ENBRIDGE

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VIA EMAIL and RESS

July 17, 2020

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

Dear Ms. Long:

Re: EB-2020-0156 - IGUA Motion Regarding Panhandle System Cost Allocation
Enbridge Gas Inc. (Enbridge Gas) Submission

In accordance with the OEB's Notice of Hearing and Procedural Order No. 1 dated June 17, 2020, enclosed please find the Submission of Enbridge Gas in the above noted proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Digitally Signed)

Rakesh Torul
Technical Manager,
Regulatory Applications

cc: David Stevens, Aird and Berlis LLP
EB-2019-0194 Intervenors

EB-2020-0156

ONTARIO ENERGY BOARD

Industrial Gas Users Association

Motion to Review and Vary Decision and Order
dated May 14, 2020 (EB-2019-0194)

ENBRIDGE GAS INC.

Submissions on IGUA Motion for Review of Panhandle Cost Allocation Determination in 2020 Rates Decision

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A. OVERVIEW

1. Enbridge Gas does not support IGUA's Review Motion. Enbridge Gas repeats and relies upon its evidence and argument from the 2020 Rates proceeding which set out reasons why any cost allocation methodology changes related to the Panhandle Project should not be implemented until rebasing.

2. In the event that the Board grants IGUA's Review Motion, Enbridge Gas requires 3 months' time after the Board's Decision to prepare and file evidence regarding the implementation of cost allocation methodology changes.

B. DISCUSSION

3. On May 14, 2020, the Ontario Energy Board (OEB, or the Board) issued its Decision and Order in the EB-2019-0194 Enbridge Gas Application for 2020 Rates (the 2020 Rates Decision). One issue in the 2020 Rates proceeding related to a cost allocation study filed by Enbridge Gas Inc. (Enbridge Gas, EGI or the Company) proposing updates to the cost allocation methodology for certain major projects in the Union rate zones. In the 2020 Rates Decision, the Board determined that no changes should be made to the cost allocation methodology until rebasing in 2024.[1]

4. The Industrial Gas Users Association (IGUA) has brought a Motion for Review of the part of 2020 Rates Decision that declined to order immediate implementation of cost allocation methodology changes related to the costs of the Panhandle Reinforcement Project (Panhandle Project).[2]

5. In Procedural Order No. 1, the Board determined that it would consider the Rule 43 threshold question and the merits of IGUA's motion at the same time, and asked parties to make submissions on both.[3]

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[1] 2020 Rates Decision, page 17.
[2] IGUA Notice of Motion, June 3, 2020.
[3] EB-2020-0156, Notice of Hearing and Procedural Order No. 1, June 17, 2020, page 1.

6. IGUA filed submissions on both the threshold question and the merits of the motion. IGUA asserts that there are identifiable and material errors in the 2020 Rates Decision and asks that the portion of the 2020 Rates Decision related to cost allocation methodology changes for the Panhandle Project be vacated.[4] IGUA asks that the Board reconsider and redetermine the implementation of cost allocation methodology changes for the Panhandle Project based on the record and the arguments already filed in the 2020 Rates proceeding.[5]

7. IGUA submits that reconsideration of the noted issue will result in a determination that the cost allocation methodology for the Panhandle Project should be updated and implemented in 2021. IGUA submits that the Review Panel should "direct EGI to file, within 3 months, a rate design proposal for adjustment of rates either in accord with the cost allocation study filed by EGI in the 2020 Rates Application or, in the alternative, in accord with the methodology for allocation of incremental Panhandle System reinforcement costs proposed by (then) Union Gas in its application for leave to construct the Panhandle Reinforcement, but in either case for implementation in 2021 rates."[6]

8. Enbridge Gas takes no position on whether IGUA's Review Motion passes the Rule 43 threshold question, nor about the application of the *Vavilov* case[7] to OEB Review Motions in general or to this specific case.

9. If the OEB decides to consider IGUA's Review Motion on the merits, then Enbridge Gas supports the Board's determination in the 2020 Rates Decision not to implement cost allocation methodology changes for certain major projects in the Union rate zones before rebasing. Enbridge Gas submits that this outcome should be maintained in any reconsideration of the 2020 Rates Decision.

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[4] IGUA Submissions on Motion, para. 67.
[5] IGUA Submissions on Motion, para. 68.
[6] IGUA Submissions on Motion, para. 75.
[7] *Minister of Citizenship and Immigration v. Alexander Vavilov*, 2019 SCC 65.

10. The basis for the Company's position is found in the cost allocation evidence filed in the 2020 Rates proceeding (described below), and in Enbridge Gas's Argument in Chief and Reply Argument from that case.

11. As required by the MAADs Decision[8], in the 2020 Rates Application (EB-2019-0194) Enbridge Gas filed a cost allocation study that included a proposal for updating the cost allocation methodology for certain major projects in the Union rate zones.[9] One of these major projects was the Panhandle Reinforcement Project.[10]

12. Enbridge Gas proposed that its updated cost allocation methodology be approved in the 2020 Rates proceeding, but not implemented until rebasing in 2024.[11] In its prefiled evidence, Enbridge Gas explained that the Board-approved rate setting mechanism provides reliable and predictable rates during the deferred rebasing period, while immediately implementing any proposed changes would result in additional rate volatility for customers. The Company noted that if rates were 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 rate decrease. Enbridge Gas confirmed that it will be reviewing the services and rate classes of both the Union and EGD rate zones for a rate harmonization proposal to be filed with its 2024 rebasing application.[12]

13. Parties in the 2020 Rates proceeding did not raise substantial concerns with the cost allocation methodology proposals advanced by Enbridge Gas, including the proposal related to the Panhandle Project costs.[13] However, parties were divided on the timing and approach for implementation. Some parties, like IGUA, argued for

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[8] August 30, 2018 Decision and Order in EB-2017-03006/0307 (MAADs Decision), pages 40-41.
[9] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C.
[10] Details about Panhandle System Demand Costs are set out at EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 25-29.
[11] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, para. 62.
[12] EB-2019-0194, Exhibit B, Tab 1, Schedule 1, Appendix C, para. 63.
[13] BOMA was the only party to raise concerns – EB-2019-0194 BOMA Submission, page 6.

implementation of the cost allocation methodology changes in 2021, while others indicated that the Board should wait until rebasing and consider all cost allocation methodology changes proposed by the Company together at that time.[14]

14. Enbridge Gas maintained its position that approval of cost allocation methodology changes in the 2020 Rates proceeding for later implementation at rebasing was appropriate.[15] In Reply Argument, the Company provided its response to the arguments submitted by other parties, including the argument being repeated by IGUA in this Review Motion.[16]

15. In the event that the Board considers the merits of IGUA's Review Motion, Enbridge Gas repeats and relies upon its evidence and arguments from the 2020 Rates proceeding. For convenience, copies of the relevant portions of Enbridge Gas's Argument in Chief and Reply Argument are attached as Appendices A and B.

