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**Enbridge Gas Inc.**  
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**VIA RESS and EMAIL**

March 21, 2022

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

Dear Nancy Marconi:

**Re: EB-2022-0089 – Enbridge Gas Inc. – April 1, 2022  
Quarterly Rate Adjustment Mechanism (QRAM) Application  
Updated Exhibit**

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Enclosed please find an update to Exhibit A, Tab 2, Schedule 2 as detailed in the chart below.

Exhibit	Update
A-2-2, page 4 Paragraph 14	Numerical correction. “. . . approximately \$405 <b>125</b> million . . .”

Should you have any questions on this matter please contact the undersigned at 519-365-5376.

Sincerely,

Richard Wathy  
Technical Manager, Regulatory Applications

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

## RATE MITIGATION

### Purpose

1. The purpose of this section of evidence is to describe the rate mitigation proposal included as part of the application for rate changes effective April 1, 2022.
2. Prior to rate mitigation in the current application, Enbridge Gas identified the bill impacts for a typical residential sales service customer would exceed 25% of the commodity portion of the bill in all rate zones based on approved QRAM methodologies. The bill impacts were prepared using a forecast of gas costs effective April 1, 2022 based on a 21-day strip ending February 28, 2022 and include recovery of the rate mitigation from the January 2022 QRAM. The bill impacts resulted in commodity increases of approximately 34% for customers in the EGD rate zone, 35% for customers in the Union South rate zone, 53% for customers in the Union North West rate zone and 41% for customers in the Union North East rate zone.
3. In response to the identified bill impacts, Enbridge Gas has included as part of this application, a rate mitigation proposal that limits the commodity-related increase to less than 25% and total bill increase to less than 10%.
4. Enbridge Gas will communicate the expected proposed rate change effective April 1, 2022 to customers consistent with the communication plan used for each rate change as described below.

### EB-2014-0199 QRAM Review

5. As per the EB-2014-0199 - Review of the Quarterly Rate Adjustment Mechanism (QRAM Review) Decision, the OEB requires distributors, 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.<sup>1</sup>

6. If a distributor 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), the distributor must file a letter with the OEB describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change.<sup>2</sup>
7. The OEB also requires that if a 25% or greater change on the commodity portion of a typical residential system supply customer's bill (which includes all commodity related rate riders) is still anticipated with the QRAM application, the distributor must also include evidence which explains, in detail, the reasons for the large rate increase (or decrease). Where the change is an increase, the distributor must include a plan for mitigation of the increase.<sup>3</sup>

#### February 2022 Preliminary QRAM Estimate

8. In February 2022, Enbridge Gas prepared a preliminary QRAM estimate of the April 1, 2022 QRAM bill impact using a forecast of gas costs effective April 1, 2022 based on a 21-day strip ending February 9, 2022. At that time, the increase in the commodity portion of a customer's bill was expected to exceed 25% for customers in all rate zones.
9. Enbridge Gas filed a letter with the OEB on February 25, 2022 providing advance notice of the price increase expected for April 1, 2022. In the letter, the Company

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<sup>1</sup> EB-2014-0199 Review of the Quarterly Rate Adjustment Mechanism, Decision and Order, August 14, 2014, p. 4.

<sup>2</sup> Ibid., p. 5.

<sup>3</sup> EB-2014-0199 Review of the Quarterly Rate Adjustment Mechanism, Decision and Order, August 14, 2014, p. 6.

noted that based on market pricing trends that it expected the gas commodity portion of the bill would increase by more than 25% for sales service customers in all rate zones when the April 1, 2022 QRAM was prepared. In addition, the Company noted that it planned to include a plan to mitigate the increase to an acceptable level.

QRAM Forecast

10. Enbridge Gas prepared the April 1, 2022 QRAM bill impacts using the February 28, 2022, 21-Day strip forecast and the available information at the time (QRAM forecast). The bill impacts of the QRAM forecast are provided in Table 1.

