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Ms. Christine Long
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

March 31, 2020

**Re: EB-2019-0194 EGI 2020 Rates – Phase 2
Pollution Probe Submission**

Dear Ms. Long:

Please find enclosed Pollution Probe's Submission regarding the above noted proceeding.

Respectfully submitted on behalf of Pollution Probe.

Original signed by

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cc: Mark Kitchen, Enbridge (email via EGIRegulatoryProceedings@enbridge.com)
David Stevens, Aird & Berlis (via email)
Interested Parties (via email)
Richard Carlson, Pollution Probe (via email)

ONTARIO ENERGY BOARD

Enbridge Gas Inc. 2020 Rates

POLLUTION PROBE SUBMISSION

March 31, 2020

Submitted by: Michael Brophy
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Consultant for Pollution Probe

Overview

Enbridge Gas Inc. (Enbridge Gas) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (“OEB” or “Board”) on October 8, 2019 seeking approval for changes to its natural gas distribution rates to be effective January 1, 2020. On January 1, 2019, Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union Gas) amalgamated to form Enbridge Gas.

Procedural Order (PO) No. 1 was issued on November 12, 2019 and set forth a bifurcated process to deal with the more mechanistic elements in Phase 1. The parties reached a settlement on all issues in Phase 1 of the proceeding and the OEB accepted the settlement proposal in its decision issued on December 5, 2019 which included an interim rate order for rates reflecting the IRM adjustments effective January 1, 2020.

The OEB also set procedural timelines for discovery of evidence related to Phase 2 of the proceeding, including:

- Incremental Capital Module (ICM) requests;
- Cost Allocation Study;
- Enbridge Gas’s eBill Practices;
- Unaccounted for Gas (UFG) Report.

Below are Pollution Probe’s submissions related to Phase 2 of this proceeding.

Incremental Capital Module("ICM")

Don River Replacement Project

Pollution Probe believes that 2020 ICM funding for the Don River Replacement project should be rejected by the Board in this application. Capital costs related to this project were put forward and reviewed by the Board in EB-2018-0305¹ and the decision indicated that the project costs were not eligible for incremental capital funding. In Pollution Probe’s view it is not appropriate to bring forward these costs again for consideration in 2020.

Windsor Line Replacement Project

Pollution Probe believes that it is not appropriate to approve ICM funding for the Windsor Line Replacement Project as part of Enbridge’s 2020 Rates proceeding. Enbridge has requested \$7.7 million of incremental capital funding which represents

¹¹ EB-2018-0305 Decision and Order, Page 20-21.

approximately 8% of the \$91.9 million total estimated cost for the project. Any variance in actual project costs for this project will have a large percent impact on the accuracy of the incremental capital amount requested by Enbridge. This project is currently the subject of an active Leave to Construct application and if approved by the Board it is unlikely that this project will be completed on schedule and on budget in 2020. The proposed late fall 2020 in-service date for the project is a tight timeline and will most certainly be impacted by the current Provincial State of Emergency, supply chain impacts and resource availability related to Covid-19. The delays and permitting issues encountered in the Don River Replacement Project have become more common for these types of transmission pipeline projects and should be included as a component of contingency planning in a project schedule. If this project receives OEB Leave to Construct approval in 2020 it is not practical for it to be completed and included in 2020 rates as requested by Enbridge.

There is also a high probability that the cost estimate could vary by a material amount compared to the incremental capital amount requested in this application. In Pollution Probe's view it would be more appropriate to consider inclusion of appropriate project costs after 2020 once there is more certainty on the project costs, schedule and whether it has been granted Leave to Construct approval. It will also be more practical to consider at that time if incremental capital is required at all and what that amount should be.

Enbridge has included potential incremental operating expenses relating to the proposed Winsor project totaling \$622,000 over the period 2020 to 2023². These potential incremental operational amounts are directly linked to the project outlined above and will be less in 2020 (or potentially zero) depending on the outcomes highlighted above. Due to this factors, Pollution Probe suggests that it would be speculative to approve these potential incremental costs at this time.

Other ICM Related Issues

Pollution Probe does not support the application of capital overheads to ICM projects when those costs are already covered in base rates. Department overheads are commonly accounted for in the regular capital and O&M budgeting process. To the extent that Enbridge believes that a specific ACM capital project drives incremental overheads in excess of those already recovered from Ratepayers, Pollution Probe believes that Enbridge should specify those specific incremental costs by department and demonstrate that they are truly incremental and required.

² Exhibit B Tab 2 Schedule 1 Appendix E, Page 1 of 2.

It is clear that circumstances have changed since Enbridge filed their application and continue to change even since interrogatory responses and Argument-in-Chief was filed. The Board has taken steps to set up deferral accounts to manage unforeseen utility costs related to COVID-19. This situation has also resulted in some other recent changes including reduced borrowing costs. It is expected that this has (or will) reduce the cost to Enbridge for the capital portfolio put forward in this application. These impacts are broad and it is likely that they will need to be dealt with in a generic manner. One option specific to this proceeding is for Enbridge to pass along the benefits of these reduced borrowing costs to Ratepayers.

