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ENBRIDGE GAS INC. (EGI)
Incremental Capital Module
EB-2021-0148

Submission of the
Vulnerable Energy Consumers Coalition
(VECC)

March 7, 2022

Vulnerable Energy Consumers Coalition

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Submissions Overview

Enbridge Gas Inc. (EGI) is seeking incremental capital funding for five projects[1]:

- St. Laurent Ottawa North Replacement (Phase 3) Project
- NPS 20 Replacement Cherry to Bathurst Project
- Dawn to Cuthbert Replacement and Retrofits Project
- Byron Transmission Station Project
- Kirkland Lake Lateral Replacement Project

Project Name	St. Laurent Ottawa North Replacement Phase 3	NPS 20 Replacement Cherry to Bathurst	Dawn to Cuthbert Replacement and Retrofits	Byron Transmission Station	Kirkland Lake Lateral Replacement
Project Scope	Replacing 16 km of steel gas main and 400 m of extra high pressure pipeline	Replacing a 4.5 km and 260 m section of the Kipling Oshawa Loop (KOL) pipeline	Replacing 650 m of pipeline and installation of ILI launcher and receiver	Complete replacement of the existing station	Replacing 8 km of the existing NPS 4 Kirkland Lake Lateral pipeline
Project Costs	$88.5M	$129.9M	$24.2M	$20.4M	$20.7M
Life-to-date Costs (Dec 31, 2021)*	n/a	n/a	n/a	n/a	n/a
Proposed ISD	December, 2022	October, 2022	September, 2022	August, 2022	November, 2022
LTC Status	EB-2020-0293 (in progress)	EB-2020-0136 (approved)	No LTC	No LTC	No LTC
Scope Variance	No change	No change	n/a	n/a	n/a
Overhead Amount	$15.8M	$23.0M	$4.4M	$3.6M	$3.8M
Contingency %	15% for IP PE costs and 30% for XHP ST costs	30%	11.4%	12%	25%
Previously Approved $	LTC decision pending	LTC OEB approved December 17th, 2020	n/a	n/a	n/a

[1] Table from I.PP.1

The total ICM request is for $277.3 million of capital spending and an associated increase in the Utility's revenue requirement of $5.413 million as shown below:

Table 12

Total Incremental Revenue Requirement by Rate Zone

Line No.	Particulars ($000's)	2022	2023	Total	Average Annual
		(a)	(b)	(c)	(d) = (c)/2
	EGD Rate Zone				
1	St. Laurent Ottawa North Replacement Phase 3	(4,594)	7,440	2,846	1,423
2	NPS 20 Replacement Cherry to Bathurst	(4,953)	11,102	6,150	3,075
	Union South Rate Zone				
3	Dawn to Cuthbert Replacement and Retrofits	(1,034)	2,024	989	495
4	Byron Transmission Station	(1,896)	1,473	(422)	(211)
	Union North Rate Zone				
5	Kirkland Lake Lateral Replacement	(936)	2,199	1,264	632
6	Total Incremental Revenue Requirement	(13,412)	24,238	10,826	5,413

EGI is seeking to average the revenue requirement impacts of the proposed ICM projects. The actual 2022 impact of the projects, if applied on a cost of service basis, would be a rate decrease in 2022 with a rate increase in 2023. As such it is not clear to us how an increase in 2022 rates can be considered reasonable. Should the Board decide to approve any of the proposed projects we trust it will also provide an explanation to ratepayers for increasing distribution rates in 2022, a time of economic stress and especially energy cost stress. This is especially important as costs have not actually increased, but will in fact decrease.

In the event, it is VECC's submission that only the Cherry to Bathurst project should be considered by the panel for ICM treatment. Three of the five other projects are not material or are revenue generating. The fourth, St. Laurent Ottawa North project, is subject to an ongoing proceeding to determine project need and therefore it would be procedurally incorrect to render a finding on ICM funding for this project at this time.

