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VIA RESS, EMAIL and COURIER

April 21, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Ontario Energy Board (“Board”) – Consultation to Develop a Regulatory Framework for Natural Gas Distributors’ Cap and Trade Compliance Plans – EB-2015-0363
Enbridge Gas Distribution Inc. (“Enbridge”) – Interim Rate Order with Respect to Cap and Trade Emission Allowance Costs**

Enbridge has been provided with a copy of a letter dated April 15, 2016 to the Board from Union Gas Limited (“Union”) regarding a draft order that would allow Union to begin recovering Cap and Trade customer emission allowance costs, on an interim basis, effective January 1, 2017. Enbridge supports the request forwarded by Union and, by way of this letter, requests that the interim relief proposed by Union also be granted to Enbridge to allow it to recover Cap and Trade customer emission allowance costs effective January 1, 2017. A copy of a draft interim Rate Order required by Enbridge to accommodate necessary changes to its billing systems is provided with this letter.

As stated in Union’s April 15th letter, the proposed *Climate Change Mitigation Low-carbon Economy Act, 2016* (Bill 172) and the associated draft regulation provide for the introduction of a provincial Cap and Trade program with a January 2017 timeline for implementation.

Like Union, Enbridge considers it important to take action to ensure that it can meet the January 1, 2017 implementation date for the Cap and Trade program. In fact the Board’s letter of March 10, 2016, initiating a consultation to develop a regulatory framework, acknowledged the importance of meeting the January 2017 implementation date and indicated on page 3 the importance of beginning a consultation process as soon as possible.

Enbridge agrees with the Board's acknowledgement of the importance of timing in meeting the January 2017 implementation date. We are however, concerned that the intended timeline within the Board's letter of March 10, 2016 of concluding the development of the regulatory framework by October 2016 will not provide sufficient time for the required processes of EGD in order to be ready for January 2017.

More specifically, it is important that an interim order be made now, for similar reasons as indicated in Union's letter about the issue of the timing of necessary system requirements and testing. It is very important that Enbridge's rates in effect on January 1, 2017 reflect, on an interim basis, costs that will be incurred to purchase emission allowances for customers, in order to allow recovery of such costs during the winter season when natural gas consumption volumes are high and to support Enbridge's participation in the auction of allowances in the first quarter of 2017.

Enbridge proposes that the Board establish an interim Cap and Trade customer emission allowance charge and that the charge be recovered on a volumetric basis from the customers for whom Enbridge will purchase allowances. Enbridge anticipates an interim charge of \$0.026/cubic metre¹.

In Enbridge's 2016 rate adjustment proceeding (EB-2015-0114), the Board approved a Greenhouse Gas Emissions Impact Deferral Account ("GGEIDA") for the recording of impacts to Enbridge of federal or provincial greenhouse gas emission requirements. Enbridge proposes that the variance between revenue recovered through the interim Cap and Trade customer emission allowance charge and actual Cap and Trade customer emission allowance costs be recorded in the GGEIDA.

If you have any questions in this regard, please do not hesitate to contact us.

Yours truly,

[original signed]

Kevin Culbert
Senior Manager, Regulatory Policy & Strategy

Attach.

cc: Fred Cass(fcass@airdberlis.com)

¹ Enbridge will review and update the proposed interim charge with supporting evidence once the minimum price of emission allowances in auction year 2017 is set by the Ministry of Environment and Climate Change ("MOECC"), expected to be set in October, 2016.

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF a Consultation by the
Ontario Energy Board to Develop a Regulatory
Framework for Natural Gas Distributors' Cap and
Trade Compliance Plans pursuant to Section 36(1)
of the *Ontario Energy Board Act, 1998*

BEFORE:

xx
Presiding
Member

xx
Member

xx
Member

**DRAFT DECISION AND ORDER (for
rates effective January 1, 2017)**

On March 10, 2016 the Ontario Energy Board ("Board") initiated a consultation to develop a natural gas regulatory framework to support the implementation of Ontario's Cap and Trade program. While the proposed legislation has not been passed and the regulation is under consultation at this time, the Board determined that given the January 2017 timeline for implementation, the development of the regulatory framework must begin immediately. For the purposes of this consultation, the OEB will be relying on the proposed legislation and draft regulation. The framework will reflect the final legislation and regulation.

On April XX, 2016, pursuant to section 19 of the Ontario Energy Board Act, the Board commenced this proceeding.

To allow Enbridge Gas Distribution Inc. to begin recovering Cap and Trade customer emission allowance costs from applicable customers effective January 1, 2017 this Rate Order represents the implementation of an interim rate. The proposed interim rate equals 0.026m³.

THE BOARD THEREFORE ORDERS THAT:

1. The interim rate of \$0.026/m³ for the Cap and Trade customer emission allowance rate is approved effective January 1, 2017. Enbridge shall implement this rate on the first billing cycle on or after January 1, 2017.
2. The interim rate will be added as a separate line item on applicable customers' bills.
3. The variance between revenue generated by the Cap and Trade customer emission allowance rate and the actual Cap and Trade customer emission allowance cost will be included in Enbridge's Board-approved Greenhouse Gas Emissions Impact Deferral Account.

DATED at Toronto _____, 2016.

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary