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## **VIA RESS and EMAIL**

September 18, 2020

Christine Long  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Long:

**Re: EB-2020-0195 – Enbridge Gas Inc. – October 1, 2020  
Quarterly Rate Adjustment Mechanism (“QRAM”) Application**

On September 11, 2020 Enbridge Gas filed an application and evidence with the Ontario Energy Board (“OEB” or “Board”) in the above noted proceeding. Enbridge Gas received letters of comment from the Industrial Gas Users Association (“IGUA”), Canadian Manufacturers and Exporters (“CME”) and the Federation of Rental-housing Providers of Ontario (“FRPO”) all who have reviewed Enbridge Gas’s October 1, 2020 application.

FRPO supports the proposed rate mitigation plan and the implementation of proposed rates for October 1, 2020. IGUA is satisfied the application follows the QRAM methodology approved by the Board subject to the mitigation plan proposal to use an earlier period forecast than prescribed and has invited Enbridge Gas to provide additional context on alternatives considered. CME did not oppose the implementation of the application effective October 1, 2020 but wishes to better understand the changes to rates through responses to questions. Enbridge Gas’s comments and responses to the submissions are below.

Enbridge Gas’s rate mitigation proposal allowed the Company to prepare the QRAM using the carefully designed prescribed QRAM methodologies but with a market price forecast at August 3, 2020.<sup>1</sup> The proposed rate mitigation plan does not require any changes to internal systems and processes that rely on the prescribed QRAM methodologies such as cost allocation, rate design and deferral balance accounting and reporting. The departure from the prescribed QRAM methodologies was limited to the date at which the gas cost forecast price was prepared, all other aspects of the prescribed QRAM methodologies remain intact with the rate mitigation plan.

### **IGUA**

Despite IGUA’s concerns regarding the rate mitigation proposal as presented, IGUA has noted that the rate mitigation proposal may well be appropriate in the

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<sup>1</sup> The QRAM was prepared using the 21-day strip ending August 3, 2020 rather than August 31, 2020 based on approved QRAM methodologies.

circumstances recognizing any rate mitigation proposal may compromise market reflective commodity rates. Enbridge Gas acknowledges the rate mitigation plan as proposed is not reflective of the market price timing prescribed in the QRAM methodologies but is intended to balance the market price signals and the bill increases experienced by customers.

IGUA requested additional information on the rate mitigation alternatives Enbridge Gas rejected in favour of the rate mitigation proposal as filed. To provide more information as requested, Enbridge Gas considered extending the deferral disposition for the current QRAM to a 24-month period consistent with the rate mitigation approach for legacy EGD in EB-2014-0199. This alternative was rejected because it resulted in very minimal rate mitigation as the commodity bill increases were a result of the impact on the PGVA reference prices from the gas cost forecasts and not from the deferral account balances. Enbridge Gas also considered manual adjustments to the forecast 21-day strip ending August 31, 2020 such as 1) placing a maximum on the daily price in the 21-day strip calculation, and 2) reducing the forecast by a common percentage. These alternatives were rejected due to the effect the manual adjustments would have on the basis differential between natural gas supply points and the impact on the setting of EGD rate zone transportation and load balancing charges.

IGUA also requested responses to the following specific questions:

#### IGUA 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 - and if so why that option was rejected.

*Response:*

Enbridge Gas considered mitigating the commodity price increases for only those rate zones that exceeded 25% however rejected the alternative in order to maintain consistent gas cost forecast across all rates zones. A consistent gas cost forecast allowed Enbridge Gas to prepare the QRAM using existing processes without further complication to the application or implementation and ensures consistent messages can be provided to all customers.

#### IGUA 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.

*Response:*

Enbridge Gas did not consider mitigating overall bill impacts by deferring the approved ICM rate riders because the total annual bill impact of the ICM rate riders for a typical residential customer in the EGD and Union rate zones is \$0.56 (0.1% total bill impact) and \$2.55 (0.3% total bill impact), respectively. Deferring the approved ICM rate riders would have no impact on reducing the commodity portion of the bill and have very little impact on reducing the total bill.

CME

Enbridge Gas provides the following responses to the three questions as requested by CME:

CME 1

Is it EGI's normal practice to prepare a "preliminary QRAM estimate" (Exhibit A, Tab 2, Schedule 2, pg. 3 of 10) using an earlier 21-day strip prior to the preparation of the actual QRAM using the usual 21-day strip? Alternatively, did EGI prepare a preliminary QRAM estimate specifically in order to use it as an alternative if the normal QRAM estimate caused bill increases of greater than 25%?

*Response:*

Yes, it is Enbridge Gas's practice to prepare a preliminary QRAM estimate one month in advance of the QRAM filing date using the most current 21-day strip for the next quarter available at the time the estimate is prepared. The requirement to prepare a preliminary QRAM estimate was established by the OEB in its Review of the QRAM Process for Natural Gas Distributors (EB-2014-0199).<sup>2</sup>

CME 2

Please explain why a 21-day strip ending August 3, 2020 was chosen as the preliminary QRAM estimate strip.

*Response:*

As outlined in Exhibit A, Tab 2, Schedule 2 and in accordance with the Board's direction in EB-2014-0199, Enbridge Gas completed a preliminary estimate of the change in the commodity portion of a typical residential system supply customer's bill that arises from the forecasted reference price based on the most current 21-day strip available at the time. The preparation of this estimate occurred on the first business day of August (August 4, 2020) where the most current 21-day strip available on that date was for the 21-day period July 6, 2020 to August 3, 2020.<sup>3</sup>

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<sup>2</sup> EB-2014-0199 Review of the Quarterly Rate Adjustment Mechanism, Decision and Order, August 14, 2014, p. 4.

<sup>3</sup> August 3, 2020 was a Canadian statutory holiday but not a natural gas market trading holiday.

### CME 3

In order to calculate the Alberta Border Reference Price and the Dawn Reference Price, EGI uses the 21-day average of the twelve-month NYMEX strip. The strip is then converted to the applicable reference price by taking into account the particular basis differential and the foreign exchange rate for the October 2020-September 2021 period.

Please advise whether EGI altered the reference date for calculating the basis differential or the foreign exchange as a result of the change in the end date of the applicable NYMEX strip.

#### *Response:*

The calculation of the Alberta Border Reference Price and the Dawn Reference Price for the 12-month period of October 2020 to September 2021 is based on the pricing in the 21-day strip ending August 3, 2020. The NYMEX average, Empress Basis, Dawn Basis and Foreign Exchange Rate used in calculating the reference prices are all calculated from the same 21-day strip.

Enbridge Gas requests the Board issue its Decision and Order on the application by September 24, 2020.

Should you have any questions please contact the undersigned at (519) 436-4540.

Sincerely,

(Original Digitally Signed)

Amy Mikhaila  
Manager, Rates (Union)

cc: Tania Persad, Enbridge Gas  
All Interested Parties EB-2008-0106, EB-2018-0305 & EB-2019-0194