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December 10, 2019

VIA EMAIL, RESS, and COURIER

Ms. Christine Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (“Enbridge Gas”)
2018 Deferral and Variance Account Clearances Application (“Application”)
Ontario Energy Board (“Board”) File Number EB-2019-0105
Settlement Proposal**

In accordance with Procedural Order No. 1, dated August 30, 2019, enclosed please find the Settlement Proposal for the above noted proceeding.

The Settlement Proposal includes a complete settlement of the Deferral and Variance Accounts requested to be cleared in this proceeding. The list of “Settled Items” is described in the Settlement Proposal. As explained in the Settlement Proposal, only three of the “Settled Items” result in any changes from what is set out in Enbridge Gas’s Application and pre-filed evidence. The complete list of Deferral and Variance Accounts sought for clearance in this proceeding, and the associated balances and interest amounts, can be found at Appendices A and B to the Settlement Proposal.

The Draft Rate Order associated with Enbridge’s Application, which incorporates the three changes set out in the Settlement Proposal, will be filed later this week under separate cover. Enbridge Gas notes that other parties have not reviewed and/or accepted the Draft Rate Order.

Enbridge Gas requests that the Board review and approve the Settlement Proposal, as well as the Draft Rate Order. Enbridge respectfully requests a Board Decision on these items in time to allow the Deferral and Variance Account clearances to be implemented in conjunction with the April 1, 2020 QRAM Application.

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

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Vanessa Innis
Manager, Regulatory Applications and Strategy

cc: Mr. D. Stevens, Aird & Berlis LLP (via email)
All Interested Parties EB-2019-0105 (via email)

SETTLEMENT PROPOSAL

Enbridge Gas Inc.

2018 Earnings Sharing and Deferral and Variance Account Clearances

December 10, 2019

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "OEB" or the "Board") in connection with the application of Enbridge Gas Inc. ("Enbridge Gas" or the "Company"), for an order or orders approving the clearance or disposition of amounts recorded in certain Deferral or Variance Accounts. For the most part, the Deferral and Variance Accounts relate to 2018, which is before Enbridge Gas Distribution Inc. (EGD) and Union Gas Inc. (Union) amalgamated. Therefore, the accounts for each legacy utility have been considered and addressed separately in this Settlement Proposal.

On August 9, 2019, the OEB issued its Notice of Application in this proceeding. The Notice of Application indicated that the OEB would only consider cost awards in relation to certain issues in the proceeding.

In Procedural Order No. 1, dated August 30, 2019, the Board established the process to address the application, up to and including a Settlement Conference.

A Settlement Conference was held on November 13, 14 and 15, 2019, and discussions continued after that time. Jim Faught acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

Enbridge Gas and the following intervenors, as well as Ontario Energy Board technical staff (OEB Staff), participated in the Settlement Conference:

- Canadian Manufacturers & Exporters (CME)
- Consumers Council of Canada (CCC)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-Housing Providers of Ontario (FRPO)
- London Property Management Association (LMPA)
- Ontario Greenhouse Vegetable Growers (OGVG)
- School Energy Coalition (SEC)
- Six Nations Natural Gas Company Limited (SNNG)
- The Corporation of the City of Kitchener – Utilities Division (Kitchener)
- Vulnerable Energy Consumers Coalition (VECC)

All intervenors listed above participated in the Settlement Conference and subsequent discussions. In this Settlement Proposal, the above-listed intervenors and Enbridge Gas are referred to as "the parties".

The following items from Enbridge Gas's Application and prefiled evidence were addressed by the parties during the Settlement Conference:

1. The proposed balances for recovery/refund in each of the following deferral and variance accounts for the EGD Rate Zone:
 - (a) Storage and Transportation Deferral Account (2018 S&TDA)
 - (b) Transactional Services Deferral Account (2018 TSDA)
 - (c) Unaccounted for Gas Variance Account (2018 UAFVA)
 - (d) Average Use True-Up Variance Account (2018 AUTUVA)
 - (e) Post-Retirement True-Up Variance Account (2018 PTUVA)
 - (f) Gas Distribution Access Rule Impact Deferral Account (2018 GDARIDA)
 - (g) Deferred Rebate Account (2018 DRA)
 - (h) Transition Impact of Accounting Changes Deferral Account (2019 TIACA)
 - (i) Customer Care CIS Rate Smoothing Deferral Account (2013-2018 CCCISRSDA)
 - (j) Electric Program Earnings Sharing Deferral Account (2018 EPESDA)
 - (k) OEB Cost Assessment Variance Account (2018 OEBCAVA)
 - (l) Dawn Access Costs Deferral Account (2018 DACDA)
 - (m) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account (2018 P&OPEBFAVACPDVA)
 - (n) Manufactured Gas Plant Deferral Account (2018 MGPDA)
 - (o) Earnings Sharing Mechanism Deferral Account (2018 ESMDA)
2. The proposed balances for recovery/refund in each of the following deferral and variance accounts for the Union Rate Zones:
 - (a) Unabsorbed Demand Costs (UDC) Variance Account
 - (b) Upstream Transportation Optimization Account
 - (c) Deferral Clearing Variance Account – Supply
 - (d) Deferral Clearing Variance Account – Transport
 - (e) Short-Term Storage and Other Balancing Services Account
 - (f) Conservation and Demand Management (CDM) Account
 - (g) Deferral Clearing Variance Account
 - (h) Normalized Average Consumption Account
 - (i) Tax Variance Account
 - (j) Unaccounted for Gas (UFG) Volume Variance Account
 - (k) Parkway West Project Costs Account
 - (l) Brantford-Kirkwall/Parkway D project Costs Account
 - (m) Parkway Obligation Rate Variance Account
 - (n) Unaccounted for Gas (UFG) Price Variance Account
 - (o) Lobo C Compressor/Hamilton-Milton Pipeline Project Cost Account
 - (p) Unauthorized Overrun Non-Compliance Account
 - (q) Lobo D/Bright C/.Dawn H Compressor Project Costs Account
 - (r) Burlington/Oakville Project Costs Account
 - (s) OEB Cost Assessment Variance Account
 - (t) Panhandle Reinforcement Project Costs Account

(u) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential
Variance Account

3. The proposed method for allocating and disposing of the proposed balances in the EGD Rate Zone Deferral and Variance Accounts (including ESM).
4. The proposed method for allocating and disposing of the proposed balances in the Union Zones Deferral and Variance Accounts

The parties have reached complete agreement on all these items (the “Settled Items”). No other issues or proposals were addressed by the parties during the Settlement Conference or are addressed in this Settlement Proposal.

OEB Staff is not a party to the Settlement Proposal. Although it is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the Practice Direction on Settlement Conferences, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the parties and the Board. However, as between the parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and is binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the parties it is null and void and of no further effect. In entering into this agreement, the parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Enbridge Gas and all intervenors listed above have agreed to the settlement of the Settled Items as described on the following pages. Any reference to “parties” in this Settlement Proposal is intended to refer to Enbridge Gas and the intervenors listed above. The description of each Settled Item assumes that all parties participated in the negotiation of the item, unless specifically noted otherwise.

