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January 27, 2023

VIA RESS AND EMAIL

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

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas, or the Company)
EB-2022-0200 - 2024 Rebasing – Evidence Corrections and Updates**

On October 31, 2022 Enbridge Gas filed an application with the OEB seeking approval for changes to the rates that Enbridge Gas charges for the distribution, transportation and storage of natural gas. The application was filed in two parts. The majority of the evidence was filed on October 31, 2022. The balance of the evidence was filed on November 30, 2022.

The purpose of this letter is threefold: 1) To provide corrections to evidence that were discovered subsequent to Enbridge Gas filing its evidence; 2) To provide updates to certain aspects of Enbridge Gas's evidence related to Pension Costs and Demand Side Management (DSM); and 3) To provide the US GAAP exemption decision from the Alberta Securities Commission and Ontario Securities Commission pursuant to Enbridge Gas's commitment in its pre-filed evidence in this proceeding.

1) Evidence Corrections

Three errors were discovered subsequent to the Company filing its evidence in this proceeding. The first error relates to depreciation expense, the second relates to rate base and accumulated depreciation and the third relates to capital expenditures and revenues. Table 1 provides a summary of the source of the error, the impact of the error and the impact on the 2024 Test Year Forecast revenue requirement of correcting for the error.

Table 1

Item	Error and Impact	2024 Test Year Revenue Requirement Impact of Correction (\$ millions)
i) Depreciation Expense	EGD rate zone service assets were not properly segregated between metallic services and plastic services for the 2024 Test Year forecast of depreciation expense. All EGD rate zone services were forecast as metal services. Since the depreciation rate on metal services is higher than the depreciation rate on plastic services, the 2024 Test Year forecast depreciation expense is overstated by \$28.3 million. This is also reflected in the rate base continuity schedules resulting in the 2024 Test Year forecast rate base being understated.	(37.7)
ii) Rate Base & Accumulated Depreciation	An error in the 2022 Estimate of accumulated depreciation flowed through to the 2023 Bridge Year and 2024 Test Year forecast rate base amounts. As a result the 2024 Test Year forecast accumulated depreciation is overstated by \$103.5 million and the 2024 Test Year forecast of rate base is understated.	6.6
iii) Capital Expenditures & Revenues	<p>Certain RNG projects were treated incorrectly when developing the 2023 Bridge Year and 2024 Test Year Budgets. One project was budgeted as a capital expenditure when it should have had a contribution in aid of construction. This resulted in an overstatement of capital expenditures in the 2023 Bridge Year and the 2024 Test Year.</p> <p>Station payments for certain RNG projects were calculated incorrectly resulting in an understatement of Transportation Revenues for the 2023 Bridge Year and 2024 Test Year.</p>	(4.0)

2) Evidence Updates

Pension Costs

The Company is updating the proposed 2024 Test Year Forecast pension and OPEB (other post-retirement benefits) costs to reflect the latest valuation from Mercer Canada Limited. A description of this update is provided at Attachment 1.

The Company is also requesting that an additional variance account be approved as part of this Application. Enbridge Gas is proposing to establish (in addition to the new deferral and variance accounts set out at Exhibit 9, Tab 1, Schedule 3) a Post-Retirement True Up Variance Account (PTUVA) effective January 1, 2024. Pursuant to the Filing Requirements for Natural Gas Rate Applications (Filing Requirements) a new deferral or variance account request must be accompanied by evidence on how the eligibility criteria for these accounts will be met. Attachment 1 provides justification for the PTUVA and how the Filing Requirement eligibility criteria will be met. Attachments 2 and 3 set out the updated pension and other post-employment cost projections referred to in Attachment 1. Attachment 4 sets out the proposed accounting order for the PTUVA.

DSM

On November 15, 2022 the OEB issued its Decision and Order (DSM Decision) for the EB-2021-0002 proceeding. That proceeding related to Enbridge Gas's application for a multi-year natural gas DSM plan for the years 2022 to 2027. In its Decision and Order the OEB made certain adjustments to Enbridge Gas's proposed DSM expenditures.

Table 2 provides a summary of the Pension and DSM updates, the impact of the update and the impact on the 2024 Test Year forecast revenue requirement of the update.

Table 2

Item	Update Impact	2024 Test Year Revenue Requirement Impact of Update (\$ millions)
iv) Pension Costs	Relative to pension and OPEB costs included in the pre-filed evidence, the final 2022 year end pension and OPEB valuation is forecasting a change to pension expense as a result of changes in market conditions.	37.8
v) DSM	The DSM Decision made certain adjustments to the Company's proposed DSM budgets over the term of the multi-year DSM plan resulting in an increase to DSM expenditures in the 2024 Test Year.	26.2

Deficiency Reconciliation – Pre-Filed Versus Updated

Table 3 provides a reconciliation between the revenue deficiency provided in Enbridge Gas’s pre-filed evidence and the revenue deficiency incorporating the corrections and updates outlined above. The revenue requirement impacts identified in Table 1 and Table 2 translate directly to impacts to the 2024 Test Year revenue deficiency forecast.

Table 3

Deficiency	Correction/Update	Impact (\$ millions)
Deficiency as Filed		265.1
	i) Depreciation Expense	(37.7)
	ii) Rate Base & Accumulated Depreciation	6.6
	iii) Capital Expenditures & Revenues	(4.0)
	iv) Pension Costs	37.8
Subtotal		267.8
	v) DSM	26.2
Updated Deficiency		294.1

3) US GAAP Exemption

As indicated at Exhibit 1, Tab 8, Schedule 2, Enbridge Gas has authorization from the Alberta Securities Commission and the Ontario Securities Commission (the Commissions) to use US GAAP for financial reporting purposes until January 1, 2024. In that same Exhibit Enbridge Gas also indicated that it intended to file an application with the Commissions to extend the use of US GAAP for financial reporting purposes and that it would file, with the OEB, a decision from the Commissions in that regard when received. Attachment 5 sets out the Commissions’ decision which indicates that Enbridge Gas can continue to use US GAAP for financial reporting purposes until January 1, 2027.

Corrected and Updated Evidence

Enbridge Gas is providing with this letter two updates to numerical information included in the pre-filed evidence. Attachment 6 sets out an update to Table 1 from Exhibit 6, Tab 1, Schedule 1. This table provides annual (Deficiency)/Sufficiency calculations incorporating the corrections and updates outlined above. Attachment 7 sets out an update to Exhibit 6, Tab 1, Schedule 2, Attachment 1. This Exhibit provides the total revenue deficiency, required rate of return, net utility income and utility rate base incorporating the corrections and updates outlined above.

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Enbridge Gas will file complete evidence corrections and updates for the Exhibits impacted by the corrections and updates identified in this letter when it files responses to interrogatories on March 8, 2023. The interrogatory responses filed at that time will be answered on the basis of the corrected and updated evidence.

Should you have any questions, please let us know.

Sincerely,

on behalf of
Vanessa Innis
Manager, Strategic Applications – Rate Rebasing