



**NEW BRUNSWICK**

ENERGY & UTILITIES BOARD

COMMISSION DE L'ÉNERGIE ET DES SERVICES PUBLICS

**NOUVEAU-BRUNSWICK**

# Oral Decision

SGS Class Rate Rider

January 23, 2014 – 2:30 p.m.

Raymond Gorman, Q.C., Chairman

Cyril W. Johnston, Vice-Chairman

Michael Costello, Member

The NBEUB monitors natural gas prices, distribution rates, and target savings for all of EGNB's rate classes. The Board noted that market conditions for the Small General Service (SGS) class might warrant an adjustment to the rate using a rate rider mechanism.

As a result, the Board sent a letter on December 13<sup>th</sup>, 2013, ordering EGNB to file calculations for the appropriate rate rider for the SGS Class by Monday, January 13<sup>th</sup>, 2014.

In the aforesaid letter, the Board indicated that it would hear submissions from all parties at a hearing to take place on Monday, January 20<sup>th</sup>.

EGNB responded to the Board Order by letter dated January 13<sup>th</sup>, at which time it stated that it did not believe that it is appropriate to implement a rate rider for the SGS class at this time.

Notwithstanding its position, EGNB complied with the Order and filed the requested calculations. The calculation, performed in accordance with the currently approved rate rider methodology, indicated a rate decrease of \$6.7485 per gigajoule (GJ). If fully implemented, this would result in the distribution rate being reduced temporarily from \$11.6763/GJ to \$4.9278/GJ.

EGNB argued that implementing a rate rider would cause a dramatic shortfall in EGNB's revenue requirement. In its view, it is not in anyone's interest, including the public, to not allow EGNB to earn its revenue requirement. EGNB asserts that any reduction in the SGS rate would have to be made up in other rate classes.

EGNB currently has an Application before the Board where it will be proposing the discontinuance of rate riders. They are also proposing a new method to calculate market-based rates using a blended weighted average of residential customers and small business customers.

EGNB argues that it is counter-productive to look at the rate rider issue so close in time to the full hearing. The legislative regime has changed and there is no longer a deferral account. EGNB argues therefore that the rate rider concept is not appropriate at this time.

It is EGNB's assertion that in 2013 the SGS class saved 15% and other rate classes received greater savings. They contend we need to be looking at average savings over time. It is noted however that the purported 15% savings in 2013 were not calculated using currently approved methodology.

Counsel for Atlantic Wallboard and Flakeboard conceded that the Board may grant the rate rider if it considers it to be just and reasonable. He argued however that the Board should not require other classes of customers to make up any shortfall in revenue.

The Public Intervenor (PI) maintained that a rate rider should be implemented immediately for three reasons:

1. The Rates and Tariffs Regulation mandates that the Board must ensure a target savings of 20 percent for the SGS class.
2. EGNB has committed that residential customers will save 20 percent when compared to the alternative fuel.
3. EGNB's existing tariff contains a provision with a clear intent to save consumers 20 percent.

The Public Intervenor states that EGNB should have filed for a rate rider months ago. The fact that it currently has a proposal to change the rate rider concept is irrelevant as we are dealing with the present time frame. He notes that there is no requirement for the Board to order increases in other rate classes as a result of a rate rider being implemented.

The Board finds merit in much of the submission made by the PI.

Rate riders have been part of the market-based methodology for setting rates since the first rate hearing in 2000. They were implemented at that time at the request of EGNB. During the last rate hearing in 2012, the issue of rate riders was raised and EGNB indicated that it wished to have the rate rider mechanism continue.

Up until the present time, rate riders were always requested by EGNB and were reviewed and approved by the Board. The issue here is whether the Board should require the use of rate riders, where appropriate, when EGNB is not requesting that one be implemented.

In its May 26<sup>th</sup>, 2009 decision following a Review of the market Based Formula, the Board stated at page 5:

With respect to Rate Riders and Reinstatements, the Board will entertain requests from EGNB to vary the rate as calculated by the formula. Such a request will only be granted if the Board is convinced the variance is in the public interest. Such requests should provide all of the normal information plus the rates that are being requested and the rationale as to why the rate indicated by the formula should not be used.

Some intervenors argued that third parties should have the right to request the use of a rate rider or rate reinstatement. The Board notes that there is no evidence that EGNB does not apply to adjust its rates as necessary. The Board does not find it appropriate to allow third parties to request rate riders or rate reinstatements.

In addition, the Rate Rider procedure was addressed in Appendix B to that decision as follows:

#### Rate Rider applications

43. Rate Riders/Rate Reinstatements will be applied for by EGNB to help maintain the target savings for each class.
44. The calculation of the Delivery Rate under a rate rider or rate reinstatement will be done in the same manner as above including the filing of market data with the following exceptions:
  - a. Only 21 days of market data will be used to determine the oil and natural gas prices
  - b. Market data will not be tied to a calendar month, but a time period leading up to the rider application
  - c. Natural Gas Consumption information will be the most recent information filed with the Board.

The Board finds that it should order a rate rider where circumstances indicate that it would be in the public interest to do so. The Board has reached this conclusion based partly on the fact that rate riders are currently part of the approved tariff. Rate riders are definitely an issue in the upcoming hearing and may or may not continue but for the moment they are part of the market-based methodology.

In this case, having considered the submissions of the parties, the Board finds that it would be in the public interest to apply the rate rider.

Accordingly, the Board Orders EGNB to implement a rate rider effective February 1<sup>st</sup>, 2014 for the SGS class, reducing the delivery rate to \$4.9278/GJ.

The Board would stress that the present decision is based on the existing rate rider policy and the methodology for calculating target savings approved at the last rate hearing. No party should consider that this decision pre-judges any issue which will be before it next month.

The issue of what, if any, effect the reduction in revenue due to a rate rider will have on the rates of the other classes will be addressed by the Board at the upcoming rate hearing.

These rates will take effect on February 1<sup>st</sup>. The hearing of EGNB's rate application is scheduled to begin on February 19th. The upcoming hearing will be the appropriate venue for parties to make submissions on all issues arising from this rate rider and to request any orders, including interim orders, which may relate to this decision.