Enbridge Gas filed an Asset Management Plan (AMP) Addendum as part of its evidence. Enbridge indicated that the Addendum addressed emerging needs, investments, or changes since the 2019 AMPs was filed. Integrated asset planning continues to provide challenging and Pollution Probe understands that the OEB intends to deal with some of these issues in an upcoming Integrated Resource Plan (IRP) Generic Proceeding. Enbridge's AMP(s) also links directly to relevant issues in other proceeding such as the Enbridge 5 Year Gas Supply Plan (EB-2019-0137). Pollution Probe appreciates the effort it takes to do an AMP update and make the appropriate links to the Gas Supply Plan and other relevant documents. Pollution Probe suggests that having a fully contained AMP that does not rely on the Board and stakeholders making the connection to older versions would be more clear and efficient.

Cost Allocation Study

As required by the MAADs Decision, 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.

Pollution Probe does not have any specific comments related to the Cost Allocation Study at this time. Enbridge is not requesting approval to implement the impacts of this study until its next rebasing proceeding and Pollution Probe believe that it is more appropriate to defer review and approval of the study and its implementation until Enbridge's next rebasing application is before the Board. This will also allow time for Enbridge to make all appropriate adjustments to be calculated, explained and approved.

E-Billing Issues

It became apparent through Phase 1 of this proceeding that the changes Enbridge has been making to its e-billing practices (i.e. converting customers to e-bill without express consent) have affected a large number of customers. The Board agreed to include the issue during this phase of the proceeding and Pollution Probe believes that the Board,

customers and stakeholders need greater visibility prior to a large changes in e-billing practices being implemented. Billing is a core function impacting customers and changes to those practices impact the level of service and costs for a large number of customers. Enbridge's statics still show that a large percentage (approximately 42% based on November 2019³ statistics) have still chosen not to move to e-bill regardless of the promotion and incentives that have been provided. That is a significant portion of customers and demonstrates the value of retaining the paper default option unless consent is provided.

In Pollution Probe's view there is insufficient information to support switching customers to e-bill without express consent. Enbridge did not undertake a targeted research effort on this topic which would be typical to justify such a significant change. The policy, information and process to address billing preferences also appear to be different based on the websites of the legacy Union Gas and Enbridge Gas utilities. It appears that both utilities enable a customer to default to a paper bill if required, although that is less clear on the Enbridge website.

Pollution Probe supports greater clarity to customers on this issue and retaining the option for customers to keep (or return to) a paper bill at no cost if they choose. Pollution Probe also does not support converting customers to e-bill without their consent. Several interim changes were outlined in the Settlement agreement⁴ and Pollution Probe believes that the following ones should continue into the future.

- Enbridge Gas will only convert existing customers to e-bill if those customers have expressly agreed to the switch.
- For Enbridge Gas's new or moving customers who contact the Company by phone to request service, Enbridge Gas will provide those customers with the option to choose e-bill or paper bill service, and will not imply that either is required.
- Enbridge Gas will refund LPP amounts paid by customers who have been switched to e-bill without their express consent.
- Enbridge Gas will not charge extra amounts for paper bills without receiving OEB approval.
- Enbridge Gas will ensure that no customer who was switched to e-bill without consent is reported to credit agencies based on late payments.

Pollution Probe believes that these should be default conditions unless Enbridge requests a change from the Board.

³ Exhibit B, Tab 3, Schedule 1, Table 1, page 19

⁴ Settlement Proposal - Enbridge Gas Inc. 2020 Rates, Phase 1, November 28, 2019, Page 13

UFG Report

As required, Enbridge Gas filed a Report on UFG for the EGD and Union Rate Zones (UFG Report). The Company indicated that it will implement the recommendations in the UFG Report and will report on its progress in future regulatory proceedings. The costs (2008-2017) related to UFG from legacy Union Gas and legacy EGD were \$236,245,509 and \$193,042,914, respectively⁵.

Enbridge correctly identified a common issues raised by stakeholders related to the difference between the EGD and Union UFG values. Enbridge explained that the historic UFG levels as set out in the UFG Report is not an “apples to apples” comparison (i.e. Union volumes include 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 is important in any comparison report to ensure an “apples to apples” comparison or to provide appropriate warnings or adjustments when this is not the case. This issue is also true for the other utility comparators provided in the report and provides a challenge in interpreting the comparators in a meaningful manner. It would be helpful to understand what further research Enbridge intends to conduct to provide a more “apples to apples” comparison that can inform the Board and stakeholders on this issue.

As confirmed by Enbridge⁶, the UFG report conducted by ScottMadden Management Consultants identified industry practices, rather than best practices. This may have been in part due to the difficulty in comparing “apples to apples” utilities. Enbridge indicates that it intends to implement the recommendations outlined in the report. Pollution Probe recommends that Enbridge provide a report prior to its next rebasing period indicating which practices are implemented and what the resulting impacts are for UFG.

⁵ EB-2019-0194 Exhibit I. Response to Pollution Probe IR 5f

⁶ EB-2019-0194 Exhibit I. Response to Pollution Probe IR 5c