



Ontario  
Energy  
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Ontario

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# INTERIM DECISION AND ACCOUNTING ORDERS

**EB-2018-0205**

**Enbridge Gas Inc.**

**2019 Federal Carbon Pricing Program Application**

**BEFORE:** **Lynne Anderson**  
Presiding Member

**Michael Janigan**  
Member

**Susan Frank**  
Member

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**February 28, 2019**

## 1 INTRODUCTION

Enbridge Gas Inc. (Enbridge Gas) has applied to the Ontario Energy Board (OEB) for approval under section 36(1) of the *Ontario Energy Board Act, 1998* to increase rates to recover costs associated with meeting its obligations under the Federal *Greenhouse Gas Pollution Pricing Act* (FGGPP Act). The FGGPP Act establishes a carbon pricing program under which Enbridge Gas is required to pay a carbon charge to the federal government for volumes of natural gas that Enbridge Gas delivers to customers starting April 1, 2019. The FGGPP Act also imposes other obligations on Enbridge Gas related to emissions from the operation of its natural gas distribution system starting January 1, 2019.

Pending a final determination of its application, Enbridge Gas seeks OEB approval for (i) rates on an interim basis effective April 1, 2019, and (ii) the establishment of five accounts to record its costs/cost variances associated with compliance with the FGGPP Act.

The OEB does not approve the request for interim rates. The OEB will consider the comments of stakeholders and submissions of parties prior to making a determination on any new charges and related bill presentation issues.

However, to allow Enbridge Gas to record its costs for potential future recovery, the OEB does approve the establishment of three new accounts: one for Enbridge Gas's administrative costs related to the FGGPP Act and two for the carbon charges for natural gas that Enbridge Gas delivers to customers. The OEB further directs that costs related to the operation of Enbridge Gas's distribution system should continue to be recorded in the two deferral accounts<sup>1</sup> established on an interim basis for facility-related costs.

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<sup>1</sup> Interim Decision and Accounting Order - December 14, 2018

## 2 PROCESS

Enbridge Gas Distribution Inc. and Union Gas Limited (as they then were) filed applications with the OEB on October 9, 2018 and October 10, 2018, respectively, seeking approval to increase rates to recover costs associated with meeting its obligations under the FGGPP Act.

On December 11, 2018, Enbridge Gas Distribution Inc. and Union Gas Limited requested interim accounting orders for their facility-related costs.

On December 14, 2018, the OEB issued an interim Decision and Accounting Order approving the establishment of the facility-related deferral accounts.

Effective January 1, 2019, Enbridge Gas Distribution Inc. and Union Gas Limited amalgamated to become Enbridge Gas. On January 11, 2019, Enbridge Gas filed an updated application. The updated evidence was consolidated into one application that covers the service territories of the former Enbridge Gas Distribution Inc. and Union Gas Limited.

On February 13, 2019, the OEB issued a Notice of Hearing for this proceeding. Service and publication of the Notice of Hearing are proceeding, and the period for requesting intervenor status in the proceeding will close on March 13, 2019.

On February 20, 2019, the Minister of Energy, Northern Development and Mines wrote a letter<sup>2</sup> to the OEB encouraging the OEB to:

...have regard to the government's objective of transparency for natural gas bills in any proceeding related to the implementation of the federal carbon tax, and to ensure that stakeholders have an opportunity to present their views to the OEB on the appearance of this new charge on natural gas bills.

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<sup>2</sup> Letter – February 20, 2019

### 3 INTERIM ORDER SOUGHT

In its updated application, Enbridge Gas is seeking interim approval of rates effective April 1, 2019 for all rate zones.<sup>3</sup> This would include a customer-related federal carbon charge proposed to be shown as a separate line item on each customer's bill and a facility-related carbon charge to be included in the delivery charge. Enbridge Gas states that interim rates will prevent the accumulation of unbilled amounts that would have a larger impact on future customer bills.

In its updated application, Enbridge Gas is also requesting OEB approval to establish the following five deferral and variance accounts to ensure compliance with the FGGPP Act in 2019 and beyond:

- 1) Greenhouse Gas Emissions Administration Deferral Account:  
to record the administration costs for all rate zones (effective January 1, 2019)
- 2) Federal Carbon Charge – Customer Variance Account for the Enbridge Gas Distribution (EGD) rate zone:  
to record cost variances between the actual costs incurred for customer gas usage and the amount collected through rates related to the volumes delivered by Enbridge Gas for the EGD rate zone (effective April 1, 2019)
- 3) Federal Carbon Charge – Customer Variance Account for the Union rate zones:  
to record cost variances between the actual costs incurred for customer gas usage and the amount collected through rates related to the volumes delivered by Enbridge Gas for the Union Gas rate zones (effective April 1, 2019)
- 4) Federal Carbon Charge – Facility Variance Account for the EGD rate zone:  
to record the variance between actual facility carbon costs and facility carbon costs collected through rates within the EGD rate zone (effective January 1, 2019)
- 5) Federal Carbon Charge – Facility Variance Account for the Union rate zones:  
to record the variance between actual facility carbon costs and facility carbon costs collected through rates within the Union Gas rate zones (effective January 1, 2019)

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<sup>3</sup> This includes the rate zone to cover the service territory of the former Enbridge Gas Distribution Inc. and the two rates zones (Union South and Union North) to cover the service territory of the former Union Gas Limited.

