

June 9, 2022

**VIA RESS**

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Registrar  
**ONTARIO ENERGY BOARD**  
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Dear Ms. Marconi:

**Re: EB-2022-0150: Enbridge Gas Inc. (EGI) July 1, 2022 QRAM Application.**  
**Industrial Gas Users Association (IGUA) Comments.**

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We write as legal counsel to IGUA.

**IGUA's Position on Proposed Rate Adjustments**

IGUA's advisors, Jupiter Energy Advisors Inc. (Jupiter), have reviewed EGI's Application for quarterly adjustment of rates (QRAM) for all of the legacy rate zones of Enbridge Gas Distribution and Union Gas Limited, such adjustment to be effective July 1, 2022. Informed by Jupiter's review, we conclude that in deriving base commodity rates, EGI has, with two exceptions further addressed below, properly followed the QRAM methodology approved by the OEB's EB-2008-0106 Decision. EGI has also properly implemented the OEB's decisions regarding recovery of 2020 Demand Side Management deferrals and variances [EB-2022-0007] and implementation of Incremental Capital Module (ICM) recovery for 2022 projects [EB-2021-0148].

We also note that EGI has proposed in this QRAM application a rate mitigation strategy that returns to regulated gas commodity rates which more closely reflect the market than has been the case over the past year. This is proposed to be achieved by:

1. Jettisoning the PGVA credit now/debit later approach adopted over the last year for mitigating rate increases in favour of applying the full forecast gas commodity price increase in resetting gas supply charges; and

2. Allowing regulated commodity price increases in excess of 10% and bill increases in excess of 25% in favour of more closely reflecting the continuing precipitous increases in gas costs<sup>1</sup>.

The two exceptions to the prescribed QRAM methodology proposed by EGI are:

1. A proposed continued doubling of the period for recovery of PGVA debit resulting from reversing the PGVA credits applied in the previous QRAM and in order to mitigate the gas price increase at that time. This approach was approved by the OEB in the last QRAM.
2. Implementing regulated gas supply price changes based on a forward strip that is one month early relative to the prescribed methodology.

In the circumstances, IGUA's view is that EGI's proposal largely appropriately balances the QRAM methodology objective of reflecting market prices while mitigating what remain relatively extreme market gas price escalations. As further described below, we ask that EGI indicate in its reply submissions whether an update to the proposed prices based on the more recent 21-day strip can be provided and implemented, if the OEB deems it appropriate.

### **Additional Comments**

We note the inclusion by EGI of PGVA continuity schedules which break out PGVA principal and interest balances<sup>2</sup>, as directed by the OEB in its decision on EGI's April, 2022 QRAM [EB-2022-0089]. This is a helpful addition to the QRAM filing. The prefiled evidence highlighting the difference in interest costs between the two mitigation proposals advanced<sup>3</sup> is also helpful.

We understand that EGI has explained in its filing that it has used a 21-day NYMEX strip ending May 6, 2022 as the basis for its proposed regulated commodity price so as to be able to file its application a month early and thereby effect any required system testing following an OEB decision as between the two rate mitigation options put forward.<sup>4</sup> At the same time, EGI has indicated that gas prices have continued to increase since its application was prepared. The 21-day strip ending May 31, 2022, which is what the prescribed QRAM methodology directs be used to reset regulated commodity prices, indicates further increases in EGI's reference prices of 10% (EGD rate zone) - 12% (Union rate zone), which further increases will accumulate in the PGVA balances to be included for recovery through the October 2022 QRAM.<sup>5</sup>

EGI expressly points its use of the early 21-day strip for the purposes of this filing as constituting "*an additional rate mitigation to the options provided in this application*".<sup>6</sup> In response to a question from OEB Staff EGI indicates that it does not support standardizing the practice of filing QRAM

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<sup>1</sup> ExA/T2/S2/p9, paragraph 23.

<sup>2</sup> ExC/T1/S6 & ExE/T1/S3

<sup>3</sup> Updated ExA/T2/S2/p9, paragraph 25.

<sup>4</sup> ExA/T2/S2/p2, paragraph 4.

<sup>5</sup> ExA/T2/S2/pp.2-3, paragraph 6.

<sup>6</sup> ExA/T2/S2/pp.2-3, paragraph 6.

applications in advance of the normal timeframe (using an earlier 21-day strip of natural gas prices) in cases where rate mitigation is proposed. EGI states<sup>7</sup>:

*This practice does not use the most recent price signals, which is at odds with the goal of the QRAM process to provide appropriate price signals which reflect actual market prices and reflect them in customers' rates in a timely manner.*

IGUA agrees with EGI's position in this respect.

We understand EGI's rationale in the current instance of using an early (non-QRAM standard) forward strip for the purposes of developing this filing so that the OEB can provide early direction on the preferred mitigation approach and EGI can conclude system testing prior to implementation of the directed mitigation approach. However, it is not clear why EGI could not, once the OEB's decision on the mitigation approach is made, file updated commodity prices applying the directed mitigation approach but using the prescribed 21-day strip (i.e. the strip ending May 31, 2022), the general results of which have already been evidenced (see ExA/T2/S2/p2/paragraph 5). It may be that the OEB would be informed by such updating pricing in providing final direction on the system supply commodity rates to be set effective July 1, 2022. Subject to further mitigation considerations, such prices would better meet *"the goal of the QRAM process to provide appropriate price signals which reflect actual market prices and reflect them in customers' rates in a timely manner"*. **We ask that EGI indicate in its reply submission whether it could now provide updated commodity prices, in accord with the prescribed QRAM methodology, in a compliance filing following the OEB's decision herein, and ultimately implement such updated prices if so directed.**

Finally, we have previously commented on the clarity of the rate change notices to customers posted by EGI on its website which the OEB recognized in its most recent QRAM decision merited attention.<sup>8</sup> We have reviewed the most recent EGI web posting in this respect<sup>9</sup>, and find it an improvement.

## **Costs**

Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of non-contentious matters such as is normally the case with QRAM applications. For this and past QRAM reviews, IGUA has retained Jupiter, whose professionals are expert in Ontario gas

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<sup>7</sup> ExI.STAFF.3.

<sup>8</sup> EB-2022-0089 Decision and Rate Order, page 9.

<sup>9</sup> <https://www.enbridgegas.com/gas-rates-notice>

commercial and regulatory matters, including rate matters in particular. Jupiter has conducted reviews of QRAM applications as filed, and provided a report to IGUA. Following receipt and review of Jupiter's report, IGUA has been in a position to advise the Board of any concerns that it has with respect to the application.

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,



Ian A. Mondrow

- c. Dr. Shahrzad Rahbar (IGUA)  
Richard Wathy (EGI)  
Tania Persad (EGI)  
Valerie Young (Jupiter)  
All Interested Parties (EB-2008-0106, EB-2019-0137, EB-2022-0072,  
EB-2021-0147; EB-2021-0148)

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