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VIA EMAIL, RESS and COURIER

March 11, 2020

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

Dear Ms. Long:

**Re: EB-2019-0194 Enbridge Gas Inc. ("Enbridge Gas")
2020 Rates – Argument-in-Chief**

In accordance with Procedural Order No. 3, dated February 26, 2020, enclosed please find the Argument-in-Chief of Enbridge Gas in the above noted proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Rakesh Torul
Technical Manager,
Regulatory Applications

cc: David Stevens, Aird and Berlis LLP
EB-2019-0194 Intervenors

EB-2019-0194

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. pursuant to section 36(1) of the *Ontario Energy Board Act, 1998* for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2020.

ENBRIDGE GAS INC.

2020 RATES - PHASE 2

ARGUMENT IN CHIEF

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A. OVERVIEW

1. The outstanding items to be addressed in Phase 2 of the proceeding are: (i) Incremental Capital Module (ICM) requests; (ii) Cost Allocation Study that takes into account a proposal for the cost allocation of certain major projects in the Union Rate Zones; (iii) Enbridge Gas's eBill Practices; and (iv) Unaccounted For Gas (UFG) Report.

2. This Argument in Chief sets out Enbridge Gas's position on the four outstanding items. A summary is set out below.

   i. *ICM Requests* – The Company's requests for ICM rate recovery for the Don River Replacement Project (EGD Rate Zone) and the Windsor Line Replacement Project (Union South Rate Zone) each meet the Board's criteria for ICM funding.[1] Enbridge Gas seeks approval of ICM unit rates beginning in 2020 for the duration of the deferred rebasing period to recover the total revenue requirement of the ICM projects from 2020 to 2023.

   ii. *Cost Allocation Study* – As required by the MAADs Decision[2], the Company filed a Cost Allocation Study that takes into account four projects (Panhandle Reinforcement, Dawn-Parkway expansion including Parkway West, Brantford-Kirkwall/Parkway D and the Hagar Liquefaction Plant) and that includes a proposal for addressing TransCanada's C1 Dawn to Dawn-TCPL service.[3] Enbridge Gas is seeking Board approval of cost allocation methodology changes applicable to the Panhandle System and St. Clair System, Parkway Station and Dawn Station. Enbridge Gas is proposing to implement the cost allocation methodology changes as part of its next rebasing proceeding.

   iii. *eBill Practices* – As agreed in the Phase 1 Settlement Proposal, Enbridge Gas has filed evidence about its eBill practices, including description of what changed in 2019 as the Company transitioned to make eBill the default billing option for customers.[4] The transition to eBill has resulted in cost savings, improved customer satisfaction and increased self-serve volume. The Board has encouraged utilities to increase the use of eBill[5], but has not prescribed any rules about how this must be done. Enbridge Gas is not seeking any relief from the Board in relation to its eBill practices. Unless the Board orders otherwise, Enbridge Gas plans to

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[1] The evidence in support of Enbridge Gas's ICM requests is filed at Exhibit B, Tab 2, Schedule 1.
[2] August 30, 3018 Decision and Order in EB-2017-0306/0307 (MAADs Decision).
[3] The Cost Allocation Study is filed at Exhibit B, Tab 1, Schedule 1. Appendix C.
[4] Evidence about Enbridge Gas's eBill practices is filed at Exhibit B, Tab 3, Schedule 1.
[5] OEB Notice of proposal to Amend Codes and a Rule in EB-2017-0183, dated December 18, 2018, page 42.

continue with its previous approach of treating eBill as the default billing option for customers. This will allow Enbridge Gas to facilitate continued benefits for customers in the form of improved customer experience and lower costs.

iv. *UFG Report* - As required by the MAADs Decision, Enbridge Gas has filed a Report on UFG for the EGD and Union Rate Zones (UFG Report).[6] The Company will implement the recommendations in the UFG Report and will report on its progress in future regulatory proceedings. Enbridge Gas is not seeking any relief in relation to this item.

B. BACKGROUND

3. Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB, or the Board) on October 8, 2019 seeking approval for changes to its natural gas distribution rates to be effective January 1, 2020. This application is Enbridge Gas's second annual rate adjustment application under the incentive rate mechanism (IRM) framework approved in the MAADs decision.

4. Enbridge Gas filed this application shortly after receiving the Board's decision in the 2019 Rates proceeding (EB-2018-0305).[7] In Procedural Order No. 1, the Board accepted Enbridge Gas's request to process and adjudicate the application in phases, with the IRM related elements and certain deferral and variance accounts to be addressed in Phase 1.[8] The parties reached a settlement on all issues in Phase 1. In a decision issued on December 5, 2019, the Board accepted the Phase 1 Settlement Proposal which included an interim rate order for rates reflecting the IRM adjustments effective January 1, 2020.[9]

5. The Board's December 5, 2019 decision set out a process for additional evidence to be filed and for interrogatories to be asked and answered on the Phase 2 evidence. In Procedural Order No. 2, the Board directed that the UFG Report (which had been

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[6] The UFG Report was filed on December 19, 2019.
[7] Enbridge Gas received the Board's Decision and Order for 2019 Rates (EB-2018-0305) on September 12, 2019 (supplemented on September 23, 2019).
[8] Procedural Order No. 1, November 12, 2019.
[9] Decision on Settlement Proposal and Interim Rate Order, December 5, 2019.

filed separately) will be treated as part of the record of Phase 2 of this 2020 Rates proceeding.[10]

6. As a result of the settlement of all items in Phase 1, there are only a small number of remaining items related to Enbridge Gas's 2020 Rates application. Enbridge Gas has filed evidence and answered interrogatories on each of these items.

7. This Argument in Chief summarizes the relevant evidence and Enbridge Gas's position on each of the remaining items. Enbridge Gas has not attempted to anticipate arguments that may be made by other parties in this proceeding, and instead will respond to such arguments in Reply Argument.

C. ICM REQUESTS

8. In the MAADs Decision, the Board confirmed the availability of ICM funding for Enbridge Gas.[11] Under the Board's ICM policies, capital projects must meet the criteria of materiality, need and prudence to be eligible for recovery.[12]

9. In the EB-2018-0305 Decision and Order on Enbridge Gas's 2019 Rates case (2019 Rates Decision), the Board approved ICM funding for two projects (as well as a capital pass-through deferral account for a third project).[13] The 2019 Rates Decision confirmed the approach to be used to evaluate Enbridge Gas ICM requests during the deferred rebasing term, including the manner in which the materiality threshold will be calculated[14], the appropriateness of the Company's Utility System Plan (USP) and Asset Management Plans (AMPs)[15], the project-specific materiality test to be

[10] Procedural Order No. 2, January 9, 2020.
[11] MAADs Decision, pages 32-33.
[12] Exhibit B, Tab 2, Schedule 1, para. 21 and EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, section 4.1.5, page 17.
[13] 2019 Rates Decision, pages 20-29.
[14] 2019 Rates Decision, page 17.
[15] 2019 Rates Decision, pages 17-19.

applied[16], the inclusion of indirect overhead costs as part of the ICM project costs[17], and the calculation of ICM unit rates[18].

10. Enbridge Gas is seeking ICM funding for two projects in 2020 that are not funded through existing rates – the Don River Replacement Project in the EGD Rate Zone and the Windsor Line Replacement Project in the Union South Rate Zone. As explained below, each project meets the Board's ICM criteria in terms of materiality (including the means test and discrete project criteria); need; and prudence.

