



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

Enbridge Gas Inc.

**Application for disposition and recovery of
certain 2018 deferral account balances and
approval of the earnings sharing amount**

EB-2019-0105

December 20, 2019

Introduction

Effective January 1, 2019, the former Enbridge Gas Distribution Inc. (EGD) and the former Union Gas Limited (Union) amalgamated to become Enbridge Gas Inc. (Enbridge Gas). Enbridge Gas operates four rate zones: EGD, Union South, Union North West and Union North East.¹

Enbridge Gas filed an application dated July 17, 2019 (updated November 8, 2019) 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 approving the disposition of balances in certain deferral and variance accounts.

In Procedural Order No. 1, dated August 30, 2019, the OEB scheduled a settlement conference with the objective of reaching a settlement among the parties on all of the issues in the proceeding. The settlement conference was held on November 13, 14 and 15, 2019.

Enbridge Gas filed a settlement proposal on December 10, 2019, which reflects settlement on all the issues in the proceeding. On December 12, 2019, Enbridge Gas filed a draft rate order, which includes the proposed unit rates associated with the clearance of the deferral and variance account balances (including the earnings sharing mechanism deferral account) and the bill impacts resulting from the settlement proposal.

Settlement Proposal

OEB staff has reviewed the settlement proposal filed by Enbridge Gas. OEB staff's submission is set out in the sections that follow. OEB staff submits that the settlement proposal as filed is reasonable and submits that it has no concerns with the settled balances in the accounts. OEB staff is of the view that the settlement proposal appropriately reflects Union's 2014-2018 Incentive Regulation framework², EGD's 2014-2018 Custom Incentive Regulation Framework³, other relevant decisions and applicable policies of the OEB. OEB staff also submits that the OEB's approval of the settlement proposal is in the public interest. OEB staff is satisfied that the calculations underpinning the balances in the deferral and variances accounts are in accordance with the relevant accounting orders previously approved by the OEB. Finally, OEB staff submits that the

¹ The Union South, Union North West and Union North East rate zones are collectively referred to as the Union rate zones.

² EB-2013-0202.

³ EB-2012-0459.

accompanying explanation and rationale is adequate to support the settlement proposal.

Summary of Proposed Disposition

EGD Rate Zone

Enbridge Gas is requesting approval to dispose of 2018 year-end balances⁴ in certain EGD rate zone deferral and variance accounts. In accordance with the settlement proposal, the net balance in the various deferral and variance accounts is a credit of \$33.0 million (including interest to April 1, 2020) to EGD rate zone customers. This includes an earnings sharing amount of \$29.8 million in accordance with the 2014-2018 Customer Incentive Regulation Plan Framework.⁵ The balances in the deferral and variance accounts are summarized below.⁶

EGD RATE ZONE DEFERRAL AND VARIANCE ACCOUNTS		
COMMODITY RELATED ACCOUNTS		
Account Acronym	Account Name	Balance (\$000's)
2018 S&TDA	Storage and Transportation Deferral Account	1,906.3
2018 TSDA	Transactional Services Deferral Account	(1,341.4)
2018 UAFVA	Unaccounted for Gas Variance Account	5,762.8
	Total Commodity Related Accounts	6,327.7
NON-COMMODITY RELATED ACCOUNTS		
2018 AUTUVA	Average Use True-Up Variance Account	(19,312.1)
2018 PTUVA	Post-Retirement True-Up Variance Account	264.1
2018 GDARIDA	Gas Distribution Access Rule Impact Deferral Account	120.2
2018 DRA	Deferred Rebate Account	996.4
2019 TIACDA	Transition Impact of Accounting Changes Deferral Account	4,435.8
2013-2018 CCCISRSDA	Customer Care CIS Rate Smoothing Deferral Account (all years)	190.5
2018 EPESDA	Electric Program Earnings Sharing Deferral Account	(1,204.0)
2018 OEBCAVA	OEB Cost Assessment Variance Account	2,806.7
2018 DACDA	Dawn Access Costs Deferral Account	1,206.1
2018 P&OPEBFAVACPDVA	Pension and OPEB Forecast Accrual Vs. Actual Cash Payment Differential Variance Account	(1.0)
2018 MGPDVA	Manufactured Gas Plant Deferral Account	971.7
2018 ESMVA	Earnings Sharing Mechanism Deferral Account	(29,838.6)
	Total Non-Commodity Related Accounts	(39,364.2)
	TOTAL DEFERRAL ACCOUNT BALANCES	(33,036.5)

