



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

INTERIM DECISION AND ORDER

EB-2019-0247

ENBRIDGE GAS INC.

2020 Federal Carbon Pricing Program Application

BEFORE: Lynne Anderson
Presiding Member

Michael Janigan
Member

Susan Frank
Member

February 11, 2020

1 INTRODUCTION AND SUMMARY

Effective January 1, 2019, the former Enbridge Gas Distribution Inc. and the former Union Gas Limited amalgamated to become Enbridge Gas Inc. (Enbridge Gas). Enbridge Gas operates four rate zones: EGD, Union South, Union North West and Union North East.¹

Enbridge Gas filed an application on November 18, 2019, under section 36(1) of the *Ontario Energy Board Act, 1998*, seeking Ontario Energy Board (OEB) approval to increase rates to recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA), and to dispose of 2019 balances for all deferral and variance accounts related to the Federal Carbon Pricing Program (FCPP).

On January 3, 2020, the OEB issued a Notice of Hearing for this proceeding. Procedural Order No. 1 was issued on February 6, 2020. Anwaatin Inc. (Anwaatin), the Chiefs of Ontario, London Property Management Association (LPMA) and School Energy Coalition (SEC) were granted intervenor status. Anwaatin, LPMA and SEC were granted eligibility to apply for cost awards.

In this Interim Decision and Order, the OEB addresses Enbridge Gas' request for approval of rates on an interim basis.

In Enbridge Gas' 2019 FCPP proceeding (EB-2018-0205), the OEB approved Enbridge Gas' proposal to recover costs associated with the FCPP by charging a Federal Carbon Charge and a Facility Carbon Charge² to its customers. The OEB also approved the establishment of FCPP-related variance accounts for customer-related costs and facility-related costs, and deferral accounts for Enbridge Gas' administration costs.

In this proceeding, Enbridge Gas requested approval to increase the Federal Carbon Charge and Facility Carbon Charge on customer bills to reflect forecast 2020 costs. As of April 1, 2020, the Federal Carbon Charge that Enbridge must remit to the Government of Canada under the GGPPA for eligible volumes of natural gas will increase from 3.91 ¢/m³ to 5.87 ¢/m³. Enbridge Gas requested approval to update the Federal Carbon Charge on customer bills to match the level in the GGPPA, and to update the Facility Carbon Charge to reflect the costs Enbridge Gas forecast that it will need to remit to the Government of Canada for its own emissions.

¹ The Union South, Union North West and Union North East rate zones are collectively referred to as the Union rate zones.

² The Facility Carbon Charge recovers from customers the costs that Enbridge Gas must remit to the Government of Canada for its own emissions.

If approved, the incremental bill impact of changes to these two charges would be an increase of \$47.16 per year for a typical residential customer in the EGD rate zone with an annual consumption of 2,400 m³, and an increase of \$43.15 per year for a typical residential customer in the Union rate zones with an annual consumption of 2,200 m³.

Enbridge also sought approval to dispose of balances in all FCPP-related deferral and variance accounts through the end of 2019, based on actual costs incurred from January 1, 2019 to September 30, 2019, and forecast costs from October 1, 2019 to December 31, 2019. If approved, the total bill impact of the disposition of these deferral and variance account balances for a typical residential customer would be a charge of approximately \$20.³

Specifically, Enbridge Gas requested:

- An order or orders allowing it to charge customers a Federal Carbon Charge on a volumetric basis, in the amount of the Federal Carbon Charge required to be paid pursuant to the GGPPA, effective April 1, 2020
- An order or order approving or fixing just and reasonable rates for all Enbridge rate zones, effective April 1, 2020, to allow Enbridge to recover other costs (including the Facility Carbon Charge costs) associated with compliance with the GGPPA
- Approval of 2019 balances for all FCPP-related deferral and variance account balances, for all Enbridge rate zones, and for an order or orders to dispose of those balances

Enbridge Gas also requested that the OEB approve its proposed rates on an interim basis by February 13, 2020, if the OEB considered that it was not possible to provide final approvals by this date.

The OEB approves Enbridge Gas' proposed rates for the Federal Carbon Charge and Facility Carbon Charge on an interim basis, effective April 1, 2020.

Charge	EGD Rate Zone	Union Rate Zones
Federal Carbon Charge (¢/m ³)	5.8700	5.8700
Facility Carbon Charge (¢/m ³)	0.0049	0.0088

³ \$21.59 in the EGD rate zone, \$18.17 in the Union South rate zone, and \$18.82 in the Union North rate zones.

