

VIA E-MAIL

September 16, 2020

Ontario Energy Board
Attn: Ms. Christine Long, Board Secretary
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

RE: EB-2020-0195 – EGI QRAM Q4 2020 - FRPO Submissions

Introduction

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) in response to the application for QRAM rate changes proposed by EGI in EB-2020-0195. While FRPO has participated in selective QRAM applications in the past on an exception basis, the evolution of Gas Supply discovery associated with the new review framework had prompted our interest in reviewing QRAM applications moving forward. In the initial review of this application, we found several variances from past practice that we believe warranted review on behalf of members. As a result, we provide the following comments for the Board's consideration.

The Application is very Complex for a Mechanistic QRAM Proceeding

Enbridge Gas Inc. (EGI) has applied for QRAM rate adjustment utilizing methodologies that vary from past practices citing consistency with rate mitigation expected as a result of past Board decisions. However, the strategies proposed by EGI are different than those applied in the landmark natural gas case, EB-2014-0199, where the Board approved a two-year recovery deferral account imbalance normally recovered over one year.

Ideally, having more time would have improved the opportunity to review, inquire, clarify and submit comment. In reviewing the application, we recognize that there are a number of "moving parts" which must be brought together to understand what has occurred and why. Beyond the market-driven commodity related changes in the last six

months (as opposed to the traditional three months), this application also included the impact of a number of adjustments including non-commodity deferral account dispositions and clearing of Federal Carbon Charge (FCC) recoveries. However, we accept that additional time is not afforded in a QRAM proceeding unless there is a forecasted commodity rate increase above the Board established threshold 25% threshold which, from our read of the evidence, did not happen in using the August 3rd cut-off for the month ahead analysis.

On the other hand, we make the comment that it is only logical that the 10% total bill impact must have been forecasted to be exceeded for the North West segment of the Union Gas rate zone in the outcome of that analysis. We infer that as the company is using the August 3rd analysis as a basis for the North West rates prior to the “non-mechanistic” change to the distribution rates to avoid the 10% criteria. In reviewing the EB-2014-0199 decision which invoked the 25% commodity rate change requirement for prior Board notification, we recognize that that decision is silent on the requirement for notification of the potential for a 10% total bill change. We note that for the Board’s consideration of the potential enhancement to instruction to the utility at the appropriate juncture.

FRPO Accepts EGI’s Rate Mitigation Proposal as Balanced

Accepting the time limitations at this juncture, FRPO accepts that the proposal results in a certain amount of balance between market-sensitive rates and rate stability for customers. In our review, after understanding the drivers, we had considered advancing alternative proposals for the Board’s consideration. From a pragmatic and practical perspective, we realize that our well-intentioned attempt could not be supported with sufficient data without requesting information from EGI. Even if time were afforded for this step, we understand that our approach may just be considered a variation on the theme of balancing market-sensitivity with stability. As such, we accept the balance that EGI has proposed.

Instead, we would like to advance some insights and ideas from our analysis and consideration that we trust will assist the Board in reviewing this novel application.

Customers are More Sensitive to Gas Rate Increases in the Middle of Winter

As the saying goes, “it goes without saying” that customers do not like rate increases during high periods of utilization – like gasoline price increases for long weekends. The basis of policies around rate mitigation are founded on avoiding rate shock to provide customers with more certainty in their costs. If increased costs are unavoidable, phasing the costs in over time provides some opportunity for customers to be informed about expected changes to their costs to allow choices with their own mitigation strategies. Notwithstanding any utilities’ efforts to communicate pending increases to their customers, a large segment of the customer base will come to understand that there is an increase with the review of their bill. If that bill comes in the middle of January, there is little opportunity for customer driven mitigation. In these days of the conservation being in the social consciousness, prior awareness is valued even more.

Amongst our considered proposals, was a recommendation to approve the significant rate increases applied for, based upon the Aug. 3rd analysis, while freezing the commodity rates for six months. By using the best information available currently, an analysis could be made as to what balances in the respective commodity deferral accounts would be. As an additional step, the Board could signal without, fettering subsequent discretion, that it may be in the public interest to recover those balances over a two-year period starting April 1st. Of course, this approach would result in tipping the balance between rate stability and market-sensitivity differently than the proposed methodology. The one benefit would be the avoidance of the potential for a second successive increase for these customers as of January 1st. To be clear, we are not advocating this approach at this juncture. We are simply providing the Board our thinking for subsequent consideration of QRAM improvements.

