April 9, 2020

Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

EB-2019-0194 - Enbridge Gas Inc. – 2020 Rate Adjustment – Phase 2

Please find, attached, the Final Argument of the Consumers Council of Canada for Enbridge Gas Inc. pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: EGI, Regulatory Affairs
All Parties

FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA

ENBRIDGE GAS INC. – 2020 RATES – PHASE 2

EB-2019-0194

INTRODUCTION:

On October 9, 2019 Enbridge Gas Inc. ("EGI") filed an Application with the Ontario Energy Board ("OEB") for approval of its distribution rates effective January 1, 2020. The Application is being considered by the OEB in two phases. The first phase dealt with the Incentive Rate-setting Mechanism ("IRM") related issues and certain deferral and variance accounts. Parties reached a full settlement on all issues in Phase 1 and the OEB approved the Settlement Proposal on December 5, 2019. The following issues are to be considered in Phase 2 of the proceeding:

1. Incremental Capital Module ("ICM") Requests

2. Cost Allocation

3. E-Bill Practices

4. Unaccounted For Gas ("UFG") Report

These are the final submissions of the Consumers Council of Canada ("Council") regarding the first three outstanding issues. The Council has no submissions regarding the UFG Report.

SUBMISSIONS:

<u>ICM Requests:</u>

EGI is seeking approval for ICM funding for two projects. These are the Windsor Line Replacement Project in the Union South Rate Zone ("Windsor Project") and the Don River Replacement Project in the Union South Rate Zone ("Don River Project").

EGI has calculated the 2020 ICM materiality threshold to be $487.1 million for the EGD Rate Zone and $444.1 for the combined Union Rate Zones[1]. The maximum eligible incremental capital for the EGD Rate Zone is $30.1 million and $84.2 million for the Union Rate Zones.[2] The forecast cost of the Don River Project is $35.4 million. The forecast cost of the Windsor Project is $91.9 million.[3]

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[1] Ex. B/T2/S1/p. 10
[2] Argument in Chief, p. 5
[3] Ex. B/T2/S1/pp. 4-5

In its 2019 rate application EGI sought approval of the Don River Project as it was expected to be in-service in 2019. The Don River Project was not approved by the OEB as an ICM in that proceeding as, after an adjustment to the capital plan amounts by the OEB, there was no ICM funding available for the EGD Rate Zone.

The Project did not go ahead in 2019 and is now scheduled for an in-service date of May 2020.[4] The Council does not take issue with the need for the Don River project, as that has been established through the Leave to Construct proceeding. The question is whether ICM funding should be available for the project. The Council urges the OEB to deny EGI's request for funding. EGI applied for approval and that approval was rejected by the OEB. A shift in the in-service date is not a valid reason for the OEB to revisit the earlier decision or for EGI to effectively "try again". The project was substantially completed in 2019 and EGI had sufficient funds to proceed.

With respect to the Windsor Project the Council submits that it does qualify for ICM treatment as it is expected to be in-service on November 2020. The Windsor Project has been approved by the OEB where need and prudence have been established. The Council has reviewed the Argument of the London Property Management ("LPMA") regarding this issue and supports the reduction in the ICM amount of $10 million proposed by LPMA.

Cost Allocation:

In its Decision approving the amalgamation of Union Gas Limited and Enbridge Gas Distribution Inc. ("MADDs Decision") the OEB made the flowing finding regarding Union Gas' cost allocation:

> Amalco is expected to prepare and file a comprehensive cost allocation proposal to be filed with its next rebasing application following the five year deferred rebasing period.
>
> However, the OEB is concerned about the cost allocation issues raised by parties for Union Gas' Panhandle and St. Clair systems. 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 implications of certain large projects undertaken by Union Gas that have already come into service.[5]

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[4] Ex. I.VECC.3

[5] Decision and Order, EB-2017-0306/0307, dated August 30, 2018

EGI filed the Cost Allocation Study as part of this proceeding. As noted in its Argument-in-Chief, "the 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."[6]

EGI is proposing to implement the cost allocation methodology changes approved as a result of the Cost Allocation Study in its next rebasing proceeding. This would be aligned with the overall cost allocation study that will be filed in that proceeding[7].

EGI has the following concerns with implementing the changes in setting 2020 rates:

1. Changing unit rates without rate design adjustments may result in unintended impacts to customers and the Company absent a complete rate design review, which is conducted as part of a cost of service proceeding.

2. Implementing the cost allocation methodology changes in the middle of the deferred rebasing term will promote rate instability and/or volatility. 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 decrease.

3. Implementation of the cost allocation results will require an assessment to determine if it impacts the revenue requirement in rates, and as a result, the calculation of certain deferral and variance account balances[8].

Although EGI is seeking approval to defer the implementation of the 2019 Cost Allocation Study it wants the changes approved as part of this proceeding. In the its next rebasing application EGI proposes that it be done as part of the 2021 rate case, which would allow it time to conduct a more thorough review of rate design considerations and rate class impacts.

From the Council's perspective, we see little value in approving the changes arising out of the 2019 Cost Allocation Study now, with implementation in 2024. Although EGI was responding to an OEB directive as set out in the MADDS Decision, the OEB explicitly said in that Decision that EGI was to file the study for consideration in the proceeding for 2020 rates and did not make a finding that required implementation.

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[6] AIC, p. 12
[7] AIC p. 17
[8] AIC, pp. 18-19

The 2019 Cost Allocation Study is in effect a "limited issues" cost allocation study. The Council supports EGI's position that implementation is not appropriate now:

> Enbridge Gas does not believe that implementation of these changes is appropriate before rebasing, because rebasing is the forum where the Company will be able to identify and reflect all necessary rate adjustments required to address cost allocation changes across the two legacy utilities, harmonization of rates and rate design considerations described at Exhibit I.TCPL.1 part (d)[9]

The Council is of the view that in fairness to all of EGI's customers, making changes to rates at this time, that relate to only a subset of assets, is not appropriate. EGI will be bringing forward a comprehensive cost allocation study based on an updated cost of service determination. It is only in the context of that full study that the OEB can assess whether the changes related to the assets that are subject of the limited issues study are appropriate.

EBilling:

In 2019 EGI changed its eBill practices significantly. EGI made eBill the default billing method for new customers and switched existing paper bill customers who had previously provided an email address to EGI to eBill. It is EGI's position that its change is appropriate and does not believe that any OEB approval was or is required.[10] The savings achieved through this new policy would ultimately flow to the shareholders given EGI is currently in a deferred rebasing period.

EGI should not have converted customers to eBill without their explicit consent. Regardless of whether or not EGI, from a legal perspective, required or requires OEB consent this new approach, which was implemented in 2019, should be changed. The Council is not opposed to eBilling as many customers prefer it and it ultimately drives costs down, but it should be up to the customer to explicitly decide the billing method applied to their account.

The Council submits that new customers or customers that are moving should be given an opportunity to explicitly select the form of billing used – either a paper bill or an eBill. EGI should not be permitted to switch existing customers to eBilling without the customer's explicit consent. In addition, customers on eBilling should be free to move back to a paper bill at anytime without being charged. It is critical from the Council's perspective for EGI to maintain clear customer choice regarding its billing options.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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[9] Ex. I.LPMA.2
[10] AIC, p. 20