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April 8, 2020

Filed Electronically

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

Attention: Ms. Christine Long, Board Secretary

Dear Ms. Long:

Re: Enbridge Gas Inc. (EGI) – 2020 Rates – Phase 2
OEB File No. EB-2019-0194
TransCanada PipeLines Limited (TCPL) Written Submission

Enclosed is the written submission of TCPL in the EB-2019-0194 proceeding. Please contact the undersigned should you have any questions.

Yours truly,
TransCanada PipeLines Limited

Original signed by

Matthew Wharton
Manager, Tolls & Tariffs East and Regulatory Research
Canadian Natural Gas Pipelines

Enclosure

cc: Rakesh Torul, Enbridge Gas Inc.
David Stevens, Aird & Berlis LLP

TRANSCANADA PIPELINES LIMITED

Written Submission

Enbridge Gas Inc. 2020 Rates – Phase 2

EB-2019-0194

April 8, 2020

Pursuant to Ontario Energy Board (OEB or Board) Procedural Order No. 4,[1] TransCanada PipeLines Limited (TCPL) provides the following written submission regarding Phase 2 of Enbridge Gas Inc.'s (EGI) 2020 Rates Application. TCPL's comments focus on the Cost Allocation Study and the tolling of the C1 Dawn to Dawn-TCPL service.

Cost Allocation Study

TCPL understands that EGI is seeking Board approval of cost allocation methodology changes to the Panhandle and St. Clair systems, Parkway Station and Dawn Station. Although approval of the proposed methodology changes is being sought as part of the current proceeding, EGI proposes to implement these methodology changes along with other rate changes as part of its next rebasing proceeding for 2024.[2]

TCPL submits that it would be more appropriate to both consider and implement any proposed cost allocation changes in the rebasing proceeding for 2024. In TCPL's view, the review and approval of certain aspects of the cost allocation methodology changes for Panhandle, St. Clair, Parkway Station and Dawn Station as part of the current proceeding is premature and should be deferred for the reasons set out below.

First, the cost allocation changes are proposed to take effect at rebasing in 2024. At that time, EGI will be introducing rate harmonization and the integration of the cost allocation studies for the two legacy utilities.[3] This system-wide cost allocation study in 2024 will review all costs in both the Enbridge Gas Distribution and Union Rate Zones, including costs on the Panhandle and St. Clair systems, as well as Dawn Station and Parkway Station.[4] EGI confirmed through interrogatories that even if the Board were to approve the proposed cost allocation methodology changes in this proceeding, the revised methodologies would be part of the 2024 system-wide cost allocation study and would still be subject to Board review and approval at that time.[5] EGI further stated that there was no significant reason why the approval of the proposed cost allocation methodology changes could not be deferred until a complete review of all cost allocation proposals occurs as part of the 2024 rebasing proceeding.[6] It is therefore unnecessary to consider or approve these cost allocation changes now since the proposed methodologies will be reviewed again for 2024.

Second, the 2024 rate impacts resulting from approval of the proposed cost allocations changes are not known at this time. The information on the record in this proceeding regarding rate impacts is relative and prepared for illustration purposes,[7] based on either 2019[8] or 2020[9] information, and is subject to change prior to proposed implementation in 2024.

[1] EB-2019-0194, Procedural Order No. 4, March 31, 2020.
[2] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, Page 3 of 30.
[3] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, Page 3 of 30.
[4] EB-2019-0194, Exhibit I.TCPL.1(a), Page 2 of 3, and Exhibit I.SEC.6.
[5] EB-2019-0194, Exhibit I.CME.1(b), Page 2 of 2.
[6] EB-2019-0194, Exhibit I.LPMA.2(c), Page 2 of 2.
[7] EB-2019-0194, Exhibit I.IGUA.6(a).
[8] EB-2019-0194, Exhibit I.TCPL.1(b), Attachment 1.
[9] EB-2019-0194, Exhibit I.STAFF.4(c) plus Attachments, and Exhibit I.SEC.8.

The Cost Allocation Study results therefore do not represent the final rate adjustment that may occur as part of a cost of service proceeding, as according to EGI this 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.[10] A large number of other rate design considerations would also need to be assessed in order to determine the effects on 2024 rates,[11] in addition to understanding any impacts to the calculation of certain deferral and variance account balances.[12] The details of these factors and their resulting impacts on 2024 rates are not currently known to stakeholders or the Board.

Additionally, EGI is considering rate design changes to the Rate M12/C1 transportation demand charges for 2024 to reflect the proposed cost allocation changes to Dawn Station and Parkway Station, and may propose additional rate design changes as part of that rebasing application.[13] TCPL submits that these cost allocation and rate design issues should be considered together such that the individual and aggregate impacts of the changes can be assessed at the same time, rather than through a piecemeal approach.