16. If the Review Panel does not accept Enbridge Gas's position and instead determines that the part of the 2020 Rates Decision addressing cost allocation for the Panhandle Project should be vacated and replaced, Enbridge Gas submits that the Review Panel's Decision on 2021 cost allocation methodology changes for the Panhandle Project should reflect the Company's proposal in the 2020 Rates proceeding. As noted, the substance of this proposal was not disputed.

17. As indicated in the 2020 Rates proceeding, Enbridge Gas requires 3 months after a Board Decision to prepare and file a rate design proposal for adjustment of 2021 rates to reflect changes to the cost allocation methodology for the Panhandle Project.[17]

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[14] The positions of interested parties, and Enbridge Gas's response to those positions are summarized in the Company's Reply Argument in EB-2019-0194, at paras. 61-73.
[15] See Enbridge Gas Argument in Chief in EB-2019-0194, at paras. 51-57.See also Enbridge Gas Reply Argument in EB-2019-0194, at paras. 74-76.
[16] See Enbridge Gas Reply Argument in EB-2019-0194, at paras. 61-73; the response to IGUA's position is set out at paras. 65-70.
[17] EB-2019-0194, Exhibit I.IGUA.6(a).

18. Enbridge Gas therefore proposes that if the Board grants IGUA's Review Motion, then the Company should be directed to file its rate design proposal for adjustment of rates to reflect the Company's proposed changes to cost allocation methodology for the Panhandle Project within 3 months of the Review Panel's decision. This filing could be considered together with Phase 2 of Enbridge Gas's 2021 Rates proceeding which will be filed by October 15, 2020 and which will include the Company's ICM request(s). Alternately, this filing could be considered separately as Phase 3 of the 2021 Rates proceeding. In either case, Enbridge Gas expects that its rate design proposal would reflect the full-year implementation of the cost allocation methodology changes in 2021.[18]

All of which is respectfully submitted this 17th day of July 2020.

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David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

[18] As noted in Exhibit I.IGUA.6(a) in EB-2019-0194, "[t]o ensure the cost allocation study changes are made on a revenue neutral basis, the effective date of the rate change must be January 1, because the unit rates are calculated based on an annual forecast."

APPENDIX A

ENBRIDGE GAS ARGUMENT IN CHIEF FROM 2020 RATES PROCEEDING (EB-2019-0194) RE. COST ALLOCATION

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.

ENBRIDGE GAS INC.

2020 RATES - PHASE 2

ARGUMENT IN CHIEF

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A. OVERVIEW

1. The outstanding items to be addressed in Phase 2 of the proceeding are: (i) Incremental Capital Module (ICM) requests; (ii) Cost Allocation Study that takes into account a proposal for the cost allocation of certain major projects in the Union Rate Zones; (iii) Enbridge Gas's eBill Practices; and (iv) Unaccounted For Gas (UFG) Report.

2. This Argument in Chief sets out Enbridge Gas's position on the four outstanding items. A summary is set out below.

   i. *ICM Requests* – The Company's requests for ICM rate recovery for the Don River Replacement Project (EGD Rate Zone) and the Windsor Line Replacement Project (Union South Rate Zone) each meet the Board's criteria for ICM funding.[1] Enbridge Gas seeks approval of ICM unit rates beginning in 2020 for the duration of the deferred rebasing period to recover the total revenue requirement of the ICM projects from 2020 to 2023.

   ii. *Cost Allocation Study* – As required by the MAADs Decision[2], 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.[3] Enbridge Gas is seeking Board approval of cost allocation methodology changes applicable to the Panhandle System and St. Clair System, Parkway Station and Dawn Station. Enbridge Gas is proposing to implement the cost allocation methodology changes as part of its next rebasing proceeding.

   iii. *eBill Practices* – As agreed in the Phase 1 Settlement Proposal, Enbridge Gas has filed evidence about its eBill practices, including description of what changed in 2019 as the Company transitioned to make eBill the default billing option for customers.[4] The transition to eBill has resulted in cost savings, improved customer satisfaction and increased self-serve volume. The Board has encouraged utilities to increase the use of eBill[5], but has not prescribed any rules about how this must be done. Enbridge Gas is not seeking any relief from the Board in relation to its eBill practices. Unless the Board orders otherwise, Enbridge Gas plans to

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[1] The evidence in support of Enbridge Gas's ICM requests is filed at Exhibit B, Tab 2, Schedule 1.
[2] August 30, 3018 Decision and Order in EB-2017-0306/0307 (MAADs Decision).
[3] The Cost Allocation Study is filed at Exhibit B, Tab 1, Schedule 1. Appendix C.
[4] Evidence about Enbridge Gas's eBill practices is filed at Exhibit B, Tab 3, Schedule 1.
[5] OEB Notice of proposal to Amend Codes and a Rule in EB-2017-0183, dated December 18, 2018, page 42.

total revenue requirement of the Don River Replacement and the Windsor Line Replacement Projects from 2020 to 2023.

