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BY EMAIL

June 13, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Mr. Murray:

**Re: Ontario Energy Board (OEB) Staff Letter of Comment
Enbridge Gas Inc.
July 2025 Quarterly Rate Adjustment Mechanism (QRAM) Application
OEB File Number: EB-2025-0165**

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

Yours truly,

Catherine Nguyen
Case Manager

Encl.

cc: All parties in EB-2025-0165

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 May 16, 2025, notifying the OEB that based on preliminary estimates, the gas commodity portion of the bill in its July 2025 QRAM application is forecasted to increase by more than 25% for sales service customers in the Union North West rate zone. Enbridge Gas stated that the increase is primarily driven by increases in the Alberta Border Reference Price and in Union North West Purchase Gas Variance Account (PGVA) and Inventory Revaluation riders.

Application Summary

On June 10, 2025, Enbridge Gas filed its July 2025 QRAM application.

Enbridge Gas identified that the bill impact for a typical residential sales service customer would exceed 25% of the commodity portion of the bill in the Union North West rate zone only. The bill impacts were prepared using a forecast of gas costs effective July 1, 2025, based on a 21-day strip ending May 30, 2025. The bill impact resulted in a commodity increase of approximately 41% in the Union North West rate

zone.

In addition, the application implements a rate adjustment approved by the OEB in Phase 2 of Enbridge Gas's 2024 Rebasing proceeding¹ and a temporary rate adjustment approved by the OEB in Enbridge Gas's 2022 Demand Side Management Deferral and Variance Account proceeding².

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

Rate Zone	Commodity Bill Impact		Total Bill Impact	
EGD	\$12.86	5.5%	-\$21.44	-2.0%
Union South	-\$42.89	-9.5%	-\$26.85	-2.8%
Union North West	\$69.98	41.1%	\$74.30	8.3%
Union North East	-\$17.55	-3.8%	-\$13.87	-1.1%

Enbridge Gas stated that it is not proposing any mitigation for the Union North West rate zone to limit the commodity-related increase as the total bill change relative to the April 2025 QRAM³ rates results in a total bill increase of 8.3% for a typical residential sales service customer. Enbridge Gas stated that the total bill impact is lower than the typical 10% threshold for which mitigation is considered.

The application also implements a recalculated facility carbon charge unit rate.⁴ Enbridge Gas stated that its facility-related costs are associated with its obligations under the *Greenhouse Gas Pollution Pricing Act* (GGPPA) and the provincial *Emissions Performance Standards* (EPS) program, which are recovered from customers as part of the facility carbon charge. Enbridge Gas's facility-related costs are composed of two components:

- Company Use Volumes related to volumes of natural gas consumed in the operation of Enbridge Gas's facilities within its distribution system
- EPS Volumes related to volumes of natural gas consumed in the operation of Enbridge Gas's transmission and storage compressor facilities

Enbridge Gas stated that the removal of the federal carbon charge eliminated the costs associated with Enbridge Gas's Company Use Volumes but did not impact the industrial

¹ EB-2024-0111, Decision on Settlement Proposal and Interim Rate Order, November 29, 2024

² EB-2024-0193, Decision and Order, March 11, 2025

³ EB-2025-0078

⁴ The OEB previously approved a common facility carbon charge unit rate, effective April 1, 2025, in Enbridge Gas's 2025 Federal Carbon Pricing Program proceeding (EB-2024-0251).

carbon provisions under the GGPPA.⁵

In this application, Enbridge Gas recalculated the facility carbon charge unit rate to remove the forecast costs associated with its Company Use Volumes. The recalculated facility carbon charge unit rate reflects only the forecast 2025 EPS related costs included in its 2025 Federal Carbon Pricing Program application⁶.

Enbridge Gas stated that any variance between actual facility carbon costs and facility carbon costs recovered from customers will be recorded in the 2025 Facility Carbon Charge Variance Account and disposed of as part of its 2025 Deferral and Variance Account Disposition proceeding.

⁵ On March 15, 2025, the federal government amended Schedule 2 to the *Greenhouse Gas Pollution Pricing Act* and the *Fuel Charge Regulations*. These amendments set the federal carbon charge to zero, after March 31, 2025.

⁶ EB-2024-0251

OEB Staff Position

OEB staff submits that the OEB should approve Enbridge Gas's application as filed.

In Enbridge Gas's April 2022 QRAM proceeding⁷, 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.

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 increase below 25% for the Union North West rate zone. OEB staff submits that Enbridge Gas's approach is reasonable given that the total annual bill impact for a typical residential sales service customer in the Union North West rate zone is below 10%. OEB staff submits that requiring a mitigation plan would distort market signals and defeat the purpose of the QRAM in addition to requiring incremental carrying charges that would be recovered from customers. However, to support a complete evidentiary record, OEB staff requests that Enbridge Gas provide an explanation of the market dynamics underlying the commodity-related bill increase in the Union North West rate zone in its responses to comments.

In its April 2025 QRAM⁸, Enbridge Gas proposed retaining the facility carbon charge at that time and updating delivery rates for the facility carbon charge in a subsequent application. The OEB supported this approach.⁹ In this application, Enbridge Gas has recalculated the facility carbon charge unit rate to only reflect the forecast 2025 EPS-related costs.

⁷ EB-2022-0089, Decision and Rate Order, March 24, 2022

⁸ EB-2025-0078

⁹ EB-2025-0078, Decision and Interim Rate Order, March 26, 2025

OEB staff supports the implementation of the recalculated facility carbon charge unit rate as proposed in Enbridge Gas's application. OEB staff submits that the recalculated unit rate appropriately reflects changes in Enbridge Gas's facility-related carbon costs in accordance with its obligations under the *Greenhouse Gas Pollution Pricing Act* (GGPPA) and Ontario's *Emissions Performance Standards* (EPS) program. OEB staff notes that Enbridge Gas will have the ability to true-up any overcollection through the 2025 Facility Carbon Charge Variance Account.

OEB staff has also reviewed the balance of the application including updates to the reference prices, and other commodity-related impacts and has no concerns with the application as filed.