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## **VIA RESS and EMAIL**

February 25, 2022

Nancy Marconi  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, Ontario  
M4P 1E4

Dear Nancy Marconi:

**Re: EB-2022-0089 – Enbridge Gas Inc. (“Enbridge Gas”) – April 2022 QRAM Notice of Commodity-Related Price Increase Estimate for April 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 April 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 April 1, 2022 QRAM application.<sup>1</sup> 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 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

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

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.<sup>2</sup>

In accordance with the Decision, Enbridge Gas prepared a February 2022 estimate of the April 2022 QRAM impacts to the commodity portion of an average residential sales service customer bill.<sup>3</sup> 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 \$90 and \$132, (between 26% and 43%).<sup>4</sup> This increase is primarily driven by the recovery of the PGVA credits included as part of the January 1, 2022 QRAM mitigation plan.

### 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 January 1, 2022 QRAM mitigation plan.

#### *1. Increase in the market price of natural gas*

The price used to set the gas commodity rate is forecast for April 1, 2022 to March 31, 2023 and is expected to increase between \$0.002/GJ and \$0.132/GJ from the prices approved by the OEB in the January 2022 QRAM. The annual bill impact for an average residential sales service customer is an increase of \$0 to \$12, depending on the customer’s location.

#### *2. Increases in the Purchased Gas Variance Account (“PGVA”) riders*

The projected April 1, 2022 PGVA riders are larger than the April 1, 2021 PGVA riders that expire with the April 1, 2022 QRAM. The impact of the expiring rider is included with the impact of the projected PGVA rider determined for the April 1, 2022 QRAM. The annual bill impact for an average residential sales service customer in all rate zones is an increase of \$2 to \$24, depending on the customer’s location.

#### *3. Increases related to the recovery of the PGVA credits included as part of the January 1, 2022 QRAM mitigation plan*

Enbridge Gas included PGVA credits totalling \$455 million with the January 1, 2022 QRAM in order to mitigate bill impacts for customers at that time. As part of the plan, Enbridge Gas indicated it would propose to include a PGVA debit of an equal amount with the April 1, 2022 QRAM to recover the cost of the PGVA credit not recovered with the January 1, 2022 QRAM application. The annual bill impact for an average residential sales service customer is an increase of \$67 to \$125, depending on the customer’s location.

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<sup>2</sup> EB-2014-0199, Decision and Order, August 14, 2014, pp. 4-5.

<sup>3</sup> February 2022 estimate based on a 21-Day strip of natural gas prices ending February 9, 2022.

<sup>4</sup> A typical residential customer bill impact for the EGD and Union rate zones is based on annual consumption of 2,400 m<sup>3</sup> and 2,200 m<sup>3</sup>, respectively.

## Total Bill Impacts

In addition to the commodity-related impacts described above, the April 1, 2022 QRAM will also reflect non-commodity related QRAM changes, the implementation of the rate impacts and one-time deferrals disposition amounts from the 2022 Federal Carbon Pricing Program application (EB-2021-0209), and the one-time disposition of balances from the 2020 Deferral and Variance Account Balances application (EB-2021-0149). Please refer to Table 1 for detailed bill impacts by rate zone.

Table 1  
April 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	12	3	0	0
2	PGVA Riders	11	2	6	24
3	January 2022 QRAM Rate Mitigation	67	115	125	96
4	Total Commodity Bill Impact	90	120	132	120
5	Approved Commodity Bill - January QRAM	348	276	362	397
6	Commodity Bill Impact (%)	26%	43%	36%	30%
	<u>Total Bill Impacts</u>				
7	QRAM Non-commodity Impacts	-6	2	0	0
8	2022 Federal Carbon and 2020 Carbon Deferrals	47	43	43	43
9	2020 Deferrals	-5	-30	7	8
10	Total Other Rate Changes	36	15	50	51
11	Total Bill Impact (line 4 + 10)	126	135	182	171
12	Approved Total Bill - January QRAM	1,157	1,103	1,211	994
13	Total Bill Impact (%)	11%	12%	15%	17%

## 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.<sup>5</sup>

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 April 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 April 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 April 1, 2022 QRAM application on March 11, 2022.

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

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<sup>5</sup> EB-2014-0199, Decision and Order, August 14, 2014, p. 5.