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## **VIA RESS and EMAIL**

June 10, 2022

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

Dear Nancy Marconi:

### **Re: EB-2022-0150 – Enbridge Gas Inc. (Enbridge Gas) – July 1, 2022 Quarterly Rate Adjustment Mechanism (QRAM) Application**

On June 3, 2022, Enbridge Gas filed the July 1, 2022, QRAM Application with the Ontario Energy Board (OEB). Enbridge Gas has received letters from OEB staff, Canadian Manufacturers & Exporters (CME) and Industrial Gas Users Association (IGUA).

OEB staff submits that the OEB should approve Enbridge Gas's preferred mitigation plan as filed. OEB staff also submits that, in a future QRAM application, Enbridge Gas should file a proposal for customer notification of bill changes arising from decisions on Enbridge Gas' QRAM applications. Finally, OEB staff submits that the OEB should not further standardize the approach to QRAM rate mitigation plans.

CME takes no issue with the proposed mitigation strategies, and agrees that the preferred mitigation approach is the most appropriate approach.

IGUA's view is that Enbridge Gas's proposal largely appropriately balances the QRAM methodology objective of reflecting market prices while mitigating what remain relatively extreme market gas price escalations.

Enbridge Gas takes no issue with these submissions.

IGUA sought additional clarity as to whether Enbridge Gas could now provide updated commodity prices, in accord with the prescribed QRAM methodology based on the more recent May 31<sup>st</sup> 21-day strip. It is Enbridge Gas's view that the evidentiary portion of the record in the proceeding is now complete and it would be impractical to introduce a new set of rates at this point. Utilizing the May 31<sup>st</sup> 21-day strip, the resulting bill impacts and the level of mitigation needed will be different than what was presented in evidence to date, for which general consensus amongst parties has already been achieved. It would be impractical to generate new rates, update mitigation plans and have a complete evidentiary review in time for July 1, 2022 rates implementation.

OEB staff requested a calculation supporting the bill impacts cited by Enbridge Gas for the July 1, 2022 to August 31, 2022 period. At Exhibit A, Tab 2, Schedule 2, Enbridge Gas noted:

In terms of the near-term impact on customers over the next 3 months, the preferred approach results in a total bill increase of about \$16, whereas the alternate approach results in a total bill increase of about \$12. In other words, the alternative approach only reduces the incremental impact by a little more than \$1 / month.

In response, Enbridge Gas has provided the support for 3 month bill impact statement in Attachment 1. Specifically, please see column c, line 17 and 22.

Enbridge Gas also received questions from the Federation of Rental-housing Providers (FRPO) regarding the above noted application. Enclosed please find the responses of Enbridge Gas to the FRPO questions, set out as interrogatory responses.

Should you have any questions on this matter please contact the undersigned.

Sincerely,

Richard Wathy  
Technical Manager, Regulatory Applications

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

Quarterly Bill Impact Analysis  
July 2022 QRAM

Line No.	Particulars (\$)	Total Bill/Bill Impact				
		Q1 (a)	Q2 (b)	Q3 (c)	Q4 (d)	Annual (e)
<b>April 2022 QRAM Bill</b>						
1	EGD	558.79	268.49	136.04	311.05	1,274.38
2	Union North West	543.30	230.37	130.43	306.79	1,210.89
3	Union North East	600.60	249.75	137.76	335.40	1,323.51
4	Union South	477.68	208.91	122.34	274.71	1,083.64
<b>July 2022 QRAM Bill</b>						
<u>Preferred Mitigation Approach</u>						
5	EGD	678.05	317.06	152.58	369.94	1,517.63
6	Union North West	668.12	272.57	146.34	369.05	1,456.08
7	Union North East	727.59	292.65	153.97	398.75	1,572.96
8	Union South	605.28	252.02	138.65	338.39	1,334.34
<u>Alternate Mitigation Approach</u>						
9	EGD	649.06	305.26	148.57	355.64	1,458.52
10	Union North West	635.63	261.60	142.20	352.85	1,392.28
11	Union North East	701.56	283.84	150.64	385.75	1,521.79
12	Union South	560.08	236.74	132.86	315.83	1,245.51
<b>July 2022 Bill Impact</b>						
<u>Preferred Mitigation Approach</u>						
13	EGD	119.25	48.56	16.54	58.89	243.25
14	Union North West	124.82	42.20	15.91	62.26	245.19
15	Union North East	126.99	42.90	16.21	63.35	249.45
16	Union South	127.60	43.11	16.31	63.68	250.70
17	Average			16.24		
<u>Alternate Mitigation Approach</u>						
18	EGD	90.27	36.77	12.53	44.59	184.14
19	Union North West	92.33	31.23	11.77	46.06	181.39
20	Union North East	100.96	34.09	12.88	50.35	198.28
21	Union South	82.40	27.83	10.52	41.12	161.87
22	Average			11.92		

ENBRIDGE GAS INC.