Table 1  
Results of QRAM Forecast (Before April Rate Mitigation Plan)

Line No.	Rate Zone	Commodity Bill			Total Bill (1)		
		Change	Current Bill Total	%	Change	Current Bill Total	%
		(a)	(b)	(c)	(d)	(e)	(f)
1	EGD	117.99	348.48	33.9%	154.01	1,157.24	13.3%
2	Union South	139.31	397.15	35.1%	191.10	993.92	19.2%
3	Union North West	144.67	275.76	52.5%	161.13	1,103.01	14.6%
4	Union North East	148.46	361.75	41.0%	199.75	1,211.05	16.5%

Notes:

(1) Total bill impact provided in the table is consistent with line 5.2 of Exhibit A, Tab 3, Schedule 1 and includes rate changes from the implementation of the approved decision on Enbridge Gas's 2022 Federal Carbon Pricing Program (EB-2021-0209) application and Enbridge Gas's 2020 Utility Earnings/Disposition of Deferral and Variance Account Balances (EB-2021-0149) application.

11. The increase in the total bill is a factor of the QRAM price increases, recovery of the \$455 million from the rate mitigation included with the January 2022 QRAM, and other approved rate changes effective April 1, 2022 including rate changes from the implementation of the approved decision on Enbridge Gas's 2022 Federal Carbon Pricing Program (EB-2021-0209) application and Enbridge Gas's 2020

Utility Earnings/Disposition of Deferral and Variance Account Balances  
(EB-2021-0149) application.

12. Forward natural gas prices remained volatile and continued to increase since the January 2022 QRAM application. Upward pressure on pricing continued, as a result of colder than normal weather and uncertainty in the global energy landscape. Production in North America decreased slightly and storage across North America is expected to remain below the 5-year average through the end of March. As a result, the forward 12-month NYMEX strip increased 5% since the January QRAM. Please see Exhibit B, Tab 1, Schedule 1 for more information.

Rate Mitigation Plan

13. The current application is the third consecutive QRAM where it has been necessary for the Company to propose a rate mitigation plan in response to increases in natural gas market prices. For both the October 2021 QRAM and January 2022 QRAM, the Company proposed applying a PGVA credit to the PGVA account balance for expected recovery with the subsequent QRAM application. The total outstanding PGVA credit amount from the January 2022 QRAM is \$455 million. Continuing with this approach for a rate mitigation plan with the current application would result in recovery in PGVA rate riders of approximately \$125 million but would continue to defer PGVA credits of approximately \$330 million for expected recovery with the July 2022 QRAM. /u
14. The volatility in natural gas markets creates uncertainty in the timeframe for recovery of the remaining \$330 million of PGVA credits that would be necessary if Enbridge Gas continued with the mitigation approach from previous QRAM applications. In order to mitigate bill impacts and provide more certainty regarding the recovery timeline of PGVA credits, the Company proposes a mitigation plan that includes a 24-month disposition period for commodity balances within each rate zone's respective PGVA account balance. In the case of the Union rate zones

a 24-month disposition period does not mitigate the total bill impact to 10%, therefore, Enbridge Gas proposes PGVA credits that total \$119 million for recovery with the July 2022 QRAM. Please see Table 2 for the rate zone details.

Table 2  
Total April 2022 Rate Mitigation

Line No.	Rate Zone	Total January 2022 Rate Mitigation (\$000) (a)	Rate Mitigation Recovery in Current Application (\$000) (b)	Total April 2022 Rate Mitigation (1) (\$000) (c)
1	EGD	(230,000)	230,000	-
2	Union South	(162,000)	62,000	(100,000)
3	Union North West	(17,000)	9,000	(8,000)
4	Union North East	<u>(46,000)</u>	<u>35,000</u>	<u>(11,000)</u>
5	Total	(455,000)	336,000	(119,000)

Notes:

- (1) Exhibit C, Tab 1, Schedule 2, p. 1 for the EGD rate zone and Exhibit E, Tab 2, Schedule 4, p. 1 for the Union rate zones.