Best efforts have been made to identify all of the evidence that relates to each Settled Item. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3 is referred to as B-3. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Proposal describes the agreements reached on the Settled Items. The Settlement Proposal provides a direct link between each Settled Item and the supporting evidence in the record to date and/or the additional evidence attached to hereto. In this regard, the parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the Settled Items and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the Settled Items.

None of the parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the *Ontario Energy Board Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions parties might take with respect to the same issue in future proceedings, whether during the term of Enbridge Gas's current deferred rebasing term, or thereafter.

The parties acknowledge that all data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the Settlement Conference (settlement information), including subsequent related discussions, are privileged and confidential and without prejudice in accordance with (and subject to the exceptions set out in) the Board's *Practice Direction on Settlement Conferences* (see pages 5-6 of the OEB's *Practice Direction on Settlement Conferences*, as revised October 28, 2016).

It is fundamental to the agreement of the parties that none of the provisions of this Settlement Proposal are severable. If the Board does not accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

OVERVIEW

The lists of Deferral and Variance Accounts and amounts recorded for disposition for which Enbridge Gas has requested approval are set out in the prefiled evidence at Exhibit B, Tab 1, Appendix A, Schedule 1 (EGD Rate Zone) and Exhibit C, Tab 1, Appendix A, Schedule 1 (Union Rate Zones).

The prefiled evidence also provides details for each of the Deferral and Variance Account balances that Enbridge Gas seeks to have cleared for the EGD and Union Rate Zones. For each of the EGD and Union Rate Zones, Enbridge Gas's prefiled evidence also details its Earnings Sharing Mechanism (ESM) calculations, and the amount recorded in the relevant Earnings Sharing Mechanism Deferral Account (ESMDA). There is a balance recorded for recovery in the EGD ESMDA, but no amount is recorded for sharing for the Union Rate Zones.

Through the Settlement Conference process, all parties have agreed that it is appropriate for Enbridge Gas to clear the as-filed balances from the Deferral and Variance Accounts set out in the prefiled evidence, with three exceptions.

1. *EGD Rate Zone, 2018 EPESDA*: the refund balance will be decreased by \$43,100 to correct a calculation error;
2. *EGD Rate Zone, 2018 ESMDA*: the refund balance will be increased by \$650,000 to reflect the removal of merger transaction costs from the ESM calculation; and
3. *Union Rate Zones, Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account*: the refund balance will be increased by \$98,757 to reflect the removal of the request for alternate treatment of capitalized pension costs.

Appendices A and B set out the list of Deferral and Variance Accounts and amounts recorded for disposition agreed upon in this Settlement Proposal for the EGD and Union Rate Zones.

All parties have agreed that it is appropriate that the balances in the relevant accounts addressed in this Settlement Proposal be cleared in conjunction with Enbridge Gas's April 1, 2020 QRAM proceeding.

Details of the settlement on each of the Settled Issues are set out in the Issues section that follows.

THE ISSUES

1. Are the proposed balances for recovery / refund recorded in the following EGD Rate Zone Deferral and Variance Accounts appropriate?

The Deferral and Variance accounts for the EGD Rate Zone for which Enbridge Gas seeks clearance are set out in Exhibit B, Tab 1, Appendix A, Schedule 1, from Enbridge Gas's prefiled evidence. A copy of that document (with updates to reflect adjustments to the 2018 EPESDA and 2018 ESMDA as noted in the Overview above, and to reflect interest balances relevant to an April 1, 2020 clearance date) is attached as Appendix A to this Settlement Proposal.

The parties have agreed to the clearance of the Deferral and Variance Account balances, and interest amounts (which reflect the OEB's latest prescribed interest rates), listed in Columns 3 and 4 of Appendix A. The accounts included in Appendix A are listed below.

- (a) Storage and Transportation Deferral Account (2018 S&TDA)
- (b) Transactional Services Deferral Account (2018 TSDA)
- (c) Unaccounted for Gas Variance Account (2018 UAFVA)
- (d) Average Use True-Up Variance Account (2018 AUTUVA)
- (e) Post-Retirement True-Up Variance Account (2018 PTUVA)
- (f) Gas Distribution Access Rule Impact Deferral Account (2018 GDARIDA)
- (g) Deferred Rebate Account (2018 DRA)
- (h) Transition Impact of Accounting Changes Deferral Account (2019 TIACA)
- (i) Customer Care CIS Rate Smoothing Deferral Account (2013-2018 CCCISRSDA)
- (j) Electric Program Earnings Sharing Deferral Account (2018 EPESDA)
- (k) OEB Cost Assessment Variance Account (2018 OEBCAVA)
- (l) Dawn Access Costs Deferral Account (2018 DACDA)
- (m) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account (2018 P&OPEBFAVACPDVA)
- (n) Manufactured Gas Plant Deferral Account (2018 MGPDVA)
- (o) Earnings Sharing Mechanism Deferral Account (2018 ESMDA)

Details of the agreements in relation to each of the relevant accounts are set out in the following sub-issues.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
B-3	Clearance of 2018 Deferral and Variance Account Balances EGD Rate Zone
B-3-A	Derivation of Proposed Unit Rates
I.STAFF.2	Staff Interrogatory #2
I.FRPO.26	FRPO Interrogatory #26

(a) Storage and Transportation Deferral Account (2018 S&TDA)

All parties agree that the principal balance in the 2018 S&TDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

In connection with the settlement of this account, Enbridge Gas has agreed to file an updated response to FRPO Interrogatory #3, including a copy of the spreadsheet prepared by EGD to review the responses to an RFP process for market-based storage capacity acquired for 2018 utilization. Given the confidential and commercially sensitive information set out in the spreadsheet which information might, if made public, compromise Enbridge Gas's commercial position in respect of future storage procurements and related negotiations which would not be in the best interests of either Enbridge Gas or its ratepayers, the parties agree that it would be appropriate for the full version of that document to be filed confidentially with the OEB, pursuant to the OEB's Practice Direction on Confidential Filings. Enbridge Gas will file the updated interrogatory response at the same time as this Settlement Proposal is filed (the details of the RFP responses in the spreadsheet will be redacted and the unredacted version of the document will be filed confidentially).