Answer to Interrogatory from  
Federation of Rental-Housing Providers (FRPO)

Interrogatory

Reference:

Exhibit A, Tab 2, Schedule 1, p. 3 & Exhibit C, Tab 4, Schedule 10, p. 1

Preamble:

In the first reference, the QRAM evidence provides:

*(b) an order establishing the Rider C unit rate for residential customers. The unit rate shall be (0.3992) ¢/m<sup>3</sup> for sales service, 0.4080 ¢/m<sup>3</sup> for Western T-service, and 0.5474 ¢/m<sup>3</sup> for Ontario T-service and Dawn T-service, under preferred rate mitigation approach,*

Further, in the second reference, Schedule 10 provides those specific riders in tabular form. Unlike most tables in the evidence, there is no reference to the source of the specific Rate Riders. By tracing the numbers, we found the links back to Schedules 3 and 4. We would like to understand the drivers behind the significant difference rate riders.

Questions:

Please describe the factors that would result in a negative rate rider for sales service and positive rate rider for the respective transportation services.

- a) Please confirm the main differentiating factor is the inventory re-evaluation.
- b) What other drivers contribute to the difference?
- c) Using the same market data and forecasted consumptions used for this application, please provide the forecasted balance of the PGVA as of June 30, 2024.
  - i. Please feel free to estimate and note any values that are not available in this evidence.
  - ii. Please disregard the likelihood of forecast consumption changes as of January 1, 2024 from the rebasing application.

Response:

a) and b)

Not confirmed. The main driver between the sales service and transportation service riders are the credits in the inventory revaluation deferral account since the October 2021 QRAM (Exhibit C, Tab 4, Schedule 10, page 5) and the 24-month smoothing of the PGVA in the April 2022 and July 2022 QRAMs (Exhibit C, Tab 4, Schedule 10, page 6).

Note that the result of smoothing the PGVA unit rates over 24 months (versus 12) reduces the unit rate by 50 percent. The other driver contributing to the difference is the debit balance for delivered supplies within the load balancing component of Rider C beginning in October 2021 (Exhibit C, Tab 4, Schedule 10, page 9).

c) Please see response to Exhibit I.STAFF.2 for the forecasted monthly PGVA balances for the two rate mitigation approaches.

ENBRIDGE GAS INC.

Answer to Interrogatory from  
Federation of Rental-Housing Providers (FRPO)

Interrogatory

Reference:

EB-2022-0089 Exhibit I.FRPO.1 and Exhibit A, Tab 3, Schedule 1

Preamble:

In the previous QRAM proceeding, we asked:

- c) Please describe how load balancing costs are removed by EGI for the EGD rate zone.
  - i. Please show the numeric calculations for the removal of load balancing costs by month for the winter period.
  - ii. To what account were the incremental load balancing costs transferred? (1)  
When would EGI be seeking recovery of these costs?

To which the reply from EGI was:

- c) Please see Exhibit C, Tab 1, Schedule 2, page 2 for a monthly breakdown of PGVA balance between commodity, transportation, and load balancing.

In the reference from this proceeding, EGI evidences a 41.1% increase in Load Balancing for the EGD rate zone (line 2.3) even with a 24-month disposition period.

What we were and are still trying to understand is the treatment of incremental purchases during the winter months and how those costs are tracked, allocated and recovered in the QRAM. Now, with the benefit of time and actual costs available from this past winter, we would like to understand the process and reporting better.

Questions:

Please describe the principles and process used to review incremental winter purchases to allocate the costs between commodity and load balancing in the EGD rate zone.

- a) Please ensure the description provides the basis for the ratemaking principles.
- b) Please ensure the description provides the allocation approach to separate incremental purchase volumes from incremental cost of purchase of those volumes and previously forecasted purchases for the specific months.

- c) Please use references to the evidence to demonstrate the implementation of the process to allocate and recover the costs.

Response:

a) & b) & c)

The OEB-approved methodology to recover load-balancing costs has been in place for the EGD rate zone prior to EB-2008-0106 (QRAM Generic Proceeding). This methodology reflects the service attributes and underlying gas supply portfolio in the EGD rate zone. EGI will include a proposal to harmonize this approach with its rebasing application.

In the EGD rate zone, load balancing supplies are part of the gas supply plan. Seasonal load balancing supplies are purchased at Dawn. The Company provides load balancing to system gas and direct purchase customers in the EGD rate zone.

The forecast cost of the load balancing for system gas and direct purchase customers is derived based on a forecasted demand and subsequently recovered from customers through the load balancing components of their rates. The allocation of load balancing costs to each customer class reflects cost causality and is based on load balancing needs of each customer class. Load balancing costs reflect a price premium paid for load balancing supplies, (this reflects “shaping” of supplies in the winter at Dawn to meet customers’ load balancing needs) over the cost of commodity (i.e. system gas customers pay for commodity through the gas supply charge and direct purchase customers make their own arrangements and deliver commodity through their mean daily volume (MDV) obligation, hence, price premium over commodity is recovered through load balancing charges).

