



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION ON SUPPLEMENTARY SETTLEMENT PROPOSAL

Enbridge Gas Distribution Inc.

2015 Rate Adjustment

Board File No. EB-2014-0276

April 10, 2015

Introduction

Enbridge Gas Distribution Inc. has filed with the Ontario Energy Board (OEB) a settlement proposal dated March 13, 2015 (Settlement Proposal) concerning its application for an order approving or fixing rates commencing January 1, 2015.

On April 9, 2015 Enbridge filed a supplementary settlement proposal (Supplementary Settlement Proposal) concerning the single remaining unsettled issue of the Settlement Proposal which has now been termed the “Upstream Capacity Management Issue” (see page 3 of 9 of the Supplementary Settlement Proposal). All parties have agreed to the Supplementary Settlement Proposal (except APPRO who took no position). Collectively the two settlements mean that there are no contested matters remaining in the proceeding for Board adjudication.

Staff filed its submission on the original Settlement Proposal on March 18, 2015. This current submission addresses the Supplementary Settlement Proposal.

Context - Supplementary Settlement Proposal

The original Settlement Proposal described the unsettled issue as follows:

No settlement was reached with regard to Enbridge’s 2015 gas supply plan because there is an outstanding issue about the appropriateness of the methodology Enbridge follows in the month-to-month management of the unutilized upstream transportation capacity it holds some times of the year under upstream transportation contracts. Intervenors are concerned that Enbridge is failing to follow an appropriate methodology to manage this excess upstream [sic] transportation capacity so as to prudently mitigate 2015 UDC which is forecast in the amount of \$166.4 million.

Subsequent to the filing of the original Settlement Proposal, the parties (led by FRPO and CME) continued to discuss the Upstream Capacity Management Issue with Enbridge and arrived at a full agreement.

Submission

Staff observes that this Supplementary Settlement Proposal provides for a new framework for the management and mitigation of potentially large unabsorbed demand charges (possibly as much as \$166.4 million for 2015) that have arisen in the 2015 gas supply plan because of Enbridge’s reliance on TCPL’s long haul Firm Transportation or “FT” contracting service for upstream pipeline capacity. The long haul FT contract has a “take or pay” feature meaning that the contracted capacity

must be either used, or if not used, then paid for. As background, the UDC costs became recoverable from ratepayers in 2014 with the OEB at that time approving the creation of a UDC Deferral Account to record the UDC costs as part of an all-party Settlement Agreement¹. The UDC Deferral Account continues to be in place for 2015².

The Supplementary Settlement Proposal provides a principle based framework for managing the UDC as the 2015 year progresses with a view to mitigating the costs where possible, while also taking important steps to ensure that Enbridge's storage assets are full by the start of next winter. The framework essentially introduces more rigour into the gas supply management process by, for example, forcing "decision points" each month during the year where Enbridge will determine how much FT capacity can be released and how much should be used for utility purposes. The monthly "decision point" process is described starting at page 6 to page 9 of the Supplementary Settlement Proposal. The new framework also extends to future years in the event that UDC is forecasted in such years (page 9).

Staff notes that Enbridge has already commenced activities towards UDC mitigation in March 2015 and has thus far realized \$8.5 million of benefits to customers; funds that in the absence of such management may not have been generated. This is mentioned at page 6 of the Supplementary Settlement Proposal.

Staff is of the view that the proposed framework is beneficial to gas customers. Its existence will focus attention on UDC mitigation efforts and in staff's opinion, will also increase the likelihood that UDC costs will be lower than would otherwise be the case. Staff therefore supports the OEB's acceptance of the Supplementary Settlement Proposal.

OEB staff has also reviewed the Supplementary Settlement Proposal in the context of the applicable OEB policies, relevant OEB decisions, and statutory obligations of the OEB. OEB staff submits that the OEB's acceptance of the Supplementary Settlement Proposal would adequately reflect the public interest and would result in just and reasonable rates for customers.

OEB staff is also of the view that the explanation and rationale accompanying the Supplementary Settlement Proposal thoroughly supports its acceptance by the OEB.

¹ See OEB Decision on Issues List and Decision on Motion, Enbridge Custom IR proceeding EB-2012-0459 dated November 5, 2013. The Settlement Agreement is filed and dated October 29, 2013.

² See evidence Deferral and Variance Accounts D2/T1S1 pages 22 and 23 of 25 EB-2014-0276.

All of which is respectfully submitted.