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
B-3	Clearance of 2018 Deferral and Variance Account Balances EGD Rate Zone
B-3-A	Derivation of Proposed Unit Rates
I.STAFF.3 and 12	Staff Interrogatories #3 and 12
I.EP.1	Energy Probe Interrogatory #1
I.FRPO.3	FRPO Interrogatory #3

(b) Transactional Services Deferral Account (2018 TSDA)

All parties agree that the principal balance in the 2018 TSDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I.FRPO.4	FRPO Interrogatory #4

(c) Unaccounted for Gas Variance Account (2018 UAFVA)

All parties agree that the principal balance in the 2018 UAFVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I.STAFF.4	Staff Interrogatory #4
I. EP.2 and 12	Energy Probe Interrogatories #2 and 12
I.VECC.2	VECC Interrogatory #2

(d) Average Use True-Up Variance Account (2018 AUTUVA)

All parties agree that the principal balance in the 2018 AUTUVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I.STAFF.8	Staff Interrogatory #5
I.EP.6	Energy Probe Interrogatory #3

(e) Post-Retirement True-Up Variance Account (2018 PTUVA)

All parties agree that the principal balance in the 2018 PTUVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone

(f) Gas Distribution Access Rule Impact Deferral Account (2018 GDARIDA)

All parties agree that the principal balance in the 2018 GDARIDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone

(g) Deferred Rebate Account (2018 DRA)

All parties agree that the principal balance in the 2018 DRA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone

(h) Transition Impact of Accounting Changes Deferral Account (2019 TIACA)

All parties agree that the principal balance in the 2019 TIACDA, which is shown in Appendix A, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I.EP.4	Energy Probe Interrogatory #4

(i) Customer Care CIS Rate Smoothing Deferral Account (2013-2018 CCCISRSDA)

As explained in the pre-filed evidence (Exhibit B-1 (updated), pages 187 to 20), the CCCISRSDA was approved in the EB-2011-0226 Settlement Agreement (Customer Care and CIS Costs). As per the EB-2011-0226 Settlement Agreement, interest balances calculated on the account have been cleared on an annual basis, but the principal balances were not cleared during the 2013 through 2018 period. The cumulative balance was to build up during the years 2013 to 2015 when the approved cost per customer exceeded the smoothed cost per customer collected in rates, and then was to be drawn down during the years 2016 to 2018 when the approved cost per customer was lower than the smoothed cost per customer collected in rates. After 2018, any remaining balance in the account was to be cleared along with the clearance of other Deferral and Variance Accounts. In accordance with the EB-2011-0226 Settlement Agreement

methodology, Enbridge Gas is seeking final clearance of the CCCISRSA in this proceeding.

All parties agree that the principal balances in the 2013-2018 CCCISRSA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone

(j) Electric Program Earnings Sharing Deferral Account (2018 EPESDA)

As noted in response to SEC Interrogatory #1, there was a calculation error in the as-filed 2018 EPESDA – Enbridge Gas will update the balance in the 2018 EPESA to reflect the correction (a reduction of \$43,100 in the credit to ratepayers).

All parties agree that the updated principal balance in the 2018 EPESDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I.STAFF.6	Staff Interrogatory #6
I.SEC.1	SEC Interrogatory #1

(k) OEB Cost Assessment Variance Account (2018 OEBCAVA)

All parties agree that the principal balance in the 2018 OEBCAVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I. FRPO.2	FRPO Interrogatory #2
I.VECC.3 and 4	VECC Interrogatories #3 and 4

(l) Dawn Access Costs Deferral Account (2018 DACDA)

All parties agree that the principal balance in the 2018 DACDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD
	Rate Zone
I. STAFF.7.	Staff Interrogatory #7

(m) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account (2018 P&OPEBFAVACPDVA)

All parties agree that the interest balance in the 2018 P&OPEBFAVACPDVA, which is shown in Appendix A, will be cleared as set out under Issue 3, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD
	Rate Zone

(n) Manufactured Gas Plant Deferral Account (2018 MGPDA)

All parties agree that the principal balance in the 2018 MGPDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

Intervenors assert that Enbridge Gas should not continue the MGPDA beyond 2018 unless there are currently known or expected amounts to be recorded in the account. Enbridge Gas is not currently aware of substantial pending amounts to be recorded in the MGPDA, but expects that there may be MGP-related costs associated with investigation work, remediation work and threatened and actual claims in the future, given that the Company continues to own several former MGP sites.

The parties agree that Enbridge Gas will discontinue the MGPDA for 2019 and beyond, but also agree that Enbridge Gas may request that the OEB reopen the account in the future in the event that new circumstances arise where costs are anticipated that would be eligible to be recorded in the account.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
I. STAFF.8	Staff Interrogatory #8
I.CME.3 and 4	CME Interrogatories #3 and 4
I.VECC.5	VECC Interrogatory #5

(o) Earnings Sharing Mechanism Deferral Account (2018 ESMDA)

The parties accept Enbridge Gas's as-filed 2018 ESMDA amount, subject to one comment, and one adjustment.

In its updated evidence, Enbridge Gas explained that the Company will proceed as per the Board's direction in its letter dated July 25, 2019, and record 100% of the 2018 impact of Bill C-97 accelerated CCA within a Tax Variance Deferral Account. As there is no established Tax Variance Account in the EGD Rate Zone for 2018, the Company proposes to book 100% of the 2018 revenue requirement impact of the Accelerated CCA, a reduction of \$3.0 million, as a separate identifiable item within Enbridge Gas's 2019 Tax Variance Account, with disposition to be determined at a later date (expected to be Enbridge Gas's next rebasing application, or as otherwise directed by the Board). Recognition of 100% of the revenue requirement impact of the Accelerated CCA in a Tax Variance Account, required a revised earnings sharing calculation for the EGD rate zone. The revised calculation resulted in an updated 2018 earnings sharing amount of \$28.4 million, as compared to the as filed amount of \$29.95 million.

All parties accept Enbridge Gas's proposal for recording the impact of Bill C-97 changes, but wish to comment upon this outcome. Ratepayer groups note that under the ESM rules and practice during EGD's 2014 to 2018 Custom IR term, they would have received 50% of the benefit from the tax change immediately upon clearance of the relevant year's ESM account. Enbridge Gas notes that under those ESM rules and practice, the Company would have retained 50% of the tax change benefit when the ESM account was cleared. All parties wish to indicate that immediate disposition of the amounts related to Bill C-97 changes would have been preferable to the Board's directed approach to wait until the distributor's next cost-based rate case (which is expected to be 2024 for Enbridge Gas).

The parties have agreed that it is appropriate to adjust the ESM calculation for the EGD Rate Zone to remove the costs associated with the amalgamation transaction between EGD and Union. The table below sets out the costs that parties have agreed should be eliminated from the ESM calculations for EGD and Union (the adjustment for Union is described in Issue 2 below).

2018 MAADs Transaction Costs

\$000	EGD	Union	Total
External Legal Cost	336	336	672
Consulting Costs	518	518	1,035
OEB cost accrued	218	218	437
Intervenor costs	362	362	725
Total	1,435	1,435	2,869

The impact of removing the \$1.435 million in amalgamation transaction costs from the EGD ESM calculation is to increase the 2018 earnings sharing amount by \$650,000, from \$28.4 million to \$29.05 million. An updated version of the earnings sharing calculation for the EGD Rate Zone (Exhibit B, Tab 2, Appendix A, Schedule 1) is attached as Appendix C.

