



# **ONTARIO ENERGY BOARD**

## **OEB STAFF SUBMISSION ON SETTLEMENT PROPOSAL**

**Enbridge Gas Distribution Inc.**

**2014 Earnings Sharing and Deferral and Variance Account Clearances**

**OEB File No. EB-2015-0122**

**August 6, 2015**

## Introduction

On July 30, 2015 Enbridge Gas Distribution Inc. (Enbridge) filed a settlement proposal (Settlement Proposal) with the Ontario Energy Board (OEB) concerning its application for an OEB order approving the clearance of balances recorded in certain deferral or variance accounts to its customers (application). This includes the 2014 earning sharing mechanism calculation and the amount recorded in the 2014 earning sharing mechanism deferral account.

## Custom IR Context

The context of the application is that a review and disposition of certain deferral and variance accounts will take place annually. This review is a required process within Enbridge's 2014 to 2018 Custom Incentive Regulation framework which was approved in OEB proceeding EB-2012-0459 (Custom IR). The application also included reporting on productivity and gas supply planning, and status updates on a number of major initiatives (GTA project, WAMS, System Integrity, Benchmarking and Asset Management) pursuant to the OEB decision in the Custom IR. There was no relief sought by Enbridge in relation to these reporting items.

The Custom IR provides for annual earnings sharing on a 50:50 ratepayer-shareholder basis as well as the review and disposition of certain deferral and variance account balances.

## Settlement Proposal

The Settlement Proposal indicates a complete settlement among all participating parties on all issues. The key points of settlement are the following:

1. In the earnings sharing mechanism deferral account, the amount of \$12.8 million (customer credit) was settled with no adjustments to the as-filed amount.
2. In relation to the 11 other deferral and variance account balances proposed for clearance, all were settled with no adjustments to the as-filed amounts. Each account is listed in the Settlement Proposal and discussed in the evidence.
3. The unit rates and timing of the clearances was settled, as-filed, for implementation as a one-time bill adjustment in conjunction with Enbridge's October 1, 2015 QRAM.

The Settlement Proposal also included an agreement on Enbridge's plans for incremental storage capacity. Enbridge agreed to perform a detailed review of the need for incremental storage in future years with the support of an external consultant.

### **Submission**

OEB staff has reviewed the Settlement Proposal filed in the context of Enbridge's Custom IR, other applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. OEB staff is of the view that the application and Settlement Proposal adequately reflects the OEB's direction in the Custom IR and protects the public interest.

OEB staff supports the Settlement Proposal on the following basis:

- The bill impacts are moderate (\$0.30 charge for a typical residential customer and \$60 charge for a commercial customer).
- The deferral and variance accounts conform to the relevant accounting orders and the earnings sharing amount was calculated in a manner consistent with previous years.

Staff is supportive of the agreement for a review of Enbridge's future storage requirements. In this regard, staff would like to point out that the OEB intends to conduct a review of gas supply planning this fiscal year and it is expected that storage will be a consideration in this review. The Enbridge storage review may prove to be helpful in the OEB's review of gas supply planning particularly if it is completed within the same general timeframe. Also, staff wishes to raise a possibility that the outcome of the OEB's review could result in additional reporting or other requirements for the gas utilities as it relates to storage. Should this be the case, Enbridge's review would not necessarily preclude the OEB from requiring different data or analysis once its gas supply planning review is completed.

In terms of implementation, OEB staff is supportive of the agreement to clear the balances in conjunction with the October 2015 QRAM. This approach is consistent with previous OEB decisions.

In conclusion, the OEB's acceptance of the 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 Settlement Proposal is sufficient to support its acceptance by the OEB.

All of which is respectfully submitted.