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VIA RESS and EMAIL

March 1, 2021

Christine Long
Registrar, Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Long,

**Re: EB-2020-0181 – Enbridge Gas Inc. (“Enbridge Gas”)
2021 Rates (Phase 2 – Incremental Capital Module)
Argument-in-Chief**

In accordance with Procedural Order No. 4, enclosed please find the Argument-in-Chief of Enbridge Gas for the above noted proceeding.

Should you have any questions on this matter please contact the undersigned.

Sincerely,

Rakesh Torul
Technical Manager
Regulatory Applications

cc: David Stevens, Aird & Berlis LLP
Intervenors (EB-2020-0181)

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, 2021.

ENBRIDGE GAS INC.

2021 RATES - PHASE 2

ARGUMENT IN CHIEF

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A. OVERVIEW

1. This proceeding, which is Phase 2 of Enbridge Gas Inc.'s (Enbridge Gas, or the Company) 2021 Rate Application, seeks approval for unit rates related to the Company's 2021 Incremental Capital Module (ICM) funding requests. The two ICM requests relate to the London Line Replacement Project and the Sarnia Industrial Reinforcement Project, both in the Union Gas Limited (Union) South Rate Zone.¹
2. Each of these projects has been the subject of Leave to Construct (LTC) applications before the Ontario Energy Board (OEB, or the Board). The Sarnia Industrial Reinforcement Project was approved by the OEB on March 12, 2020.² The London Line Replacement Project was approved by the OEB on January 28, 2021.³
3. This Argument in Chief sets out Enbridge Gas's position on the two ICM requests. As set out herein, Enbridge Gas submits that the requests for ICM rate recovery for the London Line Replacement Project and the Sarnia Industrial Reinforcement Project (Union South Rate Zone) each meet the Board's criteria for ICM funding.⁴ Enbridge Gas forecasts that it will exceed the 2021 materiality threshold for ICM funding for its Union Rate Zones, and the ICM funding requests are calculated to recover only amounts above the materiality threshold. Both of the subject projects are discrete and material, and the need and prudence of the projects has been confirmed in the LTC approvals.
4. Enbridge Gas therefore seeks approval of ICM unit rates for the two projects, beginning in 2021 and running for the duration of the deferred rebasing period, to recover the total revenue requirement of the ICM projects from 2021 to 2023.

¹ Enbridge Gas has withdrawn its request for 2021 ICM funding for Phase 3 of the St. Laurent NPS 12 Replacement Project in the Enbridge Gas Distribution (EGD) rate zone. See Enbridge Gas letter to the OEB, dated February 10, 2021.

² EB-2019-0218 Decision and Order, March 12, 2020.

³ EB-2020-0192 Decision and Order, January 28, 2021.

⁴ The evidence in support of Enbridge Gas's ICM requests is filed at Exhibit B, Tab 2, Schedule 1.

B. BACKGROUND

5. Enbridge Gas filed an application (EB-2020-0095) with the Board on June 30, 2020 seeking approval for changes to its natural gas distribution rates to be effective January 1, 2021. The application was Enbridge Gas's third annual rate adjustment application under the incentive rate mechanism (IRM) framework approved in the MAADs decision⁵.
6. As part of its application, Enbridge Gas indicated that it planned to seek OEB approval of one or more ICM funding requests, and that it would file supporting evidence as "Phase 2" of the proceeding.⁶ In a letter dated July 14, 2020, the OEB determined that it will process the "Phase 1" (rate adjustment) and "Phase 2" (ICM) filings for the 2021 Rate Application as separate applications.⁷
7. In a Decision and Interim Rate Order dated November 6, 2020, the OEB accepted a Settlement Proposal that resolved all issues in Phase 1 (rate adjustment).⁸ Enbridge Gas implemented interim 2021 rates reflecting the Settlement Proposal on January 1, 2021.
8. Enbridge Gas filed its application and supporting evidence for Phase 2 (ICM) on October 15, 2020. This filing included requests for ICM funding for three projects⁹ (London Line Replacement Project and the Sarnia Industrial Reinforcement Project in the Union South Rate Zone, and Phase 3 of the St. Laurent NPS 12 Replacement Project in the Enbridge Gas Distribution (EGD) rate zone), as well the filing of a Utility System Plan¹⁰, consolidated Asset Management Plan¹¹ and a Customer

⁵ EB-2017-0306/0307 Decision and Order, August 30, 2018 (MAADs Decision).

