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Our File # 339583-000267

By electronic filing

April 8, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Long

Re: Enbridge Gas Inc. ("EGI")
2020 Rates Application
Board File #: EB-2019-0194

Please find attached the Submissions of Canadian Manufacturers & Exporters ("CME") in the above-noted proceeding.

Yours very truly,

Scott Pollock

Enclosure
c. Rakesh Torul and Stephanie Allman (EGI)
David Stevens (Aird & Berlis)
Alex Greco (CME)

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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.

ARGUMENT OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") FOR PHASE II

April 8, 2020

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I. INTRODUCTION

1. These submissions are made on behalf of Canadian Manufacturers & Exporters ("**CME**"). CME represents over 400 Ontario based companies that operate energy intensive businesses. Accordingly, their continued competitiveness in the marketplace is directly related to the costs of natural gas distribution charged by Enbridge Gas Inc. ("EGI").

2. On October 8, 2019, EGI filed its application seeking approval to increase the rates it charges for natural gas distribution in Ontario. EGI proposed January 1, 2020 as the effective dates of the new higher rates.

3. In its application, EGI proposed bifurcating the proceeding into two separate phases. The first phase dealt with the application of the incentive rate-making framework determined by the Board in EB-2017-0306/0307, as well as certain variance and deferral account matters ("**Phase I**").

4. The second phase of the proceeding deals with the remaining aspects of EGI's application, including a review of the company's incremental capital module ("**ICM**") request, EGI's cost allocation study, and other matters ("**Phase II**").

5. In Procedural Order No. 1, dated November 12, 2019, the Board accepted EGI's bifurcation proposal. On November 21 and 22, 2019, EGI and the intervenors participated in a settlement conference with respect to the Phase I issues. A settlement proposal was presented to the Board, and the Board accepted the settlement proposal in their decision dated December 5, 2019.

6. With respect to Phase II, the parties engaged in an interrogatory process, and EGI delivered its argument-in-chief on March 11, 2020. Pursuant to Procedural Order No. 4, dated March 31, 2020, intervenor submissions are due on April 8, 2020. These are CME's submissions regarding the Phase II issues.

7. CME's submissions cover three distinct Phase II issues:

   (a) EGI's ICM requests for 2020;

(b) The appropriate use of EGI's cost allocation study regarding the Panhandle Reinforcement Project, Dawn-Parkway Expansion Project, Brantford-Kirkwall/Parkway D Project, and the Hagar Liquefaction Plant Project; and

(c) EGI's eBill practices.

II. EGI'S INCREMENTAL CAPITAL MODULE REQUESTS FOR 2020

8. In its application, EGI has applied for ICM funding for two projects:

(a) The NPS 30 Don River Replacement Project in the EGD rate zone; and

(b) The Windsor Line Replacement Project in the Union rate zones.

9. CME submits that the Board should not grant ICM funding for the Don River Replacement Project, and should defer any decision on the Windsor Line Replacement Project until such a time as the leave to construct proceeding has concluded.

<u>NPS 30 Don River Replacement Project</u>

10. EB-2019-0149 is not the first time that EGI has applied for ICM funding with respect to the Don River Replacement Project. In EGI's 2019 rates application, EB-2018-0305, EGI requested ICM funding for the Don River Replacement Project, which was forecast to be in service for 2019.[1]

11. EGI made fulsome submissions in favour of receiving ICM funding for the Don River Replacement Project as part of its argument-in-chief,[2] as well as its reply argument in EB-2018-0305.[3]

12. Despite EGI's submissions, the Board determined that the Don River Replacement Project would not receive ICM funding. In its decision, the Board stated that there was not room for ICM funding in the EGD rate zone, and concluded that the "Don River project does not qualify for ICM funding."[4]

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[1] EB-2018-0305, Exhibit B1, Tab 2, Schedule 1, p. 22 of 36.
[2] EB-2018-0305, Argument-In-Chief, June 17, 2019, pp. 11-18.
[3] EB-2018-0305, Reply Argument, July 12, 2019, pp. 20-21.
[4] EB-2018-0305, Decision and Order, September 12, 2019, p. 21.

13. In other words, the Board determined just and reasonable rates and found that they would not include additional amounts related to the Don River Replacement Project.

14. According to Enbridge's evidence in this proceeding, there has been a change to the forecast in-service date for the Don River Replacement Project to May, 2020.[5] This is due to delays obtaining the necessary permits, which prevented EGI from tieing-in the new pipeline during a customer's planned maintenance shut-down.[6]

15. Despite the permit delays, the construction of the pipeline went ahead in 2019. According to EGI, they received the necessary permits for the first segment in May of 2019.[7] On May 3, 2019, EGI wrote the Board and informed them that construction was scheduled to begin on May 14, 2019.[8] Accordingly, while the in-service date may have been pushed to 2020, a substantial amount of the work took place in 2019.

