Richard Wathy
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Enbridge Gas Inc.
500 Consumers Road
North York, Ontario
M2J 1P8

VIA RESS and EMAIL

December 14, 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. – January 1, 2022 Quarterly Rate Adjustment Mechanism ("QRAM") Application

On December 8, 2021, Enbridge Gas filed the January 1, 2022, QRAM application with the Ontario Energy Board (OEB). Enbridge Gas has received a letter from Canadian Manufacturers & Exporters (CME) and from Industrial Gas Users Association (IGUA), and they have no objection to approval of the application as filed.

Enbridge Gas has received questions from the Federation of Rental-housing Providers of Ontario (FRPO) and from OEB Staff. Enclosed please find the responses of Enbridge Gas to the questions received.

Should you have any questions on this matter please contact the undersigned.

Sincerely,

Richard Wathy
Digitally signed by Richard Wathy
Date: 2021.12.14 15:59:49 -05'00'

Richard Wathy
Technical Manager, Regulatory Applications

cc: Tania Persad, Enbridge Gas
All Interested Parties EB-2008-0106, EB-2019-0194, EB-2021-0147, & EB-2021-0148

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Question

OEB staff notes that the rate adjustments in Line 4.0 Exhibit A, Tab 3, Schedule 1 excludes one-time rate adjustments disposed of in October 2021, specifically the 2019 DSM Deferrals.[7] To provide a complete picture of the total bill change from the October 2021 QRAM to the January 2022 QRAM, OEB staff re-calculated the total bill impacts for a typical residential sales service customer with the full rate adjustments from the October 2021 QRAM after the rate mitigation, and requests that Enbridge Gas confirm the following figures:

Table 3 - Total Bill Impacts of Enbridge Gas's Application Before and After Rate Mitigation Including Full October 2021 QRAM Rate Adjustments

Rate Zone	Change Before Mitigation ($)	Change Before Mitigation (%)	Change After Mitigation ($)	Change After Mitigation (%)
EGD	121.09	11.0	50.25	4.54
Union South	142.59	15.1	38.68	4.05
Union North West	164.37	15.6	48.65	4.61
Union North East	182.52	15.8	56.10	4.86

Response:

Not confirmed. Enbridge Gas has reviewed OEB staff Table 3 and notes that the figures in the Change Before Mitigation columns do not include the impact of the one-time rate adjustments (as provided in the October 2021 QRAM total bill) for the 2019 DSM Deferrals (EB-2021-0072) but the figures in the Change After Mitigation columns do include one-time rate adjustments. Enbridge Gas has recreated the OEB Staff Table 3 with the one-time adjustments included in both the Change Before and After Mitigation scenarios.

[7] EB-2021-0072

Rate Zone	Change Before Mitigation ($)	Change Before Mitigation (%)	Change After Mitigation ($)	Change After Mitigation (%)
EGD	117.16	10.6%	50.24	4.5%
Union South	134.60	14.1%	38.68	4.0%
Union North West	163.56	15.5%	48.65	4.6%
Union North East	181.71	15.7%	56.10	4.9%

However, Enbridge Gas does not agree that including the previous QRAM one-time rate adjustment in the presentation of the total bill change of the current QRAM is an accurate representation of the impact a customer will experience as of January 1, 2022. The one-time rate adjustment was disposed of with a customer's October 2021 bill (i.e. the one-time adjustment only appeared on the customer's October 2021 bill, and did not appear on their November and December 2021 bills). The impact to a customer effective January 1, 2022 is not comparable to the bill a customer received in the month of October 2021. A more accurate representation of the impact a customer will experience as of January 1, 2022 is relative to the rates a customer paid with their December 2021 bill. It is for this reason that Enbridge Gas excluded the impact of the one-time rate adjustment from the October 2021 total bill in the presentation of total bill impacts for January 1, 2022 as provided at Exhibit A, Tab 3, Schedule 1.

