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April 15, 2019

**Delivered by Email, RESS & Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: 2019 Federal Carbon Pricing Program Application  
EB-2018-0187 – Enbridge Gas Inc. operating as Union Gas Limited  
EB-2018-0205 – Enbridge Gas Inc. operating as Enbridge Gas Distribution Inc.  
Interrogatories from The Association of Power Producers of Ontario**

Please find attached the interrogatories of The Association of Power Producers of Ontario to Enbridge Gas Inc.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by John A.D. Vellone*

John A.D. Vellone

cc: David Butters, APPrO  
Adam Stiers, Enbridge Gas Inc.  
Myriam Seers, Torys LLP  
Intervenors of record in EB-2018-0205

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Sched. B);

**AND IN THE MATTER OF** an Application by Enbridge Gas Inc., pursuant to section 36(1) of the Ontario Energy Board Act, 1998, for an order or orders for rates resulting from the Greenhouse Gas Pollution Pricing Act.

**EB-2018-0187**

**EB-2018-0205**

**Interrogatories**

**To**

**Enbridge Gas Inc.**

**From**

**The Association of Power Producers of Ontario (APPRO)**

**April 15, 2019**

## **Exhibit A: Overview**

### **A-APPrO-1**

Reference: Exhibit A, Section 1 Background

Preamble: Enbridge Gas explains that entities that are covered under Part 2 of the GGPPA are exempt from paying Federal Carbon Charges. Part 2 entities are instead covered under the OBPS, with mandatory and voluntary participation thresholds, established for prescribed industrial facilities that emit specified volumes of GHG emissions, measured in tCO<sub>2e</sub>, annually. Entities included in the OBPS will be required to apply to ECCC, and to the CRA for exemption from the Federal Carbon Charge. The exemption certificate issued by the CRA must then be submitted to Enbridge Gas to ensure that the entity is not charged the Federal Carbon Charge on its natural gas bill. Participants in the OBPS will be required to report and manage their own compliance obligations.

### Questions:

1. Please explain in greater detail exactly how Enbridge Gas will ensure that entities that are covered under the OBPS (such as gas fired generators) will not also be subject to the Enbridge Gas' proposed Federal Carbon Charge.
2. Please confirm that Enbridge Gas will not double charge these generators for compliance under the GGPPA.
3. Please explain in detail how Enbridge Gas intends to address transitional years, where customers transition in to, or out of, the OBPS. For example:
  - a. Enbridge Gas assumes at the start of a year that a customer will not qualify for OBPS and thus charges this customer the Federal Carbon Charge during the year. At the end of the year, the customer finds that actual emissions were higher than expected (e.g. emissions exceed 10 ktCO<sub>2e</sub>) and the customer may participate in OBPS that year.
  - b. Enbridge Gas assumes at the start of a year that a customer will qualify for OBPS and thus does not charge this customer the Federal Carbon Charge during the year. At the end of the year, the customer finds that actual emissions were less than expected (e.g. emissions drop below 10 ktCO<sub>2e</sub> in a given year) and the customer does not actually qualify for OBPS for that year.

**A-APPrO-2**

Reference: Exhibit A, Section 4 Assumptions Made within Enbridge Gas's Application

Preamble: Two of the assumptions that underpin Enbridge Gas's Application are: (a) mandatory participants which emit greater than 50 ktCO<sub>2</sub>e (e.g. large industrial customers), which are designated as EITE sector entities and undertake an activity in which an OBS applies, will register under the OBPS and therefore will be exempt from the Federal Carbon Charge as of April 1, 2019; and (b) entities eligible for voluntary participation (i.e. those that emit between 10 ktCO<sub>2</sub>e and 50 ktCO<sub>2</sub>e and undertake a primary activity which has an OBS) will opt-in to the program in 2019.

Question:

Please explain how the Application, and specifically the Federal Carbon Charge, would be affected if these two assumptions prove to be untenable. Is Enbridge Gas proposing to implement a true-up process to address variances resulting from untenable assumptions? If yes, please describe the true-up process in detail.

**Exhibit B: Forecasts**

**B-APPrO-1**

Reference: Exhibit B,

Preamble: Enbridge Gas states that its total 2019 Customer Volume forecast subject to the Federal Carbon Charge is 9,182,794 10<sup>3</sup>m<sup>3</sup>. This results in an associated forecast 2019 Federal Carbon Charge cost of \$359.0 million. Enbridge Gas states that this cost estimate is subject to change based on actual distribution volumes, and that customers will be charged the Federal Carbon Charge rate on a monthly basis based on actual billed volumes.

Question:

Please confirm whether or not the Customer Volume forecast subject to the Federal Carbon Charge is subject to change depending on actual distribution volumes. If yes, please describe any true-up process that is proposed to address such change.

**Exhibit D: Deferral and Variance Accounts**

**D-APPrO-1**

Reference: Exhibit D,

Preamble: Enbridge Gas is requesting approval to establish five new deferral and variance accounts in order to record the following costs and variances resulting from compliance with the GGPPA: (i) combined administration costs to be tracked in a Greenhouse Gas Emissions Administration Deferral Account (“GGEADA”); (ii) customer Federal Carbon Charge cost variances to be tracked in a Federal Carbon Charge - Customer Variance Account (“FCCCVA”) for each of the EGD rate zone and Union rate zones; and, (iii) Facility Carbon Charge cost variances to be tracked in a Federal Carbon Charge - Facility Variance Account (“FCCFVA”) for each of the EGD rate zone and Union rate zones.

Question:

For each of the five above noted deferral and variance accounts, please confirm that Enbridge Gas is intending to dispose of them on a prospective (e.g. volumetric charge over the next calendar year) basis so as to avoid creating market distortions in the electricity marketplace. If not, please explain why not.

**Exhibit E: Cost Recovery**

**E-APPrO-1**

Reference: Exhibit E,

Preamble: In Enbridge Gas' 2019 Rate Application, which is currently before the Board (EB-2018-0305), at Exhibit B1 Tab 1 Schedule 1 Section 1.3 Y Factors, Enbridge Gas states that the heat content reference in its rate schedules has been modified to reflect an updated heat content of 38.53 MJ/m<sup>3</sup>, which is a change from the 2018 existing heat content of 38.42 MJ/m<sup>3</sup>. The higher heat content suggests that gas-fired generators, and other entities that consume natural gas, will consume less volume of gas at any given time.

Question:

Please confirm whether or not Enbridge Gas has taken into account the change in heat content of natural gas when calculating Customer Volumes, Company Use Volumes, and OBPS Volumes, and the corresponding Federal Carbon Charge and Facility Carbon Charge. If yes, please explain how exactly this was accounted for. If no, why not?