EB-2019-0194

ONTARIO ENERGY BOARD

Enbridge Gas Inc.
Application for Natural Gas Distribution Rates and Other Charges
Effective January 1, 2020

Submissions on Behalf of the
QUINTE MANUFACTURERS ASSOCIATION

April 8, 2020

INTRODUCTION

The Quinte Manufacturers Association ("QMA" or "Association") appreciates the opportunity to have participated in the EB-2019-0194 ("proceeding") bifurcated hearing process for Enbridge Gas Inc. ("EGI") 2020 rates consistent with Incentive Rate Mechanism that was approved by the Ontario Energy Board ("Board" or "OEB") in its Decision on the amalgamation of the two former gas distribution companies, Enbridge Gas Distribution and Union Gas effective January 1, 2019.

This submission reflects certain areas of concern to the Association based on evidence presented during the course of the proceeding. The QMA offers comments which it hopes will be helpful to the Board in its deliberations on the four areas of concern in the Phase 2 portion of the proceeding including: Incremental Capital Module Requests; Cost Allocation Study; e-Billing Practice; and, the Unaccounted for Gas Report ("UFG Report"). The QMA also participated in and was a signatory to the Phase 1 Settlement Agreement amongst the parties to this proceeding.

The QMA represents the interests of over 120 manufacturers employing more than 9,000 people in the greater Bay of Quinte region which includes the cities of Belleville and Quinte West. Another 27,000 jobs in the region are directly or indirectly impacted by these manufacturers. The Association's mission is to help local manufacturing leaders improve their capabilities, competitiveness, sustainability and maintain a competitive advantage in the global market. Consequently, rate stability and predictability in natural gas energy costs and charges, in addition to security of gas supply are important concerns to our members.

Prior to the creation of Enbridge Gas Inc., Association members were served exclusively by Union Gas. The 2019 merger has not had a negative impact on members to date, and the quality of natural gas distribution services to Association members remains high. The QMA recognizes and understands the significant amount of internal work that is required to ensure the smooth integration of the amalgamated companies. The QMA looks forward to the important rebasing work EGI has planned for 2024 and how future harmonized rates and services will impact manufacturers in the Bay of Quinte region.

SUBMISSIONS

Incremental Capital Module ("ICM") Funding Requests

The QMA fully supports the highest level of pipeline safety and necessary infrastructure improvements to ensure security of natural gas supply to end use customers and recognizes the value of ICM funding (for projects not fully funded through current rates) in support of infrastructure improvements where it is appropriate; and materiality and prudence tests are met. The QMA does not object to EGI's request concerning the application of ICM funding to the replacement sections of the Windsor pipeline (EB-2019-0172) or the Don River pipeline (EB-2018-0108) as discussed in the evidence presented, but offers the following observations which it hopes are helpful to the Board.[1]

EGI has determined that pipe replacement is necessary for both the Don River crossing and the Windsor pipeline. The Board has approved both the Don River project with a Leave to Construct approval in its 2018-0108 Decision issued in November 2018, and the Windsor pipeline replacement in April 2020. The QMA recognizes that even with the best efforts in project planning and management, there is always a risk that a project may be delayed for various reasons. The QMA also recognizes that risk mitigation is an essential part of infrastructure project management and believes it is critical to have good project management control to ensure good project cost control.

The QMA is concerned that infrastructure projects such as the Don River replacement with an established budget and expected in-service date that received OEB approval, but subsequently become substantially delayed and has incurred significant additional costs, can become a costly problem not only for the project proponent, but also for customers who pay for the additional costs through rate recovery. EGI stated that the Don River project has been delayed due to permitting issues beyond its control resulting in a seven-month in-service construction delay and

[1] The QMA did not intervene in either of these Leave to Construct applications.

a budget cost overrun of approximately $10 million due mainly to incremental internal overhead costs.[2,3]