Eligibility for ICM Funding

To qualify for ICM funding EGI must satisfy the eligibility criteria of materiality, need and prudence as set out by the Board in its policy documents[2]. The OEB approved a proposed formula for calculating the materiality threshold for the ICM which included a 10% deadband This is the same formula used for the ICM for electricity distributors. In addition, the Board has set out criteria in the merger proceeding of Union Gas Limited and Enbridge which established a $10 million threshold for eligibility for incremental funding during the rate deferral period.

As has been noted by past decisions of the Board there are two materiality tests related to ICM applications. The first test establishes the level of capital expenditures that a distributor should be able to manage within current rates. The second is a project-specific materiality test.[3]This test requires that the ICM proposal have a clear a significant influence on the operation of the distribution.

The application of the $10 million project specific materiality was clarified by the Board In EB-2020-0181. In that proceeding the Board approved $124 million in ICM funding for the London Line Replacement project (of a total $161.1 million in project costs), but rejected $28.8 million in funding for the Sarnia project. With respect to the latter rejection the Board made a number of findings including: [4]

> *The OEB finds that the Sarnia project fails the project-specific materiality test as it is not significant in the context of the overall utility. In assessing significance, the OEB has 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.*
>
> *…….The Sarnia project cost exceeds that materiality threshold. Yet there are two materiality tests for ICM funding. The second test considers project-specific materiality in the context of the overall capital budget. In addition, despite the Sarnia project capital costs exceeding the $10 million minimum indicated in the MAADs Decision, the test of significance must consider incremental revenues generated.*

That is, the Board established that ICM projects must be a significant departure from normal project spending as measured against its normal capital spending and that any significant incremental revenues associated with the project must be considered.

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[2] These are EB-2019 Report of the Board on New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, dated September 18, 2014 and EB-2014-0219, New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016,

[3] Decision and Order, EB-2020-0181, May 6, 2021, page 9

[4] Decision and Order EB-2020-0181, Enbridge Gas Inc. Phase 2 application for 2021 rates – Incremental Capital Module Funding Request, May 6, 2021, pages 16-17

Materiality / Asset Management Plan(s)

This application represents the 4th proposal since the Utility's approved deferred rebasing period granted by the Board in EB-2017—306/0307 in August of 2018[5]. VECC has both argued for and against the inclusion of some projects and supported others for ICM funding in these applications. Our approach has been to try to be fair minded and apply the criteria and policies as developed by the Board's ACM/ICM (ICM) framework. However, with the continuous proposal for ICM by EGI (and other large utilities) we have come to the conclusion that the Board's ICM policies are being applied in a way for which they were was not originally intended and in a manner that is unfair and unreasonable to consumers.

The original purpose of the ICM policy was, as we understand it, to allow utilities who might have lumpy or otherwise uncontemplated large capital projects to receive capital funding rate relief during an incentive rate or "IRM" period. These non rebasing periods were initially a modest 3 years have gradually grown to 5 years or more.

The Board effectively changed the inherent concept of the ICM policy when it allowed utilities who had amalgamated to defer rate rebasing for periods of up to 10 years and at the same time access capital funding during the rate deferral period. The result has been to turn the rate deferral period into a one-way scheme where consumers pay for incremental capital investments while being deprived benefits from reduced operating and maintenance costs during the rate deferral period.

Since the Board's approval of the amalgamation of Enbridge and Union Gas over $780 million in additional capital costs for a large variety of types of projects have been sought for recovery through the ICM process[6]. To date less than $30 million of EGI ICM proposals has been denied by the Board. And then only where the financial payback of the project was obvious and overwhelming. We doubt that the original authors of the ICM contemplated that more than a quarter of a billion dollars would be sought under the ambit "exceptional needs." To us this is indicative of a policy which has wandered far off its intended path and which is applied in a manner seemingly uninformed by the regulatory literature of investment "gold-plating" by monopolies[7].

The utility's asset management plan (or system plan in the case of electricity distributions) was contemplated to provide parameters for unchecked capital spending. The original concept was

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[5] EB-2018-0305, EB-2019-0194, EB-2020-0181, EB-2021-0148.

