

December 13, 2021

VIA RESS

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Dear Ms. Long:

Re: EB-2021-0281: Enbridge Gas Inc. (EGI) January 1, 2022 QRAM Application.

Industrial Gas Users Association (IGUA) Comments.

We write as legal counsel to IGUA.

IGUA's Position on Proposed Rate Adjustments

IGUA's advisors, Jupiter Energy Advisors Inc. (Jupiter), have reviewed EGI's Application for quarterly adjustment of rates (QRAM) for all of the legacy rate zones of Enbridge Gas Distribution and Union Gas Limited, such adjustment to be effective January 1, 2022. Based upon Jupiter's advice, IGUA is satisfied that EGI has properly followed the QRAM methodology approved by the OEB's EB-2008-0106 Decision.

Jupiter has also reviewed EGI's implementation with this QRAM of the approved unit rates resulting from the OEB's decision on EGI's 2022 rates (Phase 1) application [EB-2021-0147]. Based on Jupiter's advice, IGUA is satisfied that EGI has appropriately implemented that decision.

In respect of EGI's rate mitigation proposal, as with EGI's previous QRAM, we note EGI's statement that¹:

Including the PGVA credit amounts in the PGVA account balances allows Enbridge Gas to use the forecast for gas costs in the derivation of the commodity rate. This allows the rate to reflect market prices in customers' rates and is consistent with the OEB's findings in the QRAM Review:

The QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect the actual natural gas market price,

¹ ExA/T2/S2/p5, paragraph 16.

and protecting the interests of system supply customers by reducing, to some extent, volatility in the price of natural gas.

As with EGI's previous QRAM, the mitigation mechanism proposed is to allow the commodity cost reflected on customer bills to increase to the level dictated by use of the QRAM prescribed forecast, but adding a component to the commodity rate riders to reflect a PGVA credit which offsets the bill increase resulting from the gas price forecast and thus mitigates customer impacts. We agree that this mechanism retains a market reflective commodity price on customer bills, and thus avoids the issue which we raised in respect of EGI's mitigation plan for its October 2020 QRAM [EB-2020-0195]. In that earlier QRAM we raised concerns with EGI's use of a forecast taken prior to the prescribed date for QRAM price forecasts (and thus, in our submission, out of date) and which was no longer reflective of market prices. EGI's proposed approach to mitigation in this QRAM, as in its previous QRAM, avoids that issue.

EGI further states in its evidence in the current application²:

The PGVA credit amounts in the current application provides a smoothing of bill increases for customers over a longer period of time and reduces potential balances that would otherwise accumulate in deferral and variance accounts for future disposition without any price increase at January 1, 2022.

This passage refers to the net result of using the prescribed gas cost forecast and the PGVA credit which is to allow customer bills to increase in part at this time, and further when in the April, 2022 QRAM EGI proposes to debit the PGVA to reverse the PGVA credit currently proposed. That is, the gas cost increase is, in the result and through the proposed current credit/later debit mechanism, effectively phased in through two tranches.

In the result, this is the third gas price increase deferral in three consecutive QRAMs, with the result that the effective commodity price paid by customers (i.e. net of the application of the mitigation credits) is moving further away from the market price, and for an extended period of time. That result goes beyond simple rate smoothing, and is inimical to the intent of the QRAM mechanism, which is to allow for OEB approved gas costs to continue to reflect market prices.

IGUA does recognize, however, that continuation of the mitigation mechanism adopted by EGI in its last QRAM, while contrary to the regulatory policy on which the QRAM was founded, has recently been endorsed by the Ontario Minister of Energy³, and is thus in accord with more immediate government policy expressly applicable to natural gas rates for this coming winter and in light of "global supply and demand issues that transcend Ontario's borders", at a time, and as a result of, the continued impacts of the COVID-19 pandemic. While the gas market and resulting prices will always "transcend Ontario's borders", IGUA does acknowledge the continuing global circumstances driving this near term government policy. Because the proposed mitigation mechanism does not adjust the delivery rate impact of gas supply prices, those circumstances and the resulting impact

² ExA/T2/S2/p6, paragraph 17.

³ Letter dated December 1, 2021 from Ontario Ministry of Energy to Chief Executive Officer of the OEB.

will continue to be reflected in natural gas delivery rates, as well as gas commodity costs, paid by IGUA's members.

In the current circumstances, IGUA takes no objection the rate treatment proposed by EGI in the current application.

Costs

Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services. IGUA requests that the Board award it costs reasonably incurred in review of EGI's QRAM.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of what relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Jupiter, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Jupiter conducts a review of the QRAM application as filed, and provides a report to IGUA. Following receipt and review of Jupiter's report, IGUA is either in a position to advise the Board of any concerns or that, as in this instance, it has no cause for objection.

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,



Ian A. Mondrow

- c. Dr. Shahrzad Rahbar (IGUA)
Richard Wathy (EGI)
Tania Persad (EGI)
Valerie Young (Jupiter)
Intervenors of Record (EB-2019-0194; EB-2021-0147; EB-2021-0148)