(i) Materiality

11. The Company has applied the Board's formula to determine the materiality threshold for 2020 ICM requests for the EGD and Union Rate Zones. The Board's ICM materiality threshold calculation results in a 2020 ICM Threshold value of $487.1 million for the EGD Rate Zone and $444.1 million for the combined Union Rate Zones.[19] The materiality threshold establishes the minimum capital expenditures the utility must fund through base rates. The maximum eligible incremental capital investment for ICM funding is the amount of forecast in-service capital expenditures in the year in excess of the threshold value.[20]

12. In support of the 2020 ICM request, Enbridge Gas filed an AMP Addendum which updates the EGD and Union Rate Zone AMPs filed in the USP as part of 2019 Rates case.[21] Emerging needs, investments, or changes since the 2019 AMPs were filed are addressed in the AMP Addendum.[22] As summarized in the prefiled evidence, the USP and AMPs (including the AMP Addendum) set out the 2020 capital spending

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[16] 2019 Rates Decision, pages 25 and 28.
[17] 2019 Rates Decision, page 29.
[18] 2019 Rates Decision, pages 31-33.
[19] The calculations setting out how these results were derived are set out at Exhibit B, Tab 2, Schedule 1, Table 3 (page 10). Discussion about how each of the inputs into the calculation were determined is included at Exhibit B, Tab 2, Schedule 1, paras. 25-34. See also Exhibit I.EP.2.
[20] Exhibit B, Tab 2, Schedule 1, para. 24.
[21] Exhibit C, Tab 1, Schedule 1.
[22] Exhibit B, Tab 2, Schedule 1, para. 5.

requirements for each Rate Zone - $517.2 million for the EGD Rate Zone and $528.3 million for the Union Rate Zone.[23]

13. The result of these calculations is that the maximum eligible incremental capital for the EGD Rate Zone and Union Rate Zones is $30.1 million and $84.2 million, respectively.[24]

14. The projects for which Enbridge Gas is seeking 2020 ICM funding are not fully funded through existing rates. The details of each ICM request are set out in the table below, reproduced from the prefiled evidence.[25]

2020 Incremental Capital Funding Request by Rate Zone

Line No.	Particulars ($ millions)	Total Project In-service Amount	Total Project ICM Request	Difference
		(a)	(b)	(c) = (b-a)
	2020 In-service Capital Forecast			
	EGD Rate Zone			
1	Don River Replacement Project (1)	35.4	30.1	(5.3)
	Union South Rate Zone			
2	Windsor Line Replacement Project (1)	91.9	84.2	(7.7)
3	Total Incremental Capital Funding Request	127.3	114.3	(13.0)

15. The 2020 in-service capital amounts for the Don River Replacement and Windsor Line Replacement Projects shown above exceed the maximum eligible incremental capital of each Rate Zone. As a result, the ICM funding requests are each less than the total

[23] Exhibit B, Tab 2, Schedule 1, Tables 1 and 2 (pages 4-5).
[24] Exhibit B, Tab 2, Schedule 1, paras. 35-36.
[25] Exhibit B, Tab 2, Schedule 1, page 15 (Table 7). See also Exhibit B, Tab 2, Schedule 1, paras. 35-37.

in-service capital for the projects, meaning that Enbridge Gas will accommodate a portion of the in-service capital for these projects within the ICM Threshold.[26]

(ii) Means Test

16. In order to be eligible for ICM funding, a distributor must also pass the "Means Test" showing that its regulated return is less than 300 basis points (bps) above the deemed return on equity (ROE) embedded in the distributor's rates.[27] The actual 2018 ROE for the EGD Rate Zone was calculated to be 10.82%, and actual ROE for the Union Rate Zones was calculated to be 9.64%.[28] Each of these are less than 300 bps above the ROE embedded in rates.[29]

(iii) Discrete and Material Projects

17. ICM funding requests must be based on discrete, material projects, and the amount claimed must be "clearly outside of the base upon which the rates were derived".[30] Additionally, the MAADs Decision directs that any individual project for which ICM funding is sought must have an in-service capital addition of at least $10 million.[31]

18. The two 2020 ICM eligible capital projects identified each exceed the materiality level of $10 million. These projects have been evaluated as part of the capital planning process described in the AMPs. Each project is distinct, with significant influence on Enbridge Gas's operations.

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[26] Exhibit I.VECC.7.
[27] EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, page 15. See also Exhibit B, Tab 2, Schedule 1, para. 38.
[28] The EGD and Union Rate Zones 2018 ROE calculations are provided at Appendices C and D to Exhibit B, Tab 2, Schedule 1.
[29] The 2018 actual ROE for the EGD Rate Zone was 182 bps above the 2018 Board-approved ROE of 9.00%, while the actual ROE for the Union Rate Zones was 71 bps above the 2013 Board approved ROE of 8.93%.
[30] EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, page 17. See also Exhibit B, Tab 2, Schedule 1, para. 40.
[31] MAADs Decision, pages 32-33.

(iv) Need and Prudence

19. Each of the ICM eligible capital projects is subject to Leave to Construct (LTC) approval from the Board. Most aspects relevant to the need for and prudence of these projects has been or is being addressed in the LTC proceedings. A summary is set out below.

Don River Replacement Project – EGD Rate Zone

20. This project is needed to replace approximately 0.25 km of NPS 30 XHP on the Don River Bridge crossing with a new NPS 30 XHP under the Don River through the use of trenchless technology (microtunnel), and abandonment of the existing pipeline. The Don River Replacement project was subject to a LTC Application in EB-2018-0108. In its LTC Decision and Order dated November 29, 2018[32], the OEB found that this project is needed to ensure the safe operation and reliability of the Don Valley Pipeline, as failure to address the risk associated with potential damage to the 89-year old bridge and existing pipeline could have a significant adverse impact on the gas supply to a large number of residential, commercial and industrial customers.[33]

21. Enbridge Gas previously applied for ICM funding for this project in the 2019 Rates case. The Board determined that the appropriate 2019 capital expenditure budget for the EGD Rate Zone did not exceed the ICM materiality threshold and therefore declined to consider the ICM request.[34]

22. At the time of the 2019 Rates case, the Don River Replacement Project was scheduled to be placed into service in September 2019. Now, due to circumstances beyond the control of Enbridge Gas, the Don River Replacement Project is scheduled to be put

[32] The EB-2018-0108 Don River Replacement Project LTC Decision and Order is found at http://www.rds.oeb.ca/HPECMWebDrawer/Record/627559/File/document.
[33] Exhibit B, Tab 2, Schedule 1, para. 43. The business case for the Don River Replacement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 20-23. See also Exhibit I.CME.6 and Exhibit C, Tab 1, Schedule 1, Appendix C (Business Case ID: 6423).
[34] 2019 Rates Decision, pages 20-21.

into service in May 2020. This means that the costs of the project are part of the 2020 in service capital expenditure budget for the EGD Rate Zone.[35]

23. The delay in the in-service date is due to unanticipated delays in obtaining necessary permits.[36] Once permits were received, the original construction schedule could no longer be met to tie-in the new pipeline as planned in September 2019. The original schedule planned the tie-in to accommodate requirements under an existing firm service contract with a customer's planned maintenance shut-down. Enbridge Gas now plans to complete the tie-ins during the customer's next planned maintenance shut-down which is scheduled in April 2020. The delay was communicated to the Board through a Request to Vary[37], which the Board approved on December 5, 2019[38]. As described in the Request to Vary, alternatives were considered but rejected due to operational risks and network constraints that would be present during the winter heating season.

24. The current estimated cost of $35.4 million for the Don River Replacement Project is very similar to what was presented in the LTC Application, except for the fact that the cost estimate for ICM purposes includes indirect overhead costs (as endorsed in the 2019 Rates Decision).[39] The need for and prudence of the Don River Replacement Project are confirmed by the Board's LTC approval, including the approval of the Request to Vary.