This determination is made without prejudice to the OEB's decision on the application. Despite this Interim Decision and Order, the OEB retains the discretion to set the final rates to whatever it ultimately determines to be just and reasonable.

The OEB does not approve disposition of Enbridge Gas' FCPP-related deferral and variance accounts, even on an interim basis, and directs Enbridge Gas to file updated evidence with the final December 31, 2019 balances in these accounts when audited numbers are available.

The OEB will provide further direction on next steps in this proceeding following Enbridge Gas' submission of updated evidence.

2 DECISION

2.1 Federal Carbon Charge

Under the GGPPA, Enbridge Gas is required to remit payment to the Government of Canada, on behalf of its customers, for emissions associated with the natural gas delivered by Enbridge Gas and used by these customers. Enbridge Gas applies a Federal Carbon Charge (currently 3.91 ¢/m³ of natural gas) to customer bills to recoup this cost.

The Federal Carbon Charge that Enbridge Gas must remit to the Government of Canada will increase by 50%, from \$20 per tonne of carbon dioxide equivalent (3.91 ¢/m³ of natural gas) to \$30 per tonne of carbon dioxide equivalent (5.87 ¢/m³). This takes effect on April 1, 2020. Enbridge Gas requested OEB approval to increase the Federal Carbon Charge on customer bills to the same level (5.87 ¢/m³), effective April 1, 2020.

Under the GGPPA, certain customers (e.g. industrial customers and greenhouses) are eligible for full or partial exemption from the Federal Carbon Charge for their emissions. Enbridge Gas indicated that it would continue to track these customers and adjust their bills accordingly.

Enbridge Gas also noted that current approved rate schedules for wholesale distributors (rates M9, M10 and T3) do not include the Federal Carbon Charge. However, under the GGPPA, the Federal Carbon Charge is applicable to distributors that have not applied for an exemption. Enbridge Gas indicated that it would correct the wholesale rate schedules to include the Federal Carbon Charge as part of its next Quarterly Rate Adjustment (QRAM) proceeding.

Findings

The OEB approves Enbridge Gas' proposed increased Federal Carbon Charge on customer bills effective April 1, 2020, for the EGD rate zone and Union rate zones, on an interim basis. Enbridge Gas' proposed charge was calculated to pass-through the costs of remitting the Federal Carbon Charge related to customer use to the Government of Canada. The Federal Carbon Charge under the GGPPA increases on April 1 of each year. It is appropriate to adjust the Federal Carbon Charge on customer bills to match the level set in the GGPPA.

The OEB will set final rates after it has reviewed and fully tested the application. However, the OEB believes that the adjustment to Enbridge Gas' Federal Carbon Charge on customer bills is sufficiently mechanistic that changes to the interim rate are

unlikely. Any differences between the amounts collected from customers and those remitted to the Government of Canada are tracked in a variance account for future disposition to customers. Because Enbridge Gas applies the Federal Carbon Charge on customer bills to actual billed volumes, future variances are expected to be minimal.

2.2 Facility Carbon Charge

Enbridge Gas is also required to remit payment to the Government of Canada for its own greenhouse gas emissions. Enbridge Gas' emissions fall into two categories under the GGPPA. Emissions from Enbridge Gas' compressor fuel volumes used in its gas transmission and storage system are subject to the Output-Based Pricing Standards (OBPS), while other emissions (e.g. from buildings and boilers) are subject to the Federal Carbon Charge.

Enbridge Gas applies a Facility Carbon Charge to customer bills to recoup the costs associated with these facility-related emissions. This charge is collected from all Enbridge Gas customers, and is embedded within the delivery or transportation charges, depending on the rate class.

Enbridge Gas forecast a 2020 cost of \$4.2 million for its facility-related emissions, up from a forecast cost of \$2.3 million for 2019. This forecast was based on Enbridge Gas' forecast volume of facility-related emissions, and on the Federal Carbon Charge that must be paid to the Government of Canada per unit of emission (5.87 ¢/m³, effective as of January 1, 2020 for excess OBPS emissions, and as of April 1, 2020 for other emissions).

Enbridge Gas calculated the volumetric rates for the Facility Carbon Charge that would be needed to recover its forecast 2020 cost of facility-related emissions, based on forecast 2020 customer volumes. These proposed rates were determined separately for the EGD rate zone and the Union rate zones, based on the forecast cost and volumes for these zones. Enbridge Gas requested approval to increase the Facility Carbon Charge from 0.0036 ¢/m³ to 0.0048 ¢/m³ for the EGD rate zone, and from 0.0084 ¢/m³ to 0.0088 ¢/m³ in the Union rate zones, effective April 1, 2020.