15. Because the Company's rate mitigation plan is designed to limit total bill impacts for a typical residential customer to a 10% increase, the rate mitigation plan approach does not significantly affect the bill impact for customers. The mitigation option of PGVA credits alone compared to the proposed 24-month disposition with lower PGVA credit amounts, results in a similar bill impact for customers. The Company has proposed the latter option to provide certainty on the timing of the recovery of amounts deferred from previous QRAMs due to the volatility in the natural gas market prices.
16. The 24-month disposition period is consistent with the OEB's Decision and Order from Enbridge Gas Distribution's April 1, 2014 QRAM.<sup>4</sup> The Company will review

<sup>4</sup> EB-2014-0039 April 1, 2014 QRAM, Decision and Order, May 22, 2014.

the 24-month disposition period from this application in future QRAM applications to determine if market prices at that time will provide an opportunity to shorten the 24-month period of the April 2022 PGVA riders.

17. Based on this proposal, Enbridge Gas has prepared this application with a 24-month disposition period for commodity balances of the PGVA and continuing with PGVA credit amounts as provided in Table 2 included in the Union rate zones' PGVA account balances at Exhibit E, Tab 2, Schedule 4, page 1, Line 14.
18. The proposed mitigation plan allows Enbridge Gas to use the forecast for gas costs in the derivation of the commodity rate. This allows the customers' rates to reflect market prices and is consistent with the OEB's findings in the QRAM Review:

the QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect the actual natural gas market price, and protecting the interests of system supply customers by reducing, to some extent, volatility in the price of natural gas.<sup>5</sup>
19. The rate mitigation plan reflects the natural gas market price for commodity charges on a customer's bill but also provides for a gradual increase in response to rising natural gas prices. The 24-month disposition period and PGVA credit in the current application provides a smoothing of bill increases for customers over a longer period of time and reduces potential balances that would otherwise accumulate in deferral and variance accounts for future disposition without any price increase for April 1, 2022. Enbridge Gas will propose to include a PGVA debit of an equal amount with the July 1, 2022 QRAM to recover the cost of the PGVA credit not recovered with the current QRAM application. The Company will assess the price changes to customer's July 1, 2022 bills, including recovery of the

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<sup>5</sup> EB-2014-0199 Review of the Quarterly Rate Adjustment Mechanism, Decision and Order, August 14, 2014, p. 4.

\$119 million rate mitigation from this application. The annual commodity and total bill impacts of the proposed rate mitigation plan are shown in Table 3.

Table 3  
Results of Mitigation Plan – Annual Bill Impacts

Line No.	Rate Zone	Commodity Bill						Total Bill as Filed (1)	
		Before April Rate Mitigation Plan		As Filed - After April Rate Mitigation Plan		Impact of Rate Mitigation Plan		Change	
		\$	%	\$	%	\$	%	\$	%
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	EGD	117.99	33.9%	76.54	22.0%	(41.45)	-11.9%	112.56	9.7%
2	Union South	139.31	35.1%	46.20	11.6%	(93.11)	-23.4%	97.99	9.9%
3	Union North West	144.67	52.5%	61.61	22.3%	(83.06)	-30.1%	78.07	7.1%
4	Union North East	148.46	41.0%	68.80	19.0%	(79.66)	-22.0%	120.09	9.9%

Notes:

(1) Total bill impact provided in the table is consistent with line 5.2 of Exhibit A, Tab 3, Schedule 1.

20. As a result of the rate mitigation plan, the total bill impact is less than 10% for a typical residential customer in all rate zones. Please see Table 3, column (i) and Exhibit A, Tab 3, Schedule 1 for the total bill impacts.

Customer Communication

21. Based on the rate mitigation plan described above, customer bill impacts will be less than 25% of the commodity portion and less than 10% of the total of a typical residential customer's bill. As a result, Enbridge Gas will communicate the expected proposed rate change 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.
- Automated phone message – customers will hear a message about upcoming rate changes when they call the contact centres in April 2022.
- Contact Centres – Enbridge customer representatives provide ongoing support to customers through the year and are available to discuss rate changes and answer individual customer questions as required.