

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF an application by Enbridge Gas Inc. pursuant to Section 36(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of July 1, 2022.

APPLICATION

1. Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) (together the Utilities) were Ontario corporations incorporated under the laws of the Province of Ontario carrying on the business of selling, distributing, transmitting, and storing natural gas within the meaning assigned in the *Ontario Energy Board Act, 1998* (the Act). Effective January 1, 2019 the Utilities amalgamated to become Enbridge Gas Inc. (Enbridge Gas or Applicant). Following amalgamation, Enbridge Gas has maintained the existing rates zones of EGD and Union (the EGD, Union North West, Union North East and Union South rate zones).¹
2. Enbridge Gas applied to the Ontario Energy Board (OEB) on June 30, 2021 to fix just and reasonable rates and other charges for the sale, distribution and storage of natural gas effective January 1, 2022 for both the EGD and Union rate zones under OEB docket number EB-2021-0147. On April 12, 2022 the OEB issued a Decision and Order approving January 1, 2022 rates as final in its decision on Phase 2 of the IRM application under EB-2021-0148. Enbridge Gas makes this application in accordance with the OEB-approved quarterly rate adjustment mechanism (QRAM)² to adjust its gas commodity prices and make related rate changes effective July 1, 2022.

¹ Collectively, the Union North West, Union North East and Union South rates zones are referred to as "Union rate zones". Union North West and Union North East are collectively referred to as "Union North".

² See OEB's decision in EB-2008-0106.

Rate Mitigation Plan

3. In accordance with the OEB's decision in EB-2014-0199 and its expectations that regulated utilities will consider rate mitigation for material rate increases, Enbridge Gas is proposing the following two rate mitigation options for this application:

(a) Preferred Rate Mitigation Approach

In order to mitigate the gas price increase in all rate zones, Enbridge Gas is proposing a 24-month disposition period for commodity balances within each rate zone's respective PGVA account balance. This approach provides for recovery of all current QRAM-related costs in current rates, no PGVA credits for future recovery to manage in light of continuing natural gas price increases and commodity rates that are more reflective of market prices.

(b) Alternate Rate Mitigation Approach

Limit the total bill increase to 15% in all rate zones for typical residential customers by applying PGVA credits that total \$601 million for recovery with the October 2022 QRAM. This option has been prepared with a 12-month disposition period for commodity balances. This approach allows for a total bill increase that is less than the preferred approach but does not provide for recovery of all current QRAM-related costs in current rates. A continued rise in natural gas prices would further exacerbate the impact on customers by increasing the PGVA balance beyond \$600M at a time that customer volumes will start increasing significantly. The proposed credits for this alternate rate mitigation plan in the current application are as follows:

- \$290 million for the EGD rate zone
- \$258 million for the Union South rate zone,
- \$36 million for the Union North East rate zone, and
- \$17 million for the Union North West rate zone.

Under both options presented above, the total outstanding PGVA credit amount from the April 2022 QRAM of \$119 million for the Union rate zones has been included for recovery.

EGD Rate Zone

4. Pursuant to section 36(1) of the Act, and the QRAM (modified as indicated above to accommodate the proposed rate mitigation plan) approved by the OEB, the Applicant hereby applies to the OEB for orders effective July 1, 2022 applicable to the EGD rate zone as follows:
- (a) an order establishing an updated PGVA Reference Price for the third quarter of 2022 using the prescribed methodology. The PGVA Reference Price approved for the EGD rate zone in EB-2022-0089 was \$231.041/10³m³ (\$5.996/GJ @ 38.53 MJ/m³). The recalculated utility price is \$330.493/10³m³ (\$8.578/GJ @ 38.53 MJ/m³);
 - (b) an order establishing the Rider C unit rate for residential customers. The unit rate shall be (0.3992) ¢/m³ for sales service, 0.4080 ¢/m³ for Western T-service, and 0.5474 ¢/m³ for Ontario T-service and Dawn T-service, under preferred rate mitigation approach, or shall be (2.8620) ¢/m³ for sales service, 0.4080 ¢/m³ for Western T-service, and 0.5474 ¢/m³ for Ontario T-service and Dawn T-service, under the alternate rate mitigation approach; and,
 - (c) such further order or orders as Enbridge Gas may request and the OEB may deem appropriate or necessary.