⁶ EB-2020-0095, Exhibit A, Tab 2, Schedule 1, para. 9.

⁷ EB-2020-0095, OEB "Completeness Letter", July 14, 2020, pages 1-2.

⁸ EB-2020-0095, Decision on Settlement Proposal and Interim Rate Order, November 6, 2020, pages 2 and 7.

⁹ Supporting evidence filed at Exhibit B, Tab 2, Schedule 1.

¹⁰ Filed at Exhibit C, Tab 1, Schedule 1.

¹¹ Filed at Exhibit C, Tab 2, Schedule 1.

Engagement Study¹². The ICM funding requests are the only items for which Enbridge Gas seeks OEB approval.

9. In Procedural Order No. 1, the Board set out a process to determine the Company's ICM funding requests, including interrogatories and written argument.¹³
10. Enbridge Gas provided responses to interrogatories on January 21, 2021.
11. On January 28, 2021, Enbridge Gas wrote to the OEB, requesting that it be permitted to update its evidence to reflect current information about the (then) to-be-filed LTC Application for Phases 3 and 4 of the St. Laurent NPS 12 Replacement Project. At or around the same time, other parties wrote to the OEB to request a technical conference to follow up on the Company's interrogatory responses.
12. On February 5, 2021, the OEB issued Procedural Order No. 3, convening a one-day technical conference, and also requesting that Enbridge Gas address potential concerns arising from the request to update its evidence.¹⁴
13. In a responding letter dated February 10, 2021, Enbridge Gas indicated that it had considered the Board's comments and concerns and had decided to withdraw its request for 2021 ICM funding for St. Laurent Phase 3 Project. Enbridge Gas indicated that it plans to request ICM funding for Phase 3 and Phase 4 of the St. Laurent Project in a single ICM request within Phase 2 of the Company's 2022 Rate Application.¹⁵
14. A one day technical conference was held on February 17, 2021, and Enbridge Gas subsequently provided answers to undertakings given at the technical conference.
15. This Argument in Chief summarizes the evidence and Enbridge Gas's position on each of the ICM funding requests. Enbridge Gas has not attempted to anticipate

¹² Filed at Exhibit C, Tab 3, Schedule 1.

¹³ Procedural Order No. 1, November 27, 2020, page 3.

¹⁴ Procedural Order No. 2, February 5, 2021.

¹⁵ Enbridge Gas letter to the OEB, dated February 10, 2021.

arguments that may be made by other parties in this proceeding, and instead will respond to such arguments in Reply Argument.

C. ICM REQUESTS

16. In the MAADs Decision, the Board confirmed the availability of ICM funding for Enbridge Gas.¹⁶ Under the Board's ICM policies, capital projects must meet the criteria of materiality, need and prudence to be eligible for recovery.¹⁷
17. In the EB-2018-0305 Decision and Order on Enbridge Gas's 2019 Rate Application (2019 Rates Decision), the Board approved ICM funding for two projects (as well as a capital pass-through deferral account for a third project).¹⁸ The 2019 Rates Decision confirmed the approach to be used to evaluate Enbridge Gas ICM requests during the deferred rebasing term, including the manner in which the materiality threshold will be calculated¹⁹, the appropriateness of the Company's Utility System Plan (USP) and Asset Management Plans (AMPs)²⁰, the project-specific materiality test to be applied²¹, the inclusion of indirect overhead costs as part of the ICM project costs²², and the calculation of ICM unit rates²³.
18. In the EB-2019-0194 Decision and Order on Enbridge Gas's 2020 Rate Application (2020 Rates Decision), the Board approved ICM funding for two projects.²⁴ The 2020 Rates Decision confirmed that the ICM requirements for need and prudence are satisfied when the Board issues an LTC approval for the project.²⁵ The 2020 Rates Decision also re-confirmed that it is appropriate for Enbridge Gas to include

¹⁶ MAADs Decision, pages 32-33.