30. To calculate the ICM unit rates set out in the prefiled evidence, Enbridge Gas used the allocated average annual revenue requirement and the forecast 2020 billing units for each respective rate class.[48] The ICM unit rates presented in evidence were prepared assuming an implementation date in rates of January 1, 2020. Following the Board's Decision in this proceeding, Enbridge Gas will file a draft rate order including updated ICM unit rates to reflect recovery of the total revenue requirement of the projects for the deferred rebasing period beginning with the Board's indicated implementation date.[49]

31. Consistent with the treatment of 2019 approved ICM project unit rates, Enbridge Gas proposes to embed the ICM unit rates in the delivery and transportation charges on the applicable rate schedule and customer bill.[50]

D. COST ALLOCATION STUDY

32. In the MAADs Decision, the Board acknowledged that Enbridge Gas would not file a comprehensive cost allocation study until its next rebasing case (at the end of the five year deferred rebasing period). However, in response to submissions from other parties the Board directed Enbridge Gas to file a cost allocation study in 2019 for specific projects in the Union Rate Zones, stating:

> *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*

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[48] Exhibit B, Tab 2, Schedule 1, para. 61. See Exhibit I.LMPA.7.
[49] Exhibit B, Tab 2, Schedule 1, para. 62.
[50] Exhibit B, Tab 2, Schedule 1, para. 61. The derivation of the ICM unit rates for 2020 ICM Projects is filed as Appendix G to Exhibit B, Tab 2, Schedule 1. The ICM unit rates presented in Appendix G were prepared assuming an implementation date in rates of January 1, 2020. Following the Board's Decision in this proceeding, Enbridge Gas will file a draft rate order reflecting such updated timing as may be appropriate.

> *implications of certain large projects undertaken by Union Gas that have already come into service.*[51]

33. Enbridge Gas filed the required Cost Allocation Study in November 2019. As stated, "[t]he 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."[52]

(i) Cost Allocation Study Process and Results

34. Enbridge Gas prepared the Cost Allocation Study based on a 2019 test year. Enbridge Gas has based the revenue requirement on the 2019 forecast costs of the Union rate zones, which have been set to equal the forecast of 2019 revenue. Enbridge Gas used the three-step approach of Functionalization, Classification and Allocation of relevant costs.[53]

35. A summary of the results of the Cost Allocation Study is set out at Appendix A to this Argument in Chief.[54] The impacts of the proposed cost allocation methodologies from the Cost Allocation Study are set out at Appendix B.[55] The updated revenue to cost ratios that would result are set out in the table at Appendix C.[56]

36. In conducting its analysis, Enbridge Gas used the Board's previously approved cost allocation methodologies, subject to the proposed cost allocation methodologies outlined in Cost Allocation Study for: (a) Panhandle System and St. Clair System; (b)

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[51] MAADs Decision, section 5.9, pages 40-41.
[52] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 2.
[53] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 15 and Schedule 2.
[54] Appendix A reproduces Table 1 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 5.
[55] Appendix B reproduces Table 2 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 9. Enbridge Gas provided estimated bill impacts in the Union Rate Zones from the implementation of the proposed cost allocation methodology changes (without taking in to account rate design considerations) at Exhibit I.STAFF.4. Rate impacts in the EGD Rate Zone are set out at Exhibit I.SEC.8.
[56] Appendix C reproduces Table 3 from Exhibit B, Tab 1, Schedule 1, Appendix C, page 24.

Parkway Station; and (b) Dawn Station. Each of these proposed changes are described below.[57]

Panhandle System and St. Clair System

37. Enbridge Gas provides westerly transportation service on the Panhandle System to meet Union South in-franchise demands west of Dawn. Both the Panhandle System and St. Clair System provide ex-franchise Rate C1 transportation between Dawn and Ojibway, St. Clair and Bluewater. The Panhandle System also provides Rate M16 transportation to and from storage pools that are located west of Dawn. Rate C1 transportation includes Union South and Union North sales service customers that transport volumes on the Panhandle and St. Clair System to Dawn.[58]

38. Union's 2013 Board-approved cost allocation study classified the demand-related costs for the combined Panhandle System and St. Clair System as Ojibway/St. Clair Demand.[59] Prior to the addition of the Panhandle Reinforcement Project, combining the Panhandle System and the St. Clair System was reasonable because the systems had similar costs per unit of demand. With the inclusion of significant costs to the Panhandle System only as a result of the Panhandle Reinforcement Project, the use of the Ojibway/St. Clair demand allocation methodology no longer reflects the costs to serve customers on each of the respective systems.[60]

39. Enbridge Gas is proposing a change to the cost allocation methodology of the Panhandle System and St. Clair System to address the change in the Panhandle System costs relative to the St. Clair System costs.[61] In order to address the

[57] A table summarizing the changes in allocation methodologies for Dawn-Parkway and Dawn Station assets is found at Exhibit I.FRPO.23, Table 1.
[58] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 20.
[59] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 21-22.
[60] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 23.
[61] Details of the proposed cost allocation methodology for each demand classification are set out in the evidence - Details about Panhandle System Demand Costs are set out at Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 25-29 and details about St. Clair System Demand Costs are set out at Exhibit B, Tab 1, Schedule 1, Appendix C, para. 30.

difference in the costs and design day demands of the Panhandle System and St. Clair System, Enbridge Gas has separated the Ojibway/St. Clair Demand functional classification into Panhandle Demand and St. Clair Demand in the Cost Allocation Study.[62]

40. The proposed cost allocation methodology of the Panhandle Demand functional classification is based on the use of each asset on the Panhandle System. First, Enbridge Gas proposes to direct assign the costs of assets used solely to serve ex-franchise Rate C1, which includes the costs of the Sandwich Compressor station and Ojibway measurement station. The proposed direct assignment also includes an allocation of transmission mains and Dawn yard assets to Rate C1 and Rate M16 using a proportional allocation based on 214 days use of contracted capacity to the total design day demands of the Panhandle System. The remaining Panhandle transmission mains and Dawn yard asset costs are proposed to be allocated to Union South rate classes in proportion to the forecast Panhandle System design day demands.[63]

41. The proposed cost allocation methodology of the St. Clair Demand functional classification is to direct assign all costs to Rate C1.[64]

<u>Parkway Station</u>

42. Parkway Station is located at the eastern terminus of Enbridge Gas's Dawn-Parkway transmission system and includes a bi-directional interconnection with TC Energy as well as custody transfer meters with the EGD Rate Zone (Parkway Consumers, EGT and Lisgar). The Parkway Station also includes four compressors, two of which were implemented as part of the capital pass-through projects approved during Union's 2014-2018 IRM term. Specifically, the Parkway West project involved the construction of a new compressor that provides loss of critical unit protection at Parkway, and the

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[62] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 24.
[63] Exhibit I.SEC.9.
[64] Exhibit I.SEC.9.

