

FW: Follow up to 1 on 1 question re reconciling utility bills

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Subject: Follow up to 1 on 1 question re reconciling utility bills

Hi.

Further to our discussion Tuesday morning, I asked MOECC and ENE to map out a scenario where auction proceeds are minimal (and thus costs to consumers also minimal), and how distributors would reimburse consumers for any overpayment resulting from an approved rate that had anticipated higher proceeds.

The response below indicates this is done through maintaining an approved variance account, which is reconciled to consumer bills annually (though utilities report quarterly to OEB).

Natural Gas Distribution:

- Enbridge and Union Gas filed rate adjustment applications with the Ontario Energy Board (OEB) to ask for 2017 rate increases related to carbon pricing.
 - o Enbridge has requested an annual charge of \$84 to Ontario customers to cover the cost of Ontario's cap and trade program.
 - o Union Gas has requested an annual charge of \$73 to Ontario customers to cover the cost of Ontario's cap and trade program.
- The companies also have approval for variance accounts that will track the difference between the revenue the company collected and the actual costs under the cap and trade program.
 - o Variance accounts allow utilities to estimate what a charge is going to be ahead of time and adjust future rates depending on actual costs.
 - o Every quarter utilities submit an application to the OEB to set the cost of natural gas based on market projections (i.e. the "gas supply charge" on your bill).
 - o The OEB approves this rate and customers are charged, regardless of what happens to the market price of natural gas on a day-to-day basis; this results in customers being potentially over or under charged for their gas.
 - o OEB decided that a quarterly reconciliation would be administratively burdensome and decided on a year-end reconciliation. Utilities will make annual applications for clearance

of the variance account which is reviewed by the OEB and becomes part of the next rate filing.

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