All parties agree that the updated principal balance in the 2018 ESMDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 3, below.

As part of its evidence in deferral account proceedings during the deferred re-basing period, Enbridge Gas will file more descriptive language in support of the allocation of storage investments, if any, between the utility and non-utility storage operations for legacy EGD Rate Zone (reference Exhibit B, Tab 2, Appendix B, Schedule 2, or the equivalent exhibit in future ESM filings).

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
B-2	2018 Earnings Sharing Amount and Determination Process
B-2-A-1	ESM Calculations and Required Rate of Return 2018 Actuals
B-2-A-2	2018 Utility Earnings - Contributors to Utility Earnings and Earnings Sharing Amounts
B-2-B-1	Ontario Utility Rate Base – Comparison of 2018 Actuals to 2018 EB-2017-0086 Board Approved
B-2-B-2	Property, Plant and Equipment Summary Statement – Average of Monthly Averages 2018 Actuals
B-2-B-3	Working Capital – 2018 Actuals
B-2-B-4	Comparison of Utility Capital Expenditures 2018 Actuals to 2018 EB-2017-0086 Board Approved
B-2-C-1	Utility Operating Revenue 2018 Actuals
B-2-C-2	Comparison of Gas Sales and Transportation Volume by Rate Class 2018 Actuals to 2018 EB-2017-0086 Board Approved
B-2-C-3	Comparison of Gas Sales and Transportation Revenue by Rate Class 2018 Actuals to 2018 EB-

	2017-0086 Board Approved
B-2-C-4	Customer Meters, Volumes and Revenues by Rate Class 2018 Actuals
B-2-C-5	2018 Other Operating Revenue
B-2-D-1	Operating Cost 2018 Actuals
B-2-D-2	Operating and Maintenance Expense by Department Year Ending December 2018
B-2-E-1	Required Rate of Return 2018 Actuals
B-2-E-2	Utility Income 2018 Actuals
B-2-E-3	Cost of Capital 2018 Actuals
I.STAFF.9 to 11	Staff Interrogatories #9, 10 and 11
I.EP.5 to 7	Energy Probe Interrogatories #5 to 7
I.FRPO.5 to 9 and 13	FRPO Interrogatories #5 to 9 and 13

2. Are the proposed balances for recovery / refund recorded in the following Union Rate Zones Deferral and Variance Accounts appropriate?

The Deferral and Variance accounts for the Union Rate Zones for which Enbridge Gas seeks clearance are set out in Exhibit C, Tab 1, Appendix A, Schedule 1. A copy of that document (with the updates to reflect the adjustment to the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account as noted in the Overview above, and to reflect interest balances relevant to an April 1, 2020 clearance date) is attached as Appendix B to this Settlement Proposal.

The ESM calculation for the Union Rate Zones is filed at Exhibit C, Tab 2, Appendix B, Schedule 1. No amount is recorded in the Earnings Sharing Account, because the ROE for the Union Rate Zones in 2018 was less than 100 basis points above benchmark ROE.

The parties have agreed that it is appropriate to adjust the as-filed ESM calculation for the Union Rate Zones to remove the costs associated with the amalgamation transaction between EGD and Union. The table set out above in Issue 1(o) for the EGD Rate Zone ESM calculation sets out the costs that parties have agreed should be eliminated from the ESM calculations for EGD and Union. Enbridge Gas has updated its ESM calculation for the Union Rate Zones to include this adjustment. The updated ESM calculation is included at Appendix D. As set out in the updated calculation, after the agreed adjustment is made there is still no earnings sharing amount for 2018.

The parties have agreed to the clearance of the Deferral and Variance Account balances, and interest amounts (which reflect the OEB's latest prescribed interest rates), listed in Appendix B. The accounts included in Appendix B are listed below.

- (a) Unabsorbed Demand Costs (UDC) Variance Account
- (b) Upstream Transportation Optimization Account
- (c) Deferral Clearing Variance Account – Supply
- (d) Deferral Clearing Variance Account – Transport
- (e) Short-Term Storage and Other Balancing Services Account
- (f) Conservation and Demand Management (CDM) Account
- (g) Deferral Clearing Variance Account

- (h) Normalized Average Consumption Account
- (i) Tax Variance Account
- (j) Unaccounted for Gas (UFG) Volume Variance Account
- (k) Parkway West Project Costs Deferral Account
- (l) Brantford-Kirkwall/Parkway D Project Costs Account
- (m) Parkway Obligation Rate Variance Account
- (n) Unaccounted for Gas (UFG) Price Variance Account
- (o) Lobo C Compressor/Hamilton-Milton Pipeline Project Costs Account
- (p) Unauthorized Overrun Non-Compliance Account
- (q) Lobo D/Bright C/Dawn H Compressor Project Costs Account
- (r) Burlington/Oakville Project Costs Account
- (s) OEB Cost Assessment Variance Account
- (t) Panhandle Reinforcement Project Costs Account
- (u) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
C-2	2018 Utility Results and Earnings Sharing – Union Rate Zones
C-2-A-1	Calculation of Revenue Deficiency/(Sufficiency)
C-2-A-2	Statement of Utility Income
C-2-A-3	Statement of Earnings Before Interest and Taxes
C-2-A-4	Summary of Cost of Capital
C-2-A-5	Total Weather Normalized Throughput Volume by Service Type and Rate Class
C-2-A-6	Throughput Volume (non-weather normalized) by Service Type and Rate Class
C-2-A-7	Weather Normalized Gas Sales Revenue by Service Type and Rate Class
C-2-A-8	Total Gas Sales (non-weather normalized) by Service Type and Rate Class
C-2-A-9	Delivery Revenue by Service Type and Rate Class
C-2-A-10	Total Customers by Service Type and Rate Class
C-2-A-11	Revenue from Regulated Storage and Transportation of Gas
C-2-A-12	Other Revenue
C-2-A-13	Operating and Maintenance Expense by Cost Type
C-2-A-14	Calculation of Utility Income Taxes
C-2-A-15	Calculation of Capital Cost Allowance (CCA)
C-2-A-16	Provision for Depreciation, Amortization and Depletion
C-2-A-17	Capital Expenditure by Function
C-2-A-18	Statement of Utility Rate Base
C-2-A-19	Allocation of Fuel
C-2-B-1	Earnings Sharing Calculation
C-2-C-1	Unreg Continuity of Property, Plant and Equipment
C-2-C-2	Unreg Continuity of Accumulated Depreciation
C-2-C-3	Unreg Continuity of Amortization and Depletion
C-3	Allocation and Disposition of 2018 Deferral Account Balances – Union Rate Zones
C-3-A-1	Allocation of 2018 Deferral Account Balances
C-3-A-2	Unit Rates for Prospective Recovery/(Refund)
C-3-A-3	General Service Bill Impacts
I.STAFF.13, 24 and 25	Staff Interrogatories #13, 24 and 25
I.EP.14 and 15	Energy Probe Interrogatories #14 and 15
I.FRPO.13, 23 and 31	FRPO Interrogatories #13, 23 and 31
I.LMPA.8 to 11	LMPA Interrogatories #8 to 11
I.SEC.2	SEC Interrogatory #2