Brantford to Kirkwall/Parkway D project involved the construction of a new compressor which provides additional compression at Parkway.[65]

43. In Union's 2013 Board-approved cost allocation study, Parkway Station costs are included as part of the Dawn-Parkway Easterly Demand functional classification. Dawn-Parkway demand costs are allocated to in-franchise and ex-franchise rate classes in proportion to easterly peaking distance-weighted design day demands (also referred to as "commodity-kilometres") on the Dawn-Parkway transmission system.[66]

44. Enbridge Gas is proposing changes to the cost allocation methodology of the Parkway Station costs in response to the Board's directive.[67] Enbridge Gas has allocated the measuring and regulating costs at Parkway in proportion to the bi-directional design day demands of the Parkway Station. This allocation methodology recognizes that measuring and regulating assets are used on design day to measure the volumes flowing through the Parkway Station. Enbridge Gas has allocated the compressor costs at Parkway in proportion to the easterly design day demands requiring compression at Parkway. This allocation methodology recognizes compressor equipment is used on design day to move volumes to markets east of Parkway and includes ex-franchise Rate M12/C1 and Union North in-franchise rate classes. Enbridge Gas has allocated all other costs at Parkway in proportion to the Parkway Station measuring and regulating and compressor net plant. This allocation methodology recognizes that the remaining costs, such as land, structures, and general plant, are used to support both the measuring and regulating and compression at Parkway.

Dawn Station

45. Union's Board-approved cost allocation methodology for Dawn-Parkway transmission demand costs at Dawn functionalizes the costs as either Dawn Station or Dawn-

[65] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 34.
[66] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 35.
[67] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 37-40.

Parkway Easterly. Transmission-related Dawn compression costs are categorized as Dawn Station and allocated to rate classes in proportion to design day demands that require Dawn compression. The measuring and regulating transmission costs at Dawn are categorized as Dawn-Parkway Easterly and allocated to rate classes in proportion to distance-weighted design day demands on the Dawn-Parkway system.[68]

46. The Cost Allocation Study includes a proposed cost allocation methodology for compression and measuring and regulating transmission costs at Dawn to provide consistency in the allocation of Dawn-Parkway measuring and regulating costs and compression costs.[69] Enbridge Gas classified compressor plant and O&M costs to Dawn-Parkway Easterly Demand. This cost allocation methodology better aligns cost causality by ensuring that similar transmission compression costs on the Dawn-Parkway System (Dawn, Lobo and Bright) are allocated based on a distance weighted methodology. Enbridge Gas classified measuring and regulating plant and O&M costs to Dawn Station Demand and allocated the costs to rate classes based on design day demands requiring Dawn compression without a distance weighting. This cost allocation methodology recognizes that measuring and regulating costs are not affected by the distance gas is transported, and therefore the use of a distance weighted methodology does not best represent cost causality.

<u>Rate C1 Dawn to Dawn–TCPL Service</u>

47. The MAADs Decision (as reproduced above) directed Enbridge Gas to include a proposal to address TC Energy's Rate C1 Dawn to Dawn-TCPL service.

48. As part of Union's Board-approved 2013 cost allocation study, the revenue requirement of $0.5 million related to the Dawn to Dawn-TCPL facilities was included in setting the Rate C1 Dawn to Dawn-TCPL firm demand rate, which represented the third year of the five-year depreciation period. During Union's 2014-2018 IRM term,

[68] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 43.
[69] Exhibit B, Tab 1, Schedule 1, Appendix C, paras. 44-46.

there was no further adjustment made to the revenue requirement for the service even though the assets had fully depreciated in 2015. Consistent with the approved rate setting mechanism, the rate for 2020 continues to be decoupled from costs.[70]

49. As part of the MAADs proceeding, TC Energy submitted that the revenue requirement of the Rate C1 Dawn to Dawn-TCPL could be reduced without any cost consequences to other shippers and without a change to cost allocation. Enbridge Gas does not agree with this position. A reduction to the Rate C1 Dawn to Dawn-TCPL demand rate would impact other shippers, as any rate adjustment made during the deferred rebasing period should be made on a revenue neutral basis for the utility. For example, if Enbridge Gas reduced the Rate C1 Dawn to Dawn-TCPL demand revenue by $0.5 million, Enbridge Gas would make an equal and offsetting revenue increase to another service or rate class in order to maintain the level of revenue consistent with the approved rate setting mechanism.[71]

50. Enbridge Gas does not propose to make any changes to Rate C1 Dawn to Dawn-TCPL during the deferred rebasing period (and does not propose to make any of the corresponding changes to other rate classes that would be necessary to retain revenue neutrality).[72]

<u>(ii) Implementation of Cost Allocation Study Results</u>

51. Enbridge Gas is proposing to implement the cost allocation methodology changes approved as a result of the Cost Allocation Study with its next rebasing proceeding.[73] These changes would be part of Enbridge Gas's overall cost allocation study to be presented in the rebasing proceeding.[74]

[70] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 59.
[71] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 60. See also Exhibit I.STAFF.3(b).
[72] Exhibit I.STAFF.3(c).
[73] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 62.
[74] Exhibit I.CME.1(b) and Exhibit I.LMPA.2(e).

52. Enbridge Gas has several concerns with implementing the cost allocation methodology changes during the current deferred rebasing period.

53. First, the indicated revenue deficiency/sufficiency resulting from the cost allocation methodology changes (see Appendix A) does not reflect the final rate adjustment that may occur as part of a cost of service proceeding. The final rate adjustment of a cost of service proceeding 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.[75] Changing unit rates without rate design adjustments may result in unintended impacts to customers and the Company absent a complete rate design review similar to what is completed as part of a cost of service proceeding.[76]

54. Specific items that Enbridge Gas would have to address to reflect the cost allocation methodology changes into rates include the level of current rates and the magnitude of the proposed change; the revenue deficiency/sufficiency for the Company as a whole; the relative rate changes of other rate classes; the potential impact on customers; the level of contribution to fixed cost recovery; customer expectations with respect to rate stability and predictability; and equivalency of comparable service options.[77] These items must be considered together, and this is best done at rebasing.

