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May 17, 2018

VIA RESS, EMAIL and COURIER

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms Walli:

Re: Enbridge Gas Distribution Inc. ("Enbridge")
Cap and Trade Application ("Application")
Ontario Energy Board ("Board") File Number EB-2017-0224
Argument-In-Chief

Pursuant to the Board's Procedural Order No. 4 dated May 1, 2018, attached please find Enbridge Gas Distribution's Argument-In-Chief.

This submission was filed through the Board's Regulatory Electronic Submission System and will be available on the Enbridge website at www.enbridgegas.com/ratescase.

Please contact the undersigned if you have any questions.

Yours truly,

[original signed]

Lorraine Chiasson
Regulatory Coordinator

cc: Mr. D. O'Leary, Aird & Berlis LLP
All Interested Parties EB-2017-0224 (via email)

EB-2017-0224

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Sched. B, as amended.

IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving and/or accepting its 2018 Cap and Trade Compliance Plan and approving or fixing rates and/or changes to recover the costs incurred undertaking its Cap and Trade Compliance Plan.

ENBRIDGE GAS DISTRIBUTION

ARGUMENT-IN-CHIEF

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INTRODUCTION

1. This is the Public Argument-In-Chief of Enbridge Gas Distribution Inc. ("**Enbridge**" or "**Company**") in relation to its Application for approval of the cost consequences of its 2018 Cap and Trade Compliance Plan and final unit rates ("**Application**"). In accordance with Procedural Order No. 4 dated May 1, 2018, Enbridge is filing its Public and Strictly Confidential Arguments-in-Chief at the same time. It is believed that the filing of the two arguments together will provide a comprehensive review of the 2018 Compliance Plan for the Board while minimizing the repetition that might occur with the filing of separate arguments on different dates. While the Strictly Confidential portion of Enbridge's Argument-in-Chief is filed only with the Board, for the benefit of intervenors, Enbridge notes that all of the strictly confidential argument is either auction confidential or market sensitive confidential information which is treated as Strictly Confidential information under the Cap and Trade Framework.[1]

OVERVIEW

2. This is the second one year Compliance Plan filed by Enbridge. This plan, like the 2017 plan, was developed and filed in conformance with the Framework and Appendix A, the Filing Guidelines. At page 8 of the Framework, the Board states that its role: … "is to assess the [Compliance Plans] for reasonableness and cost effectiveness in order to approve the cost consequences of those Plans". The Framework identified six guiding principles which are intended to guide the Board's assessment of the reasonableness of the Compliance Plans filed by the Utilities. Enbridge learned from and built upon its

[1] Report of the Board, Regulatory Framework for the assessment of costs of Natural Gas Utilities Cap and Trade activities, EB-2015-0363, September 26, 2016, page 10 ("**Framework**").

approved 2017 Compliance Plan to generate the 2018 Compliance Plan which it submits is both compliant with the Framework and its guiding principles. It therefore seeks confirmation of this from the Board and a determination that the plan is reasonable and cost effective.

3. Following the 2017 Compliance Plan oral hearing (EB-2016-0300) the Board issued its Decision on September 21, 2017 (the "**2017 Decision**"). Enbridge notes that while the Framework contemplated the filing of Compliance Plans by the utilities by August 1st of the year before the subject year of a Plan, the Board issued a letter dated July 27, 2017 granting an extension for the filing of 2018 Compliance Plans to 3 weeks following the release of the 2017 Decision[2]. This letter further specifically contemplated that the Utilities could request a further extension if required. Subsequent to the release of the 2017 Decision, Enbridge requested a short extension in time by a letter dated October 3, 2017[3]. By a letter dated October 11, 2017 the Board granted the requested extension to November 9, 2017.[4] The 2018 Compliance Plan was filed on this date.

4. Enbridge requested in its Application approval of an interim proxy unit rate. On November 30, 2017, the OEB issued a Decision and Order dated November 30, 2017 denying the Gas Utilities' request for interim approval of their proposed 2018 Cap and Trade unit rates and instead ordered the continued use of the final approved 2017 OEB-approved Cap and Trade unit rates[5]. These unit rates were based upon an estimated 2017 Ontario Auction Reserve (floor) price of \$17.70/tCO_2e. By comparison, Enbridge has

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[2] OEB letter dated July 27, 2017, EB-2017-0224
[3] Enbridge letter October 3, 2017, EB-2017-0224
[4] OEB Letter October 11, 2017, EB-2017-0224
[5] Decision & Order, November 30, 2017, EB-2017-0224

proposed approval of final unit rates for its 2018 Compliance Plan based upon the use of the Intercontinental Exchange ("**ICE**") 21-day strip of a California Carbon Allowance for delivery in each month of the forecast period (the "**ICE Price**"). With conversion to Canadian dollars, the derivation of the ICE Price carbon price was calculated at $\$18.99/tCO_2e$.[6]

5. On January 12, 2018, parties filed written interrogatories on the Renewable Natural Gas ("**RNG**") Procurement and Funding Model proposed by Enbridge and Union Gas. Each of the utilities filed responses on January 19, 2018. The Board issued Procedural Order No. 2 on February 7, 2018 in which it stated the following in respect of the RNG Procurement and Funding Model:

> "The OEB has determined that the RNG Procurement and Funding Model does not require approval. The model provides that ratepayers will not be allocated any costs arising from the incremental costs of gas associated with the procurement of RNG now, or in the future, pursuant to any contract entered into by the proponent for such supply. The proponents would have to obtain OEB approval for any allocation of such costs to Ratepayers".

6. Procedural Order No. 2 further approved a final issues list but divided the issues into those to be addressed at an oral versus written hearing.

7. Enbridge notes that those issues identified by the Board to be dealt with by means of a written hearing consist of those issues for which the least amount of interrogatories were received (in some instances none) and which appear least contentious. In respect of the written hearing issues, Enbridge's 2018 Compliance Plan has been built upon and is in all material respects virtually identical to its approved 2017 Compliance Plan. The written issues include Forecast Gas Volumes, GHG Emission Forecasts and Carbon Price

[6] Exhibit B, Tab 4, Schedule 1

Forecasts. The written issues also include Customer Outreach, Deferral and Variance accounts, Cost Recovery and Implementation. While this argument has used the final issues' list as a template, given the above, Enbridge does not devote a great deal of attention to those issues identified as written issues in Procedural Order No. 2. Obviously, if issues are raised in the argument of Board Staff or Parties, Enbridge will respond to same in its Reply Argument.

