



EB-2017-0224
EB-2017-0255
EB-2017-0275

**Enbridge Gas Distribution Inc.
Union Gas Limited
EPCOR Natural Gas Limited Partnership**

**Applications for approval of the cost consequences
of 2018 cap and trade compliance plans**

**PROCEDURAL ORDER NO. 2
February 7, 2018**

Enbridge Gas Distribution Inc. (Enbridge Gas), Union Gas Limited (Union Gas) and EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas) (collectively the Gas Utilities) each filed an application with the Ontario Energy Board (OEB) seeking approval of the forecast costs arising from their cap and trade Compliance Plan for the January 1 - December 31, 2018 time period. The Gas Utilities filed their applications in accordance with the OEB's *Report of the Board – Regulatory Framework for Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities* (Cap and Trade Framework).¹

The OEB assigned the following file numbers to the applications: EB-2017-0224 (Enbridge Gas), EB-2017-0255 (Union Gas) and EB-2017-0275 (EPCOR Natural Gas).

Proceeding Background

On November 30, 2017, the OEB issued a Decision and Order denying each of the Gas Utilities' requests for the interim approval of their proposed 2018 cap and trade charges. As a result, the final 2017 OEB-approved cap and trade charges will continue until the OEB completes its review of the 2018 cap and trade Compliance Plans.

On December 1, 2017, the OEB issued a Notice of Hearing (Notice) for a combined public hearing to consider the application of each of the Gas Utilities.

¹ EB-2015-0363

On December 28, the OEB issued PO No.1 requesting comments on the draft Issues List and setting procedural steps for this proceeding.

On January 12, 2018, parties filed written interrogatories on Enbridge Gas and Union Gas' proposed Renewable Natural Gas (RNG) procurement and funding model. Enbridge Gas and Union Gas filed responses on January 19, 2018.

Scope of the Proceeding

As indicated in the OEB's Cap and Trade Framework and in its Decision with respect to the Gas Utilities' 2017 Compliance Plans², the OEB will not be approving the Compliance Plans of each of the Gas Utilities. The Gas Utilities are responsible for deciding on the makeup of activities to be included in their Compliance Plans. The OEB's role is to assess the cost consequences of the Compliance Plans of each of the Gas Utilities and the subsequent recovery of those costs in rates.

Therefore the OEB must first ensure that the Compliance Plans meet the requirements of the Cap and Trade Framework including upholding its guiding principles. This determination may involve comparisons to other available compliance options (e.g. allowances, offsets, abatement) so that ratepayers get value for money in the implementation of the Compliance Plan. The OEB will determine whether each of the Gas Utilities' Compliance Plans is consistent with the Cap and Trade Framework and then approve an appropriate cost envelope. The OEB will not be weighing the merits of alternate Compliance Plans or ordering the implementation of such alternate Compliance Plans.

It should be also noted that only the 2018 plans are being considered for approval.

Intervenor Evidence

On January 10, 2018, Environmental Defence (ED) and Green Energy Coalition (GEC) filed a letter indicating their wish to submit evidence related to whether the utilities have struck a reasonable and appropriate balance between purchasing carbon allowances and implementing incremental conservation programs to reduce carbon emissions. Enbridge Gas and Union Gas indicated that they were opposed to the inclusion of the proposed evidence in this proceeding.

Given the scope of the proceeding identified above, and prior to the submission of evidence, the OEB requires that ED and GEC provide an outline of the evidence and its direction, as well as a budget associated with the same, by **February 14, 2018**.

² EB-2016-0296 / EB-2016-0300 / EB-2016-0330

After this information is received, the OEB will make a determination and all necessary procedural steps will be identified.

Issues List

The OEB received comments on the draft Issues List from Union Gas and ED. Enbridge Gas and EPCOR Natural Gas indicated they had no comments on the draft Issues List.

Union Gas requested that draft Issues 1.2 (volume forecasts), 1.3 (GHG emissions forecasts) and 1.4 (carbon price forecast), be revised to ensure that it is clear that all forecasts are for 2018.

Under Issue 2 (Monitoring and Reporting), Union Gas also recommended that the OEB rely on full year reporting from the prior Compliance Plan year to influence decision making for the forward Compliance Plan period.

Union Gas also recommended that the Issues List identify which issues include strictly confidential information.

London Property Management Association and Energy Probe provided letters supporting Union Gas' submissions on the Issues List.

ED raised the issue of whether shareholder incentives for the achievement of incremental cost-effective conservation savings would be subsumed in Issue 1.10 (greenhouse gas abatement activities). If the OEB did not agree that this issue was included in Issue 1.10, ED requested that this be added as an additional issue.

OEB Findings

The OEB does not consider the proposed changes to draft Issues 1.2, 1.3 and 1.4 are necessary as it is clear that the applications are in relation to the 2018 Cap and Trade Compliance Plans.

As recommended by Union Gas, the final Issues List identifies the issues that include strictly confidential information.

With respect to Issue 2, the OEB expects that a full year of 2017 activities and results will be available in this proceeding prior to the oral hearing of these applications.