55. Second, implementing the cost allocation methodology changes in the middle of the deferred rebasing term will promote rate instability and/or volatility. Enbridge Gas believes that rates should be set through the approved price cap mechanism. The Board-approved rate setting mechanism provides reliable and predictable rates during the deferred rebasing period. The Company anticipates there will be additional changes to rates at rebasing in 2024 when Enbridge Gas introduces rate harmonization, integration of the cost allocation studies of the combined utilities and

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[75] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 11.
[76] Exhibit I.IGUA.6(a).
[77] Exhibit I.TCPL.1(d).

the pass-through of synergy cost savings into rates. 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 rate decrease.[78]

56. Third, if the Cost Allocation Study results are to be implemented in rates, consideration will need to be made as to whether there are corresponding impacts on base amounts used in current approved deferral and variance account calculations. Certain deferral and variance accounts for the Union Rate Zones use the revenue requirement in rates as the base to calculate the deferral balance. As such, implementation of the cost allocation study results will require an assessment to determine if it impacts the revenue requirements in rates, and as a result, the calculation of certain deferral and variance account balances.[79] This is not what is contemplated during a deferred rebasing term.

57. Finally, Enbridge Gas recognizes that cost allocation is a zero-sum exercise. Should the Board direct any cost allocation changes resulting from this cost allocation study directive, implementation of the changes will need to maintain revenue neutrality for Enbridge Gas to ensure the Company will continue to earn revenue consistent with the approved rate setting mechanism. Any adjustments will therefore result in cost increases for certain rate classes and equal and offsetting cost decreases for other rate classes.[80] That is a balancing best suited to a rebasing application when all rates are being considered and re-set.

58. In the event that the Board determines that Enbridge Gas's cost allocation proposals should be implemented prior to its next rebasing application, then Enbridge Gas proposes that this should be done as part of the 2021 Rates case. Implementation

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[78] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 63 and Exhibit I.STAFF.4(b).
[79] Exhibit I.IGUA.6(a).
[80] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 8.

with 2021 Rates allows Enbridge Gas the time required to conduct a more thorough review of rate design considerations and rate class impacts.[81] Enbridge Gas does not believe that it is feasible to accomplish implementation in 2020, because Enbridge Gas estimates the process of a final rate order reflecting appropriate cost allocation and rate design adjustments could take up to six months once the Board provides direction in this proceeding until the Company could implement in rates with a QRAM.[82]

E. ENBRIDGE GAS'S EBILL PRACTICES

59. As described in the Phase 1 Settlement Proposal[83], Enbridge Gas changed its eBill practices in 2019 to make eBill the default billing method for new customers and to switch existing paper bill customers who had previously provided an email address to the Company to eBill. Enbridge Gas believes that its change in practice is appropriate, and does not believe that any Board approval was or is required.

60. Enbridge Gas's eBill practices in 2019 formed a foundational component of a broader transformation in customer experience which has delivered and will continue to deliver added value to customers through innovation, improved customer service and reduced costs.[84] As described below, customers have responded positively to this change and relevant business metrics indicate Enbridge Gas has been successful thus far in both improving customer service and reducing costs. In administering its customer experience transformation and 2019 eBill practices, Enbridge Gas has continued to respect the wishes of customers, providing choice where the use of eBill and other electronic mediums is not satisfactory to them.

61. Customer service and customer preferences have evolved in recent years as the number of internet and mobile-based self-service options have increased.[85]

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[81] The required steps to implement the Cost Allocation Study into updated rates are set at Exhibit I.IGUA.6(a).
[82] Exhibit I.IGUA.6(a) and (b).
[83] Exhibit N1, Tab 1, Schedule 1, page 12.
[84] Exhibit B, Tab 3, Schedule 1, para. 31.
[85] Exhibit B, Tab 3, Schedule 1, paras. 7-16.

APPENDIX B

ENBRIDGE GAS REPLY ARGUMENT FROM 2020 RATES PROCEEDING (EB-2019-0194) RE. COST ALLOCATION

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.

ENBRIDGE GAS INC.

2020 RATES - PHASE 2

REPLY ARGUMENT

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A. OVERVIEW

1. On March 11, 2020 Enbridge Gas Inc. (Enbridge Gas, or the Company) filed Argument in Chief setting out its position on the four outstanding items in this proceeding: (i) two incremental capital module (ICM) requests; (ii) a cost allocation study that includes a proposal for the cost allocation methodology for certain major projects in the Union rate zones; (iii) Enbridge Gas's eBill Practices; and (iv) Unaccounted For Gas (UFG) Report.

2. Enbridge Gas requests approval of the two ICM requests for 2020 Rates, and approval of the proposed cost allocation methodology changes to be implemented at rebasing. Enbridge Gas has reported on its eBill Practices, filed a UFG Report and has made commitments about future activities and reporting relevant to these items. The Company does not believe that any relief from the Ontario Energy Board (OEB, or the Board) is required on these latter two items.

3. Fifteen parties[1] filed submissions in response to Enbridge Gas. This Reply Argument sets out Enbridge Gas's response. Enbridge Gas will not repeat its Argument in Chief, but continues to rely on the positions and argument already submitted. Given the large number and broad scope of the arguments received from other parties, Enbridge Gas will not attempt to respond to every item noted. However, failure to respond to any particular items should not be interpreted as acceptance or agreement by Enbridge Gas.

4. A summary of Enbridge Gas's position and response on the four outstanding items is set out below:

[1] OEB Staff (OEB Staff), Association of Power Producers of Ontario (APPrO), Building Owners and Managers Association (BOMA), Canadian Manufacturers & Exporters (CME), Consumers Council of Canada (CCC), Energy Probe Research Foundation (EP), Federation of Rental-housing Providers of Ontario (FRPO), Industrial Gas Users Association (IGUA), London Property Management Association (LPMA), Ontario Greenhouse Vegetable Growers (OGVG), Pollution Probe (PP), Quinte Manufacturers Association (QMA), School Energy Coalition (SEC), TransCanada PipeLines Ltd. (TC Energy), and Vulnerable Energy Consumers Coalition (VECC).

a) *ICM Requests* – The Company's requests for ICM rate recovery for the Don River Replacement Project (EGD rate zone) and the Windsor Line Replacement Project (Union South rate zone) each meet the Board's criteria for ICM funding.[2] Enbridge Gas seeks approval of ICM unit rates beginning in 2020 for the duration of the deferred rebasing period to recover the total revenue requirement of the two ICM projects from 2020 to 2023. Since the date of the Argument in Chief, the Board has granted leave to construct approval for the Windsor Line Replacement Project at a modestly reduced project cost, and Enbridge Gas has confirmed an April 24, 2020 in-service date for the Don River Replacement Project. The Company's Reply Argument addresses the impact of these developments and explains why additional ICM adjustments proposed by other parties are not appropriate.