The forecast load balancing charges increased by 41.1% as part of July 1, 2022 QRAM for a typical residential customer in the EGD rate zone (Exhibit A, Tab 3, Schedules 1 and 2, page 1, Line 2.3: Load Balancing Charge).

To the extent that actual customer consumption is different than the forecast, the Company adjusts its purchases of seasonal supplies to ensure that the demand and storage balance targets are met at all critical dates. In other words, the EGD rate zone does not use the concept of incremental purchase volumes and does not track and/or separate them from forecast. The Company simply adjusts its purchases of seasonal supplies to meet actual demand.

Note that the forecast cost of load balancing is recovered from customers when they consume gas, regardless of whether actual customer demand is different than forecast, as each cubic meter of gas is being charged at the forecast load balancing unit rate.

To the extent, however, that actual price of load balancing supplies is different than the forecast price, that price variance is recorded in the load balancing component of the Purchased Gas Variance Account (PGVA).

The allocation and clearing of the PGVA balance is based on cost causality and completed in a manner consistent with the OEB approved cost allocation and rate design principles the Company uses to design its commodity, transportation, and load balancing rates. The load balancing component of the PGVA is disposed to both system gas and direct purchase customers.

To summarize, forecast price of load balancing supplies is reflected in rates for system gas and direct purchase customers in the EGD rate zone. Price variances are disposed to customers through the clearing of the load balancing component of the PGVA balance. This approach ensures that the actual cost of load balancing supplies is recovered from customers.

The load balancing component of the PGVA balance is presented at Exhibit C, Tab 1, Schedules 2A and 2B, page 1.

The derivation of load balancing disposition unit rates is presented at Exhibit C, Tabs 4 and 5, Schedule 10, page 4.

The disposition unit rates (Rider C) are recovered from customers as part of Cost Adjustment on the bill for customers in the EGD rate zone (Exhibit A, Tab 3, Schedules 1 and 2, page 1, Line 3.0: Cost Adjustment, load balancing related cost adjustment is part of Line 3.3: Delivery).



ENBRIDGE GAS INC.

Answer to Interrogatory from  
Federation of Rental-Housing Providers (FRPO)

Interrogatory

Reference:

Exhibit A, Tab 2, Schedule 2, p. 1

Preamble:

In the alternate mitigation approach, EGI indicates that capping the total increase at 15% results in a \$601 million PGVA credit. We would like to understand and believe the Board would be aided by the relative size of this credit if approved.

Question:

What percentage of the applicable annual gas costs specific to the accounts included would a \$601 million PGVA credit represent (i.e., how much of the annualized costs would be being deferred)?

Response:

The total annual forecasted gas cost for EGI based July 2022 QRAM prices is approximately \$4.49 billion. The \$601 million PGVA credit for the alternate rate mitigation approach would represent approximately 13% of the annual gas cost.

ENBRIDGE GAS INC.

Answer to Interrogatory from  
Federation of Rental-Housing Providers (FRPO)

Interrogatory

Reference:

Exhibit C, Tab 1, Schedule 2A, p. 3-4 and  
EB-2022-0072 FRPO\_SUB\_EGI GS UPDATE\_20220527

Preamble:

In our submissions in the Gas Supply Update proceeding, we expressed concern about the ability of the Board to see the entire process from planning to implementation to rate impact. With the actual data provided for the first 9 months of the annualized prior period (i.e., July 2021 to March 2022), we would like to understand the cost of commodity purchased at Chicago versus commodity purchased at Dawn during this period.

Question:

For the respective rate zones, please provide the Dawn-landed costs (including transport from Chicago) of gas purchased for each month from July 2021 to March 2022 for all **forecasted** monthly supplies (i.e., **not incremental supply as a result of load balancing purchases to meet higher than forecasted consumption**) at each location:

- a) From Chicago
- b) Purchased at Dawn (i.e., not sourced at other locations such as Empress, etc. and transported but purchased at Dawn as forecasted)
- c) Please provide in a simple table for each location by month that provides amount purchased, total cost and unit cost for each month
- d) Specific to the Chicago purchase table, please provide the monthly amount of Chicago purchases that were physically transported by Vector still under contract to solely to EGI (i.e., not transport assigned to a third party for which the volumes were provided to Dawn by an assignee).