¹⁷ Exhibit B, Tab 2, Schedule 1, para. 16 and EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, section 4.1.5, page 17.

¹⁸ EB-2018-0305 Decision and Order, September 12, 2019, pages 20-29.

¹⁹ 2019 Rates Decision, page 17.

²⁰ 2019 Rates Decision, pages 17-19.

²¹ 2019 Rates Decision, pages 25 and 28.

²² 2019 Rates Decision, page 29.

²³ 2019 Rates Decision, pages 31-33.

²⁴ EB-2019-0194 Decision and Order, May 14, 2020, pages 5-13.

²⁵ 2020 Rates Decision, pages 8 and 11.

indirect overhead costs as part of the ICM project costs to be recovered through the ICM rate rider.²⁶

19. Enbridge Gas is seeking ICM funding for two projects in 2021 that are not funded through existing rates – the London Line Replacement Project and the Sarnia Industrial Reinforcement Project, each in the Union South Rate Zone. As explained below, each project meets the Board's ICM criteria in terms of materiality (including the means test and discrete project criteria), need and prudence.
20. As described later in this Argument in Chief, the forecast costs for the projects include indirect overhead costs. As a result of the amalgamation, Enbridge Gas has introduced a harmonized overhead capitalization policy that is effective as of January 1, 2020.²⁷ Due to the harmonized overhead capitalization policy, there has been a resultant net increase in the amount of overhead costs capitalized, and a corresponding net decrease in amounts expensed as part of operations and maintenance (O&M) costs for Enbridge Gas (or for the EGD and Union Rate Zones), as compared to what would have occurred under the legacy overhead capitalization policies. The Accounting Policy Changes Deferral Account (APCDA) is being utilized to capture the revenue requirement impact of this change.²⁸ The APCDA is capturing the revenue requirement impact of the reduction in O&M, net of the revenue requirement impact of the increase in capital. The offset to the amount recorded in the deferral account is an adjustment to revenues. This adjustment to revenues is reflected within the utility financial results, which offsets the O&M and capital impacts from the overhead capitalization policy change, that are also reflected in utility results, such that the utility ROE is not impacted by the change in

²⁶ 2020 Rates Decision, pages 9 and 12.

²⁷ Harmonized overheads capitalization policy is filed at Exhibit JT1.6.

²⁸ The APCDA was approved in the MAADs Decision, page 47. A description of the APCDA is set out in EB-2020-0134, Exhibit C, Tab 1, page 4. See also Exhibit I.LPMA.7(c).

accounting policy. Said differently, the deferral account entry ensures that neither the Company or ratepayers benefit or are harmed at the expense of the other.²⁹

(i) Materiality

21. The Company has applied the Board's formula to determine the materiality threshold for 2021 ICM requests for the Union Rate Zones. The materiality threshold establishes the minimum capital expenditures the utility must fund through base rates. The maximum eligible incremental capital investment for ICM funding for a rate zone is the amount of forecast in-service capital expenditures in the year in excess of the threshold value.³⁰ The Board's ICM materiality threshold calculation results in a 2021 threshold value of \$474.2 million for the combined Union Rate Zones.³¹
22. In support of its 2021 ICM requests, and as required by the MAADs Decision, Enbridge Gas filed a consolidated USP and AMP in this proceeding. The AMP reflects Enbridge Gas's asset plan for the next five years, with assets for the EGD and Union rate zones being maintained separately for capital planning purposes through the end of 2025.³²
23. As summarized in the prefiled evidence, the USP and AMP set out the 2021 capital spending requirements (in-service capital forecast) for each Rate Zone. The AMP explains the process that Enbridge Gas undertakes to create an optimized capital budget each year.³³ This topic was discussed at length at the technical conference, with the witnesses explaining the steps that the Company takes in aiming to keep the in-service capital budget at or below the ICM materiality threshold (the amount

