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## **BY E-MAIL AND WEB POSTING**

January 17, 2019

**TO: All Rate-Regulated Natural Gas Distributors  
All Rate-Regulated Electricity Distributors  
All Licensed Gas Marketers  
All Parties in EB-2017-0086, EB-2017-0087 and EB-2018-0235  
All Other Interested Parties**

**RE: Consultation on Moving to a Single Annual Natural Gas Rate Application  
EB-2017-0257**

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Today the Ontario Energy Board (OEB) is initiating a consultation to consider the merits of moving to a single annual natural gas rate application that will include both delivery-related and commodity-related rates from each rate-regulated natural gas distributor. This letter provides an overview of the initiative and the consultation process for the natural gas sector, including how interested stakeholders may participate.

This consultation will examine integrating and aligning the natural gas delivery-related and commodity-related rates and their impacts, given that natural gas distributors file several delivery-related applications each year, and four applications annually for commodity price-setting.

The OEB is also considering examining the frequency of electricity price setting for the Regulated Price Plan (RPP) at a later date, with due consideration for the approach to price setting under the *Fair Hydro Act, 2017* and the OEB's RPP Roadmap initiative - a multi-year plan to improve the RPP over time so that it better supports policy objectives. That initiative currently has pricing pilots underway. The review of the frequency of price adjustments and their integration with delivery-related applications may be the next step.

## Background

Customer natural gas bills include both delivery-related and commodity-related rates. Delivery-related rates recover the costs associated with distributing natural gas. Commodity-related rates recover the price of natural gas.

To establish natural gas delivery-related rates, natural gas distributors currently file three rate applications per year with the OEB:

- Annual rate applications are typically filed in the late summer or early fall of each year
- Deferral and Variance Accounts (DVA) applications are filed in the spring of each year
- Demand Side Management DVA applications are filed in the fall of each year

Natural gas commodity-related rates are currently set by the OEB four times a year for customers who purchase their gas supply from their distributor. The Quarterly Rate Adjustment Mechanism (QRAM) applications are effective on January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, and October 1<sup>st</sup>, and are filed by the second week of the preceding month.

The timing and implementation of these various delivery-related and commodity-related rate applications are currently not aligned.

The current rate-regulated natural gas distributors are Enbridge Gas Inc. (including the former Union Gas Limited service territories) and EPCOR Natural Gas Limited Partnership.

## The Consultation

The OEB's [Renewed Regulatory Framework](#) (RRF) articulates the OEB's goal for an outcomes-based approach to regulation which aligns the interests of customers and utilities. The RRF establishes an expectation for integrated and robust utility planning that demonstrates value for money by delivering services that meet the needs of customers while controlling costs. The [Handbook for Utility Rate Applications](#) released in October 2016, outlined similar expectations (for the alignment and integration) of all rate-regulated utilities, including natural gas distributors.

In addition, the OEB has recently issued its [Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans](#). The OEB, in its report, established the filing requirements for an integrated Gas Supply Plan. The integrated Gas Supply Plan will inform the Utility System Plan and other aspects of a gas distributor's functions.

The OEB is of the view that the next step in this integration process is to review the cost consequences of a natural gas distributor's core functions in one integrated annual gas rate application. The OEB therefore intends to review the merits of moving to a single annual gas rate application which would result in implementing delivery-related rates and commodity-related rates together once per year. This will allow for a more rigorous assessment of the distributor's costs and their impacts.

The OEB is also examining the QRAM process. The QRAM process was established over 15 years ago. It was designed to strike a balance between protecting customers from the impact of short-term rate volatility while still providing some level of market price transparency. However, the natural gas market has changed since then as prices have softened and have remained fairly stable over the years (except for the polar vortex in the winter of 2014). Given these changes, the OEB retained Navigant Consulting Inc. to prepare a North American Natural Gas Outlook and to analyze whether an annual rate adjustment mechanism (ARAM) could be a reasonable alternative to the current QRAM process in the context of a single annual gas rate application.

The OEB is inviting interested stakeholders to participate in a consultation to:

- Examine the benefits and identify any issues with implementing a single annual gas rate application
- Discuss the consultant's analysis on an ARAM to see whether it could be a reasonable alternative to the current QRAM process in the context of a single annual gas rate application

### **Invitation to Participate**

The OEB encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by filing a letter with the OEB by **January 31, 2019** in accordance with the filing instructions set out below. The letter should include a statement as to whether the participant is requesting cost eligibility. All requests for cost eligibility should comply with the requirements referred to under "Cost Awards" below.

### **Cost Awards**

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for participation in cost eligible activities as set out in Appendix A. Appendix A also contains information regarding cost eligibility requests and objections. Costs awarded will be recovered from Enbridge Gas Inc. and EPCOR Natural Gas Limited Partnership based on their respective number of customers.

Filings to the OEB in relation to participation and/or requests for cost awards eligibility must be made in accordance with the filing instructions set out below. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

### Filing Instructions

Parties must submit electronic copies of filings in searchable/unrestricted Adobe Acrobat (PDF) format through the OEB's web portal at [www.pes.ontarioenergyboard.ca/eservice](http://www.pes.ontarioenergyboard.ca/eservice) and also file three paper copies at the address below. Parties will need a user ID to make filings through the OEB's web portal. If a party does not have a user ID, it may visit the "[e-filings services](#)" webpage on the OEB's website at [www.oeb.ca](http://www.oeb.ca) and fill out a user ID password request.

Parties must use the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the OEB's web portal is not available, electronic copies of filings may be filed by e-mail to [boardsec@oeb.ca](mailto:boardsec@oeb.ca). If a party does not have internet access, they may provide a USB flash drive containing your filing in PDF format as described above to the Board Secretary at the following address:

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto ON M4P 1E4

All filings to the OEB must be received by the Board Secretary by **4:45 p.m.** on the required date. Filings must quote file number **EB-2017-0257** and include a party's name, address, telephone number and, where available, an e-mail address and fax number. All filings received by the OEB in relation to this consultation will be available for viewing at the OEB's offices and will be placed on the OEB's website.

Questions about this consultation process should be directed to Laurie Klein at [Laurie.Klein@oeb.ca](mailto:Laurie.Klein@oeb.ca) at 416-440-7661. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary

Attachment: Appendix A Cost Awards

## Appendix A

To Cover Letter Dated January 17, 2019

EB-2017-0257

### COST AWARDS

#### Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the OEB a written submission to that effect by **January 31, 2019**, identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the OEB's cost eligibility criteria as set out in section 3 of the OEB's *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted on the OEB's website.

If a natural gas distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the OEB by **February 11, 2019**. Any objections will be posted on the OEB's website. The OEB will then make a final determination on the cost eligibility of the requesting participants.

#### Eligible Activities

Cost awards will be available in relation to eligible activities as may be scheduled by the OEB. As activities are scheduled as part of this consultation, the OEB will provide participants with further details regarding costs, including total eligible hours.

#### Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's [Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's [Rules, Codes, Guidelines and Forms](#) webpage.