

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit B1/Tab 1/Schedule 1/pgs. 6-7

Question:

The Enbridge Gas Distribution rate zone has an approved methodology where the gas supply portfolio is updated in rates on an annual basis. Accordingly, gas cost rates have been adjusted for the Enbridge Gas Distribution rate zone to reflect changes to the 2019 gas supply portfolio (i.e. impact of supply mix change, net of price changes that are otherwise captured through the QRAM methodology), as well as changes in contracted storage and associated transported costs. The Ontario Energy Board in its Decision and Procedural Order No. 2 determined that it would not address the cost consequences of Enbridge Gas Distribution's 2019 Gas Supply Plan in this proceeding.

- a) Please indicate if the gas cost consequences of Enbridge Gas Distribution's 2019 Gas Supply Plan have been reflected in prior QRAM applications. If yes, please provide details.
- b) Please discuss the implications of the gas cost consequences of Enbridge Gas Distribution's 2019 Gas Supply Plan not being addressed in this proceeding.

Response

- a) No, the gas cost consequences / impacts on rates stemming from changes to the 2019 gas supply portfolio (i.e. impact of supply mix change, net of price changes that are otherwise captured through the QRAM methodology), as well as changes in contracted storage and associated transportation costs have not been reflected in January 1, 2019 QRAM or April 1, 2019 QRAM applications.
- b) The key implication of the gas cost consequences of the 2019 Gas Supply Plan for the EGD rate zone not being addressed in this proceeding is that currently there is no other Board-approved mechanism to recover (i.e. pass through to customers) the impact of the gas costs from the changes in the gas supply portfolio, contracted storage and associated transportation costs.

This is because the Board approved methodology¹ in the EGD rate zone contemplates these adjustments to rates as part of the annual rate setting mechanism. This is explained in the application at Exhibit B1, Tab 1, Schedule 1, page 6:

The EGD rate zone has an approved methodology where the gas supply portfolio is updated in rates on an annual basis. Accordingly, gas cost rates have been adjusted for the EGD rate zone to reflect changes to the 2019 gas supply portfolio relative to the 2018 gas supply portfolio (i.e. impact of supply mix change, net of price changes that are otherwise captured through the QRAM methodology), as well as changes in contracted storage and associated transportation costs. Changes to these cost elements are not captured through the QRAM methodology for the EGD rate zone.

In the MAADs Decision, the Board did not direct any changes to this methodology. The Board approved the “Y-Factors” “as proposed by the applicants.”² Gas costs are a Y-factor and Enbridge Gas had not proposed any changes to the methodology for passing through those costs.

The impact of the year-over-year changes in 2019 rates is approximately \$1.48 per year³ for a typical residential customer and approximately \$4 million across all customers.

As per Procedural Order No. 3, the OEB is prepared to establish a 2019 Gas Supply Plan Cost Consequences deferral account for the Enbridge Gas Distribution rate zone that would track the proposed amounts from January 1, 2019 for recovery to be reviewed and disposed of as part of a future proceeding.

¹ 2007 Rate application (EB-2006-0034), 2008-2012 Revenue Cap per Customer (EB-2007-0615), and 2014-2018 Custom IR (EB-2012-0459).

² MAADs Decision and Order (EB-2017-0306/2017-0307)

³ See Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 3, Pages 2 and 10, Typical Residential Customer, Volume 2,400 m³ Item 3.6 Total Sales (\$4.26 at page 2 vs. \$5.74 at Page 10)