16. The Board decision in EB-2018-0305 denying ICM funding for the Don River Replacement Project was released on September 12, 2019. Less than one month later, on October 8, 2019, EGI filed its application in this proceeding, again asking for ICM funding for the same project.

17. In CME's view, EGI should not be able to receive ICM funding for the Don River Replacement Project. The Board heard and considered the necessary evidence with respect to the Don River Replacement Project in EB-2018-0305, and determined that the Don River Replacement Project was not eligible for ICM funding.

18. While CME appreciates that the scheduled date for the completion of the project slipped into 2020, it is not appropriate for EGI to be able to have multiple opportunities to gain ICM funding for the project, particularly after the Board has made a determination about the

[5] EB-2019-0194, Exhibit B, Tab 2, Schedule 1, p. 18 of 31.
[6] EB-2019-0194, Exhibit B, Tab 2, Schedule 1, p. 18 of 31.
[7] EB-2019-0194, Exhibit I.CME.4, part a), p. 1 of 2.
[8] EB-2018-0108, Letter from Joel Denomy to the OEB Board Secretary, Re: Enbridge Gas Inc. Operating as Enbridge Gas Distribution ("Enbridge Gas") Ontario Energy Board ("Board") File No.: EB-2018-0108 Don River 30 Pipeline Project – Leave to Construct, dated May 3, 2019.

availability of ICM funding. This is especially true in this case, where the major construction and capital expenditure have already occurred, and it is only the tie-in that required additional time.

19. Accordingly, the Board should deny EGI's request for ICM funding for the Don River Replacement Project.

<u>Windsor Line Replacement Project</u>

20. With respect to the Windsor Line Replacement Project, EGI has applied to the Board for ICM funding to replace approximately 64 kilometers of existing pipeline and replacing them with NPS 6 pipeline.[9]

21. Pursuant to the Report of the Board on New Policy Options for the Funding of Capital Investments, part of the test for ICM funding is to establish the need for and the prudence of the proposed project.[10] The Board usually determines the need and prudence of the project through leave-to-construct applications. In this instance, the leave-to-construct application for the Windsor Line Replacement Project is still ongoing, and the Board has yet to approve the project.[11]

22. Furthermore, while CME is not an intervenor in the leave-to-construct proceeding (EB-2019-0172), it is CME's understanding that there is currently an outstanding issue between the parties with respect to the appropriate size of pipeline necessary for the project. These alternatives have a different cost profile than the replacement proposed by EGI.

23. Accordingly, the Board will be required to determine whether the project as proposed by EGI is necessary, or if there are other alternatives that should be employed to meet the

[9] EB-2019-0194, Exhibit B, Tab 2, Schedule 1, p. 19 of 31.
[10] EB-2014-0219, Report of the Board, New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, Appendix A, p. 22.
[11] See the Advanced Regulatory Document Search for EB-2019-0172.

system needs in EB-2019-0172. These determinations will have to be made prior to the Board making any determination in this proceeding.

24. In their argument-in-chief, EGI casts the issue as a simple dichotomy: either the Board grants leave to construct, in which case need and prudence have been demonstrated, or it does not, in which case EGI's application for ICM funding will fall away.[12]

25. This is an overly simplistic view. There is a real likelihood that the Board approves a different solution for the needs of the system, which has a different cost profile. In that case, the Board in this proceeding will need to be provided updated evidence regarding the new proposed solutions as well as the costs involved in the project prior to approving ICM funding for the project.

26. Accordingly, CME submits that the Board should not make a determination about ICM funding for this project until it has made its determination in EB-2019-0172, and has received updated evidence regarding the appropriate solution and its cost consequences.

III. THE COST ALLOCATION STUDY

27. As part of its decision on the amalgamation of Enbridge Gas Distribution and Union Gas Ltd., the Board directed EGI to file a cost allocation study, the purpose of which was to review the impact of the Panhandle Reinforcement Project, the Dawn Parkway Expansion Project, the Brantford-Kirkwall/Parkway D Project and the Hagar Liquefaction Plant (the "**Projects**").[13]

28. EGI has complied with this direction and filed a cost allocation study. EGI requested the Board's approval of the cost allocation methodology changes as part of this proceeding. However, EGI's position is that the company does not propose to implement the cost allocation changes resulting from the study until EGI's next rebasing.

