



**Ontario Energy Board
Commission de l'énergie de l'Ontario**

DECISION AND ORDER

EB-2016-0367

ENBRIDGE GAS DISTRIBUTION INC.

**Application for an accounting order approving the establishment
of a variance account**

BY DELEGATION, BEFORE: Theodore Antonopoulos

April 6, 2017

INTRODUCTION AND SUMMARY

On December 6, 2016, Enbridge Gas Distribution Inc. (Enbridge) filed an application with the Ontario Energy Board (OEB) for an accounting order. More specifically, the application sought the establishment of a variance account related to revisions made by the OEB to its Cost Assessment Model, which is used to apportion the OEB's costs under section 26 of the *Ontario Energy Board Act, 1998* (OEB Act).

PROCESS

The OEB has considered the application without holding a hearing pursuant to section 6(4) of the OEB Act.

THE APPLICATION

On February 9, 2016, the OEB issued a letter to regulated entities subject to the OEB's Cost Assessment Model entitled *Revisions to the Ontario Energy Board Cost Assessment Model*. The OEB advised that it had established a variance account for electricity distributors and transmitters to record any material differences between OEB cost assessments currently built into rates and cost assessments that result from the application of the revised Cost Assessment Model, effective April 1, 2016. The letter also noted that the OEB authorized the establishment of a similar variance account for natural gas distributors, Ontario Power Generation and the Independent Electricity System Operator. Entries into the variance account were to be made on a quarterly basis when the OEB's cost assessment invoice was received. Carrying charges at the OEB prescribed rate applied to the account.

During the course of its 2017 rate proceeding¹, Enbridge requested and received OEB approval for the establishment of a 2017 OEB Cost Assessment Variance Account. Enbridge filed the current application in order to request the establishment of a 2016 OEB Cost Assessment Variance Account, along with a draft accounting order for the requested variance account. Enbridge submitted that it had not previously requested approval for the 2016 account due to the timing of its 2016 rate proceeding and the issuance of the OEB's February 9, 2016 letter.

FINDINGS

The February 9, 2016 letter established an OEB Cost Assessment Variance Account for natural gas distributors relating to changes to the revised Cost Assessment Model, effective April 1, 2016. A utility-specific accounting order is not required when

¹ EB 2016-0215

the OEB establishes generic accounts; nor is one required for each year affected by the subject change. In the OEB's view, the February 9 letter provided sufficient direction for all rate regulated utilities to establish an account to track the subject variances until their next cost-based application.

However, in light of the fact the OEB approved an account specifically for the 2017 calendar year in response to Enbridge's request in its 2017 rate update application, the OEB will approve the establishment of the 2016 OEB Cost Assessment Variance Account. The account will capture material differences between OEB cost assessments currently built into rates and cost assessments that result from the application of the revised Cost Assessment Model for the 2016 period. The accounting treatment is set out in Schedule A.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Distribution Inc. shall establish the 2016 OEB Cost Assessment Variance Account as set out in Schedule A, effective April 1, 2016.

DATED at Toronto, April 6, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Schedule A

Accounting Order

Enbridge Gas Distribution Inc.

Board Order No: EB-2016-0367

Dated April 6, 2017

Accounting Order

Account 179.946 Ontario Energy Board Cost Assessment Variance Account (2016 OEBCAVA)

For the 2016 Fiscal Year
(Effective April 1, 2016 to December 31, 2016)

The purpose of the 2016 OEBCAVA will be to record any material variances between the OEB costs assessed to Enbridge through application of the revised Cost Assessment Model, which became effective April 1, 2016, and the OEB costs which were included in rates during the Custom IR term, which were determined through application of the prior Cost Assessment Model. Entries into the variance account will reflect OEB cost assessment invoices received after April 1, 2016 and will thereafter be made on a quarterly basis when the OEB's cost assessment invoice is received.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved interest rate methodology. The balance of this account, together with carrying charges, will be disposed in a manner to be designated by the OEB in a future rate hearing.

Accounting Entries

1. To record the variance in OEB costs:

DR Account 179.946 2016 OEBCAVA
CR Account 251.010 Accounts Payable

To record the variance in OEB costs assessed under the revised Cost Assessment Model and the costs assessed under the prior Cost Assessment Model.

2. Interest accrual:

DR Account 179.956 2016 OEBCAVA, Carrying Charges
CR Account 323.000 Interest expense

To record simple interest on the opening monthly balance of the 2016 OEBCAVA using the Board approved EB-2006-0117 interest rate methodology.