Response:

a)-c)

Please see table below for purchased volumes, total cost and unit cost of gas purchased at Chicago and Dawn from July 2021 to March 2022 for all rate zones. As noted in the 2022 Gas Supply Plan Annual Update (2022 Annual Update), the past several months have seen increased global market volatility that has not been seen in the last decade<sup>1</sup>. EGI uses long-term forecasts to make upstream transportation contracting decisions and manages short-term volatility within the context of operational decisions to execute the gas supply plan. EGI also considers whether short term market opportunities are available to release transportation capacity to the benefit of ratepayers.

The inclusion of Vector capacity in the gas supply portfolio is aligned with the guiding principles of the gas supply plan. Vector capacity provides a reliable and secure source of supply, bringing diversity to the portfolio and supporting the requirements of the Sarnia market. EGI adheres to the guiding principles by holding a diverse portfolio with respect to supply basins, gas supply producers and marketers, contract terms, and transportation service providers, in addition to owning and contracting for storage capacity. This approach allows EGI to effectively manage costs while maintaining the flexibility to adjust to changing market conditions and weather fluctuations. In response to submissions made by FRPO, EGI provided a detailed explanation of the reasons supporting its recent Vector contracting decisions in EGI's Reply Submission in the 2022 Annual Update – see Reply Submission (June 9, 2022) at paragraphs 55 to 60.

In the case of several of the upstream pipelines in EGI's portfolio, the comparison to Dawn landed cost versus upstream supply and transportation would show results directionally aligned with those in the table below for Vector. EGI relies on a diverse supply portfolio to provide reliability and security of supply to its customers. Relying on multiple upstream pipelines reduces exposure to any single pipeline or supplier outage. Over-reliance on any one location (even where it is the least expensive option) would add risk to the gas supply plan. In addition, if EGI were to shift significant portions of its portfolio all to one location, the supply and demand dynamics at that location would change to reflect the increase in demand and impact market prices. In response to concerns raised by LPMA about EGI's increasing reliance on Dawn purchases, EGI provided further discussion of this topic in its Reply Submission in the 2022 Annual Update – see paragraphs 47-49 and 55.

For a complete explanation of the inclusion of diverse assets in the portfolio please see EGI's evidence, stakeholder conference discussion, and EGI's Reply Submission in the Annual Update, EB-2022-0072.

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<sup>1</sup> EB-2022-0072, Stakeholder Conference, Day 1 Transcript, page 12.

		Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Total / Average
	<b>Dawn</b>										
1	Volume (PJ)	10.1	8.4	8.3	5.5	10.6	23.6	30.0	22.8	6.9	126.1
2	Supply Costs (millions CAD\$)	\$ 41.1	\$ 38.6	\$ 41.3	\$ 38.5	\$ 70.0	\$ 149.3	\$ 148.0	\$ 160.8	\$ 38.4	\$ 726.2
3 = 2 / 1	Landed Cost (CAD\$/GJ)	\$ 4.05	\$ 4.62	\$ 4.96	\$ 7.07	\$ 6.63	\$ 6.32	\$ 4.94	\$ 7.07	\$ 5.57	\$ 5.76
	<b>Chicago</b>										
4	Volume (PJ)	3.3	4.7	3.9	3.3	5.9	6.1	6.1	5.5	6.1	44.7
5	Supply Costs (millions CAD\$)	\$ 13.4	\$ 22.0	\$ 19.6	\$ 22.3	\$ 44.6	\$ 40.9	\$ 31.4	\$ 42.7	\$ 35.3	\$ 272.1
6	Transportation Costs (millions CAD\$)	\$ 1.0	\$ 1.3	\$ 1.3	\$ 1.1	\$ 1.4	\$ 1.5	\$ 1.6	\$ 1.6	\$ 1.6	\$ 12.4
7 = 5 + 6	Landed Costs (millions CAD\$)	\$ 14.4	\$ 23.3	\$ 20.9	\$ 23.3	\$ 46.0	\$ 42.3	\$ 33.0	\$ 44.3	\$ 36.9	\$ 284.4
8 = 7 / 4	Landed Cost (CAD\$/GJ)	\$ 4.39	\$ 4.90	\$ 5.37	\$ 7.14	\$ 7.87	\$ 7.00	\$ 5.45	\$ 8.07	\$ 6.07	\$ 6.36

d) Please see table below for Chicago purchases and assignments from July 2021 to March 2022. EGI determines whether or not to release transportation on upstream capacity based on short-term market opportunities and operational requirements. All Union Gas rate zone Vector contracts that were assigned to third-parties contained provisions that allowed for volumes to be delivered by the third-party to points other than Dawn for operational purposes. This provides EGI the ability to retain the benefit of the firm transport contracts while lowering costs for ratepayers by optimizing and sharing revenues per OEB-approved methodology.

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Total
Transportation Assignments Volumes (PJ)	3.3	3.3	3.2	3.3	5.9	6.1	6.1	5.5	6.1	42.5
Remainder (PJ)	-	1.5	0.7	-	-	-	-	-	-	2.2