

Enbridge Gas Inc.

**Application for 2019 natural gas rates and other charges
effective January 1, 2019**

PROCEDURAL ORDER NO. 3

April 17, 2019

On August 30, 2018, the Ontario Energy Board (OEB) approved the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited. In its decision, the OEB also approved a rate-setting framework and associated parameters for the deferred rebasing period of 2019 to 2023. The companies amalgamated effective January 1, 2019, and the new company is called Enbridge Gas Inc.

Enbridge Gas Inc. (Enbridge Gas) filed a complete application with the OEB on December 14, 2018 under section 36(1) of the *Ontario Energy Board Act, 1998* seeking approval for changes to its natural gas rates effective January 1, 2019. On December 3, 2018, the OEB declared the current rates of Enbridge Gas to be interim effective January 1, 2019 until the OEB issues a final rate order in this matter.

In Decision and Procedural Order No. 2 dated April 1, 2019, the OEB approved an Issues List for the proceeding. In that decision, the OEB determined that gas supply planning is out of scope in this proceeding and the OEB would not review the gas cost consequences of the 2019 Gas Supply Plan for the Enbridge Gas Distribution rate zone.

The OEB acknowledged that 2019 is a period of transition and that there was no approved gas supply plan for 2019. To the extent that any approvals are essential to the continued adjudication of QRAM applications, the OEB suggested that these could be identified by Enbridge Gas and filed in a stand-alone application.

On April 11, 2019, Enbridge Gas filed a letter expressing concerns over the exclusion of the review of the gas cost consequences for the Enbridge Gas Distribution rate zone.

Enbridge Gas noted that gas costs are Y-factors and that it has not proposed any changes to the methodology for passing through these costs.

Enbridge Gas further noted in its letter that the upcoming Gas Supply Planning Framework Review will address the gas supply plan for the 2020 to 2024 period and not the 2019 gas supply plan for the Enbridge Gas Distribution rate zone. Given that the necessary evidence has already been filed in this proceeding, Enbridge Gas submitted that its proposal to adjust rates to reflect changes to the 2019 Gas Supply Plan should not be precluded by Decision and Procedural Order No. 2. Enbridge Gas argued that filing a separate application would result in regulatory inefficiency and a further delay in Enbridge Gas' ability to recover costs that have been traditionally passed through to customers.

The OEB understands the position of Enbridge Gas, but the OEB concludes that a review of a new 2019 Gas Supply Plan is a significant undertaking and is not appropriate in the current proceeding, which is fundamentally about making mechanistic adjustments based on a rate-setting framework approved in a prior application. A review of the 2019 Gas Supply Plan is necessary to determine the appropriate Y-factor recovery for the cost consequences of that plan. The Y-factor for 2018 was based on an updated 2018 Gas Supply Plan reviewed as part of Enbridge Gas Distribution's 2018 rates proceeding.¹ In Enbridge Gas Distribution's 2014 rates application, the OEB approved a five year Custom Incentive Rate (IR) framework to be used for the fiscal years 2014 through 2018.² The rate order in that proceeding approved the elements that were to be updated during the 2015 through 2018 Custom IR process, which included the annual gas supply plan.³ This process ended in 2018.

Enbridge Gas has indicated that the total revenue requirement impact of changes to the 2019 gas supply portfolio is approximately \$4 million. The OEB acknowledges Enbridge Gas' concerns that a stand-alone application may not be the most efficient option. The OEB also recognizes that the hearing of any stand-alone application for 2019 would likely occur at the same time as the OEB is considering Enbridge Gas' 2020-2024 Gas Supply Plan, which could lead to confusion or potentially conflicting direction for the adjacent time periods. In the alternative, the OEB is prepared to establish a 2019 Gas Supply Plan Cost Consequences deferral account for the Enbridge Gas Distribution rate zone that would track the proposed amounts from January 1, 2019 for recovery to be

¹ EB-2017-0086

² EB-2012-0459

³ EB-2012-0459, Rate Order, August 22, 2014, Appendix E, Point#3

reviewed and disposed of as part of a future proceeding. The account should identify the major cost components of the gas supply to be tracked separately within the account (e.g. commodity, transportation, storage, renewable natural gas, etc.).

The outcome of the OEB's review of the 2020-2024 Gas Supply Plan should help inform the OEB's review of the prudence of the 2019 Gas Supply Plan.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. At the time Enbridge Gas files a draft rate order, it shall also file a draft accounting order for the *Enbridge Gas Distribution 2019 Gas Supply Plan Cost Consequences Deferral Account*, and serve it on all parties.

All filings to the OEB must quote the file number, EB-2018-0305 and be made electronically in searchable/unrestricted PDF format through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date. With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Khalil Viraney at Khalil.Viraney@oeb.ca and OEB Counsel, Ian Richler at Ian.Richler@oeb.ca.

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DATED at Toronto, **April 17, 2019**
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary