a draft Accounting Order that reflects the Company's Application, taking into account the agreement in the Amended Settlement Proposal related to the amended scope of the Post-Retirement True-Up Account (PTUVA). The draft Accounting Order will also address the Board Hearing Panel's direction (in its December 4th oral decision) for Enbridge to remove the December 31, 2018 end date for approved Deferral and Variance Accounts where appropriate. The parties have not agreed upon which accounts should retain a December 31, 2018 end date, and therefore the draft Accounting Order it is not part of the Amended Settlement Proposal. Importantly, however, the approval and implementation of 2018 rates as of January 1, 2018 does not require an immediate approval of the Accounting Order. It is sufficient for the Accounting Order to be approved in due course.

Timing

Enbridge requests that the Board review and approve the Amended Settlement Proposal, as well as the Draft Rate Order. Enbridge respectfully requests a Board Decision on these items by Friday, December 8, 2017.

Enbridge's January 1, 2018 QRAM Application needs to be filed by Tuesday, December 12, 2017, which is the last permissible date under the Board's timelines for QRAM applications. Receiving a Board Decision on the Amended Settlement Proposal by Friday December 8th would permit Enbridge to use the Board-approved final 2018 rates (which reflect the impacts of the 2018 Rate Adjustment Application inclusive of the adjustments from the Amended Settlement Proposal) as base rates for its EB-2017-0347 January 1, 2018 QRAM Application (i.e. January 1, 2018 QRAM rate changes will be applied / layered onto the Board-approved 2018 rates).

The following paragraphs provide additional clarification on why the Board's approval of 2018 Draft Rate Order is needed prior to the development / derivation of January 1, 2018 QRAM rate changes.

In essence, QRAM is an incremental rate change approach where rate changes due to changes in upstream costs are layered onto the set of Board-approved base rates.

With respect to derivation of January 1, 2018 QRAM rates, there are two options:

Option 1: Use Board-approved final 2018 rates as base rates

To employ Option 1, Enbridge needs the Board approval of the Amended Settlement Agreement and the Draft Rate Order by Friday, December 8th.

If the Board approval is received, then Enbridge will use final 2018 rates as base rates for the development / derivation of January 1, 2018 QRAM rates.

Given that the final 2018 rates reflect July 1, 2017 QRAM gas costs, the Board-approved unit rate changes from the October 1, 2017 QRAM needs to be added to the final 2018 rates to set / derive the appropriate starting point / benchmark for the derivation of January 1, 2018 QRAM.

It is the January 1, 2018 QRAM impacts and rates that are communicated to customers through the customer rate notices and implemented into the billing system. Under Option 1, the January 1, 2018 impacts will reflect both the impact from final 2018 rates and January 1, 2018 QRAM rate change. This rate change sequence and timing is most efficient / preferred from implementation and customer communication perspectives.

Option 2: Use Board-approved final 2017 rates as base rates:

If the Board approval is not received by Friday, December 8th, then the opportunity to implement the impacts from final 2018 rates into billing on January 1, 2018 will no longer be possible.

In that case, Enbridge will need to derive January 1, 2018 QRAM rates off October 1, 2017 QRAM rates which are based on the final 2017 rates as base rates. This will require later implementation of final 2018 rates.

If Option 2 is required, Enbridge plans to file its January 1, 2018 QRAM Application using the 2018 volumes set out in the Company's filing, inclusive of the updates set out in the Amended Settlement Proposal (noted as "Adjustment 1"). This approach is consistent with the Board-approved QRAM process that is described at paragraph 2 and Appendix A of Enbridge's QRAM applications.² As set out in the overview of the QRAM process filed in each QRAM application,

² Enbridge's most recent QRAM Application (for Q4 2017) is filed as EB-2017-0281. The exhibits noted in this sentence are filed in that proceeding as Exhibit Q4-1, Tab 2, Schedule 1, pages 1 -2, paragraph 2 and Exhibit Q4-

“[t]he volumetric forecast of Sales service, Western T-service and Ontario T-service is Enbridge’s as-filed forecast for the test year, as updated (if any), until there is a Board-approved forecast.”³ The implementation of forecast 2018 volumes aligns with the proposed / forecast 2018 gas supply plan.

However, under this scenario / outcome, Enbridge will need to continue / carry on its 2017 delivery rates into 2018, on an interim basis.

Therefore, the January 1, 2018 QRAM rate change would be implemented based off forecast 2018 volumes and 2017 delivery rates.

In the event that the Board is not able to issue a decision approving the Amended Settlement Proposal by Friday, December 8, 2017, but does approve the Amended Settlement Proposal at a later date, then Enbridge could implement 2018 rates into billing as of February 1, 2018, or as part of the April 1, 2018 QRAM Application. The last dates on which Enbridge could receive a Board Decision and Rate Order in order to meet those billing dates are January 12, 2018 and February 28, 2018, respectively.

In such a case, given that the final 2018 rates reflect July 1, 2017 QRAM gas costs, the Board-approved unit rate changes from the October 1, 2017 QRAM and the January 1, 2018 QRAM will need to be added to the final 2018 rates to set / derive the appropriate rates to be billed to customers as of February 1, 2018 or to set / derive an appropriate starting point / benchmark for the derivation of April 1, 2018 QRAM.

Enbridge notes that implementation of 2018 rates into billing after January 1, 2018 will necessitate development and implementation into billing of Rider E: a Revenue Adjustment Rider that will capture the difference between interim (i.e. 2017) and final 2018 rates for the period between January 1, 2018 and implementation date for final 2018 rates. This process requires additional accommodations and testing within the billing system and additional customer communication. This would also infringe on CIS / billing maintenance activities that are typically carried out in between rate changes.

In light of the above, Enbridge respectfully requests a Board Decision on the Amended Settlement Proposal and Draft Rate Order by Friday, December 8, 2017.

The Settlement Proposal has been filed through the Board’s Regulatory Electronic Submission System (RESS) and will be available on the Enbridge website at www.enbridgegas.com/ratecase.

1, Tab 2, Schedule 1, Appendix A.

³ Exhibit Q4-1, Tab 2, Schedule 1, Appendix A, page 8, paragraph 8(a).

Ms. Kirsten Walli

2017-12-06

Page

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Kevin Culbert

Manager, Regulatory Policy & Strategy

cc: Mr. D. Stevens, Aird & Berlis LLP (via email)
All Interested Parties EB-2017-0086 (via email)