

August 19, 2016

**BY COURIER (2 COPIES) AND RESS**

**Ms. Kirsten Walli**

Board Secretary

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

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ONTARIO ENERGY BOARD

Dear Ms. Walli:

**Re: EB-2015-0363 Cap and Trade Regulatory Framework for the Natural Gas Utilities**

I am writing to respond to the August 15, 2016, letter from the Industrial Gas Users Association (“IGUA”) regarding the Board’s *Early Determination regarding Billing of Cap and Trade Related Costs and Customer Outreach*. Environmental Defence disagrees with IGUA’s assertion that the Board failed to provide adequate reasons for its decision. On the contrary, the Board’s determination was detailed and well-reasoned.

As for IGUA’s request for further details regarding future cap and trade reporting, Environmental Defence submits that reporting should focus on a metric showing how well the utilities succeed in reducing the overall compliance costs by implementing carbon reduction initiatives that are cheaper than purchasing allowances (e.g. conservation, reducing fugitive emissions, etc.). In addition, reporting should include the *savings* from carbon-reduction initiatives (e.g. avoided gas costs), not simply the raw cost figure.

**Incorrect Statement of Intervenor Views**

IGUA states that “only Board Staff advocated blending costs.”<sup>1</sup> This is incorrect. Environmental Defence expressly stated in its submissions that it agreed with Board Staff that the cap and trade costs “should not appear on a separate line item on the bill.”<sup>2</sup>

**The Board’s Determination is Well-Reasoned**

IGUA argues that the Board failed to provide adequate reasons.<sup>3</sup> On the contrary, the Board provided very detailed and sensible reasons for its decision. For example, the Board noted that a separate line item will not provide a meaningful price signal for the

<sup>1</sup> Letter from IGUA, August 15, 2016, p. 2 & 5.

<sup>2</sup> Environmental Defence submissions, June 22, 2016 submissions, p. 4.

<sup>3</sup> Letter from IGUA, August 15, 2016, p. 3-6.

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vast majority of customers and therefore is not necessary to encourage GHG emission reductions. It also noted that cap and trade costs need not be included in a separate line any more than any other kind of operating cost faced by the utilities. The Board's reasons surpassed what is required from an administrative decision-maker.

The Board discussed these and other rationales for its decision in eight detailed paragraphs (767 words). The Board's analysis addresses the relevant considerations, the arguments of the intervenors, and is well-reasoned. It cannot be said that the Board failed to provide adequate reasons. IGUA simply disagrees with those reasons.

### **Sufficient Transparency**

IGUA argues that the Board's decision is inconsistent with the "bill transparency policy" reflected in earlier Board determinations.<sup>4</sup> However, the Board already addressed this argument, in part by noting that "separating out Cap and Trade related costs as a line item on the bill is inconsistent with the manner in which all other ongoing costs of operating the utility are reflected on the bill."<sup>5</sup>

Furthermore, as noted in Environmental Defence's submissions, separate reporting of cap and trade costs could be misleading, and counter to the goal of transparency, if not done carefully. Most importantly, some cap and trade initiatives (e.g. conservation) will save consumers a large amount of money through avoided gas and other costs. If the utilities report the costs of these initiatives without accounting for the associated savings, this will serve to send this incorrect impression that these carbon reduction initiatives are more costly than they truly are. Simply reporting the costs, alone, would not further the interests of transparency.

### **Other Reporting Regarding Cap and Trade**

IGUA also requested further details regarding the other cap and trade reporting that the Board will require the utilities to undertake. Although Environmental Defence welcomes any further guidance, it does not agree that the provision of further details is necessary to understand the Board's July 28, 2016 decision. Indeed, it would be better for the Board to proceed cautiously in deciding what other cap and trade information is required so as to ensure that the public is provided with a full and complete picture. For example, Environmental Defence submits that cap and trade reporting should not focus on costs alone. As noted above, it would mislead consumers to report the costs without accounting for the associated savings from carbon reduction initiatives.

Instead, cap and trade reporting should focus on metrics showing how well the utilities succeed in reducing the overall compliance costs (e.g. by implementing conservation measures or reducing fugitive emissions at a lower cost than purchasing allowances). The utilities cannot reduce the cost of carbon allowances but they can avoid the need to

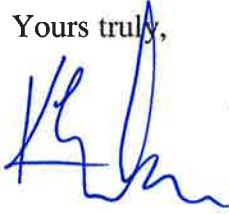
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<sup>4</sup> Letter from IGUA, August 15, 2016, p. 6.

<sup>5</sup> Ontario Energy Board, *Early Determination regarding Billing of Cap and Trade Related Costs and Customer Outreach*, July 28, 2016, p. 6.

purchase allowances through conservation and other measures. Measuring and reporting on this kind of metric will encourage the utilities to find less costly compliance measures and result in savings for ratepayers. It is the utilities overall ability to reduce compliance costs that is important, not a raw and misleading figure showing only the total costs.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Kent Elson', with a stylized flourish at the end.

Kent Elson

cc: Parties in EB-2015-0363