Windsor Line Replacement Project – Union Rate Zones

25. Enbridge Gas filed a LTC Application for the Windsor Line Replacement Project on August 9, 2019 in EB-2019-0172. This project is needed to replace approximately 64

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[35] Exhibit B, Tab 2, Schedule 1, para. 46.
[36] Exhibit B, Tab 2, Schedule 1, para. 45.
[37] The October 15, 2019 Request to Vary is filed at Attachment 1 to Exhibit I.VECC.1. Additional correspondence between Enbridge Gas and the Board related to the Request to Vary is filed at Attachments 2 to 5 to Exhibit I.VECC.1.
[38] The OEB Approval of the Request to Vary is filed at Attachment 6 to Exhibit I.VECC.1.
[39] See Exhibit I.BOMA.6. Note that the cost estimate for the Don River Replacement Project is the same as was presented in the 2019 Rates Case – there are no additional costs forecast as a result of the project delay – see Exhibit I.CME.3 and Exhibit I.VECC.1, Attachment 1.

km of the existing Windsor NPS 10 pipeline (and some short sections of NPS 8) located in the Municipality of Chatham-Kent and County of Essex with NPS 6 pipeline operating at pressure of 3450 kPa. The proposed NPS 6 pipeline is necessary to replace the existing pipeline due to integrity concerns. Results from surveys and inspections conducted as part of the Enbridge Gas Integrity Management Program identified multiple integrity and depth of cover issues which could pose safety and security of supply concern if not addressed. The replacement of this section of the Windsor Line as proposed is the most effective way of managing its ongoing safety and reliability.[40]

26. The total forecast costs for the Windsor Line Replacement Project, including indirect overhead costs, is $106,805.000.[41] Of that amount, $91.9M is forecast to go into service in 2020. The balance of the project cost will be in service in 2021 and will be included in the 2021 in-service capital for purposes of determining the maximum eligible incremental capital in that year.[42]

27. The Board has not yet determined the LTC Application for the Windsor Line Replacement Project. Enbridge Gas anticipates that approval will be received in time for construction to begin in May 2020, which will support the project being completed and put into service by November 1, 2020.[43] Enbridge Gas submits that as long as the Board approves the LTC Application, then the need and prudence for the Windsor Line Replacement Project will be established.[44] Enbridge Gas acknowledges that if

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[40] Exhibit B, Tab 2, Schedule 1, para. 47. The business case for the Windsor Line Replacement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 23-27. See also Exhibit I.CME.6 and Exhibit C, Tab 1, Schedule 1, Appendix D (AMP ID 212, 913).
[41] Details of the project costs were provided in the LTC Application (EB-2019-0172), and reproduced at Exhibit I.VECC.6.
[42] Exhibit B, Tab 2, Schedule 1, page 23 and para. 56.
[43] EB-2019-0172, Enbridge Gas Reply Argument, para, 27. See Exhibit I.SEC.12 and Exhibit I.BOMA.9.
[44] As a result, in this Argument in Chief Enbridge Gas declines to address the many interrogatories about the need for the Windsor Line Replacement Project. Enbridge Gas believes that such issues will be addressed by the Board in the pending decision in the EB-2019-0172 LTC Application. See also Exhibit I.VECC.5.

the LTC Application is not approved, then the project will not proceed, and the ICM request will fall away.[45]

(v) ICM Revenue Requirement and Unit Rates

28. The total capital cost of Enbridge Gas's 2020 ICM funding requests is $114.3 million, with an associated total revenue requirement of $30.8 million from 2020 to 2023 and an average annual revenue requirement of $7.7 million. The incremental revenue requirement includes costs associated with the capital investment (return on rate base, depreciation expense and associated income taxes) only.[46] Details are set out in the table below, reproduced from the prefiled evidence.[47]

Total Incremental Revenue Requirement by Rate Zone

Line No.	Particulars ($000's)	2020	2021	2022	2023	Total	Average Annual
		(a)	(b)	(c)	(d)	(e)	(f) = (e)/4
	EGD Rate Zone						
1	Don River Replacement	465	2,597	2,576	2,553	8,191	2,048
	Union South Rate Zone						
2	Windsor Line Replacement	(3,616)	8,855	8,738	8,614	22,591	5,648
3	Total Incremental Revenue	(3,151)	11,452	11,314	11,167	30,782	7,696

29. Enbridge Gas is seeking approval of ICM unit rates to be effective from the implementation date for the duration of the deferred rebasing period to recover the

[45] Exhibit I.STAFF.7.
[46] Exhibit B, Tab 2, Schedule 1, para. 51.
[47] Exhibit B, Tab 2, Schedule 1, Table 9 (found at page 28). Explanation of the amounts in the Table is found at Exhibit B, Tab 2, Schedule 1, paras. 52-56 and Appendix E. Enbridge Gas proposes to allocate the ICM Project revenue requirement to rate classes based on the most recently approved cost allocation methodology updated for the current year forecast – see Exhibit B, Tab 2, Schedule 1, paras. 57-60.

total revenue requirement of the Don River Replacement and the Windsor Line Replacement Projects from 2020 to 2023.

30. To calculate the ICM unit rates set out in the prefiled evidence, Enbridge Gas used the allocated average annual revenue requirement and the forecast 2020 billing units for each respective rate class.[48] The ICM unit rates presented in evidence were prepared assuming an implementation date in rates of January 1, 2020. Following the Board's Decision in this proceeding, Enbridge Gas will file a draft rate order including updated ICM unit rates to reflect recovery of the total revenue requirement of the projects for the deferred rebasing period beginning with the Board's indicated implementation date.[49]

31. Consistent with the treatment of 2019 approved ICM project unit rates, Enbridge Gas proposes to embed the ICM unit rates in the delivery and transportation charges on the applicable rate schedule and customer bill.[50]

D. COST ALLOCATION STUDY

32. In the MAADs Decision, the Board acknowledged that Enbridge Gas would not file a comprehensive cost allocation study until its next rebasing case (at the end of the five year deferred rebasing period). However, in response to submissions from other parties the Board directed Enbridge Gas to file a cost allocation study in 2019 for specific projects in the Union Rate Zones, stating:

> *The OEB therefore requires Amalco to file a cost allocation study in 2019 for consideration in the proceeding for 2020 rates that proposes an update to the cost allocation to take into account the following projects: Panhandle Reinforcement, Dawn-Parkway expansion including Parkway West, Brantford-Kirkwall/Parkway D and the Hagar Liquefaction Plant. This should also include a proposal for addressing TransCanada's C1 Dawn to Dawn TCPL service. The OEB accepts that this proposal will not be perfect, but is intended to address the cost allocation*

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[48] Exhibit B, Tab 2, Schedule 1, para. 61. See Exhibit I.LMPA.7.
[49] Exhibit B, Tab 2, Schedule 1, para. 62.
[50] Exhibit B, Tab 2, Schedule 1, para. 61. The derivation of the ICM unit rates for 2020 ICM Projects is filed as Appendix G to Exhibit B, Tab 2, Schedule 1. The ICM unit rates presented in Appendix G were prepared assuming an implementation date in rates of January 1, 2020. Following the Board's Decision in this proceeding, Enbridge Gas will file a draft rate order reflecting such updated timing as may be appropriate.

> *implications of certain large projects undertaken by Union Gas that have already come into service.*[51]

33. Enbridge Gas filed the required Cost Allocation Study in November 2019. As stated, "[t]he cost allocation study is not intended to be a precise measurement of the actual cost to serve a particular rate class, much less a particular customer, but rather to provide a reasonable indication of cost responsibility by rate class at a specific point in time."[52]

(i) Cost Allocation Study Process and Results

34. Enbridge Gas prepared the Cost Allocation Study based on a 2019 test year. Enbridge Gas has based the revenue requirement on the 2019 forecast costs of the Union rate zones, which have been set to equal the forecast of 2019 revenue. Enbridge Gas used the three-step approach of Functionalization, Classification and Allocation of relevant costs.[53]

35. A summary of the results of the Cost Allocation Study is set out at Appendix A to this Argument in Chief.[54] The impacts of the proposed cost allocation methodologies from the Cost Allocation Study are set out at Appendix B.[55] The updated revenue to cost ratios that would result are set out in the table at Appendix C.[56]

36. In conducting its analysis, Enbridge Gas used the Board's previously approved cost allocation methodologies, subject to the proposed cost allocation methodologies outlined in Cost Allocation Study for: (a) Panhandle System and St. Clair System; (b)

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[51] MAADs Decision, section 5.9, pages 40-41.
[52] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 2.
[53] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 15 and Schedule 2.
[54] Appendix A reproduces Table 1 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 5.
[55] Appendix B reproduces Table 2 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 9. Enbridge Gas provided estimated bill impacts in the Union Rate Zones from the implementation of the proposed cost allocation methodology changes (without taking in to account rate design considerations) at Exhibit I.STAFF.4. Rate impacts in the EGD Rate Zone are set out at Exhibit I.SEC.8.
[56] Appendix C reproduces Table 3 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 24.