Enbridge Gas did include the prospective rate adjustment in the presentation of the total bill change for January 1, 2022 because the expiry of the prospective unit rate as of December 31, 2021 does create an impact to customers effective January 1, 2022 (i.e. the expiry of the prospective rate adjustment on December 31, 2021 creates a bill impact between customers' December 2021 and January 2022 bills).

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit B, Tab 1, Schedule 1, pg. 8, Exhibit C, Tab 4, Schedule 1, pg. 3,
Exhibit A, Tab 3, Schedule 1, pg. 1, line 2.5
And
EB-2021-0219 Exhibit FRPO.5-7

Preamble:

EGI evidence provides in the first reference:

"The derivation of the January 1, 2022 PGVA Reference Price is based upon TCPL Mainline tolls effective January 1, 2022 pursuant to CER order TG-014-2020 and proposed abandonment surcharges effective January 1, 2022 as filed in CER Filing #C15437. The toll embedded in the January 2022 PGVA Reference Price is $52.636/103m3 ($1.366/GJ). This represents a decrease of $2.439/103m3 ($0.063/GJ) to the Western T-Service unit rate.

In the second reference, EGI provides:

Given that the Empress reference price increased by $18.3062/10³m³, the basis differential between the PGVA and Empress reference price has increased which results in an increase in load balancing related cost. The basis differential has also increased the transportation related costs which combined with the change in TCPL tolls results in an increase in the transportation rate.

We would like to understand the enduring impacts of the Empress Reference Price.

Question:

Please confirm that EGI experienced a greater than 4% combined transportation toll and abandonment charge decrease for transportation between Empress and the EGD Rate Zone.

Response:

Confirmed, the combined transportation tolls and abandonment charges used to derive the EGD Rate Zone's PGVA reference price decreased greater than 4%.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

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In the second reference, EGI provides:

Given that the Empress reference price increased by $18.3062/10^{3}m^3, the basis differential between the PGVA and Empress reference price has increased which results in an increase in load balancing related cost. The basis differential has also increased the transportation related costs which combined with the change in TCPL tolls results in an increase in the transportation rate.

We would like to understand the enduring impacts of the Empress Reference Price.

Question:

Please confirm that between the October 1, 2021 QRAM transportation increase and the current application, EGI is proposing an approximate 20% increase in the Gas Supply Transportation rate as shown in the proposed additional rate increase in the third reference.

Response:

Confirmed, there has been a 20% increase in the transportation charge for a typical residential customer since Enbridge Gas's July 2021 QRAM (EB-2021-0153). Please note that the PGVA reference price has increased by approximately 39% during the same period from July 1, 2021 ($160.358/10^3m^3$) to January 1, 2022 ($222.746/10^3m^3$). This has resulted in increases to the commodity, transportation and load balancing rates.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit B, Tab 1, Schedule 1, pg. 8, Exhibit C, Tab 4, Schedule 1, pg. 3,
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In the second reference, EGI provides:

Given that the Empress reference price increased by $18.3062/10³m³, the basis differential between the PGVA and Empress reference price has increased which results in an increase in load balancing related cost. The basis differential has also increased the transportation related costs which combined with the change in TCPL tolls results in an increase in the transportation rate.

We would like to understand the enduring impacts of the Empress Reference Price.

Question:

Please confirm that other than Dawn T-service, Direct Purchase customers can only provide gas at Empress and not from EGI's other transportation paths in the portfolio cited in the response in our fourth reference, specifically FRPO.7.

Response:

Bundled Direct Purchase customers could also select Ontario T-Service and deliver gas directly to the Enbridge EDA or Enbridge CDA. Customers cannot provide gas from EGI's other transportation paths as listed in Exhibit C, Tab 1, Schedule 1.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit B, Tab 1, Schedule 1, pg. 8, Exhibit C, Tab 4, Schedule 1, pg. 3,
Exhibit A, Tab 3, Schedule 1, pg. 1, line 2.5
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In the second reference, EGI provides:

Given that the Empress reference price increased by $18.3062/10³m³, the basis differential between the PGVA and Empress reference price has increased which results in an increase in load balancing related cost. The basis differential has also increased the transportation related costs which combined with the change in TCPL tolls results in an increase in the transportation rate.