b) *Cost Allocation Study* – As required by the MAADs Decision[3], the Company filed a cost allocation study for the legacy Union rate zones that takes into account certain 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.[4] Enbridge Gas is seeking Board approval of the indicated cost allocation methodology changes. The Company proposes to implement the cost allocation methodology changes as part of its next rebasing proceeding. Parties do not raise substantial concerns with the cost allocation proposals. However, parties are divided on the timing and approach for implementation. Some parties argue for implementation of the cost allocation methodology changes in 2021, while others indicate that the Board should wait until rebasing and consider all cost allocation methodology changes proposed by the Company together at that time. Enbridge Gas continues to believe that approval of cost allocation methodology changes in this proceeding for later implementation at rebasing is appropriate. However, as between the alternatives presented by other parties, Enbridge Gas favours the option of waiting for consideration and implementation of cost allocation methodology changes with the rebasing proceeding.

c) *eBill Practices* – Enbridge Gas has transitioned to make eBill the default billing option for customers.[5] The transition to eBill has resulted in cost savings, improved customer satisfaction and increased self-serve volume. The Board has encouraged utilities to increase the use of eBill[6], but has not prescribed any rules about how this must be done. Enbridge Gas disagrees with parties who assert that the Company should obtain specific consent from each new or moving customer before making eBill that customer's billing option. This is not consistent

[2] The evidence in support of Enbridge Gas's ICM requests is filed at Exhibit B, Tab 2, Schedule 1.
[3] August 30, 3018 Decision and Order in EB-2017-0306/0307 (MAADs Decision). Found at https://www.oeb.ca/sites/default/files/Dec-Order-EGD-Union-Amalgamation-20180830-amended.pdf.
[4] The cost allocation study is filed at Exhibit B, Tab 1, Schedule 1. Appendix C.
[5] Evidence about Enbridge Gas's eBill practices is filed at Exhibit B, Tab 3, Schedule 1.
[6] OEB Notice of proposal to Amend Codes and a Rule in EB-2017-0183, dated December 18, 2018, page 42.

57. Consistent with the treatment of 2019 approved ICM project unit rates, Enbridge Gas proposes to embed the ICM unit rates in the delivery and transportation charges on the applicable rate schedule and customer bill.[79]

C. COST ALLOCATION STUDY

58. As required by the MAADs Decision[80], the Company filed a cost allocation study "for consideration" in the 2020 rate application that includes a proposal for the cost allocation methodology of certain projects (Panhandle Reinforcement, Dawn-Parkway expansion including Parkway West, Brantford-Kirkwall/Parkway D and the Hagar Liquefaction Plant) and a proposal for addressing TransCanada's C1 Dawn to Dawn-TCPL service.[81] As stated, "[t]he 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."[82]

59. Enbridge Gas is seeking Board approval of the indicated cost allocation methodology changes. The Company proposes to implement the cost allocation methodology changes as part of its next rebasing proceeding.[83]

60. Enbridge Gas's proposed cost allocation methodology changes are summarized in Argument in Chief.[84] While many parties made submissions on the implementation

[79] Exhibit B, Tab 2, Schedule 1, para. 61. The derivation of the ICM unit rates for 2020 ICM Projects is filed as Appendix G to Exhibit B, Tab 2, Schedule 1. The ICM unit rates presented in Appendix G were prepared assuming an implementation date in rates of January 1, 2020. Following the Board's decision in this 2021 rates proceeding, Enbridge Gas will file a draft rate order reflecting such updated timing as may be appropriate.
[80] MAADs Decision, pages 40-41.
[81] The Cost Allocation Study is filed at Exhibit B, Tab 1, Schedule 1. Appendix C.
[82] Exhibit B, Tab 1, Schedule 1, Appendix C, para. 2.
[83] Argument in Chief, paras. 51-57; and Exhibit B, Tab 1, Schedule 1, Appendix C, para. 62. See also Exhibit I.CME.1(b) and Exhibit I.LPMA.2(e).
[84] Argument in Chief, paras. 34-50.

timing for Enbridge Gas's cost allocation study, almost no substantial concerns about the specific cost allocation proposals were raised.[85]

61. Parties are split on the timing and approach for implementation of the cost allocation proposals. Some parties argue for implementation in 2021. Other parties argue that the Board should not consider and approve the cost allocation study now but instead wait until rebasing and consider all cost allocation updates together at that time. Enbridge Gas continues to believe that the middle-ground approach of approving the cost allocation methodology changes in this proceeding for implementation at rebasing is appropriate. However, as between the alternatives presented by other parties, Enbridge Gas favours the option of waiting for consideration and implementation of cost allocation methodology changes with the rebasing proceeding.

62. In the following sub-sections, Enbridge Gas sets out its response to the positions of parties on each side of the implementation timing issue.

(i) Arguments in Favour of Immediate Implementation

63. Not surprisingly, parties who expect to benefit from the cost allocation methodology changes argue in favour of immediate implementation.[86] These parties accept,

[85] BOMA is the only party to raise concerns, and it is only in relation to the Panhandle and St. Clair cost allocation proposal and its impact on Rate C1 – BOMA Submission, page 6. Enbridge Gas notes that BOMA's potential concerns about proposed C1 cost allocation changes refer only to Emera and Rover being C1 customers and do not recognize that any sales service contracts on the Panhandle and St. Clair systems are also considered Rate C1 contracts.

