Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

March 20, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Letter of Comment
Enbridge Gas Inc.
April 2025 Quarterly Rate Adjustment Mechanism (QRAM) Application
OEB File Number: EB-2025-0078

Please find attached OEB staff's letter of comment in the above referenced proceeding.

Yours truly,

Catherine Nguyen
Digitally signed by Catherine Nguyen
Date: 2025.03.20 15:58:49 -04'00'

Catherine Nguyen
Case Manager

Encl.

cc: All parties in EB-2025-0078

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Background

The Ontario Energy Board (OEB) requires natural gas distributors, one month in advance of the normal Quarterly Rate Adjustment Mechanism (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 forecast cost of gas for the next quarter and the forecasted Purchased Gas Variance Account (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 OEB 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. The letter must be filed with the OEB as soon as possible after the preliminary forecast has been completed and no later than 14 days before the filing date of the QRAM application.

After the letter is filed with the OEB (if applicable), the distributor is required to file its QRAM application in accordance with the OEB-approved QRAM methodology. If a 25% or greater change on the commodity portion of a typical residential system supply customer’s bill is still anticipated, 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. The OEB has not specified what form the mitigation proposal should take but has indicated that it would consider the necessity for and method of implementation of mitigation on a case-by-case basis.

Enbridge Gas filed a letter with the OEB on February 28, 2025, notifying the OEB that based on preliminary estimates, the gas commodity portion of the bill in its April 2025 QRAM application is forecasted to increase by more than 25% for sales service customers in the Enbridge Gas Distribution (EGD), Union North West and Union South rate zones. Enbridge Gas stated that the increase is primarily driven by increases related to the market price of natural gas and to the PGVA riders. Enbridge Gas also stated that it would include a plan to mitigate the increase with its April 2025 QRAM application.

Enbridge Gas filed its April 2025 QRAM application on March 11, 2025. Enbridge Gas identified that, prior to any mitigation, the commodity-related bill impacts would exceed 25% and the total bill impacts would exceed 10% for a typical residential sales service customer in all rate zones. The application also sought to implement the unit rates and temporary rate adjustments previously approved by the OEB in Enbridge Gas’s 2025

Federal Carbon Pricing proceeding[1]. Enbridge Gas proposed a rate mitigation plan that limited the commodity-related increase to less than 25% and the total bill increase to less than 10%.

On March 18, 2025, Enbridge Gas filed a letter with the OEB indicating that it would file an amended application to reflect changes related to the federal carbon charge. In its letter, Enbridge Gas indicated that federal regulations amending Schedule 2 to the *Greenhouse Gas Pollution Pricing Act* and the *Fuel Charge Regulations* were published in the Canada Gazette on March 15, 2025. Enbridge Gas stated that these amendments set the federal carbon charge to zero, after March 31, 2025.

Enbridge Gas filed its amended April 2025 QRAM application on March 18, 2025 reflecting, among other changes, the elimination of the federal carbon charge. Enbridge Gas indicated that it is no longer proposing a rate mitigation plan because the total bill impacts for sales service customers in all rate zones are decreasing as a result of the removal of the federal carbon charge.

Application Summary

In its amended application, Enbridge Gas identified that the bill impacts for the commodity portion of the bill for a typical residential sales service customer would still exceed 25% in all rate zones. The bill impacts were prepared using a forecast of gas costs effective April 1, 2025, based on a 21-day strip ending February 28, 2025. The bill impacts resulted in commodity increases of approximately 37% in the EGD rate zone, 45% in the Union South rate zone, 55% in the Union North West rate zone and 28% in the Union North East rate zone. Enbridge Gas explained that forward natural gas prices increased since the January 2025 QRAM[2] due to colder than normal weather and lower North American natural gas inventory compared to last year and the 5-year average. As a result, the forward 12-month NYMEX strip increased 32% since Enbridge Gas's January 2025 QRAM.

