

BOARD STAFF INTERROGATORY #9

INTERROGATORY

Ref: Operating Costs – Gas, Transportation and Storage Costs  
Rate Design – Gas Supply Revenues  
Exhibit D1 / Tab 2 / Schedule 3 / Page 9  
Exhibit H1 / Tab 1 / Schedule 1 / Page 8

Preamble:

Enbridge noted that the July 1, 2017 rates have a Purchased Gas Variance Account (PGVA) reference price of \$188.611 / 103m3. The PGVA reference price is comprised of commodity, transportation and load balancing costs. Enbridge stated that “aligned with the Minimum Filing Requirements, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 rates, the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of \$188.611 / 103m3.”

Question(s):

- a) Please explain the statement, “aligned with the Minimum Filing Requirements, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 rates, the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of \$188.611 / 103m3.” In the response, please include a reference from the Minimum Filings Requirements that is the basis for this statement.
- b) Please advise whether the methodology used to establish the cost of the 2018 gas supply portfolio is different than what has been approved in the previous years of the current Custom IR term. If so, please explain the reason for the change, discuss the typical methodology utilized and provide the reference price that would have been applied arising from the typical methodology.

RESPONSE

a) and b)

The OEB’s Minimum Filing Requirements for Gas Distributors (EB-2005-0494, pages 3 and 4) state with respect to gas costs:

Witnesses: J. Collier  
A. Kacicnik  
D. Small

The Board's minimum filing requirements have been designed in a manner to try to isolate the delivery related sufficiency / deficiency separate and apart from the commodity related sufficiency / deficiency. In keeping with that, utilities should provide revenue sufficiency or deficiency calculations net of gas commodity price changes captured in the QRAM. When filing, the commodity cost will be that available from the most recent Board approved QRAM, at the time of filing.

The methodology that the Board approved in the previous years of the current Custom IR term to establish the cost of the gas supply portfolio consists of applying commodity and transportation prices / tolls from the most recent Board approved QRAM to the new / proposed gas supply portfolio and associated volumes.

When the Company applied the same methodology to establish the cost of the 2018 gas supply portfolio as the Board approved in the previous years of the current Custom IR term, the methodology resulted in a 2018 PGVA reference price of approx.  $\$185.6 / 10^3\text{m}^3$  (versus the July 1, 2017 QRAM PGVA reference price of  $\$188.611 / 10^3\text{m}^3$ ).

In the Company's view, the approx.  $\$3 / 10^3\text{m}^3$  difference in the derived PGVA reference price is due to year-over-year changes in the gas supply portfolio (i.e. change in the mix of supply and transportation arrangements).

The use of the 2018 PGVA reference price of approx.  $\$185.6 / 10^3\text{m}^3$  would create a material gas cost sufficiency of about \$25 M, which, in the Company's view, would run contrary to the Board's minimum filing requirements which were put in place to try to isolate the delivery related sufficiency / deficiency separate and apart from the commodity related sufficiency / deficiency.

In other words, the overall proposed 2018 deficiency would be about \$25 M lower than the applied for 2018 revenue deficiency of about \$86 M.

The Company, therefore, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 delivery rates, based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of  $\$188.611 / 10^3\text{m}^3$ .

It is important to note, however, that while the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of  $\$188.611 / 10^3\text{m}^3$ , the impacts from the 2018 supply portfolio will flow to customers through the January 1, 2018 QRAM.

Witnesses: J. Collier  
A. Kacicnik  
D. Small