## 4 DECISION

The OEB approves the following accounts on an interim basis:

- 1) Greenhouse Gas Emissions Administration Deferral Account effective January 1, 2019
- 2) Federal Carbon Charge – Customer Variance Account for the EGD rate zone effective April 1, 2019
- 3) Federal Carbon Charge – Customer Variance Account for the Union rate zones effective April 1, 2019

The OEB also approves, on an interim basis, the Accounting Orders associated with each of the above accounts. The approved Accounting Orders are attached as Appendix A.

On December 14, 2018, the OEB approved the establishment of the Federal Carbon Charge – Facility Deferral Account for each of the EGD and Union rate zones, effective January 1, 2019. Those accounts remain in effect and should be used to record costs for operating Enbridge Gas's facilities under the FGGPP Act.

The OEB will make a determination on final deferral and variance accounts in its Decision and Order for this proceeding.

The OEB is not approving interim rates to be effective April 1, 2019. The OEB will consider the comments of stakeholders and submissions of parties prior to making a determination on any new charges and related bill presentation issues. The OEB will establish further procedural steps for this proceeding once the intervention period ends on March 13, 2019. As a result of this determination, there will be no revenue to record in the Federal Carbon Charge – Customer Variance Accounts at this time.

Enbridge Gas expressed concern in its application that if charges are not added to bills when amounts become payable to the Government of Canada “the resulting buildup of unbilled and uncollected amounts from customers may have an unnecessarily large impact on rates when such amounts are added to bills and recovered in the future”<sup>4</sup>.

The OEB acknowledges this concern, but notes that most of the payments to the Government of Canada are in respect of the period starting April 1, 2019. This is a time period in which gas usage is much lower than what it would have been in January. Any

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<sup>4</sup> October 10, 2018 Application – Exhibit A, Tab 2, Schedule 2, Page 5

accumulated unbilled amounts would therefore be expected to be commensurately lower.

The OEB has made amendments to the draft accounting orders filed by Enbridge Gas. The amendments include removal of the reference to provincial regulations for the Greenhouse Gas Emissions Administration Deferral Account. This account is to be used only for costs incurred as a result of the federal program.

The OEB notes that the accounting orders for the Federal Carbon Charge – Customer Variance Accounts are inconsistent between the EGD and Union rate zones. The OEB expects the accounting orders to be consistent for any final approval.

## 5 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

The OEB approves, on an interim basis, the establishment of the:

- 1) Greenhouse Gas Emissions Administration Deferral Account effective January 1, 2019
- 2) Federal Carbon Charge – Customer Variance Account for the EGD rate zone effective April 1, 2019
- 3) Federal Carbon Charge – Customer Variance Account for the Union rate zones effective April 1, 2019

The Accounting Orders attached as Appendix A to this Interim Decision and Accounting Orders are approved on an interim basis.

**DATED** at Toronto February 28, 2019

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary

**APPENDIX A**  
**INTERIM DECISION AND ACCOUNTING ORDER**  
**EB-2018-0205**  
**FEBRUARY 28, 2019**



ENBRIDGE GAS INCAccounting Entries for  
Greenhouse Gas Emissions Administration Deferral AccountDeferral 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, 1998*.

Debit            -        Account No.179-XXX  
                                 Other Deferral Charges – Greenhouse Gas Emissions  
                                 Administration Deferral Account

Credit           -        Account No 728  
                                 General Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, the administration costs associated with the impacts of federal regulations related to greenhouse gas emission requirements.

Debit            -        Account No.179-XXX  
                                 Other Deferral Charges – Greenhouse Gas Emissions  
                                 Administration Deferral Account

Credit           -        Account 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 OEB in EB-2006-0117.

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

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

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-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 OEB 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 customer charges and the customer carbon costs recovered in rates as approved by the OEB.

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 OEB-approved EB-2006-0117 interest rate methodology.

UNION RATE ZONES

Accounting Entries for  
 Federal Carbon Charge – Customer Variance Account  
Variance 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, 1998*.

Debit        -            Account No. 179-XXX  
    Other Deferred Charges – Federal Carbon – Customer

Credit       -            Account No. 579  
    Miscellaneous Operating Revenue

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

Debit        -            Account No. 179-XXX  
    Other Deferred Charges – Federal Carbon – Customer

Credit       -            Accounts No. 323  
    Other Interest Expense

To record, as a debit (credit) in Variance Account No. 179-XXX, interest on the balance in Variance 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 OEB in EB-2006-0117.