Findings

The OEB approves Enbridge Gas' proposed rates for the Facility Carbon Charge effective April 1, 2020, for the EGD rate zone and the Union rate zones, on an interim basis.

As with the Federal Carbon Charge on customer bills, the OEB will set final rates for the Facility Carbon Charge after it has reviewed and fully tested the application. Any differences between the amounts collected from customers and those remitted to the

Government of Canada for Enbridge Gas' facility-related obligations are tracked in a variance account for future disposition to customers.

2.3 2019 Federal Carbon Pricing Plan-Related Deferral and Variance Accounts

Enbridge Gas requested approval to dispose of 2019 balances recorded in its FCPP-related deferral and variance accounts through December 31, 2019. The proposed balances for disposition were based on actual FCPP-related costs from January 1, 2019 to September 30, 2019, and forecast costs from October 1, 2019 to December 31, 2019.

Enbridge Gas requested approval to dispose of the following account balances:

- \$144.5 million (\$144.5 million actual) in the Federal Carbon Charge – Customer Variance Accounts, which record the variance between actual customer-related carbon costs and customer-related carbon costs recovered in rates;
- \$0.7 million (\$0.5 million actual + \$0.2 million forecast) in the Federal Carbon Charge – Facility Variance Accounts, which record the variance between actual facility-related carbon costs and facility-related carbon costs recovered in rates;
- \$2.0 million (\$1.4 million actual + \$0.6 million forecast) in the Greenhouse Gas Emissions Administration Deferral Accounts, which record the administration costs associated with the FCPP.

For all FCPP-related deferral and variance accounts, Enbridge Gas proposed one disposition approach for general service customers in the Union rate zones, and a second approach for all other customers in the Union rate zones and all customers in the EGD rate zone.

Enbridge Gas proposed disposing of account balances for general service customers in the Union rate zones on a prospective basis over a six-month period. The estimated bill impact for a typical residential customer in the Union rate zones with annual consumption of 2,200 m³ would be \$18.17 to \$18.82 (\$3.03 to \$3.14 per month).

Enbridge Gas proposed disposing of account balances for all other customers in the Union rate zones and all customers in the EGD rate zone over a three-month period, based on actual consumption between April 1, 2019 and July 31, 2019. The estimated bill impact for a typical residential customer in the EGD rate zone with annual consumption of 2,400 m³ would be \$21.59 (\$7.20 per month).

Findings

The OEB is not prepared to approve the disposition of FCPP-related deferral and variance accounts, even on an interim basis, until the balances have been reviewed. In particular, the administration costs in the Greenhouse Gas Emissions Administration Deferral Accounts have not been reviewed in any form by the OEB.

Given the timing of this interim decision and order, the OEB finds it appropriate for the deferral and variance accounts to be updated to the actual December 31, 2019 balances for this review. Enbridge Gas is required to file updated balances as soon as they are available, and update its proposed disposition schedule as appropriate, following which the OEB will establish further procedural steps. Enbridge Gas should also propose options for the approach to disposition of the balances that would smooth bill impacts.

3 NEXT STEPS

The OEB plans to address the issues raised by Anwaatin and COO separately from the application filed by Enbridge Gas for its cost recovery. Further direction will be provided at a later date.

The OEB confirms that review of the application filed by Enbridge Gas will be limited to considering recovery of its costs related to the FCPP. The OEB will issue procedural steps once Enbridge Gas files its deferral and variance account balances for 2019.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.'s proposed unit rates for the Federal Carbon Charge and Facility Carbon Charge, as set out in Exhibit D, Tab 1, Schedule 1, and Exhibit D, Tab 2, Schedule 1, are approved on an interim basis, effective April 1, 2020.
2. Enbridge Gas Inc.'s request to include the Federal Carbon Charge on rate schedules for wholesale distributors (Rates M9, M10, and T3), applicable to distributors that have not applied for an exemption, is approved.
3. Enbridge Gas Inc. shall file draft complete tariff sheets reflecting this Interim Decision and Order for each of the EGD rate zone and Union rate zones as part of its April 2020 Quarterly Revenue Adjustment Mechanism application.
4. Enbridge Gas Inc. shall file updated evidence on the balances proposed for disposition in all Federal Carbon Pricing Plan-related deferral and variance accounts, based on actual costs incurred and recorded up to December 31, 2019, including an updated schedule and rates for proposed disposition of the balances in these accounts.

DATED at Toronto February 11, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar and Board Secretary