²⁹ Exhibit JT 1.11. As agreed in the Board-approved Settlement Proposal for the 2019 Deferral and Variance Account Clearance Proceeding (EB-2020-0134), the APCDA is planned for clearance at the end of the deferred rebasing term: EB-2020-0134 Settlement Proposal, page 10. The Settlement Proposal was approved by the OEB on January 25, 2021.

³⁰ Exhibit B, Tab 2, Schedule 1, para. 29.

³¹ The calculations setting out how the materiality threshold was derived are set out at Exhibit B, Tab 2, Schedule 1, Table 3 (page 9). Discussion about how each of the inputs into the calculation were determined is included at Exhibit B, Tab 2, Schedule 1, paras. 17-28. See also Exhibit I.VECC.1.

³² Exhibit B, Tab 2, Schedule 1, para. 4.

³³ See section 6 of the AMP (Exhibit C, Tab 2, Schedule 1, pages 252-260). See also Exhibit I.SEC.1(a) and Attachment 1.

funded in rates).³⁴ Among other things, this includes removing projects from the budget where they are not mandatory and/or can be delayed.³⁵

24. As set out in the evidence (and supported by the AMP), the 2021 in-service capital forecast for the Union Rate Zones is \$627.0 million.³⁶ Taking into account that the Board's 2021 ICM materiality threshold for the Union Rate Zones is \$474.2 million, that means that the 2021 maximum eligible incremental capital for the Union Rate Zones is \$152.8 million.³⁷
25. Enbridge Gas is seeking 2021 ICM funding for projects that are not fully funded through existing rates. The specific ICM funding requests are set out in the table below, reproduced from the prefiled evidence (with modifications to reflect the removal of the EGD Rate Zone ICM request).³⁸

2021 Incremental Capital Funding Request by Rate Zone

<u>Particulars (\$ millions)</u>	<u>Total Project In-service Amount</u>	<u>Maximum Eligible Incremental Capital Amount</u>	<u>Difference</u>
	(a)	(b)	(c) = (b-a)
<i>2021 In-service Capital Forecast</i>			
<u>Union South Rate Zone</u>			
London Line Replacement	124.0	124.0	-
Sarnia Industrial Line Reinforcement ³⁹	31.5	28.8	(2.7)
Total Incremental Capital Funding Request	155.5	152.8	(2.7)

³⁴ See, for example, 1Tr.29-33 and 38-42.

³⁵ See, for example, 1Tr.34-38, and Exhibit JT1.4.

³⁶ Exhibit B, Tab 2, Schedule 1, Table 2 (page 5).

³⁷ Exhibit B, Tab 2, Schedule 1, para. 29 and Table 6. See also Exhibit I.EP.5(a) and (b).

³⁸ Exhibit B, Tab 2, Schedule 1, para. 31 (Table 7). See also Exhibit B, Tab 2, Schedule 1, paras. 35-37.

³⁹ The total project in-service capital amount was reduced so that the total project ICM funding request did not exceed the maximum eligible incremental capital.

26. The 2021 in-service capital amounts for the London Line Replacement and the Sarnia Industrial Line Reinforcement Projects shown above exceed the maximum eligible incremental capital amount available for the Union Rate Zones. As a result, the ICM funding request for the Sarnia Industrial Line Reinforcement Project is less than the total in-service capital for the project, meaning that Enbridge Gas will accommodate a portion of the in-service capital for this project within the ICM Threshold.⁴⁰

