Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

March 4, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Submission
Enbridge Gas Inc.
2022 Rates Incremental Capital Module Funding
OEB File Number: EB-2021-0148

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

Original Signed By

Petar Prazic Petar Prazic Digitally signed by Petar Prazic Date: 2022.03.04 13:57:21 -05'00'
Applications Division

Encl.

cc: All parties in EB-2021-0148

ONTARIO ENERGY BOARD

OEB Staff Submission

Enbridge Gas Inc. 2022 Rates Incremental Capital Module Funding

EB-2021-0148

March 4, 2022

Background

On August 30, 2018, the Ontario Energy Board (OEB) approved the amalgamation of Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union Gas).[1] In the amalgamation decision (the MAADs Decision), the OEB also approved a rate-setting framework and associated parameters for the deferred rebasing period of 2019 to 2023. The companies amalgamated to form Enbridge Gas Inc. (Enbridge Gas) on January 1, 2019.

Enbridge Gas filed the second phase of its 2022 distribution rate application with the OEB on October 15, 2021, under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval of Incremental Capital Module (ICM) funding request for five projects in 2022.

On November 29, 2021, the OEB issued Procedural Order No. 1 which, among other things, set timelines for the filing of interrogatories and responses to interrogatories. Enbridge Gas filed responses to the interrogatories on January 21, 2022, which included a request for confidential treatment of certain items. The Federation of Rental Housing Providers of Ontario (FRPO), in a letter dated January 27, 2022, requested the OEB to order Enbridge Gas to respond to seven interrogatories that Enbridge Gas had declined to answer. A letter was also filed by the School Energy Coalition (SEC) on behalf of itself and ten other intervenors on January 28, 2022, asking the OEB to consider scheduling a settlement conference in this proceeding. On January 31, 2022, Enbridge Gas filed a letter saying it was open to a one-day session that is focused solely on the ICM requests.

On February 3, 2022, the OEB issued Procedural Order No. 2, which addressed Enbridge Gas's confidentiality request and SEC's request for a settlement conference. The OEB agreed with Enbridge Gas that FRPO's interrogatories (FRPO.22 to FRPO.28, which related to billing issues being experienced by certain Enbridge Gas customers) were not within the scope of this proceeding.

In Procedural Order No. 2, the OEB also requested additional information from Enbridge Gas regarding amalgamation and integration projects and their inclusion or exclusion from the ICM threshold calculations for 2022. On February 9, 2022, Enbridge Gas filed responses to the OEB's request for information.

After reviewing the interrogatory responses and consideration of letters filed by SEC and Enbridge Gas, the OEB scheduled a one-day settlement conference for February 22, 2022. As there are five projects for which ICM funding is proposed in 2022, the OEB determined that it would not be expedient or efficient for the OEB to receive and decide on a partial settlement proposal before proceeding with submissions on the unsettled issues. The OEB established a schedule for written submissions on all issues in the

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

event a complete settlement was not reached.

A settlement conference was held on February 22, 2022. Parties did not reach a complete settlement. On February 28, 2022, Enbridge Gas submitted a response to an additional information request arising from the settlement conference, indicating that one of the projects for which it was requesting ICM funding would generate incremental revenue (Kirkland Lake Lateral Replacement).

In summary, OEB staff submits that:

- The proposed general plant expenditures for 2022 related to the EGD rate zone should be revised downwards by $20.3 million. This would affect the maximum eligible incremental capital amount for the EGD rate zone.
- The St. Laurent Phase 3 project should be considered eligible for ICM funding, subject to Leave to Construct (LTC) being granted by the OEB. The rate riders for the St. Laurent project should be implemented only after receipt of LTC approval for the project.
- The Dawn to Cuthbert, Cherry to Bathurst, and Byron Transmission Station projects should be considered eligible for ICM funding.
- The Kirkland Lake Lateral project should be denied ICM funding, on the basis of there being significant incremental revenue associated with the project.

2022 ICM Projects

This second phase of Enbridge Gas's 2022 rate application addresses a request for ICM funding related to five capital projects in 2022. Two of the projects require LTC (St. Laurent Ottawa North Replacement Phase 3 and NPS 20 Replacement Cherry to Bathurst), and three do not require LTC (Dawn to Cuthbert Replacement and Retrofits, Byron Transmission Station, and Kirkland Lake Lateral Replacement).

