



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

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# **DECISION ON SETTLEMENT PROPOSAL AND INTERIM RATE ORDER EB-2020-0095**

**Application by Enbridge Gas Inc. for approval to charge gas  
distribution rates and other charges effective January 1, 2021**

**BEFORE: Cathy Spoel**  
Presiding Commissioner

**Michael Janigan**  
Commissioner

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**November 6, 2020**

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## 1 INTRODUCTION AND SUMMARY

On August 30, 2018, the Ontario Energy Board (OEB) approved the amalgamation of Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union Gas) under the OEB's policy on mergers, acquisitions, amalgamations and divestitures (MAADs).<sup>1</sup> In its decision (the MAADs Decision), the OEB also approved a rate-setting framework and associated parameters for the deferred rebasing period of 2019 to 2023. The companies amalgamated to form Enbridge Gas Inc. (Enbridge Gas) effective January 1, 2019.

Enbridge Gas filed an incentive rate-setting mechanism (IRM) application with the OEB on June 30, 2020, under section 36 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its natural gas distribution rates to be effective January 1, 2021. This application is Enbridge Gas's third annual rate adjustment application under the rate-setting framework approved in the MAADs Decision.

Similar to the 2020 rates proceeding,<sup>2</sup> Enbridge Gas requested approval for the price cap and other pass through cost adjustments first; a request for incremental capital module (ICM) funding was expected to be filed later as Phase 2 of the application. Enbridge Gas sought interim approval of the rates in Phase 1 pending the outcome of the review and approval of Phase 2 of the application. The OEB in a letter dated July 14, 2020 informed Enbridge Gas that it would review Phase 1 and Phase 2 filings as separate applications. Enbridge Gas filed evidence for ICM funding as a separate application on October 15, 2020.<sup>3</sup>

A settlement conference was held between the applicant and the intervenors (collectively, the parties) on September 23, 2020. The parties reached a settlement on all issues in Phase 1 of the proceeding. Enbridge Gas filed a settlement proposal for the OEB's consideration on October 6, 2020.

OEB staff filed a submission on October 15, 2020, supporting the settlement proposal, noting that the settlement was in the public interest and the parties had provided sufficient rationale to support the settlement proposal.

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<sup>1</sup> EB-2017-0306 / 0307 (the MAADs Decision), August 30, 2018.

<sup>2</sup> EB-2019-0194

<sup>3</sup> EB-2020-0181

The OEB has reviewed the settlement proposal and approves it as filed. The OEB finds that the settlement proposal is in the public interest. The OEB will approve rates on an interim basis effective January 1, 2021.

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## 2 THE PROCESS

A Notice of Hearing was issued on July 15, 2020. The following parties were approved as intervenors in the proceeding:

- Association of Power Producers of Ontario (APPrO)
- Building Owners and Managers Association (BOMA)
- Canadian Manufacturers & Exporters (CME)
- City of Kitchener (Kitchener)
- City of Toronto (Toronto)
- Consumers Council of Canada (CCC)
- Energy Probe Research Foundation (Energy Probe)
- Environmental Defence
- EPCOR Natural Gas Limited Partnership (EPCOR)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Ontario Association of Physical Plant Administrators (OAPPA)
- Ontario Greenhouse Vegetable Growers (OGVG)
- Pollution Probe
- Quinte Manufacturers Association (QMA)
- School Energy Coalition (SEC)
- Six Nations Natural Gas Company Limited (SNNG)
- TransCanada PipeLines Limited (TCPL)
- Vulnerable Energy Consumers Coalition (VECC)

The OEB issued Procedural Order No. 1 on August 18, 2020, which set out a schedule for initial discovery (interrogatories) followed by a settlement conference between the parties (intervenors and applicant). Not all intervenors participated in the settlement conference and no objection to the settlement proposal was filed by any party.

Following the settlement conference on September 23, 2020, Enbridge Gas filed a settlement proposal for OEB approval on October 6, 2020. The settlement proposal represents a full settlement on the following issues:

1. The proposed price cap adjustment (PCI) for 2021 rates.
2. The proposed pass-through costs included in 2021 rates.
3. The proposed capital pass-through cost adjustments for 2021 rates.

4. The proposed Parkway Delivery Obligation (PDO) cost adjustment for 2021 in the Union Gas rate zones.
5. The timing for implementation of the proposed interim rates (January 1, 2021).

