

April 29, 2019

BY RESS, EMAIL AND COURIER

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

Dear Ms. Walli:

Re: EB-2018-0205 – Enbridge Gas Inc. – 2019 Federal Carbon Pricing Program Application – Interrogatory Responses

Effective January 1, 2019, Enbridge Gas Distribution (“EGD”) and Union Gas Limited (“Union”) amalgamated to become Enbridge Gas Inc. (“Enbridge Gas”). On January 11, 2019, Enbridge Gas filed an updated and consolidated 2019 Federal Carbon Pricing Program Application (the “Application”) for the Enbridge Gas rate zones (EGD, Union North and Union South).¹

Pursuant to the Ontario Energy Board’s (“OEB”) Procedural Order No. 2 dated April 2, 2019, Enbridge Gas is filing the attached responses to interrogatories. These responses will be delivered to parties via email, will be filed on the OEB’s RESS and copies will be sent by courier to the OEB.

As stated in the response at Exhibit I.STAFF.12 Enbridge Gas is seeking clarity from the OEB with regard to the OEB’s intent for the proposed deferral and variance accounts. For the purposes of responding to interrogatories related to these accounts Enbridge Gas refers to these accounts as deferral accounts and has proposed revised and consistent accounting orders to reflect this. Enbridge Gas will comply with the OEB’s direction in this regard.

If you have any questions with respect to this submission please contact me at 519-436-4558.

¹ Collectively, the Union North and Union South rate zones are referred to as the “Union rate zones”.

Yours truly,

[original signed by]

Adam Stiers
Technical Manager, Regulatory Applications

c.c.: Myriam Seers (Torys)
Michael Bell (OEB Staff)
EB-2018-0205 Intervenors

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / p. 10 of 14

Preamble: Enbridge Gas Inc. (Enbridge Gas) indicates that for its OBPS volumes “under the Greenhouse Gas Price Protection Act (GGPPA) it is required to: calculate and report to Environment and Climate change Canada Enbridge Gas’ emissions and emissions limit for each compliance period”.

Question:

- a) Please outline the dates for each of Enbridge Gas’ compliance periods (e.g., what are the dates for Enbridge Gas’ first and second compliance period)?
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Response

As per the Regulatory Proposal for the Output-Based Pricing System Regulations under the Greenhouse Gas Pollution Pricing Act,¹ the compliance period for the Output-Based Pricing System (“OBPS”) begins on January 1 and ends on December 31 of each year. The first compliance period began January 1, 2019 and ends on December 31, 2019. Similarly, Enbridge Gas expects that the second compliance period will begin on January 1, 2020 and end on December 31, 2020.

¹ Environment and Climate Change Canada: Regulatory Proposal, pp. 10-11;
<https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/proposal-regulations.html>.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / pp. 10 and 13 of 14

Preamble: Enbridge Gas indicates that “under the OBPS, annual facility emission limits will be calculated based on a specific OBS and annual facility production. The initial proposed OBPS for the transmission of marketable natural gas is 80% of production-weighted national average emissions intensity (which is 0.419 tCO₂e/MWh)”.

Question:

- a) Please explain whether the proposed “80% of production-weighted national average emissions intensity” has changed? If so, please outline the change? Please update all relevant tables.

Response

As of April 29, 2019 the proposed output based standard (“OBS”) for the transmission of marketable natural gas has not been changed by Environment and Climate Change Canada (“ECCC”). However, based on recent discussions with ECCC, Enbridge Gas expects that the OBS for the transmission of marketable natural gas may be revised in the future due to additional analysis being completed by ECCC. It is expected that the OBS will be finalized when ECCC publishes the final Output-Based Pricing System regulation in Spring / Summer of 2019.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / pp. 5-6

Preamble: Enbridge Gas indicates that participants in the OBPS will be required to report and manage their own compliance obligations, and have the following options to satisfy annual emissions that exceed their sector-based emission intensity benchmark: (i) pay the carbon price; (ii) submit surplus credits issued by the federal government; or (iii) submit eligible offset credits.

Question:

- a) Please identify and explain Enbridge Gas' reporting requirements under Part 2 of the GGPPA.
 - i. Please identify and explain whether there are additional compliance requirements that Enbridge Gas is required to do under Part 2 of the GGPA.
 - ii. Please identify and explain Enbridge Gas' internal processes to ensure it complies with the federal government's OBPS.
- b) Has the federal government issued any surplus credits and/or offset credits that participants can purchase?
 - i. If yes, please explain the price per tonne of CO₂e for a surplus credit and price per tonne of CO₂e for an offset credit? Please explain whether Enbridge Gas has purchased any surplus credits and/or offset credits (i.e., please include date of purchase, quantity, price and total cost for each credit and offset credit purchased).
 - ii. If no, what is the federal government's expected timing for issuing surplus credits/offset credits for participants to purchase.
 - iii. Please explain whether the surplus credits and/or offset credits are expected to be cheaper than the carbon price?
- c) Please describe how Enbridge Gas will manage its own compliance obligation under Part 2 of the GGPPA.
- d) Please explain Enbridge Gas' evaluation criteria it will use when deciding between:
 - i. paying the carbon price
 - ii. purchasing surplus credits issued by the federal government
 - iii. purchasing eligible offset credits