The annual rate impact associated with the proposed funding of the five ICM projects is $1.11 for a typical residential customer in the EGD rate zone, $0.55 in the Union North West and North East rate zones, and -$0.06 in the Union South rate zone (see below).

Rate Zone	Annual Consumption	Annual Impact
EGD	2,400 m^3	$ 1.11
Union South	2,200 m^3	$ - 0.06
Union North West	2,200 m^3	$ 0.55
Union North East	2,200 m^3	$ 0.55

The table below compares the total in-service capital amounts to the ICM funding requests.

2022 Incremental Capital Funding Request by Rate Zone

Particulars ($ millions)	Total Project in-service amount	Total Project ICM Funding Request	Difference
EGD Rate Zone			
St. Laurent Ottawa North Replacement Phase 3	86.0	86.0	-
NPS 20 Replacement Cherry to Bathurst	126.7	126.7	-
Union South Rate Zone			
Dawn to Cuthbert Replacement and Retrofits	23.5	23.5	-
Byron Transmission Station	20.4	20.4	-
Union North Rate Zone			
Kirkland Lake Lateral Replacement	20.7	20.7	-
Total Incremental Capital Funding Request	**277.3**	**277.3**	**-**

Position of OEB Staff

Criteria for ICM Funding

The ICM is a funding mechanism for significant, incremental and discrete capital projects for which a utility is granted rate recovery by means of rate riders in advance of the next rebasing application. Under the OEB's ICM policy, capital projects must meet the criteria of materiality, need and prudence.

The OEB's ICM materiality threshold calculations result in a 2022 threshold value of $521.5 million for the EGD rate zone and $455.5 million for the combined Union rate zones. The resulting maximum eligible incremental capital for the EGD rate zone is $212.8 million and $87.6 million for the Union rate zones. The maximum eligible incremental capital determines the maximum ICM funding that a utility can request during a rate year.

Maximum Eligible Incremental Capital by Rate Zone

Particulars ($ millions)	EGD	Union
	(a)	(b)
2022 In-Service Capital Forecast	734.3	543.1
Less: Materiality Threshold Value	521.5	455.5
Maximum Eligible Incremental Capital	212.8	87.6

There are two materiality tests related to ICM applications contained in the OEB's ICM policy. The first test is the ICM materiality threshold formula, which serves to define the level of capital expenditures that a distributor should be able to manage within current rates. The test states, "Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount" and "must clearly have a significant influence on the operation of the distributor".[2] The OEB has a second, project-specific materiality test for ICMs: Minor expenditures in comparison to the overall capital budget should be considered ineligible for Advanced Capital Module (ACM) or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.[3]

In the MAADs Decision, the OEB also determined that any individual project for which ICM funding is sought must have an in-service capital addition of at least $10 million.[4] OEB staff notes that each of the projects in this proceeding have a forecasted in-service capital exceeding $10 million.

The ICM policy further requires assessment of whether ICM funding is needed by meeting the following criteria:

- the Means Test
- the amounts must be based on discrete projects, and should be directly related to the claimed driver
- the amounts must be clearly outside of the base upon which the rates were derived[5]

OEB staff agrees that the five projects are discrete and outside the base upon which the rates were derived. None of these projects are part of Enbridge Gas's ongoing capital programs and all were identified in its most recent Utility System Plan.

[2] ACM Report, p.17.
[3] ACM Report, p.17.
[4] EB-2017-0306/0307, Decision and Order, August 30, 2018, pp. 32-33.
[5] EB-2014-0219 Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p. 17.

OEB staff submits that Enbridge Gas satisfies the Means Test. The OEB's ICM Policy[6] does not allow for funding of incremental capital if a distributor's regulated return in its most recent calculation exceeds 300 basis points (bps) above the deemed return on equity (ROE) embedded in the distributor's rates. This is referred to as the Means Test. Enbridge Gas's return on equity as noted in its 2020 Earnings Sharing and Deferral and Variance Account disposition proceeding was 8.717%, which is 19.7 bps above the 2020 OEB-approved ROE of 8.52%. Enbridge Gas has therefore passed the Means Test.

Capital Expenditure Variance

In its 2022 ICM application, Enbridge Gas made changes to the 2022 capital expenditures as compared to the 2020 Asset Management Plan (AMP). Enbridge Gas's evidence included an Addendum to the 2020 AMP. The Addendum is not a standalone document and was intended to be reviewed in conjunction with 2020 AMP.