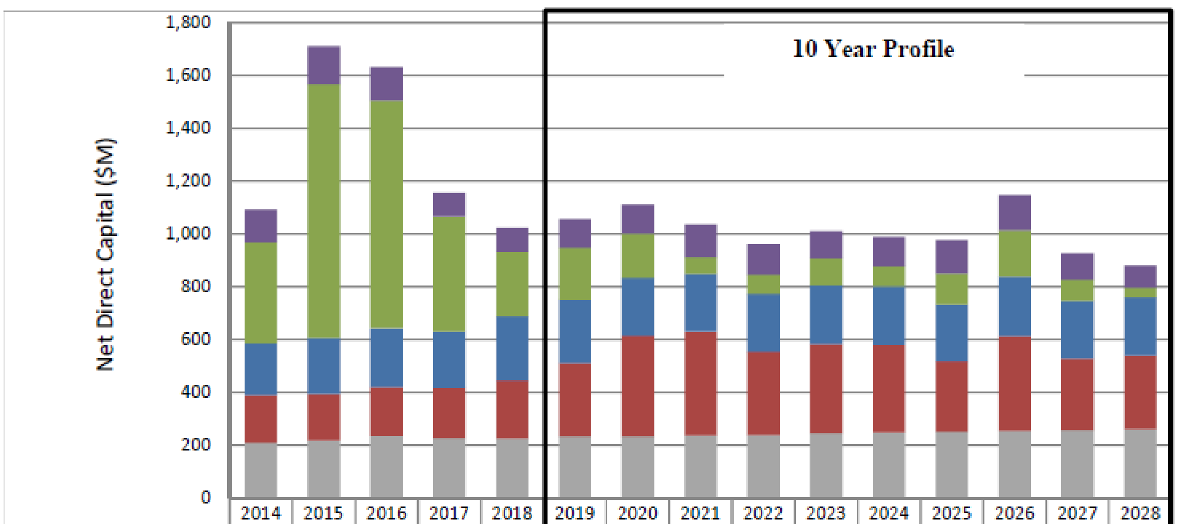
[6] This includes the Sudbury replacement in EB-2018-0305 which, while not strictly and "ICM" project was given approval under the ambit of "capital pass through."

[7] For examples, the issue of over investment or "gold platting" is discussed in the Interim Report of the Parliament of Australia with respect to electricity transmission assets.
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Electricity_and_AER/Interim_Report

that ICM were projects were either not contemplated at the time of a capital plan or were projects which had been identified as being anomalous in size. That is not the case in this application. Now ICMs are simply a way to expand capital investment outside of that already anticipated by the embedded distribution rate. In the case of EGI the Board has required the filing of asset management plans (aka distribution system plans) to provide some expectation as to what constitutes “normal” capital spending and from which relative materiality can be judged.

And it is difficult to understand how utility capital plan in any way puts limiting parameters around what or what does not qualify as an ICM project. Simply examining the magnitude of the variances in the various iterations of plans EGI has filed since amalgamation makes it difficult to understand what should be taken from this exercise. Below are the combined capital plans of EGI as filed in EB-2018-0305 and, in the subsequent tables the current actuals and forecast filed as an addendum in this application.

Figure 6
Enbridge Gas's Capital Expenditure



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
General Plant	125	143	127	91	91	108	109	125	115	103	111	127	134	99	83
System Service	381	961	862	436	245	199	168	63	74	104	76	117	175	81	37
System Access	197	213	224	213	242	239	219	219	217	221	223	216	225	218	221
System Renewal	180	176	185	190	220	277	381	393	317	338	331	266	360	271	279
Overhead	210	217	234	227	226	233	234	236	238	245	248	251	254	257	260
ENBRIDGE GAS Total	1,093	1,711	1,632	1,157	1,023	1,056	1,110	1,037	961	1,011	988	977	1,147	926	881

Source: EB-2018-0305, Exhibit C, Tab1, Schedule 1

Table 1

Capital Expenditures[9] by category (2017-2026) EGD Rate Zone ($ millions)

