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Our File # 339583.000275

By electronic filing

March 12, 2021

Christine Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Long

Re: Enbridge Gas Inc. ("EGI")
2021 Rates – Application for Incremental Capital Module Funding
Board File #: EB-2020-0181

We are counsel to Canadian Manufacturers & Exporters ("CME") in the above-noted proceeding. Pursuant to Procedural Order No. 4 dated February 19, 2021, please consider this letter as CME's final submissions regarding the application by EGI for incremental capital module funding.

EGI is requesting incremental capital module ("ICM") treatment for two projects (initially three projects) as a part of this proceeding, which is the second half of a bifurcated proceeding for EGI's 2021 rates.

EGI originally applied for both ICM treatment as well as the annual rate adjustment pursuant to the Board's decision in EB-2017-0306/0307 in EB-2020-0095. In a letter dated July 14, 2020, the Board determined that it would process the two phases of EGI's initial application (the IRM portion and the ICM portion) separately.[1]

In Procedural Order #1, the Board provided that EGI's request for ICM treatment would include an interrogatory process, followed by written submissions.[2] After the interrogatory process was completed, the Board issued Procedural Order #2, which suspended the timeline for the written submissions, to consider whether a technical conference should be scheduled, to allow for parties to have an additional opportunity to understand EGI's evidence with respect to the ICM projects, and its capital planning process.

The Board also published Procedural Order #3, which, in addition to providing for a technical conference, also expressed concern over EGI's request for ICM treatment of the St. Laurent

[1] Ontario Energy Board, Re: Enbridge Gas Inc. (Enbridge Gas) Application for 2021 Rates, OEB File Number: EB-2020-0095, July 14, 2020.
[2] EB-2020-0181, Procedural Order #1, November 27, 2020.

Project.[3] EGI subsequently withdrew its request for ICM treatment for the St. Laurent Project as part of EB-2020-0181 in a letter dated February 10, 2021.[4]

The technical conference was held on February 17, 2021. Subsequently, the Board determined that EGI's argument in chief was due on March 1, 2021, and intervenor submissions were due on March 12, 2021.[5]

CME opposes EGI's request for ICM treatment of the two remaining projects – the London Line Replacement Project and the Sarnia Industrial Reinforcement Project for the reasons outlined in the remainder of this letter.

<u>The Sarnia Industrial Reinforcement Project</u>

EGI is requesting ICM treatment for the Sarnia Industrial Reinforcement Project, which is to install 1.2 km of NPS 20 pipeline with tie-ins to the Sarnia Industrial Line.[6] The Board accepted the need for this project as part of a leave-to-construct application in EB-2019-0218.

CME agrees with other intervenors that pursuant to the Board's policies regarding ICM applications, EGI was required to file evidence that the incremental revenue requested would not be recovered through other means, for example, by expansion of service to new customers and load growth.[7]

While not originally provided by EGI, the evidence on record in this proceeding which was elicited through the interrogatory process demonstrates that the Sarnia project will earn EGI incremental revenue totalling $5,813,000.00 between 2021 and 2023.[8] In contrast, the revenue requirement of the Sarnia project is only $3.9 million between 2021 and 2023. Accordingly, the Sarnia project is already net positive for EGI. CME submits that EGI should not be able to claim additional funding through the ICM mechanism for a project that is already profitable for the utility.

CME also agrees with the submissions of other intervenors that this case is distinguishable from the Board's decision in EB-2018-0305, as the cost of the Sarnia project is not partially offset by incremental revenues, but instead is more than entirely offset by the incremental revenues.

[3] EB-2020-0181, Procedural Order #3, February 5, 2021, pp. 2-3.
[4] EB-2020-0181, Re: Enbridge Gas Inc. ("Enbridge Gas") EB-2020-0181 – 2021 Rates Application – Phase 2, February 10, 2021.
[5] EB-2020-0181, Procedural Order #4, February 19, 2021.
[6] EB-2020-0181, Exhibit B, Tab 2, Schedule 1, page 18.
[7] Ontario Energy Board, Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications, Chapter 3, Incentive Rate-Setting Applications, s. 3.3.2.1, p. 28.
[8] EB-2020-0181, Exhibit I, Staff 4, page 2.

<u>The London Line Replacement Project</u>

EGI is also requesting ICM treatment for the London Lines Replacement Project, which is to replace 60 and 75 kilometers of pipelines with 90.5 km of NPS 4 and 6 dual fed pipeline from Dawn to Komoka Station.[9]

CME submits that the Board should reduce the maximum eligible incremental capital with respect to the Union ratezone. EGI's evidence in this proceeding is that the combined utility (formerly Union Gas and Enbridge Gas) has changed its capitalization policy.[10] This change, which has not been approved by the Board, applies to the Union rate zone, and increased the overhead capitalization by approximately $8 million for the projects at issue in this application.[11]

While EGI's believes that the Accounting Change Policy Deferral Account would ensure that this change does not harm ratepayers,[12] CME agrees with the submissions of other intervenors that it is not clear that the APCDA was designed to accommodate ICM rate rider revenue. Accordingly, CME submits that the Board should consider applying the previous capitalization policy to the projects at issue in this application unless EGI can demonstrate that the APCDA can accurately account for the ICM rate rider revenue.

Additionally, CME is also concerned that EGI is not meeting its previous forecasts for in-service capital additions. EGI's 2019 actual in service capital additions varied from forecast by $10.7 million less than forecast. Given the impact of higher in service forecasts on ICM requests, CME agrees with other intervenors that the Board should reduce the maximum eligible incremental capital for the union ratezone.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 12th day of March, 2021.

Yours very truly

Scott Pollock

c. Mark Kitchen (EGI)
David Stevens (Aird & Berlis LLP)
EB-2020-0181 Intervenors
Alex Greco (CME)

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[9] EB-2020-0181, Exhibit B, Tab 2, Schedule 1, p. 17.
[10] EB-2020-0181, Exhibit I, LPMA.7, p. 2.
[11] EB-2020-0181, Exhibit I, LPMA.7, p. 2; EB-2020-0181, Transcript, Vol. 1., p. 80.
[12] EB-2020-0181, Transcript, Vol. 1., pp. 83-84.