Consideration of the Impact of Seasonal Dispositions of Annual Costs

The Union Gas North West rate zone is only zone to breach the 10% total bill impact based on upon the August 3rd analysis. This potential total bill impact prompted the proposed “non-mechanistic” 2 cent reduction for October 1st and subsequent, corrective 1.3335 cent increase on January 1st. The proposed postponement of a portion of the

calculated increase is designed to await the FCC deferral disposition running its course. The completion of the scheduled recovery of the FCC provides downward pressure on the total bill to allow capacity to recover a portion of the calculated rate increase that was postponed due to anticipated increases in delivery rates from a scheduled completion of a credits returned in the summer period¹.

Given the total quantum of expiring credits, 11.55 cents/m³, we sought to determine how that could happen. In reviewing the record of the 2018 deferral proceeding, we came to understand that EGI had proposed appropriate balances to be disposed and parties did not have reason to disagree. In our view, those credits were generated in great part by a cold winter benefit (namely unutilized planned UDC and credit from the difference between forecast and actual NAC²). In retrospect, we could consider whether it is appropriate to channel benefits created primarily in the winter back to customers in the summer period, but that point is debatable. What we will say is that we did not foresee the rate volatility risk we were creating in agreeing to the period of April 1st to September 30th. In fairness to EGI, the parties and Board staff, a review of the summary Draft Rate Order³ does not prompt one to think of the potential rate volatility impact as we historically have strived to clear these accounts expeditiously.

However, struck by the magnitude of the expiry credit, we viewed the North West current residential rates on the EGI website to get a sense of the quantum of credit vs. existing rates⁴. In viewing that presentation, we were keenly aware that it should not make sense from a customer nor regulatory perspective to essentially have a negative transportation rate i.e.,

- Current transportation rate = 5.4533 cents/m³
- Transportation price adjustment = -8.6855 cents/m³

¹ Dispositions from 2018 ESM Deferral Accounts, EB-2019-0105 in place from Apr. 1/20 to Sept. 1/20

² EB-2019-0195 Draft Rate Order, Tab 2, Schedule 2 and Schedule 3 pages 1-2

³ In Attachment 1 to this submission, we provide the summary pages of the EB-2019-0105 Draft Rate Order and have highlighted the North West Rate 1 impacts for the benefit of the Board and readers.

⁴ For the benefit of the Board and readers, we have attached the Current Rates as displayed September 16th at <https://www.uniongas.com/residential/rates/current-rates/rate-01-north-west>

Our purpose in providing the results of the above review is to share the insights we gained in analyzing what drove this anomaly in the hopes that ratepayer groups and EGI can work together with Board staff on reducing the risk of future re-occurrence in the public interest.

Conclusion

This application is complex which makes it a challenge for parties to understand with limited time and opportunity for inquiry. We respect that our colleagues at IGUA and CME have made inquiry and we are looking forward to learning from the company's responses to their inquiry as further learning from this application.

Subject to substantive change in the company's proposal prompted from their scheduled response, we support the implementation of the rates and proposed mitigation plan.

Costs

FRPO has outlined the reason for our involvement in the above introduction. We believe that it was important to share our significant scrutiny and resulting considered support for the mitigation proposed. We trust our additional observations will be of benefit to the Board and, as such, request a cost award of our reasonably incurred costs in the proceeding.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

