



Ontario Energy Board Commission de l'énergie de l'Ontario

INTERIM DECISION AND ACCOUNTING ORDER

EB-2018-0205

EB-2018-0187

Enbridge Gas Distribution Inc. and Union Gas Limited

2019 Federal Carbon Pricing Program Applications

BEFORE: Susan Frank
Presiding Member

December 14, 2018

1 INTRODUCTION

Pursuant to the federal government's Greenhouse Gas the Pollution Pricing Act (Act), a carbon pricing program (also known as the federal carbon price backstop) is expected to be implemented. The federal carbon pricing program will apply to any province that requests it or does not have a federal government approved carbon pricing system in place.

Enbridge Gas Distribution Inc. (Enbridge Gas) and Union Gas Limited (Union Gas) filed applications with the Ontario Energy Board (OEB) on October 9, 2018 and October 10, 2018 respectively seeking approval to start adding to customer bills, an interim rate or charge, starting on January 1, 2019, which reflects the forecast of the amounts that Enbridge Gas will be required to remit to the Government of Canada under the federal carbon pricing program

On October 23, 2018, the federal government announced updates to the federal carbon pricing program under the Act including:

- confirmation that the program will apply to Ontario
- a delay of the effective date of the carbon charge on fossil fuels imposed on distributors, importers and producers to April 1, 2019
- consultation on carbon price relief for qualified entities operating greenhouses

The Act sets out the following mechanisms for pricing carbon under the federal carbon pricing program:

- **Output-Based Pricing (OBPS):** In each of the federal backstop jurisdictions, for larger industrial facilities, an output-based pricing system for emissions-intensive trade-exposed industries will apply beginning in January 2019. This system will cover facilities emitting 50,000 tonnes of carbon dioxide equivalent per year or more, with the ability for smaller emissions-intensive trade-exposed facilities that emit 10,000 tonnes of carbon dioxide equivalent per year or more to voluntarily opt in to the system over time.
- **Fossil Fuel Tax:** The second part of the carbon tax is a charge applied to fossil fuels that are consumed within a federal backstop jurisdiction. This charge will generally be paid by fuel producers and distributors starting in April 2019.

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- Each fossil fuel is priced on a carbon dioxide (CO₂)–equivalent basis. The rates applicable to each fuel are set at \$20 per CO₂-equivalent tonne for 2019 and will gradually increase each year by \$10 to \$50 per CO₂-equivalent tonne in 2022.

2 INTERIM ORDER SOUGHT

On December 11, 2018, Enbridge Gas and Union Gas filed a letter requesting an order to approve a facility-related deferral account to capture the costs of the OBPS and associated draft accounting order as the effective date of this component remains January 1, 2019¹. Enbridge Gas and Union Gas requested that the OEB approve, on an interim basis, the facility-related deferral accounts and the associated draft accounting order for each of Enbridge Gas and Union Gas rate zones effective January 1, 2019.

Enbridge Gas and Union Gas indicated that they plan to file an updated application and evidence in early January 2019 in order to address changes to the federal carbon pricing plan. Because the distributors will amalgamate to become Enbridge Gas Inc. effective January 1, 2019, the updated application and evidence will be consolidated into one application.

¹ The recovery in rates of both the OBPS and fossil fuel tax would become effective April 1, 2019.

3 FINDINGS

The OEB approves, on an interim basis, effective January 1, 2019 the establishment of the Federal Carbon Charge – Facility Deferral Account for each of Enbridge Gas and Union Gas rate zones. The OEB also approves, on an interim basis, the Accounting Order associated with this deferral account for each of Enbridge Gas and Union Gas rate zones. The approved Accounting Orders are attached as Appendix A.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB approves, on an interim basis, effective January 1, 2019 the establishment of the Federal Carbon Charge – Facility Deferral Account for each of Enbridge Gas and Union Gas rate zones.
2. The Accounting Orders attached as Appendix A to this Decision are approved.

DATED at Toronto December 14, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

INTERIM DECISION AND ACCOUNTING ORDER

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DECEMBER 14, 2018

ACCOUNTING TREATMENT FOR A
FEDERAL CARBON CHARGE-FACILITY VARIANCE
ACCOUNT ("FCCFVA") EGD RATE ZONE

The purpose of the FCCFVA is to record the variance between actual facility carbon costs and actual facility costs recovered in rates as approved by the Board.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the variance in facility related charges:

Debit/Credit:	FCCFVA	(Account 179.____)
Credit/Debit:	Miscellaneous Operating Revenue	(Account 579. 000)

To record the variance between actual facility charges and the actual facility charges recovered in rates.

2. Interest accrual:

Debit/Credit:	Interest on FCCFVA	(Account 179.____)
Credit/Debit:	Interest expense	(Account 323. 000)

To record simple interest on the opening monthly balance of the FCCFVA using the Board approved EB-2006-0117 interest rate methodology.

UNION RATE ZONESAccounting Entries for
Federal Carbon Charge – Facility Deferral Account
Deferral Account No. 179-XXX

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-XXX
		Other Deferred Charges – Federal Carbon – Facility
Credit	-	Account No. 579
		Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-XXX, the variance between actual facility carbon costs and facility carbon costs recovered in rates as approved by the Board.

Debit	-	Account No. 179-XXX
		Other Deferred Charges – Federal Carbon – Facility
Credit	-	Accounts No. 323
		Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple Interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB- 2006-0117.