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BY EMAIL

January 15, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc.
2018 Rate Adjustment
OEB Staff Submission on Draft Accounting Order
Board File Number: EB-2017-0086**

Please find attached OEB staff's submission on the Draft Accounting Order filed on January 4, 2018 (updated on January 12, 2018).

Yours truly,

Original Signed By

Lawrie Gluck
Case Manager

cc: All parties in EB-2017-0086



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON DRAFT ACCOUNTING ORDER

**Enbridge Gas Distribution Inc.
2018 Rate Adjustment**

EB-2017-0086

January 15, 2018

Background

Enbridge Gas Distribution Inc. (Enbridge) filed an application dated September 25, 2017 (updated October 17, 2017) with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, S.O. 1998, c.15*, (Schedule B) for an order or orders approving rates for 2018. Enbridge updated its 2018 rates application in accordance with the OEB's Letter of Direction, dated October 16, 2017. In the letter, the OEB directed Enbridge to remove its cap-and-trade related proposals from its application and re-file those proposals (and related evidence) in a standalone proceeding¹.

Enbridge filed a settlement proposal with the associated draft rate order and draft accounting order on November 29, 2017. Enbridge presented the settlement proposal to the OEB on December 4, 2017.

As part of the oral decision of the OEB on December 4, 2017, the OEB directed Enbridge to resubmit its draft accounting order to remove, where appropriate, the December 31st, 2018 end date for the deferral and variance accounts with the objective of allowing Enbridge's accounting orders to persist over time where appropriate (as opposed to ending in each fiscal year).²

Enbridge filed an amended settlement proposal and associated draft rate order in this proceeding on December 6, 2017. As part of the amended settlement proposal, Enbridge proposed that the draft accounting order could be addressed subsequent to the OEB establishing 2018 rates.

In its Decision and Rate Order, dated December 7, 2017, the OEB approved the amended settlement proposal which established Enbridge's 2018 rates and set out procedural steps for the hearing of issues related to the draft accounting order.³

Enbridge filed its revised draft accounting order, in which it responded to the OEB's direction, on January 4, 2018. Enbridge filed an update to its revised draft accounting order on January 12, 2018. In the update, Enbridge corrected the description and related example accounting entries for three accounts to better reflect the intent of the OEB's direction.

¹ EB-2017-0319.

² EB-2017-0086, Transcripts Vol. 1, December 4, 2017, pp. 47-48.

³ EB-2017-0086, Decision and Rate Order, December 7, 2017, pp. 3 and 6.

The only issue remaining in the current proceeding is with respect to the revised draft accounting order. OEB staff's submission on the revised draft accounting order is set out below (and is based on the January 12, 2018 re-filed version).

Revised Draft Accounting Order

Background

In the revised draft accounting order, Enbridge removed the end date for all of its deferral and variance accounts except for: (a) the 2018 Relocation Mains Variance Account (RLMVA); (b) the 2018 Replacement Mains Variance Account (RPMVA); (c) the 2018 Constant Dollar Net Salvage Adjustment Deferral Account (CDNSADA); and (d) the 2018 Customer Care CIS Rate Smoothing Deferral Account (CCCISRSDA). Enbridge stated that it maintained the end date only for the above noted accounts as these accounts were previously expected to end as of December 31, 2018 (based on previous approved settlement proposals and OEB decisions⁴).

Enbridge's revised draft accounting order also reflects changes to the descriptions of the Post-Retirement True-Up Variance Account (PTUVA) and the CDNSADA, which reflect the approved amended settlement proposal.

OEB Staff Submission on Revised Draft Accounting Order

OEB staff has no concerns with the revised draft accounting order and submits that it should be approved as filed. OEB staff submits that the revised draft accounting order adequately addresses both the OEB's direction provided at the oral hearing held on December 4, 2017 and the approved amended settlement proposal.