(a) Unabsorbed Demand Costs (UDC) Variance Account (179-108)

All parties agree that the principal balance in the UDC Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.FRPO.12	FRPO Interrogatory #12

(b) Upstream Transportation Optimization Account (179-131)

All parties agree that the principal balance in the Upstream Transportation Optimization Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.14	Staff Interrogatory #14
I.EP.9	Energy Probe Interrogatory #9

(c) Deferral Clearing Variance Account – Supply (179-132)

All parties agree that the principal balance in the Deferral Clearing Variance Account – Supply, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones

(d) Deferral Clearing Variance Account – Transport (179-132)

All parties agree that the principal balance in the Deferral Clearing Variance Account – Transport, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones

(e) Short-Term Storage and Other Balancing Services Account (179-170)

All parties agree that the principal balance in the Short-Term Storage and Other Balancing Services Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.15	Staff Interrogatory #15
I.EP.10	Energy Probe Interrogatory #10
I.FRPO.14 to 18 and 30	FRPO Interrogatories #14 to 18 and 30

(f) Conservation and Demand Management (CDM) Account (179-123)

All parties agree that the principal balance in the Conservation and Demand Management (CDM) Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

C-1-1	Deferral and Variance Accounts Requested for Clearance January 1, 2019
A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
I.STAFF.16	Staff Interrogatory #16

(g) Deferral Clearing Variance Account (179-132)

All parties agree that the principal balance in the Deferral Clearing Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones

(h) Normalized Average Consumption Account (179-133)

All parties agree that the principal balance in the Normalized Average Consumption Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.EP.11	Energy Probe Interrogatory #11
I.FRPO.19 to 21	FRPO Interrogatories #19 to 21

(i) Tax Variance Account (179-134)

In its updated evidence, Enbridge Gas explained that the Company will proceed as per the Board's direction in its letter dated July 25, 2019, and record 100% of the 2018 impact of Bill C-97 accelerated CCA within Enbridge Gas's 2019 Tax Variance Account for later disposition (expected to be Enbridge Gas's next rebasing application, or as directed by the Board), rather than recording and clearing 50% of the amount to ratepayers through the Union Rate Zones Tax Variance Account in this proceeding. This revised calculation and treatment results in an updated 2018 Tax Variance Account clearance amount of (\$0.413) million, as compared to the as filed amount of (\$1.354) million.

All parties accept Enbridge Gas's proposal for recording the impact of Bill C-97 changes, but wish to comment upon this outcome. Ratepayer groups note that under the applicable rules and practice during Union's 2014 to 2018 IR term, they would have received 50% of the benefit from the tax change immediately upon clearance of the relevant year's Tax Variance Account. Enbridge Gas notes that under those IR term rules and practice, Union would have retained 50% of the tax change benefit when the Tax Variance Account was cleared. All parties wish to indicate that immediate disposition of the amounts related to Bill C-97 changes would have been preferable to the Board's directed approach to wait until the distributor's next cost-based rate case (which is expected to be 2024 for Enbridge Gas).

With the context set out in the comment above, all parties agree that the principal balance in the Tax Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17 and 25	Staff Interrogatories #17 and 25
I.SEC.3	SEC Interrogatory #3

(j) Unaccounted for Gas (UFG) Volume Variance Account (179-135)

All parties agree that the principal balance in the Unaccounted for Gas (UFG) Volume Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.18	Staff Interrogatory #18
I.EP.2 and 12	Energy Probe Interrogatories #2 and 12
I.FRPO.1 and 22	FRPO Interrogatories #1 and 22
I.LMPA.3	LMPA Interrogatory #3
I.VECC.2	VECC Interrogatory #2

(k) Parkway West Project Costs Deferral Account (179-136)

All parties agree that the principal balance in the Parkway West Project Costs Deferral Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below. All parties agree that the clearance of this account is on an interim basis, and that Enbridge Gas will seek final disposition of the account in a later proceeding.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1-1	Deferral and Variance Accounts Requested for Clearance January 1, 2019
C-2-1	Clearance of Deferral and Variance Account Balances
C-2-2	Derivation of 2017 Proposed Unit Rates
I.STAFF.13 and 21	Staff Interrogatories #13 and 21
I.EP.13	EP Interrogatory #13
I.LMPA.2	LMPA Interrogatory #2

(l) Brantford-Kirkwall/Parkway D Project Cost Account (179-137)

All parties agree that the principal balance in the Brantford-Kirkwall/Parkway D Pipeline Project Cost Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17	Staff Interrogatory #17
I.EP.13	Energy Probe Interrogatory #13
I.SEC.5	SEC Interrogatory #5

(m) Parkway Obligation Rate Variance Account (179-138)

All parties agree that the principal balance in the Parkway Obligation Rate Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1-1	Deferral and Variance Accounts Requested for Clearance January 1, 2019
C-2-1	Clearance of Deferral and Variance Account Balances
C-2-2	Derivation of 2017 Proposed Unit Rates

(n) Unaccounted for Gas (UFG) Price Variance Account (179-141)

All parties agree that the principal balance in the Unaccounted for Gas (UFG) Price Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.19 and 20	Staff Interrogatories #19 and 20
I.EP.2 and 12	Energy Probe Interrogatories #2 and 12
I.FRPO.1, 22, 24 and 25	FRPO Interrogatories #1, 22, 24 and 25
I.LMPA.3	LMPA Interrogatory #3
I.VECC.2	VECC Interrogatory #2

(o) Lobo C Compressor/Hamilton-Milton Pipeline Project Cost Account (179-142)

All parties agree that the principal balance in the Lobo C Compressor/Hamilton-Milton Pipeline Project Cost Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17	Staff Interrogatory #17
I.EP.13	Energy Probe Interrogatory #13
I.LMPA.4	LMPA Interrogatory #4
I.SEC.5	SEC Interrogatory #5

(p) Unauthorized Overrun Non-Compliance Account (179-143)

All parties agree that the principal balance in the Unauthorized Overrun Non-Compliance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.FRPO.26	FRPO Interrogatory #26

(q) Lobo D/Bright C/Dawn H Compressor Project Costs Account (179-144)

Subject to the comment below, all parties agree that the principal balance in the Lobo D/Bright C/Dawn H Compressor Project Costs Account, which is shown in Appendix B, along with applicable interest, will be cleared (on a final basis) as set out under Issue 4, below.

In the prefiled evidence (Exhibit C, Tab 1, page 51), Enbridge Gas explained that as of November 1, 2018, it deemed the surplus capacity on the Dawn Parkway system associated with this project to have been sold long term. Enbridge Gas confirms that it will continue to treat this capacity as having been sold long term until such time as the capacity is actually sold.

