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Enbridge Gas Inc.
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VIA RESS and EMAIL

November 24, 2021

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

Dear Christine Long:

Re: EB-2021-0281 – Enbridge Gas Inc. (“Enbridge Gas”) – January 2022 QRAM Notice of Commodity-Related Price Increase Estimate for January 2022

The purpose of this letter is to inform the Ontario Energy Board (“OEB” or “Board”) of the estimated change in the commodity portion of an average residential sales service customer’s bill that is expected when Enbridge Gas files its January 1, 2022 Quarterly Rate Adjustment Mechanism (“QRAM”) application.

Based on preliminary estimates, Enbridge Gas has forecast that the gas commodity portion of the bill will increase by more than 25% for sales service customers in all rate zones.

Enbridge Gas is planning to include a plan to mitigate the increase to an acceptable level with the January 1, 2022 QRAM application.¹ As a result of planned mitigation, customer bill impacts will be less than the impacts referenced in this letter.

Background

In its QRAM Review Decision (EB-2014-0199), dated August 14, 2014, the OEB determined that it:

...will require Enbridge, NRG and Union, one month in advance of the normal QRAM filing date, to complete 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) for the next quarter and the forecasted PGVA

¹ Less than 25% and 10% for the commodity and total bill of a typical residential customer, respectively.

balances to be cleared. A gas distributor that anticipates an increase or decrease of 25% or more on the commodity portion of a typical residential system supply customer's bill (which includes all commodity related rate riders) must file a letter with the Board describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change. The letter must include information regarding the 21-day strip used and the forecasted PGVA balances that the distributor expects to clear.²

In accordance with the Decision, Enbridge Gas prepared a November 2021 estimate of the January 2022 QRAM impacts to the commodity portion of an average residential sales service customer bill. Based on the estimate performed, Enbridge Gas forecasts the commodity-related bill increase for a typical residential customer in the EGD, Union South, Union North West and Union North East rate zones to be between \$133 and \$171, or between 39% and 54%.³ This increase is primarily driven by the forecast cost of natural gas supply.

Cost Drivers of the Commodity Bill Impacts

Of the estimated bill impact for a typical residential customer, the cost drivers are:

1. Increases related to the market price of natural gas,
2. Increases related to the Purchase Gas Variance Accounts ("PGVA") riders, and
3. Increases related to the recovery of the PGVA credits included as part of the October 1, 2021 QRAM mitigation plan.

1. Increase in the market price of natural gas

The price used to set the gas commodity rate is forecast for January 1, 2022 to December 31, 2022 and is expected to increase between \$0.824/GJ and \$0.898/GJ from the prices approved by the OEB in the October 2021 QRAM. The annual bill impact for an average residential sales service customer is an increase of \$71 to \$82, depending on the customer's location.

2. Increases in the Purchased Gas Variance Account ("PGVA") riders

The projected January 1, 2022 PGVA riders are larger than the January 1, 2021 PGVA riders that expire with the January 1, 2022 QRAM. The impact of the expiring rider is included with the impact of the projected PGVA rider determined for the January 1, 2022 QRAM. The annual bill impact for an average residential sales service customer in all rate zones is an increase of \$21 to \$59, depending on the customer's location.

3. Increases related to the recovery of the PGVA credits included as part of the October 1, 2021 QRAM mitigation plan

Enbridge Gas included PGVA credits totalling \$173 million with the October 1, 2021 QRAM in order to mitigate commodity-related impacts below 25%. As part of the

² EB-2014-0199, Decision and Order, August 14, 2014, pp. 4-5.

³ A typical residential customer bill impact for the EGD and Union rate zones is based on annual consumption of 2,400 m³ and 2,200 m³, respectively.

plan, Enbridge Gas indicated it would propose to include a PGVA debit of an equal amount with the January 1, 2022 QRAM to recover the cost of the PGVA credit not recovered with the October 1, 2021 QRAM application. The annual bill impact for an average residential sales service customer is an increase of \$20 to \$41, depending on the customer's location.

Total Bill Impacts

In addition to the commodity-related impacts described above, the January 1, 2022 QRAM will also reflect non-commodity related QRAM changes, the implementation of 2022 TC Energy transportation tolls and the implementation of approved impacts from Enbridge Gas's 2022 Rates (EB-2021-0147) proceeding.

Please refer to Table 1 for detailed bill impacts by rate zone.

Table 1
January 1, 2022 QRAM Estimate by Rate Zone

Line No.	Particulars (\$)	EGD	Union North West	Union North East	Union South
		(a)	(b)	(c)	(d)
	<u>Commodity Bill Impacts</u>				
1	Gas Commodity Reference Price	82	78	71	71
2	PGVA Riders	21	59	59	40
3	October 2021 QRAM Rate Mitigation	31	20	41	30
4	Total Commodity Bill Impact	133	157	171	141
5	Approved Commodity Bill - October QRAM	319	290	327	360
6	Commodity Bill Impact (%)	42%	54%	52%	39%
	<u>Total Bill Impacts</u>				
7	QRAM Non-Commodity Impacts	6	4	1	0
8	TC Energy Transportation Tolls	(8)	(4)	(0)	0
9	2022 Annual Rates	8	11	11	9
10	Total Other Rate Changes	6	11	12	9
11	Total Bill Impact (line 5 + 10)	139	168	184	150
12	Approved Total Bill - October QRAM	1,103	1,105	1,163	947
13	Total Bill Impact (%)	13%	15%	16%	16%

Customer Communication

In its EB-2014-0199 Decision, the Board determined that it:

...is of the view that additional information and education for customers would be beneficial, as well as earlier notification of a pending large increase. If an increase greater than 25% is anticipated on the commodity portion of a typical residential system supply customer's bill (which includes all commodity related rate riders), the distributor must use best efforts to ensure that its customers are made aware of the proposed price change through, for example, the issuance of a press release describing the anticipated increase, based on the preliminary estimate, and the cost drivers for it.⁴

Enbridge Gas plans to communicate the expected bill increases, which after mitigation will be less than 25% of the commodity portion of a typical residential customer's bill, effective January 1, 2022 to general service customers using the following methods:

- Enbridgegas.com – a message on the homepage and a dedicated information page with FAQ's for both residential and small business customers.
- IVR messaging – customers will hear a message about upcoming rate changes when they call the contact centres in January 2022.
- Contact Centres – customer representatives provide ongoing support to customers through the year and are available to discuss rate changes and answer individual questions as required.

Enbridge Gas expects to file its January 1, 2022 QRAM application on December 8, 2021.

If you have any questions, please contact the undersigned.

Yours truly,

Richard Wathy
Technical Manager, Regulatory Applications

c.c.: All Interested Parties EB-2008-0106, EB-2018-0305 & EB-2021-0147

⁴ EB-2014-0199, Decision and Order, August 14, 2014, p 5.