Parkway Station; and (b) Dawn Station. Each of these proposed changes are described below.[57]

Panhandle System and St. Clair System

37. Enbridge Gas provides westerly transportation service on the Panhandle System to meet Union South in-franchise demands west of Dawn. Both the Panhandle System and St. Clair System provide ex-franchise Rate C1 transportation between Dawn and Ojibway, St. Clair and Bluewater. The Panhandle System also provides Rate M16 transportation to and from storage pools that are located west of Dawn. Rate C1 transportation includes Union South and Union North sales service customers that transport volumes on the Panhandle and St. Clair System to Dawn.[58]

38. Union's 2013 Board-approved cost allocation study classified the demand-related costs for the combined Panhandle System and St. Clair System as Ojibway/St. Clair Demand.[59] Prior to the addition of the Panhandle Reinforcement Project, combining the Panhandle System and the St. Clair System was reasonable because the systems had similar costs per unit of demand. With the inclusion of significant costs to the Panhandle System only as a result of the Panhandle Reinforcement Project, the use of the Ojibway/St. Clair demand allocation methodology no longer reflects the costs to serve customers on each of the respective systems.[60]

39. Enbridge Gas is proposing a change to the cost allocation methodology of the Panhandle System and St. Clair System to address the change in the Panhandle System costs relative to the St. Clair System costs.[61] In order to address the

[57] A table summarizing the changes in allocation methodologies for Dawn-Parkway and Dawn Station assets is found at Exhibit I.FRPO.23, Table 1.
[58] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 20.
[59] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 21-22.
[60] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 23.
[61] Details of the proposed cost allocation methodology for each demand classification are set out in the evidence - Details about Panhandle System Demand Costs are set out at Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 25-29 and details about St. Clair System Demand Costs are set out at Exhibit B, Tab 1, Schedule 1, Appendix C, para. 30.

difference in the costs and design day demands of the Panhandle System and St. Clair System, Enbridge Gas has separated the Ojibway/St. Clair Demand functional classification into Panhandle Demand and St. Clair Demand in the Cost Allocation Study.[62]

40. The proposed cost allocation methodology of the Panhandle Demand functional classification is based on the use of each asset on the Panhandle System. First, Enbridge Gas proposes to direct assign the costs of assets used solely to serve ex-franchise Rate C1, which includes the costs of the Sandwich Compressor station and Ojibway measurement station. The proposed direct assignment also includes an allocation of transmission mains and Dawn yard assets to Rate C1 and Rate M16 using a proportional allocation based on 214 days use of contracted capacity to the total design day demands of the Panhandle System. The remaining Panhandle transmission mains and Dawn yard asset costs are proposed to be allocated to Union South rate classes in proportion to the forecast Panhandle System design day demands.[63]

41. The proposed cost allocation methodology of the St. Clair Demand functional classification is to direct assign all costs to Rate C1.[64]

<u>Parkway Station</u>

42. Parkway Station is located at the eastern terminus of Enbridge Gas's Dawn-Parkway transmission system and includes a bi-directional interconnection with TC Energy as well as custody transfer meters with the EGD Rate Zone (Parkway Consumers, EGT and Lisgar). The Parkway Station also includes four compressors, two of which were implemented as part of the capital pass-through projects approved during Union's 2014-2018 IRM term. Specifically, the Parkway West project involved the construction of a new compressor that provides loss of critical unit protection at Parkway, and the

[62] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 24.
[63] Exhibit I.SEC.9.
[64] Exhibit I.SEC.9.

Brantford to Kirkwall/Parkway D project involved the construction of a new compressor which provides additional compression at Parkway.[65]

43. In Union's 2013 Board-approved cost allocation study, Parkway Station costs are included as part of the Dawn-Parkway Easterly Demand functional classification. Dawn-Parkway demand costs are allocated to in-franchise and ex-franchise rate classes in proportion to easterly peaking distance-weighted design day demands (also referred to as "commodity-kilometres") on the Dawn-Parkway transmission system.[66]

44. Enbridge Gas is proposing changes to the cost allocation methodology of the Parkway Station costs in response to the Board's directive.[67] Enbridge Gas has allocated the measuring and regulating costs at Parkway in proportion to the bi-directional design day demands of the Parkway Station. This allocation methodology recognizes that measuring and regulating assets are used on design day to measure the volumes flowing through the Parkway Station. Enbridge Gas has allocated the compressor costs at Parkway in proportion to the easterly design day demands requiring compression at Parkway. This allocation methodology recognizes compressor equipment is used on design day to move volumes to markets east of Parkway and includes ex-franchise Rate M12/C1 and Union North in-franchise rate classes. Enbridge Gas has allocated all other costs at Parkway in proportion to the Parkway Station measuring and regulating and compressor net plant. This allocation methodology recognizes that the remaining costs, such as land, structures, and general plant, are used to support both the measuring and regulating and compression at Parkway.

Dawn Station

45. Union's Board-approved cost allocation methodology for Dawn-Parkway transmission demand costs at Dawn functionalizes the costs as either Dawn Station or Dawn-

[65] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 34.
[66] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 35.
[67] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 37-40.

Parkway Easterly. Transmission-related Dawn compression costs are categorized as Dawn Station and allocated to rate classes in proportion to design day demands that require Dawn compression. The measuring and regulating transmission costs at Dawn are categorized as Dawn-Parkway Easterly and allocated to rate classes in proportion to distance-weighted design day demands on the Dawn-Parkway system.[68]

46. The Cost Allocation Study includes a proposed cost allocation methodology for compression and measuring and regulating transmission costs at Dawn to provide consistency in the allocation of Dawn-Parkway measuring and regulating costs and compression costs.[69] Enbridge Gas classified compressor plant and O&M costs to Dawn-Parkway Easterly Demand. This cost allocation methodology better aligns cost causality by ensuring that similar transmission compression costs on the Dawn-Parkway System (Dawn, Lobo and Bright) are allocated based on a distance weighted methodology. Enbridge Gas classified measuring and regulating plant and O&M costs to Dawn Station Demand and allocated the costs to rate classes based on design day demands requiring Dawn compression without a distance weighting. This cost allocation methodology recognizes that measuring and regulating costs are not affected by the distance gas is transported, and therefore the use of a distance weighted methodology does not best represent cost causality.

<u>Rate C1 Dawn to Dawn–TCPL Service</u>

47. The MAADs Decision (as reproduced above) directed Enbridge Gas to include a proposal to address TC Energy's Rate C1 Dawn to Dawn-TCPL service.