(ii) Means Test

27. In order to be eligible for ICM funding, a distributor must pass the “Means Test” by showing that its regulated return is less than 300 basis points (bps) above the deemed return on equity (ROE) embedded in the distributor’s rates.⁴¹ Enbridge Gas has prepared its 2019 utility results on a combined basis as this is the first year that Enbridge Gas has operated as an amalgamated utility. The actual 2019 ROE for Enbridge Gas was calculated to be 10.475%.⁴² This actual ROE is less than 300 bps above the 2019 Board-approved ROE of 8.98%.⁴³

(iii) Discrete and Material Projects

28. ICM funding requests must be based on discrete, material projects, and the amount claimed must be “clearly outside of the base upon which the rates were derived”.⁴⁴ Additionally, the MAADs Decision directs that any individual project for which ICM funding is sought must have an in-service capital addition of at least \$10 million.⁴⁵
29. The two 2021 ICM eligible capital projects each exceed the materiality level of \$10 million. These projects have been evaluated as part of the capital planning

⁴⁰ See Exhibit I.EP.5(b) to (e).

⁴¹ EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, page 15. See also Exhibit B, Tab 2, Schedule 1, para. 33. See also Exhibit I.VECC.3.

⁴² The ROE calculations are provided at Appendix C to Exhibit B, Tab 2, Schedule 1.

⁴³ The 2019 actual ROE for Enbridge Gas was 149.5 bps above the 2019 Board-approved ROE of 8.98%.

⁴⁴ EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, page 17. See also Exhibit B, Tab 2, Schedule 1, para. 40.

⁴⁵ MAADs Decision, pages 32-33.

process described in the AMP. Each project is material, with influence on Enbridge Gas's operations. Neither of the projects are part of the utility's typical annual capital maintenance programs.

30. Each of the ICM eligible projects is a discrete project, as described in more detail in the evidence (including interrogatory responses).
31. The London Line Replacement Project is a new pipeline and related facilities required to replace existing pipelines.⁴⁶ Each component of the London Lines Replacement Project is associated with the overall replacement, and they will all be brought into service at or around the same time.⁴⁷
32. The Sarnia Industrial Line Reinforcement Project is a new pipeline to supply the increased demand for reliable and safe delivery of natural gas and future growth in the Sarnia area.⁴⁸

(iv) Need and Prudence

33. Each of the ICM eligible capital projects was subject to LTC approval from the Board. The factors that are relevant to the need for and prudence of these projects has been addressed in the LTC proceedings. In each case, the OEB has issued a Decision and Order granting LTC approval and confirming the need for the project. A summary is set out below.

London Line Replacement Project – Union Rate Zones

34. Enbridge Gas filed a LTC application with the OEB for the London Line Replacement Project on September 2, 2020 under docket number EB-2020-0192.
35. This project is needed to replace the existing London Lines in their entirety. The existing London Lines are comprised of the London South Line and London

⁴⁶ Exhibit B, Tab 2, Schedule 1, para. 38. The business case for the London Line Replacement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 20-24.

⁴⁷ See Exhibit I.EP.8(b).

⁴⁸ Exhibit B, Tab 2, Schedule 1, para. 39. The business case for the Sarnia Industrial Line Reinforcement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 25-27.

Dominion Line which are two pipelines that are parallel to each other, approximately 60 km and 75 km in length, respectively. The proposed project involves replacing the existing London Lines with approximately 90.5 km of NPS 4 and NPS 6 dual fed pipeline from the Dawn Hub to Komoka Station. The proposed pipeline is necessary to replace the existing pipeline due to integrity concerns. Results from surveys and inspections conducted as part of Enbridge Gas's Distribution Integrity Management Program (DIMP) show that the existing London Lines are in poor condition and have several active degradation factors including loss of containment, shallow depth of cover and wall loss due to corrosion issues which could pose safety and security of supply concern if not addressed. The replacement of the London Lines as proposed is the most effective way of managing its ongoing safety and reliability.⁴⁹