[12] EB-2019-0194, Argument-In-Chief, March 11, 2020, pp. 9-10.
[13] EB-2017-0306/2017-0307, Decision and Order, August 30, 2018, Amended September 17, 2018, p. 41.

29. CME submits that it is reasonable to wait to implement cost allocation methodology changes until a full cost allocation study can be completed as part of the rebasing process. However, CME believes that the Board should not approve the cost allocation methodology changes proposed by EGI in this proceeding, and should instead allow the Board panel hearing the rebasing application to approve all cost allocation changes, with the benefit of a full cost allocation study.

30. During the interrogatory process, CME asked EGI what role, if any, the Board panel charged with hearing EGI's next rebasing application would have regarding cost allocation methodology if the panel in this proceeding had already approved EGI's proposed methodology changes.

31. EGI responded as follows:

> ***"The cost allocation methodologies changes to the Panhandle System and St. Clair System, Parkway Station and Dawn Station may be approved by the Board in this proceeding, but these methodologies would then be part of Enbridge Gas's overall cost allocation study, which is subject to Board review and approval at rebasing."***[14]

32. In another interrogatory response, EGI indicates that it believes the Board's approval in this proceeding will provide a presumptive acceptance of the changes in the future cost allocation proceeding.[15]

33. However, EGI also confirmed that there is no significant reason why approval of the cost allocation proposals could not be delayed until the 2024 rebasing proceeding.[16]

34. In CME's view, the Board should be presented with a full and complete cost allocation study prior to approving any cost methodology changes. While the Projects may have impacted appropriate cost allocation between rate classes, the Projects are not the only changes to EGI's system that have occurred since cost allocation was last determined.

[14] EB-2019-0194, Exhibit I, CME.1, p. 2 of 2.
[15] EB-2019-0194, Exhibit I.LPMA.2, part e), p. 2 of 2.
[16] EB-2019-0194, Exhibit I.LPMA.2, part c), p. 2 of 2.

35. Given that EGI does not see any significant reason why delaying approvals of the changes could not be delayed, CME believes that Board approval of the cost allocation methodology changes should be at EGI's next rebasing proceeding once a full cost allocation study has been completed.

IV. EGI's eBill Process

36. As part of the settlement process with respect to Phase I of these proceedings, parties learned that EGI had made a concerted effort to switch customers from paper billing to eBill.

37. In the settlement agreement, EGI agreed to provide evidence on their eBill practices during Phase II of the proceedings.

38. EGI's eBilling evidence demonstrates that the company transitioned its operations in 2019 to make eBills the default option provided to customers,[17] and switched approximately 500,000 customers to eBills between December 2018 and November 2019.[18] In hundreds of thousands of instances, EGI informed ratepayers of this switch to eBilling solely through e-mail communication.[19] The e-mail addresses used to communicate the switch to eBilling was monitored for bounce-back messages to confirm whether they were out of service.

39. According to EGI's evidence, the cost savings of switching a customer are approximately $10 per year.[20]

40. EGI's evidence also shows that the transition was not smooth for a number of customers. After transitioning customers to eBills, 109,742 customers who had previously demonstrated good payment history fell into arrears.[21]

41. While CME lauds EGI's efforts to reduce costs, which helps save ratepayers money upon rebasing, CME believes that EGI should rethink its transition strategy. While some

[17] EB-2019-0194, Exhibit B, Tab 3, Schedule 1, p. 17 of 29.
[18] EB-2019-0194, Exhibit B, Tab 3, Schedule 1, p. 18 of 29.
[19] EB-2019-0194, Exhibit B, Tab 3, Schedule 1, p. 18 of 29.
[20] Exhibit B, Tab 2, Schedule 1, at para 52.
[21] EB-2019-0194, Exhibit I.STAFF.14, part c), p. 3 of 3.

unmonitored e-mail addresses that are no longer valid will provide a bounce-back message in response to incoming e-mail, many e-mail addresses that were provided by customers are still operational, just unmonitored.

42. In those circumstances, the customer would not be aware of EGI's intention to switch them to eBilling. This can lead to issues regarding missed payments and arrears, which is borne out by EGI's evidence in this proceeding.

43. Accordingly, while CME supports EGI's efforts to reduce its costs, and eBilling more generally, CME submits that EGI should be directed to adjust its eBill transition strategy to reduce its negative impacts on customers.

V. COSTS

44. CME requests that it be awarded 100% of its reasonably incurred costs in connection with this matter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of April, 2020.

Scott Pollock
Counsel for CME

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