

October 15, 2021

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

Dear Ms. Long:

Re: 2022 Inflation Factors
Ontario Energy Board File Number: EB-2021-0212

These submissions are filed by Enbridge Gas in accordance with Procedural Order No. 1 issued by the Ontario Energy Board on August 27, 2021. Procedural Order No. 1 refers to the OEB's Notice that was released on August 10, 2021 in which the OEB indicated that it was initiating this proceeding to consider the inflation factor to be used to set rates for 2022.

Procedural Order No. 1 refers to analysis showing that the 2019 to 2020 increase in the labour inflation component of the inflation factor used for adjusting rates in Price Cap IR, Annual Index IR, Revenue Cap IR and other approved rate adjustment mechanisms was caused largely by temporary and permanent layoffs due to COVID-19 restrictions disproportionately affecting lower wage-earning workers.

The Notice identified three options that the OEB is considering. Option 1 is to continue to apply the existing methodology and formula (including the existing inflation indices) for 2022 rate adjustments. Option 2 is to extend the approved values for 2021 inflation rates for 2022 rate adjustments. Option 3 is to update the 2022 inflation rates under the existing methodology using a suitable sub-index of Average Weekly Earnings or a related statistic, Average Hourly Earnings.

Enbridge Gas has reviewed the submissions of OEB Staff and other stakeholders with respect to determining how inflation factors should be set for 2022 rate adjustments to ensure just and reasonable rates. Enbridge Gas submits that the OEB should adopt Option 1 identified in the Notice.

The elements of the OEB's existing rate-setting frameworks have been determined through a principles-based approach and through expert evidence which informed the decisions made. Principles-based methodologies for determining elements of rate-setting frameworks such as the inflation factor have been in place for several years and have proven their durability over time.

An ad hoc departure from the OEB's principles-based rate-setting methodologies due to a potentially transitory labour market phenomenon caused by the COVID-19 pandemic runs counter to the predictability of rate-setting. In fact, as has been mentioned by other stakeholders, the uncertainty of the impacts of the pandemic supports the OEB following a steady, principled and predictable approach to rate-setting.

Enbridge Gas submits that a change of methodology to react to data for 2019-2020 would be premature and would not be grounded on a full or even adequate evidentiary record.

For these reasons, the OEB should adopt Option 1 identified in the Notice.

The Settlement Proposal filed as part of the review of Enbridge Gas' 2022 rate adjustment application (EB-2021-0147) includes an agreement by parties that an inflation factor of 1.7% (the change in GDP IPI FDD from 2019 to 2020) is appropriate as a component of the Price Cap incentive rate-setting mechanism being used to adjust Enbridge Gas' rates for 2022.

Should you have any questions on this submission, please do not hesitate to contact me.

Yours truly,

Patrick McMahon
Technical Manager, Regulatory Research and Records
patrick.mcmahon@enbridge.com
(519) 436-5325