Union Rate Zones

5. Pursuant to section 36(1) of the Act, and the QRAM (modified as indicated above to accommodate the proposed rate mitigation plan) approved by the OEB, the Applicant hereby applies to the OEB for orders effective July 1, 2022 applicable to the Union rate zones as follows:

(a) an order establishing the reference prices specified in the table below:

	Previous QRAM (Effective April 1, 2022)	Proposed (Effective July 1, 2022)
Alberta Border Reference Price ¹	4.618 \$/GJ	7.000 \$/GJ
	18.0656 cents/m ³	27.3840 cents/m ³
Dawn Reference Price ²	5.269 \$/GJ	7.789 \$/GJ
	20.6123 cents/m ³	30.4706 cents/m ³

Notes:

- ¹ *The Alberta Border Reference Price represents the Union North West Purchase Gas Variance Account (Deferral Account No. 179-147) reference price, and the Spot Gas Variance Account (Deferral Account No. 179-107) reference price for incremental gas purchased at Empress.*
- ² *The Dawn Reference Price represents the South Purchase Gas Variance Account ("SPGVA") (Deferral Account No. 179-106) reference price, the Union North East Purchase Gas Variance Account (Deferral Account No. 179-148) reference price, the Spot Gas Variance Account (Deferral Account No. 179-107) reference price for incremental gas purchased at Dawn.*

- (b) an order to reflect the inventory revaluation adjustment resulting from changes in gas costs as of July 1, 2022;
- (c) an order reflecting the prospective disposition of the projected balance for the twelve month period ending June 30, 2023, or twenty-four month period ending June 30, 2024 recorded in the gas-supply deferral accounts, as proposed;
- (d) an order reflecting adjustments to delivery rates to account for cost of gas changes in the carrying costs of gas in inventory, compressor fuel, and UFG;
- (e) an order reflecting adjustments to Union North storage and transportation rates to account for changes in upstream costs; and,
- (f) such further order or orders as Enbridge Gas may request and the OEB may deem appropriate or necessary.

Regulatory Framework

6. This application is supported by written evidence that has been pre-filed with the OEB and provided by Enbridge Gas to all intervenors of record in EB-2008-0106, EB-2019-0137, EB-2022-0072, EB-2021-0147 and EB-2021-0148.

7. In accordance with the prescribed QRAM timelines below are the submission dates for processing this application:
 - Any responsive comments from interested parties are filed with the OEB, and served on Enbridge Gas and the other interested parties, on or before June 8, 2022.
 - Any reply comments from Enbridge Gas are filed with the OEB, and served on all interested parties, on or before June 10, 2022.

8. Enbridge Gas requests the OEB issue its decision and order by June 16, 2022 for implementation effective July 1, 2022.

9. The following procedures are prescribed for cost claims relating to QRAM applications, as directed by the OEB:
 - Parties that meet the eligibility criteria contained in the OEB's *Practice Direction on Cost Awards* may submit costs with supporting rationale as to how their participation contributed to the OEB's ability to decide on this matter.
 - Any party eligible for an award of costs must file a claim with the OEB and Enbridge Gas no later than ten days from the date of the OEB's decision and order. Should Enbridge Gas have any comments concerning any of the claims, these concerns shall be forwarded to the OEB and to the claimant within seven days of receiving the claims. Any response to Enbridge Gas's comments must be filed with the OEB and Enbridge Gas within seven days of receiving the comments.

10. Enbridge Gas requests that all documents in relation to the application and its supporting evidence, including the responsive comments of any interested party, be served on Enbridge Gas and its counsel as follows:

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Dated: June 3, 2022

ENBRIDGE GAS INC.

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