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May 17, 2019

VIA RESS, EMAIL and COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2019-0142 – Enbridge Gas Inc. (“Enbridge Gas”) – Application for
an Accounting Order to Establish a Variance Account**

Enclosed please find the interrogatory responses of Enbridge Gas.

If you have any questions, please do not hesitate to call me at (519) 436-5334.

Yours truly,

(original signed by)

Vanessa Innis
Manager, Regulatory Applications & Strategy

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Draft Accounting Order

Preamble:

Enbridge Gas Inc. has provided a draft Accounting Order (AO) for a proposed variance account required to be established under O.Reg. 24/19. Please provide an updated AO to include the following information:

Question:

- a) The Purpose,
- b) The effective date when Enbridge Gas will begin to record variances,
- c) Use of Sub-Accounts within the variance account to record collections from customers separately from the amounts remitted to the IESO,
- d) How the charges will be applied to customer bills, including the two rate zones that do not have fixed charges,
- e) How the collections from customers will be recorded in the variance Sub-account (please provide sample journal entry into the Sub-account),
- f) How the remittances to the IESO will be recorded in the variance Sub-account (please provide sample journal entry into the Sub-account),
- g) How any over collected amounts returned by the IESO will be recorded in the variance Sub-account, including a sample journal entry,
- h) The date when Enbridge Gas would stop recording variances,
- i) That carrying charges would be applied at the rates prescribed by the OEB and recorded on a monthly basis,
- j) What will happen to the amounts remaining in the variance accounts after the collections have stopped as per the regulation,
- k) When will the variances remaining in this account be proposed for disposition.

Response

- a) Please see the attached updated draft accounting order.
- b) Enbridge Gas believes the effective date for the proposed variance account should be July 1, 2019, to coincide with the effective date of Ontario Regulation 24/19, and the expected commencement for inclusion of the charge on customer bills. In accordance with Ontario Regulation 24/19, Sections 6(4) and 6(6), until such time as Enbridge Gas receives notification to cease collections from customers, all amounts billed to customers will be remitted to the IESO on a monthly basis. Therefore, until

the IESO returns excess collections to Enbridge Gas, the Company does not expect to carry a balance in the variance account. However, upon the IESO's return of excess collections to Enbridge Gas, the amounts returned would be recorded in the variance account for disposition to ratepayers, and would attract interest from that point onwards. Upon receipt of excess funds returned from the IESO, the Company expects that through an application to the Board, it would seek Board approval to return such funds, and any accumulated interest, to ratepayers at an appropriate opportunity (i.e. at the next available QRAM or in conjunction with the clearance of other deferral and variance accounts).

- c) Enbridge Gas does not propose to use sub-accounts in order to differentiate amounts billed to customers from amounts remitted to the IESO because the amounts will be tracked in a liability account to the IESO. Further, as indicated in part b) above, the only amounts expected to be recorded in the variance account are amounts returned to Enbridge Gas from the IESO.
- d) Enbridge Gas proposes to increase the monthly charge for each affected rate class by one dollar effective July 1, 2019. Within the Union South rate zone there are two distribution service rate classes without a monthly charge: Rate M4 firm only and Rate M7. Enbridge Gas proposes to charge these customers a one-time miscellaneous adjustment annually in lieu of a monthly customer charge increase. This adjustment for natural gas expansion will be charged annually on their December bills, which customers receive in January, or upon contract or collection termination, as applicable.

- e) See the response at part c). The sample journal entry to record collections from customers is as follows:

Debit: Account 140 – Accounts Receivable Customer
Credit: Account 251 – Accounts Payable and Accrued Liabilities - Distribution System Expansion Charge Liability

- f) See the response at part c). The sample journal entry for remittances to the IESO is as follows:

Debit: Account 251 – Accounts Payable and Accrued Liabilities - Distribution System Expansion Charge Liability
Credit: Account 130 - Cash

- g) See the response at part c). The sample journal entry for amounts returned by the IESO is as follows:

Debit: Account 130 – Cash
Credit: Account 179.XXX - Expansion of Natural Gas Distribution System Variance Account

- h) At this time, Enbridge Gas is not able to identify the specific date upon which it would stop recording variances in the proposed variance account. However, the Company believes it would cease recording variances in the account once all the following have occurred:
- It has received notice from the IESO that the maximum rate reduction has been distributed, and the collections from customers should cease.
 - Enbridge Gas ceases collections from customers, and all collections are remitted to the IESO.
 - Enbridge Gas receives any over collections returned to distributors by the IESO, for refund to customers.
- i) Enbridge Gas confirms that with respect to its proposed variance account, carrying charges will be applied at the rates prescribed by the OEB, and when applicable recorded on a monthly basis. This is evidenced in the purpose section and description to the second journal entry included in the updated draft accounting order, which both indicate that simple interest will be computed monthly on the opening balance in said account in accordance with the methodology approved by the Board in EB-2006-0117.
- j) Please see the response at part b).
- k) Please see the response at part b).

DRAFT

ENBRIDGE GAS INC.

**Accounting Entries for
Expansion of Natural Gas Distribution Systems Variance Account
Deferral Account No. 179-XXX**

The purpose of Deferral Account No. 179-XXX, is to record the variance between the amounts collected and remitted in accordance with Section 4 of Ontario Regulation 24/19. The only variance expected to arise relates to excess amounts returned to the Company by the IESO.

Simple interest is to be calculated on the opening monthly balance of this account using the Board-approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 130
Cash

Credit - Account No. 179-XXX
Expansion of Natural Gas Distribution System Variance Account

To record, as a credit in Deferral Account No. 179-XXX, the excess amounts returned to the Company from the IESO.

Debit - Accounts No. 323
Other Interest Expense

Credit - Account No. 179-XXX
Expansion of Natural Gas Distribution System Variance Account

To record, as a credit in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple Interest will be computed monthly on the opening balance in said account in accordance with the methodology approved by the Board in EB-2006-0117.