36. The Board issued a Decision and Order granting LTC approval for the London Line Replacement Project on January 28, 2021. In the Decision and Order, the OEB found that "Enbridge Gas has demonstrated the need for this Project and that it is prudent for Enbridge Gas to proceed with the Project at this time given the age and deteriorating condition of the existing pipelines."⁵⁰ The OEB also found that "the proposed costs of the Project are reasonable, including the budgeted contingency".⁵¹
37. The total forecast cost for the London Line Replacement Project, including indirect overhead costs, is \$161.1 million.⁵² Of that amount, \$124 million is forecast to go into service in 2021. That is the amount that forms the basis for the 2021 ICM funding request. The balance of the project cost is largely for abandonment costs that are not part of the in-service capital amounts used for determination of eligible

⁴⁹ Exhibit B, Tab 2, Schedule 1, para. 38. The business case for the London Line Replacement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 21-24.

⁵⁰ EB-2020-0192 Decision and Order, January 28, 2021, at page 11.

⁵¹ *Ibid.*, page 24.

⁵² Details of the project costs were provided in the LTC Application (EB-2020-0192). See also Exhibit I.CME.2(c) and Exhibit I.VECC.8(c).

ICM amounts (\$27.0 million), as well as other clean-up and restoration costs that will be 2022 in-service capital.⁵³

38. The total forecast cost for the London Line Replacement Project as filed in this application is approximately \$3 million lower than the amount indicated in the LTC proceeding. The difference is attributable to an update in the indirect overhead costs for the Project. The difference arises because Enbridge Gas used an earlier version of the budgeted overhead rate in the LTC filing, and that budgeted rate was updated later in the year. Each of these budgeted overhead rates used the updated harmonized overhead capitalization policy adopted for Enbridge Gas, which is described earlier in this Argument in Chief.⁵⁴

Sarnia Industrial Line Reinforcement Project

39. Enbridge Gas filed a LTC application with the OEB for the Sarnia Industrial Line Reinforcement Project on October 7, 2019 under docket number EB-2019-0218.
40. The Project is to install approximately 1.2 km of NPS 20 pipeline and ancillary facilities from the Dow Valve site to the Bluewater Interconnect including tie-ins to the existing Sarnia Industrial Line (SIL) system. The project is needed to supply the increased demand for reliable and safe delivery of natural gas and future growth in the Sarnia area, specifically to support a \$2 billion expansion of Nova Chemicals' existing Corunna site.⁵⁵
41. In its EB-2019-0218 Decision and Order dated March 12, 2020, the OEB granted LTC approval, finding that Enbridge Gas has demonstrated the need for this project and that the project is in the public interest.⁵⁶

⁵³ Exhibit B, Tab 2, Schedule 1, page 20, Exhibit B, Tab 2, Schedule 1, para. 48, Exhibit I.EP.7 and Exhibit I.CME.2 c).

⁵⁴ Harmonized overheads capitalization policy is filed at Exhibit JT1.6.

⁵⁵ Exhibit B, Tab 2, Schedule 1, para. 39. The business case for the Sarnia Industrial Line Reinforcement Project is summarized at Table 8 of the prefiled evidence – Exhibit B, Tab 2, Schedule 1, pages 25-27.

⁵⁶ EB-2019-0218 Decision and Order, March 12, 2020, pages 1 and 14.

42. The LTC Decision acknowledged a project cost of \$30.8 million for the Sarnia Industrial Line Reinforcement Project, including indirect overheads. Since that time, the budget has been updated to \$32.9 million, due to a change in overhead allocations to reflect Enbridge Gas's updated harmonized overhead capitalization policy that is described earlier in this Argument in Chief.⁵⁷
43. Of the total \$32.9 million project cost for the Sarnia Industrial Line Reinforcement Project, \$31.5 million is forecast to go into service in 2021. The balance of the project cost will be in service in 2022 and will be included in the 2022 in-service capital for purposes of determining the maximum eligible incremental capital in that year.⁵⁸
44. Enbridge Gas requests that \$28.8 million of the Sarnia Industrial Line Reinforcement Project in-service capital costs from 2021 be included for ICM funding purposes.⁵⁹ The balance of the 2021 in-service project costs will be accommodated within the ICM Threshold.⁶⁰