The variance for the EGD rate zone is provided below in Table 1.[7]

Table 1

2022 Capital Expenditure Variance (Proposed Budget vs Budget as per 2020 AMP)
EGD Rate Zone ($ millions)

Line No.	Category	2022 Proposed Budget	2022 Budget as per 2020 AMP[16]	Variance
		(a)	(b)	(c) = (a-b)
1	General Plant	81.0	60.7	20.3
2	System Access	151.9	164.6	(12.7)
3	System Renewal	465.3	403.7	61.6
4	System Service	36.1	32.2	3.9
5	**Total - EGD Rate Zone**	**734.3**	**661.2**	**73.1**

General plant investments are modifications, replacements, or additions to Enbridge Gas's assets that are not part of its commodity-carrying system including land and buildings, tools and equipment, fleet vehicles and electronic devices and software used to support day to day business and operations activities. The variance between the 2022 proposed General Plant capital expenditure ($81 million) and 2022 budget as

6 EB-2018-0305 Decision and Order, p. 15.
7 EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 1, p. 9 of 35

per the 2020 Asset Management Plan (AMP) ($60.7 million)[8] is significant.

OEB staff notes that general plant investments are not related to installation of pipe (for maintenance or to support growth) where there could be periods of lumpiness related to large projects. OEB staff would expect that general plant investments should be stable throughout the IRM period and the utility should be able to pace such investments. OEB staff notes that that the average General Plant actual costs (2017-2020) for the EGD rate zone[9] results in an average yearly capital expenditure of $54.275 million.[10]

OEB staff submits that the 2022 budget of $60.7 million as included in the 2020 AMP is more representative of the average General Plant of $54.275 costs outlined above. Accordingly, OEB staff submits that the OEB should use this amount ($60.7 million) for the purpose of determining the maximum eligible ICM amount for the EGD rate zone. If OEB staff's submission is accepted, the 2022 capital budget for the EGD rate zone would be revised downwards by $20.3 million. Such an adjustment would change the in-service capital forecast for 2022 and the resulting maximum eligible incremental capital that is used to determine the ICM eligible amount.

OEB staff notes that the $20.3 million refers to the capital budget. However, the maximum eligible incremental capital calculation uses in-service capital. In most cases, this should result in a one-to-one reduction, with the capital budget being equal to in-service capital. However, it remains possible that capital budget costs associated with general plant expenditures could differ from in-service capital.

Were the panel to accept the above argument for a reduction to the 2022 proposed budget for General Plant, the revised maximum eligible ICM funding for the EGD rate zone could be submitted by Enbridge Gas as part of the draft rate order process. For purposes of illustration, if it is assumed that the updated 2022 capital budget and in service additions are reduced by $20.3M, then OEB staff's position is that the eligible ICM funding available to Enbridge Gas for the EGD rate zone should be reduced by an equivalent amount. The capital cost of the two projects combined is $212.7M. OEB staff's position is that Enbridge Gas would qualify for only $192.5M ($212.8 – $20.3) and it would be this value on which the rate riders would be based for the period leading up to the effective date of the next rebasing rate order.

<u>St. Laurent Ottawa North Replacement Phase 3</u>

Enbridge Gas applied for ICM funding of $86 million for the St. Laurent Phase 3 project. This project, if approved, would replace approximately 16 km of NPS 12 extra high pressure (XHP) steel gas main and approximately 400 m of NPS 16 XHP steel gas main in the city of Ottawa. The St. Laurent project is proposed to be completed in

[8] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 1, p. 5 of 35
[9] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 1, p. 5 of 35
[10] 48.1 + 47.3 + 70.4 + 51.3 / 4 = 54.275

multiple phases over multiple years. Enbridge Gas has determined that the replacement of the St. Laurent pipeline is needed to ensure the safe and reliable supply of natural gas to customers in Ottawa and Gatineau.

Enbridge Gas had previously applied for ICM funding for the St. Laurent Phase 3 project in its 2021 ICM application.[11] On February 10, 2021, Enbridge Gas withdrew its request seeking ICM funding for the project, noting it would request ICM funding for Phase 3 and Phase 4 in a single ICM request within the 2022 rate application. On March 2, 2021, Enbridge Gas filed a LTC application for St. Laurent, and an updated application on September 10, 2021, for a combined Phase 3 and Phase 4 LTC application.[12] In this ICM 2022 ICM proceeding however, Enbridge Gas is seeking ICM funding only for Phase 3 of the project. For ICM eligibility purposes, each phase of the project has been evaluated individually, based on the total in-service capital of that phase. Phase 3 has projected in-service costs of $86 million in 2022 and $3.5 million in 2023.

