



ONTARIO ENERGY BOARD

STAFF COMMENTS ON DRAFT RATE ORDER DATED JUNE 14, 2021

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

June 18, 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 for rate riders effective July 1, 2021.

On June 2, 2021, Enbridge Gas filed a letter expressing concerns with its ability to successfully implement the rate riders on July 1, 2021. Enbridge Gas noted that it is in the process of migrating its legacy Union Gas customers to the Enbridge Gas billing system. Enbridge Gas requested the Ontario Energy Board (OEB) to postpone the implementation date of the rate riders to October 1, 2021, in order to avoid the risk of insufficiently tested rate riders being implemented at the same time as the billing system migration “goes live”.

Enbridge Gas subsequently filed a letter on June 4, 2021, noting that parties to the settlement proposal were informed of the proposed change to the implementation date and parties agreed or did not oppose an implementation date of October 1, 2021.

The OEB issued Procedural Order No. 2 on June 8, 2021, granting Enbridge Gas’s request to postpone the implementation of the rate riders to October 1, 2021, and outlined procedural steps for the filing and review of the revised draft rate order.

Enbridge Gas filed a revised draft rate order on June 14, 2021 for the disposition of the DVA balances effective October 1, 2021. The result of the delayed implementation to October 1, 2021 results in an increase to interest of \$0.029 million (from a \$1.865 million credit to a \$1.894 million credit).

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.

The draft rate order reflects a one-time billing adjustment for all customers with the exception of Union Gas general service rate classes and Union South commodity-related balances. Enbridge Gas proposed a prospective three-month disposition effective October 1, 2021 for Union Gas general service rate classes and for the Union South commodity-related balances. This approach is in line with the pre-filed evidence and that agreed to in the OEB-approved settlement proposal.

OEB staff has reviewed the draft rate order along with the supporting schedules and is satisfied with the calculation of the rate riders for the Enbridge Gas Distribution rate zone. OEB staff's comments with respect to the Union Gas rate riders and other matters are provided below.

Staff Comments on Draft Rate Order

As part of the revised draft rate order, Enbridge Gas updated interest amounts for the disposition of the DVA balances effective October 1, 2021. At the time of the filing, the OEB did not have the published interest rate for Q3 2021. Accordingly, Enbridge Gas prepared the revised draft rate order using the Q2 2021 approved DVAs prescribed interest rate of 0.57%. OEB staff notes that the OEB has recently issued the approved Q3 interest rate for approved DVAs and it is the same as Q2.² OEB staff has no concerns with Enbridge Gas's proposed approach with respect to the interest rate or the proposed disposition methodology outlined earlier. The disposition methodology is in line with the terms agreed to in the OEB-approved settlement proposal dated January 5, 2021.

For the Union South rate zone, Enbridge Gas proposed a three-month disposition for the Union South commodity-related balances. One of the DVAs that impact the commodity-related balances is the Upstream Transportation Optimization deferral account. OEB staff notes that the rate class allocation for the Upstream Transportation Optimization balances in the revised draft rate order does not align with the balances in the previous date rate order dated May 14, 2021. OEB staff understands that the balances would differ slightly to include updated interest amount from July 1, 2021 to September 30, 2021, but the magnitude of the change is significant. OEB staff has provided a few comparisons from Tab 2, Schedule 2, Page 1 of the two rate orders (May 14 and June 14) to illustrate the magnitude of the differences.

² [Prescribed interest rates | Ontario Energy Board \(oeb.ca\)](https://www.ontarioenergyboard.ca/interest-rates)

Rate Class	Balance – Rate Order May 14, 2021	Balance – Rate Order June 14, 2021
M4	\$ 117,000	\$ 139,000
M5A	\$ 10,000	\$ 15,000
M7	\$ 45,000	\$ 68,000
M9	\$ 77,000	\$ 73,000

It is not clear how the balance for the M5A rate zone has increased by 50%, from \$10,000 in the previous draft rate order to \$15,000 in the revised draft rate order. Conversely, the balance for the M9 rate class has actually declined from \$77,000 to \$73,000. The same issue exists for the other Union South rate classes. OEB staff requests Enbridge Gas to explain the reasons for the substantive change in the balances for all the rate classes in the Union South rate zone (as provided in Tab 2, Schedule 2, page 1). An increase in the balances related to an interest rate of 0.57% for 3 months does not account for the magnitude of the change. Considering that there is no explanation in the draft rate order, OEB staff is not able to confirm that the Union South commodity unit rate of 0.7902 cents/m³ has been appropriately calculated.

OEB staff has no concerns with the derivation of the revised rate riders for the Enbridge Gas Distribution rate zone. 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 \$3.40.³ As noted in the revised draft rate order, the principal balance including interest will be recovered or refunded to customers as a one-time billing adjustment in the month of October 2021, in conjunction with Enbridge Gas's October 1, 2021 Quarterly Rate Adjustment Mechanism (QRAM) application.⁴ The one-time disposition methodology is consistent to that agreed in the settlement proposal.

For the Union North rate zones, OEB staff confirms that the rate riders have been appropriately calculated. However, there is a reduction in the credit for Union North West and Union North East customers as compared to the previously filed rate order (May 14, 2021). The total bill impact for a Union North West Rate 01 customer is a credit of \$50.95 (as compared to \$65.67 in the previous draft rate order) and for a Union North East Rate 01 customer, the credit is \$8.45 (as compared to \$10.92 in the previous draft rate order). OEB staff believes that using forecast consumption volumes for the

³ Draft Rate Order, June 14, 2021, Tab 1, Schedule 1, p. 6.

⁴ Enbridge Gas Settlement Proposal, January 5, 2021, p. 23.

October 1 to December 31, 2021 period as compared to a July 1 to September 30, 2021 period has resulted in a reduction to the total credits. OEB staff requests Enbridge Gas to confirm the reasons in its reply and provide supporting information to substantiate the change.

- All of which is respectfully submitted -