

The OEB issues decision on settlement proposal in Phase 1 of Enbridge Gas Inc.'s 2024-2028 Natural Gas Rates Proceeding

DECISION

On August 17, 2023, the Ontario Energy Board (OEB) issued its [Decision and Order](#) on a settlement proposal filed by Enbridge Gas Inc. (Enbridge) with respect to the Phase 1 issues in the proceeding, and which reflects settlement on some, but not all, of the 41 Phase 1 issues. The Phase 1 issues that were settled relate primarily to the rates that Enbridge can charge for 2024.

The OEB approved the July 14, 2023 amended settlement proposal as filed. The financial outcome of the agreement is a reduction of about \$90 million relative to what Enbridge asked for in its application. The largest component, the Operations and Maintenance budget, is reduced by approximately \$50 million (~6%).

BACKGROUND

This is the first cost-based rate application for Enbridge since the OEB approved the amalgamation of Enbridge Gas Distribution (EGD) and Union Gas effective January 1, 2019.

In its application, Enbridge sought approval:

- For changes to the rates it charges for the sale, distribution, transmission, and storage of gas starting January 1, 2024
- For an incentive rate-making mechanism (IRM) for the years from 2025 to 2028
- To harmonize rates across its four rate zones (EGD, Union South, Union North West and Union North East) into a single rate zone

Settlement Proposal

A settlement conference was held from May 29, 2023 to June 9, 2023 on the Phase 1 issues, with Enbridge and 23 intervenors participating. On June 28, 2023, Enbridge filed a settlement proposal¹ reflecting complete settlement on 15 of the Phase 1 issues, and agreement on parts of other Phase 1 issues. The settlement also establishes an Indigenous Working Group (IWG) whose purpose is to provide information, receive feedback and engage in discussion about matters of interest to the IWG in relation to Enbridge's rates and services.

Issues such as storage allocation, cost allocation, rate harmonization, certain deferral accounts and Enbridge's proposed rate framework for the 2025-2028 years will be addressed in Phase 2 and Phase 3 of the proceeding as discussed in the settlement proposal.

Intervenors

The following intervenors participated in the settlement conference.

- Association of Power Producers of Ontario

¹ Later updated on July 14, 2023.

- Building Owners and Managers Association
- Canadian Biogas Association
- Canadian Manufacturers & Exporters
- Consumers Council of Canada
- Enercare Home and Commercial Services Limited Partnership
- Energy Probe Research Foundation
- Environmental Defence
- Federation of Rental-housing Providers of Ontario
- Ginoogaming First Nation
- Green Energy Coalition
- Industrial Gas Users Association
- Kitchener Utilities
- London Property Management Association
- Ontario Greenhouse Vegetable Growers
- Ontario Petroleum Institute
- Pollution Probe
- Quinte Manufacturers Association
- School Energy Coalition
- Six Nations Natural Gas Company Limited
- Three Fires Group
- TransCanada Pipelines Limited
- Vulnerable Energy Consumers Coalition

NEXT STEPS

With respect to the unsettled or partially settled Phase 1 issues, Enbridge and parties to the proceeding will file their submissions with the OEB in the September to October 2023 timeframe. The OEB will then issue its decision on the unsettled Phase 1 issues.

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this backgrounder, along with a plain language description for each one.

Incentive regulation (also referred to as an Incentive Regulation Mechanism or “IRM”) is a method of setting rates that encourages utilities to become more efficient in ways that will benefit their customers through better service and lower rate increases. The shareholders of the utilities also have the opportunity to benefit from higher earnings through efficiency improvements.

Utilities typically file a cost-based application with the OEB to reset their rates every five years based on an in-depth review of their costs to serve their customers and to invest in and maintain their distribution systems. This is also referred to as “rebasing”.

In each year between cost-based applications, the utility's rates are typically adjusted through a pre-approved mechanism.

Settlement conference – The purpose of a settlement conference is for the applicant and intervenors to try and settle (reach agreement on) as many issues as possible, other than any issues that the OEB has indicated should not be settled and should proceed to hearing.

Settlement negotiations are confidential. Commissioners do not participate in a settlement conference and are not advised of the discussions that take place in the settlement conference. Where the parties reach agreement, a settlement proposal is filed by the applicant for approval by the OEB.

About the OEB

The OEB is the independent regulator of Ontario’s electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario’s economic, social and environmental development.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario’s energy consumers about the OEB’s decision and is not for use in legal or regulatory proceedings. It is not part of the OEB’s reasons for decision; those may be found in the Decision and Order issued August 17, 2023, which is the official OEB document.