48. As part of Union's Board-approved 2013 cost allocation study, the revenue requirement of $0.5 million related to the Dawn to Dawn-TCPL facilities was included in setting the Rate C1 Dawn to Dawn-TCPL firm demand rate, which represented the third year of the five-year depreciation period. During Union's 2014-2018 IRM term,

[68] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 43.
[69] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 44-46.

there was no further adjustment made to the revenue requirement for the service even though the assets had fully depreciated in 2015. Consistent with the approved rate setting mechanism, the rate for 2020 continues to be decoupled from costs.[70]

49. As part of the MAADs proceeding, TC Energy submitted that the revenue requirement of the Rate C1 Dawn to Dawn-TCPL could be reduced without any cost consequences to other shippers and without a change to cost allocation. Enbridge Gas does not agree with this position. A reduction to the Rate C1 Dawn to Dawn-TCPL demand rate would impact other shippers, as any rate adjustment made during the deferred rebasing period should be made on a revenue neutral basis for the utility. For example, if Enbridge Gas reduced the Rate C1 Dawn to Dawn-TCPL demand revenue by $0.5 million, Enbridge Gas would make an equal and offsetting revenue increase to another service or rate class in order to maintain the level of revenue consistent with the approved rate setting mechanism.[71]

50. Enbridge Gas does not propose to make any changes to Rate C1 Dawn to Dawn-TCPL during the deferred rebasing period (and does not propose to make any of the corresponding changes to other rate classes that would be necessary to retain revenue neutrality).[72]

<u>(ii) Implementation of Cost Allocation Study Results</u>

51. Enbridge Gas is proposing to implement the cost allocation methodology changes approved as a result of the Cost Allocation Study with its next rebasing proceeding.[73] These changes would be part of Enbridge Gas's overall cost allocation study to be presented in the rebasing proceeding.[74]

[70] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 59.
[71] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 60. See also Exhibit I.STAFF.3(b).
[72] Exhibit I.STAFF.3(c).
[73] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 62.
[74] Exhibit I.CME.1(b) and Exhibit I.LMPA.2(e).

52. Enbridge Gas has several concerns with implementing the cost allocation methodology changes during the current deferred rebasing period.

53. First, the indicated revenue deficiency/sufficiency resulting from the cost allocation methodology changes (see Appendix A) does not reflect the final rate adjustment that may occur as part of a cost of service proceeding. The final rate adjustment of a cost of service proceeding would include rate design and other adjustments that may be required to manage revenue to cost ratios, maintain rate class continuity and address bill impacts.[75] Changing unit rates without rate design adjustments may result in unintended impacts to customers and the Company absent a complete rate design review similar to what is completed as part of a cost of service proceeding.[76]

54. Specific items that Enbridge Gas would have to address to reflect the cost allocation methodology changes into rates include the level of current rates and the magnitude of the proposed change; the revenue deficiency/sufficiency for the Company as a whole; the relative rate changes of other rate classes; the potential impact on customers; the level of contribution to fixed cost recovery; customer expectations with respect to rate stability and predictability; and equivalency of comparable service options.[77] These items must be considered together, and this is best done at rebasing.

55. Second, implementing the cost allocation methodology changes in the middle of the deferred rebasing term will promote rate instability and/or volatility. Enbridge Gas believes that rates should be set through the approved price cap mechanism. The Board-approved rate setting mechanism provides reliable and predictable rates during the deferred rebasing period. The Company anticipates there will be additional changes to rates at rebasing in 2024 when Enbridge Gas introduces rate harmonization, integration of the cost allocation studies of the combined utilities and

[75] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 11.
[76] Exhibit I.IGUA.6(a).
[77] Exhibit I.TCPL.1(d).

the pass-through of synergy cost savings into rates. Should rates be adjusted based on the 2019 cost allocation study in 2021 and again in 2024 at rebasing, customers would be subjected to unpredictable rate changes within a short 3-year time period, with some rate classes experiencing a rate increase and others experiencing a rate decrease.[78]

56. Third, if the Cost Allocation Study results are to be implemented in rates, consideration will need to be made as to whether there are corresponding impacts on base amounts used in current approved deferral and variance account calculations. Certain deferral and variance accounts for the Union Rate Zones use the revenue requirement in rates as the base to calculate the deferral balance. As such, implementation of the cost allocation study results will require an assessment to determine if it impacts the revenue requirements in rates, and as a result, the calculation of certain deferral and variance account balances.[79] This is not what is contemplated during a deferred rebasing term.

57. Finally, Enbridge Gas recognizes that cost allocation is a zero-sum exercise. Should the Board direct any cost allocation changes resulting from this cost allocation study directive, implementation of the changes will need to maintain revenue neutrality for Enbridge Gas to ensure the Company will continue to earn revenue consistent with the approved rate setting mechanism. Any adjustments will therefore result in cost increases for certain rate classes and equal and offsetting cost decreases for other rate classes.[80] That is a balancing best suited to a rebasing application when all rates are being considered and re-set.

58. In the event that the Board determines that Enbridge Gas's cost allocation proposals should be implemented prior to its next rebasing application, then Enbridge Gas proposes that this should be done as part of the 2021 Rates case. Implementation

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[78] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 63 and Exhibit I.STAFF.4(b).
[79] Exhibit I.IGUA.6(a).
[80] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 8.

with 2021 Rates allows Enbridge Gas the time required to conduct a more thorough review of rate design considerations and rate class impacts.[81] Enbridge Gas does not believe that it is feasible to accomplish implementation in 2020, because Enbridge Gas estimates the process of a final rate order reflecting appropriate cost allocation and rate design adjustments could take up to six months once the Board provides direction in this proceeding until the Company could implement in rates with a QRAM.[82]

E. ENBRIDGE GAS'S EBILL PRACTICES

59. As described in the Phase 1 Settlement Proposal[83], Enbridge Gas changed its eBill practices in 2019 to make eBill the default billing method for new customers and to switch existing paper bill customers who had previously provided an email address to the Company to eBill. Enbridge Gas believes that its change in practice is appropriate, and does not believe that any Board approval was or is required.

60. Enbridge Gas's eBill practices in 2019 formed a foundational component of a broader transformation in customer experience which has delivered and will continue to deliver added value to customers through innovation, improved customer service and reduced costs.[84] As described below, customers have responded positively to this change and relevant business metrics indicate Enbridge Gas has been successful thus far in both improving customer service and reducing costs. In administering its customer experience transformation and 2019 eBill practices, Enbridge Gas has continued to respect the wishes of customers, providing choice where the use of eBill and other electronic mediums is not satisfactory to them.

61. Customer service and customer preferences have evolved in recent years as the number of internet and mobile-based self-service options have increased.[85]

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[81] The required steps to implement the Cost Allocation Study into updated rates are set at Exhibit I.IGUA.6(a).
[82] Exhibit I.IGUA.6(a) and (b).
[83] Exhibit N1, Tab 1, Schedule 1, page 12.
[84] Exhibit B, Tab 3, Schedule 1, para. 31.
[85] Exhibit B, Tab 3, Schedule 1, paras. 7-16.

Customers expect companies such as Enbridge Gas to innovate and leverage more modern channels to provide convenience and ultimately save customers time and effort. Given customers' evolving expectations, Enbridge Gas has been working to shift as many interactions as possible away from traditional channels (i.e. phone calls, paper bills, letters) to a consumer-centric digital experience (i.e. myAccount, email, text, chat, social media).

62. Enbridge Gas has sought to innovate and better serve customers through its myAccount platforms that are offered to customers.[86] The recently enhanced solution for customers in the EGD Rate Zone offers a variety of enhancements to service over a conventional paper bill. Customers can choose to receive their bill directly as an attachment or login to their account to view. They can receive a variety of reminders on due dates to ensure payments are not missed. Beyond that, myAccount offers customers a wealth of information about energy usage and rates, along with all account information and transaction history.