8. Environmental Defence ("**ED**") filed comments on the draft issues' list in effect asking the Board to confirm that the issue of whether shareholder incentives for the achievement of incremental costs-effective conservation savings was subsumed in issue 1.10. The Board responded in Procedural Order No. 2 finding that: "ED's proposal to include consideration of shareholder incentive for the achievement of incremental cost effective conservation savings represents an addition to the Cap and Trade Framework requirements and is not in scope for this proceeding".[7]

9. ED and GEC jointly requested an opportunity to file evidence. By letter dated February 14, 2018, these parties identified the scope of their proposed intervenor evidence. On February 23rd, Enbridge and Union Gas filed letters expressing their concerns with the scope of the proposed intervenor evidence[8]. Pursuant to Procedural Order No. 3, issued February 26, 2018 the Board stated as follows:

> "Having considered the various correspondence on this issues from ED, GEC, Enbridge Gas and Union Gas, the OEB finds that the proposed evidence is relevant and the budget is acceptable. The OEB expects ED and GEC to be mindful of the concerns raised by Enbridge Gas and Union Gas in the respective letters".

[7] OEB Procedural Order No. 2, February 7, 2018, EB-2017-0224, pg 4
[8] Enbridge and Union Gas letters to the Board, February 23, 2018.

10. Interrogatories were asked and Enbridge answered same on February 16, 2018. GEC/ED filed the evidence of Chris Neme on March 19, 2018. Interrogatories asked of Mr. Neme were answered on April 3, 2018. A technical conference was held on April 9th and 10th and the oral hearing was held during the week of April 23rd and continued until Monday April 30th.

11. In addition to the Application, Enbridge also submitted a stand-alone application (EB-2017-0319) in respect of Renewable Natural Gas Enabling Program and Geothermal Energy Service Program on January 17, 2018. While approvals are not being sought in this proceeding in respect to this separate application, it should be noted that these programs have been brought forward to the Board as Cap and Trade related abatement proposals.

ISSUES 1.1, 1.2 AND 1.3: GAS VOLUMES, GHG EMISSIONS AND CARBON PRICE FORECASTS

12. Customer related and facility related volumetric forecasts were derived consistent with Board approved methodologies in effect under Enbridge's Custom Incentive Regulation ("**CIR**") mechanism. These forecasts were filed by Enbridge in its 2018 Rate Adjustment Application (EB-2017-0086). The 2018 volumetric Natural Gas forecast for all customers was then adjusted for Demand Side Management ("**DSM**") and incremental customer related abatement forecast savings. Mandatory and voluntary Cap and Trade participants as well as volumes derived from biomass or consumed outside of Ontario

were also removed from the forecasts.[9] Enbridge also estimated the impact on volumetric consumption of the additional cost to rate 1 and rate 6 customers of Cap and Trade costs using its regression models as part of the Board approved average use forecasting methodology.[10]

13. Under Ontario Regulation 144/16, Enbridge is the point of regulation for Natural Gas Fired Power Generation in its franchise territories. Its forecasts for such volumes are included in the 2018 Customer-Related Volumes Forecast at Table 1.[11]

14. The forecast of gas volumes for Enbridge's facility related obligations is based on forecast requirements of the amount of gas required to operate its facilities as well as the emissions from the distribution of natural gas. This includes natural gas used for boilers at gate stations, building heating, natural gas fleet vehicles, etc. (as well as compressor fuel related to storage and unaccounted for gas).[12] The facility related volumes are set out in Table 2 of the pre-filed evidence.[13] Total volumes including both customer related and facility-related are set out in Table 3.[14]

15. Forecast natural gas volumes for customer related and facility related uses were converted to GHG emissions in tonnes of carbon dioxide equivalent ("**tCO_2e**") "using the methodology, emission factors and global warming potentials provided in O. Reg. 143/16" and the associated Guidelines for Quantification, Reporting and Verification of

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[9] Exhibit B, Tab 2, Schedule 1, para 3
[10] Ditto, para 4.
[11] Ditto, page 6.
[12] Ditto, page 4, para 16.
[13] Exhibit B, Tab 2, Schedule 1, page 7.
[14] Ditto, page 8.

Greenhouse Gas emissions[15]. The converted totals by rate class for customer related emissions are set out in Table 1 of Exhibit B, Tab 3, Schedule 1.[16] Facility related emissions converted totals are set out in Table 3 and the total forecast compliance obligation of Enbridge is set out in Table 5.[17]

16. The Framework requires the utilities to set their annual carbon price forecast using the ICE Price forecast[18]. The ICE Price Forecast is publicly available but is in US dollars and therefore must be converted to Canadian dollars. In its pre-filed evidence, Enbridge used a conversion using a 21-day USD/CAD strip rate which generated an exchange rate of 1.2284. This converted the ICE price of $15.46 (USD) to $18.99 (CAD)[19]. Enbridge then set out the derivation of its Cap and Trade unit rates for customer related and facility related costs at Exhibit G, Tab 1, Schedule 1 of the pre-filed evidence based on a proxy carbon price of $18.99 CAD which it has proposed for ratemaking purposes.

17. While Enbridge acknowledges the Board's Order to continue to use the unit rates approved by the Board in respect of Enbridge's 2017 Compliance Plan based on a proxy carbon price of $17.70 (CAD), it submits that it remains appropriate for the Board to approve a final unit rate for 2018 based upon a carbon price of $18.99 CAD. This is discussed further later in this argument.

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[15] Exhibit B, Tab 3, Schedule 1, page 1.
[16] Exhibit B, Tab 3, Schedule 1, Table 1
[17] Ditto, Tables 1 and 3
[18] Framework, Appendix A, Section 4
[19] Exhibit B, Tab 4, Schedule 1, page 2

ISSUE 1: COST CONSEQUENCES: ADMINISTRATIVE COSTS INCLUDING THE LCIF

18. In Enbridge's CIR proceeding (EB-2012-0459), the Greenhouse Gas Emissions Impact Deferral Account ("**GGEIDA**") was approved for the recording of administrative costs incurred in relation to the anticipated Cap and Trade program. This account was necessary as no costs related to future Cap and Trade program activities were included in the budget used to set the Allowed Revenues in the approved CIR rate making model.

19. For 2018, Enbridge has forecast an administrative cost of $5,651,000. This is inclusive of the $2,000,000 low carbon initiative fund ("**LCIF**") discussed below. This amount is broken out in the table included in the response to Board Staff IR 12[20]. It should be noted that this table includes the estimate for external legal counsel, which was not included in the 2018 administrative costs estimate filed in November 2017 as part of the original pre-filed evidence. The details of forecast 2018 administrative costs and a breakdown in respect of same is included in the pre-filed evidence at Exhibit D, Tab 1, Schedule 1 and the response to Board Staff IR 12. The forecast for administrative costs is discussed further below.