Response

- a) As a “covered facility” under Part 2 of the *Greenhouse Gas Pollution Pricing Act* (“GGPPA”), Enbridge Gas is required to quantify its greenhouse gas (“GHG”) emissions covered under the Output-Based Pricing System (“OBPS”) and to submit a report for each compliance period to Environment and Climate Change Canada (“ECCC”). While the final regulation for OBPS is not yet published, the “Regulatory Proposal for the Output-Based Pricing System Regulations under the Greenhouse Gas Pollution Pricing Act” (the “Regulatory Proposal”) indicates that these reports are due by June 1 of the year following the compliance period for which the reports are being made (i.e. Enbridge Gas must submit its report for the January 1, 2019 to December 31, 2019 compliance period by June 1, 2020).¹
- i. In addition to the requirement to submit an annual report, Enbridge Gas is also required to have the report verified by an accredited third party verifier and to submit the verifier’s verification report and verification statement to ECCC. The Regulatory Proposal indicates that the verification report and verification statement are due annually on June 1 following the compliance period for which the reports are being made. If Enbridge Gas exceeds the emissions limit that applies to its covered facilities, it will also be required to provide compensation for the excess emissions through: (i) payment of the excess emissions charge; (ii) remittance of surplus credits; (iii) remittance of offset credits; or (iv) remittance of recognized units (such as offset credits from recognized provincial offset systems). The Regulatory Proposal indicates the deadline for compliance is December 15 of the year following the compliance period for which the excess emissions of the “covered facility” is being made, or by February 15 at an increased rate of four times the regular rate of one compliance unit for each tCO₂e. Annually, within 10 days of providing the compensation for excess emissions in full, Enbridge Gas will be required to provide a report to the Minister of the Environment and Climate Change outlining how compensation for excess emissions credits was provided.
- ii. Enbridge Gas will calculate the emissions covered under the OBPS on a monthly basis. At the end of each compliance period, Enbridge Gas will finalize the emission report and have it verified by a third party verification body. The emissions report and the verification report and verification statement will be submitted to ECCC by June 1 annually. The reporting requirements of the OBPS are similar to those required by other provincial

¹ Environment and Climate Change Canada Regulatory Proposal, p.12;
<https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/proposal-regulations.html>.

and federal mandatory GHG reports, as such, Enbridge Gas will follow similar internal processes.

- b) The federal government has not issued any surplus credits or offset credits to date.
 - i. Not applicable
 - ii. Enbridge Gas understands that surplus credits can only be issued by the federal government after the submission of GHG emission reports, which for the 2019 compliance period will be June 1, 2020. Enbridge Gas is not aware of the timing for a federal offset program, but notes that there is not currently a program in place.
 - iii. Enbridge Gas does not have any data on the forecasted price of surplus credits or offset credits.
- c) Once Enbridge Gas has calculated the GHG emissions for the 2019 compliance period and has submitted the GHG emissions report, verification report and verification statement, Enbridge Gas will determine if it has exceeded its facility emissions limit:
 - i. If Enbridge Gas's emissions have not exceeded the facility emissions limit, there is no compliance obligation for the 2019 compliance period. Further, Enbridge Gas will be granted surplus credits if its emissions are determined to be below the facility emission limit.
 - ii. If Enbridge Gas's emissions have exceeded the facility emissions limit, Enbridge Gas will seek to either procure compliance units or pay the carbon price by the compensation deadline of December 15, 2020.
- d) As discussed at parts a and b above, Enbridge Gas is not required to satisfy its compliance obligation for the first compliance period (2019) until the compensation deadline of December 15, 2020. Further, as no market information regarding surplus credits or offset credits is currently available, it is premature to speculate on the criteria that Enbridge Gas will apply in evaluating these instruments. Prior to the compensation deadline for the first compliance period, Enbridge Gas will develop internal guidance on how it will meet its compliance obligations, including criteria for procurement of compliance instruments such as surplus credits and offset credits.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / pp. 4 and 8-9

Preamble: Enbridge Gas states that all distribution volumes delivered by Enbridge Gas will be covered under Part I of the GGPPA. This includes: i) fuel delivered by Enbridge Gas to its customers and ii) company use volumes such as distribution buildings, boilers/line heaters and natural gas vehicle (NGV) fleet volumes.

Enbridge Gas also states that it is required to calculate and report monthly to the CRA the volume of fuel covered under Part I of the GGPPA.

Question:

- a) Please explain how Enbridge Gas will manage its own compliance obligation (i.e., its company use volumes) under Part I of the GGPPA.
- b) Please identify and explain Enbridge Gas' internal processes to ensure it complies with the federal government's Part I of the GGPPA (e.g., calculates and reports monthly to the CRA).