In addition to the clearance of the 2018 balance in the Lobo D/Bright C/Dawn H Compressor Project Costs Account noted above, parties also agree with Enbridge Gas's request for approval of the final disposition of the 2017 revenue recorded in the Lobo D/Bright C/Dawn H Compressor Project Costs Deferral Account (179-144), which was approved on an interim basis as part of the 2017 Deferrals proceeding (EB-2018-0105).

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17 and 22	Staff Interrogatories #17 and 22
I.EP.13	Energy Probe Interrogatory #13
I.FRPO.27 to 29	FRPO Interrogatories #27 to 29
I.LMPA.5	LMPA Interrogatory #5
I.SEC.5	SEC Interrogatory #5

(r) Burlington/Oakville Project Costs Account (179-149)

All parties agree that the principal balance in the Burlington/Oakville Project Costs Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17	Staff Interrogatory #17
I.EP.13	EP Interrogatory #13
I.LMPA.6	LMPA Interrogatory #6
I.SEC.5	SEC Interrogatory #5

(s) OEB Cost Assessment Variance Account (179-151)

All parties agree that the principal balance in the OEB Cost Assessment Variance Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.SEC.4	SEC Interrogatory #4
I.VECC.3 and 4	VECC Interrogatories #3 and 4

(t) Panhandle Reinforcement Project Costs Account (179-156)

All parties agree that the principal balance in the Panhandle Reinforcement Project Costs Account, which is shown in Appendix B, along with applicable interest, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.17	Staff Interrogatory #17
I.EP.13	Energy Probe Interrogatory #13
I.LMPA.7	LMPA Interrogatory #7
I.SEC.5	SEC Interrogatory #5

(u) Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account (179-157)

Enbridge Gas's prefiled evidence for this account (Exhibit C, Tab 1, page 69) includes a proposal for alternate treatment of capitalized pension and OPEB expenses being tracked in this account. For the purpose of settlement and without any comment or determination on the appropriateness of the proposal, Enbridge Gas has agreed to withdraw this proposal for 2018 and revert to the "generic approach" set out in the EB-2015-0040 "Regulatory Treatment of Pension and Other Post employment Benefits ("OPEB") Costs" Report. The impact of this change is to increase the refund balance (interest) in the account for 2018 by \$98,757. All parties agree that Enbridge Gas's agreement to withdraw its proposal is without prejudice to the Company's right to make the same (or similar) proposal in relation to this account in 2019 or other future years.

All parties agree that the updated interest balance in the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account, which is shown in Appendix B, will be cleared as set out under Issue 4, below.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
I.STAFF.123	Staff Interrogatory #23

3. Is the timing and proposed method for allocating and disposing of the deferral account balances for the EGD Rate Zone, inclusive of the 2018 earnings sharing amount, appropriate?

All parties agree that the principal balances in Enbridge Gas's Deferral and Variance Accounts for the EGD Rate Zone, along with applicable interest (noting that the forecasted interest balances reflect the impact of the OEB's Q4 2019 prescribed interest rate), as set out in columns 3 and 4 of Appendix A to this Settlement Proposal, will be recovered or refunded to customers as a one-time billing adjustment in the month of April 2020, in conjunction with Enbridge Gas's April 1, 2020 QRAM Application.

All parties accept the proposed method for allocating and disposing of the account balances, as described in Exhibit B-3 (subject to the updates that will be reflected in the Draft Rate Order to implement the changes to the ESMDA and EPESDA described herein).

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
B-1	2018 Deferral and Variance Account Balances Requested for Clearance January 1, 2020 EGD Rate Zone
B-3	Clearance of 2018 Deferral and Variance Account Balances EGD Rate Zone
B-3-A	Derivation of Proposed Unit Rates
I.STAFF.1	Staff Interrogatory #1
I.CME.1, 2 and 4	CME Interrogatories #1, 2 and 4
I.LMPA.1	LMPA Interrogatory #1

4. Is the timing and proposed method for allocating and disposing of the deferral account balances for the Union Rate Zones, inclusive of the 2018 earnings sharing amount, appropriate?

All parties agree that the principal balances in Enbridge Gas's Deferral and Variance Accounts for the Union Rate Zones, along with applicable interest (noting that the forecasted interest balances reflect the impact of the OEB's Q4 2019 prescribed interest rate), as set out in Appendix B to this Settlement Proposal, will be recovered or refunded to customers prospectively over 6 months for general service customers and as a one-time adjustment for in-franchise contract and ex-franchise rate classes, in conjunction with Enbridge Gas's April 1, 2020 QRAM Application.

All parties accept the proposed method for allocating and disposing of the account balances, as described in Exhibit C-3 (subject to the updates that will be reflected in the Draft Rate Order to implement the changes to the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account described herein).

As set out in response to Staff Interrogatory #1(c), Enbridge Gas confirms that the Union Rate Zones will be moving to a system for billing its general service customers that will allow one-time adjustments to be applied to customer bills. Enbridge Gas currently estimates the earliest the new billing system for the Union Rate Zones will begin generating general service customer bills is in mid-2021.

Evidence: The evidence in relation to this issue includes the following:

A-3	2018 Deferral Account Disposition and Earnings Sharing Overview and Approvals Requested
C-1	Deferral & Variance Accounts Requested for Clearance January 1, 2020 – Union Rate Zones
C-3	Allocation and Disposition of 2018 Deferral Account Balances – Union Rate Zones
C-3-A-1	Allocation of 2018 Deferral Account Balances
C-3-A-2	Unit Rates for Prospective Recovery/(Refund)
C-3-A-3	General Service Bill Impacts
I.STAFF.1 and 20	Staff Interrogatories #1 and 20
I.CME.1 and 2	CME Interrogatories #1 and 2
I.LMPA.1	LMPA Interrogatory #1
I.VECC.1	VECC Interrogatory #1