Line No.	Category	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast
		(a)	(b)	(c)	(d)	(e)
1	General Plant	48.1	47.3	70.4	51.3	80.2
2	System Access[10]	109.3	108.9	151.1	70.5	192.8
3	System Renewal	102.2	92.3	110.4	233.6	223.0
4	System Service	20.2	22.9	23.9	20.8	34.5
5	Total Overhead[11]	148.1	140.2	151.6	149.1	-
6	**Total - EGD Rate Zone**	**427.8**	**411.6**	**507.4**	**525.2**	**530.5**

Line No.	Category	2022 Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
		(f)	(g)	(h)	(i)	(j)
1	General Plant	81.0	141.7	92.1	99.0	125.5
2	System Access[10]	151.9	169.5	201.0	168.1	173.6
3	System Renewal	465.3	460.5	313.6	288.3	342.0
4	System Service	36.1	42.0	68.5	107.4	45.4
5	Total Overhead[11]	-	-	-	-	-
6	**Total - EGD Rate Zone**	**734.3**	**813.7**	**675.2**	**662.8**	**686.6**

Table 2
Capital Expenditures[12] by category (2017-2026) Union Rate Zones ($ millions)

Line No.	Category	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast
		(a)	(b)	(c)	(d)	(e)
1	General Plant	42.8	48.0	51.8	34.2	64.4
2	System Access[13]	96.2	83.5	104.4	85.5	119.5
3	System Renewal	94.1	99.4	106.4	141.6	306.3
4	System Service	405.8	201.2	162.1	117.0	145.4
5	Total Overhead[14]	78.6	81.0	83.1	73.8	-
6	**Total - Union Rate Zones**	**717.5**	**513.1**	**507.8**	**452.1**	**635.6**

Line No.	Category	2022 Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
		(f)	(g)	(h)	(i)	(j)
1	General Plant	70.1	84.0	49.8	56.9	56.1
2	System Access[13]	120.6	213.2	126.5	123.0	128.3
3	System Renewal	200.6	169.9	303.9	451.2	361.6
4	System Service	151.8	245.9	155.5	372.8	252.4
5	Total Overhead[14]	-	-	-	-	-
6	**Total - Union Rate Zones**	**543.1**	**713.0**	**635.7**	**1,003.8**	**798.3**

What these tables show is that as compared to its original plan (December 2018) EGI underspent on capital in 2019 and 2020, years it was funded for incremental capital. Its current forecast for 2021 and 2022 shows almost half a billion dollars more in spending than was contemplated in December of 2018. Our calculation derived from these tables show that in less than 36 months the change in capital spending for the 2019 to 2026 period was over $2 billion (higher). In any given year the variance in asset plans ranges from a low of $40 million to a high of over $600 million. We are sure that EGI has provided reasonable explanations for all these changes. Nevertheless, given such large forecast and actual variances over such a short period of time it is hard to reasonably conclude that any particular plan informs the a particular ICM. Most ICM projects are in the margin of change of the various plans.

Furthermore, in light of the Board's recent finding on considering materiality in context of the overall asset plan budgets, it is difficult to see how any of the proposed projects could be meaningful material in the context of the Utility's overall capital plan. The entire sum of these projects - $277.3 million is less than the variance in the 2022 budget as between what was filed in December 2018 and then again in October 2021 (a difference of $316 million).

We would especially draw the Board's attention to the significant increase in General Plant category of spending. This is not only an area in which the Utility has discretion, it is also less directly connected to reliability or requirement of service. One might add that the general plant category is, in light of amalgamation, an area in which spending as between rate zones is likely to change and one would expect decrease as duplicative assets, like office buildings, are rationalized. Yet by our calculation EGI has increased this category of spending for the 2019 to 2022 period by some $46 million since the December of 2018 forecast.