20. The 2018 administrative costs forecast includes several costs not included in the 2017 forecast but which were necessary and were incurred. First, the 2017 forecast did not include any of the OEB's costs. Second, it did not include any amount for miscellaneous costs such as travel expenses. Third, the 2017 actuals did not reflect a full FTE complement for the full year as the Company has been evolving staffing requirements to

[20] Exhibit I.1.EDGI.Staff.12.

meet cap and trade implementation needs[21] and did not have the opportunity to fully staff up as necessary. The 2018 administrative costs estimate includes 8 FTEs including two new FTEs required to research, assess and move forward abatement opportunities, including those associated with the LCIF. It should be noted that the cost estimates for the two new FTEs as noted by Ms. Oliver-Glasford while under cross includes pensions, all employment benefits as well as salary.[22]

21. Briefly stated, there are two key drivers for the need for additional staffing resource. These include the increased complexity of the Cap and Trade market with Ontario joining the WCI and, importantly, the Company's recognition of the need to fully consider promising initiatives and technologies using the proposed LCIF funding.[23]

22. A good deal of time was expended in the interrogatory, technical conference and oral hearing about the Abatement Construct and the Company's request for approval for the expenditure of up to $2 million on LCIF initiatives. There has therefore been a lot of information provided about the LCIF and the Abatement Construct which Enbridge identified in its pre-filed evidence.[24] There was also a great deal of evidence given at the oral hearing about the purpose and rationale for the Abatement Construct and the LCIF[25]. As noted by Enbridge witness Ms. Oliver-Glasford at the oral hearing:

> The low carbon initiative fund is intended to enable the identification and development of GHG-reducing technologies to progress into future abatement opportunities for compliance purposes. The LCIF proposes up to $2 million in available funds per year starting in 2018, and commits to only tracking actual costs in the GGEIDA. It provides stable and predictable funding around low carbon initiatives. It provides the benefit of

[21] Exhibit D, Tab 1, Schedule 1, pg. 4
[22] Tr. V3, pg. 127
[23] Exhibit D, Tab 1, Schedule 1, pps. 5/6
[24] Exhibit C, Tab 5, Schedule 1, pages 3-12.
[25] Tr. V.3 pps. 7/8

leveraged funding as most government funds require a commitment of funding from the proponents when they go to provide submissions for those funds.

There has been initial estimates on what the LCIF would be spent on, based on experience and internal discussions with people knowledgeable in such areas. The specifics on each initiative would be further scoped by the two FTEs identified in conjunction with the funding, and will be subject to management review. When initiatives are deemed to be advantageous for ratepayers, they will move to the proposal stage and will be formally proposed with a more fulsome business case for implementation.[26]

23. The LCIF is focussed on initiatives specific to Cap and Trade with the goal being GHG emissions reductions and the resulting benefits to ratepayers. While under cross, Enbridge witness Mr. McGill noted that, based on his experience, most of the Company's initiatives historically have been oriented towards either gas utilization or conservation measures, not specific to carbon abatement.[27]

24. Indeed, Ms. Oliver-Glasford, confirmed this directly while under cross, noting that the LCIF was developed for the specific purpose of supporting carbon abatement for the Company's ratepayers.[28]

25. Enbridge submits that the Abatement Construct and the associated screening criteria and initiative funnel are appropriate responses to the Framework in that with the additional two FTEs and the requested LCIF annual funding of up to $2 million, the Company will be able to identify and further the development of GHG reducing technologies which will enhance future abatement opportunities.[29] This funding will allow Enbridge to advance pilot projects/demos either on its own or to leverage other available funding as well as undertake research to support a more comprehensive assessment of promising

[26] Tr. V.3 pps. 7/8
[27] Tr. V.3, pg. 66
[28] Tr. V3, pg. 66
[29] Exhibit C, Tab 5, Schedule 1, page 9-10.

technologies and opportunities that could be evaluated in the "Propose Stage" of the funnel for full scale implementation. The LCIF can also be used to support jurisdictional reviews and to undertake measurement, analysis and result validation. The LCIF is essential to pursue initiatives that may provide carbon abatement opportunities that will help the Company reduce its carbon obligations, and aid the government in meeting its provincial GHG reduction goals.[30]

26. It is important to understand that Enbridge worked collaboratively with Union Gas to develop an outline to the abatement construct and that there is no overlap or redundancy as between the requests made by the two utilities in respect of the initiatives and technologies identified by each.[31] As noted by Mr. McGill, there is a need for the utilities to undertake separate projects at times even when they may appear at first glance to be similar in that the two gas systems are significantly different with distinct operational considerations.[32] Ms. Oliver-Glasford noted that:

> It is my understanding from Ms. Sigurdson at the technical conference that, although some of the buckets that were large or similar, the technologies or the specifics of a specific initiative are different, so they've looked at a different technology or a different approach than our Union counterpart, so I believe there has been some collaboration around ensuring that those projects are, in fact, complementary and not duplicative.[33]

27. It is clear from the evidence that a good deal of thought has been put into the LCIF initiatives identified by Enbridge despite the fact that it currently does not have sufficient staffing resources to explore the initiatives beyond the work completed to-date.[34] In respect of the development of the cost estimates for the work contemplated, Mr. McGill

[30] Exhibit C, Tab 5, Schedule 1, page 10.
[31] Ditto page 3
[32] Tr. V.3 pg. 78
[33] Ditto pg. 79
[34] Tr. V.4. pps. 5-7

noted while under cross that these were developed by Enbridge staff that have experience in respect of such matters.[35] Accordingly, Enbridge submits that the forecast breakdown filed in evidence, and further outlined in the Attachment to Undertaking J4.1, detailing the LCIF initiatives and their associated costs is such that it demonstrates both the need for such funding and the credibility of the cost estimates.[36] The descriptive list of the initiatives and the estimated costs in 2018 for the initiatives set out in undertaking J4.1 clearly show the work and commitment of Enbridge to these initiatives. It should be noted that further support for the LCIF and the proposed abatement initiatives is found under Issue 1.10.

28. Importantly, only the moneys actually expended on LCIF initiatives will be recorded in the GGEIDA and the amounts will then be subject to review by the Board and parties for reasonableness at a future Compliance Plan proceeding.

29. Finally, it is appropriate to turn to the 2018 administrative cost forecast amount for bad debt. It is important to understand that the stated amount is only a forecast and that only the actual bad debt that the Company incurs which is allocable under the methodology approved by the Board will be recorded in the GGEIDA. As bad debt is calculated based on the percentage of billed revenues, the increase in Enbridge's Cap and Trade bad debt forecast in 2018 relative to the forecast in 2017 and 2017 actuals is primarily the result of the forecast increase in the total cost of compliance in 2018 versus 2017.[37]

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[35] Tr V.4 pg. 8
[36] Undertaking J4.1
[37] Exhibit I.1.EDGI.STAFF.12, pages 5 and 6.

ISSUE 1.4: COMPLIANCE PLAN OPTION ANALYSIS AND OPTIMIZATION

30. Enbridge confirmed in its pre-filed evidence that it assumed correctly that Ontario would take the necessary steps to complete the linkage with the WCI effective January 1, 2018. Enbridge further assumed that in 2018 it would be a related person with Union Gas and Gazifère Inc. in Quebec and would therefore be required to share and allocate purchase and holding limits.[38]

31. The Company identified key unknowns in its pre-filed evidence. These included the state of Ontario's Offset Credits regulation and initiative protocols. Enbridge also identified the Ontario Government's Climate Change Action Plan ("**CCAP**") and the GreenON fund and the uncertainty that the substantial dollars that these entities would be spending on energy efficiency initiatives would have on the ability of the Company to make decisions to incur costs in respect of what could be competing or redundant energy efficiency initiatives.[39] As can be seen from the CCAP filed in evidence at J3.8, the plan calls for significant spending in a wide range of areas, many of which are areas in which Enbridge already offers DSM programs. To illustrate the magnitude of the proposed investment, one need only look at the CCAP proposed investments in "Buildings and Homes" which includes institutions like schools. In this area alone, the CCAP is proposing to invest between $2.1 billion and $3.0 billion.[40]

32. Accordingly, as noted during the oral proceeding by Mr. Johnson, the Company believed that it was appropriate to be cautious under the circumstances. Mr. Johnson specifically noted that:

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[38] Exhibit C, Tab 1, Schedule 1, page 2
[39] Ditto, pages 3 and 4. A copy of Ontario's 5 Year Climate Change Action Plan is filed at J3.8
[40] J3.8 pgs. 65-69

> …given the government has specifically said they intend in some cases to target incremental programs, we would be hesitant just in terms of not wanting to either start developing something only to have the government launch something or, even worse, as we've already discovered in one case with our adaptives, where the program ends up being duplicated, and that's ineffective use of society's money, whether it is ratepayer or tax dollars or I guess, regardless of where the source of that money is.

33. While more is said about the caution exercised by the Company in terms of proposing a material increase in DSM like energy efficiency programming in part because of the CCAP under Issue 1.10 below, it is important to recognize that Enbridge undertook an analysis of the various options and optimized the result by minimizing the risk of making what could prove to be wasteful expenditures. The analysis of the MACC, and related analysis is discussed under issue 1.10 in this Argument.

34. To further assist in the development of its plan and the consideration of available options, Enbridge first considered the expert reports provided by Alpha Inception LLC ("**AI**") being the Carbon Market Report and Carbon Strategy Report which were used for Enbridge's 2017 Compliance Plan filing.[41]

35. Enbridge revisited these reports and determined that they remained largely relevant and provided foundational information and strategies.[42]

36. The Company however also realized that there was a need for two new key inputs to develop its 2018 plan. The first was a more granular carbon price forecast which would supplement the Board issued long term carbon price forecast ("**LTCPF**").[43] Enbridge

[41] The AI Reports are found at EB-2016-0300, Exhibit C, Tab 1, Schedule 1, Appendices A and B.
[42] Exhibit C, Tab1, Schedule 1, page 6.
[43] The Board released the LTCPF on May 31, 2017.

believed that it was prudent to engage additional third party expertise around carbon price forecasting. Such price forecasts were received but are strictly confidential.[44]

37. Enbridge also believed it was necessary to obtain additional third party assistance in the development of its offset strategy and for this purpose, it retained ClearBlue Markets ("**ClearBlue**") to complete an offset strategy. While much of this strategy is strictly confidential, ClearBlue confirms at page 13 of its report that it has provided specific information and advice related to Enbridge's offset strategy.[45]

38. Good decision making is a function of good governance and accountability. For 2018, Enbridge built upon its governance structure identified in evidence in its 2017 filing.[46] In 2016 Enbridge established a Carbon Procurement Governance Group ("**CPGG**") which has functioned well and is continuing in 2018.[47]

39. The Company also created a Carbon Strategy Working Group which monitors the implementation of the Compliance Plan and underpins the functions of the CPGG. This working group includes members of the Carbon Strategy, Contract and Legal Departments.

40. The pre-filed evidence confirms Enbridge's readiness and ability to continue to participate in linked market activities.[48] The evidence notes that Enbridge has established cost effective criteria for the purchases of allowances on the secondary

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[44] Exhibit C, Tab 1, Schedule 1, page 7
[45] Exhibit C, Tab 4, Schedule 1, Appendix A, page 13
[46] EB-2016-0300, Exhibit C, Tab 1, Schedule 1
[47] Exhibit C, Tab 1, Schedule 1, page 11
[48] Exhibit C, Tab 1, Schedule 1, pages 12-15

market and it has developed an Emissions Trading Agreement which will ensure that future transactions are efficiently implemented[49].

41. Enbridge provides a strategy overview in its pre-filed evidence at Exhibit C, Tab 2, Schedule 1 where it lists the criteria pursuant to which decision making is made. These include that it will only procure compliance instruments that can be used to meet the Company's compliance obligation, are readily available, are at a reasonable cost option with a reasonable risk profile, meet acceptable credit requirements and uphold the Board's guiding principles.[50]

42. In an effort to confirm that Enbridge's 2018 Compliance Plan is consistent with the Framework's guiding principles, it developed and presented in a partially un-redacted form, table 2 in its pre-filed evidence. This table includes a review of chosen strategies relative to the Framework's guiding principles. Notably, the table confirms that the Company's Cap and Trade activities will be reported to the Board in the Company's annual monitoring reports and that the Company will undertake a continuous review of various compliance instruments (including abatement opportunities) for inclusion into its compliance portfolio.[51]

43. While the details of Enbridge's procurement strategy are strictly confidential, it has submitted based upon the forecast provided in evidence that a carbon proxy price of $18.99 CAD would be appropriate. Based on forecast throughput as appropriately

[49] Exhibit C, Tab 1, Schedule 1, page 13.
[50] Exhibit C, Tab 2, Exhibit 1, page 1
[51] Exhibit C, Tab 2, Schedule 1, Table 2, pages 5-7

adjusted, using this proxy price would result in a recovery of approximately $381.6 million in 2018.[52]

44. Finally, while much of Enbridge's compliance instruments procurement strategy is strictly confidential, it is able to note in evidence its ability under the Cap and Trade Regulation to satisfy up to 8% of its compliance obligation for a compliance period in the form of offset credits. It is the intention of the Company to consider procuring offset credits where they are cost effective and meet the other criteria established by Enbridge as noted above.

ISSUE 1.5: ENBRIDGE'S PURCHASING STRATEGY

45. This portion of the Argument is dealt with in the strictly confidential part.

ISSUE 1.6: PERFORMANCE METRICS AND COST INFORMATION

46. In addition to the Board's issuance of the LTCPF, the Board issued in July 2017 a Marginal Abatement Cost Curve ("**MACC**") developed by ICF.[53] As noted in evidence, Enbridge has relied to the extent appropriate on both the LTCPF and MACC as well as other information and data for the purposes of preparing its 2018 Compliance Plan. As noted earlier, this includes use of the ICE settlement price as a carbon price proxy.

47. Enbridge notes that virtually no attention was paid to performance metrics during the interrogatory process and during the oral hearing phases of the proceeding. This suggests that there is general satisfaction with the continued use by Enbridge of the metrics outlined in the Cap and Trade Framework. This undoubtedly is a reflection of the

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[52] Exhibit C, Tab 2, Schedule 1, page 4

[53] Marginal Abatement Cost Curve for assessment of Natural Gas Utilities Cap and Trade activities (EB-2016-0359), July 20, 2017, Exhibit KT 1.2.

Board's determination in its 2017 Compliance Plan Decision and Order that these metrics "shall remain in use until such time as a revised set of metrics are developed and agreed upon by the parties".[54]

48. One metric which can be used to assess the reasonableness of the carbon price proxy proposed by Enbridge in this proceeding is the settlement price of the WCI auction completed in Q1 2018. The settlement price, which is publicly available, at the first 2018 WCI auction was $18.44 (CAD).

ISSUE 1.7: COMPLIANCE PLAN RISK MANAGEMENT

49. Enbridge similarly notes that there was very little attention given to its risk management: identification and mitigation measures as outlined in its pre-filed evidence at Exhibit C, Tab 6, Schedule 1 plus Appendix A. While a good portion of this evidence has been redacted because it is strictly confidential, Enbridge notes that its approach to risk management for 2018 is materially similar to its approach in 2017 which the Board found reasonable[55]. While much of the risk management document is strictly confidential, a portion entitled EGD Carbon Procurement Appendix (Parameters) has been filed in evidence.[56]

50. The Company submits that its risk management protocols remain effective and prudent and have been validated by the successful mitigation of risks to date.

ISSUE 1.8 AND 1.9: LONGER TERM INVESTMENTS AND NEW BUSINESS ACTIVITIES

51. It is appropriate to deal with these two issues together.

[54] Decision and Order EB-2016-0300, September 21, 2017, page 23 ("**2017 Decision**")
[55] Ibid, p6
[56] Exhibit C, Tab 6, Schedule 1, page 1 and Appendix A

52. As noted by the Board in its 2017 Decision, the Framework considers long term planning to be a prudent, reasonable activity. Longer term investments refer to investments and activities related to GHG mitigation that span three years or longer. This type of investment might include new technologies, new business activities and new infrastructure.[57]

53. Consistent with the Framework and the views expressed by the Board in its 2017 Decision, Enbridge believes it has made significant progress towards undertaking new business activities and making longer term investments that will have a material impact on GHG emissions. First, as noted earlier in this Argument, the Company has developed a list of promising initiatives that it wishes to pursue which could lead to programs and projects which can be rolled out in future to achieve GHG emissions. The Company has requested approval to spend up to $2 million per year as part of its proposed LCIF to further explore these opportunities. While the argument in support of the LCIF will not be repeated here, it should be noted that longer term investments require a higher level of planning and consideration. One cannot exist without the other. The resources to appropriately consider promising technologies and initiatives do not currently exist. If the necessary FTEs and LCIF are not approved, the quality and number of GHG emissions reducing initiatives proposed in future will be a reflection of this decision.

54. Second, the Company included in this Application its RNG Procurement Funding Model Proposal. The evidence in respect of this proposal is found at Exhibit C, Tab 5, Schedule 2, page 4. RNG is supported by the Government of Ontario as is clear from the letter from the Minister of Energy to the Board encouraging it to assist in the development of a

[57] 2017 Decision, page 24

viable RNG market in the province.[58] It is also the subject of the province's Long Term Energy Plan, which was released by the province on October 26, 2017.[59]

55. Briefly stated, once upgraded to pipeline quality, RNG can be co-mingled with traditional gas supplies thereby displacing traditional fossil based gas supplies. GHG emission reductions are also achieved by capturing methane emissions that would otherwise enter the atmosphere from landfills, the decomposition of organic waste and waste water. The source of RNG has a significant impact on its carbon abatement potential and carbon offset value.

56. While the current provincial election has delayed the finalization of funding arrangements with the Government of Ontario, as noted by Enbridge witness Mr. McGill, Enbridge expects to renew discussions when the Provincial Government has been renewed[60]. Once the negotiations are completed, Enbridge is prepared to proceed with RNG procurement opportunities in 2018.

57. A substantial volume of interrogatories were asked and responded to by the Company in respect of RNG procurement. It was also the subject of numerous questions during the technical conference and oral hearing about how the funding model would work. Before turning to this, it is important to first clear up the confusion which some parties have caused in terms of the proposed RNG funding model and the Company's use of the MACC.

[58] Letter from the Minister of Energy to the Board dated December 16, 2016 as noted by Mr. McGill at Tr. V.3 pg. 164
[59] Ontario's long-term energy plan 2017 delivering fairness and choice
[60] Tr. V3 pg. 16

58. Simply stated, the economics of RNG were not determined by or validated by the MACC. Recognizing the MACC did not include consideration of funding by the government around RNG, the Company developed a separate analysis and funding model from what was completed by the MACC. As noted by the Board in Procedural Order No. 2 “the model provides that ratepayers will not be allocated any costs arising from the incremental costs of gas associated with the procurement of RNG”.

59. The funding model, simply stated, uses a fixed forecast price for natural gas and fixed forecast price for carbon over a ten year term. As noted in the pre-filed evidence[61], RNG producers require longer term contracts to support the needed capital investments in RNG production facilities. Over this ten year term, the fixed long term gas price forecast will be used in the derivation of the PGVA reference price. The cost of carbon will be based on the Board’s LTCPF. Once the funding from the Government of Ontario is finalized, the Company will then issue an RFP to prospective RNG producers and an acceptable price for RNG will then be established. While the price for RNG is forecast to be higher than the aggregate of the fixed forecast prices for gas and carbon, the Government funding will make up the difference. It is only once all of these inputs are known, that it is possible to determine RNG volumes as they will be dependent on the funding commitment. As a result, ratepayers are kept whole as the extent of funding will determine the volumes of RNG that the Company will procure.

60. The exact particulars of how the funding model will work relative to the PGVA reference price are set out in an undertaking given at the technical conference at JT2.6. A hypothetical example of how the RNG funding model will operate is set out in Table 2 at

[61] Exhibit C, Tab 5, Schedule 2, page 2

Exhibit C, Tab 5, Schedule 2. Enbridge believes that evidence is clear, ratepayers will be kept whole by the proposed RNG funding model.

61. Finally, it should be noted that Enbridge, like the government of Ontario, believes that it is appropriate to develop a RNG market in Ontario. Enbridge's commitment is such that even if Government funding is not realized, as Mr. McGill noted while under cross, Enbridge would find other ways to make this happen.[62]

62. In addition to the longer term investments and new business activities discussed above, Enbridge has also put forward a stand-alone application (EB-2017-0319) in respect of an RNG Enabling Program and Geothermal Energy Services Program. This proceeding will not be completed until after a decision in this proceeding has been issued. While no approvals are sought in this proceeding in respect of the RNG Enabling Program and Geothermal Energy Program, it is appropriate to identify these activities here as they will result in the future abatement of GHG emissions that will be captured in future Compliance Plans.