APPENDIX A

EGD RATE ZONE
DEFERRAL & VARIANCE ACCOUNT
ACTUAL & FORECAST BALANCES

		Col. 1	Col. 2	Col. 3	Col. 4	
Line	Account	Actual at		Forecast for clearance at		
No.	Account Description	April 30, 2019		April 1, 2020		
	Acronym	Principal	Interest	Principal	Interest	
		(\$000's)	(\$000's)	(\$000's)	(\$000's)	
<u>Commodity Related Accounts</u>						
1.	Storage and Transportation D/A	2018 S&TDA	1,787.7	83.4	1,787.7	118.6
2.	Transactional Services D/A	2018 TSDA	(1,304.7)	(10.3)	(1,304.7)	(36.7)
3.	Unaccounted for Gas V/A	2018 UAFVA	5,616.0	34.6	5,616.0	146.8
4.	Total commodity related accounts		6,099.0	107.7	6,099.0	228.7
<u>Non Commodity Related Accounts</u>						
5.	Average Use True-Up V/A	2018 AUTUVA	(18,787.8)	(149.2)	(18,787.8)	(524.3)
6.	Post-Retirement True-Up V/A	2018 PTUVA	256.6	2.0	256.6	7.5
7.	Gas Distribution Access Rule Impact D/A	2018 GDARIDA	117.1	0.9	117.1	3.1
8.	Deferred Rebate Account	2018 DRA	981.7	(5.1)	981.7	14.7
9.	Transition Impact of Accounting Changes D/A	2019 TIACDA	62,101.2	-	4,435.8	-
10.	Customer Care CIS Rate Smoothing D/A	2018 CCCISRSDA	(4,901.6)	(57.2)	(4,901.6)	(123.2)
11.	Customer Care CIS Rate Smoothing D/A	2017 CCCISRSDA	(2,785.3)	(13.6)	(2,785.3)	(51.0)
12.	Customer Care CIS Rate Smoothing D/A	2016 CCCISRSDA	(779.9)	(3.8)	(779.9)	(14.8)
13.	Customer Care CIS Rate Smoothing D/A	2015 CCCISRSDA	1,124.2	5.5	1,124.2	20.9
14.	Customer Care CIS Rate Smoothing D/A	2014 CCCISRSDA	2,927.0	14.3	2,927.0	53.9
15.	Customer Care CIS Rate Smoothing D/A	2013 CCCISRSDA	4,634.9	22.7	4,634.9	85.4
16.	Electric Program Earnings Sharing D/A	2018 EPESDA	(1,210.1)	(13.2)	(1,167.0)	(37.0)
17.	OEB Cost Assessment V/A	2018 OEBCAVA	2,702.3	50.5	2,702.3	104.4
18.	Dawn Access Costs D/A	2018 DACDA	1,173.7	9.3	1,173.7	32.4
19.	Pension and OPEB Forecast Accrual Vs. Actual Cash Payment Differential V/A	2018 P&OPEBFAVACPDVA	-	(2.2)	-	(1.0)
20.	Manufactured Gas Plant D/A	2018 MGPDA	888.0	66.1	888.0	83.7
21.	Earnings Sharing Mechanism Deferral Account	2018 ESMDA	(27,350.0)	(217.2)	(29,050.0)	(788.6)
22.	Total non commodity Related Accounts		21,092.0	(290.2)	(38,230.3)	(1,133.9)
23.	Total Deferral and Variance Accounts		27,191.0	(182.5)	(32,131.3)	(905.2)

APPENDIX B

UNION RATE ZONES
DEFERRAL & VARIANCE ACCOUNT
FORECAST FOR CLEARANCE AT APRIL 1, 2020

Line No.	Account Number	Account Name	Balance (\$000's)	Interest (\$000's)	Total (\$000's)
<u>Gas Supply Accounts:</u>					
1	179-107	Spot Gas Variance Account	-	-	-
2	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(9,712)	(373)	(10,085)
3	179-131	Upstream Transportation Optimization	10,273	286	10,558
4	179-132	Deferral Clearing Variance Account - Supply	(403)	(16)	(419) ²
5	179-132	Deferral Clearing Variance Account - Transport	(264)	(10)	(274) ²
6	Total Gas Supply Accounts (Lines 1 through 5)		(107)	(113)	(220)
<u>Storage Accounts:</u>					
7	179-70	Short-Term Storage and Other Balancing Services	1,413	39	1,452
<u>Other:</u>					
8	179-103	Unbundled Services Unauthorized Storage Overrun	-	-	-
9	179-112	Gas Distribution Access Rule (GDAR) Costs	-	-	-
10	179-120	IFRS Conversion Cost	-	-	-
11	179-123	Conservation Demand Management (CDM)	(1,054)	(37)	(1,091)
12	179-132	Deferral Clearing Variance Account	(1,069)	(42)	(1,111) ²
13	179-133	Normalized Average Consumption	(20,322)	(770)	(21,092)
14	179-134	Tax Variance	(413)	(14)	(427)
15	179-135	Unaccounted for Gas (UFG) Volume Variance Account	1,733	59	1,792
16	179-136	Parkway West Project Costs	(20)	9	(11)
17	179-137	Brantford-Kirkwall/Parkway D Project Costs	(824)	(33)	(857)
18	179-138	Parkway Obligation Rate Variance	288	6	294
19	179-141	Unaccounted for Gas (UFG) Price Variance Account	2,028	74	2,102
20	179-142	Lobo C Compressor/Hamilton-Milton Pipeline Project Costs	(5,836)	(208)	(6,044)
21	179-143	Unauthorized Overrun Non-Compliance Account	(5)	-	(5)
22	179-144	Lobo D/Bright C/Dawn H Compressor Project Costs	(7,236)	(252)	(7,488)
23	179-149	Burlington-Oakville Project Costs	(3,361)	(119)	(3,480)
24	179-151	OEB Cost Assessment Variance Account	1,203	46	1,249
25	179-153	Base Service North T-Service TransCanada Capacity	-	-	-
26	179-156	Panhandle Reinforcement Project Costs	(2,341)	(72)	(2,413)
27	179-157	Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account	-	(327)	(327) ¹
28	Total Other Accounts (Lines 8 through 27)		(37,230)	(1,680)	(38,909)
29	Total Deferral Account Balances (Lines 6 + 7 + 28)		(35,924)	(1,754)	(37,677)

Notes:

(1) Interest on the Pension & OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account is as of December 31st, 2018, as interest for this account is calculated on the cumulative account balance.

(2) Deferral Clearing Variance Account (No. 179-132) total credit balance of \$1,804 (\$419 + \$274 + \$1,111).