[86] The parties arguing for implementation of the cost allocation methodology changes in 2021 are APPrO, EP and IGUA. While TC Energy does not support implementation of most of the cost allocation changes until rebasing, TC Energy does want to have the Board approve changes to Rate C1 Dawn to Dawn-TCPL to recognize that assets included in the derivation of that rate have now been fully depreciated (see TC Energy Submission, page 3). Enbridge Gas submits that it is not appropriate to "cherry pick" one such item for immediate implementation. During the deferred rebasing term, rates are decoupled from costs, and the Dawn to Dawn-TCPL service is no different. As Enbridge Gas stated in evidence (see Exhibit B, Tab 1, Schedule 1, Appendix C, page 28), if the Company was to reduce the revenue associated with this service, it would need to make an equal and offsetting revenue increase to another service or rate class in order for the utility to be kept whole. Cost allocation should be a zero-sum exercise. If Enbridge Gas adjusted just this one cost item without an offsetting adjustment in another rate class, as TC Energy proposes in argument, Enbridge Gas would no longer continue to earn revenue consistent with the approved rate setting mechanism. See also Exhibit I.STAFF.3(c).

however, that it is not feasible to implement in 2020, and that instead the implementation would be effective as of January 1, 2021. Enbridge Gas agrees that if implementation of the cost allocation methodology changes is done during the deferred rebasing term, the changes should be made as part of the 2021 rates case.[87]

64. Each of the parties arguing for immediate implementation of the main aspects of the cost allocation methodology changes (APPrO, EP and IGUA) point to the impacts on their constituents if the cost allocation methodology changes are or are not implemented during the deferred rebasing term.[88]

65. The main argument in favour of immediate implementation is that the Board has previously acknowledged potential concerns about the cost allocation of the Panhandle Reinforcement Project and other projects. The parties listed above argue that the costs are allocated to rate classes who do not benefit from the associated services and it is unfair for such rate classes to keep paying rates consistent with the existing allocation.[89]

66. Three points of context can be emphasized in response.

67. First, Enbridge Gas acknowledges that parties such as APPrO and IGUA expected that cost allocation methodology changes for the Panhandle Reinforcement Project would have been implemented in 2019 but for the amalgamation of EGD and Union and the MAADs Decision to defer rebasing until January 1, 2024. However, those significant events did take place, and they changed the ratesetting context for Enbridge Gas and its customers. While the MAADs Decision required that a limited

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[87] The Company proposes that this would be a later phase issue in the 2021 rates case (separate from the mechanistic rate adjustment), but that any changes would be implemented on a full year basis as if they had been in place from January 1, 2021. The Company's response to Exhibit I.IGUA.6 sets out potential timing for preparation and implementation of updated rates following a Board decision on the cost allocation study.

[88] APPrO Submission, paras. 37-47; EP Submission, pages 10-11 (note that EP argues that only the cost allocation changes for Dawn Parkway transportation needs to be implemented at this time); and IGUA Submission, paras. 34 and 60.

[89] APPrO Submission, paras. 20-47; and IGUA Submission, paras. 1-29.

cost allocation study be filed in this 2020 rates case, there was no imperative or assurance that the results of the cost allocation study would be implemented immediately. Enbridge Gas filed the cost allocation methodology proposal as required by the MAADs Decision, but also explained the reasons why it is appropriate to wait until rebasing for implementation of the proposed changes. As set out below, most parties agree that immediate implementation is not the best solution.

68. Second, while not intending to trivialize the dollars at issue, it is important to acknowledge that the impacts that would result from (unadjusted) application of the cost allocation methodology changes are only a small part of the overall natural gas costs for the affected customers. For example, the purported annual impact (reduction) on a Rate T2 customer of $0.7M, as argued by APPrO, represents approximately 11% of the total delivery bill and 1% of the total bill.[90] The purported annual impact (reduction) of $0.4M for a Rate M12 customer represents approximately 9% of the total demand charges.[91] Of course, if rate design adjustments are considered, the impacts (reductions) may be more modest. Similarly, while the overall cost allocation impact to EGD rate zone customers from implementation of the cost allocation methodology changes would be meaningful ($12M), the annual bill reduction for an average residential customer would be modest ($2.66, or 0.3% of the total bill).[92]

69. Third, because cost allocation is a zero-sum exercise[93], where there are decreases in allocated costs to some rate classes, there will be increases to others. As highlighted

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[90] Customer parameters were provided by APPrO at Exhibit I.APPrO.2(b). Typical rate and bill impacts by rate class from the proposed cost allocation methodology changes are set out at Exhibit I.STAFF.4, Attachment 1.

[91] Customer parameters were provided by APPrO at Exhibit I.APPrO.2(c). Impact is based on a decrease in the M12 Dawn-Parkway transportation rate $0.309/GJ/month as provided at Exhibit I.TCPL.1, Attachment 1. When compared to the Dawn Reference Price of $2.621/GJ (per April 2020 QRAM), the decrease in the M12 Dawn-Parkway transportation rate of $0.010/GJ/d ($0.309 x 12 / 365) represents approximately 0.1%.

[92] Exhibit I.SEC.8, Attachment 1, page 2.

[93] Argument in Chief, para. 57.

in BOMA's Submission, implementation of the cost allocation methodology changes will have meaningful impacts on Rate M4.[94] This would amount to a bill increase of around 30% on the delivery bill (or 10% of total bill) for small Rate M4 customers (assuming no rate design considerations were implemented).[95] Similarly, Rate 10 and Rate M2 would also face meaningful rate and bill impacts – a small Rate 10 customer would see an increase of around 20% on the delivery bill (7% of total bill) and Rate M2 would see an increase of around 8% on the delivery bill (3% of total bill).[96]

70. On balance, Enbridge Gas submits that, for the reasons set out in Argument in Chief[97], it would be preferable not to implement the cost allocation methodology changes in 2021. Many of the reasons supporting that position are highlighted in the submissions from other parties, summarized below.

(ii) Arguments in Favour of Waiting Until Rebasing

71. Most of the parties in this proceeding (OEB Staff, BOMA, CCC, CME, FRPO, LPMA, OGVG, QMA, PP, SEC, TCPL and VECC) argue that the Board should wait until rebasing to consider and approve cost allocation methodology changes.

72. Key reasons advanced by parties who do not support approval and implementation of the cost allocation methodology changes in 2021 include the following:

a) Presumption against rate design changes during an IR/deferred rebasing term – OGVG submits that the threshold for making cost allocation changes during an IRM term should be relatively high, given the fundamental decoupling of rates from changes in costs during an IRM period.[98] OGVG submits that this should only be done in "the most extreme of cases".[99] Other parties implicitly agree that the proposed cost methodology changes proposed by Enbridge Gas do not rise to a level that warrants the extraordinary step of implementing cost allocation changes in the midst of a deferred rebasing term.

