November 29, 2021

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

Dear Ms. Long,

RE: EB-2021-0149 Enbridge Gas Inc. 2020 ESM and DVA Disposition
Energy Probe Submission on the Unsettled Issue

This is the submission of Energy Probe Research Foundation (Energy Probe) on the unsettled issue in the EB-2021-0149 proceeding, the application by Enbridge Gas Inc. to the Ontario Energy Board for the approval of its request for disposition of its 2020 ESM and DVA accounts.

Executive Summary

Energy Probe supports the submissions of parties that all of the variance between CCA and accelerated CCA due to the capital amalgamation/ integration projects should be credited to ratepayers through the disposition of the 2020 Tax Variance Deferral Account. However, if the OEB does not accept that position, then it should determine if Enbridge has appropriately identified capital projects that are amalgamation/ integration projects. Energy Probe submits that the CIS upgrade project is not an amalgamation/ integration project.

Regulatory Background

Enbridge Gas Inc. applied for an order approving the disposition of amounts recorded in certain deferral and variance accounts and to review earnings sharing amounts with ratepayers. The parties to the hearing reached a settlement on the disposition of all accounts except for the Tax Variance Deferral Account. The OEB summarized the outstanding issue in its Decision on the Settlement Proposal[1].

[1] Decision on Settlement Proposal, page 5

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

"The purpose of the TVDA is to record 50% of the revenue requirement impact of any tax rate changes, versus the amount of taxes included in existing rates. In accordance with the OEB's July 25, 2019, letter, Enbridge Gas also uses this account to record 100% of the revenue requirement impact of any changes in Capital Cost Allowance (CCA) related to Bill C-97 that are not reflected in base rates.

The 2020 balance in the TVDA is a credit balance $16.874 million plus interest to March 31, 2022, of $0.208 million, for a total of $17.082 million. Of the principal balance in the account, $0.285 million relates to a true-up of the 2019 accelerated impact that was not captured in the 2019 disposition of this account. Considering the small amount of the true-up, Enbridge Gas included the true-up adjustment in this application. The TVDA balance does not include accelerated CCA impacts related to amalgamation/integration capital projects.

Parties did not reach an agreement on the balance in the TVDA. Accordingly, parties proposed that this unsettled item proceed to a written hearing."

In its Supplementary Evidence Enbridge summarized its position on the unsettled issue.[2]

"Enbridge Gas' position is that no aspect of the revenue requirement related to amalgamation/integration project capital additions is currently recovered in rates, and as a result, there is no variance to be captured in the Tax Variance Deferral Account (or other deferral accounts, including the ICM and capital pass-through deferral accounts)."

Energy Probe Submission

In Energy Probe's view this issue consists of two questions: (1) should the variance between CCA and accelerated CCA due to capital amalgamation/integration projects be captured in the TVDA, and (2) has Enbridge appropriately identified what are amalgamation/ integration projects. If the OEB accepts Enbridge's position on question (1), it still has to decide on Enbridge's position on question (2). Energy Probe has seen draft submissions of some of the other intervenors and the final submission of Board Staff. Energy Probe supports the submissions of parties regarding question (1) which argue that all of the CCA variance due capital amalgamation/ integration projects should be credited to ratepayers. To avoid duplication Energy Probe will only deal question (2):

Has Enbridge appropriately identified what are amalgamation/integration projects?

In its Supplementary Evidence Enbridge reproduced a table from its response to an interrogatory listing Amalgamation/Integration Projects that were excluded from the TVDA. [3]

The project shown as "CIS Phase 1 (Hana Upgrade)" in the table consists of two phases as Enbridge explained in an interrogatory response.[4]

"Within Customer Care, the CIS Project updated and integrated systems and processes previously managed in separate systems (SAP and Banner). The first phase of the

[2] Exhibit H, page 1, paragraph 2
[3] Exhibit H, page 3, paragraph 7
[4] I.CCC.3

project involved the upgrade of existing software that was completed in mid-2020. The cost of this portion of the work was about $8.7M. Over the course of 2020, integration work was also carried out on detailed planning, system design, and system build. Costs for the integration portion in 2020 amounted to about $5.6M. While project costs amounted to $14.3M, additional staffing costs for CIS project support were $1.2M, bringing total 2020 CIS costs to $15.4M. With the completion of the CIS Project, the Banner system is no longer required. Savings from the end of the Vertex contract for Banner are estimated at $15.3M per year in 2022 and 2023."