However, the increase to the commodity portion of the bill is more than offset by the removal of the federal carbon charge, and total bills will actually decrease. The application sets the federal carbon charge to zero in accordance with the recent amendments to the *Greenhouse Gas Pollution Pricing Act* and the *Fuel Charge Regulations*. Enbridge Gas proposed to retain the small facility carbon charge at this time and stated that it would update delivery rates for the facility carbon charge in a subsequent application. The application implements the unit rate for the facility carbon charge and temporary rate adjustments previously approved by the OEB in Enbridge

[1] EB-2024-0251, Decision and Order, February 28, 2025
[2] EB-2024-0326

Gas's 2025 Federal Carbon Pricing proceeding[3].

The annual bill impacts for a typical residential sales service customer are set out below.

Rate Zone	Commodity Bill Impact		Total Bill Impact	
EGD	$63.17	37.0%	-$222.24	-17.4%
Union South	$141.27	45.4%	-$191.40	-16.7%
Union North West	$59.28	54.6%	-$251.45	-22.0%
Union North East	$99.65	27.9%	-$223.05	-15.5%

Enbridge Gas stated that it is not proposing a plan to mitigate the commodity-related increase to 25% or lower because, with the removal of the federal carbon charge, the total bill impact is decreasing substantially for all sales service customers. Enbridge Gas stated that requiring a rate mitigation plan in this application, where total annual bills are decreasing, would further distort market signals and defeat the purpose of the QRAM.

[3] EB-2024-0251, Decision and Order, February 28, 2025

OEB Staff Position

OEB staff submits that the OEB should approve Enbridge Gas's amended application as filed, with no rate mitigation.

In Enbridge Gas's April 2022 QRAM proceeding[4], the OEB stated:

> An expected increase of 25% in the commodity portion of the customer's bill is the trigger for communication to the OEB in advance of filing an application, and the filing of a rate impact mitigation plan with the application. However, this 25% on the commodity is not a cap and the OEB will consider the total bill impact in determining whether additional mitigation is warranted. The OEB uses a 10% total bill impact extensively for the electricity sector, and considers that a reasonable target for the natural gas sector as well. This threshold is referenced in the OEB's Handbook for Utility Rate Applications applicable to all rate-regulated utilities.
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> However, the OEB also does not consider the 10% total bill impact a cap but rather a point at which the OEB will consider adopting mitigation measures. The OEB considers it reasonable for commodity prices to increase by more than 25% if the bill increase is less than 10% in order to preserve as much of the market price signal as reasonable. This allows for flexibility on a case-by-case basis as necessity and circumstances deem appropriate.

Enbridge Gas did not propose a plan to mitigate the commodity-related bill increases below 25% with the amended application. With the removal of the federal carbon charge, the total annual bill impact for typical residential sales service customers is a decrease between 16% and 22%, depending on the rate zone. OEB staff agrees with Enbridge Gas that requiring a mitigation plan would further distort market signals and defeat the purpose of the QRAM in addition to requiring incremental carrying charges that would be recovered from customers.

OEB staff understands that Enbridge Gas is proposing to retain the facility carbon charge at this time because a portion of the costs recovered through this charge are related to Enbridge Gas's costs as a prescribed industrial emitter under the provincial Emissions Performance Standards program, which remains in place. OEB staff requests that Enbridge Gas confirm OEB staff's understanding as part of its responses to comments.

OEB staff submits that retaining the facility carbon charge (at the rate recently approved) is appropriate, given the uncertainty as to how Enbridge Gas's costs

[4] EB-2022-0089, Decision and Rate Order, March 24, 2022

recovered through the facility carbon charge will be impacted by the removal of the federal carbon charge, the small magnitude of the facility carbon charge, and the ability to true-up any overcollection through the established facility carbon charge variance account.

At the time of this submission, OEB staff has not received Enbridge Gas's draft customer notices for April 1. OEB staff would like Enbridge Gas to comment on how it intends to present the removal of the federal carbon charge on natural gas bills issued after March 31, 2025.

OEB staff has reviewed the updates to the reference prices, and other commodity-related impacts and has no concerns with the amended application as proposed. The QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect natural gas market prices and protecting the interests of consumers that purchase their gas from the distributor by reducing, to some extent, the volatility (and in particular rapid increases) in the price of natural gas. OEB staff submits that Enbridge Gas's amended application as filed achieves this balance.