



Ontario  
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**BY EMAIL**

January 20, 2023

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Enbridge Gas Inc. 2024 Rebasing Application  
Update on Filing of Expert Evidence by Ontario Energy Board (OEB) Staff  
OEB File No. EB-2022-0200**

In a letter dated January 11, 2023, OEB staff provided an update on its plan to file expert evidence in this proceeding. OEB staff informed the OEB and all parties that it had engaged Pacific Economics Research Group LLC (PEG) to provide a report presenting PEG's review of Enbridge Gas's evidence on the proposed price cap plan for 2025-2028, including plan parameters. OEB staff further noted that it was hoping to engage experts to review Enbridge Gas's evidence on capital structure and depreciation methodology, and would provide an update in this regard on January 20, 2023. Further details on PEG's scope of work are provided later in this letter.

OEB staff is pleased to advise that it is in the final stages of engaging London Economics International LLC (LEI) to review Enbridge Gas's capital structure proposal and Intergroup Consultants (Intergroup) to review Enbridge Gas's depreciation methodology.

LEI will review Enbridge Gas's application for 2024 rebasing and its 2025-2028 price cap plan, focusing specifically on the appropriateness of Enbridge Gas's capital structure proposal as based on changes in its business risk since 2012. LEI will assess the evidence filed by Enbridge Gas and its expert, Concentric Energy Advisors, Inc. (Concentric), conduct its own independent assessment of Enbridge Gas's business and financial risk profile and compare this profile against previous proceedings (EB-2011-0210 and EB-2011-0354) and a selection of peer utilities. LEI's work will be led by Mr.

AJ Goulding, who will be assisted by Mr. Amit Pinjani, who have performed work for OEB staff in Ontario, in cases and in policy consultations and support. The scope / nature of LEI's work will be similar to that performed by LEI when it was retained by OEB staff as an independent cost of capital expert to assess Ontario Power Generation Inc.'s business risk and cost of capital / capital structure in EB-2020-0290.

Intergroup will conduct an independent assessment of Enbridge Gas's evidence on proposed depreciation, including the depreciation study prepared by Enbridge Gas's expert Concentric on the annual depreciation accrual rates and amounts applicable to the original cost of gas utility plant, as of December 31, 2021, and may provide its findings in an expert report. Intergroup is based in Winnipeg and has worked in multiple Canadian jurisdictions on depreciation related matters including Alberta, Yukon, Manitoba and Newfoundland. Intergroup's assessment of Enbridge Gas's depreciation methodology will be led by Hayitbay Mahmudov and Patrick Bowman.

With respect to PEG's scope of work, additional details are provided below. PEG will review Enbridge Gas's price cap IRM proposal and proposed plan parameters including the evidence of Enbridge Gas's expert (Black & Veatch Management Consulting) filed in support of the price cap index proposal. This review will include the following aspects:

1. New weighting of the inflation measure subindexes and new labor price subindex
2. Use of a US national total factor productivity trend to set the productivity factor for Enbridge Gas
3. Suitability of the research for a utility with sizable transmission and storage operations
4. Adequacy of the 54-company sample
5. Use of a unit total cost index and various peer groups as the cost benchmarking method instead of the econometric modelling that is typically used in Ontario electric utility statistical benchmarking studies
6. Use of a hyperbolic decay capital cost specification instead of the geometric decay or cost of service specifications that have previously been used in Ontario productivity and benchmarking evidence
7. As applicable to the productivity and cost benchmarking analysis, a consideration of other aspects of Enbridge Gas's IRM framework

PEG will prepare an independent expert report assessing the evidence filed by Enbridge and Enbridge Gas's expert. This may include providing alternative analyses, proposals, and recommendations on Enbridge Gas's 2025-2028 price cap plan.

OEB staff will provide similar details, as provided with respect to PEG and LEI, on Intergroup's scope of work once the engagement has been finalized with the selected vendor.

Yours truly,

Khalil Viraney  
Case Manager

c: All parties in EB-2022-0200