

ONTARIO ENERGY BOARD

**Union Gas Limited
Enbridge Gas Distribution Inc.
Natural Resource Gas Limited**

**Applications for Approval of the Cost Consequences
of Cap and Trade Compliance Plans**

INTERROGATORIES TO UNION GAS LIMITED (Union)

From

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. **Issue: Cost Consequences** – Are the requested cost consequences of the gas Utilities' compliance plans reasonable and appropriate?

Reference: Exhibit 6, Page 1 and Exhibit 3, Page 29.

Preamble: Union states that the balance in the Greenhouse Gas Emissions Impact Deferral Account as of October 31, 2016 was approximately \$1.3 million, and that these costs were incurred to prepare for Cap and Trade implementation.

Questions:

- (a) What are the categories of costs that comprise the \$1.3 million?
- (b) For each cost category, what proportion of the overall cost of \$1.3 million does it comprise?

2. **Issue: Forecasts** – Are the volume forecasts used reasonable and appropriate?

Reference: Exhibit 2, Page 1.

Preamble: In footnote 2 on page 1 of 10, Union states that it initiated an attestation process with customers to validate the list received from MOECC on October 7, 2016.

Questions:

- (a) Does Union now have more current information about the lists of mandatory and voluntary participants?
- (b) If so, is there a difference between the more current information and the information upon which Union submitted its application?
- (c) If so, what is the impact of the difference on the forecasts included in Union's application?

3. **Issue: Compliance Plan** – Is the gas utility's compliance plan overview reasonable and appropriate?

Reference: Exhibit 3, Pages 3 and 29.

Preamble: Union states that it established a Cap and Trade team responsible for the integrated implementation of cap and trade across Union.

Questions:

- (a) How many people are on this team?
- (b) Are all team members dedicated solely to Cap and Trade responsibilities?
- (c) What roles do the various team members play?
- (d) Are these team members part of the 13.5 FTEs that Union estimates it will require in 2017 to meet the incremental level of effort required to implement and execute the Cap and Trade program?

4. **Issue:** Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?

Reference: Exhibit 3, Page 25.

Preamble: Union states that forecasted customer volumes and emissions reflect the significant impact of DSM programs to ensure that Union's compliance obligation is not overstated.

Questions:

- (a) How has Union treated carbon savings resulting from DSM programs achieved by customers who are LFEs?
- (b) Does Union intend for LFEs count their carbon reductions towards their compliance activities, and if so, by way of what administrative mechanism?

5. **Issue:** Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?

Reference: Exhibit 3, Page 28.

Preamble: Union states that it will review facility abatement opportunities, including an initial assessment of emission reduction options with the highest potential. Once a list of potential opportunities has been identified, a detailed engineering and feasibility study will be completed to determine which opportunities can be practically implemented.

Questions:

- (a) It is unclear from the application who will be involved in this review process, and how it will be undertaken. Please explain how Union intends to assess the feasibility of facility-related abatement opportunities, and whether Enbridge intends to engage its customers in this review process.

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

Reference: Exhibit 5, Page 1 and Appendix A.

Preamble: Union states that it has created a cap and trade communications plan that has been continually updated based on customer insight and feedback, and that Union had gained insight and feedback through various sources.

Questions:

- (a) In the Board's interim decision on bill presentment, the Board planned a working group to examine, among other things, customer communications

in order to enhance the transparency of cap and trade compliance costs included in rates. Has Union been involved in any such further work?

(b) If so, please describe what has been done and the status of the initiative?

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

Reference: Exhibit 6, Page 1 and 2.

Preamble: Union requests approval of deferral accounts to separately track the variance between the actual costs incurred related to customer-related GHG obligation cost and the facility-related GHG obligation cost.

Questions:

- (a) What is Union's rationale for proposing two separate deferral accounts, one for customer-related costs and another for facility-related costs?
- (b) How will the allocation methodologies be different between the two accounts?

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

Reference: Exhibit 1, Page 6.

Preamble: Union states that its 2017 Compliance Plan includes one deviation from the framework. Union calculated the Cap and Trade rates using the 2017 Ontario minimum auction reserve price instead of the 21 day ICE daily settlement prices. Union believes this departure is only required while the Ontario and California/Quebec carbon markets are not linked.

Questions:

- (a) Confirm that Union is seeking approval for the deviation from the Framework only in respect of the 2017 Compliance Plan, and not for any other periods during which the Ontario and California/Quebec carbon markets may not be linked.

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Questions:

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