Enbridge Gas included Phase 3 of the St. Laurent project in its request for 2022 ICM funding because it anticipates LTC approval and expects the project to be in-service in December 2022. OEB staff notes that the St. Laurent LTC application is currently a live application before the OEB. In a letter dated December 10, 2021, in this proceeding, the OEB indicated that the need and prudence of the project is the subject of a separate LTC application. Accordingly, those issues are out of scope in this proceeding and nothing in this submission should be taken as implying OEB staff's views on them.

According to the current procedural schedule for the St. Laurent Ottawa North LTC proceeding and the OEB's performance standards for complex LTC applications, a decision on this application would be expected by Q2 of 2022. OEB staff notes that this is the first ICM funding request for a project that would not receive LTC approval prior to the decision on the ICM funding request being issued.

OEB staff submits that the rate rider should be approved subject to Enbridge Gas obtaining approval for the LTC for the St. Laurent Phase 3 project. If such an approval is granted, the rate rider for this project could be implemented as part of the October 2022 QRAM which would ensure that LTC is obtained prior to implementation of the ICM rate rider. This also assumes that the in-service date for this project would remain as December 2022. Were the LTC to be granted but the in-service date delayed to 2023, OEB staff suggests that the revenues collected in 2022 be captured in the ICM Deferral Account and subsequently returned to ratepayers. The same would apply to revenues collected in 2023 prior to the in-service date of this project.

[11] EB-2020-0181
[12] EB-2020-0293

NPS 20 Replacement Cherry to Bathurst

Enbridge Gas filed a LTC application with the OEB for the NPS 20 Replacement Cherry to Bathurst on July 31, 2020.[13] The OEB approved the LTC application on December 17, 2020.

As the OEB has already determined the need and prudence of the project in the LTC proceeding, these aspects do not need to be re-examined in this proceeding. OEB staff submits that the Cherry to Bathurst project should be eligible for ICM funding. OEB staff also notes that the requested 2022 ICM funding for this project of $126.7 million has been updated from the estimated costs included in the LTC application ($133.0 million).[14] Total project costs are $129.9 million, with $126.7 million in 2022 (the ICM funding request in this proceeding) and $3.2 million in 2023. As the costs for this project have gone down from the level estimated in the LTC proceeding, OEB staff has no issues with the amount sought for ICM funding.

Three Non-LTC Projects

Enbridge Gas is seeking ICM funding for three projects that do not require LTC from the OEB:

- Dawn to Cuthbert pipeline (ICM funding request - $23.5 million)
- Byron Transmission Station Replacement (ICM funding request - $20.4 million)
- Kirkland Lake Lateral Replacement (ICM funding request - $20.7 million)

Dawn to Cuthbert Project

Enbridge Gas is seeking ICM funding of $23.5 million for the Dawn to Cuthbert project. Enbridge Gas has identified the need to replace approximately 650 m of the existing NPS 42 Dawn to Cuthbert pipeline to mitigate pipeline integrity concerns in the Township of Dawn-Euphemia, in the County of Lambton, Ontario. The Dawn Parkway System is the backbone gas transmission system that serves the demands of customers in Ontario, Quebec, Eastern Canada, and the U.S. Northeast. The project is required to address integrity issues identified through the Enbridge Gas Transmission Integrity Management Program (TIMP). The project is a like-for-like replacement of pipeline.

Enbridge Gas considered several alternatives, including monitoring the condition of the NPS 42 Dawn-Cuthbert Pipeline with an ILI tool capable of detecting SCC (EMAT), like-for-like replacement of the existing NPS 42 pipeline, and replacement of the existing NPS 42 with different diameter/MOP pipeline.[15] Enbridge Gas stated that the best

[13] EB-2020-0136
[14] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 2, pp. 5-7 of 14
[15] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 2, pp. 9-10 of 14

alternative to manage the long-term integrity of the NPS 42 Dawn to Cuthbert pipeline is a like-for-like replacement of the existing 650 m NPS 42 pipeline. In making this determination, Enbridge Gas considered the impact to the public and reputational damage to Enbridge Gas in the instance of failure, the environmental impacts, and the increased security of supply for the Dawn Parkway System.