- c. A. Mikhaila, EGI Regulatory Proceedings
Interested Parties - EB-2020-0095

EB-2020-0195

EGI QRAM Q4 2020

ATTACHMENT 1

to

FRPO Submissions

September 16, 2020

ENBRIDGE GAS INC.
 Union Rate Zones
 Allocation of Deferral Account Balances

Line No.	Particulars (\$000's)	Acct No.	Union North					Union South											Excess Utility (s)	C1 (t)	M16 (u)	Total (1) (v)
			Rate 01 (b)	Rate 10 (c)	Rate 20 (d)	Rate 100 (e)	Rate 25 (f)	M1 (g)	M2 (h)	M4 (i)	M5A (j)	M7 (k)	M9 (l)	M10 (m)	T1 (n)	T2 (o)	T3 (p)	M12 (q)				
Gas Supply Related Deferrals:																						
1	Spot Gas Variance Account	179-107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(7,789)	(1,840)	(455)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	Upstream Transportation Optimization	179-131	108	(47)	1	-	91	8,345	1,775	118	18	71	79	1	-	-	-	-	-	-	-	
4	Deferral Clearing Variance Account - Supply	179-132	-	-	-	-	-	(8)	(336)	(21)	31	(35)	(49)	(1)	-	-	-	-	-	-	-	
5	Deferral Clearing Variance Account - Transport	179-132	(148)	(127)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Total Gas Supply Related Deferrals		(7,830)	(2,014)	(454)	-	91	8,337	1,439	97	49	35	29	0	-	-	-	-	-	-	-	
Storage Related Deferrals:																						
7	Short-Term Storage and Other Balancing Services	179-70	218	57	15	1	-	492	165	53	1	19	6	0	46	335	43	-	-	-	-	
Delivery Related Deferrals:																						
8	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Gas Distribution Access Rule (GDAR) Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	IFRS Conversion Costs	179-120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Conservation Demand Management	179-123	(157)	(53)	(31)	(33)	-	(420)	(180)	(47)	(63)	(17)	-	-	(27)	(63)	-	-	-	-	-	
12	Deferral Clearing Variance Account - Delivery	179-132	(249)	(177)	-	-	-	(402)	(283)	-	-	-	-	-	-	-	-	-	-	-	-	
13	Normalized Average Consumption (NAC)	179-133	(7,033)	(1,467)	-	-	-	(9,178)	(3,413)	-	-	-	-	-	-	-	-	-	-	-	-	
14	Tax Variance	179-134	(76)	(12)	(8)	(6)	(2)	(166)	(25)	(6)	(5)	(2)	(0)	(4)	(19)	(3)	(88)	(0)	(2)	(1)	(0)	
15	Unaccounted for Gas (UFG) Volume Variance Account	179-135	35	12	6	0	2	230	93	47	5	37	6	0	28	220	19	793	3	-	241	
16	Parkway West Project Costs	179-136	5	(4)	(1)	(0)	0	70	8	4	2	1	0	0	4	23	2	(128)	0	(0)	2	
17	Brantford-Kirkwall/Parkway D Project Costs	179-137	(5)	(8)	1	3	1	57	(3)	(0)	4	(1)	(1)	(0)	1	(0)	(5)	(903)	0	1	1	
18	Parkway Obligation Rate Variance	179-138	-	-	-	-	-	150	50	15	0	7	2	0	7	47	17	-	-	-	-	
19	Unaccounted for Gas (UFG) Price Variance Account	179-141	86	30	14	0	5	561	227	115	13	90	14	0	16	130	11	467	7	-	300	
20	Lobo C Compressor/Hamilton-Milton Pipeline Project Costs	179-142	492	23	70	77	28	1,429	84	13	66	(3)	(6)	(0)	23	35	(46)	(8,322)	1	31	(39)	
21	Unauthorized Overrun Non-Compliance Account	179-143	-	-	-	-	-	(2)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(2)	(0)	-	-	-	-	
22	Lobo D/Bright C/ Dawn H Compressor Project Costs	179-144	436	19	47	52	20	1,293	92	19	54	(2)	(7)	0	44	86	(25)	(9,737)	0	117	3	
23	Burlington-Oakville Project Costs	179-149	358	53	39	30	11	(1,489)	(651)	(218)	21	(80)	(27)	(1)	(191)	(1,465)	(188)	308	(4)	11	3	
24	OEB Cost Assessment Variance Account	179-151	250	22	19	16	8	631	59	22	25	6	1	0	16	44	5	117	0	5	3	
25	Base Service North T-Service TransCanada Capacity Account	179-153	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26	Panhandle Reinforcement Project Costs	179-156	133	20	14	11	4	(369)	(183)	(157)	7	(39)	0	0	(166)	(1,288)	3	97	0	4	(419)	
27	Pension & OPEB Forecast Accrual vs Actual Cash Payment Diffe	179-157	(66)	(6)	(6)	(5)	(2)	(161)	(16)	(7)	(8)	(2)	(0)	(0)	(4)	(11)	(1)	(31)	(0)	-	(1)	
28	Total Delivery-Related Deferrals		(5,792)	(1,547)	163	146	75	(7,767)	(4,140)	(200)	122	(5)	(17)	(0)	(252)	(2,263)	(210)	(17,426)	7	165	92	
29	Total 2018 Storage and Delivery Disposition (Line 7 + Line 28)		(5,575)	(1,490)	178	147	75	(7,274)	(3,975)	(147)	123	15	(11)	(0)	(207)	(1,928)	(167)	(17,426)	7	165	92	
30	Total 2018 Deferral Account Disposition (Line 6 + Line 29)		(13,404)	(3,504)	(276)	147	166	1,062	(2,536)	(50)	172	50	18	0	(207)	(1,928)	(167)	(17,426)	7	165	92	
31	2018 Earnings Sharing (2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
32	Grand Total (Line 30 + Line 31)		(13,404)	(3,504)	(276)	147	166	1,062	(2,536)	(50)	172	50	18	0	(207)	(1,928)	(167)	(17,426)	7	165	92	

