



ONTARIO ENERGY BOARD

STAFF COMMENTS ON DRAFT RATE ORDER DATED MAY 14, 2021

Enbridge Gas Inc. Review of 2019 Utility Earnings and Disposition of Deferral and Variance Accounts EB-2020-0134

May 20, 2021

Overview

Enbridge Gas Inc. (Enbridge Gas) filed an application with the OEB on September 3, 2020 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), for an order approving the disposition of balances in certain deferral and variance accounts (DVAs) and for review of its earnings sharing, if any, pursuant to the earnings sharing mechanism approved in the MAADs Decision.¹ The intervenors and Enbridge Gas reached a settlement on all DVA balances with the exception of the Tax Variance Deferral Account (TVDA).

The OEB issued its decision on May 6, 2021 related to the disposition of TVDA balances and directed Enbridge Gas to file a draft rate order with the attached rate schedules and supporting information. Enbridge Gas filed a draft rate order on May 14, 2021.

OEB staff has reviewed the draft rate order along with the supporting schedules and is satisfied (subject to comments below) that the derivation of rate riders appropriately reflects the OEB's decision and the OEB-approved settlement proposal.

Staff Comments on Draft Rate Order

The bill impact for a typical Rate 1 system sales residential customer in the legacy Enbridge Gas Distribution (EGD) rate zone is a one-time credit of \$3.40.² As noted in the settlement proposal, the principal balance including interest will be recovered or refunded to customers as a one-time billing adjustment in the month of July 2021, in conjunction with Enbridge Gas's July 1, 2021 Quarterly Rate Adjustment Mechanism (QRAM) application.³

The disposition of the DVAs for a typical Union South residential customer will be reflected in two components of the bill: delivery and commodity. The commodity impact is driven by the gas supply related deferral accounts, specifically the Upstream Transportation Optimization Deferral Account. The combined bill impact for a typical Union South residential system sales customer (M1) is a charge of \$0.27. (delivery credit of \$4.09 + a commodity charge of \$4.36). In its draft rate order, Enbridge Gas has

¹ Enbridge Gas Distribution and Union Gas Limited amalgamated effective January 1, 2019 pursuant to approval under the OEB's policy on mergers, amalgamations, acquisitions and divestitures (MAADs). The Decision approving the amalgamation in EB-2017-0306/0307 is referred to as the MAADs Decision.

² Draft Rate Order, May 14, 2021, Tab 1, Schedule 1, p. 6.

³ Enbridge Gas Settlement Proposal, January 5, 2021, p. 23.

proposed a deviation from the originally proposed disposition methodology for Union South commodity related balances and what was agreed to in the settlement proposal.

As per the settlement proposal, parties (intervenors and Enbridge Gas) agreed that the principal balances including interest of legacy Union Gas DVAs will be recovered or refunded to customers over three months for general service customers and as a one-time adjustment for in-franchise contract and ex-franchise customers, in conjunction with Enbridge Gas's July 2021 QRAM application.⁴ In the draft rate order, Enbridge Gas based the disposition of the Union South commodity related balance over a six-month period in place of the three-month period as proposed in the original evidence and agree to in the settlement proposal. OEB staff notes that the delivery portion of the charge/credit will be applied over a three-month period for general service customers as originally proposed. It is only the commodity portion of the rate rider (driven by the gas supply related deferral account balances) that is proposed to be extended from three months to six months.

Enbridge Gas explained that the commodity-related balance is disposed of to all Union South sale service customers (both general service and contract) as a common unit rate included in the commodity price. Enbridge Gas submitted that the forecast of volumes for the three-month period beginning July 1, 2021 used to derive the common unit rate for disposition does not provide an appropriate allocation of cost responsibility between general service and contract service customers who subscribe to the sales service gas supply option. Enbridge Gas provided an analysis of the cost responsibility of general service and contract sales service customers based on forecast annualized volumes, forecast volumes over a three-month period, and forecast volumes over a six-month period. When using forecast volumes over a three-month period, Union South contract customers would bear more than two times the allocated costs when compared to the allocated costs using forecast volumes over a six-month period. The relative cost responsibility between general service and contract customers resulting from using the proposed six-month period is also consistent with the results were an annualized forecast used. While the disposition methodology for the commodity-related balance is not consistent with the settlement proposal, OEB staff conceptually supports Enbridge Gas's proposed approach as it results in a more equitable allocation of costs between the general service and contract customers. However, OEB staff was not a party to the settlement proposal that was agreed upon by Enbridge Gas and the intervenors and subsequently approved by the OEB. OEB staff submits that the OEB should only approve the proposed deviation if endorsed by all parties to the settlement proposal.

⁴ Enbridge Gas Settlement Proposal, January 5, 2021, p. 24.

The total bill impact for a Union North West Rate 01 customer is a credit of \$65.67 and for a Union North East Rate 01 customer, the credit is \$10.92. This is the cumulative impact that will be refunded over a three-month period.

OEB staff further observes that the rate schedules for Rates M1, M2, 01 and 10 in the Union Gas rate zones shows a delivery price adjustment that is composed of two charges/credits (both expiring September 30, 2021). While one of the charges/credits is related to this application and its derivation has been provided, the second charge has not been explained. All of the charges/credits are found in Note 2 of the specific rate schedules. The charges/credits for which there is no explanation is found below:

Rate Class	Cents/m³
Rate 01	(1.7327)
Rate 10	(2.2092)
Rate M1	4.9085
Rate M2	(1.2364)

OEB staff believes that the above charges/credits are related to some other proceeding. Enbridge Gas is requested to clarify the source of these charges/credits in its reply.

- All of which is respectfully submitted -