Byron Transmission Station

Enbridge Gas is seeking ICM funding of $20.4 million for the Byron Transmission Station project. Enbridge Gas identified the need to rebuild the Byron Transmission Station located on Enbridge Gas-owned property in the community of Byron in London, Ontario. Enbridge Gas states that the rebuilding of the Byron Transmission Station will address the concerns identified and will provide adequate capacity to support future demand. Based on results from an indirect heater assessment conducted by Enbridge Gas, integrity concerns were identified. There have also been noise concerns, maintenance and operations concerns and the Station is unable to support the long term demands of the London market. Enbridge Gas stated that rebuilding the Byron Transmission Station will address the concerns identified and provide adequate capacity to support future demand.

Enbridge Gas considered several alternatives, including full station rebuild of the existing Byron Transmission Station with no land acquisition, full station rebuild of the existing Station with land acquisition, partial station replacement, and moving the station to a new location.[16] Full station rebuild of the existing Byron Transmission Station with no land acquisition was determined to be infeasible. Partial replacement of the station was dismissed as the construction duration was too long to accommodate the Station shut down without impacting security of supply. Moving the station to a new location was not chosen because the preliminary cost of this alternative was expected to be higher than the Project. Full station rebuild with land acquisition was chosen as the preferred option, as it would allow the new station to be constructed around the existing station while maintaining continuous supply to the downstream distribution customers.

Kirkland Lake

Enbridge Gas is seeking ICM funding of $20.7 million for the Kirkland Lake project. Enbridge Gas identified the need to replace the existing NPS 4 Kirkland Lake Lateral running through the Municipality of Kirkland Lake in the District of Timiskaming with 8 km of NPS 4 pipeline. The project is a like-for-like replacement of pipeline. Enbridge Gas concluded that the existing lines are an operational risk and should be replaced to maintain the safety and reliability of natural gas distribution to the Municipality of Kirkland Lake.

Enbridge Gas considered several alternatives, including replacing the entire 12 km of

[16] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 2, pp. 11-12 of 14

NPS 4 Kirkland Lake Lateral pipeline with NPS 6 pipeline, a like-for-like replacement of 8 km of NPS 4 Kirkland Lake Lateral pipeline, and continuing to maintain the existing pipeline and repair all required indications.[17] The like-for-like replacement for which Enbridge Gas is seeking ICM funding in this proceeding was not the least-cost option, but was the preferred option when taking into account the net present value analysis.[18]

OEB Staff Position on non-LTC projects

Each capital project is a discrete project that exceeds the materiality level of $10 million. However, OEB staff submits that exceeding the threshold of $10 million does not necessarily imply that all projects over the threshold are eligible for ICM funding. The OEB's filing requirements for utilities state that minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.[19]

OEB staff asked Enbridge Gas to explain why it considers that the three projects which do not require LTC would not be considered minor expenditures in comparison to the overall capital budget. Enbridge Gas indicated that that these projects are not minor expenditures, and that the capital cost of each is more than twice the materiality level that the OEB established for Enbridge Gas in the MAADs decision. Enbridge Gas indicated it has taken steps to reduce some areas of spend in 2022, bringing spend forward into 2021, and deferring it to 2023 and beyond. Enbridge Gas also noted that the asset needs are significant, and these projects are considered essential for the ongoing safety and reliability of the distribution system.

OEB staff accepts that the three non-LTC projects are, on a discrete basis, material with each of the three being twice the individual materiality amount set in the MAADs decision. OEB staff is also of the view that there are no issues with respect to need and prudence for each of these non-LTC projects. OEB also notes that the annual bill impacts of the three non-LTC projects in the Union rate zones is very small. However, as further discussed below, OEB staff has an issue with the Kirkland Lake project being eligible for ICM funding because this project will generate incremental revenue that are not insignificant.