[94] BOMA Submission, page 2 and Exhibit I.STAFF.4, Attachment 1, p. 2.
[95] Typical rate and bill impacts by rate class from the proposed cost allocation methodology changes are set out at Exhibit I.STAFF.4, Attachment 1.
[96] Exhibit I.STAFF.4, Attachment 1.
[97] Argument in Chief, paras. 51-56.
[98] OGVG Submission, page 4.
[99] OGVG Submission, page 3.

b) Incomplete scope of cost allocation review – Many parties point to the fact that Enbridge Gas's cost allocation study is much more limited than what will be presented in a rebasing application.[100] The current study is limited to cost allocation changes for a discrete set of projects, and does not take into account other proposals that would most likely be made in a full rebasing cost allocation study. As such, the proposed cost allocation changes being proposed in this proceeding will not fully capture all the required changes that would result from a comprehensive cost allocation study. Implementation of limited changes at this time may have unintended consequences in terms of rate signals and over- or under-collection in comparison to the updated rates that will be approved at rebasing taking into account the comprehensive cost allocation study and rate harmonization.[101]

c) Rate impacts – Concerns are raised about the implications on some rate classes of implementing the cost allocation methodology changes, because of the fact that the impacts will be more than 10% on a total bill impact basis in some cases.[102] In OEB Staff's submission, "[l]arge rate impacts are generally not appropriate during an IR term." In support of waiting to review and implement rate changes related to cost allocation, OEB Staff notes that at rebasing "the cost allocation changes will include other adjustments to rate base, possible rate harmonization proposals and rate design changes. This will provide a more complete picture of the costs and revenues and the resulting impact to rates which could be significantly different than presented in this update."[103]

d) Rate stability – Parties adopt Enbridge Gas's previously stated concern that changing unit rates without rate design adjustments may result in unintended impacts to customers and the utility.[104] As noted, implementation of cost allocation methodology changes in 2021 will result in rate changes that year, to be followed by additional changes to rates at rebasing in 2024 when Enbridge Gas introduces rate harmonization, integration of the cost allocation studies of the combined utilities and the pass-through of synergy cost savings into rates. Should rates be adjusted in 2021 and again in 2024 (at rebasing), customers would be subject to unpredictable rate changes within a short three-year time period. As BOMA points out, unnecessary changes in rates and rate volatility make it more difficult for customers and their agents to manage costs.[105] QMA makes a similar submission,

[100] See, for example, Staff Submission, page 11; CCC Submission, page 4; and SEC Submission, pages 3-4.
[101] See, for example, Staff Submission, page 13; CCC Submission, page 4; CME Submission, para. 34; and TCPL Submission, pages 1-2.
[102] See, for example, Staff Submission, page 11 - typical rate and bill impacts by rate class from the proposed cost allocation methodology changes are set out at Exhibit I.STAFF.4, Attachment 1.
[103] Staff Submission, page 11.
[104] See, for example, CCC Submission, page 3; and SEC Submission, page 4.
[105] BOMA Submission, page 4.

stating 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."[106]

73. Enbridge Gas agrees with the substance of the submissions summarized above related to why implementation of the cost allocation methodology changes should not be completed during the deferred rebasing term. These submissions are consistent with what is set out in Enbridge Gas's evidence and Argument in Chief.

(iii) Enbridge Gas's Proposal

74. Enbridge Gas requests Board approval of the proposed cost allocation methodology changes outlined in the cost allocation study and prefiled evidence. Enbridge Gas plans to implement the cost allocation methodology changes approved in this case within the overall cost allocation study to be presented in the rebasing proceeding.[107]

75. Enbridge Gas continues to believe that its proposed approach of having the Board approve the largely uncontested cost allocation methodology changes in this proceeding for later implementation at rebasing is appropriate. This will avoid the 2021 implementation issues described above, but will provide some certainty and direction as Enbridge Gas prepares its comprehensive cost allocation study for all assets and activities in the context of rebasing and rate harmonization.[108]

76. Most parties do not agree that the Board should approve the cost allocation methodology changes for later implementation at rebasing, stating that this will be of little benefit (since the Board will be reviewing the comprehensive cost allocation study in any event) and could fetter the discretion of future Board panels.[109] Enbridge Gas believes that these concerns are overstated. Under the Company's proposal, the

[106] QMA Submission, page 5.
[107] Exhibit I.CME.1(b) and Exhibit I.LPMA.2(e).
[108] See Argument in Chief, para.51 and Exhibit I.LPMA.2(e).
[109] See, for example, FRPO Submission, page 2; LPMA Submission, page 2; SEC Submission, page 4; and VECC Submission, page 6.

Board panel reviewing the rebasing cost allocation study can make all decisions that it deems necessary, but the Company and other parties will have the benefit of knowing that there is endorsement of the updated cost allocation methodologies for certain discrete projects.

77. However, as between the alternatives presented by other parties (immediate implementation versus deferral), Enbridge Gas prefers the option of waiting for consideration and implementation of cost allocation changes in the rebasing proceeding.

D. ENBRIDGE GAS'S EBILL PRACTICES

78. Enbridge Gas changed its eBill practices in 2019 to make eBill the default billing method for new customers and to switch existing paper bill customers who had previously provided an email address to the Company to eBill.[110] This increased the number of eBill customers, enabling them to get the benefits of Enbridge Gas's myAccount platform and more control over their account and information.

79. The Company's evidence is that customer satisfaction has increased as more self-service options are made available.[111] VECC takes a different position – asserting that the increase in 2019 customer complaints and number of customers who switched back to paper bills evidences customer dissatisfaction.[112] Context is important here. While the percentage of eBill related complaints rose in 2019, the actual number of complaints (less than 1100) was very low in the context of Enbridge Gas's 3.5 million customer base.[113] Similarly while some customers did switch back to paper bills, around 80% of the new eBill customers remain on eBill and myAccount.[114]

[110] See Argument in Chief, paras. 59-77. Evidence about Enbridge Gas's eBill practices is filed at Exhibit B, Tab 3, Schedule 1.
[111] Argument in Chief, para. 71, and included references.
[112] VECC Submission, pages 10-11.
[113] Exhibit B, Tab 3, Schedule 1, page 22, Table 5.
[114] Exhibit I.STAFF.12.