⁴ The balance in the Transition Impact of Accounting Changes Deferral Account reflects the final 2019 balance (in accordance with a previous approved settlement proposal on the basis that the final 2019 amounts are known). The Customer Care CIS Rate Smoothing Deferral Account reflects both principal and interest balances for the years 2013-2018.

⁵ EB-2012-0459.

⁶ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 27.

OEB staff will provide specific comments below on a few of the accounts that are the subject of the settlement proposal.

Storage and Transportation Deferral Account (2018 S&TDA)

The purpose of the 2018 S&TDA is to record the difference between the forecast of storage and transportation rates (both cost of service and market based pricing) included in Enbridge Gas's approved rates and the final storage and transportation rates (both cost of service and market based pricing) incurred. The S&TDA also records the variance between the forecast storage and transportation demand levels and the actual storage and transportation demand levels. In addition, the S&TDA is used to record amounts related to deferral account dispositions of other utilities' deferral accounts.⁷

All parties agreed that the principal balance in the 2018 S&TDA should be disposed as proposed by Enbridge Gas. However, in connection with the settlement of this account, Enbridge Gas filed an updated response to FRPO Interrogatory #3, including a copy of the spreadsheet prepared by Enbridge Gas to review the responses to a Request for Proposal (RFP) process for market-based storage capacity acquired for 2018 utilization. Given the confidential and commercially sensitive information set out in the spreadsheet which might, if made public, compromise Enbridge Gas's commercial position in respect of future storage procurements, the parties agreed 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.⁸

OEB staff submits that the OEB should approve the confidential treatment sought by Enbridge Gas with respect to the updated response to FRPO Interrogatory #3. OEB staff is of the view that the information contained in the cited interrogatory is properly considered confidential and its public release could compromise Enbridge's commercial position with respect to storage procurement, which would not be in the best interests of Enbridge Gas or its ratepayers.

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

⁷ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 1, p. 4.

⁸ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 9.

The purpose of the CCCISRSDA is to capture the difference between the forecast customer care and CIS costs (as approved in the Customer Care and CIS Costs proceeding⁹) versus the amount to be collected in revenues in each year.¹⁰

The CCCISRSDA was approved in a previous settlement agreement related to the Customer Care and CIS Costs proceeding.¹¹ As per the noted settlement agreement¹², 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. In accordance with the noted settlement agreement methodology¹³, Enbridge Gas has sought final clearance of the CCCISRSDA in this proceeding.

All parties agreed with the proposed disposition of the balance in the account. OEB staff submits that the proposed disposition of the balance in the CCCISRSDA is in accordance with the cited settlement agreement.¹⁴

Electric Program Earnings Sharing Deferral Account (2018 EPESDA)

The purpose of the 2018 EPESDA is to track and account for the ratepayer share of all net revenues generated by Demand Side Management (DSM) services provided for electric Conservation and Demand Management (CDM) activities. The ratepayer share is 50% of net revenues.¹⁵

Enbridge Gas noted that there was a calculation error in the pre-filed balance for the 2018 EPESDA. As part of the settlement proposal, Enbridge Gas has corrected the balance in the noted account (a reduction of \$43,100 in the credit to ratepayers).¹⁶

All parties agreed that the updated balance should be disposed as part of the current proceeding. OEB staff submits that the updated balance has been calculated correctly.

⁹ EB-2011-0226.

¹⁰ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 1, p. 18.

¹¹ EB-2011-0226, Settlement Agreement.