The OEB finds that ED's proposal to include consideration of a shareholder incentive for the achievement of incremental cost-effective conservation savings represents an addition to the Cap and Trade Framework requirements and is not in scope for this proceeding.

The final Issues List addressing all of the OEB's findings above can be found in Schedule A.

RNG Procurement and Funding Model

The OEB has determined that the RNG Procurement and Funding model does not require approval. The model provides that ratepayers will not be allocated any costs arising from the incremental costs of gas associated with the procurement of RNG now, or in the future, pursuant to any contract entered into by the proponents for such supply. The proponents would have to obtain OEB approval for any allocation of such costs to ratepayers.

Issues to be Addressed at Oral Hearing vs. Written Hearing

The OEB has determined that it will address the following issues from the final Issues List through a written hearing:

- Issues 1.1, 1.2, 1.3
- Issues 3, 4, 5, 6, including sub-issues identified for each

Technical Conference

PO No. 1 provided for a settlement conference. However, the OEB has decided it will instead hold a transcribed technical conference to discuss technical aspects of the following issues prior to the oral hearing:

- Issues 1, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10
- Issue 2

Schedule of Procedural Steps

The OEB is making provision for the following procedural steps in the order below. The OEB may issue further procedural orders from time to time.

IT IS THEREFORE ORDERED THAT:

1. Environmental Defence and Green Energy Coalition shall provide an outline of the evidence and its direction, as well as a budget associated with the same, by **February 14, 2018**.
2. A transcribed technical conference will be convened on **March 22, 2018** beginning at 9:30am. The technical conference will continue on **March 23, 2018**, if necessary. Parties intending to participate in the technical conference are required to file with the OEB and copy all other parties confirmation of the particular areas of the evidence that they seek to address, or seek clarification on, by **March 19, 2018**.
3. The oral hearing will commence on **April 3, 2018** beginning at 9:30 am in the OEB's hearing room at 2300 Yonge Street, 25th Floor, Toronto. The oral hearing will continue on for additional days as determined by the OEB.

All filings to the OEB must quote the file numbers **EB-2017-0224 / EB-2017-0255 / EB-2017-0275**, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Valerie Bennett at Valerie.Bennett@oeb.ca and OEB Counsel, Ljuba Djurdjevic, at Ljuba.djurdjevic@oeb.ca, and Lawren Murray, at Lawren.murray@oeb.ca.

ADDRESS

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DATED at Toronto, **February 7, 2018**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Schedule A

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Final Issues List

February 7, 2018

1. **Cost Consequences** - Are the requested cost consequences of the Gas Utilities' Compliance Plans reasonable and appropriate?

Forecasts

- 1.1 Are the volume forecasts used reasonable and appropriate?
1.2 Are the GHG emissions forecasts reasonable and appropriate?
1.3 Is the carbon price forecast reasonable and appropriate?

Compliance Plan

- 1.4 Has the gas utility reasonably and appropriately conducted its Compliance Plan option analysis and optimization of decision making?
1.5 Is the gas utility's purchasing strategy reasonable and appropriate?

Aspects of Issues 1.4 – 1.5 relate to Strictly Confidential information contained within the utility's 2018 Compliance Plan. The Strictly Confidential portions of the applications have been redacted and will only be reviewed by the OEB and OEB staff.

- 1.6 Are the proposed performance metrics and cost information reasonable and appropriate?

Aspects of Issue 1.6 relate to Strictly Confidential information contained within the utility's 2018 Compliance Plan. The Strictly Confidential portions of the applications have been redacted and will only be reviewed by the OEB and OEB staff.

- 1.7 Has the gas utility reasonably and appropriately presented and conducted its Compliance Plan risk management processes and analysis?

Aspects of Issue 1.7 relate to Strictly Confidential information contained within the utility's 2018 Compliance Plan. The Strictly Confidential portions of the applications have been redacted and will only be reviewed by the OEB and OEB staff.

- 1.8 Are the gas utility's proposed longer term investments reasonable and appropriate?
1.9 Are the gas utility's proposed new business activities reasonable and appropriate?

Schedule A

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Final Issues List

February 7, 2018

- 1.10 Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?
- 1.10.1 Are the gas utility's RNG procurement and funding proposals reasonable and appropriate?

- 2. Monitoring and Reporting** – Are the proposed monitoring and reporting processes reasonable and appropriate?

Aspects of Issue 2 relate to Strictly Confidential information contained within the utility's 2018 Compliance Plan. The Strictly Confidential portions of the applications have been redacted and will only be reviewed by the OEB and OEB staff.

- 3. Customer Outreach** – Are the proposed customer outreach processes and methods reasonable and appropriate?

- 4. Deferral and Variance Accounts**

- 4.1 Are the proposed deferral and variance accounts reasonable and appropriate?
- 4.2 Are the proposed deferral account balances reasonable and appropriate?
- 4.3 Is the disposition methodology appropriate?

- 5. Cost Recovery**

- 5.1 Is the proposed manner to recover costs reasonable and appropriate?
- 5.2 Are the tariffs just and reasonable and have the customer-related and facility-related charges been presented separately in the tariffs?

- 6. Implementation** – What is the implementation date of the final rates and how will the final rates be implemented?