Response

- a) Enbridge Gas is making the necessary preparations in its financial systems to ensure that Company Use Volumes subject to the Federal Carbon Charge (generated from distribution buildings, boilers/line heaters and NGV fleet volumes) and Output-Based Pricing System ("OBPS") Volumes subject to the OBPS (generated from compressor fuel) are tracked separately in compliance with the Greenhouse Gas Pollution Pricing Act ("GGPPA").

- b) Please see the response at part a).

Similar to preparations for the Cap and Trade Program, Enbridge Gas is conducting a customer declaration process whereby customers provide natural gas account numbers that are included in their respective OBPS registration. Enbridge Gas will ensure its billing system is updated to exclude these accounts for the purpose of calculating Enbridge Gas's monthly reporting requirements under Part 1 of the GGPPA.

In addition, to ensure Enbridge Gas's monthly reporting and obligation are calculated accurately, Enbridge Gas is confirming that each commercial greenhouse customer who holds an exemption certificate has had applicable relief processed appropriately.

Enbridge Gas is confident that its billing systems will be equipped with adequate functionality to ensure Enbridge Gas's compliance with the GGPPA, including the ability to facilitate monthly remittance. Enbridge Gas is continuously monitoring changes in the Federal Carbon Pricing Program and improving its billing systems to ensure that its ability to comply with the GGPPA is not at risk.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / p. 13 of 14

Preamble: Enbridge Gas indicates that it made a variety of assumptions that underpinned its application.

Question:

- a) Please explain whether any of these assumptions have changed? If so, please outline the changes and update all relevant tables.

Response

The following is a summary of the current status of the assumptions that underpin Enbridge Gas's 2019 Federal Carbon Pricing Program application (the "Application"):

	Application	Update
1	Enbridge Gas's storage and transmission facilities qualify as "Covered Facilities" as determined by the federal Minister of the Environment and Climate Change.	Enbridge has received approval of its "Covered Facility" by the federal Minister of Environment and Climate Change.
2	The OBS for the transmission of marketable natural gas will be 80% of production-weighted national average emissions intensity, which is 0.419 tCO ₂ e/MWh.	Final OBPS regulations remain outstanding and are expected by Spring/Summer 2019.
3	Mandatory participants which emit greater than 50 ktCO ₂ 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.	Customer registration with ECCC and CRA, and declaration of exempt customer accounts is ongoing.
4	Entities eligible for voluntary participation will opt-in to the program in 2019.	Customer registration with ECCC and CRA, and declaration of exempt customer accounts is ongoing.

5	Municipalities, universities, school boards and hospitals ("MUSH") sector is not included under the OBPS and therefore is subject to the Federal Carbon Charge as of April 1, 2019.	Final OBPS regulations are outstanding, and are expected by Spring/Summer 2019. However, there is not currently any indication that the MUSH sector will be included.
6	The greenhouse sector will receive 80% relief from the Federal Carbon Charge.	Draft Regulations Amending the Fuel Charge Regulations (March 2019) that reflect the reduced rate (80% relief) for greenhouse operators have been released.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit B / pp. 2-3

Preamble: Enbridge Gas indicates that the customers exempt from Part I of the GGPPA (i.e., do not have to pay the Federal Carbon Levy) will not be known until customers provide Enbridge Gas their exemption certificate, which is issued to the customer upon registration with the CRA. This applies to those customers: (i) covered under OBPS; (ii) that undertake non-covered activities; and (iii) operating commercial greenhouses.

Question:

- a) Please explain whether customers are providing Enbridge Gas their exemption certificates?
- b) Does Enbridge Gas know whether there are any outstanding exemption certificates? Please explain.

Response

- a) Enbridge Gas is actively receiving exemption certificates from customers.
- b) Yes, Enbridge Gas is aware of 21 outstanding exemption certificates as of April 17, 2019. Please see the response at Exhibit I.EP.3 for additional detail regarding exemption certificates received to date and outstanding exemption certificates.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit B / p. 2 and Exhibit A / p. 8

Preamble: Enbridge Gas states that customers will be charged the Federal Carbon Charge rate on a monthly basis based on actual billed volumes.
Enbridge Gas also states that it must calculate and report monthly to the CRA the volume of fuel covered under Part 1 of the GGPPA and it must remit the amount of the Federal Carbon Charge in respect of the monthly volume that has been calculated.

Question:

- a) OEB staff understands that some bills will be calculated using estimated volumes. Please explain how Enbridge Gas will reconcile with customers and the CRA when the “billed volumes” do not accurately reflect the customer’s actual monthly consumption.

Response

- a) The Federal Carbon Charge on customers’ monthly invoices will be based on billed volumes. In the event of a volumetric billing adjustment, customers’ bills, including charges associated with the Federal Carbon Pricing Program (“FCPP”), will be corrected in accordance with the Conditions of Service and applicable contract terms for general service and contract customers, respectively.¹ Enbridge Gas’s subsequent monthly remittance to the Canada Revenue Agency will be adjusted to reflect any volumetric corrections.

¹ See Exhibit A, Appendix D, p. 19; and Exhibit A, Appendix E, pp. 21-22.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit C / p. 6 and Exhibit A, Appendix C, pp. 1-3

Preamble: Enbridge Gas outlines its Federal Carbon Pricing Program Communication Plan.

