Ontario Energy Board

Commission de l'Énergie de l'Ontario

Ontario

RP-2003-0203 1

EB-2004-0266

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c.15 (Sched. B); 2

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas commencing July 1, 2004. 3

BEFORE: 4

Bob Betts 5
Presiding Member

Paul Sommerville 6
Member

Pamela Nowina 7
Member

DECISION AND INTERIM RATE ORDER 8

Enbridge Gas Distribution Inc. ("EGDI" or the "Company") filed an application with the Ontario Energy Board dated June 1, 2004, for an order approving or fixing rates for the sale, distribution, transmission, and storage of gas effective July 1, 2004 (the "Application"). The Board has assigned file number RP-2003-0203/EB-2004-0266 to the Application. 9

EGDI indicated that the Application was prepared in accordance with the Quarterly Rate Adjustment Mechanism ("QRAM") approved by the Board in RP-2000-0040 and described in Issue 2.2 of the Settlement Proposal for RP-2000-0040, which was subsequently modified and approved by the Board in RP-2002-0133 as described under Issue 4.2 of that Settlement Proposal. 10

The Application included the following information: 11

(i) EGDI's recalculated utility price for the fourth quarter of fiscal 2004 is $332.911/10^3m^3$ ($8.833/GJ @ 37.69 MJ/$m^3$) compared to the current utility price of $292.891/10^3m^3$ ($7.771/GJ @ 37.69 MJ/$m^3$) for the third quarter of fiscal 2004. The new price exceeds the 0.5 ¢/m^3 price variance implementation threshold. EGDI therefore requested that the recalculated utility price should be the new utility price effective July 1, 2004. 12

(ii) The adjusted 2004 year-end balance in the Purchased Gas Variance Account ("PGVA") as of September 30, 2004 is forecasted to be a customer credit of $54.3 million. This credit balance reflects the transfer of a credit of $81.1 million from the 2003 PGVA and a debit of $26.8 million for the 2004 PGVA. The Company has proposed that no rate rider be implemented to clear the PGVA but that it be allowed to clear the 2003 and 2004 year-end balances (forecasted to be a credit of $54.3 million) through a year-end adjustment in October 2004 in conjunction with its year-end adjustment for 2004 deferral account balances, following the Board's Decision in its main 2005 rates case, RP-2003-0203. 13

(iii) Due to the increase in the utility price, the Gas Supply Charge would increase from 24.0708 ¢/m^3 to 28.0562 ¢/m^3 for residential Rate 1 system gas supply customers. The resulting Gas Supply Charge for Rate 6 commercial/industrial customers would increase from 24.1429 ¢/m^3 to 28.1283 ¢/m^3. 14

(iv) There have been no changes in upstream transportation tolls during the third quarter of Test Year 2004 to date and therefore EGDI has made no further adjustments in this regard. 15

(v) The impact on a typical residential customer on system gas for this utility price, together with the consequential effect on the prescribed commodity-related costs, with an annual consumption of 3,064 m^3, amounts to a bill increase of $126.20 or 9.5% on an annual bill (from $1,335.26 to $1,461.46). A typical residential customer on direct purchase will see its total annual bill increase by $4.06 or 0.7%. 16

The Application, including supporting written evidence, was provided to parties listed on the List of Interested Parties which includes the intervenors of record in the fiscal 2005 rate application (RP-2003-0203). The Application also set out the dates for filing comments and the Company's reply to those comments. 17

The Board received a letter of comment from the Industrial Gas Users Association (IGUA) and a submission from the Vulnerable Energy Consumers Coalition (VECC) with additional information requests. EGDI filed its responses to these requests. 18

The letter from IGUA identified a possible reduction by TransCanada PipeLines Ltd. in its interim 2004 Tolls of about 4¢/GJ, effective July 1, 2004. IGUA submitted that this reduction should be reflected in EGDI's interim rates, effective July 1, 2004. In its reply, EGDI submitted that because the National Energy Board had not yet approved the toll reduction, it was premature to include it in the QRAM calculations at this time. In addition, EGDI indicated that in the past when dealing with similar situations, EGDI's usual practice has been to record the effect of the change in the PGVA 19 and clear it in accordance with the prescribed methodology in the subsequent QRAM application, ensuring that customers were held harmless.

As part of its interrogatories, VECC asked EGDI to comment on why EGDI thought it was 20
appropriate to roll out additional debit balances into a Rider C associated with clearing the PGVA, while it was not appropriate to roll out corresponding credit balances via a Rider C. VECC also asked whether EGDI could clear the 2003 year-end PGVA adjustment as a one-time adjustment, earlier than the October 2004 billing cycle. VECC also asked that given the 2003 over-collection was derived via a rider from July to December 2003, why EGDI was of the view a Rider C credit should not apply during the July to December 2004 period, combined with the debit rider associated with the 2004 year-end PGVA balance over July to September.