¹² EB-2011-0226, Settlement Agreement.

¹³ EB-2011-0226, Settlement Agreement.

¹⁴ EB-2011-0226, Settlement Agreement.

¹⁵ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 1, p. 21.

¹⁶ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 12.

Manufactured Gas Plant Deferral Account (2018 MGPDA)

The purpose of the MGPDA is to capture all costs incurred in managing and resolving issues related to Enbridge Gas's Manufactured Gas Plant (MGP) legacy operations.¹⁷

All parties agreed to the disposition of the proposed balance in the 2018 MGPDA.¹⁸ OEB staff submits that the balance in the account should be approved for disposition by the OEB as it has been appropriately recorded in accordance with the purpose of the account.

All parties agreed that Enbridge Gas will discontinue the MGPDA for 2019 (and beyond). However, the parties agreed that Enbridge Gas may request that the OEB re-establish the account in the event that there are further costs anticipated that would be eligible to be recorded in the account.¹⁹

OEB staff submits that it is appropriate to close the account at this time as Enbridge Gas is not aware of any substantial pending amounts that would be eligible to be recorded in the MGPDA. OEB staff also submits that it is appropriate for Enbridge Gas to have the opportunity to seek the re-establishment of the account in the future if further costs associated with its legacy MGP operations are expected to be incurred.

Earnings Sharing Mechanism Deferral Account (2018 ESMDA)

As part of EGD's 2014-2018 Custom IR framework²⁰, a provision for earnings sharing was established. If the actual return on equity (ROE) from utility operations, calculated on a weather normalized basis, is greater than the OEB-approved ROE (updated annually by the application of the OEB's ROE formula), the excess earnings are shared 50:50 between EGD and its ratepayers. The revised earnings sharing amount for the EGD rate zone as set out in the settlement proposal, including the removal of the impact of the capital cost allowance (CCA) rule change and the amalgamation-related transaction costs, is \$29.8 million (including interest).²¹

All parties agreed to the disposition of the balance in 2018 ESMDA as revised in the application update and adjusted by the settlement proposal.²² OEB staff submits that the updated balance as set out in the settlement proposal is reasonable.

¹⁷ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 1, p. 29.

¹⁸ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 13-14.

¹⁹ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 13-14.

²⁰ EB-2012-0459.

²¹ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 14-15, 27.

²² EB-2019-0105, Settlement Proposal, December 10, 2019, p. 14.

OEB staff notes that this is the first proceeding in which the impacts of Bill C-97 CCA rule changes have been recorded. The OEB had issued a letter (CCA Accounting Direction Letter) directing natural gas utilities to create a separate sub-account to record the impacts of Bill C-97 CCA rule changes.²³

OEB staff notes that, as part of the evidence update, Enbridge Gas revised its earnings sharing calculation to reflect the recognition of 100% of the revenue requirement impact of the CCA rule change (\$3.0 million) in its 2019 Tax Variance Account. This resulted in a reduction to the earnings sharing amount of approximately \$1.55 million.²⁴ OEB staff submits that the removal of this amount from the earnings sharing calculation and the inclusion of 100% of the revenue requirement impact of the CCA rule change in the 2019 Tax Variance Account is in accordance with the CCA Accounting Direction Letter.²⁵

Enbridge noted that a proposal with respect to the disposition of the amount associated with the impact of the CCA rule change recorded in the 2019 Tax Variance Account is expected to be brought forward for disposition in Enbridge Gas's next rebasing application or as otherwise directed by the OEB.²⁶ OEB staff submits that the proposed timing of disposition is in accordance with CCA Accounting Direction Letter²⁷ and also allows for disposition prior to rebasing if the OEB were to direct such timing.

In addition, as part of the settlement proposal, the parties agreed that it is appropriate to adjust the ESM calculation for the EGD rate zone to remove the amalgamation transaction costs. As such, \$1.44 million was removed from the ESM calculation for the EGD rate zone related to 2018 amalgamation transaction costs. This increases the 2018 earnings sharing amount by approximately \$0.65 million.²⁸ OEB staff submits that the removal of 2018 amalgamation-related transaction costs from the earnings sharing calculation is appropriate as those transactional costs are properly borne by the shareholder (and not ratepayers).