63. Enbridge's RNG Enabling Program is based on utility investment in RNG upgrading and injection equipment.[63] This program supports the Company's RNG procurement program, however also provides these services to RNG producers who do not wish to sell the RNG to Enbridge. It is therefore continuing with its RNG enabling program application which is currently before the Board in docket number EB-2017-0319.

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[62] Tr. V.3 pg. 21
[63] Exhibit C, Tab 5, Schedule 2, Page 13

64. Enbridge has also proposed a Geothermal Energy Program which is also the subject of the RNG Enabling Application (EB-2017-0319). Briefly stated, Ground Source Heat Pump Heating and Cooling Systems (collectively referred to as "**Geothermal Systems**") are typically electrically powered, highly efficient and do not release GHG emissions. A ground source heat pump uses the earth or groundwater or both as the sources of heat in winter and as a "sink" that stores heat removed from the home in summer. Geothermal systems can be used with forced air and hydronic heating systems.[64]

65. While Geothermal systems have been available in Ontario for a number of years, the adoption of this technology has been hampered by the high initial cost in comparison to other heating/cooling options. Like RNG, Geothermal systems are seen by the Province as a means of abating GHG emissions and have been specifically identified in the CCAP as a measure that the Province intends to promote as part of its GHG emission reduction targets.[65]

66. Several other longer term initiatives which Enbridge believes are promising and which it wishes to explore further are worthy of mention. Power to Gas ("**P2G**") projects would make use of inevitable electricity generation curtailments and hydro damn spillage to use what would be otherwise wasted electrons to produce hydrogen gas. The hydrogen gas can then be injected into the natural gas system decreasing the carbon content of the gas and thereby reducing GHG emissions. The hydrogen produced can also be used to generate electricity during periods of high demand effectively converting a proportion of the province's natural gas storage infrastructure into an electricity storage asset. It is

[64] Exhibit C, Tab 5, Schedule 2, page 15
[65] Exhibit C, Tab 5, Schedule 2, page 16

expected that by 2019 or 2020, hydrogen blending could contribute to the Company's renewable content requirements as part of future Cap and Trade Compliance Plans.[66]

67. Enbridge proposes to use LCIF funding to further evaluate P2G opportunities by researching the success of such projects in other jurisdictions and to develop protocols that will lead to the development of industry standards. As noted by Enbridge witness Mr. McGill more specifically:

> Power to gas itself is the production of hydrogen, and that's not what we are intending to pursue through the LCIF funding program. What we are intending to pursue and need to pursue there is developing standards and protocols for the injection and blending of hydrogen into the traditional natural gas stream.
>
> There's a number of technical concerns associated with that in terms just of the physical properties of hydrogen, and really, what we need to do is an engineering study to determine to what extent we can include portions of hydrogen in our gas distribution system and be assured that we are maintaining the current level of safety and reliability and integrity of that system.
>
> So that's what that $500,000 is for. We don't want to go ahead and start injecting hydrogen into our gas distribution system and finding that we have problems with the premature deterioration of parts of the system or problems with customer appliances that are being fuelled by our system, so we see this as a very critical thing in order to make sure that when we do bring hydrogen into the system we are doing it in a very responsible and safe manner.[67]

68. Net-Zero Ready ("**NZR**") Homes are another area where the Company is exploring opportunities to reduce GHG emissions. NZR Homes are designed and constructed to reduce household energy consumption to a very small amount and, in some cases, to produce more energy than is consumed. Enbridge proposes to make use of LCIF funding to expand an NZR home pilot that was launched in 2017 in partnership with an electricity distributor and municipality. The 2018 expansion pilot project would entail piloting

[66] Exhibit C, Tab 5, Schedule 2, pages 18/19
[67] Tr. V.3 pg. 76/77

homes to test additional variations of components to help achieve Net-Zero. The ultimate goal is to reduce timelines towards the commercialization of NZR Homes and to verify savings.[68]

69. The pre-filed oral evidence and undertaking responses refer to a number of longer term investment initiatives and new business activities. They demonstrate the commitment of the Company to the consideration, development and ultimate roll out of GHG reduction initiatives but such projects require investigation and analysis to confirm their compatibility and to verify savings in Ontario's climate. Like any promising new technology, research and development is critical and the resources to fund such work needs to be made available. The Company also believes that it is important to note that all of these initiatives are carbon abatement initiatives. It is therefore simply wrong for some parties to suggest that the Company is not actively pursuing carbon abatement opportunities. A great deal of effort has been expended on such initiatives and there has now been a good deal of evidence and discussion about these promising opportunities in this proceeding.

ISSUE 1.10: GREENHOUSE GAS ABATEMENT ACTIVITIES

70. Enbridge is required to meet its Cap and Trade obligations by procuring Cap and Trade Emission Units. However, the Company has been encouraged through the Board's Framework to consider GHG abatement measures.[69] These measures may include customer abatement (e.g. energy efficiency, RNG, fuel switching, new technologies,

[68] Exhibit C, Tab 5, Schedule 2
[69] Framework, page 6

building retrofits, etc.) and facility abatement (e.g. reduction of venting and fugitive emissions, new technologies, company-owned building retrofits, etc.).

71. Consistent with the Framework and the views expressed by the Board in its 2017 Decision, Enbridge in its 2018 Compliance Plan has contemplated both customer and facility related abatement, including:

1) Development of an Abatement Construct and the related LCIF, which have been discussed earlier in this argument;

2) Review of the conclusions from the MACC as they related to successful existing DSM activity, and with consideration to broader market activity;

3) Inclusion of the incremental energy efficiency that Enbridge is implementing as per its agreement with the Government from the Green Investment Fund;

4) Inclusion of a proposed RNG procurement model;

5) Addition of a carbon price to future asset planning; and,

6) And although filed in a separate application (EB-2017-0319), an RNG Enabling Program and Geothermal Energy Service Program, both of which will contribute in the long-term to reducing customer GHG emissions.

