



EB-2011-0354

IN THE MATTER OF the *Ontario Energy Board Act 1998*,
S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Enbridge Gas
Distribution Inc. for an Order or Orders approving or fixing
just and reasonable rates and other charges for the sale,
distribution, transmission and storage of gas commencing
January 1, 2013.

BEFORE: Paula Conboy
Presiding Member

Cynthia Chaplin
Vice Chair and Member

DECISION AND ORDER ON ISSUES LIST
June 15, 2012

Introduction

Enbridge Gas Distribution Inc. (“Enbridge”) filed an application on January 31, 2012 with the Ontario Energy Board under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B for an order of the Board approving or fixing rates for the sale, distribution, transmission and storage of natural gas, commencing January 1, 2013. The Board assigned file number EB-2011-0354 to the application and issued a Notice of Application dated March 2, 2012.

The Board issued Procedural Order No. 2 on May 16, 2012 that set out a process for an issues conference and submissions on any contested issues on the Draft Issues List that was included with Procedural Order No. 2. The Board received submissions from Enbridge and the School Energy Coalition (“SEC”). Canadian Manufacturers and Exporters, the Vulnerable Energy Consumers Coalition and the Federation of Rental-housing Providers of Ontario each submitted letters in support of SEC’s submissions.

In this Decision, the Board makes its findings on the contested matters concerning the Draft Issues List. The final Issues List for the proceeding is attached as Appendix A to this Decision and Order.

Board Findings on Contested Issues

B1 - Is Enbridge's forecast level of capital spending in 2013 appropriate?

SEC proposed that this issue be modified to recognize that certain projects will be subject to separate leave to construct proceedings. Enbridge opposed this proposal.

The Board has determined that the original wording for this issue as provided in the Draft Issues List should be maintained.

Reviewing the capital spending plan is a conventional aspect of the cost of service rebasing process. The Board recognizes that it is not conducting a prudence review of the costs related to specific projects for which Leave to Construct approval is required, regardless of whether the projects are expected to close to rate base in the test year or not. However some level of examination of these projects, within the context of the overall forecast, may be warranted. The original wording for the issue is therefore appropriate.

F2 - Is the overall change in revenue requirement reasonable given the impact on consumers?

Enbridge objected to the inclusion of this issue on the basis that it implied a form of review which may not be appropriate.

The Board has determined that the original wording for this issue as provided in the Draft Issues List should be maintained and that the issue should be maintained under the existing heading.

The Board will retain the issue as worded as it reflects that considerations of reasonableness can be examined from different perspectives. The Board considers the reasonableness of individual components of the revenue requirement in the context of customer impact. The Board may also consider the reasonableness of the overall proposed revenue requirement in the context of consumer impact.

O6 - Are the forecasts of natural gas market conditions in 2013 and beyond and the impacts on Enbridge, including turnback and mitigation actions by Enbridge, appropriate?

Enbridge proposed that this issue be removed. SEC argued that it should be retained.

The Board has determined that issue O6 will be removed from the Issues List.

The Board concludes that it is not necessary to add this as a standalone issue. Issues related to Enbridge's forecast of natural gas market conditions, and the impacts on Enbridge, can and should be addressed as part of Issue D2.

THE BOARD ORDERS THAT:

1. The approved Issues List for the proceeding shall be the list attached as Appendix A.

All filings to the Board must quote file number **EB-2011-0354**, be made through the Board's web portal at www.errr.ontarioenergyboard.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address.

Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to the BoardSec@ontarioenergyboard.ca. Those who do not have internet access are

required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies. If you have submitted through the Board's web portal an e-mail is not required. With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Colin Schuch at colin.schuch@ontarioenergyboard.ca and Senior Legal Counsel, Kristi Sebalj at kristi.sebalj@ontarioenergyboard.ca.

All communications should be directed to the attention of the Board Secretary and be received no later than 4:45 p.m. on the required date.

ADDRESS

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Attention: Board Secretary

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DATED at Toronto, June 15, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
Enbridge Gas Distribution Inc.
2013 Rates
EB-2011-0354

Issues List

B. Rate Base

1. Is Enbridge's forecast level of capital spending in 2013 appropriate?
2. Is the proposed Test Year Rate Base appropriate?
3. Is the proposed Information Technology Capital Budget appropriate?
4. Is the proposed budget for Storage Capital Expenditure appropriate?
5. Is the forecast of Customer Additions appropriate?
6. Is the allocation of the cost and use of capital assets between utility and non-utility ("unregulated") operations appropriate?
7. Is the proposed working capital allowance appropriate?