63. In January 2019, Enbridge Gas embarked on a new eBill adoption strategy. The overall goal was to rapidly increase eBill adoption in order to maximize the benefits of Enbridge Gas's customer experience transformation program (CX Program).[87] The new strategy is rooted in the field of behavioural economics; specifically the importance of changing the default option to drive a proactive change in behaviour among customers.[88]

64. Enbridge Gas took guidance from the approaches used by major telecommunication companies in Canada.[89] Rogers, Bell and Telus (and their subsidiary brands) have established electronic billing as their default option for years. In 2019, both Bell and Telus announced the final stage of this shift and that all remaining paper bill customers

[86] Exhibit B, Tab 3, Schedule 1, para. 9.
[87] Exhibit B, Tab 3, Schedule 1, para. 36. The CX Program is described at Exhibit B, Tab 3, Schedule 1, paras. 17-31.
[88] Exhibit B, Tab 3, Schedule 1, paras. 11-15.
[89] Exhibit B, Tab 3, Schedule 1, para. 16, and references cited therein.

will be shifted to eBill in 2020, with paper bills only offered on an exception basis. Enbridge Gas notes that a very recent CRTC decision found that there is no current requirement for paper bills to be provided on request by telecommunications providers, and declined to grant a request by Public Advocacy Interest Centre (PIAC) to require Koodoo to provide paper bills free of charge.[90]

65. Enbridge Gas's 2019 eBill strategy included three core components:

i. Change the default option. Enbridge Gas shifted its default option for billing from paper to a series of myAccount delivery options. If a customer provides an email address as part of a service interaction (phone call, web transaction), Enbridge Gas updates the customer's billing method to myAccount with receipt of their bill as a secure PDF delivered via email. Customers receive a confirmation email to set up their myAccount profile where they can customize their account preferences regarding notifications and other interactions. From that point onward, customers will receive their bill via email. eBilling is also the default for new customer accounts.[91]

ii. Convert existing email addresses. In 2019, Enbridge Gas converted customers who had provided email addresses to eBill. Both legacy utilities have been collecting email addresses over time from customers as part of regular customer service interactions. Customers had provided email addresses in a clear indication of their willingness to use email as a communication method, but many of these customers continued to receive more expensive, less convenient paper bills. Customers being converted received a letter and/or email informing them they would now be receiving their monthly bill via email. These communications made it clear that if customers wished to revert back to paper they simply needed to contact the Company via the Enbridge Gas call centre. Email delivery was monitored to ensure email addresses used were valid. In situations where the email was undelivered (i.e. bounced), these customers were automatically changed back to paper bill delivery.[92] In total, 530,289 customers were converted

[90] Telecom Decision CRTC 2020-80 - Public Interest Advocacy Centre and National Pensioners Federation – Application regarding paper billing by Koodoo Mobile – found at https://crtc.gc.ca/eng/archive/2020/2020-80.pdf. Note that the CRTC has decided to initiate a consultation to address whether CRTC intervention is appropriate and warranted on the matter of the paper billing practices of telecommunications providers – see Broadcasting and Telecom Notice of Consultation CRTC 2020-81 – found at https://crtc.gc.ca/eng/archive/2020/2020-81.pdf.

[91] Exhibit B, Tab 3, Schedule 1, para. 37(i).

[92] Exhibit B, Tab 3, Schedule 1, para. 37(ii). See also Exhibit I.Staff.11 and 12

to eBill, and of those, 106,372 opted to switch back to paper bills (approximately 20%).[93]

iii. Attract new customers. Enbridge Gas continues to promote the benefits of myAccount and eBill as the preferred customer experience. Promotional campaigns seek to engage existing customers that are not yet leveraging the benefits of myAccount.[94]

66. Through a combination of the three approaches identified above Enbridge Gas has seen significant growth in the proportion of customers receiving an eBill as shown in the following table, reproduced from the prefiled evidence.[95]

Month	December 2018	October 2019	November 2019
eBill Count	1,450,601	1,976,874	2,145,713
Customer Count	3,667,805	3,712,262	3,720,699
eBill % of Customers	40%	53%	58%

67. While Enbridge Gas did experience an increase in call volumes related to eBill during 2019, the total number of calls was only a small fraction of the total number of converted customers.[96] Enbridge Gas allowed customers that called regarding eBill to choose whether they wished to continue receiving an eBill or be returned to paper billing in order to respect customer choice.[97] Enbridge Gas will continue to offer this option to allow for circumstances where eBilling is not desirable or practical.[98]

68. The evidence shows that Enbridge Gas's 2019 eBill practices did not had a material impact on late payment penalties (LPP) charged to its customers. As part of its 2019 eBill conversion process, Enbridge Gas voluntarily refunded LPP charged to

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[93] Exhibit I.STAFF.12.
[94] Exhibit B, Tab 3, Schedule 1, para. 37(iii).
[95] Exhibit B, Tab 3, Schedule 1, Table 1, page 19
[96] Calls relating to eBill translated into only 16% of the number of total new eBill customers in the Union Rate Zones and 17% of new eBill customers in the EGD Rate Zone. This suggests that 84% of new customers in the Union Rate Zones and 83% of new customers in the EGD Rate Zone had no questions or concerns relating to their switching to eBill. See Exhibit B, Tab 3, Schedule 1, para. 41.
[97] Exhibit I.STAFF.14.
[98] Exhibit B, Tab 3, Schedule 1, para. 42.

customers that called to dispute LPP amounts on the basis of their switch to eBill accounts.[99] Additionally, as agreed in the Phase 1 Settlement Proposal, Enbridge Gas has refunded LPP amounts paid by customers converted to eBill in 2019 where such customers had previously demonstrated good payment history.[100]

69. In the first eleven months of 2018, total LPP were $18.6 million for the combined utilities. After the LPP amounts noted in the paragraphs above are credited to customers, the total LPP for the same time period in 2019 is $18.7 million.[101]

70. A small number of customers who were switched to eBill in 2019 and who had previous good payment history received disconnection notices, and then were disconnected. The total number of disconnections is low (684, or 0.13% of converted customers), and it is not known whether failure to receive eBills was a factor.[102] None of these customers remains disconnected. Enbridge Gas has proactively identified all customers converted to eBill up to November 2019 and will ensure no further disconnections will occur to the impacted group unless it can be confirmed that the converted customer has received all eBills and has had a reasonable time period to pay the bills or enroll in an arrears payment agreement.

71. Enbridge Gas's evidence shows that on an overall basis, customer satisfaction increased by the end of 2019.[103] Enbridge Gas believes that the improvements to self-service and other projects implemented as part of the CX program have had a positive impact on customer satisfaction.[104]

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[99] See Exhibit B, Tab 3, Schedule 1, para. 49 - Enbridge Gas refunded $72,405 to 8482 customers in the EGD Rate Zone and $69,902 to 2968 customers in the Union Rate Zones.

[100] See Exhibit B, Tab 3, Schedule 1, para. 50 and Exhibit I.STAFF.17 - In the Union Rate Zones, Enbridge Gas will refund $289,240 in LPP to customers; representing 5% of all LPP amounts paid from March through November of 2019. In the EGD Rate Zone, Enbridge Gas will refund $446,242 in LPP to customers; representing 4% of all LPP amounts paid over the same time period.

[101] Exhibit B, Tab 3, Schedule 1, para. 51. See also Exhibit I.CCC.7.

[102] Exhibit I.STAFF.14.

[103] By the time that the 2019 eBill conversions were completed, net promotor score (NPS) was at its highest level in the recent past Exhibit B, Tab 3, Schedule 1, paras. 45-47.

[104] Exhibit I.STAFF.16.

72. Beyond increased customer satisfaction and convenience, there are significant cost savings arising from eBill. The cost difference between paper billing and eBilling is approximately $10 per customer per year.[105]

73. The MAADs Decision made a number of determinations regarding Enbridge Gas's proposed rate-setting mechanism that encouraged and expected the Company to find productivity, innovation and efficiency savings. These include the use of a stretch factor of 0.3% and a shortened deferred rebasing period of 5 years as opposed to 10 years. Enbridge Gas's eBill practices in 2019 represent an innovation-based stretch in order to improve efficiency among other objectives; shortening the time period over which customer service savings would otherwise be achieved for customers while also speeding the transition to a more convenient and consumer-centric customer experience.[106]

74. The cost savings from eBill will go towards meeting the Board-directed stretch factor that is part of Enbridge Gas's deferred rebasing rate model. Additional savings will be shared with customers in the short term, during any deferred rebasing year where Enbridge Gas is in an earnings sharing position.[107] In the longer term, the cost savings will be reflected in Enbridge Gas's updated cost of service at rebasing (for 2024), and customers will receive the full benefits.