We would like to understand the enduring impacts of the Empress Reference Price.

Question:

Is it fair to say that the transportation rate paid by Direct Purchase customers who choose to deliver at Empress is a function of EGI's portfolio of transportation and the Empress Reference methodology more than a function of the underlying contracted transportation cost from Empress to the EGD rate zone? Please comment on if this approach essentially creates an Ontario landed commodity cost as opposed to an Empress delivery plus TCPL transportation.

Response:

Confirmed. It is correct to say that the transportation rate paid by Direct Purchase customers who choose to deliver at Empress is a function of the EGD rate zone's portfolio of transportation and the Empress Price as a reference price to set its gas supply charge. The sum of the Company's gas supply commodity charge plus transportation charge essentially reflects the cost of landing gas in the legacy EGD rate zone area in Ontario as compared to an Empress commodity price plus TCPL transportation.

This OEB-approved methodology for EGD rate zone was discussed in detail in response to Exhibit I.FRPO.7 from EB-2021-0219 and has been copied below:

EGD rate zone direct purchase customers who provide Mean Daily Volume (MDV) deliveries at Empress (Western T-service) pay the transportation charges as the Company provides transportation service to the franchise area on their behalf using its diverse transportation portfolio. Note that direct purchase customers also have a choice to provide their own commodity and transportation to the franchise area and can elect to be an Ontario T-Service customer and therefore not pay the transportation rate.

The EGD rate zone cost allocation and rate design methodology for pricing its commodity, transportation and load balancing services has been in place (since 2005) and reviewed for many years. The methodologies reflect the EGD rate zone gas supply portfolio and operational characteristics. The methodology was reviewed with stakeholders most recently in the Ontario Landed Reference Price consultation and reported to the OEB in EB-2017-0086 at Exhibit H1, Tab 2, Schedule 2.

As outlined at Exhibit B, Tab 4, Schedule 1, the Company uses the Empress price inclusive of fuel as a reference price to design / set its gas supply charge. The cost of gas supply commodity is recovered from system gas customers through the Company's gas supply charge.

Any price premium or discount for gas supplies purchased at other supply hubs over the Empress reference price are classified as transportation (i.e. deemed transportation costs) and, in the case of delivered supplies, also to load balancing. For the October 1, 2021 QRAM (EB-2021-0219)[1], the price differential premium is resulting in an increase to the deemed transportation costs which are recovered through transportation charges from sales and Western T-service customers (i.e. Enbridge provides same transportation service to both sales and Western T-service customers). If the price differential were a discount relative to the Empress price, this would have resulted in a reduction to the transportation rate for sales and Western T-service customers.

[1] For the January 1, 2022 QRAM, the price differential premium is also resulting in an increase to the deemed transportation costs which are recovered through transportation charges from sales and Western T-service customers.

Enbridge Gas contracts for upstream capacity on a number of transportation paths such as TCPL, Vector and Nexus to transport gas supplies from the various market hubs to its franchise area. This allows Enbridge Gas to achieve diversity and reliability of its transportation portfolio, which benefits both sales and Western T-service customers.

To summarize, transportation charges sales and Western T-service customer pay for transportation service are a function of the cost of upstream capacity (i.e. transportation tolls) that is contracted at 100% load factor to meet annual average demand for sales (i.e. System gas) and Western T-Service and deemed transportation costs as described above.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit A, Tab 2, Schedule 2, pg. 7, Table 3

Preamble:

We would like to understand the rationale and ratemaking associated with apparent price increase for Union Northwest.

Question:

Please explain the rationale and drivers behind the increase in the commodity bill as a result of proposed "mitigation" for Union Northwest.