OEB staff supports the proposed removal of the end date for all of Enbridge's deferral and variance accounts (with the above noted exceptions). OEB staff notes that the OEB's December 4, 2017 direction at the oral hearing required Enbridge to end the practice of defining end dates for its deferral accounts where appropriate. In this way, accounts intended to persist over time did not require new accounting orders every year. Enbridge removed the end date from all of its deferral and variance accounts for

⁴ EB-2011-0226, EB-2012-0459 and EB-2017-0086.

which there was no previous expectation that the accounts were to be closed at the end of 2018.

OEB staff notes that the removal of end dates from Enbridge's deferral and variance accounts brings Enbridge's accounting order practices in line with most, if not all, of the other utilities (both natural gas and electricity) that are regulated by the OEB. OEB staff submits that the exclusion of an end date from a deferral or variance account does not presuppose that the account will continue to be in operation forever. Instead, it simply relieves the administrative requirement for new draft accounting orders and new approvals by the OEB each year in the absence of a determination by the OEB that an account should be closed or otherwise modified. This will lead to administrative efficiencies in the future.

Enbridge applied for approval to amalgamate with Union Gas Limited⁵ and proposed a rate framework that it believes should be applied to the amalgamated company⁶. The OEB, as part of the rate framework proceeding, will determine which accounts should continue, which accounts should cease, and which accounts require modifications. The exclusion of an end date from a deferral or variance account description does not in any way predetermine the findings that the OEB may make on the reasonableness of an account continuing in the future. The OEB can at any appropriate time (e.g. the rate framework proceeding), with or without an end date applied to an account, determine that a deferral or variance account should be continued, closed or otherwise modified.

In regard to the four accounts for which Enbridge proposed that a December 31, 2018 end date should continue to apply (RLMVA, RPMVA, CDNSADA, CCCISRSDA), OEB staff agrees with Enbridge that there was a previous expectation that these accounts would conclude at the end of 2018.

OEB staff notes that in the rate framework proceeding Enbridge requested closure of the noted four accounts along with two other accounts for which no end date has been included in the draft accounting order.⁷ As discussed in some detail above, even if the noted accounts did not have an end date applied it would be entirely within the OEB's power to close them during the rate framework proceeding if the OEB determines that

⁵ EB-2017-0306.

⁶ EB-2017-0307.

⁷ EB-2017-0307, Exhibit B, Tab 1, p. 23. The two other accounts are the PTUVA and the Earnings Sharing Mechanism Deferral Account.

they are no longer required. Similarly, if the OEB determines that the noted four accounts (or similar accounts) are required as part of the next framework (which OEB staff is in no way suggesting), the OEB can order that these accounts (or similar accounts) be established even though they have an end date set out in the revised draft accounting order. Therefore, in the context of the OEB's broad powers with respect to deferral accounts, the inclusion or exclusion of an end date has no substantive impact on the OEB's ability to determine the appropriate status of a deferral account on a going forward basis. On that basis and to avoid the need for Enbridge to file another revised draft accounting order, OEB submits that it has no concerns with retaining the December 31, 2018 end date for the noted accounts as proposed.

However, OEB staff submits that, in the future, no accounts should have end dates set out in the relevant accounting orders unless the OEB specifically requires a sunset date for an account. This will cease Enbridge's practice of seeking approval to establish new deferral and variance accounts each year (which are really new vintages of existing accounts) and administrative efficiencies will be achieved.

Finally, OEB staff submits that the language in the revised draft accounting order for each deferral and variance account accurately reflects previous OEB approvals and the approved amended settlement proposal, which required updates to the language for the PTUVA and CDNSADA. OEB staff also submits that the updates made on January 12, 2018 to the descriptions for the Manufactured Gas Plant Deferral Account (MGPDA), the PTUVA, and the Transition Impact of Accounting Change Deferral Account (TIACDA) to better reflect the OEB's direction are appropriate.

For all of the above reasons, OEB staff submits that the revised draft accounting order should be approved as filed.

All of which is respectfully submitted.