



ONTARIO ENERGY BOARD

**STAFF COMMENTS ON
DRAFT RATE ORDER DATED MAY 25, 2020
ENBRIDGE GAS INC.
2020 RATES APPLICATION
EB-2019-0194**

June 1, 2020

Background

Enbridge Gas Inc. (Enbridge Gas) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on October 8, 2019 seeking approval for changes to its natural gas distribution rates to be effective January 1, 2020. In Procedural Order No. 1 dated November 12, 2019, the OEB accepted Enbridge Gas's request to process and adjudicate the application in a bifurcated manner. Accordingly, Phase 1 of the proceeding addressed the IRM related elements¹ and certain deferral and variance accounts. The applicant and intervenors reached a settlement on all issues in Phase 1 of the proceeding. In a decision issued on December 5, 2019, the OEB accepted the settlement proposal which included an interim rate order for rates reflecting the IRM adjustments effective January 1, 2020.

Phase 2 of the proceeding addressed four discrete issues:

1. Incremental Capital Module (ICM) Funding
2. Cost Allocation Update
3. Unaccounted for Gas (UFG) Report
4. E-billing

The OEB issued its decision on the four discrete issues on May 14, 2020. In its decision, the OEB directed Enbridge Gas to file a draft rate order attaching a proposed tariff of rates and charges reflecting the OEB's findings in the decision. The OEB's determination on ICM funding was the only issue that impacted rates. In light of the province-wide impact of COVID-19, the OEB left the option on the timing of implementation of the rate rider (resulting from the approved ICM funding) to Enbridge Gas. The OEB indicated that it would consider any alternative proposal from Enbridge Gas in the draft rate order that seeks to delay implementation of the rate rider from the approved date of July 1, 2020.

Enbridge Gas filed a draft rate order on May 25, 2020, that included the updated ICM rate riders and customer bill impacts. In response to the impacts resulting from the COVID-19 emergency, Enbridge Gas proposed to delay implement of the ICM rate riders to October 1, 2020 in conjunction with the company's Quarterly Rate Adjustment Mechanism application (QRAM for commodity cost adjustments).

¹ These elements include the annual rate escalation, pass through-costs, capital pass-through adjustments and Parkway Delivery Obligation rate adjustments.

If the rates are implemented October 1, 2020, the total annual bill increase for a residential customer in the Enbridge Gas Distribution rate zone consuming 2,400 cubic metres per year reflecting only the ICM is \$0.56. For a Union South rate zone residential customer consuming 2,200 cubic metres per year, the total annual bill increase reflecting only the ICM is approximately \$2.55. There is no bill impact for a Union North rate zone residential customer as there are no ICM projects applicable to this rate zone for 2020.

Staff Comments on Draft Rate Order

OEB staff has reviewed the draft rate order and is satisfied that it appropriately reflects the OEB's decision of May 14, 2020. The revenue requirement for the two approved ICM projects (Don River Replacement and Windsor Line Replacement) and ICM unit rates have been appropriately calculated.

OEB staff further supports Enbridge Gas's proposal to delay implementation of the rate riders to October 1, 2020. OEB staff has reviewed the submission of London Property Management Association (LPMA) filed on May 26, 2020, wherein the LPMA referenced Enbridge Gas's letter dated May 25, 2020, that proposes to forgo the July 2020 QRAM rate adjustment. LPMA notes that the July 2020 QRAM which will not proceed now, expected a significant increase in the cost of the natural gas commodity. LPMA further indicated that Enbridge Gas is proposing to clear the Federal Carbon Pricing Program deferral and variance accounts for 2019 beginning on October 1, 2020.² In light of the three rate increases that will be implemented on October 1, 2020 (QRAM commodity cost increase, ICM rate riders and Federal Carbon Pricing Program costs), LPMA submitted that the OEB should consider whether it is appropriate to defer implementation of the remaining 2020 rates to October 1, 2020 in place of July 1, 2020. LPMA also noted that there appears to be a number of temporary credits for a number of rate classes in the Union rate zones that expire September 30, 2020. LPMA expressed concern about the potential for a significant impact on customers in October 1, 2020 rates.

OEB staff notes that while the impact of the ICM unit rates are not significant, Enbridge Gas's proposal is consistent with measures adopted by several electricity distributors in Ontario to mitigate distribution rate increases in light of the COVID-19 pandemic. In case there are significant rate impacts for October 1, 2020, OEB staff expects Enbridge Gas to propose appropriate rate mitigation measures to reduce and smoothen the rate impact for customers. OEB staff anticipates that Enbridge Gas will have better

² EB-2019-0247

information at that time with respect to the impacts of the pandemic that will inform any mitigation proposals.

OEB staff further notes that the OEB's Decision of December 5, 2019 accepted the settlement proposal on Phase 1 of the proceeding which included an interim rate order for rates effective January 1, 2020. OEB staff submits that the OEB's rate order should declare the interim rates of January 1, 2020 and the April 2020 QRAM Decision and Interim Rate Order³ final.

- All of which is respectfully submitted -

³ EB-2020-0077, Decision and Interim Rate Order, March 26, 2020.