Question:

- a) Please explain whether there are any updates to Enbridge Gas' Communication Plan.

Response

Enbridge Gas has shared information regarding the Federal Carbon Pricing Program ("FCPP") with mass-market and large volume customers using a number of the tactics identified in the Communication Plan included with Enbridge Gas's 2019 Federal Carbon Pricing Program application (the "Application") and pre-filed evidence.¹ Please refer to the response at Exhibit I.CCC.3, for detail on customer communications issued to date.

Enbridge Gas will continue to leverage the cost-effective strategies outlined in its Communication Plan to communicate the details and impacts of the FCPP to its customers going forward. Enbridge Gas also intends to communicate FCPP-related bill messaging via bill inserts, on-bill messaging, and a social media campaign. The timing of these communications is dependent upon the issuance of a Decision and Order by the OEB on Enbridge Gas's Application and is expected to coincide with the inclusion of proposed rates on customer bills.

As discussed its Application,² Enbridge Gas included proposed updates to its Conditions of Service for the EGD rate zone and Union rate zones effective April 1, 2019.³ As the OEB denied Enbridge Gas's request for interim approval of rates,⁴ Enbridge Gas has delayed the implementation of these updated Conditions of Service until the OEB has issued its final decision and order on the Application.

¹ Exhibit A, Appendix C, p. 2.

² Exhibit A, p. 13.

³ Exhibit A, Appendix D; Exhibit A, Appendix E.

⁴ Interim Decision and Accounting Orders (February 28, 2019), pp. 4-5.

Enbridge Gas has established a cross-functional team to regularly evaluate the customer communication requirements of the FCPP and to update the Communication Plan as needed based on updates to the FCPP and the OEB's review of Enbridge Gas's Application.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit D / pp. 3-4

Preamble: Enbridge Gas is proposing two new variance accounts for its EGD and Union Rate Zones to record the variance between actual facility carbon costs and facility carbon costs recovered in rates.

Question:

- a) Please explain whether Enbridge Gas will be able to separately track the facility-related volumes attributed to its obligation under Part I (company use volumes subject to the Federal Carbon Charge such as distribution buildings, boilers/line heaters and NGV fleet) and Part II of GGPPA (volumes subject to OBPS).

Response

Enbridge Gas confirms that it will be able to separately track the facility-related volumes (Company Use Volumes) subject to the Federal Carbon Charge and the Output-Based Pricing System ("OBPS"). Please see the response at Exhibit I.STAFF.4 for further detail.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit C / p. 4

Preamble: Enbridge Gas indicates that it may incur additional costs related to the Federal Clean Fuel Standard (CFS) and other provincial and federal GHG or carbon pricing programs.

Question:

- a) Please explain whether Enbridge Gas intends to include (or has included) costs related to the CFS in its proposed Greenhouse Gas Emissions Administration Deferral Account (GGEADA).
 - i. If so, will Enbridge Gas be able to separately track these costs in the GGEADA? If not, why? Please explain.
- b) Please explain whether Enbridge Gas intends to include (or has included) costs related to other GHG or carbon pricing programs in its proposed GGEADA.
 - i. If so, will Enbridge Gas be able to separately track these costs in the GGEADA? If not, why? Please explain.

Response

- a) Enbridge Gas has incurred costs related to its participation in the development of the federal Clean Fuel Standards ("CFS") in 2019 and has recorded these costs in its proposed Greenhouse Gas Emissions Administration Deferral Account ("GGEADA"). To date these costs are minimal. At present, Enbridge Gas expects to incur additional minor costs through the remainder of 2019 related to the development of the CFS. Once the CFS Regulations are in place (expected as soon as 2020), Enbridge Gas may propose unique treatment of administrative costs associated with the CFS for the Board's consideration.
 - i. Enbridge confirms it is able to separately track CFS-related costs in the GGEADA.
- b) Enbridge Gas is not subject to, and has not included costs related to, any other GHG or carbon pricing programs in its proposed GGEADA.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit D / p.3

Preamble: Enbridge Gas indicates that it is requesting final OEB approval to establish five new deferral and variance accounts as part of this application.

In Procedural Order No. 2, the OEB states that it will consider whether Enbridge Gas' proposed variance and deferral accounts meet the tests of: Causation, Materiality and Prudence.

Question:

- a) Please explain how each of Enbridge Gas' five new variance and deferral accounts meet the tests of: Causation, Materiality and Prudence.