Allocation and Disposition of Deferral and Variance Account Balances

²³ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

²⁴ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 14.

²⁵ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

²⁶ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 14.

²⁷ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

²⁸ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 14-15.

All parties have agreed to the allocation and disposition methodologies proposed by Enbridge Gas for the EGD rate zones.²⁹ The allocation of the deferral and variance account balances is consistent with the allocation methodologies approved by the OEB in previous proceedings³⁰, with two exceptions (as this is the first time that these accounts are being disposed):

- Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account (P&OPEBFAVA)
- MGPDA

With respect to the P&OPEBFAVA, Enbridge Gas proposed to allocate the balance to rate classes in proportion to the rate base allocator. Enbridge Gas noted that while it does not have a labour / O&M cost allocator, the proposed allocation methodology (based on rate base) recognizes that labour costs support all aspects of Enbridge Gas's assets in the provision of gas distribution service to customers.³¹

With respect to MGPDA, Enbridge Gas also proposed to allocate the balance using the rate base allocator. The proposed clearing methodology (based on rate base) recognizes that legacy manufactured gas plants supported the provision of gas distribution service to customers when they were in operation.³²

Enbridge noted that the rate base allocator encompasses all aspects of Enbridge Gas's assets and is the most comprehensive representation of how the costs of providing gas distribution service are allocated and recovered from each customer class. OEB staff agrees and therefore submits that it is an appropriate allocator for both the P&OPEBFAVA and the MGPDA.

OEB staff also submits that the allocations for the remaining deferral and variance account balances for the EGD rate zone are reasonable and have been previously approved by the OEB.

Enbridge Gas proposed a one-time billing adjustment for all general service and contract rate classes for the disposition of the EGD rate zone deferral and variance accounts in the month of April 2020.³³

²⁹ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 25.

³⁰ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 3, p. 1.

³¹ EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 3, p. 2-3.

³² EB-2019-0105, Updated Pre-filed evidence, Exhibit B, Tab 3, p. 3.

³³ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 25.

OEB staff submits that the proposed approach to dispose of the EGD rate zone deferral and variance accounts is consistent with how these accounts have been disposed during the 2014-2018 custom IR term as previously approved by the OEB. OEB staff also submits that the disposition in April 2020 will align with Enbridge Gas's April 1, 2020 QRAM application and allow sufficient time for the OEB to render a decision on the settlement proposal.

Union Rate Zones

Enbridge Gas is requesting approval to dispose of 2018 year-end balances in certain deferral and variance accounts for the Union rate zones. In accordance with the settlement proposal, the net balance in the various deferral and variance accounts is a credit of \$37.7 million (including interest to April 1, 2020). Enbridge Gas indicated that its 2018 actual utility earnings for the Union rate zones did not exceed the threshold established in Union's 2014-2018 Incentive Regulation proceeding³⁴ and therefore there is no sharing of earnings with Union rate zone ratepayers.³⁵ The balances in the deferral and variance accounts are summarized below.³⁶

	UNION RATE ZONES DEFERRAL AND VARIANCE ACCOUNTS		
	GAS SUPPLY ACCOUNTS		
	Account #	Account Name	Balance (\$000's)
	179-107	Spot Gas Variance Account	-
	179-108	Unabsorbed Demand Cost Variance Account	(10,085)
	179-131	Upstream Transportation Optimization	10,558
	179-132	Deferral Clearance Variance Account - Supply	(419)
	179-132	Deferral Clearance Variance Account - Transport	(274)
		Total Gas Supply Accounts	(220)
	STORAGE ACCOUNT		
	179-170	Short-Term Storage and Other Balancing Services	1,452
	OTHER ACCOUNTS		
	179-103	Unbundled Services Unauthorized Storage Overrun	-
	179-112	Gas Distribution Access Rule Costs	-
	179-120	IFRS Conversion Costs	-
	179-123	Conservation Demand Management	(1,091)
	179-132	Deferral Clearance Variance Account - Delivery	(1,111)
	179-133	Normalized Average Consumption	(21,092)
	179-134	Tax Variance	(427)

³⁴ EB-2013-0202.