72. It should be noted that Enbridge has been successfully operating Demand Side Management ("**DSM**") programs for more than two decades. In 2018, it is undertaking its DSM programs pursuant to the Board's approval of its 2015-2020 Multi-Year Plan in EB-2015-0029/49[70]. The approval of the Multi-Year Plan by the Board was a comprehensive approval which included a detailed review of all of the Company's proposed DSM offerings with the approval of some and the rejection of others. The budgets for the approved programs were then aggregated with the total going into the Board approved budgets for each of the years of the Multi-Year Plan. For 2018,

[70] Decision and Order EB-2015-0029/49 dated January 20, 2016 ("**DSM Multi-Year Decision**")

Enbridge's approved annual DSM budget is $67.5 million.[71] Enbridge notes that in relation to the Board's approval of its 2018 DSM budget, the Board stated the following:

> "The OEB finds that the Gas Utilities have appropriately applied the DSM Framework's $2/ month bill impact guidance as part of the proposed Multi-Year DSM Plans. The guidance in the DSM Framework is consistent with the Minister's directive, which states that the OEB consider other factors it deems appropriate when establishing the DSM Framework. As noted in the DSM Framework the OEB's objectives with respect to natural gas include the requirement to protect the interest of consumers with respect to prices, reliability and quality of gas service while considering the rate impacts. The OEB's $2/ month bill impact is intended to act as a general guide to ensure that impacts to customers are maintained at a reasonable level, balancing the availability of energy efficiency and conservation opportunities with additional costs to customers. The OEB does not accept the submissions put forth by GEC and ED with respect to revising the bill impact guidance in considering additional avoided costs. The OEB is satisfied that the maximum bill impact to residential customers is consistent with the cost guidance outlined in the DSM Framework".[72]

73. The above quotation from the DSM Multi-Year Decision provides important context for the purposes of this proceeding. It clearly articulates the Board's view that customer bill impacts are an important factor that must be taken into consideration. Given this, it is important to recognize that DSM costs are not the only current energy efficiency program bill impacts. The revenues generated from the province's Cap and Trade program are, to a material extent, being directed at energy efficiency programs and initiatives such as the Green Investment Fund ("**GIF**") and other programs that are being offered or funded by GreenON, the IESO and under the CCAP. Many of these programs are still in the planning stages but the funding committed is in the hundreds of millions. The point being made is that in addition to the approximate $2 per month impact of DSM Programs, there is an additional $7 to $8 per month bill impact due to the Cap and Trade Program[73].

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[71] Ditto, page 56
[72] Ditto, pps. 58/59
[73] Tr. V.3 pg. 179

Any incremental energy efficiency above existing DSM budgets would produce an Enbridge residential customer bill impact above that combined $9 to $10 per month amount. Enbridge is cognisant of these bill impacts and recognizes their importance from the perspective of the statutory objectives that the Board is required to consider.

74. Enbridge is also cognisant of the fact that the framework for DSM is different than the Framework for its Cap and Trade Compliance Plan activities. In respect of the latter, the Board required a MACC to be developed and issued in July 2017. The Board in the Framework instructed the gas utilities to make use of the MACC as stated below:

> "The OEB has determined that it will develop a province-wide generic MACC for the Utilities to use as an input into the development of their Compliance Plans and as a key input to the OEB's assessment of the cost consequences of the Plans...
>
> The OEB will rely on the OEB MACC as its principal tool for assessing utility selection of compliance options and resulting cost consequences".[74]

Consistent with the Framework, Enbridge's pre-filed evidence confirms that the Company used the MACC as its principal tool for considering whether it would be cost effective to propose additional energy efficiency programs in this proceeding. Its analysis and use of the MACC is set out in Table 3 at Exhibit C, Tab 5, Schedule 2, page 26. Enbridge determined, using the MACC, that the net potential in its franchise territories of cost effective energy initiatives was less than the forecast savings in Enbridge's approved DSM Plan for the 2018-2020 years[75]. As specifically noted by the Company in pre-filed evidence, its analysis of the MACC study results and its comparison to the Company's DSM Plan indicates that Enbridge's "current DSM Plan delivers results for Ratepayers that are well in excess of what the MACC study would otherwise indicate as cost effective under a mid-range LTCPF scenario".[76] Further information to support this analysis was provided in the response to Staff Interrogatory #24[77] as well as during the oral hearing.[78] While certain parties to this proceeding do not like the results generated by the MACC, there is certainty even according to the calculations of GEC/ED's witness, Mr. Neme, that Enbridge's DSM Plan is already

[74] Framework, Section 5.2.4, page 20
[75] Exhibit C, Tab 5, Schedule 2, page 26 and EB-2015-0029/49
[76] Exhibit C, Tab 5, Schedule 2, page 25
[77] Exhibit I.1.EGDI.STAFF.24
[78] Tr. V.3 pgs. 10/11

capturing all cost effective potential savings identified by the MACC[79]. This is confirmed by his calculations in Table 1 of his evidence even after he adds free riders and large final emitters back into the calculations.[80]

75. While the Company understood from the Framework the importance that the Board placed on the use of and results generated by the MACC, it did go further and considered the most recent Conservation Potential Study.[81] This analysis was provided in the response to Staff Interrogatory #24 as well as during the oral hearing[82]. This showed the same conclusion as the analysis of the MACC that incremental energy efficiency programing would not be cost effective within the Cap & Trade framework.

76. As noted earlier Enbridge also considered the current market in which a number of major players including GreenON and the Federal Government are proposing to spend billions on energy efficiency programs[83]. As a result, Enbridge believes that greater certainty is required about the areas that these monies will be directed lest it proceed to develop and roll out a program which is ultimately rendered redundant by programs commenced by these other players. This has already occurred in respect of Enbridge's Adaptive Thermostat Program in which the Province has rolled out a program that overlaps the existing program. This has drawn into question the likely success of Enbridge's own program. In short, Enbridge is concerned about directing monies into potential programs

[79] Exhibit L, Table 1, page 15 Mr. Neme's table shows that even after his adjustments adding back into the equation certain large final emitters and free riders, the difference, while reduced, remains the same in that Enbridge's DSM programs are capturing potential savings identified by the MACC.
[80] Ibid.
[81] Exhibit KT 1.5
[82] Tr. V.3 pps. 13/14
[83] Please see JT3.8 being the CCAP and the Federal Governments April 4, 2018 announcement of an intent to invest $100 million into the Ontario CCAP

only to ultimately be crowded out of the market and unable to deliver a successful result. This would be wasteful of ratepayer's monies.

77. The Company also looked at the bill impacts of additional energy efficiency programming on non-program participants. While a participant in a program with a particular measure life will enjoy benefits from reduced bills over time, only a small percentage of ratepayers participate in such programs. This means that the majority of ratepayers pay for the cost of such programs and receive no or very little benefit. Undertaking materially more energy efficiency type programs that, as noted in the MACC, "are characterized by frontloaded costs and backloaded benefits"[84] would of course layer additional costs on top of existing DSM and Cap and Trade Compliance costs with associated bill impacts.

78. It should be acknowledged that Enbridge is undertaking a material amount of energy efficiency programming which results in GHG reductions and therefore savings by customers. This includes its DSM portfolio of programs and its continued use of GIF funding to in effect expand its Home Energy Conservation Program beyond what was approved under its Multi-Year DSM Plan.[85] In addition, Enbridge is monitoring and, where appropriate, is participating in RFP's issued by GreenON and the IESO. [86]

79. The Company outlines its facility abatement activities at Exhibit C, Tab 5, Schedule 3. These initiatives involve the consideration of portable booster compressors, high bleed pneumatic devices, building efficiency improvements and natural gas air source heat

[84] KT1.2, pg. 6
[85] Exhibit C, Tab 5, Schedule 2, pages 28 and 29.
[86] Tr. V.3 pg. 81

pumps for its office facilities. There are also a number of capital asset programs which are being undertaken which will result in GHG emissions including its AMP Fitting Replacement Program, meter set replacements and vintage steel pipe replacements.[87]

80. In conclusion Enbridge submits that it appropriately followed the direction given to it in the Framework and prudently considered other factors for the purposes of developing its 2018 Compliance Plan.

