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BY E-MAIL

August 30, 2018

**To: Enbridge Gas Distribution Inc.
EPCOR Natural Gas Limited Partnership
Union Gas Limited
All Other Interested Parties**

**Re: October 2018 Quarterly Gas Adjustment Mechanism Applications
Direction to Apply for Elimination of Cap and Trade Charges and for the
Disposition of Amounts in Related Accounts
Board File Nos: EB-2018-0249/0253/0261**

Since January 1, 2017, Enbridge Gas Distribution Inc., EPCOR Natural Gas Limited Partnership, and Union Gas Limited (Gas Utilities) have been recovering costs related to their Cap and Trade activities, other than their administrative costs, through Cap and Trade charges approved by the Ontario Energy Board (OEB) further to legislation in effect at the time. Each of the Gas Utilities has been keeping a record of any difference between their actual costs and the amounts recovered from their customers in variance accounts established by the OEB for that purpose. They have each also been keeping a record of their administrative costs in a deferral account also established by the OEB for that purpose. As part of its rate-setting responsibilities, the OEB does a careful review of the amounts recorded in these kinds of accounts to ensure that customers only pay for costs that were prudently incurred and that any over-collection is returned to customers at the appropriate time.

On July 3, 2018, the government filed Ontario Regulation 386/18, Prohibition Against the Purchase, Sale and Other Dealings with Emission Allowances and Credits (Revocation Regulation), which:

- (i) revoked Ontario Regulation 144/16, The Cap and Trade Program; and
- (ii) prohibited registered participants, including the Gas Utilities, from purchasing, selling, trading or otherwise dealing with emission allowances and credits.

Bill 4, the *Cap and Trade Cancellation Act, 2018*, was introduced on July 25, 2018 and will, if passed, provide for various other matters related to the winding down of the Cap and Trade program.

Elimination of Cap and Trade Charges from Customer Bills

All three Gas Utilities are instructed to request the elimination of their Cap and Trade charges in their upcoming October 2018 Quarterly Rate Adjustment Mechanism (QRAM) applications. This will allow for the removal of the Cap and Trade charges from customer bills effective October 1, 2018.

Return of any Over-collection to Customers

All three Gas Utilities are also instructed to request the disposition of any projected net credit amount in the aggregate balance of their Cap and Trade-related variance and deferral accounts as at September 30, 2018. As previously ordered by the OEB, these filings should identify pre- and post-Revocation Regulation costs and the exact nature of the post Revocation Regulation costs.

Given the short period between the date of filing of the QRAM applications and the issuance of the OEB's QRAM rate order for October 1, 2018, it is not expected that the OEB will be able to complete a proper prudence review before October 1, 2018. As a result, and in order to ensure that any over-collected amounts are returned to customers starting October 1, 2018, the OEB expects to dispose of over-collections on an interim basis. The OEB will undertake a prudence review of the amounts in the Gas Utilities' Cap and Trade-related accounts to ensure that all costs incurred were appropriate. Final rates reflecting the results of that prudence review, and any corresponding further credits to customers, will be determined as efficiently as possible in keeping with the appropriate discharge of the OEB's public interest mandate.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary