Novmber 29, 2021

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VIA RESS

Ms. Christine E. Long
Registrar
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
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Dear Ms. Long:

Re: EB-2021-0149 – Enbridge Gas Inc. (EGI) 2020 Utility Earnings and Disposition of Deferral and Variance Account Balances Application.

Industrial Gas Users Association (IGUA) – Argument on Tax Variance Deferral Account (TVDA).

We write to provide brief argument herein on behalf of IGUA on disposition of accelerated capital cost allowance (ACCA) benefits associated with certain amalgamation/integration capital investments made by EGI post-amalgamation and during its deferred rebasing term.

EGI's Argument in Chief (ACI) on this issue is premised on the proposition that because *"amalgamation/integration costs are excluded from ratemaking over the deferred rebasing term"* so to are associated benefits properly excluded during the deferred rebasing term. This proposition is, in turn, premised on the OEB's MAADs policy that, in EGI's words[1], *"the deferred rebasing period provides an opportunity for distributors to offset transition and integration costs of a MAADs transaction with achieved savings and efficiencies over the deferred rebasing term"*. In this respect, EGI quotes directly from the OEB's decision on the Enbridge Gas Distribution/Union Gas merger[2];

> *"The OEB finds that five years provides a reasonable opportunity for the applicants to recover their transition costs."*

There is no dispute that the integration capital giving rise to the ACCA benefit at issue in this case are "transition costs".

We agree with EGI that, as contemplated by the OEB's MAADs policy, both costs and benefits from post-merger deferred rebasing period transition costs are to the account of the utility, and excluded

[1] AIC, page 7, cited to OEB Handbook to Electricity Transmitter Consolidations, January 19, 2016, pages 11-12.
[2] AIC, top of page 8.

from rates. We thus agree that the ACCA benefits associated with EGI's integration capital spending during the deferred rebasing period should accrue to the utility, with one exception noted below.

On the same basis, however, we disagree with EGI's stated intention to include the undepreciated costs of these investments (i.e. their "net book value") in rate base at the time of rebasing. Such inclusion would offend the same policy and EGI MAADs decision finding that EGI quotes in support of its position for crediting the ACCA benefits identified in this case to the utility, i.e.;

> *"The OEB finds that five years provides a reasonable opportunity for the applicants to recover their transition costs."*

Under this policy, all transition capital spent during the rebasing period should be assumed to be to the account of the shareholder. None of this capital should be included in EGI's rate base at the time of rebasing. The Board has determined that five years provides a reasonable opportunity for EGI to recover these transition costs. This finding is particularly apt in the case of the ACCA policy which applies to this capital in EGI's circumstances.

The exception to our agreement to allocating ACCA benefits associated with deferred rebasing period capital expenditure to the utility is with respect to that portion of ACCA benefits already, and finally, cleared to ratepayers as part of EGI's 2019 deferral and variance account clearance proceeding. In that case, at EGI's instance, the OEB made a final determination in EGI's 2019 deferral and variance account disposition application and in so doing disposed of $0.285 million of 2019 ACCA impact related to integration capital expenditures.[3] The Board's order in that case was a final order, and the dispositions thereby determined should not be re-opened. EGI has indicated in its AIC in the current proceeding that the OEB's decision in respect of the 2019 TVDA ACCA balance *"caused the Company to re-evaluate the appropriate treatment of accelerated CCA in relation to its amalgamation/integration related capital spending"*. However, EGI did not appeal the 2019 variance account disposition decision, nor for that matter did it address in the instant application, on the basis of materiality or otherwise, why that decision should be reopened. It should not be.

Yours truly,

Ian A. Mondrow

c: S. Rahbar (IGUA)
A. Kacicnik (EGI)
J. Denomy (EGI)
D. Stevens (Aird & Berlis LLP)
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Intervenors of Record

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[3] ExC/T1/p13/para. 2.