EGI also suggests that implementation of cost allocation changes by rate class without consideration of rate design factors could result in unintended impacts that cannot be predicted without a complete rate design review similar to what is completed as part of a cost of service proceeding.[14] Similar concerns regarding unintended impacts are also present if the Board were to approve the proposed cost allocation changes in the current proceeding without being able to consider applicable rate design factors and rate impacts for 2024.

Third, Dawn-Parkway system operations, usage of system facilities by shippers, and gas flows could all change between now and implementation in 2024 when integration of the cost allocation studies occurs for the combined utility. Any of these changes may result in the requirement for different cost allocation methodologies than the ones currently proposed by EGI. In order to ensure that the cost allocation methodologies for the particular assets most accurately reflect the actual physical operational conditions and usage of the system, the review and approval of any cost allocation methodology changes should occur as close as possible to the time the changes are proposed to be implemented.

Given the current uncertainties regarding 2024 rate impacts and facility operations, and the fact that the 2024 cost allocation review will be wholly comprehensive, account for all costs in both Rate Zones, and coincides with the timeframe for when the proposed changes are to take effect anyway, the Board should refrain from approving EGI's cost allocation changes at this time. Cost allocation issues should be considered at rebasing in 2024 when EGI will file its system-wide cost allocation study and rate design proposals together, allowing all the applicable factors and 2024 rate impacts to be presented and explained simultaneously in order to ensure an accurate understanding of the interdependencies between the various cost allocation and rate design proposals.

[10] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, Page 3 of 30.
[11] EB-2019-0194, Exhibit I.TCPL.1(d), Page 3 of 3.
[12] EB-2019-0194, Argument in Chief of Enbridge Gas, March 11, 2020, Page 19 of 31, para. 56.
[13] EB-2019-0194, Exhibit I.TCPL.1(c), Pages 2-3 of 3.
[14] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, Pages 3-4 of 30, and Exhibit I.IGUA.6(a).

C1 Dawn to Dawn-TCPL Service

TCPL also wishes to provide comments on an issue unrelated to the broad cost allocation exercise intended by EGI for implementation in 2024. As part of the MAADs Decision, EGI was directed by the Board to include a proposal to address the C1 Dawn to Dawn-TCPL service in the current 2020 Rates proceeding.[15] EGI has not done so and in fact recommends no changes be made to this service during the deferred rebasing period.[16]

The C1 Dawn to Dawn-TCPL service was approved by the Board in 2010 and is subject to a unique tolling methodology. Specifically, the service required modifications to Dawn facilities to allow for custody transfer metering at a capital cost of $3.3 million. The recovery of this capital cost was approved by the Board over an accelerated 5-year period from 2010-2015 using a 20% depreciation rate to ensure that the cost was solely recovered from TCPL and not borne by other ratepayers.[17] The calculation of the C1 Dawn to Dawn-TCPL demand rate therefore provides for the recovery of approximately $548,000 per year of depreciation expense and return on rate base associated with the Dawn facilities.[18] The cost of these facilities have been fully recovered since 2015,[19] yet the revenue requirement for the service has not been correspondingly reduced and EGI continues to escalate the rate on an annual basis through its rate setting mechanism.

Schedule 7 in the Cost Allocation Study demonstrates that the C1 Dawn to Dawn-TCPL rate would be approximately 65% lower under the updated 2019 rate calculation reflecting the removal of the fully depreciated Dawn to Dawn-TCPL facilities, relative to the currently effective rate for 2020.[20] TCPL submits that continuation of the existing rate calculation for the C1 Dawn to Dawn-TCPL service is inconsistent with cost causation principles and results in charges for the service that are not just and reasonable. Accordingly, EGI should be directed to immediately revise the applicable rate for the service in accordance with the adjusted calculation shown in Schedule 7[21] such that the revised rate for the service be put in place no later than January 1, 2021. Removal of these capital-related costs from the C1 Dawn to Dawn-TCPL rate calculation would reflect the fact that the current rate no longer aligns with the Board approved tolling methodology for the service and would be responsive to the Board's direction in the MAADs proceeding for EGI to address this specific service.

All of which is respectfully submitted,
TransCanada PipeLines Limited

Original signed by

Matthew Wharton
Manager, Tolls & Tariffs East and Regulatory Research
Canadian Natural Gas Pipelines

[15] EB-2017-0306/0307, MAADs Decision, August 30, 2018, Page 41.
[16] EB-2019-0194, Argument in Chief of Enbridge Gas, March 11, 2020, Page 17 of 31.
[17] EB-2010-0207 Decision, August 12, 2010, Pages 6-7.
[18] EB-2019-0194, Exhibit I.TCPL.4(c), Page 3 of 3.
[19] EB-2019-0194, Exhibit I.STAFF.3.
[20] EB-2019-0194, Exhibit B, Tab 1, Appendix C, Working Papers, Schedule 7, Rows 5 and 10.
[21] Specifically, the revised rate calculation shown in Schedule 7 should be implemented whereby the $548,000 of Dawn Station Demand Revenue Requirement would be removed from the C1 Dawn to Dawn-TCPL rate calculation.