Notes:
 (1) EB-2019-0105 Settlement Proposal, Dec. 10, 2019, Exhibit N1, Tab 1, Schedule 1, p. 28.
 (2) EB-2019-0105 Settlement Proposal, Dec. 10, 2019, Exhibit N1, Tab 1, Schedule 1, p. 30.

ENBRIDGE GAS INC.
Union Rate Zones
Allocation of 2018 Gas Supply Related Deferral Accounts by Union North East and Union North West

Line No.	Particulars (\$000's)	Acct No. (a)	Rate 01 (b)	Rate 10 (c)	Rate 20 (d)	Rate 100 (e)	Rate 25 (f)	Total (1) (g) = (sum b:f)
<u>Union North West</u>								
<u>Gas Supply Related Deferrals:</u>								
1	Spot Gas Variance Account	179-107	-	-	-	-	-	-
2	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(6,319)	(1,434)	(420)	-	-	(8,174)
3	Upstream Transportation Optimization	179-131	1,100	296	101	-	112	1,608
4	Deferral Clearing Variance Account - Supply	179-132	-	-	-	-	-	-
5	Deferral Clearing Variance Account - Transport	179-132	(148)	(36)	-	-	-	(184)
6	Total Gas Supply Related Deferrals		(5,367)	(1,175)	(319)	-	112	(6,750)
<u>Union North East</u>								
<u>Gas Supply Related Deferrals:</u>								
7	Spot Gas Variance Account	179-107	-	-	-	-	-	-
8	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(1,470)	(406)	(35)	-	-	(1,911)
9	Upstream Transportation Optimization	179-131	(992)	(342)	(100)	-	(21)	(1,456)
10	Deferral Clearing Variance Account - Supply	179-132	-	-	-	-	-	-
11	Deferral Clearing Variance Account - Transport	179-132	-	(90)	-	-	-	(90)
12	Total Gas Supply Related Deferrals		(2,462)	(838)	(135)	-	(21)	(3,457)
<u>Total</u>								
<u>Gas Supply Related Deferrals:</u>								
13	Spot Gas Variance Account	179-107	-	-	-	-	-	-
14	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(7,789)	(1,840)	(455)	-	-	(10,085)
15	Upstream Transportation Optimization	179-131	108	(47)	1	-	91	153
16	Deferral Clearing Variance Account - Supply	179-132	-	-	-	-	-	-
17	Deferral Clearing Variance Account - Transport	179-132	(148)	(127)	-	-	-	(274)
18	Total Gas Supply Related Deferrals		(7,830)	(2,014)	(454)	-	91	(10,207)

Notes:

(1) Rate Order, Tab 2, Schedule 2, p. 1.

ENBRIDGE GAS INC.
 Union Rate Zones
 General Service Unit Rates for Prospective Recovery/(Refund) - Delivery
2018 Deferral Account Disposition

Line No.	Particulars	Rate Class	2018 Deferral Balances (\$000's) (a)	2018 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c / d) * 100
1	Small Volume General Service	01	(5,575)	-	(5,575)	210,167	(2.6526)
2	Large Volume General Service	10	(1,490)	-	(1,490)	94,927	(1.5699)
3	Small Volume General Service	M1	(7,274)	-	(7,274)	684,153	(1.0633)
4	Large Volume General Service	M2	(3,975)	-	(3,975)	363,401	(1.0937)

Notes:

(1) Forecast volume for the period April 1, 2020 to September 30, 2020.

ENBRIDGE GAS INC.
 Union Rate Zones
 General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation
2018 Deferral Account Disposition

Line No.	Particulars	Rate Class	2018 Deferral Balances (\$000's) (a)	2018 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c / d) * 100
<u>Union North West</u>							
1	Small Volume General Service	01	(5,367)	-	(5,367)	60,308	(8.9000)
2	Large Volume General Service	10	(1,175)	-	(1,175)	21,533	(5.4581)
<u>Union North East</u>							
3	Small Volume General Service	01	(2,462)	-	(2,462)	149,859	(1.6430)
4	Large Volume General Service	10	(838)	-	(838)	72,051	(1.1637)

Notes:

(1) Forecast volume for the period April 1, 2020 to September 30, 2020.

