



June 22, 2016

**Via RESS and courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor  
Toronto, Ontario  
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Dear Ms. Walli:

**Re: Staff Discussion Paper on a Cap and Trade Regulatory Framework for Natural Gas Utilities; Board File Number EB-2015-0363**

On May 25, 2016, the Ontario Energy Board (“OEB”) issued a Staff Discussion Paper on the *Cap and Trade Regulatory Framework for the Natural Gas Utilities* (the “Discussion Paper”). With the passage of the *Climate Change Mitigation and Low-carbon Economy Act* and the issuance of the Cap and Trade Regulation, natural gas distributors will have compliance obligations related to their facility-related greenhouse gas (“GHG”) emissions and the emissions of most of their customers. The OEB is developing a regulatory framework for the natural gas distributors to support the successful implementation of the provincial government’s Cap and Trade program. The framework will: i) outline the OEB’s approach for assessing the cost consequences of the utilities’ compliance plans with the Cap and Trade program; and ii) establish a mechanism for recovery of these costs in rates.

The Discussion Paper sets out OEB staff’s views on the key elements, issues and options, as well as proposals for the Cap and Trade regulatory framework for rate-regulated natural gas utilities.

The Coalition of Large Distributors (“CLD”)<sup>1</sup> is pleased to provide this response to the Discussion Paper. This submission will address the CLD’s two main concerns which relate to:

- Bill Presentation
- Customer Outreach and Education

**Bill Presentation:**

When considering both facility-related obligation costs and customer-related obligation costs, OEB staff are of the view that the per-cubic meter charge should have the same bill presentation for all consumers. OEB staff have proposed that the Cap and Trade costs should be included in the delivery charge on the customer’s bill to ensure uniform bill presentation for all consumers. More specifically, the Cap and Trade costs would “roll up” into one line item on the bill. OEB staff are concerned that adding an additional line item on the bill will cause an increase in customer confusion and utility call center activity.

The CLD does not agree with this approach and believes that a separate line item is warranted for transparency purposes, in addition to facilitating cost recovery and the regulatory reporting obligations of the utilities.

<sup>1</sup>The CLD consists of Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc., Toronto Hydro-Electric System Limited, and Veridian Connections Inc.



The CLD believes that a separate line item for Cap and Trade costs would better meet the OEB's objective of improving transparency and energy literacy. In addition, transparency of the Cap and Trade program is instrumental in driving change in customer behaviour – a key component to achieving the government's emissions reduction objectives. Clearly identified costs on a bill will help consumers make informed decisions on both cost and consumption. A separate line item is also effective in ensuring that allowance costs (on a volumetric basis) are recovered from the appropriate customers and are tracked accurately from billing through to deferral account disposition.

Moreover, the CLD respectfully observes that OEB staff have not offered any context or insight underlying the basis for their concerns regarding inclusion of a separate line item on customers' bills. Likewise, OEB staff have not addressed or countered the numerous, credible arguments put forward by natural gas utilities in support of a separate line item to reflect Cap and Trade costs.<sup>1</sup>

### **Customer Outreach and Education:**

Customer outreach and education is essential as customers need to fully understand the provincial government's Cap and Trade program and the impact of the program on their bills. Customers also need to be educated on how to manage their GHG emissions to reduce bill impacts. OEB staff identified two possible roles of the OEB to ensure consistent messaging for all utility customers. First, the OEB could provide messaging to the utility, and second, the OEB could review and approve proposed messaging by the utility. OEB staff recommend that the OEB review the utility's messaging in its proposed communication plan.

The CLD does not agree with this proposal. The CLD believes it is both the gas utilities' obligation and accountability to communicate with their customers on the services they receive. As their gas distributors, they understand their customers best and are adept at how best to communicate to them. Gas distributors have a better understanding of their customers, their concerns and their unique characteristics, thereby putting them in the optimal position to be able to effectively communicate with them. It is the obligation of the utilities to manage customers' concerns. As such, the CLD believes that the content of customer education and communication should be the responsibility of the gas distributors. Gas distributors should develop their own communication plans and messages for each customer group, and wherever possible, work together to develop general consistent messaging and timing across the province.

In addition, the Discussion Paper cites experience in California as the basis for the proposed requirement for gas distributors to submit their customer messaging plans to the OEB for review. The CLD contends that the Discussion Paper's treatment and interpretation of California's approach lacks full and appropriate context. California's unique circumstances contrast those of Ontario in a manner and measure that severely limit the relevance of using California as a guide on this matter.

For example, the California customer outreach referenced in the Discussion Paper involved programs that *electric* utilities were required to undertake and the return of revenue from the sale of GHG emission allowances which had been allocated to electric utilities by the state air regulator. The programs did not involve the reflection of costs associated with the state's Cap and Trade regime in the customer bills of natural gas utilities.

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<sup>1</sup> See Union Gas Limited's request for an Interim Rate Order, EB-2015-0363 (April 15, 2016).



Furthermore, the California Public Utilities Commission had a legislated mandate to require electric utilities to undertake this customer outreach program. Similarly, the utilities' outreach was ultimately intermingled into a pre-existing, state-wide customer energy education and awareness initiative.<sup>2</sup> The CLD is not aware of any analogous conditions presently in place in Ontario.

Finally, there is a material difference between the planned implementation period for Ontario's Cap and Trade program and that which was undertaken in California. More than five years elapsed between the passage of Cap and Trade legislation in California and the accompanying program regulations taking legal effect. The long lead time afforded to utilities, covered entities, and other stakeholders in California enabled a measured, efficient approach to implementation, including customer outreach and education. The implementation schedule in Ontario is significantly more compressed, thus rendering customer communication and education a time-sensitive imperative.

The CLD appreciates the opportunity to provide comments on the proposals developed by the OEB staff. If there are any questions or concerns, please do not hesitate to contact the undersigned.

Sincerely,

*[original signed by]*

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<sup>2</sup> For further information and context on this matter, see Resolution E-4611 of the California Public Utilities Commission (October 21, 2013). Available: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M079/K276/79276863.PDF>.