As part of its reply, EGDI noted that the QRAM methodology was symmetrical with respect to the 21
addition and clearing of debit and credit balances into the current fiscal year-end estimated PGVA balance. It stated that the issue in this proceeding was that a significant credit balance pertaining to a <u>previous fiscal year</u> had occurred. The question, therefore, was not whether EGDI was proposing a different treatment for debit and credit balances, but rather, the most equitable manner of clearing an over-collection from a prior period. In EGDI's opinion, an equitable solution was one that would ideally return over-collections to customers based on:

(i) the extent to which they contributed to the over-collection, i.e., sales or direct purchase, and 22

(ii) volumes consumed over the fiscal year as opposed to a subset of the year, since the over- 23
collection pertains to the fiscal year.

EGDI provided an analysis between the options of a rate rider and a one-time adjustment, together 24
with reasons for choosing the one-time adjustment option in addition to those included in its prefiled evidence.

With respect to the question of a one-time adjustment provided earlier than October 1, 2004, EGDI 25
responded that it required eight weeks in order to program and adequately test a one-time billing adjustment. Also, these adjustments are implemented co-incident with the start of the billing month. Therefore, assuming that the Board were to order EGDI to make a one-time adjustment at the earliest opportunity to clear the 2003 PGVA credit balance, EGDI estimated that the earliest the adjustment could be made would be in the September billing cycle.

In deciding upon the use of either a rate rider or a one-time adjustment, EGDI stated that the rider 26
was intended to be an interim clearing of anticipated year-end balances, subject to a one-time adjustment at year end when the balance is close to final. In this instance, since the credit balance was attributable to fiscal 2003 and the final balance was known, it was more logical to use the one-time adjustment rather than Rider C.

EGDI submitted that if it was to return the over-collection through a rider over six months from July 27
to December, any variations in the amount refunded at the end of six months would likely be transferred into the 2005 PGVA balance, which would be even further removed from the year in

which the over-collections occurred. EGDI believes that while the one-time adjustment is delayed by three months compared to the rider approach, it is superior in all other aspects. In addition, it stated that customers would be held harmless from the delay due to the accumulation of interest. With respect to 2004, EGDI stated that it did not believe that a rider for the 2004 debit balance was appropriate for reasons outlined in its evidence at paragraph 10, Exhibit Q4-4, Tab 4, Schedule 1.

The Board has considered the issues raised and the responses provided by EGDI and finds that the 28 approach submitted by EGDI is reasonable. In the Board's view, the applicant's proposal represents a more stable approach to adjusting the commodity rates under the specific circumstances of this application.

With respect to the potential transportation rate reduction under consideration at the NEB, the Board 29 does not find it necessary or beneficial to incorporate a rate change that has not been approved by another regulator in this present QRAM application, due to the potential for confusion and inefficiency, should it not be approved or should it be modified.

With respect to the matter of the use of a Rate Rider C, the Board supports the proposition the rate 30 rider is equally appropriate for clearing credit balances as it is debit balances; however, the Board finds in this case that the methodology proposed by the Company represents a more practical approach to handling the over-collection from fiscal 2003.

The Board also accepts the Company's explanation supporting the timing of the one-time adjustment 31 and finds that the use of the one-time adjustment, to be made at the same time as the clearing of other deferral accounts following the 2005 rate application, to represents the best blend of operational practicality and equitable treatment.

Pursuant to the Ontario Energy Board Act, 1998, section 36 (4.1), the Board has considered all 32 deferral account balances related to the commodity cost of gas and is adjusting rates, as set out below, to mitigate the potential impact of an increasing customer debit balance for the forecast year end PGVA.

The Board finds that the Company's rate proposal is appropriate on an interim basis. 33

THE BOARD THEREFORE ORDERS THAT: 34

1. The rates for Enbridge Gas Distribution Inc. which were effective April 1, 2004 (EB-2004- 35 0209), shall be superseded by rates as provided in the Company's Rate Handbook and contained in Appendix "A" attached to this Interim Rate Order. The interim rates shall be effective July 1, 2004 and shall be implemented in the Company's first billing cycle in July, 2004.

2. Effective July 1, 2004, the utility price used in determining amounts to be recorded in the 36 fiscal 2004 Purchased Gas Variance Account shall be $332.911/10^3m^3$.

3. The appropriate form of customer notice set out in Appendix “B” shall accompany each customer’s first bill following the implementation of this Interim Rate Order. 37

4. The parties for service shall be those on the List of Interested Parties attached as Appendix “C”. 38

DATED at Toronto, June 24, 2004 39

ONTARIO ENERGY BOARD

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Bob Betts
Presiding Member

APPENDIX "A" TO
BOARD FILE No. RP-2003-0203/EB-2004-0266
DATED June 24, 2004
Not available electronically

APPENDIX "B" TO
BOARD FILE No. RP-2003-0203/EB-2004-0266
DATED June 24, 2004
Not available electronically

APPENDIX "C" TO
BOARD FILE No. RP-2003-0203/EB-2004-0266
DATED June 24, 2004
Not available electronically