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September 17, 2018

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2018-0249: Enbridge Gas Distribution Inc. (EGD) October 1, 2018 QRAM Application.

Industrial Gas Users Association (IGUA) Comments.

We write as legal counsel to IGUA.

IGUA's Position on Proposed Rate Adjustments

IGUA's advisors, Aegent Energy Advisors Inc. (Aegent), have reviewed EGD's Application for quarterly adjustment of rates (GRAM) to be effective October 1, 2018. Based upon Aegent's advice, IGUA is satisfied that, subject to two concerns raised below, EGD has properly followed the GRAM methodology approved by the OEB's EB-2008-0106 Decision.

However, in the instant application EGD addresses two unique issues in respect of which IGUA requires additional information before it can provide final comment. These issues relate to; i) the volumes which EGD proposes to use for interim clearance of cap & trade recoveries from customers; and ii) historical GRAM errors resulting in reported under-recovery by EGD of \$27.9 million in commodity costs which EGD is now seeking to recover.

1. **Interim Disposition Cap & Trade Credit Amounts.** In response to the Board's direction EGD proposes in this application to dispose of the net credit amount in the aggregate balance of its cap and trade variance and deferral accounts on an interim basis. However, while Union Gas Limited (Union) responded to this direction by proposing to use the contract customer volumes on which the charges were initially collected to derive the customer specific refund, EGD (as we understand it) proposes to use the volumes at the time of the customer bill (October 2018 volumes) in which the refund is provided to derive the customer specific

refund. In the result, while Union's refunds will reconcile on a customer specific basis, it appears EGD's will not.

It is not clear whether EGD's eventual true-up of these refunds will ultimately match customer volumes on which the refunds are derived with the volumes on which the collections were made.

IGUA suggests that EGD, in its reply comments:

- a. Indicate if, and if so why, EGD is unable to use actual customer volumes at the time of cap and trade charge collection as the basis for deriving cap and trade refunds, as Union is proposing to do.
 - b. Clarify whether the eventual true-up by EGD of these cap and trade refunds will be based on actual customer volumes at the time of the collections rather than customer volumes at the time of the refunds.
2. **Proposed Recovery of Historical Adjustments.** At paragraphs 12 through 18 of Exhibit Q4-2, Tab 1, Schedule 1, EGD describes its proposal to recover through the current QRAM what we understand to have been two errors (missed amounts) from previous rate year QRAM recoveries.

The first error is reported to have been a mis-entry of the actual unit cost of supply for December, 2014, which was included in the period addressed in EGD's April 2015 QRAM. EGD is seeking to recover an additional \$7.5 million from customers in the current QRAM on account of this error. EGD also refers in connection with its evidence on this historical error to a PGVA and related commodity costs audit conducted by the OEB in 2015 which yielded one finding and three observations subsequently addressed by EGD.

EGD describes the second error as relating to the atypical 24 month clearance arising from the July 2014 QRAM and following the 2013-14 winter. However, as we understand it, the fact that this particular (July 2014) QRAM balance recovery was spread over 24 months rather than the typical 12 months would not have impacted the 2 month lag that is described by EGD as typical of its QRAM actual versus forecast recovery variance true-up. In other words, it is always the case that the variance between actual and forecast variance recoveries is trued up 2 QRAMs (i.e. 2 quarters) following the conclusion of the recovery period. The fact that following the 2013-14 winter the applicable variance was cleared over 24 months rather than 12 would not, as we understand EGD's process, have affected, one way or another, the typical 2 quarter lag in tracking actual versus forecast recoveries. Yet EGD seems to suggest that the 24 month clearance period somehow contributed to a substantial \$20.4 million under collection which EGD is now seeking to recover. EGD also describes in its evidence related to this error "*additional analysis*" which it has developed in order to avoid similar errors in the future.

IGUA suggests that EGD, in its reply comments:

- a. Provide further information on the cited 2015 OEB audit, and in particular;
 - i. clarify the relevance of this audit to the recovery sought by EGD in the current application; and
 - ii. explain the “one finding and three observations” and what EGD has done in response to these.
- b. Clarify how the atypical 24 month clearance period for the winter 2013-2014 QRAM balance addressed in the April 2015 QRAM influenced the error which resulted in EGD missing \$20.7 million in gas cost recoveries and which EGD now seeks to rectify (perhaps by way of one or more examples).
- c. Provide detail on the “additional analysis that provide [sic] better clarity on the outstanding gas cost balances in the PGVA are [sic] being cleared through Rider C” [T1/S1/para. 18] which EGD reports to have developed as a result of its discovery of these historical errors.
- d. Disaggregate the principal and interest amounts attributable to each of these unrecovered amounts.

IGUA is also concerned that due to the intended mechanical nature of QRAM proceedings there are a number of ratepayer intervenors whose constituents will be impacted by these material proposed rectifying recoveries that are likely unaware of the issues raised and of EGD's proposal to dispose of these material variances. We note that EGD's transmittal letter did not flag these errors. We also note (thanks to Agent's diligence) that in analogous circumstances in Union's January 2011 QRAM application [EB-2010-0359], in which Union proposed certain “prior period deferral account adjustments” resulting from a number of subsequently discovered errors, the Board in its *Decision and Order* disposed of the application as requested but indicated that parties would be at liberty to inquire regarding these adjustments at the deferral account disposition proceeding for the year in which the QRAM application had been brought. Pending the provision by EGD of further information the Board may wish to consider a similar approach in addressing recovery of these previously missed \$27.9 million in historical commodity costs.

Costs

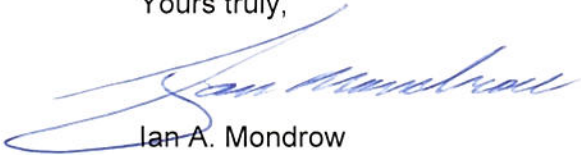
Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services. IGUA requests that the Board award it costs reasonably incurred in review of EGD's QRAM.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Aegent, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Aegent conducts a review of the QRAM application as filed, and provides a report to IGUA. Following receipt and review of Aegent's, IGUA is either in a position to advise the Board that it has no cause for objection or, as is the case in this instance, is able to raise any specific and duly informed concerns with the application.

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,


Ian A. Mondrow

- c. Dr. Shahrzad Rahbar (IGUA)
Andrew Mandyam (EGD)
Tania Persad (EGD)
Fred Cass (Aird & Berlis LLP)
Valerie Young (Aegent)
Intervenors of Record (EB-2017-0086)

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