Response:

Enbridge Gas considered the total bill impact a typical residential customer would experience effective January 1, 2022 as part of its mitigation plan proposal. In consideration of the total bill impact, Enbridge Gas included the bill impact from the temporary rate adjustment disposed of on a prospective basis that expires on December 31, 2021. Please see the derivation of total bill impacts provided at line 5.2 of Exhibit A, Tab 3, Schedule 1.

Enbridge Gas's 2019 Utility Earnings and Deferral and Variance Account Balances (EB-2020-0134) proceeding unit rates were approved for disposition on a prospective basis from October 1, 2021 to December 31, 2021 for the Union rate zones. For a typical residential customer in the Union North West rate zone, the bill impact of this disposition was a credit of $50.95. The expiry of this credit as of December 31, 2021 has been reflected in the determination of the total bill impact to these customers effective January 1, 2022. For simplicity, Enbridge Gas mitigated through the total PGVA credit, an amount that would limit the total bill impact for a Union North West residential customer to less than 5% including the impacts of the prospective rate adjustments. As a result, the commodity bill for a Union North West residential customer has decreased from the October 1, 2021 QRAM.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit B, Tab 1, Schedule 1, pg. 4 & Exhibit C, Tab 1, Schedule 1, pg. 1

Preamble:

EGI evidence provides: *In executing its gas supply plan to date, Enbridge Gas has entered into gas supply contracts with a number of counterparties for varying volumes and terms (i.e., annual and seasonal arrangements). These gas supply contracts have sometimes included premiums or discounts to actual natural gas market price indices. Enbridge Gas has reflected these premiums/discounts in the derivation of the PGVA Reference Price established as a part of the QRAM process.*

We would like to understand better EGI's approach and level of risk to ratepayers given the gas supply approach and deferred implementation of cost consequences.

Question:

Using the Table in the Exhibit C reference, please provide a breakdown for each line that shows the amount of that is currently contracted at a fixed price on a monthly, seasonal or annual basis and the net that remains to be purchased on index.

Response:

EGI does not have any supply for the January 1, 2022 QRAM period contracted using fixed price. All supply that has been contracted has been contracted on a forward index.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

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We would like to understand better EGI's approach and level of risk to ratepayers given the gas supply approach and deferred implementation of cost consequences.

Question:

The Exhibit B reference speaks to the EGD Rate Zone. Is EGI using a similar approach for the two Union Rate Zones? Please explain why or why not.

Response:

EGI uses a consistent approach to contracting supply for all rate zones.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

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We would like to understand better EGI's approach and level of risk to ratepayers given the gas supply approach and deferred implementation of cost consequences.

Question:

If EGI is contracting for fixed price gas for the Union Rate zones, please provide the breakdown of the current portfolio for each rate zone in the same format as provided in Question 6 above.

Response:

Please see Exhibit I.FRPO.6.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

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We would like to understand better EGI's approach and level of risk to ratepayers given the gas supply approach and deferred implementation of cost consequences.

Question:

Please confirm that the market price for an annual 2022 gas supply contract has dropped approximately 10% in the first week of December.

Response:

As approved in EB-2008-0106, EGI uses the 21-day strip methodology, closing 31 days before the date of the effective rate change, to forecast 12-month forward commodity prices.

Please see the below comparison in 21-day strip forward prices as of December 1 and December 8.