Response

As part of its 2019 Federal Carbon Pricing Program application (the "Application") Enbridge Gas requested approval to establish five new deferral and variance accounts in order to ensure compliance with and to effectively record the costs associated with the Greenhouse Gas Pollution Pricing Act ("GGPPA") and the Federal Carbon Pricing Program ("FCPP"):¹

- (i) A Greenhouse Gas Emissions Administration Deferral Account ("GGEADA") – to record the administration costs associated with the impacts of federal regulations related to greenhouse gas emission requirements for all rate zones (effective January 1, 2019);
- (ii) Federal Carbon Charge – Customer Deferral Accounts ("FCCFDA") – to record cost variances between the actual customer carbon costs incurred and the amount collected in rates for distribution volumes delivered by Enbridge Gas in each of the EGD rate zone and Union rate zones (effective April 1, 2019); and

¹ In its Interim Decision and Accounting Order (December 14, 2018), the OEB approved Enbridge Gas's proposed FCCFDA's on an interim basis. Similarly, In its Interim Decision and Accounting Orders (February 28, 2019) the OEB modified Enbridge Gas's proposed GGEADA accounting order to remove reference to the administration costs associated with provincial regulations related to greenhouse gas emission requirements and approved Enbridge Gas's modified GGEADA and proposed FCCFDA's on an interim basis.

(iii) Federal Carbon Charge - Facility Deferral Accounts ("FCCFDA") – to record cost variances between the actual facility carbon costs incurred and the amount collected in rates in each of the EGD rate zone and the Union rate zones (effective January 1, 2019).

In Procedural Order No. 2 the OEB stated that it would be considering whether the GGEADA "meets the tests set out in the Filing Requirements for Natural Gas Rate Applications, that is: Causation, Materiality and Prudence."² The Filing Requirements for Natural Gas Rate Applications (the "Filing Requirements") define Causation, Materiality and Prudence as:³

- Causation – The forecasted expense must be clearly outside of the base upon which rates were derived;
- Materiality – The forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed in the normal course and addressed through organizational productivity improvements; and
- Prudence – The nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers.

Enbridge Gas's proposed deferral and variance accounts satisfy these eligibility criteria as: (i) the costs associated with the GGPPA and the FCPP are clearly outside of the base upon which rates were derived; (ii) the total forecasted cost of compliance with the GGPPA in 2019 is expected to exceed \$364 million and is appropriately considered in aggregate; and (iii) it is reasonable to determine that Enbridge Gas's forecasted costs of compliance with the GGPPA are prudent on a preliminary basis as they are the direct result of and are primarily set by legislation that is outside the control of management, with which Enbridge Gas is obligated to comply. Further, the balances recorded in these accounts will be subject to further review upon disposition in a future proceeding.

Enbridge Gas's justification for satisfying the eligibility criteria set out in the Filing Requirements is explained in further detail below.

Causation

Consistent with the recovery of compliance costs incurred by EGD and Union in relation to Ontario's Cap and Trade program, all costs that Enbridge Gas intends to record in each of the proposed accounts are outside of the base upon which its rates were

² Procedural Order No. 2, pp. 2-3.

³ Filing Requirements for Natural Gas Rate Applications, February 16, 2017, p. 38.

derived. Further, the GGPPA requires Enbridge Gas to remit specific amounts outside of management's control (i.e. the cost of compliance is set by the FCPP).

Materiality

Enbridge Gas's total forecasted 2019 cost of compliance with the GGPPA exceeds \$364 million:

- The forecasted customer and facility-related cost of compliance with the GGPPA in 2019 is greater than \$361 million and is based on the GHG emissions generated by the delivery of natural gas to Enbridge Gas's customers, which Enbridge Gas cannot avoid or control.
- The forecasted administration costs associated with Enbridge Gas's compliance with the GGPPA in 2019 is approximately \$3.1 million.

The total forecasted 2019 cost of compliance with the GGPPA greatly exceeds the materiality thresholds established for Enbridge Gas and is appropriately considered in aggregate. Further, as noted at Exhibit A, p. 4, Table 1, the Federal Carbon Charge rates for marketable natural gas are expected to increase quickly and significantly at a rate of \$10/tCO₂e per year, rising from \$20/tCO₂e in 2019 to \$50/tCO₂e in 2022. Similarly, the administration costs forecasted by Enbridge Gas represent only the costs associated with managing Enbridge Gas's customer-related and facility-related obligations under the FCPP. Enbridge Gas expects that its administration costs will increase to the extent that:

- i) legislation is modified;
- ii) Output-Based Pricing System ("OBPS") regulations are finalized (including the establishment of markets for surplus credits and offset credits);
- iii) the FCPP is supplanted by alternative federal or provincial programming; or
- iv) incremental federal or provincial programs are launched (e.g., federal Clean Fuel Standard)

The aggressive cost escalation of the FCPP coupled with ongoing program uncertainty reinforces the materiality of these costs going forward and the need for the proposed accounts.

Enbridge Gas's proposed breakdown of costs associated with the FCPP (customer costs, facility costs and administration costs) and associated proposed deferral accounts follows the OEB's guidance from the Cap and Trade Framework.⁴ Similarly, Enbridge Gas's consideration of these costs in aggregate is also supported by the Cap

⁴ EB-2015-0363 Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities, Section 6, p. 29.

and Trade Framework where the OEB states, “The OEB agrees that administrative costs will be incurred to support both facility-related and customer-related obligations.”⁵ Similar to the costs associated with Ontario’s Cap and Trade program, which the OEB determined qualified to be recovered from customers as a cost pass-through, Enbridge Gas has applied to the OEB to treat the costs associated with its compliance with the GGPPA as a pass-through to customers (Y Factor).⁶

Enbridge Gas requested and was subsequently denied interim approval of proposed rates to avoid the accumulation of unbilled and uncollected amounts from customers.⁷ The total unbilled amounts effective January 1, 2019 (administration and facility-related) and April 1, 2019 (customer-related) continue to accumulate in the GGEADA, FCCCDAs and FCCFDAs as discussed in the response at Exhibit I.LMPA.3, supporting the need for these accounts from a materiality perspective.