³⁵ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 16. The parties agreed to update the ESM calculation for the Union rate zones to remove the costs associated with the amalgamation transaction costs (as it did for the ESM calculation for the EGD rate zone). Even after the agreed upon adjustment is applied to the ESM calculation for the Union rate zones, there is no earnings sharing amount for 2018.

³⁶ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 28.

	179-135	Unaccounted for Gas Volume Variance Account	1,792
	179-136	Parkway West Project Costs	(11)
	179-137	Brantford-Kirkwall/Parkway D Project Costs	(857)
	179-138	Parkway Obligation Rate Variance	294
	179-141	Unaccounted for Gas Price Variance Account	2,102
	179-142	Lobo C Compressor/Hamilton-Milton Pipeline Project Costs	(6,044)
	179-143	Unauthorized Overrun Non-Compliance Account	(5)
	179-144	Lobo D/Bright C/Dawn H Compressor Project Costs	(7,488)
	179-149	Burlington-Oakville Project Costs	(3,480)
	179-151	OEB Cost Assessment Variance Account	1,249
	179-153	Base Service North T-Service TransCanada Capacity	-
	179-156	Panhandle Reinforcement Project Costs	(2,413)
	179-157	Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account	(327)
		Total Storage & Other Accounts	(38,909)
		TOTAL DEFERRAL ACCOUNT BALANCES	(37,677)

OEB staff will provide specific comments below on a few of the accounts that are the subject of the settlement proposal.

Tax Variance Deferral Account (TVDA)

The purpose of the Union rate zone 2018 TVDA is to record 50% of the variance in costs resulting from the difference between the actual tax rates and the approved tax rates included in rates.³⁷

All parties agreed to the disposition of the balance in the Union rate zone 2018 TVDA as revised in the application update.³⁸ OEB staff submits that the updated balance should be approved for disposition.

As noted previously, this is the first proceeding in which impacts of Bill C-97 CCA rule changes have been recorded. The CCA Accounting Direction Letter required natural gas utilities to create a separate sub-account to record the impacts of Bill C-97 CCA rule changes.³⁹

OEB staff notes that, as part of its evidence update, Enbridge Gas revised the balance in the Union rate zone 2018 TVDA to remove 50% of the 2018 revenue requirement impact (\$0.94 million) of the CCA rule change and instead record 100% of the 2018

³⁷ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 1, p. 26.

³⁸ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 20.

³⁹ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

impact of the CCA rule changes (\$1.88 million) in Enbridge Gas's 2019 Tax Variance Account. This resulted in a reduction to the balance in the Union rate zone 2018 TVDA of \$0.94 million. The remaining balance in the Union rate zone 2018 TVDA after removing the CCA impact is a credit of \$0.43 million (including interest) related to Harmonized Sales Tax (HST) changes.⁴⁰ OEB staff submits that the removal of 50% of the 2018 revenue requirement impact of the CCA rule change from the Union rate zone TVDA and the inclusion of 100% of the revenue requirement impact of the CCA rule change in the 2019 Tax Variance Account is in accordance with the CCA Accounting Direction Letter.⁴¹

OEB staff notes that Enbridge Gas indicated that a proposal with respect to the disposition of the impacts of the CCA rule change recorded in Enbridge Gas's 2019 Tax Variance Account will be brought forward in Enbridge Gas's next rebasing application, or as otherwise directed by the OEB.⁴² OEB staff submits that the proposed timing of disposition is in accordance with CCA Accounting Direction Letter⁴³ and also allows for disposition prior to rebasing if the OEB were to direct such timing.

OEB staff also submits that the remaining balance in the Union rate zone TVDA related to the HST changes (\$0.43 million) has been calculated correctly.