The answer clearly explains that there were two phases to the CIS Project. The first phase was upgrade of the existing software for a cost of $8.7 million. The second phase was the integration work which amounted to $5.6 million. It is therefore clear from Enbridge's evidence that software upgrade was not an Amalgamation/Integration project.

In response to another interrogatory[5] Enbridge stated that "*CIS Phase 1 (Hana Upgrade) was implemented in July 2020*." Therefore, Enbridge could and probably did claim accelerated CCA for it on its 2020 tax return.

In its response to yet another interrogatory Enbridge explained that the CIS project consisted of two distinct phases. [6]

"Within Customer Care, the CIS Project updated and integrated systems and processes previously managed in separate systems (SAP and Banner). The first phase of the project involved the upgrade of existing software that was completed in mid-2020. Over the course of 2020, integration work was carried out on detailed planning, system design, and system build."

Therefore, based on Enbridge's evidence and responses to several interrogatories the CIS project consisted of two distinct phases: system upgrade and integration.

To get a better understanding of the CCA amounts Energy Probe asked in its interrogatory[7] on Supplementary Evidence that the total cost of the CIS project be divided into two phases so that the amount of accelerated CCA of each phase can be seen. Energy Probe believes that knowing the CCA amount of each phase would be of assistance to the Commissioners. Enbridge refused to provide this simple numerical information and instead gave the following response that ignored the question[8].

"The CIS Phase 1 (Hana Upgrade) project is related to upgrading the existing software to the S4 platform. The upgrade was necessary to ensure ongoing support from SAP, as it was the chosen software solution for the integrated utility, and thus served as the foundation for all CIS Phase 2 project integration work, which went into service in 2021."

Enbridge then claimed in its Argument in Chef that it had provided a complete response.[9]

Enbridge's response to the Energy Probe interrogatory contradicts its earlier evidence and responses to interrogatories. Enbridge is now claiming that both phases of the CIS project are

[5] I.STAFF.29a
[6] I.Staff.3, page 2
[7] I.EP.12
[8] Ibid.
[9] AIC page 9 (note that AIC Footnote 28 mistakenly refers to EP.11, the actual interrogatory response was EP.12)

integration work when it had earlier stated that they were not. It is using its response to the Energy Probe interrogatory to change its evidence.

Since Enbridge refused to provide the simple numerical answer, one is forced to estimate the accelerated CCA variance of each of the two phases. The total accelerated CCA variance is $9,361,264.[10] The cost of Phase 1 for SAP Upgrade was $8.7 million, and the cost of Phase 2 for Integration was $5.6 million for a total of $15.4 million.[11] Using this information one can prorate the amount of accelerated CCA variance of the Phase 1 SAP Upgrade as $5,288,505.60 which is 8.7/15.4 times $9,361,264. On a revenue requirement basis, the amount is $1,906,740.30

Energy Probe believes Enbridge has not appropriately identified what are amalgamation/ integration projects and that the CIS Upgrade Project was not an amalgamation/ integration project.

Respectfully submitted on behalf of Energy Probe,

Tom Ladanyi Digitally signed by Tom Ladanyi Date: 2021.11.29 16:26:26 -05'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe)
Roger Higgin (Sustainable Planning Associates Inc.)
Michael Millar (OEB Staff)
Khalil Viraney (OEB Staff)
Richard Wathy (EGI Regulatory Proceedings)
Intervenors of Record

[10] Exhibit H, page 3. paragraph 7, table
[11] I.CCC.3