The settlement proposal essentially accepted the application as filed. The revenue requirement in the settlement was updated to reflect the relevant items included in Enbridge Gas's October 1, 2020 Quarterly Rate Adjustment Mechanism (QRAM) application.<sup>4</sup> The higher gas costs resulting from Enbridge Gas's October 2020 QRAM application impacted the revenue requirement calculation for the Union Gas rate zones, specifically the costs related to managing the PDO.

Enbridge Gas updated the PDO<sup>5</sup> and Parkway Delivery Commitment Incentive (PDCI)<sup>6</sup> costs included in 2021 rates for the Union Gas rate zones to reflect the 2021 Rate M12 Dawn-Parkway toll and compressor fuel, based on the October 2020 QRAM. The increase in commodity costs in the October QRAM increased the cost of the compressor fuel required to move the gas from Dawn to Parkway. This has resulted in a higher bill impact for the Union Gas rate zones as compared to that filed in the original evidence. The resulting bill impact for a typical system sales residential customer in the EGD and Union Gas rate zones effective January 1, 2021 is provided below:

**Table 1: Annual Bill Impact**

Rate Zone	Annual Consumption	Annual Impact as Filed	Bill Impact as per Settlement
Enbridge Gas	2,400 m3	\$ 1.99	\$ 1.99
Union South	2,200 m3	\$ 8.91	\$ 9.06
Union North West	2,200 m3	\$ 10.40	\$ 10.44
Union North East	2,200 m3	\$ 10.72	\$ 10.76

<sup>4</sup> October 1, 2020 Quarterly Rate Adjustment Application, EB-2020-0195.

<sup>5</sup> PDO is the obligation of large volume direct purchase customers east of Dawn in the Union Gas rate zone, to deliver gas at Parkway (west of Mississauga) rather than the convenient location of Dawn (the liquid trading and storage hub).

<sup>6</sup> PDCI is the incentive paid by the former Union Gas to direct purchase customers who still opt to deliver gas at Parkway but are no longer obligated to do so as part of the PDO agreement.

OEB staff filed a submission on the settlement proposal on October 15, 2020. OEB staff supported the settlement and was satisfied with the explanation and rationale provided by the parties to support the settlement proposal. OEB staff also reviewed the draft rate order and was satisfied with the calculation of interim rates.

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### **3 DECISION ON THE SETTLEMENT PROPOSAL**

The OEB accepts the settlement proposal. The OEB finds that the settlement is a reasonable outcome for ratepayers.

The OEB approves the rate schedules attached to the settlement proposal for the EGD and Union Gas rate zones on an interim basis effective January 1, 2021. Once the OEB makes a decision on Enbridge Gas's application for ICM funding (Phase 2), a final rate order for 2021 distribution rates will be issued.

As part of the settlement on the PDO, Enbridge Gas agreed that in its 2022 rate application, it will file evidence detailing infrastructure and market-based alternatives in order to determine whether it is cost-effective to eliminate or reduce the PDO and/or PDCI for 2022 and future years. The OEB accepts this commitment and understands that such information would allow parties to assess the continuation of the current PDO arrangement.



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## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The settlement proposal attached as Schedule A is approved. The OEB approves the rate schedules and service charges attached to the settlement proposal on an interim basis effective January 1, 2021.
2. Cost eligible intervenors shall file their cost claims with the OEB and forward them to Enbridge Gas on or before **November 16, 2020**.
3. Enbridge Gas shall file with the OEB and forward to the intervenors any objections to the claimed costs by **November 23, 2020**.
4. Intervenors shall file with the OEB and forward to Enbridge Gas any responses to any objections for cost claims by **November 30, 2020**.
5. Enbridge Gas Inc. shall pay the OEB's costs of and incidental to this proceeding upon receipt of the OEB's invoice.

All materials filed with the OEB must quote the file number, **EB-2020-0095**, and be submitted in a searchable/unrestricted PDF format with a digital signature through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at [www.oeb.ca/industry](http://www.oeb.ca/industry). We encourage the use of RESS; however, parties who have not yet [set up an account](#), may email their documents to [registrar@oeb.ca](mailto:registrar@oeb.ca).

All communications should be directed to the attention of the Registrar and be received no later than 4:45 p.m. on the required date.

Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, November 6, 2020

**ONTARIO ENERGY BOARD**

*Original Signed By*

Christine E. Long  
Registrar