The QMA recognizes the long history and experience that EGI has in the natural gas storage, transportation and distribution business in Ontario and believes that EGI must continue to ensure it exercises strong corporate control to manage unplanned project delays and potential cost overruns which may result in additional cost to its customers. The QMA believes the Ontario Energy Board has to be given a high degree of assurance by EGI that when Leave to Construct applications are made, that all areas of project risk, including potential delays in permitting, will not incur unnecessary, additional costs to ratepayers. The QMA is of the view that if a proposed project meets the Board's tests for ICM funding at the time of the application, the onus is on the proponent to complete the project consistent with the Board's decision on the matter and to reserve a Request to Vary for extraordinary reasons.[4]

Cost Allocation

The QMA notes the cost allocation study that EGI filed in this proceeding focuses on proposed adjustments to the methodology to support major infrastructure work primarily in the Union Rate Zones in southwestern Ontario and that the proposed changes, if approved in this proceeding, will be part of EGI's comprehensive rebasing application for 2024 when impacts to rate classes can be properly determined.[5] Further, the QMA notes that the methodology adjustments will reallocate costs amongst the former Union Gas rate classes and will impact Association members if implemented as a result of this proceeding.

The QMA supports EGI's proposal to include integrated cost allocation, rate harmonization and adjustment proposals in the 2024 rebasing filing and to provide a comprehensive company-wide cost allocation review. The Association agrees with EGI that during the deferred rebasing period, reliable and predictable rates determined through the current price cap rate setting method is

[2] The pipeline replacement was originally planned to be completed in September 2019.
[3] EGI Argument in Chief, Pg.7-8.
[4] EGI Argument in Chief, Pg.8
[5] EGI Argument in Chief, Pg.17

preferred going forward. The QMA is of the view that given the challenges of integrating to two legacy utilities into one very large gas distribution entity, the fair allocation of costs amongst rate classes and any adjustments to rate design should wait until rebasing when EGI can be looked at in its entirety to ensure costs are properly allocated to those end users who cause them.

E-Billing

During the Settlement Agreement process in the Phase 1 portion of this proceeding, the QMA recognized the concerns raised by intervenors regarding the issue of EGI customers being moved by the company away from paper billing to the new default electronic billing ("e-billing"). EGI's rapid shift to e-billing as a cost saving measure has been problematic for certain customers who do not wish to be switched. The QMA also recognises the legitimate concerns of those customers who prefer to receive natural gas bills in the traditional paper format by mail and supports the eventual phase-out of the eight interim measures established in the Settlement Agreement on this matter as e-billing fully rolls-out across EGI's customer base.

In light of the above, the QMA believes it would be helpful to customers if the Board monitor and establish certain guidelines, rules or conditions that would assist the rollout of EGI's e-billing processes and procedures until rebasing. The QMA offers no opinion on what guidelines, rules or conditions may be appropriate in this case. However, the Association is of the view that the Board, as Ontario's energy regulator, provide a suitable level of oversight on EGI's e-billing practice and procedures to not only provide customers with a level of confidence that they are being protected (by the regulator), but to also provide assurance that EGI's eventual shift to enterprise-wide e-billing, will be done in a fair and reasonable manner.

The Association supports the expansion of the e-billing practice as a cost effective and efficient means of communicating natural gas related matters with customers.

Unaccounted For Gas

In the amalgamation (MAADS) Decision, the Board directed EGI to file a report on unaccounted for gas ("UFG") covering the service territories of the two legacy utilities. Consequently, EGI retained an external consulting firm, ScottMadden Inc., to review and evaluate the contributing factors to UFG. The *Report on Unaccounted For Gas* ("UFG Report") prepared by ScottMadden Inc. was submitted to the Board on December 19, 2019. As described in the evidence, and given the geographic size, general age and complexity of the EGI's amalgamated gas distribution infrastructure, it was interesting to note in the UFG Report that the legacy utilities showed lower natural gas loss levels than comparable gas utilities. Nevertheless, the QMA recognizes UFG is a cost to business and believes that EGI must increase its commitment and effort to the reduction of UFG.

The QMA also notes that while energy losses are a cost concern to manufacturers, ScottMadden made a number of recommendations in their report for EGI to consider in its efforts to manage UFG.[6] The QMA supports EGI's commitment to review and implement the recommendations from the UFG Report and report on its progress in its 2022 rates filing.[7]

- Respectfully Submitted -

April 8, 2020

[6] Argument in Chief, Pg.30
[7] Ibid., Pg.30