APPENDIX C – UPDATED EARNINGS SHARING CALCULATION – EGD Rate Zone

SUMMARY
RETURN ON EQUITY & EARNINGS SHARING DETERMINATION
EGD RATE ZONE

ONTARIO UTILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

Line No.	Col. 1 Description	Col. 2 Reference	Col. 3 Actual Normalized (\$millions) & (%)s
1.	Part A) Return on Rate Base & Revenue (Deficiency) / Sufficiency		
2.	Gas Sales	(Ex.B,T2,App.E,S2,P1,Col.1,line 1)	2,495.8
3.	Transportation Revenue	(Ex.B,T2,App.E,S2,P1,Col.1,line 2)	276.3
4.	Transmission, Compr. and Storage Revenue	(Ex.B,T2,App.E,S2,P1,Col.1,line 3)	19.2
5.	Less Cost of Gas	(Ex.B,T2,App.E,S2,P1,Col.1,line 8)	1,566.0
6.	Gas Distribution Margin		1,225.3
7.	Other Revenue	(Ex.B,T2,App.E,S2,P1,Col.1,line 4)	42.3
8.	Other Income	(Ex.B,T2,App.E,S2,P1,Col.1,line 6)	0.2
9.	Total - Other Revenue & Income		42.5
10.	Operations & Maintenance (incl. CC/CIS rate smoothing adj.)	(Ex.B,T2,App.E,S2,P1,Col.1,line 9)	436.1
11.	Depreciation & amortization	(Ex.B,T2,App.E,S2,P1,Col.1,line 10)	294.7
12.	Fixed financing costs	(Ex.B,T2,App.E,S2,P1,Col.1,line 11)	2.2
13.	Municipal & capital taxes	(Ex.B,T2,App.E,S2,P1,Col.1,line 12)	44.9
14.	Total O&M, Depr., & other		777.9
15.	Utility Income before Income Tax	(line 5 + line 9 - line 14)	489.9
16.	Less: Income Taxes	(Ex.B,T2,App.E,S2,P1,Col.1,line 17)	38.5
17.	Utility Income		451.4
18.	Gross plant	(Ex.B,T2,App.B,S1,P1,Col.1,line 1)	9,594.5
19.	Accumulated depreciation	(Ex.B,T2,App.B,S1,P1,Col.1,line 2)	(3,277.9)
20.	Net plant		6,316.6
21.	Working capital	(Ex.B,T2,App.B,S1,P1,Col.1,line 11)	412.6
22.	Utility Rate Base		6,729.2
23.	Indicated Return on Rate Base %	(line 17 / line 22)	6.708%
24.	Less: Required Rate of Return %	(Ex.B,T2,App.E,S1,P1,Col.4,line 6)	6.073%
25.	(Deficiency) / Sufficiency %		0.635%
26.	Net Earnings (Deficiency) / Sufficiency	(line 25 x line 22)	42.71
27.	Provision for Income Taxes		15.40
28.	Gross Earnings (Deficiency) / Sufficiency	(line 26 divide by 73.5%)	58.11
29.	50% Earnings sharing to ratepayers	(line 28 x 50%)	29.06
30.	Part B) Return on Equity & Revenue (Deficiency) / Sufficiency		
31.	Utility Income before Income Tax	(Ex.B,T2,App.E,S2,P1,Col.1,line 16)	489.9
32.	Less: Long Term Debt Costs	(Ex.B,T2,App.E,S1,P1,Col.5,line 1)	181.2
33.	Less: Short Term Debt Costs	(Ex.B,T2,App.E,S1,P1,Col.5,line 2)	6.9
34.	Less: Cost of Preferred Capital	(Ex.B,T2,App.E,S1,P1,Col.5,line 4)	2.6
35.	Net Income before Income Taxes		299.2
36.	Less: Income Taxes	(Ex.B,T2,App.E,S2,P1,Col.1,line 17)	38.5
37.	Net Income Applicable to Common Equity	(line 35 - line 36)	260.7
38.	Common Equity	(Ex.B,T2,App.E,S1,P1,Col.1,line 5)	2,422.5
39.	Approved ROE %		9.000%
40.	Achieved Rate of Return on Equity %	(line 37 divide by line 38)	10.763%
41.	Resulting (Deficiency) / Sufficiency in Return on Equity %		1.763%
42.	Net Earnings (Deficiency) / Sufficiency	(line 38 x line 41)	42.70
43.	Provision for Income Taxes		15.40
44.	Gross Earnings (Deficiency) / Sufficiency	(line 42 divide by 73.5%)	58.10
45.	50% Earnings sharing to ratepayers	(line 44 x 50%)	29.05

APPENDIX D – UPDATED EARNINGS SHARING CALCULATION– Union Rate Zones

UNION RATE ZONES
Earnings Sharing Calculation
Calendar Year Ending December 31, 2018

Line No.	Particulars (\$000s)	2018 (a)	Non-Utility Storage (b)	Adjustments (c)	2018 Utility (d)=(a)-(b)+(c)
	Operating Revenues				
1	Gas Sales	1,812,564	-	(19,447) i.	1,793,117
2	Transportation	258,512	(367)	-	258,879
3	Storage	151,772	143,609	-	8,163
4	Other	23,924	-	(6,119) ii	17,805
5		<u>2,246,773</u>	<u>143,242</u>	<u>(25,566)</u>	<u>2,077,965</u>
	Operating Expenses				
6	Cost of gas	960,481	36,499	(16,839) i.	907,143
7	Operating and maintenance expenses	461,872	13,451	(2,929) iii	445,493
8	Depreciation	287,543	10,676	-	276,867
9	Other financing	-	-	998 iv	998
10	Property and other taxes	77,786	1,489	-	76,297
11		<u>1,787,683</u>	<u>62,115</u>	<u>(18,770)</u>	<u>1,706,799</u>
	Other				
12	Gain / (Loss) on sale of assets	(1,803)	(1,824)	-	21
13	Other / Huron Tipperary	-	-	-	-
14	Gain / (Loss) on foreign exchange	3,028	2,282	493 v	1,239
15		<u>1,225</u>	<u>458</u>	<u>493</u>	<u>1,260</u>
16	Earnings before interest and taxes	<u>460,315</u>	<u>81,585</u>	<u>(6,303)</u>	372,426
17	Income taxes				(5,631)
18	Total utility income subject to earnings sharing				<u>378,057</u>
	Less debt and preference share return components				
19	Long-term debt				161,247
20	Unfunded short-term debt				3,226
21	Preferred dividend requirements				<u>2,901</u>
22					<u>167,374</u>
	Less shareholder portions of:				
23	Net short-term storage revenue (after tax)				256
24	Net optimization activity (after tax)				<u>536</u>
25					<u>793</u>
26	Earnings subject to sharing				<u>209,891</u>
27	Common equity				2,166,613
28	Return on equity (line 26 / line 27)				9.69%
29	Benchmark return on equity				9.93%
30	50% earnings sharing % (line 28 - line 29, maximum 1%)				0.00%
31	90% earnings sharing % (if line 30=1%, then line 28 - line 29 - line 30)				0.00%
32	50% earnings sharing \$ (line 27 x line 30 x 50%)				-
33	90% earnings sharing \$ (line 27 x line 31 x 90%)				<u>-</u>
34	Total earnings sharing \$ (line 32 + line 33)				<u>-</u>
35	Pre-tax earnings sharing (line 34 / (1 minus tax rate))				<u>-</u>
	Notes:				
i	Reclassification of optimization revenue as cost of gas		(16,839)		
	Reduction to revenue to reflect the impact of Bill C-97 (accelerated CCA), enacted June 21, 2019:				
	Impact captured in CPT deferral accounts		(314)		
	Eliminate 100% of non-CPT CCA impact captured in Tax Variance		<u>(1,880)</u>		
	Total Asset CCA Impact		(2,194)		
	Elimination for shareholder 50% of HST tax variance impact		(413)		
	Total		<u>(19,447)</u>		
ii	Demand-side management incentive				
iii	Donations		2,547		
	CDM program		(1,054)		
	Amalgamation Transaction Costs		<u>1,435</u>		
			2,929		
iv	Facility fees and customer deposit interest				
v	Foreign exchange gain on bank balances				