Finally, as noted above, ongoing uncertainty in the carbon emissions landscape, including Ontario’s ongoing constitutional challenge to the GGPPA, reinforces the need for the proposed accounts in 2019 and beyond. The cancellation of Ontario’s Cap and Trade program in 2018, for example, resulted in the accumulation of net credit balances in the customer and facility-related Cap and Trade deferral and variance accounts. If the FCPP was similarly abruptly modified or cancelled in the future, having the proposed deferral accounts in place would enable Enbridge Gas to immediately and effectively account for the impacts of such change.

Prudence

Enbridge Gas’s forecasted cost of compliance with the GGPPA in 2019 is reasonable as it is based on volume forecasts derived using OEB-approved methodologies and administration costs that are similar in nature to those incurred under Ontario’s Cap and Trade program.

When reviewing similar accounting orders in advance of the implementation of Ontario’s Cap and Trade program, the OEB found that Union demonstrated need for its administration deferral account (it agreed that the expected costs were likely to be material and were clearly outside of management’s control).⁸ As part of its Decision and Order on their 2017 Cap and Trade Compliance Plans the OEB also subsequently approved the establishment of two new variance accounts for customer-related and

⁵ EB-2015-0363 Regulatory Framework for the Assessment of Costs of Natural Gas Utilities’ Cap and Trade Activities, Section 6.1, p. 31.

⁶ Y Factor events are costs associated with specific items that are subject to deferral account treatment and are passed through to customers without any price cap adjustment. Enbridge Gas’s current IRM does not include a separate materiality threshold for Y Factor events.

⁷ Interim Decision and Accounting Orders (February 28, 2019), pp. 4-5.

⁸ EB-2015-0367 Decision and Accounting Order (April 7, 2016), pp. 3-4.

facility-related obligation costs (for each of EGD and Union) and directed EGD to adopt the descriptions from Union's administration-related, customer-related and facility-related deferral account accounting orders.⁹

⁹ EB-2016-0296/0300/0330 Decision and Order, pp. 34-35.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit D / pp. 3-4

Preamble: On December 14, 2018 and February 28, 2019, the OEB approved on an interim basis, accounting orders related to facility and customer federal carbon costs.

In the February 28, 2019 Decision and Order, the OEB indicated the following:

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

Question:

- a) As the OEB has identified that the accounting orders of EGD and Union rate zones for the Federal Carbon Charge – Customer Variance Account and Federal Carbon Charge – Facility Variance Account are inconsistent, please provide revised accounting orders that are consistent between the EGD and Union rate zones related to the facility and customer federal carbon charge.

Response

In its 2019 Federal Carbon Pricing Program application, Enbridge Gas requested approval of five new deferral and variance accounts:

- A Greenhouse Gas Emissions Administration **Deferral** Account;
- Federal Carbon Charge – Customer **Variance** Accounts (for the EGD and Union rate zones); and
- Federal Carbon Charge – Facility **Variance** Accounts (for the EGD and Union rate zones).

The OEB's Interim Decision and Accounting Order (dated December 14, 2018) subsequently approved the establishment of Federal Carbon Charge – Facility **Deferral** Accounts for each of the EGD and Union rate zones on an interim basis. However, the

OEB's Interim Decision and Accounting Orders (dated February 28, 2019) approved the establishment of a Greenhouse Gas Administration Deferral Account and Federal Carbon Charge – Customer **Variance** Account for each of the EGD and Union rate zones on an interim basis.

Given the OEB's Interim Decisions Enbridge Gas is seeking clarity with regard to the OEB's intent for the facility-related and customer-related accounts. Specifically, whether they are to be referred to as deferral accounts or alternatively as variance accounts (as proposed). For the purposes of responding to interrogatories related to these accounts Enbridge Gas has assumed that they are **deferral** accounts and has proposed revised and consistent accounting orders to reflect this. Enbridge Gas will comply with the OEB's direction regarding its preferred account type going forward.

Please see Attachments 1 to 4 for revised and consistent accounting orders for the EGD and Union rate zones.

UNION RATE ZONES

**Accounting Entries for
Federal Carbon Charge – Customer Deferral Account
Deferral Account No. 179-XXX**

The purpose of the Federal Carbon Charge – Customer Deferral Account is to record the variance between actual federal customer carbon levy and actual federal customer levy 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.

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
Federal Carbon Charge – Customer Deferral Account

Credit - Account No. 579
Miscellaneous Operating Revenue

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

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 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.