By the standard of variances in capital planning it is difficult to see how the three smallest (in terms of dollars) projects would be material. For example, the Byron transmission project at $20.4 million does not even fall within the General Plant forecasting error. By the standard of simple relativity to the asset plans certainly three of the projects are not material as shown by EGI[8]:

> *Based on a combined EGI budget of 1,277.4M, the ICM projects have the following % value as a proportion of the total capital budget:*
> • *St. Laurent Ottawa North Replacement (Phase 3) – 6.7%*
> • *NPS 20 Replacement Cherry to Bathurst – 9.9%*
> • *Dawn to Cuthbert Replacement and Retrofits – 1.8%*
> • *Byron Transmission Station – 1.6%*
> • *Kirkland Lake Lateral Replacement – 1.6%*

In our submission three projects: Dawn-Cuthbert, Byron Station and Kirkland lake fail to meet materiality on a relative (to plan) and absolute (dollars) basis and should not be approved for ICM funding.

Incremental Revenue

In the previous ICM request EB-2020-0181 the Board disallowed one project, the Sarnia Industrial Line Reinforcement which had requested funding of $28.8 million. In that case the Board found that. :[9]

> *… the Sarnia project fails the project-specific materiality test as it is not significant in the context of the overall utility. In assessing significance, the OEB has considered the $5.8*

[8] I.APPrO.10
[9] Decision and Order, Enbridge Gas Inc. Phase 2 application for 2021 rates – Incremental Capital Module Funding Request, EB-2020-0181, May 6, 2021, page 15-16.

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.

Three of the projects proposed in this ICM fall significantly below $28.8 million and the 2022 capital budget forecast for Enbridge Gas is now significantly higher at $1,286.4 million. In light the Board's past decision it is difficult to see how the Dawn-Cuthbert, Byron Station or Kirkland projects could be considered a material portion of the EGI's new higher capital budget.

In that same decision the Board made another observation:[10]

The OEB notes that Enbridge Gas's application did not indicate that the project was forecast to generate $5.8 million of incremental revenue. This evidence was adduced through intervenor interrogatories. Enbridge Gas's application was lacking in this regard. In the interest of efficiency, forecast incremental revenues should be included in all ICM funding requests.

Subsequent to the filing of the application EGI provided updated information showing that incremental revenues of $222k in 2022 and $430k in 2023 would be able to be accommodated by the Kirkland Lake lateral replacement.[11] We leave it to the Board to consider whether the Applicant is doing it best to provide full disclosure as per the Board's expectation. As we understand it the Kirkland Lake project is an advancement of a system integrity issue. That advancement is related to the incremental load.[12] In any event an immaterial project which will accommodate significant incremental revenues does not meet the intent of even a broadened ICM policy.

Need

While not an intervenor in the leave-to-construct for St. Laurent Ottawa North Replacement Phase 3, EB-2020-0293 we understand this proceeding is subject to significant interest of the public, including from the City of Ottawa. In exercising its powers the Board has an obligation to not only exercise its jurisdiction fairly, but also to be seen to operate fairly. It would be difficult we suggest for the casual observer (or indeed ourselves) to see how approving ICM funding – even conditionally – demonstrates a regulator's open mind as to the need for the project in an ongoing different proceeding. Nor can the panel in this proceeding anticipate conditions precedent in the other case which might be of significance to the consideration of ICM funding.

If the OEB is to entertain ICM projects for which leave to construct is also required it might consider reviewing its process for how those should be addressed in the regulatory calendar to avoid "putting the cart before the horse." In any event, having not determined need in the appropriate proceeding the Board cannot determine if need has been met in this one[13]. If need

[10] Ibid., page 16.
[11] I.ADR.Request.1, February 28, 2022
[12] I.EP.4
[13] The Board has said as much see I.CME.2

has not been met then the project fails to meet one of the criteria established by the Board – plain and simple.

Finally, we note that the current in-service date of December 2022 for the St. Laurent project is dependent on a Board proceeding which has an unknown completion date. We suggest the likelihood of this project actually being in-service by the end of 2022 is slight.