75. Both EGD and Union began offering eBill options over ten years ago. Taking into account present day bill production and postage costs, Enbridge Gas estimates the total bill production budget including postage absent eBilling would be around $42.5 million annually. Having now reached 58% eBill adoption, the current combined cost of paper and digital bill delivery is approximately $21 million annually, resulting in

[105] Exhibit B, Tab 3, Schedule 1, para. 52.
[106] Exhibit B, Tab 3, Schedule 1, para. 55.
[107] Exhibit B, Tab 3, Schedule 1, para. 56.

savings of approximately $21.5 million on this item alone.[108] The incremental savings achieved in 2019 were approximately $3.7 million.[109]

76. Beyond a desire to innovate, improve customer service and reduce costs, Enbridge Gas submits that expansion of its eBill and myAccount platforms are an expectation of the Board.[110] In its Notice of Proposal to Amend Codes and a Rule, specifically amending the Gas Distribution Access Rule (GDAR) to implement Customer Service Rules for gas distributors, the Board stated "[u]tilities are also expected to explore other opportunities for cost savings such as expansion of e-billing, enhanced and timely communication with customers, and improved collection processes."[111] Enbridge Gas's approach to customer service, including eBilling, myAccount and a variety of notification and channel options to improve customer communications, are in line with the Board's stated expectations.

77. In summary, Enbridge Gas submits that its 2019 eBill strategy and conversion of customers is consistent with industry trends and will lead to satisfied and well-served customers. It will enhance customer communications and will save money for ratepayers.

78. Enbridge Gas's practice of converting customers to eBill and making eBill the default method for new and moving customers is not contrary to any published rules or policies of the Board, including the GDAR which "establish[es] customer service rules for rate-regulated gas distributors."[112] It should be noted that the Board recently completed an extensive review of customer service rules for gas and electricity customers (EB-2017-0183), including review of the rules relating to billing and payment.[113] The Board's EB-2017-0183 Report on the Review of Customer Service

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[108] Exhibit B, Tab 3, Schedule 1, para. 53, and Exhibit I.STAFF.18.
[109] Exhibit I.CCC.6.
[110] Exhibit B, Tab 3, Schedule 1, para. 5.
[111] EB-2017-0183, Notice of Proposal to Amend Codes and a Rule, December 18, 2018, page 42.
[112] GDAR, section 1.1.1 ("Purpose of this Rule").
[113] See discussion at Exhibit I.VECC.23.

Rules for Utilities (September 6, 2018) and the subsequent Notices of Amendments to Codes and a Rule (December 12, 2018 and March 14, 2019) make no mention of new rules or requirements relevant to eBill.[114] Presumably, if the Board felt it important to prescribe rules related to how eBill is to be offered and administered, then these would have been included in the new customer service rules set out in the GDAR amendments. No such new rules were included. As noted above, the Board did, however, indicate its expectation that gas utilities will expand the use of eBill to offset expected cost increases resulting from the implementation of new customer service rules.

79. Enbridge Gas submits, therefore, that there is no need for the Board to make any order in relation to the eBill practices that the Company implemented in 2019.

80. In the Phase 1 Settlement Proposal, Enbridge Gas agreed to a number of interim measures related to eBill that were implemented in late 2019. The intent of the interim measures was to suspend certain of Enbridge Gas's new eBill practices until a Board decision in this proceeding. All parties agreed that the implementation of the interim measures should not be interpreted as agreement by any party, including Enbridge Gas, that any item is appropriate or necessary on an ongoing basis.[115]

81. Enbridge Gas submits that there is no need for the interim measures to continue. As set out at the end of the prefiled evidence, Enbridge Gas plans to continue to direct customers to the myAccount platform to automate their transactions and dealings with the Company.[116] This will allow Enbridge Gas to facilitate continued benefits for customers in the form of improved customer experience and lower costs. To effect this, Enbridge Gas will continue to make eBill the default option for customers. This will continue the transition away from costly and cumbersome phone and paper transactions towards completing interactions and transactions within myAccount.

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[114] The materials from the OEB Review of Customer Service Rules Consultation can be found at: https://www.oeb.ca/industry/policy-initiatives-and-consultations/review-customer-service-rules.
[115] Exhibit N1, Tab 1, Schedule 1, pages 13-14.
[116] Exhibit B, Tab 3, Schedule 1, paras. 58-65.

Enbridge Gas will continue to offer a paper bill on an exception basis, and will not charge for paper bills without OEB approval.

F. UFG REPORT

82. In the MAADs Decision, the Board directed Enbridge Gas to file a report on UFG, indicating that "[it] considers the issue of [UFG] important and requires Amalco to file a report on this issue for both the Union Gas and Enbridge Gas service areas by December 31, 2019."[117]

83. In response to the Board's direction, Enbridge Gas retained ScottMadden, Inc. (ScottMadden) to prepare a report that reviewed and evaluated factors contributing to UFG within the legacy EGD and Union service areas. ScottMadden's final report, titled "Report on Unaccounted For Gas" (UFG Report), was submitted to the Board on December 19, 2019.

84. The UFG Report "broadly defines" UFG as "the difference between gas receipts and gas deliveries, where gas receipts are volumes that enter the gas distribution system and gas deliveries are volumes that exit the gas distribution system."[118]

85. In the UFG Report[119], ScottMadden explained that its work developed findings and recommendations regarding UFG in the EGD and Union franchise areas using an analysis framework based on three questions:

    i. How do the legacy utilities' UFG levels compare to the industry?

    ii. How do the legacy utilities' sources of UFG compare to the industry?

    iii. How do the legacy utilities' practices used to monitor and manage UFG compare to the industry?

86. On the topic of comparative UFG levels[120], ScottMadden found that over the past 10 years EGD and Union demonstrated lower UFG levels than comparable gas utilities.

[117] MAADs Decision, section 7.2, page 53.
[118] UFG Report, page 2.
[119] UFG Report, page 3.
[120] UFG Report – pages 3-4 and 15-17 and 47.

Union and EGD had an average UFG level of 0.31 percent and 0.81 percent of gas receipts, respectively, over that period. During the same period, U.S. gas utilities had an average UFG level of 1.06 percent, and select Canadian gas utilities had an average UFG level of 1.18 percent. EGD and Union's year-to-year fluctuations in UFG were generally consistent with those of other gas utilities.

87. A common question in interrogatories about the UFG Report was around the reasons for differences between the UFG levels for the legacy utilities.[121] As explained in Enbridge Gas's interrogatory responses, ScottMadden did not look into this question specifically, focusing instead on comparisons between the legacy utilities and other gas distributors in the US and Canada.[122] It should be noted, however, that any comparison of EGD and Union's historic UFG levels as set out in the UFG Report is not an "apples to apples" comparison.[123] The UFG reported for Union includes volumes related to distribution, storage and transmission activities. Conversely, the UFG reported for EGD includes only the volumes related to the distribution system in its franchise areas. It does not include gas storage (since it is outside the franchise area and relies on non-EGD transmission for transport to the franchise area) nor gas transmission (since EGD's distribution system does not include significant amounts of "transmission" pipeline).

88. In terms of sources of UFG[124], ScottMadden identified a number of common sources of UFG across the industry, including physical losses (e.g., leaks, third-party damage and venting during construction and maintenance activities), metering variations (retail meters and gate station meters), non-registering meters, theft, line pack and billing and accounting adjustments. ScottMadden included analysis of known information about sources of UFG for each legacy utility. ScottMadden found that the sources of UFG for the legacy utilities are generally consistent with those at other gas utilities.

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121 See Exhibit I.STAFF.28,
122 Exhibit I.STAFF.28 (b).
123 Exhibit I.STAFF.28 (b) and Exhibit I.EP.21(b).
124 UFG Report, pages 4-7 and 18-21.