UNION RATE ZONES

**Accounting Entries for
Federal Carbon Charge – Facility Deferral Account
Deferral Account No. 179-XXX**

The purpose of the Federal Carbon Charge – Facility Deferral Account 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.

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
Federal Carbon Charge – Facility Deferral Account

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.

EGD RATE ZONE

**Accounting Entries for
Federal Carbon Charge – Customer Deferral Account
Deferral Account No. 179-XXX**

The purpose of the Federal Carbon Charge – Customer Deferral Account is to record the variance between actual federal customer carbon levy and actual federal customer levy 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.

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
Federal Carbon Charge – Customer Deferral Account

Credit - Account No. 579
Miscellaneous Operating Revenue

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

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 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.

EGD RATE ZONE

**Accounting Entries for
Federal Carbon Charge – Facility Deferral Account
Deferral Account No. 179-XXX**

The purpose of the Federal Carbon Charge – Facility Deferral Account 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.

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
Federal Carbon Charge – Facility Deferral Account

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.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit E / p. 6

Preamble: Enbridge Gas states that the administration costs incurred in 2019 will recorded in the proposed GGEADA and disposed of as part of a future proceeding.

Question:

- a) Please explain which future proceeding Enbridge Gas intends to seek disposition of these costs.
-

Response

- a) Enbridge Gas will apply to dispose of the 2019 balances in its proposed Greenhouse Gas Emissions Administration Deferral Account, Federal Carbon Charge – Customer Deferral Accounts (EGD and Union rate zones) and Federal Carbon Charge – Facility Deferral Accounts (EGD and Union rate zones) at the earliest opportunity following the issuance of a Decision and Order from the OEB on Enbridge Gas's 2019 Federal Carbon Pricing Program application.

Depending upon the timing of a Decision and Order from the OEB in this proceeding, Enbridge Gas may choose to apply to dispose of these balances:

- i) as part of a stand-alone Federal Carbon Pricing Program Deferral Account Clearance application;
- ii) as part of a future Federal Carbon Pricing Program-related application; or
- iii) as part of its 2019 Disposition of Deferral Account Balances and 2019 Utility Earnings application.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Board Staff (STAFF)

Reference: Exhibit A / p. 8 and Exhibit E / p. 6

Preamble: Enbridge Gas indicates that it proposes to present the Federal Carbon Charge for applicable customers as a separate line item on customers' bills.

Enbridge Gas also indicates that it proposes to include the Facility Carbon Charge as part of the delivery charge on customers' bills.

Question:

- a) Please explain whether there are any issues (such as costs, IT concerns) with including the Federal Carbon Charge and Facility Carbon Charge together as a single line item on customers' bills.

Response

Enbridge Gas has developed billing system applications for the Enbridge Gas Distribution ("EGD") rate zone and the Union Gas ("Union") rate zones that present the charges associated with the Federal Carbon Pricing Program ("FCPP") as identified in Exhibit A and Exhibit E.

While it is possible to display the Federal Carbon Charge and Facility Carbon Charge as a single line item on customers' bills, additional IT development and testing would be required to modify bill presentment. Enbridge Gas expects that such modifications would require additional time and costs.

In addition, there are several other considerations that support the proposed bill presentation of the Federal Carbon Charge and the Facility Carbon Charge, including:

- Customers can independently verify the Federal Carbon Charge rate of 3.91 cents/m³ as stipulated in the Greenhouse Gas Pollution Pricing Act ("GGPPA") and applied to their billed volumes when the Federal Carbon Charge is presented as a single line item, as proposed.¹ However, blending the Federal Carbon Charge and Facility Carbon Charge together as a single line item, as suggested, would make it difficult for customers to independently verify their rate.

¹ Customers are able to verify the Federal Carbon Charge rate with federal government sources including the Department of Finance's website at: https://www.fin.gc.ca/n18/data/18-097_1-eng.asp.

- The Facility Carbon Charge is specific to costs incurred to deliver and transport natural gas, and including the Facility Carbon Charge in delivery and transportation charges, as proposed, is consistent with the nature of other costs included in delivery and transportation charges.
- Presenting customers with only the Federal Carbon Charge as a separate line item on their bills provides them with a clear line of sight to the charge they can most directly influence – specifically, the charge for their volumetric gas use. This is consistent with the GGPPA, which uses greenhouse gas emissions pricing as an incentive for behavioural change.² Combining the Federal Carbon Charge and the Facility Carbon Charge as a single line item obscures this incentive.

Therefore, Enbridge Gas supports the presentation of customer rates (Federal Carbon Charge) and facility rates (Facility Carbon Charge) on customer bills and rate schedules for the EGD rate zone and Union rate zones as proposed in its 2019 Federal Carbon Pricing Program application.

² GGPPA, Preamble.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

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 tCO₂e, 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.

Question:

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 ktCO₂e) 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 ktCO₂e in a given year) and the customer does not actually qualify for OBPS for that year.