Overheads and Labour burdens in ICM projects

For the proposed projects EGI proposes to incorporate and recover from ratepayers a significant amount of overhead or labour burden as shown in the table below[14]:

Project Name	2019	2020	2021	2022
St. Laurent Ottawa North Replacement Phase 3	$113,101	$46,905	$118,195	$15,772,013
NPS 20 Replacement Cherry to Bathurst	$25,692	$197,221	$6,275,666	$17,333,406
Dawn to Cuthbert Replacement and Retrofits			$266,775	$4,127,182
Byron Transmission Station			$3,060,881	$649,947
Kirkland Lake Lateral Replacement			$132,601	$3,733,738

The Board addressed the issue of overheads in EB-2020-0181 in response to arguments by Energy Probe. In that case the Board made the following comments:[15]

> *The OEB concludes that the rebasing proceeding is the appropriate time to review the harmonized overhead capitalization policy, and the implications on O&M and capital during the deferred rebasing term. The onus will be on Enbridge Gas to demonstrate there has been no "double counting" or over-recovery of O&M through capitalized overheads recovered in approved ICM rate riders during the deferred rebasing period.*

[14] I.Staff.3

[15] Decision and Order EB-2020-0181, May 6, 2021, page 19

At rebasing, the OEB will be in a position to determine if the $124.0 million approved for ICM funding for the London project is materially different from the actual capitalized amount, net of accumulated depreciation. If materially different, the OEB may approve rate riders to "true-up" the difference between the approved $124.0 million and the actual capital costs, including capitalized overheads.

The OEB is not revisiting previous decisions regarding the inclusion of overheads, direct and indirect overheads, in ICM funding requests. The OEB approved the inclusion of indirect overheads in Enbridge Gas's ICM funding applications in 2019 and 2020 and is doing so for 2021 as well. To the extent that there is a material difference between the capitalized overheads used for the ICM funding and the final approved capitalized overheads for the London project, this can be considered in the determination of whether an ICM "true-up" is required.

With respect it is not clear to us from the Decision in EB-2020-0181 whether the Board is conflating two separate issues with respect to overhead capitalization. One issue is with the post amalgamation of capitalization harmonization policies by EGI. The effect of harmonizing overhead capitalization policies as recognized by the Board has been *an increase in the amount of overheads capitalized and a corresponding decrease to O&M expenses, compared to previous overhead capitalization policies*[16]. The Board also responded to this concern by imposing a new requirement on EGI with respect to changes in capitalization policies:[17]

In any future ICM application filed during the deferred rebasing period, the OEB requires Enbridge Gas to include the in-service capital forecast and ICM funding calculations based on both the previously approved and the new harmonized overhead capitalization policies.

EGI has fulfilled this requirement.

A distinct, and separate issue is whether it is correct to include overheads in ICM calculations. This is the so called "double-recovery" argument. In the EB-2020-0181 EGI addressed Energy Probe's argument by saying:[18]

There is always a portion of O&M costs that are recovered as capitalized overheads. Note that capitalized overheads are treated in the same manner as direct capital costs. Accordingly, this does not result in double-counting or double-recovery, because those costs were always treated as if they would be recovered as capital costs. This can be seen in cost of service filings, where the O&M budget presented includes offsets (credits) recognizing the O&M amounts being capitalized.41 It can also be seen in the annual earnings sharing case evidence, which shows the amount of capitalized O&M each year.42 In the last two Rate Cases, the OEB has confirmed that it is appropriate to include capitalized overhead costs in ICM amounts

[16] Ibid, page 20
[17] Ibid, page 18
[18] EB-2020-0181 Enbridge Gas Inc 20221 Rates – Phase 2 Reply Argument, March 23, 2021, page 12

Frankly, we have no idea what the Utility is attempting to convey in this response. The point, at least as we understand it, is that when rates were set for the purpose of the rate deferral period they incorporated a certain portion of labour costs that were allocated as capital (as opposed to expensed as OM&A). After initial rates are established they are adjusted during the rate deferral period in a manner abstracted from actual operating costs and capital costs, but they continue to conceptually incorporate a portion of Utility labour as capital.

An ICM as applied with overheads included becomes a "mini cost of service" - basically adjusting the rate (via a rate rider) to incorporate additional capital costs, but also reincorporating labour costs. The question asked, and as yet it seems unanswered, is why is it correct to incorporate labour burdens into an ICM if all the amounts are already being recovered in the base rate. If labour costs are not increasing (and indeed in this case likely decreasing due to amalgamation) then intuitively it would seem that no amounts of internal (i.e., utility) labour costs should be included in an ICM calculation.

