

February 25, 2022

**Sent by EMAIL, RESS e-filing**

Ms. Nancy Marconi  
Acting Registrar  
Ontario Energy Board  
27-2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0099 & EB-2022-0100: Quarterly Rate Adjustment Mechanism (“QRAM”) Notice of Commodity-Related Price Increase Estimate - April 2022**

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The purpose of this letter is to inform the Ontario Energy Board (“OEB”) of the estimated change in the commodity portion of an average residential customer’s bill that is expected when EPCOR Natural Gas Limited Partnership (“ENGLP”) files its April 1, 2022 QRAM application.

**Aylmer**

Based on preliminary estimates provided by Enbridge Gas Inc. in the letter received February 25, 2022<sup>1</sup>, there is a possibility the commodity bill increase will be higher than 25%, and/or the annual bill impact will increase by more than 10% for an average residential customer since the system gas rates are dependent upon the rates set by Enbridge for the Union South rate zone.

**South Bruce**

Based on market pricing trends since the preliminary estimate was prepared, ENGLP South Bruce expects that it is likely the commodity bill increase will be higher than 25%, and/or the annual bill impact will increase by more than 10% for an average residential customer when the April 1, 2022 QRAM is prepared.

Should the commodity bill increase be greater than 25%, or the total annual bill impact increase by more than 10%, for an average residential customer, ENGLP’s April 1, 2022 QRAM application will include a plan to mitigate the increase to an acceptable level.

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<sup>1</sup> EB-2022-0089, EGI\_Ltr\_Estimate of Apr\_2022 QRAM\_20220225\_signed

## **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 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.

## **Cost Drivers of the Commodity Bill Impacts**

### **Aylmer**

As noted in the Enbridge letter of February 25, 2022:

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.

#### *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.

*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.

**South Bruce**

Of the estimated bill impact for a typical residential customer, the cost driver is increases in the market price of natural gas.

*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 \$0.0075/GJ and \$0.2588 /GJ from the prices approved by the Board in the January 2022 QRAM.

*2. Increases related to the recovery of the PGCVA credits included as part of the January 1, 2021 QRAM mitigation plan*

- ENGLP South Bruce included PGCVA credits totalling \$380,000 with the January 1, 2022 QRAM in order to mitigate bill impacts for customers at that time. As part of the plan, ENGLP South Bruce indicated it would propose to include a PGCVA debit of an equal amount with the April 1, 2022 QRAM to recover the cost of the PGCVA credit not recovered with the January 1, 2022 QRAM application.

ENGLP expects to file its April 1, 2022 QRAM applications on March 14, 2022.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,



Tim Hesselink  
Senior Manager, Regulatory Affairs  
EPCOR Natural Gas Limited Partnership  
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