MONTHLY PRICING INFORMATION

	Col. 1 21 Day Average Empress CGPR $CAD/GJ 1-Dec	Col. 1 a 21 Day Average Empress CGPR $CAD/GJ 8-Dec	Col. 2 21 Day Average NIT AECO $CAD/GJ 1-Dec	Col. 2 a 21 Day Average NIT AECO $CAD/GJ 8-Dec	Col. 3 21 Day Average NYMEX $US/MMBtu 1-Dec	Col. 3 a 21 Day Average NYMEX $US/MMBtu 8-Dec	Col. 4 21 Day Average Chicago $US/MMBtu 1-Dec	Col. 4 a 21 Day Average Chicago $US/MMBtu 8-Dec	Col. 5 21 Day Average Dawn $US/MMBtu 1-Dec	Col. 5 a 21 Day Average Dawn $US/MMBtu 8-Dec	Col. 6 21 Day Average Dom. South $US/MMBtu 1-Dec	Col. 6 a 21 Day Average Dom. South $US/MMBtu 8-Dec
Jan-22	5.21	4.74	4.81	4.32	5.19	4.78	5.73	5.24	5.11	4.69	4.61	4.19
Feb-22	5.19	4.72	4.79	4.32	5.08	4.69	5.66	5.18	5.15	4.74	4.54	4.15
Mar-22	4.74	4.31	4.22	3.79	4.81	4.47	4.86	4.48	4.93	4.57	4.30	3.96
Apr-22	3.87	3.77	3.51	3.33	4.08	3.97	3.98	3.86	4.01	3.89	3.52	3.40
May-22	3.74	3.67	3.39	3.23	4.00	3.92	3.83	3.74	3.86	3.76	3.27	3.17
Jun-22	3.73	3.66	3.38	3.23	4.03	3.95	3.83	3.73	3.84	3.74	3.27	3.18
Jul-22	3.72	3.65	3.37	3.21	4.07	3.99	3.89	3.80	3.82	3.73	3.32	3.24
Aug-22	3.74	3.65	3.38	3.22	4.08	4.00	3.89	3.81	3.82	3.74	3.25	3.16
Sep-22	3.68	3.59	3.33	3.16	4.06	3.98	3.86	3.78	3.78	3.69	2.90	2.80
Oct-22	3.85	3.76	3.50	3.33	4.09	4.01	3.91	3.83	3.82	3.74	2.89	2.80
Nov-22	4.02	3.92	3.78	3.65	4.17	4.10	4.07	3.97	3.94	3.85	3.36	3.29
Dec-22	4.21	4.12	3.97	3.85	4.34	4.27	4.54	4.46	4.19	4.11	3.66	3.59
Average	4.14	3.96	3.79	3.55	4.33	4.18	4.34	4.16	4.19	4.02	3.57	3.41
Increase/ (Decrease) Dec 1 to Dec 8	-4%		-6%		-4%		-4%		-4%		-5%	

Note: 21 day period at Dec 1: November 1-30, 2021
21 day period at Dec 8: November 9 -Dec 7, 2021

ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Exhibit C, Tab 4, Schedule 3, Page 1, column 7

Preamble:

We would like to understand better the drivers and principles underpinning the impacts on general service delivery rates in the EGD Rate Zone.

Question:

Please explain the underlying drivers and principles that generate a higher impact on delivery rates for Rate 6 vs. Rate 1 in column 7.

Response:

As a result of the increase in the PGVA reference price, the cost of Lost and Unaccounted for Gas (LUF and UUF) has increased. These costs are recovered in the delivery component of EGD's rate zone rates. Exhibit C, Tab 4, Schedule 1, Col 7. provides the recovery of this distribution related deficiency by rate class.

Delivery rates are forecast to increase by $1.661 million for Rate 1 and by $1.648 million for Rate 6. On an average unit rate basis, the impact to Rate 1 of 0.0337 cents/m^3 ($1,661,000/4,933,563 10^3m^3) is slightly higher than the impact to Rate 6 of 0.0335 cents/m^3 ($1,648,000/4,923,606 10^3m^3).

The Company adjusts its blocked delivery unit rates by the same percentage change by block, this maintains the pricing differential by block when compared to adjusting each block by the same unit rate. Therefore, the higher priced blocks are increased by a greater unit rate than the lower priced blocks. For the Rate 6 higher priced blocks, the unit rate change is greater than the unit rate change of Rate 1 higher priced blocks. For the Rate 6 lower priced blocks, the unit rate change is lower than the unit rate change of Rate 1 lower priced blocks.