EB-2020-0195

EGI QRAM Q4 2020

ATTACHMENT 2

to

FRPO Submissions

September 16, 2020

★ **IMPORTANT NOTICE:** Enbridge Gas Distribution and Union Gas have merged into one company, Enbridge Gas Inc., and we are working to serve our customers better by combining our websites. If you are unsure which website you need, use our [postal code lookup tool](#) to get to the right information.

Current Residential Rates

Rate 01—Union North West

April 2020 Rates

The Ontario Energy Board (OEB) has approved changes to the rates Enbridge Gas Inc. charges its customers effective Apr. 1, 2020. The new rates, which incorporate applicable temporary price adjustments, are listed below.

The total annual bill increase will be \$49.25 for a typical Rate 01 - Union North West customer using 2,200 m³ of natural gas a year.

The OEB has also approved temporary price adjustments to reflect the clearance of 2018 deferral and variance account balances. This will appear on customers' April to September bills, and for a typical Rate 01 - Union North West customer this will be a total refund of \$60.23.

- Click to download a PDF of [April 2020 Rate 01—Union North West](#).
- If you are served by a retail energy marketer, [view Rate 01—Union North West retail energy marketer rates](#).

New Rates

The table below shows the new, approved rates used to calculate your natural gas bill as of Apr. 1, 2020. The annual impacts are based on a typical Rate 01 - Union North West customer using 2,200 m³ of natural gas a year.

CHARGES	RATES at Apr. 1, 2020	ANNUAL increase or decrease
Gas used	8.4673 ¢/m ³	-\$33.84
Gas price adjustment	0.9597 ¢/m ³	\$35.71
Transportation	5.4533 ¢/m ³	-\$0.91
Transportation price adjustment	-8.6859 ¢/m ³	\$6.31
Storage	2.0164 ¢/m ³	-\$0.19
Storage price adjustment	0.0000 ¢/m ³	\$0.00
Delivery		
First 100 m ³	9.4691 ¢/m ³	
Next 200 m ³	9.2245 ¢/m ³	
Next 200 m ³	8.8374 ¢/m ³	
Next 500 m ³	8.4821 ¢/m ³	
All over 1,000 m ³	8.1885 ¢/m ³	-\$0.98
Facility carbon charge (included in Delivery on the bill)	0.0088 ¢/m ³	\$0.02
Delivery price adjustment	-2.6526 ¢/m ³	\$0.00

CHARGES	RATES at Apr. 1, 2020	ANNUAL increase or decrease
Monthly charge	\$22.50	\$0.00
Federal carbon charge	5.8700 ¢/m ³	\$43.13
Total annual impact		\$49.25
Additional items		Charge/Refund
Temporary price adjustments		-\$60.23

Gas used

The gas commodity rate decreased by 1.5389 ¢/m³ to 8.4673 ¢/m³ based on our forecast of natural gas market prices for the next 12 months.

Gas price adjustment

The gas price adjustment rate increased by 1.6245 ¢/m³ to 0.9597 ¢/m³ to make up the difference between our forecast cost of natural gas and actual costs from prior periods.

Transportation

The transportation rate decreased by 0.0419 ¢/m³ to 5.4533 ¢/m³ to reflect the decreased cost of transporting natural gas.

Transportation price adjustment

The transportation price adjustment rate decreased by 8.6131 ¢/m³ to -8.6859 ¢/m³ to make up the difference between our forecast cost of transporting natural gas and actual costs from prior periods.

Storage

The storage rate decreased by 0.0090 ¢/m³ to 2.0164 ¢/m³ to reflect the decreased cost of storing natural gas.

Delivery

The delivery rates that vary with consumption decreased based on our forecast cost of delivering natural gas to your home or business. These rates also include a facility carbon charge associated with the operation of Enbridge Gas' facilities to deliver natural gas to you.

Delivery price adjustment

The delivery price adjustment rate decreased by 2.6526 ¢/m³ to -2.6526 ¢/m³ to make up the difference between the amount customers paid and the final actual costs from prior periods.

Federal carbon charge

The federal carbon charge has increased from 3.9100 ¢/m³ to 5.8700 ¢/m³. This charge increases annually each April. All of the money collected for this charge goes to the federal government. Visit uniongas.com/carboncharge for more information.