On February 28, 2022, Enbridge Gas filed a response to an information request arising from the settlement conference in regard to incremental revenue generated by the Kirkland Lake project's Macassa mines customer. The projected revenues from Macassa Mines are approximately $222 thousand in 2022 and approximately $430

[17] EB-2021-0148 Application and Evidence, Exhibit B, Tab 2, Schedule 2, pp. 13-14 of 14
[18] EB-2021-0148 Application and Evidence, Exhibit C, Tab 1, Schedule 1
[19] OEB Filing Requirements for Electricity Distribution Rate Applications, Chapter 3: Incentive Rate-Setting Applications, p. 24

thousand in 2023. This compares to a revenue requirement of $1.264 million for 2022-2023. This means that incremental revenue for the Kirkland Lake project accounts for 52%[20] of the revenue requirement for 2022-2023.[21]

In Enbridge Gas's 2021 ICM proceeding, the Sarnia Industrial Line Reinforcement project (Sarnia project) had incremental revenues arising from increased demand.[22] The revenue requirement for the Sarnia project was to be $3.9 million over the 2021 to 2023 deferred rebasing period, yet the project was to generate an estimated incremental revenue of $5.8 million over the same period.[23] The OEB denied Enbridge Gas's ICM funding request for the Sarnia project, citing it had failed the project-specific materiality test as it is not significant in the context of the overall utility capital budget. In assessing significance, the OEB considered the $5.8 million expected incremental revenue relative to the $3.9 million requested revenue requirement over the 2021 to 2023 deferred rebasing period, and the $1.207 billion 2021 capital budget forecast for Enbridge Gas.

OEB staff submits that two of the three non-LTC projects (Dawn to Cuthbert Replacement and Retrofits, and Byron Transmission Station) should be eligible for ICM funding. OEB staff submits that the Kirkland Lake Lateral Replacement project should be denied ICM funding, on the basis of there being incremental revenue associated with the project. While the incremental revenue is not in excess of the revenue requirement as was the case for the Sarnia project, OEB staff considers the incremental revenue to be significant enough to bridge Enbridge Gas to its next rebasing application.

Cost Allocation

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.

Enbridge Gas proposes to allocate the annual average net revenue requirement with respect to the St. Laurent Ottawa North Replacement Phase 3 project among different rate classes in EGD rate zone according to the most recent OEB approved cost allocation methodology.[24]

Enbridge Gas proposes to allocate the annual average net revenue requirement with respect to the NPS 20 Replacement Cherry to Bathurst project among different rate classes in the EGD rate zone according to the most recent OEB approved cost

[20] (222 + 430) / 1,264 = 0.5158 = 52%
[21] EB-2021-0148 EGI Application and Evidence, Exhibit B, Tab 2, Schedule 1, p. 31 of 35
[22] EB-2020-0181 OEB Staff Submission, p. 11
[23] EB-2020-0181 Decision and Order, p. 14
[24] EB-2017-0086

allocation methodology for the high-pressure mains.[25]

Enbridge Gas proposes to allocate the annual average net revenue requirement with respect to the Dawn to Cuthbert Replacement and Retrofits project to Union rate classes in proportion to the forecast distance weighted design day demands (commodity-kilometers) on the Dawn-Parkway transmission system. This proposed cost allocation methodology is consistent with the allocation of Dawn-Parkway transmission system demand costs most recently approved by the OEB.[26] The allocation of Dawn-Parkway Easterly Demand costs recognizes how the Dawn-Parkway transmission system meets Union in-franchise and ex-franchise demands on design day.

Enbridge Gas proposes to allocate the annual average net revenue requirement with respect to the Byron Transmission Station project to Union South rate classes in proportion to the forecast Union South in-franchise design day demands. This proposed cost allocation methodology is consistent with the allocation of Other Transmission Demand costs approved by the OEB in Union's 2013 approved cost allocation study.[27] The allocation of Other Transmission costs recognizes that other transmission lines are designed to meet Union South in-franchise demands on design day.

In the event the OEB approves the Kirkland Lake Lateral Replacement project, Enbridge Gas proposes to allocate the annual average net revenue requirement with respect to the project to Union North rate classes in proportion to the forecast Union North Peak and Average Day Demands excluding customers who are entirely Sole Use. This proposed cost allocation methodology is consistent with the allocation of joint use mains costs approved by the OEB in Union's 2013 approved cost allocation study.

OEB staff has reviewed the proposed cost allocation methodologies submitted by Enbridge Gas and has no concerns.

~All of which is respectfully submitted~

[25] EB-2017-0086
[26] Union Gas 2013 Approved Cost Allocation Study, EB-2011-0210
[27] EB-2011-0210