C. Operating Revenue

1. Is Enbridge's revenue forecast appropriate?
2. Is Enbridge's gas volume forecast appropriate?
3. Is Enbridge's degree day forecast for each of the Company's delivery areas (EDA, CDA, and Niagara) appropriate?
4. Is the Average Use forecast appropriate?
5. Is the forecast level of Unaccounted For (UAF) gas volumes appropriate?
6. Is the proposal for the treatment and sharing of Transactional Services revenues, and the forecast of those revenues, appropriate?
7. Is Enbridge's forecast of other service and late payment penalty revenues, including the methodologies used to cost and price those services, appropriate?

D. Operating Costs

1. Is the 2013 O&M budget appropriate?

2. Is Enbridge's gas supply plan, including the forecast of gas, transportation and storage costs appropriate?
3. Are the proposed changes to Peak Gas Day Design Criteria (PGDDC) and methods of cost recovery appropriate?
4. Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate, including the request to recover Pension Expense and Other Post-Employment Benefits ("OPEB") Expense on an accrual basis commencing January 1, 2013?
5. Is the corporate cost allocation ("RCAM") appropriate?
6. Are the affiliate charges appropriate?
7. Are the proposed depreciation rate changes appropriate?
8. Is the municipal taxes expense appropriate?
9. Is the demand side management budget appropriate?
10. Is the income tax expense forecast appropriate?
11. Is the proposal for the Open Bill Access Program appropriate?
12. Is the proposed O&M budget for Finance appropriate?
13. Has Enbridge properly implemented the revenue requirement associated with the Customer Care and CIS Settlement Agreement (per EB-2011-0226)?
14. Is the proposed O&M budget for Energy Supply, Storage Development and Regulatory appropriate?
15. Is the proposed O&M budget for Law appropriate?
16. Is the proposed O&M budget for Operations appropriate?
17. Is the proposed O&M budget for Information Technology appropriate?
18. Is the proposed O&M budget for Business Development & Customer Strategy, including Energy Technology Innovation Canada ("ETIC") related amounts, appropriate?
19. Is the proposed O&M budget for Human Resources appropriate?

20. Is the proposed O&M budget for Pipeline Integrity & Safety appropriate?
21. Is the proposed O&M budget for Public and Government Affairs appropriate?
22. Is the proposed O&M budget for Non-Departmental O&M Expenses appropriate?
23. Is the forecast of Provision for Uncollectable Amounts for 2013 appropriate?
24. Is the allocation of O&M costs between utility and non-utility ("unregulated") operations appropriate?

DV. Deferral and Variance Accounts

1. Are Enbridge's existing and proposed deferral and variance accounts appropriate?
2. Is Enbridge's request to recover from ratepayers an approximate \$90 million forecasted balance as at December 31, 2012 in the 2012 Transition Impact of Accounting Changes Deferral Account ("TIACDA") appropriate?

E. Cost of Capital

1. Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?
2. Is the proposed change in capital structure increasing Enbridge's deemed common equity component from 36% to 42% appropriate?
3. Is the proposal to use the Board's formula to calculate return on equity appropriate?

F. Revenue Sufficiency / Deficiency

1. Is the revenue requirement and revenue deficiency or sufficiency for the Test Year calculated correctly?
2. Is the overall change in revenue requirement reasonable given the impact on consumers?

G. Cost Allocation

1. Is Enbridge's utility Cost Allocation Study, including the methodologies and judgements used and the proposed application of that study with respect to Test Year rates, appropriate?

2. Are the Cost Allocation Study methodology relating to Customer Care and CIS costs appropriate?
3. Are the principles applied in the utility Cost Allocation Study consistent where appropriate with the principles applied in allocating costs between utility and non-utility ("unregulated") businesses?

H. Rate Design

1. Are the rates proposed for implementation effective January 1, 2013 and appearing in Exhibit H just and reasonable?
2. Are the proposed levels of customer charges, including the fixed/variable split, appropriate?

O. Other Issues

1. Has Enbridge responded appropriately to all relevant Board directions from previous proceedings, including any commitments from prior settlement agreements?
2. Are Enbridge's economic and business planning assumptions for the Test Year appropriate?
3. Are sustainable productivity and efficiency gains achieved under incentive regulation appropriately reflected in Enbridge's Cost of Service estimates?
4. Are Enbridge's Conditions of Service (i.e. customer service policies including security deposits, late payment penalty, etc.) compatible with Board directives?
5. Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the application, the revenue requirement for the Test Year, and the proposed rates?
6. How should the Board implement the rates relevant to this proceeding if they cannot be implemented on or before January 1, 2013?