Lobo D / Bright C / Dawn H Compressor Project Cost Account

The Lobo D / Bright C / Dawn H Compressor Project Cost Account tracks the difference between the actual revenue requirement related to costs associated with the Lobo D / Bright C / Dawn H project and the revenue requirement included in rates. The account also records the revenues associated with the sale of surplus Dawn Parkway system capacity of 30,393 GJ / day associated with the project.⁴⁴

OEB staff notes that in the Decision and Rate Order with respect to Union's 2017 deferral and variance account disposition, the OEB approved the disposition of the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account, and associated unit rates, on an interim basis. The OEB ordered Union to file evidence supporting the proportional allocation of 2017 short-term transportation revenue to the account and the rate class allocations in a future proceeding.⁴⁵

⁴⁰ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 20; and OEB Staff Interrogatory #17.

⁴¹ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

⁴² EB-2019-0105, Settlement Proposal, December 10, 2019, p. 20.

⁴³ Letter on Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

⁴⁴ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 1, p. 52.

⁴⁵ EB-2018-0105, Decision and Rate Order, December 6, 2018, p. 3.

All parties agreed that the 2017 and 2018 balance in the Lobo D / Bright C / Dawn H Compressor Project Cost Account should be disposed of on a final basis in the current proceeding.⁴⁶

OEB staff submits that the 2018 balance in the account has been calculated correctly and has no concerns with the agreement in the settlement proposal that the balance in the account should be refunded to the ratepayers as part of the current proceeding.⁴⁷ OEB staff also submits that the proportional allocation of 2017 revenue to the account and the rate class allocations are also reasonable and has no concerns with the 2017 disposition being approved on a final basis.

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

OEB staff notes that this is the first proceeding in which Enbridge Gas is seeking clearance of the balance in the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account.

The purpose of the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account is to record the difference between forecast accrual pension and the OPEB amounts recovered in rates and the actual cash payment made for both pension and OPEB.⁴⁸

Enbridge Gas originally proposed to refund a \$0.23 million credit balance in the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account. This was based on an alternative methodology Enbridge Gas proposed for its Union rate zones.⁴⁹

As part of the settlement proposal, all parties agreed that Enbridge Gas should withdraw its alternative proposal for 2018 and revert to the generic approach established by the OEB.⁵⁰ The effect of this adjustment is an increase in balance from a \$0.23 million credit to a \$0.33 million credit.⁵¹

⁴⁶ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 23.

⁴⁷ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 23.

⁴⁸ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 1, p. 70.

⁴⁹ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 1, p. 72; and OEB Staff Interrogatory #23.

⁵⁰ EB-2015-0040, Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017.

⁵¹ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 24, 28.

All parties agreed that the revised balance in the noted account should be disposed as part of the current proceeding.⁵² OEB staff submits that the balance in the account has been calculated correctly and agrees with the change to the generic approach.

Allocation and Disposition of Deferral and Variance Account Balances

All parties have agreed to the allocation and disposition methodology proposed by Enbridge Gas for its Union rate zones.⁵³

The allocation of the deferral and variance account balance is consistent with the allocation methodologies approved by the OEB in previous proceedings⁵⁴, with two exceptions:

- Unaccounted for Gas (UFG) Price Variance Account
- Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account

With respect to the UFG Price Variance Account, Enbridge Gas proposed to change the OEB-approved allocation methodology for this account to recognize that Enbridge Gas makes actual UFG purchases on behalf of customers who supply fuel in kind (which was not previously recognized as the costs recorded in the account were immaterial). The amounts recorded in the account are more significant (including the costs associated with the purchase of UFG on behalf of customers who provide fuel in kind) for 2018. As such, Enbridge Gas proposed to allocate the balance in the UFG Price Variance Account to rate classes based on the actual UFG gas supply purchases made in 2018 for the Union rate zones. This includes UFG purchases made on behalf of customers for which Enbridge Gas provides fuel (utility supplied fuel) and on behalf of customers who provide fuel in kind when the actual UFG variance is greater than the amount of UFG collected through customer supplied fuel.⁵⁵ OEB staff submits that the proposed allocation methodology is more accurate than the previous approach and results in a more fair allocation of costs amongst ratepayers.