89. ScottMadden reviewed the initiatives by the legacy utilities to monitor and manage potential sources of UFG and found these to be generally consistent with those of other utilities.[125] ScottMadden's conclusion is that the legacy utilities have been taking appropriate steps to identify and manage UFG.

90. ScottMadden made a number of recommendations for Enbridge Gas to consider in order to manage UFG in the future.[126] These include identifying and implementing "best practices" related to monitoring and managing UFG across the legacy utilities; documenting data, processes and studies related to monitoring and managing UFG; and continuing to investigate sources of UFG on a periodic basis.

91. Enbridge Gas has committed to review and implement the recommendations from the UFG Report in its ongoing operations.[127] Among other things, this includes Enbridge Gas's ongoing project to update the metering at the legacy EGD Victoria Square gate station where gas is received from TransCanada Energy.[128] Enbridge Gas has also agreed that it will assess its UFG forecasting methodology in its rebasing proceeding.[129]

92. The Board's direction in the MAADs Decision did not require Enbridge Gas to seek or receive OEB approval for the UFG Report. Enbridge Gas does not request any relief from the Board in relation to the Report. However, Enbridge Gas commits that it will report upon its progress in implementing the recommendations set out in the UFG Report in its 2022 rates filing.[130]

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[125] UFG Report, pages 7-9 and 22-46.
[126] UFG Report, pages 9 and 47.
[127] Exhibit I.STAFF.27 and Exhibit I.STAFF.28 (c).
[128] UFG Report, page 39, Exhibit I.EP.24(c) and Exhibit I.FRPO.17(a).
[129] Exhibit I.PollutionProbe.7.
[130] Exhibit I.STAFF.27, Exhibit I.STAFF.28 (c) and Exhibit I.EP.25.

G. RELIEF REQUESTED

93. Enbridge Gas respectfully requests the following relief in relation to the outstanding items in this proceeding:

i. Approval of the ICM funding requests for the Don River Replacement Project (EGD Rate Zone) and the Windsor Line Replacement Project (Union South Rate Zone), and approval of the associated ICM unit rates.

ii. Approval of the proposed cost allocation methodology changes to the Panhandle System and St. Clair System, Parkway Station and Dawn Station, to be implemented along with all other rate changes as part of its next rebasing proceeding.

94. Enbridge Gas notes that it filed a proposal setting the process that it plans to follow for the timing and steps for its future Rates Applications during the deferred rebasing term.[131] The Company is not seeking any relief in relation its proposal, but will respond to any comments by other parties in their submissions.

All of which is respectfully submitted this 11th day of March 2020.

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David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

[131] Exhibit A, Tab 3, Schedule 1. See also Exhibit I.LMPA.1.

APPENDIX A – Summary of 2019 Cost Allocation Study Directive

Table 1
Summary of 2019 Cost Allocation Study Directive

Line No.	Particulars ($000's)	Current Approved Revenue	Board-Approved Methodology: Revenue Requirement	Board-Approved Methodology: Revenue (Deficiency)/ Sufficiency	Impact of Cost Study Proposals	Proposed Methodology: Revenue Requirement	Proposed Methodology: Revenue (Deficiency)/ Sufficiency
		(a)	(b)	(c) = (a-b)	(d)	(e) = (b+d)	(f) = (a-e)
	Union North						
1	Rate 01	197,961	199,893	(1,932)	1,064	200,957	(2,996)
2	Rate 10	27,412	31,809	(4,396)	331	32,140	(4,727)
3	Rate 20	27,521	27,410	111	170	27,581	(60)
4	Rate 100	2,450	4,081	(1,631)	5	4,085	(1,635)
5	Rate 25	10,089	11,244	(1,156)	4	11,248	(1,160)
	Union South						
6	Rate M1	455,310	458,618	(3,308)	451	459,069	(3,760)
7	Rate M2	67,068	70,841	(3,773)	154	70,995	(3,927)
8	Rate M4	28,675	34,166	(5,491)	3,414	37,580	(8,905)
9	Rate M5	2,486	2,623	(136)	17	2,639	(153)
10	Rate M7	12,450	15,366	(2,916)	933	16,299	(3,849)
11	Rate M9	1,158	1,231	(74)	(85)	1,146	11
12	Rate M10	20	18	2	(1)	17	3
13	Rate T1	11,829	12,236	(407)	418	12,654	(825)
14	Rate T2	67,147	64,891	2,255	(6,381)	58,511	8,636
15	Rate T3	6,728	6,494	234	(487)	6,007	720
	Ex-Franchise						
16	Rate M12/C1 - Dawn-Parkway	252,682	228,089	24,593	7,677	235,767	16,916
17	Rate M13	328	426	(98)	(0)	426	(98)
18	Rate M16	920	1,664	(744)	(738)	927	(6)
19	Rate C1 - Other	30,793	33,020	(2,228)	(6,948)	26,072	4,720
20	Commodity / Admin	8,928	6,956	1,971	-	6,956	1,971
21	Gas Supply and Transportation	593,230	593,230	-	-	593,230	-
22	Total	1,805,184	1,804,307	880	-	1,804,307	880

APPENDIX B – Impact of Proposed Cost Allocation Methodologies

Line No.	Particulars ($000's)	Panhandle/ St. Clair	Parkway Station	Dawn Station	Total
		(a)	(b)	(c)	(d) = (a+b+c)
	Union North				
1	Rate 01	-	817	247	1,064
2	Rate 10	-	254	77	331
3	Rate 20	-	131	40	170
4	Rate 100	-	3	1	4
5	Rate 25	-	3	1	5
	Union South				
6	Rate M1	5,121	(4,535)	(135)	451
7	Rate M2	1,742	(1,543)	(46)	154
8	Rate M4	3,829	(403)	(12)	3,414
9	Rate M5	18	(2)	(0)	17
10	Rate M7	1,216	(274)	(8)	933
11	Rate M9	-	(82)	(2)	(85)
12	Rate M10	-	(1)	(0)	(1)
13	Rate T1	644	(220)	(7)	418
14	Rate T2	(4,886)	(1,452)	(43)	(6,381)
15	Rate T3	-	(473)	(14)	(487)
	Ex-franchise				
16	Excess Utility Storage	-	-	(0)	(0)
17	Rate M12	-	7,669	(127)	7,543
18	Rate M13	-	-	(0)	(0)
19	Rate M16	(738)	-	(0)	(738)
20	Rate C1	(6,948)	106	29	(6,813)
21	Total	-	-	-	-

APPENDIX C – Summary of Revenue to Cost Ratios by Rate Class

Line No.	Particulars	Cost Allocation Methodology Board-Approved (a)	Cost Allocation Methodology Proposed (b)	Difference (c)
	Union North			
1	Rate 01	0.990	0.985	(0.005)
2	Rate 10	0.862	0.853	(0.009)
3	Rate 20	1.004	0.998	(0.006)
4	Rate 100	0.600	0.600	(0.000)
5	Rate 25	0.897	0.897	(0.000)
	Union South			
6	Rate M1	0.993	0.992	(0.001)
7	Rate M2	0.947	0.945	(0.002)
8	Rate M4	0.839	0.763	(0.076)
9	Rate M5	0.948	0.942	(0.006)
10	Rate M7	0.810	0.764	(0.046)
11	Rate M9	0.940	1.010	0.070
12	Rate M10	1.120	1.170	0.050
13	Rate T1	0.967	0.935	(0.032)
14	Rate T2	1.035	1.148	0.113
15	Rate T3	1.036	1.120	0.084
	Union Ex-Franchise			
16	Rate M12/C1 - Dawn-Parkway	1.108	1.072	(0.036)
17	Rate M13	0.770	0.770	0.000
18	Rate M16	0.553	0.993	0.440
19	Rate C1 - Other	0.933	1.181	0.249