

April 24, 2014

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2014-0039 Enbridge Gas Distribution Inc. = April 1, 2014 QRAM Application**

On March 12, 2014, Enbridge Gas Distribution Inc. ("EGD") filed an Application with the Ontario Energy Board ("Board") for an order approving interim rates for the sale, distribution, storage and transmission of gas effective April 1, 2014. The application was made in accordance with the Quarterly Rate Adjustment Mechanism ("QRAM"), the method by which EGD makes gas cost changes.

EGD's application sought an increase of approximately \$400, on an annualized basis for a typical residential consumer that buys gas from EGD. The increase is the result of two factors. Approximately \$250 is related to the variance between EGD's forecast gas costs and what EGD actually paid over the winter period. This was the result of a cold winter that caused an increase in customer demand and natural gas prices. The remaining amount, approximately \$150, is related to the forecast price of natural gas for the period April 1, 2014 to March 31, 2015 on which current prices are based. The Council notes that these have been determined on the basis of a typical customer, so some customer bills may be higher or lower.

The Board received comments from a number of parties and concerned citizens with respect to EGD's Application. In its Decision and Rate Order dated, March 27, 2014, the Board indicated that it found nothing to trigger a more extensive review of prudence of the actions taken by EGD to purchase gas by its customers. Accordingly, it approved, on an interim basis, recovery of EGD's gas costs. The Board indicated it recognized the value of providing accurate price signals to customers, but acknowledged that the level of increase proposed is such that mitigation should be considered. On April 1, 2014, the Board made a provision for discovery and further submissions on mitigation options.

These are the further submissions of the Consumers Council of Canada ("Council") regarding EGD's Application.

The impacts of this Application on customers' bills are significant, and for some customers will represent rate shock. Although the magnitude of these increases will not be realized on customer bills until the next heating season in a significant way, it is important that the Board address the mitigation issues now. The Council notes that 48% of EGD's customers are on the Budget Billing Plan. However, that means that 52% are not and those customers will, in the absence of mitigation, not be subject to any type of bill smoothing.

The Council submits that in order to keep unit rates lower over the winter heating season, the Board should not implement any mitigation (reducing the unit rates approved in the March 27 Decision)

until the November QRAM. At that time the Board should consider what mitigation plan is most appropriate. The balances in the PGVA will be different given actual consumption since April. In addition, the forward prices used to set the rates at that time may be different. In order to allow for stakeholder comment at that time, EGD should be required to file its QRAM Application two weeks before the normal filing requirement.

The Council recognizes that a number of considerations are at play. The carrying costs of mitigation could be significant (in the range of \$5 million). In addition, intergenerational equity is a factor if future customers are required to pay for costs incurred before they came on to the system. In addition, the Board has to be concerned about distorting market prices. However, given the level of increases resulting from this past winter, the Council is of the view that, even in light of these considerations mitigation is required. How it is done can be considered in November. The QRAM process has been largely mechanistic, but in certain circumstances it is important for the Board to expand the process to ensure that it is doing what is best for ratepayers in terms of assessing options.

The Council does not see value in telling customers now that the amounts incurred through the winter of 2014 will be recovered over the next 27 months. The customers should be more interested in knowing in November what rates will be in place for the coming winter months.

In large measure, absent the extensive press coverage, EGD's customers would not have known about the April rate increase until they actually received their bills. In future, this has to change. To the extent EGD becomes aware of large PGVA balances accumulating, and significant rate increase coming, EGD should make efforts to communicate this to its customers. Customer notice of rate changes and communication efforts need to be ramped up. In this case customers should be provided with a thorough explanation as to why gas costs have increased so significantly, and how this will impact their bills. Better notice will allow customers to take measures, to the extent they can, to reduce the overall bill impacts. EGD should also be assisting its customers in this regard making sure that customers are aware of its Budget Billing Plan, demand side management programs, and any other payment assistance options.

The Council appreciates having been given the opportunity to make submissions in this matter.

Yours truly,

*Julie E. Girvan*

Julie E. Girvan

CC: EGD Regulatory  
Fred Cass, Aird & Berlis  
All parties  
Consumers Council of Canada