



# **ONTARIO ENERGY BOARD**

## **OEB STAFF SUBMISSION**

**Enbridge Gas Distribution Inc.**

**EB-2018-0249**

**OCTOBER 2018 QUARTERLY RATE  
ADJUSTMENT MECHANISM (GRAM)**

**September 19, 2018**

## Introduction

Enbridge Gas Distribution Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) on September 11, 2018 under section 36 of the *Ontario Energy Board Act, 1998* for an order approving or fixing rates for the sale, distribution, storage, and transmission of gas effective October 1, 2018.

In addition to the quarterly adjustment of rates and the implementation of the clearance of its 2015 DSM deferral and variance balances, Enbridge Gas is requesting the following, as per the OEB's letter of direction dated August 30, 2018:

- The elimination of Cap and Trade charges from its rates schedules effective October 1, 2018
- The clearance, on an interim basis, of the balances in its Cap and Trade-related deferral and variance accounts in October 2018

Enbridge Gas is also requesting the clearance of Purchased Gas Variance Account (PGVA) balances from the April 2015 Quarterly Rate Adjustment Mechanism (QRAM), the July 2016 QRAM and the October 2016 QRAM.

## Cap and Trade-related Adjustments

In accordance with the OEB's letter of direction dated August 30, 2018, Enbridge Gas filed three tables relating to the forecasted balances of Enbridge Gas' Cap and Trade deferral and variance accounts as of September 30, 2018, including the Cap and Trade administrative costs it incurred after the announced termination of the Cap and Trade program on July 4, 2018. Enbridge Gas also filed its proposed interim Cap and Trade clearance unit rates by rate class, and the tables demonstrating the derivation of these rates.

As stated in the August 30, 2018 letter, the OEB does not expect to be able to complete, prior to October 1, 2018, a proper prudence review of the amounts in these accounts to ensure that all costs incurred were appropriate.

Enbridge Gas has filed the information requested by the OEB in the August 30, 2018 letter. OEB staff has not conducted a detailed review of the costs, nor of the cost allocation and rate design proposals. OEB staff will conduct its detailed review of the costs when the OEB commences the prudence review.

## **PGVA Adjustments**

Enbridge Gas also filed evidence regarding two outstanding true-ups from previous QRAMs, specifically the April 2015 QRAM, and the July 2016 and October 2016 QRAMs.

### ***April 2015 QRAM***

Enbridge Gas states that the December 2014 true-up shown on the Gas Acquisition Costs Component of the PGVA in Exhibit Q2-3, Tab 1, Schedule 2 page 1 Item 9, Column 1 as filed in EB-2015-0027 did not fully capture the amount that still resides in the PGVA account. With the revised schedule filed in Exhibit Q4-3, Tab 1, Schedule 6 page 2 of this application, Enbridge Gas states that an outstanding true-up amount of \$7.5 million remains to be collected from customers.

### ***July 2016 and October 2016 QRAM***

Enbridge Gas also identified balances that were not included in the Rider C calculations for the July 2016 and October 2016 QRAMs.

Enbridge Gas explained that Rider C unit rates are developed based on budget volumes, which are then applied to actual customer consumption and can result in either over- or under-collection of clearance amounts. Given the discrepancy between when the actual information is available and the timing of the QRAM application filing, the actual variances of the last two months of the quarter are only captured in the subsequent QRAM application.

Given the enormous amount to be cleared in the April 2014 QRAM, the OEB ordered Enbridge Gas to spread the clearance over 24 months/eight quarters rather than the usual 12 months/four quarters, beginning with the July 2014 QRAM. Enbridge Gas states that the anomaly of the 24 month clearance, and the process it previously had in place, resulted in true-up variances (between forecasted and actual clearance amounts that occurred in Q1 and Q2 of 2016), which were not included in Rider C calculations and remain on the balance sheet. As a result, Enbridge Gas states that an outstanding true-up amount of \$20.4 million remains to be collected from customers.

Enbridge Gas further states that as a result of finding these errors, it has developed additional monthly analysis to ensure that outstanding gas cost balances in the PGVA are being cleared through Rider C, and that it has identified all outstanding true-ups.

***OEB Staff Position***

OEB staff notes that the PGVA is intended to serve as a variance account to track the difference between Enbridge Gas' payments to market suppliers, and the amounts recovered from customers for the commodity. At every QRAM, the PGVA is trued up to reflect any differences between the forecast and actual costs and volumes in the last quarter, as well as any differences between the amounts that were forecast to be recovered through rate riders and the actual amounts collected. Together, these variances are built into the requested rider for the subsequent period.

There is a question in OEB staff's mind, however, as to whether the recovery of these outstanding balances, as proposed by Enbridge Gas, would be considered an out-of-period adjustment given the length of time that has elapsed since these riders concluded and their true up would normally have been expected. OEB staff submits that it would assist the OEB if Enbridge Gas provided an explanation as to why Enbridge Gas believes that disposing of these outstanding balances would not amount to retroactive ratemaking.

OEB staff submits that given the short time frame of the QRAM process, it would be difficult for the OEB to undertake a complete review of the amounts to ensure that they are appropriate. OEB staff submits that the OEB could approve the disposition of the PGVA balance (reflecting the adjustments from April 2015, July 2016 and October 2016 QRAMs) on an interim basis, and determine the final balance after it establishes whether or not the proposed adjustments are appropriate.

All of which is respectfully submitted.