Rates are set to recover the utility's labour costs in two parts – OM&A and the via a return on the capital (rate base) forecast. If the day after rates are initially set a utility applies for an ICM would it be correct to – having just allocated the entire labour cost of the utility as between expenses and capital - allow for additional labour costs to be incorporated into an incremental rate rider? And if so, why? The overall labour costs for the year remain unchanged from that included in the cost of service rate. All that has changed is that the utility has added another capital project. Had the ICM project been added as part of the cost of service exercise the amount of capitalized labour would have remained the same. The only change was in the timing of the project. A more concrete example of the problem we see is to consider a specific category of costs that EGI typically allocates as between labour and capital – its regulatory department. As we understand it EGI allocates a given portion of regulatory labour costs to capital irrespective of whether it spreads that over 1 or 100 projects in a given year. It does so whether in the given year 100 projects or 1 are in the plan.

What the Board is doing when it allows overheads to be recovered in an ICM is to provide a full return on projects built during an IRM or rate deferral period. If the purpose of an ICM is to ensure utilities have sufficient funds to carry out necessary but unanticipated or large capital projects then including overheads is not necessary. Sufficient cost recovery (including a return on the capital) is provided without their inclusion. By including overheads at the time of an ICM – as opposed to at rebasing when their overhead would be recognized in a new rate base for the Board provides an incentive to over invest because it allows a portion of ongoing labour costs to be recovered outside of the rate rebasing period and which would not be recovered if not for the ICM project. As we have noted above this indeed seems to be the result of the evolved ICM policy especially among larger utilities where it seems to be used as a means to build rate base and receive larger dollar returns to its shareholder.

In EB-2018-0305 the Board stated:

The OEB approves the inclusion of indirect overheads in the ICM project costs. The OEB accepts Enbridge Gas' explanation that the ICM funding request is based on fully burdened costs, unlike a leave to construct application. Whether costs provided as part of a leave to construct proceeding should be inclusive of indirect overheads or not is out of scope of this proceeding. The OEB has never previously excluded indirect costs from ICM funding, and therefore the OEB considers Enbridge Gas' approach consistent with the OEB's policy for ICMs

We agree -to the extent that if the inclusion of overheads in ICM's incorrect, or does indeed provide perverse incentives that harm ratepayers, it reveals a flaw with the mechanism of the ICM and not particularly with this application. However, in our view it is not sufficient to simply say that because it is not excluded in other ICM's then it is must be correct. It seems to us that the problem is accounting in nature and mathematical in solution. We would also note that in our experience for small electric distributions utilities accessing ICMs the application of overheads is less pronounced (if not rare).[19]

In our submission the Board should exam generally the correctness of the inclusion of labour burden/utility overheads in ACM and ICM proposals. In the interest of clarity and transparency we respectfully submit the Board should provide reasons which explain why inclusion of labour costs which may have been already allocated in base rates are correct in any of the projects approved for ICM rate rider funding in this proceeding.

In the interim VECC submits that if the Board provides ICM relief for the Cherry to Bathurst project it should remove any recovery for overheads and labour burdens.

Summary

VECC submits that the St. Laurent Ottawa North Replacement project should be denied ICM rate relief and the matter reconsidered subsequent to the establishment of need and consideration of any conditions established in the proceeding EB-2020-0293.

We further submit that the Dawn to Cuthbert Replacement, Byron Transmission Station and Kirkland Lake Lateral projects fail the test of materiality and should not be provided ICM rate relief.

The Kirkland Lake project also fails the evidentiary requirement to demonstrate the impact of incremental revenues anticipated when the project is completed.

VECC takes the position that if the Board provides ICM relief for the NPS 20 Replacement Cherry to Bathurst it should remove all overhead and labour burdens from the calculation of an ICM rate rider for that project.

[19] For example, we could find no allocation of existing labour cost overheads in the recent ICM applications by Halton Hills Hydro Inc. (EB-2018-0238) or

VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED