

May 27, 2022

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

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

Dear Ms. Marconi:

**Re: ENGLP Quarterly Rate Adjustment Mechanism (“QRAM”) Notice of Commodity-Related Price Increase Estimate July 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 July 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 that for an average residential customer, the commodity bill increase will be higher than 25%, or the annual bill impact will increase by more than 10%, for the franchise area 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 it is likely that for an average residential customer, the commodity bill increase will be higher than 25%, and the annual bill impact will increase by more than 10%, in South Bruce when the July 1, 2022 QRAM is prepared.

In both instances, should the commodity bill increase be greater than 25%, or the total annual bill impact will increase by more than 10%, for an average residential customer, ENGLP is planning to include a plan to mitigate the increase to an acceptable level with the July 1, 2022 QRAM application.

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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 May 27, 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 July 1, 2022 to June 30, 2023 and is expected to increase between \$2.382/GJ and \$2.520/GJ from the prices approved by the OEB in the April 2022 QRAM. The annual bill impact for an average residential sales service customer is an increase of \$205 to \$223, depending on the customer's location.

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

The projected July 1, 2022 PGVA riders are larger than the July 1, 2021 PGVA riders that expire with the July 1, 2022 QRAM. The impact of the expiring rider is included with the impact of the projected PGVA rider determined for the July 1, 2022 QRAM. The annual bill impact for an average residential sales service customer in all rate zones is an increase of \$22 to \$40, depending on the customer's location.

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

Enbridge Gas included PGVA credits totalling \$119 million with the April 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 July 1, 2022 QRAM to recover the cost of the PGVA credit not recovered with the April 1, 2022 QRAM application. The annual bill impact for an average residential sales service customer is an increase of \$30 to \$59, depending on the customer's location.

### **South Bruce**

Of the estimated bill impact for a typical residential customer, the cost drivers is the increases related to the market price of natural gas. The annual bill impact for an average residential sales service customer is an increase of approximately \$232.

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

The price used to set the gas commodity rate is forecast for July 1, 2022 to June 30, 2023 and is expected to increase \$1.4428/GJ to \$3.9329/GJ from the prices approved by the Board in the April 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. In its QRAM Decision (EB-2022-0100), dated March 24, 2022, the OEB approves the recovery of the PGCVA credit using the typical 12-month smoothing period (ending March 2023).

ENGLP expects to file its July 1, 2022 QRAM application on June 10, 2022.

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



Sincerely,

Tim Hesselink  
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EPCOR Natural Gas Limited Partnership  
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