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September 16, 2020

VIA RESS

Ms. Christine E. Long
Registrar & Board Secretary
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

Re: EB-2020-0195: Enbridge Gas Inc. (EGI) October 1, 2020 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, Jupiter Energy Advisors Inc. (Jupiter) have reviewed EGI's Application for quarterly adjustment of rates (QRAM) for all of the legacy rate zones of Enbridge Gas Distribution and Union Gas Limited, such adjustment to be effective October 1, 2020. Based upon Jupiter's advice, IGUA is satisfied that EGI has properly followed the QRAM methodology approved by the OEB's EB-2008-0106 Decision, subject to the mitigation proposal to use an earlier period forecast than prescribed.

Jupiter has also noted EGI's proposed implementation of 2020 ICM unit rates previously approved [EB-2019-0194] and of 2019 FCPP-related deferral and variance account balances clearance also as previously approved [EB-2019-0247] and is satisfied that EGI proposes to implement these rate elements properly.

In respect of EGI's rate mitigation proposal, we appreciate the clearly explained context and rationale provided by EGI [ExA/T2/S2]. However, we have some concerns regarding the mitigation proposal as presented.

EGI supports its mitigation proposal to use the preliminary (as required by EB-2014-0199) commodity price forecast as of August 3rd rather than the prescribed October QRAM forecast of August 31st as preserving the market-based pricing that underpins the QRAM mechanism. We disagree that this is the result of EGI's proposed mitigation approach. The earlier forecast no longer reflects current market prices, which is precisely why EGI proposes to use it.

EGI's evidence states that alternatives for rate mitigation of the commodity bill were considered but rejected as not reflective of market based prices, and because the August 3rd price forecast was available. We find these reasons unconvincing. As noted above, it is incorrect to say that an outdated forecast continues to reflect market based prices. Further, we note that in order to further mitigate impacts in the Union North West rate zone, EGI is proposing precisely the *"non-mechanistic downward adjustment"* which it rejects for broader application[1], proposing to credit customers gas commodity costs of 2.0000 cents/m^3 to be recovered later through a 1.3335 cents/m^3 charge on higher forecast volumes from January to March, 2021[2].

Combined with variance account treatment for actual vs. recovered gas costs, the result of EGI's proposal will be to partially defer recovery of commodity costs to a future period. Should market dynamics co-operate the commodity rate increase magnitude dictated by the prescribed QRAM methodology as applied in this and the immediately previous QRAM period will not be repeated going into 2021, and OEB approved commodity costs will, over time, realign with prescribed market indicators, though rates which provide for recovery of current deferrals will overstate future market prices for some period of time. The market reflective commodity rate objective of the prescribed QRAM methodology will be compromised under the proposed mitigation proposal.

IGUA acknowledges that this may well be appropriate in the circumstances. Any mitigation proposal will necessarily compromise market reflective commodity rate changes. EGI's proposal to use a previous forecast is no worse in this respect than any other proposal. We are concerned, however, that EGI has not provided any information on what alternative mitigation measures it considered. EGI should provide in its responding submissions additional information on alternatives considered but rejected. In particular, EGI should provide:

1. *An explanation of whether consideration was given to mitigating the commodity increases only where they would otherwise exceed 25% - i.e. for the EGD and Union North West zones[3] - and if so why that option was rejected.*

2. *An explanation of whether consideration was given to retaining market-based commodity price signals but mitigating overall bill impacts for some or all customers by deferring implementation of the previously approved ICM rate riders rather than adopting the August 3rd commodity price forecast, what the impact of such an approach would be, and if it was considered why it was rejected.*

Again, while EGI's mitigation proposal may be as reasonable as any other, its rationale is, with respect, unconvincing, and it has provided little information on alternative that the evidence indicates it considered and rejected. More information would be warranted in support of the proposed departure from the carefully designed prescribed QRAM methodology.

[1] ExA/T2/S2/p7, paragraph 18.
[2] ExA/T2/S2/p9, paragraph 22.
[3] ExA/T2/S2/p3, Table 1.

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 EG'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 what relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Jupiter, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Jupiter conducts a review of the QRAM application as filed, and provides a report to IGUA. Following receipt and review of Jupiter's report, IGUA is either in a position to advise the Board of any concerns or that it has no cause for objection. In this instance, unusual rate impacts and responding mitigation proposals have prompted us to offer additional comment.

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)
Amy Mikhaila (EG)
Tania Persad (EG)
Valerie Young (Jupiter)
Intervenors of Record (EB-2018-0305; EB-2019-0194)

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