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June 21, 2019

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

Re: EB-2018-0331 – Enbridge Inc.
Applications for the disposition of Cap and Trade-Related Deferral and Variance Accounts for the period 2016-2018
Submissions of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the final submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

(Original Signed By)

John Lawford
Counsel for VECC

Copy to:
Enbridge Gas Inc.

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EB-2018-0331

Enbridge Gas Inc. (formerly Enbridge Gas Distribution Inc. and Union Gas Limited)

EPCOR Natural Gas Limited Partnership

Applications for the disposition of Cap and Trade -

Related Deferral and Variance Accounts for the period 2016-2018

Submissions of Vulnerable Energy Consumers Coalition

Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) and EPCOR Gas (collectively the Gas Utilities) filed applications for disposition of cap and trade related deferral and variance accounts for the period 2016 to 2018. The applications were filed prior to the completion of the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited (now Enbridge Gas Inc,) which was effective January 1, 2019. The scope of this combined proceeding is a prudence review of the amounts in the cap and trade-related variance and deferral accounts for EGD and Union rate zones.

After the OEB completes the prudence review and the balances are approved and disposed of, the Gas Utilities are expected to close their cap and trade-related variance and deferral accounts. Enbridge Gas indicates it will apply to close its Cap-and-Trade related deferral accounts in a future proceeding following final disposition of the balances in these accounts.

Enbridge Gas is seeking a determination that the following final balances in the Cap-and-Trade related deferral and variance accounts, for the EGD and Union rate zones, as at December 31, 2018 are reasonable.

	Account	Total
EGD	GGEIDA	(705)
	GHG-Customer VA	(6,135)
	GHG-Facility VA	1,244
	EGD Total	**(5,596)**
Union	GGEIDA	(40)
	GGECO – Customer-Related	1,158
	GGECO – Facility-Related	188
	Union Total	**1,307**

VECC takes no issue with the balances for EGD. With respect to Union, VECC submits the annual amounts in the account do not meet the Z-factor materiality threshold and thus, should not be eligible for recovery from customers. However, should the Board determine that the materiality threshold for Union does not result in zero recovery, VECC submits for the reasons discussed below, the Board should not approve Administration Costs related to salaries and wages for Union that are greater than EGD.

Union's Administration costs related to salaries and wages are disproportionate and excessive compared to EGD's. As shown in the table below, Union's salaries and wages are three times that of Enbridge's and on average, over the three years to July 3, 2018, Union had 12 FTEs compared to four for EGD. The Cap and Trade Framework, was issued on September 26, 2016, and in 2016 Union added 13 new roles[1] compared to three for EGD.[2] EGD took a more reasonable paced approach at the outset.

	2016	2017	2018	Total
Salaries				
Union	$1,682,000	$2,438,000	$1,380,000	$5,500,000
EGD	$533,000	$695,000	$519,000	$1,747,000
Variance				$3,753,000
				315%

Cap & Trade Roles				
Union	13.5	12.5	11.25	12
EGD	3	5	5	4

In response to Board Staff IR#6[3] , Enbridge Gas explains that Union's FTE requirements over the 2016 to 2018 period as compared to EGD's were higher due to two main reasons as follows:

- Union took a strategic approach to begin working on longer-term investments, new business activities and abatement and offset opportunities earlier; and

- Union and EGD operated under different incentive regulation ("IR") models.

VECC submits these reasons do not fully capture and explain the staffing difference between the two utilities. Union's costs relate to filling new roles whereas EGD leveraged existing internal resources to investigate longer-term investments, new business activities, abatement opportunities and the associated emerging offset market opportunities.[4] In short, EGD was more fiscally prudent in planning and executing its future investment risk management than Union.

In 2017, EGD's salary costs were 62% of forecast.[5] EGD avoided filling roles throughout 2017 by hiring a contract employee, further leveraging existing internal FTEs outside of the Cap and Trade department and through increased reliance on external legal counsel to support development of its 2018 Compliance Plan. In addition, EGD recognized that protocols for the development of Ontario's offset market were slow to develop and as such, EGD delayed hiring of two additional offset-related FTEs.[6] EGD made efforts to mitigate costs by leveraging internal legal counsel on matters related to the implementation and sustainment of EGD's Cap and Trade program, including program registration with

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[1] Ex B T2 P6
[2] Ex B T1 P6
[3] Exhibit I.Staff.6
[4] Exhibit I.Staff.6
[5] $695,000/$1,120,000 = 62%
[6] Exhibit I.Staff.1

government and guidance on internal governance.[7] In contrast, Union chose to add significantly more new roles instead of leveraging existing resources.

VECC also notes that EGD and Union have been under common ownership since February 27, 2017 when EGD's corporate parent, Enbridge Inc., merged with Union's corporate parent, Spectra Energy Corp. The final Cap-and-Trade staffing plans do not reflect efficiencies due to amalgamation.

In considering the above, in the absence of more compelling evidence and explanation from Union, VECC 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.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

[7] Exhibit I.Staff.2 (b)