With respect to the Pension and OPEB Forecast Accrual vs Actual Cash Payment Differential Variance Account, Enbridge Gas proposed to allocate the balance to rate classes in proportion to the 2013 employee benefit costs.⁵⁶ OEB staff submits that the proposed allocation methodology is appropriate as it is consistent with the allocation of

⁵² EB-2019-0105, Settlement Proposal, December 10, 2019, p. 24.

⁵³ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 25-26.

⁵⁴ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 3, p. 1.

⁵⁵ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 3, p. 6; and OEB Staff Interrogatory #20.

⁵⁶ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 3, p. 9.

labour costs in the 2013 OEB-approved cost allocation study (as was noted by Enbridge Gas).⁵⁷

OEB staff also submits that the allocation methodologies for the remaining deferral and variance account balances for the Union rate zone are reasonable and have been previously approved by the OEB.

For general service rate classes, Enbridge Gas proposes to dispose deferral and variance account balances for the Union Rate zones prospectively over a 6-month period (April 1, 2020 – September 30, 2020).

For in-franchise contract and ex-franchise rate classes, Enbridge Gas proposes to dispose of the Union rate zone deferral and variance accounts as a one-time adjustment in April 2020.⁵⁸

OEB staff submits that the proposed approach to dispose of the Union rate zone deferral and variance accounts is consistent with how these accounts have been disposed of during the 2014-2018 IR term as previously approved by the OEB. OEB staff also submits that the disposition in April 2020 will align with Enbridge Gas's April 1, 2020 QRAM application and allow sufficient time for the OEB to render a decision on the settlement proposal.

OEB staff notes that in a previous Decision and Rate Order, the OEB directed that a common approach for deferral and variance account disposition for the EGD and Union rate zones be developed. The OEB noted that in the future proceedings, Enbridge Gas is expected to adopt a common approach to the extent practical, and if not, explain the rationale for continuing a different approach.⁵⁹ In the settlement proposal, Enbridge Gas noted that in 2021, at the earliest, it will have a new billing system for the Union rate zones that will allow for one-time adjustments for its general service customers.⁶⁰ This is the approach adopted for EGD rate zone general service customers.⁶¹ OEB staff submits that Enbridge Gas has appropriately considered the OEB's direction⁶² and will be moving to a common approach for deferral and variance account disposition as soon as is feasible.

Draft Rate Order

⁵⁷ EB-2019-0105, Updated Pre-filed evidence, Exhibit C, Tab 3, p. 9.

⁵⁸ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 25.

⁵⁹ EB-2018-0300, Decision and Rate Order, May 23, 2019, p. 4.

⁶⁰ EB-2019-0105, Settlement Proposal, December 10, 2019, p. 26.

⁶¹ OEB Staff Interrogatory #1.

⁶² EB-2018-0300, Decision and Rate Order, May 23, 2019, p. 4.

On December 12, 2019, Enbridge Gas filed a draft rate order. The draft rate order included the proposed unit rates for clearing the deferral and variance account balances and the bill impacts resulting from the settlement proposal. OEB staff submits that the draft rate order accurately reflects the settlement proposal.

The bill impacts shown in the draft rate order are summarized below.

A typical residential customer in the EGD Rate Zone would receive a one-time credit of \$11.40 in April 2020.

A typical residential customer in each of the Union Rate Zones would see the following impacts:

- Union South Rate Zone: a total charge of \$0.55 collected over six months, from April 1, 2020 – September 30, 2020
- Union North West Rate Zone: a total credit of \$60.23 received over six months, April 1, 2020 – September 30, 2020
- Union North East Rate Zone: a total credit of \$22.40 received over six months, April 1, 2020 – September 30, 2020

All of which is respectfully submitted.