

SECTION 5.0

Variance Accounts for Incentives

1 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas
2 Distribution Act, 1999 including the following provision:

3 52 (2.1) *“The Board may, in accordance with generally accepted public utility*
4 *practice, make an order permitting the general franchise holder to create or*
5 *establish a regulatory variance account in respect of the occurrence of an event*
6 *for the purpose of minimizing the rate impact of the costs arising from the event.*

7 With this amendment, the concept of regulatory variance accounts was included in the regulatory
8 framework.

9 During Matter 371, the Review of EGNB’s 2016 Regulatory Financial Statements and 2017 Rate
10 Application, a discussion occurred in relation to EGNB’s various marketing programs, including
11 the incentive and retention programs, relative to the amounts budgeted compared to the amounts
12 actually spent during a particular year. In response to a question from Ms. Desmond, Mr.
13 Lavigne stated it would be possible to use variance accounts to reconcile the difference between
14 approved amounts in these programs and amounts actually spent.

15 *“I think the difference with this year is as a result of the legislation of last year,*
16 *we now have a different tool in our tool box that we didn't have previously and we*
17 *could actually use a variance account to I guess utilize that in the future.” (p.*
18 *101)*

19 As the legislation change made in December 2016 allowed variance accounts, a common
20 practice of regulated utilities in Canada and the U.S., they could be used by EGNB in relation to
21 these programs.

22 EGNB proposes to use variance accounts to track the differences between budget and actual
23 spending for the Residential and Commercial Incentive Programs as well as for the Retention
24 and Winback Programs. The spending for these programs are variable, unpredictable, material
25 and recurring. EGNB proposes that any unspent amounts in these programs be used to the
26 benefit of customers in future years.

1 The table below provides information related to EGNB’s Residential Incentive Program and the
2 Retention Program:

Residential Incentive Program

	Budget	Committed	Variance
2017	\$ 100,000	\$ 88,250	\$ 11,750

Retention Program

	Budget	Actual	Variance
2017	100,000	60,101	39,899

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5 No tables for the Commercial Incentives and Winback programs exist because these programs
6 began in 2018.

7 EGNB’s transactions in these proposed variance accounts will be reported at all future rate
8 applications and will assist in determining what amounts should be approved for the programs in
9 the following year. The variance account balances will potentially allow smaller program
10 amounts to be required in the future and will ensure the budgeted amounts for these ratepayer
11 funded programs are being spent accordingly. The variance accounts will allow for rates to be
12 more levelized from year to year because the level of budgeted costs recoverable through the
13 variance accounts will be more stable from year to year. At the next rate application, the
14 variance account totals at the time will help determine the budgets for these programs in the
15 following year.

16 As variance accounts are used regularly in normal utility practice, EGNB seeks approval for the
17 use of variance accounts in relation to its Residential and Commercial Incentive Programs, the
18 Retention Program and the Winback Program.