(v) ICM Revenue Requirement and Unit Rates

45. The total capital cost of Enbridge Gas's 2021 ICM funding requests is \$152.8 million, with an associated total revenue requirement of \$23.3 million from 2021 to 2023 and an average annual revenue requirement of \$7.8 million.⁶¹ The incremental revenue requirement includes costs associated with the capital investment (return on rate base, depreciation expense and associated income taxes) only. Details are set out in the table below, reproduced from the prefiled evidence (with modifications to reflect the removal of the EGD Rate Zone ICM request).⁶²

⁵⁷ Exhibit B, Tab 2, Schedule 1, Table 8. See also Exhibit I.APPRO.2, Exhibit I.STAFF.4(b) and Exhibit I.VECC.9.

⁵⁸ Exhibit B, Tab 2, Schedule 1, para. 48

⁵⁹ Further detail about why this Project qualifies for ICM treatment is set out at Exhibit I.EP.10 and Exhibit I.OGVG.1.

⁶⁰ Exhibit I.EP.5(b) to (d).

⁶¹ Exhibit B, Tab 2, Schedule 1, para. 43 (with adjustments to reflect the removal of the EGD Rate Zone ICM request).

⁶² Exhibit B, Tab 2, Schedule 1, Table 9 (found at page 29). Explanation of the amounts in the Table is found at Exhibit B, Tab 2, Schedule 1, paras. 43-48 and Appendix E.

Total Incremental Revenue Requirement by Rate Zone

Line No.	Particulars (\$000's)	2021	2022	2023	Total	Average Annual
						(e) =
		(a)	(b)	(c)	(d)	(d)/3
<u>Union South Rate Zone</u>						
2	London Line Replacement	(6,408)	12,966	12,799	19,357	6,453
3	Sarnia Industrial Line Reinforcement	(1,482)	2,707	2,697	3,922	1,307
4	Total Incremental Revenue Requirement	(7,890)	15,673	15,496	23,279	7,760

46. Enbridge Gas is proposing to allocate the ICM Project revenue requirement to rate classes based on the most recently approved cost allocation methodology updated for the current year forecast. Details are provided in the prefiled evidence.⁶³
47. Enbridge Gas is seeking approval of ICM unit rates to be effective from the implementation date for the duration of the deferred rebasing period to recover the total revenue incremental requirement of the two 2021 ICM projects from 2021 to 2023.⁶⁴
48. To calculate the ICM unit rates set out in the prefiled evidence, Enbridge Gas used the allocated average annual revenue requirement and the forecast 2021 billing units for each respective rate class.⁶⁵ The ICM unit rates presented in evidence were prepared assuming an implementation date in rates of January 1, 2021.⁶⁶ Following the Board's Decision in this proceeding, Enbridge Gas will file a draft rate

⁶³Exhibit B, Tab 2, Schedule 1, paras. 49-53. See Exhibit I.LPMA.4(a) as why Enbridge Gas proposes this approach for the London Line Replacement Project. See Exhibit I.APPRO.3(a) and Exhibit I.LPMA.5 as to why Enbridge Gas proposes this approach for the Sarnia Industrial Line Reinforcement Project.

⁶⁴Exhibit B, Tab 2, Schedule 1, para. 54.

⁶⁵Exhibit B, Tab 2, Schedule 1, para. 54.

⁶⁶Exhibit B, Tab 2, Schedule 1, para. 55 and Appendix G.

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.⁶⁷

49. Consistent with the treatment of 2019 and 2020 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.

G. RELIEF REQUESTED

50. Enbridge Gas respectfully requests the following relief in relation to the outstanding items in this proceeding:

- i. Approval of the ICM funding requests for the London Line Replacement Project and the Sarnia Industrial Line Reinforcement Project (Union Rate Zones), and approval of the associated ICM unit rates.

All of which is respectfully submitted this 1st day of March 2021.



David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

⁶⁷ Exhibit B, Tab 2, Schedule 1, para. 55.