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VIA RESS and EMAIL

May 27, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Nancy Marconi:

**Re: EB-2022-0150 – Enbridge Gas Inc. (Enbridge Gas) – July 2022 QRAM
Notice of Commodity-Related Price Increase Estimate for July 2022**

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 sales service customer's bill that is expected when Enbridge Gas files its July 1, 2022 Quarterly Rate Adjustment Mechanism (QRAM) application.

Based on preliminary estimates, Enbridge Gas has forecast that the gas commodity portion of the bill will increase by more than 25% for sales service customers in all rate zones. Due to the significant increases expected this QRAM, Enbridge Gas plans to file its QRAM application early with two mitigation approaches for the OEB's consideration. The QRAM application will be based on the 21-day strip used for the preliminary estimate in order to prepare and file the QRAM application early.

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.¹

¹ EB-2014-0199, Decision and Order, August 14, 2014, pp. 4-5.

In accordance with the Decision, Enbridge Gas prepared a May 2022 estimate of the July 2022 QRAM impacts to the commodity portion of an average residential sales service customer bill.² Based on the estimate performed, Enbridge Gas forecasts the commodity-related bill increase for a typical residential customer in the EGD, Union South, Union North West and Union North East rate zones to be between \$245 and \$310 a year (between 58% and 85%).³ Based on a typical residential customers' consumption for the three-month period of July 1 to September 30, the annual increase equates to approximately \$7 per month during the same time period. This increase is primarily driven by the increase in the market price of natural gas.

Cost Drivers of the Commodity Bill Impacts

North American natural gas prices continue to rise as a result of various factors including strong domestic demand, the uncertainty on the global energy landscape that might result from the ongoing Russian conflict and global demand for U.S. liquefied natural gas (LNG) exports. The increased demand has not been met by increased production resulting in concern that storage inventory levels, which are currently historically low, may not recover in preparation for the upcoming winter.

Of the estimated bill impact for a typical residential customer, the contributing factors 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 April 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.

² May 2022 estimate based on a 21-Day strip of natural gas prices ending May 6, 2022.

³ A typical residential customer bill impact for the EGD and Union rate zones is based on annual consumption of 2,400 m³ and 2,200 m³, respectively.

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.

Total Bill Impacts

In addition to the commodity-related impacts described above, the July 1, 2022 QRAM will also reflect non-commodity related QRAM changes, the one-time disposition of balances from the 2020 Demand Side Management (DSM) Deferral and Variance Account Disposition application (EB-2022-0007), and implementation of EGD rate zone ICM unit rates from Enbridge Gas's 2022 Rates Phase 2 application (EB-2021-0148).

Please refer to Table 1 for detailed bill impacts by rate zone.

Table 1
July 1, 2022 QRAM Estimate by Rate Zone

Line No.	Particulars (\$)	EGD (a)	Union North West (b)	Union North East (c)	Union South (d)
<u>Commodity Bill Impacts</u>					
1	Gas Commodity Reference Price	223	205	217	217
2	PGVA Riders	22	27	40	34
3	April 2022 QRAM Rate Mitigation	-	54	30	59
4	Total Commodity Bill Impact	245	286	287	310
5	Approved Commodity Bill - April QRAM	425	337	431	443
6	Commodity Bill Impact (%)	58%	85%	67%	70%
<u>Total Bill Impacts</u>					
7	QRAM Non-commodity Impacts	20	3	3	0
8	2022 Rates - ICM Impact	1	-	-	-
9	2020 DSM Deferrals	4	-5	-5	1
10	Total Other Rate Changes	25	-2	-2	1
11	Total Bill Impact (line 4 + 10)	270	284	285	311
12	Approved Total Bill - April QRAM	1,274	1,211	1,324	1,084
13	Total Bill Impact (%)	21%	23%	22%	29%

Customer Communication

In its EB-2014-0199 Decision, the OEB determined that it:

...is of the view that additional information and education for customers would be beneficial, as well as earlier notification of a pending large increase. If an increase greater than 25% is anticipated on the commodity portion of a typical residential system supply customer's bill (which includes all commodity related rate riders), the distributor must use best efforts to ensure that its customers are made aware of the proposed price change through, for example, the issuance of a press release describing the anticipated increase, based on the preliminary estimate, and the cost drivers for it.⁴

Enbridge Gas plans to communicate the expected bill increases effective July 1, 2022 to general service customers using the following methods:

On May 27, 2022

- Enbridgegas.com – banner message on the homepage and business homepage linking to inform customers Enbridge will be applying for a rate change; linking to a dedicated information page with FAQs for both residential and small business customers including tips to save to offset increasing costs and available customer supports.

On June 3, 2022

- Social media – organic posts informing customers Enbridge Gas has applied for a rate change; linking to a dedicated information page with FAQs for both residential and small business customers including tips to save to offset increasing costs and available customer supports.
- Social media – organic posts informing customers of tips to save, to offset increasing costs.

On July 1, 2022

- Bill message directing customers to our website and bill inserts (print and web versions).
- Enbridgegas.com – banner message on the homepage and business homepage linking to approved rate notices.
- Social media – organic posts informing customers of tips to save to offset increasing costs.
- IVR messaging – customers will hear a message about upcoming rate changes when they call the contact centres in July 2022.
- Contact Centres – customer representatives provide ongoing support to customers through the year and are available to discuss rate changes and answer individual questions as required.

⁴ EB-2014-0199, Decision and Order, August 14, 2014, p. 5.

Enbridge Gas expects to file the QRAM application early on June 3, 2022 with two mitigation approaches for OEB consideration.

If you have any questions, please contact the undersigned.

Yours truly,

Richard Wathy
Technical Manager, Regulatory Applications

c.c.: All Interested Parties EB-2008-0106, EB-2019-0137, EB-2022-0072,
EB-2021-0147 & EB-2021-0148.