

October 18, 2023

VIA RESS

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Dear Ms. Marconi:

Re: EB-2022-0200 – Enbridge Gas Inc. (EGI) Application for 2024 Cost of Service Rates.

Alberta Utilities Commission October 9, 2023 Generic Cost of Capital Decision.

In its Reply Argument filed October 11, 2023, on the topic of equity thickness EGI relies extensively on a decision of the British Columbia Utilities Commission (BCUC) issued on September 5, 2023 in the BCUC's Generic Cost of Capital Proceeding. We wish to note, as did the BCUC in its decision, that the only expert evidence before it on capital structure for Fortis Energy Inc. (FEI) was that of Mr. Coyne. [BCUC Decision, page 136]

Subsequent to release by the BCUC of that decision, on October 9th the Alberta Utilities Commission (AUC) issued a decision on *Determination of the Cost-of-Capital Parameters in 2024 and Beyond* (Decision 27084-D02-2023). EGI refers to this AUC decision in a footnote at page 275 of EGI's Reply Argument. In that footnote, EGI does note that "*the Commission did not order any changes to the deemed equity thickness of the utilities identified in the LEI customer weighted Canadian utility proxy group*". EGI did not set out in its footnote the equity thickness retained by the AUC for both electric and gas transmission and distribution utilities within its jurisdiction. That equity thickness remains at 37% (with one exception for Apex Utilities whose equity thickness was, and remains, at 39%). [AUC Decision, pages 44-45]

EGI's footnote further indicates that while EGI did not have an opportunity to fully consider the decision or the record before the AUC prior to filing its Reply Argument, there was an "*apparent paucity of energy transition discussions in the decision which occupied approximately one page*". The discussion referred to by EGI is set out at page 60 of the AUC decision, where the Commission summarizes and cites the evidence and arguments before it on the topic, and then states [paragraph 266]:

While the Commission appreciates that decarbonization is a potential risk to Alberta utilities, there is little or no evidence on the record of the current proceeding that shows that natural

gas or electric utilities have experienced any significant increases in risk related to customers changing behaviour, a reduction in natural gas demand, complications related to electrification, or factors that might impact their operations. Absent any evidence that clearly shows the impact to the Alberta utilities' business risk from decarbonization, the Commission finds that adjusting the deemed equity ratio for Alberta utilities to account for any such impact is unwarranted, or at a minimum premature.

Mr. Coyne provided equity thickness evidence in the AUC's proceeding as well, as did Dr. Cleary and a number of other cost of capital experts. [AUC Decision, page 3, paragraphs 10 and 11 and page 45, Table 7]

On behalf of IGUA, we thought it appropriate to complete the record as opened by EGI in respect of relevant post-hearing Canadian utility commission decisions.

Yours truly,



Ian A. Mondrow

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