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Our File No. 185543

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

**Re: EB-2018-0331: Enbridge Gas Inc., Application for Disposition of Cap and Trade-
Related Deferral and Variance Accounts for 2016-2018**

Please find enclosed herewith BOMA's Written Submissions.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett

TB/dd

Encls.

cc: All Parties (*via email*)

ONTARIO ENERGY BOARD

Enbridge Gas Inc.

**Application for Disposition of Cap and Trade-Related
Deferral and Variance Accounts for 2016-2018**

Written Submissions of

Building Owners and Managers Association of Greater Toronto ("BOMA")

June 20, 2019

Tom Brett
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Counsel for BOMA

Written Submissions of BOMA

1. For the sake of brevity and efficiency, BOMA will not reiterate the legislative and procedural history of this application, other than to note that EGD's statement at the bottom of page 1 of its application is incorrect, in that it conflates the Board's finding that the forecast cost consequences of the 2017 compliance plans in EB-2016-0296/0300/0330 as being reasonable and consistent with the Framework, with a prudence review of the actual compliance plan expenditures. The Board's finding that the forecast cost consequences of the plans were reasonable and consistent with the Framework does not determine the prudence of the expenditures to implement the plans. Plans and forecasts of expenditures are not reviewable for prudence. Only the actual expenditures are. The decision, noted above, also approved the establishment of various Cap and Trade related deferral and variance accounts. EGD makes other references in its evidence to the prudence of the plan or the forecast of expenditures which are also incorrect. The correct position was confirmed by EGD's counsel during the EB-2016-0296/0300/0330 hearing on the 2017 compliance plan expenditures (Transcript, Volume 1, p116). In other words, in order to assess the prudence of the amounts in the customer related and facility related deferral accounts, it is necessary to determine whether the expenditures to implement the plan, excluding the OM&A expenditures which are the subject of their own deferral account, itself were prudent. That said, only the Board staff and the Board have access to the information necessary to make that assessment. BOMA does not have any of the information necessary to ascertain whether the overall plan expenditures and, therefore, the balances in the customer related and facility related

deferral accounts are prudent. Hopefully, the Board staff will provide that analysis in the confidential part of their argument.

2. BOMA does not object to the arithmetic provided in the evidence to explain the December 31st positions of the customer related and facility related deferral accounts. However, as noted above, it takes no position on whether the amounts are prudent because the answer to that question depends on the prudence of the expenditures themselves.
3. BOMA believes that the disposition of amounts in the GGEIDA account should reflect the following comments:
 - (a) Union's Wages and Salaries in each of 2016, 2017, and 2018, which exceed EGD's Wages and Salaries by approximately \$3.546 million, are clearly excessive. Union's reasons for the difference, filed at I.Staff.6(b), do not justify the excessive staffing expenditure. First, Union suggested that the different regulatory regimes that it and EGD were under during 2016, 2017, and 2018, Price Cap for Union, and Custom IR for EGD, are reasons for the difference, is not a legitimate reason why Union should spend more than twice the amount that EGD spent on Wages and Salaries in the three year period. Each utility chose its own plan, and Union's IRM Price Cap Plan included a very generous pass-through treatment of all its large capital projects over the plan period, which made it possible for Union to accrue the cash flow for such projects immediately upon their completion and placement in-service, rather than having to wait until rebasing. Union was in virtually the same cash flow position as EGD through that

period. Second, Union stated that they hired extra personnel to begin work on offsets, technology and innovation, and the development of abatement projects. These expenditures were premature, given the lack of abatement projects in the 2017 and 2018 rate plans and the government's failure to develop offset criteria and eligible offset measures in a timely fashion. Union stated (I.SEC.15, p3) that five of its thirteen odd FTEs were for business development, technology, and innovation roles in 2016 (and continued in 2017 and 2018), and another FTE for GHG reporting. GHG reporting was an activity already in place to ensure compliance with other regulations under the Environmental Protection Act, and should have been already in rates. Business development and technology personnel expenditures were, as noted above, premature and excessive, and given the fact that EGD already had substantial expertise in renewable natural gas, one of the most promising, perhaps the leading, abatement candidate in 2017. While long term planning of abatement projects is a legitimate activity, in the compliance plan, it does not justify five FTEs, and should mainly be the job of the individuals that develop the compliance plans. Given the fact that Union and EGD were under the common ownership of Enbridge Inc. by February 2017, the two utilities should have merged and rationalized their compliance plans with a view to reducing expenditures. They did not do this, and they carried on in 2017 and 2018 with their separate plans as if they were separately owned businesses. They did not need to wait for any further developments, such as the merger, to meld their plans into one. Finally, the OEB's decision that the utilities' administrative costs were consistent with the framework does not determine the prudence of those OM&A costs. That statement was a very general high level

comment based on very limited scrutiny of the forecast expenditures under pressure to ensure the program was up and running by January 1, 2017 to meet the Ontario government's timetable. The prudence of those OM&A costs is being determined in this proceeding. Two of the five FTEs Union described in I.Staff.8 are dealing with matters which, for the most part, because they deal with GHG reporting, a program implemented prior to the provincial Cap and Trade program. Accordingly, BOMA recommends that the Board disallow Union's Wages and Salaries expenditures in excess of EGD's Wages and Salaries expenditures for the three year period.

- (b) The Board should not approve the recovery of the utilities' expenditures on the FCCP Plan in this case. Rather, the Board should direct that those expenditures be transferred to the separate deferral accounts which the Board will likely create in the current FCCP proceeding, and deal with their disposition in conjunction with other FCCP related expenditures, which are being made in 2019, at some future date. OM&A costs in respect of the FCCP Plan should not be mixed up with the costs for the provincial plan in 2018, notwithstanding the wording of the deferral account. Going forward, it will be more difficult to conduct a proper analysis and make a proper judgment on the prudence of the FCCP Plan-related OM&A and capital costs, in particular, costs related to IT expenditures and Wages and Salaries.

All of which is respectfully submitted.