ISSUE 1.10.1: RNG PROCUREMENT FUNDING PROPOSAL

81. This has been dealt with under issues 1.8 and 1.9 above.

ISSUE 2: MONITORING AND REPORTING

82. In the 2017 Decision the Board determined that monitoring and reporting filing should be adopted consistently across the gas utilities and it directed the utilities to work together to develop a consistent set of monitoring and reporting protocols.[88] Accordingly, in advance of this proceeding, Enbridge collaborated with Union Gas to develop a combination of the Enbridge and Union monitoring and reporting templates and produced an updated template for use in 2018 which eliminates any redundancies. This template is filed at Appendix A to Schedule C, Tab 7, Schedule 1. Enbridge notes that the approach adopted by the utilities is consistent with that proposed by Board Staff in their public submissions to the 2017 Compliance Plan proceeding.[89]

[87] Exhibit C, Tab 5, Schedule 1, page 5
[88] 2017 Decision, pages 30, 31
[89] OEB Staff Submission 2017 Cap and Trade Compliance Plans, Public Argument, pages15-16

83. Finally, Enbridge notes that Board Staff orally requested during the hearing that the template include a further line item related to abatement initiatives like RNG. Enbridge has agreed to add this new line to its template.[90]

ISSUE 3: CUSTOMER OUTREACH

84. Enbridge was asked one interrogatory about its customer outreach and information evidence.[91] Part of this is undoubtedly a reflection of the fact that Enbridge has included no incremental cost for customer outreach in its 2018 administrative cost forecast. However, as confirmed in its pre-filed evidence and in response to Board Staff IR 29, it will continue its efforts to communicate about the Cap and Trade Program through existing customer communication channels. To this end, Enbridge developed a 2018 Cap and Trade Customer Outreach and Communication Plan filed at Exhibit E, Tab 1, Schedule 1, Appendix A. As noted in this plan, Enbridge's goal is to deliver on the Board's communication objectives, and will therefore continue to focus on two major themes being:

1. How Cap and Trade will affect customer's bills; and
2. How customers can reduce GHGs and costs.

85. Enbridge appropriately treats its large volume customers differently. As noted in evidence, Enbridge will continue its communications to large volume customers including, where applicable, energy efficiency program opportunities, rate changes and market place insights. Enbridge notifies industrial and other large natural gas customers along with gas fired electricity generators of the Cap and Trade charges on the tariff sheets. Enbridge leverages existing communication processes for its large gas customers

[90] Tr. V.4 pg. 56
[91] Exhibit I.3.EGDI.Staff.29.

to include Cap and Trade information and updates. As well, communications come directly from Enbridge's account executives through periodic emails and one on one meetings.[92]

ISSUE 4: DEFERRAL AND VARIANCE ACCOUNTS

86. In 2015 and 2016, Enbridge incurred administrative costs in relation to the implementation of the Cap and Trade program. These costs are being sought for recovery through the 2016 GGEIDA in the amount of $840,000 (exclusive of interest). The breakdown of the costs incurred which total this amount are set out at Exhibit D, Tab 1, Schedule 2, page 2, Table 1. Actual carrying costs associated with the balance of the 2016 GGEIDA (inclusive of interest) will be calculated prior to disposition. Enbridge proposes to clear this amount at the next practical QRAM. As required by the Framework, administrative costs will be allocated and recovered from all customers in the same manner as existing administrative costs. Accordingly, Enbridge will clear the balance of the 2016 GGEIDA to various customer classes based on the number of customers in each rate class.[93] A schedule illustrating how this amount is proposed to be allocated to rate classes was filed in response to APPrO IR No. 8.[94]

87. Pursuant to the 2017 Decision, Enbridge established two variance accounts for 2017 to separately track customer-related obligation ("**GHG-Customer VA**") and Facility-related obligation costs ("**GHG-Facility VA**"). These accounts will allow for the recovery or credit of any differences between actual Customer-related and Facility-related obligation costs in 2017, including applicable caring charges and other relevant

[92] Exhibit E, Tab 1, Schedule 1, page 5
[93] Exhibit I.4.EGDI.STAFF.31
[94] Exhibit I.4.EGDI.APPrO.8

costs such as tax implications, and the actual amounts recovered through rates.[95] Amounts recorded in these accounts will be brought forward for review and approval as a part of the Company's 2019/2020 Compliance Plan filing.

88. Enbridge's request for the establishment of a 2018 GGEIDA was made in the 2018 Rate Adjustment Proceeding (EB-2017-0086).[96]

89. In this proceeding, Enbridge is requesting approval for the establishment of a 2018 GHG-Customer VA and a 2018 GHG-Facility VA with the same parameters and accounting treatment as the 2017 versions of these accounts.[97]

ISSUE 5: COST RECOVERY

90. Enbridge included its cost recovery statements under Exhibit G of the pre-filed evidence. Enbridge notes that it received no interrogatories in respect of this evidence nor were any questions asked during the oral phases of the hearing. Briefly stated, Enbridge has used the forecast gas volumes referenced in evidence, converted these into GHG emissions in tCO_2e using the equations and emission factors from O. Reg. 143/16 and applied a proxy carbon price for rate setting purposes. This generated a forecast customer related obligation cost in 2018 of approximately $377 million and approximately $4.6 million for facility-related obligation costs[98].

91. In the 2017 Decision, the Board determined that the gas utilities should each allocate compliance obligation costs in a manner consistent with the Framework. The OEB confirmed that as customer-related obligation costs and facility-related obligation costs

[95] Exhibit F, Tab 1, Schedule 1, page 1
[96] ditto
[97] ditto
[98] Exhibit G, Tab 1, Schedule 1, page 3

are driven by gas consumption, they should be allocated based on consumption and recovered through a volumetric charge ($\$/m^3$). Enbridge confirms that its tariffs provide for this method of cost recovery.

ISSUE 6: IMPLEMENTATION

92. The Cap and Trade unit rates currently in place are those ordered by the Board in its Decision and Order dated November 30, 2017 and are based on a proxy carbon price of \$17.70/ tCO_2e. If the Board is desirous of adjusting Cap and Trade unit rates in 2018 and to do so in conjunction with the July 1st, 2018 QRAM, Enbridge would require determination on this specific item by June 9, 2018. Given that the final Reply Argument will not be filed by Enbridge until June 14, 2018, Enbridge notes that it will be necessary for the Board to issue an early decision on this specific item alone possibly with reasons to follow.

All of which is respectfully submitted.

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