

February 3, 2017

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

Dear Ms. Walli:

RE: EB-2016-0296 – Union Gas Limited – 2017 Cap-and-Trade Compliance Plan – Comments on Draft Issues List

On January 27, 2017 the Ontario Energy Board (the “Board”) issued Procedural Order No.1 in the above noted proceeding. The Board also issued a draft issues list and asked for written submissions by February 3, 2017.

Union’s goal when filing its 2017 Compliance Plan (the “Compliance Plan”) was to meet the Board’s commitment to transparency while at the same time, maintaining market integrity and complying with the Assessment of Costs of Natural Gas Utilities’ Cap and Trade Activities (the “Framework”), the Climate Change Act and Cap and Trade Regulations. Union submits the following comments on the draft issues list which are influenced by two factors: first, the nascence of the Cap-and-Trade program; and second, the strictly confidential nature of specific information within Union’s Compliance Plan.

The Board issued the Framework on September 26, 2016. Union in turn filed its Compliance Plan on November 15, 2017 and subsequently updated its Compliance Plan on January 18, 2017. Regarding the nascence of the program, the Compliance Plan is focused primarily on compliance and overall prudence. Recognizing that 2017 is the first compliance period, Union is initially focused on the short-term. Further, Union believes that certain issues included in the draft issues list would be more appropriately considered as part of future Compliance Plans once the market and Cap-and-Trade program have matured. This approach is consistent with the Board’s direction as noted at p.16 of the Framework.

Giving the Utilities this flexibility in the first compliance period recognizes the approaching January 2017 timeline for Cap and Trade, and will allow a Utility enough time to gain experience before developing a more comprehensive, longer term plan. The OEB also recognizes that in 2017 there will be an Ontario-only Cap and Trade market while in 2018 the market may be linked with California and Québec, which could represent a substantive change for the Utilities in their options for addressing compliance.

Comments on Draft Issues List

Union has structured this submission to respond to each of the Issues identified in the Board's draft issues list.

1. **Cost Consequences** – Are the requested cost consequences of the Gas Utilities' Compliance Plans reasonable and appropriate?

Union agrees this Issue should be included on the Final Issues List.

Forecasts

- 1.1 Is the proposed forecast period reasonable and appropriate?

This Issue should not be included on the Issues List as it was prescribed by the Board in the Framework. As stated at p.16 of the Framework, utilities are required to file a Compliance Plan for 2017 only. Further, the 1-year forecast period used in the 2017 Compliance Plan was prescribed as per p.17 of the Framework which states that forecasts prepared by the utilities "must align with the duration of the Compliance Plans". At p.5 of Procedural Order No.1, the Board indicated that neither, the "approach or the requirements of the Cap and Trade Framework [were] in scope for this proceeding."

- 1.2 Are the volume forecasts used reasonable and appropriate?
- 1.3 Are the GHG emissions forecasts reasonable and appropriate?
- 1.4 Is the carbon price forecast reasonable and appropriate?

For the same reason noted above in 1.1, Union asserts that Issues 1.2, 1.3 and 1.4 should be limited to 2017 only. Further, Union recommends the Issues be amended as follows:

- 1.2 Is the 2017 volume forecast used reasonable and appropriate?
- 1.3 Is the 2017 GHG emissions forecast reasonable and appropriate?
- 1.4 Is the 2017 carbon price forecast reasonable and appropriate?

Compliance Plan

- 1.5 Is the gas utility's Compliance Plan overview reasonable and appropriate?
- 1.6 Has the gas utility reasonably and appropriately conducted its Compliance Plan option analysis and optimization of decision making?

Issues 1.5 and 1.6 relate exclusively to Strictly Confidential information. In keeping with the legislation and with the best interests of ratepayers in mind, such information must remain confidential in order to maintain the ability to effectively execute on Compliance Plans. For this reason, Union proposes these Issues be identified as being related to Strictly Confidential information that is only subject to disclosure to the Board and Board staff through this proceeding.

- 1.7 Are the proposed performance metrics and cost information reasonable and appropriate?

This Issue is not applicable to the 2017 Compliance Plan and therefore should be removed from the Issues List. Since the 2017 Compliance Plan is Union's first, there is no actual compliance cost information to report or compare against performance benchmarks.

- 1.8 Has the gas utility reasonably and appropriately presented and conducted its Compliance Plan risk management processes and analysis?

Union agrees this Issue should be included on the Final Issues List. However, Union notes that some elements of the risk management analysis have been identified as Strictly Confidential. Those elements should only be subject to disclosure to the Board and Board staff through this proceeding.

- 1.9 Are the gas utility's proposed longer term investments reasonable and appropriate?

- 1.10 Are the gas utility's proposed new business activities reasonable and appropriate?

Due to the nascence of the market, the scope of the Compliance Plan for 2017 only, and the lack of a Marginal Abatement Cost Curve ("MACC") or long-term forecast, Union did not propose any longer term investments or new business activities as part of its 2017 Compliance Plan. For these same reasons, Union does not see the relevance of including Issues 1.9 and 1.10 on the Issues List.

2. **Monitoring and Reporting** – Are the proposed monitoring and reporting processes reasonable and appropriate?

2017 is the first year for which Union filed a Compliance Plan and therefore there were no actuals to report. As outlined at p.37 of the Framework, monitoring and reporting are focused on results of Cap-and-Trade activities, and monitoring of the Utilities' costs and performance. For this reason, this Issue is not relevant to this proceeding and should be removed from the Issues List.

3. **Customer Outreach** – Are the proposed customer outreach processes and methods reasonable and appropriate?

Union agrees this Issue should be included on the Final Issues List.

4. **Deferral and Variance Accounts** – Are the proposed deferral and variance accounts reasonable and appropriate? Is the disposition methodology appropriate?

Union agrees this Issue should be included on the Final Issues List.

5. **Cost Recovery** – Is the proposed manner to recover costs reasonable and appropriate?

Union agrees this Issue should be included on the Final Issues List.

In the event that you have any questions on the above or would like to discuss in more detail, please do not hesitate to contact me at 519-436-4558.

Yours truly,

[original signed by]

Adam Stiers
Manager, Regulatory Initiatives

cc: EB-2016-0296 Participants
C. Smith (Torys)