Response

- 1) Enbridge Gas will apply billing system functionality that was originally implemented to facilitate Cap and Trade charges to track customer accounts that are exempt from the Federal Carbon Charge. As discussed at Exhibit B, p. 3, Enbridge Gas has created a declaration form that its customers are required to complete in order to be exempted from the Federal Carbon Charge. Once a customer's completed declaration form, CRA-issued exemption certificate and registration confirmation letter have been provided, Enbridge Gas will update its billing systems accordingly to reflect exemption from the Federal Carbon Charge for applicable accounts.
- 2) Confirmed, as discussed in the response at part 1, Enbridge Gas will not apply the Federal Carbon Charge to a customer's bill if they have provided their declaration form, CRA-issued exemption certificate and registration confirmation letter.

As discussed at Exhibit E, pp. 3 to 4, all customers in each rate class will be responsible for the Facility Carbon Charge costs, regardless of whether the customer is exempt from the Federal Carbon Charge. Enbridge Gas has proposed to add the Facility Carbon Charge to the current approved delivery or transportation charges on customers' bills.

- 3)
 - a) Enbridge Gas understands that its customers may not retroactively apply for inclusion in the Output-Based Pricing System ("OBPS") and that the date of enrollment in the OBPS will be the date that Environment and Climate Change Canada ("ECCC") issues a "Covered Facility" certificate to the customer. As discussed at Exhibit A, p. 5, Enbridge Gas' customers can use the Covered Facility certificate from ECCC to apply to CRA for exemption from the Federal Carbon Charge. As discussed in the response at part 1, once customers provide their completed declaration form, CRA-issued exemption certificate and registration confirmation letter to Enbridge Gas, Enbridge Gas will update its billing systems accordingly to reflect exemption from the Federal Carbon Charge for applicable accounts effective as of the date of the CRA-issued registration confirmation letter. In extenuating circumstances where a retro-active billing adjustment is required, Enbridge Gas is committed to working with customers to reflect the date of registration provided on the CRA-issued registration confirmation letter. Please also see the response at Exhibit I.STAFF.7.
 - b) Enbridge Gas will not make any assumptions regarding its customers' qualifications for the OBPS. As discussed in the responses at part 1 and part 3 a), Enbridge Gas's customers are required to provide their completed

declaration form, CRA-issued exemption certificate and registration confirmation letter to Enbridge Gas in order to be exempted from the Federal Carbon Charge.

Similarly, Enbridge Gas understands that an application to ECCC is required in order to cancel a customer's "Covered Facility" designation under the OBPS. The policy states that if the application to have the designation cancelled is granted, "it will generally take effect at the end of the compliance period in which the application is made".¹ If a customer receives approval to cancel its designation under the OBPS, they would be required, as stated on Enbridge Gas's declaration form, to notify Enbridge Gas of any changes to the information that they had initially provided. Upon receipt of such notification, Enbridge Gas will process the change within its billing systems effective at the start of the next compliance period.

¹ ECCC Voluntary Participation Policy for Output-Based Pricing System, p. 4;
<https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/voluntary-participation-policy.html>.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

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 ktCO₂e (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 ktCO₂e and 50 ktCO₂e 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.

Response

Please see the response at Exhibit I.APPrO.3.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

Reference: Exhibit B,

Preamble: Enbridge Gas states that its total 2019 Customer Volume forecast subject to the Federal Carbon Charge is 9,182,794 10^3m^3 . 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.

Response

Confirmed. Customers will be charged the 2019 Federal Carbon Charge unit rate of 3.91 cents/ m^3 based on actual volumes consumed.¹ The Federal Carbon Charge unit rate of 3.91 cents/ m^3 is prescribed by the Federal Carbon Pricing Program ("FCPP") for 2019 and is not affected by the level of actual volume consumed by customers.

As stated at Exhibit B, p. 2, Enbridge Gas has provided a 2019 volume forecast "for informational purposes only" in order to indicate Enbridge Gas's total forecasted cost related to the FCPP in 2019. Enbridge Gas's Customer Volume forecast was used to derive the Facility Carbon Charge unit rates, as shown in Table 1 of Exhibit E. The Facility Carbon Charge is subject to deferral account treatment and will be trued up based on the difference between the total Facility Carbon Charges collected from customers and actual Facility Carbon Charge costs. Enbridge Gas will seek to dispose of the 2019 facility-related deferral account balances for the EGD rate zone and Union rate zones in a future proceeding.

¹ 2019-2022 Federal Carbon Charge Rates for Marketable Natural Gas as set out within the GGPPA (Schedules 2 and 4) are summarized at Exhibit A, p. 4, Table 1.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

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.

Response

Not confirmed. Enbridge Gas is not proposing a disposition methodology as part of this proceeding. Enbridge Gas will propose a disposition methodology as part of any future application for disposition of the 2019 balances in its proposed administration-related and Federal Carbon Charge-related deferral accounts for the EGD rate zone and Union rate zones. Please see the response at Exhibit I.STAFF.13, for additional detail regarding disposition of these balances.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Association of Power Producers of Ontario (APPrO)

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/m³, which is a change from the 2018 existing heat content of 38.42 MJ/m³. 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?

Response

Enbridge Gas prepares the customer and facility volume forecasts in cubic meters (m³), and therefore did not consider the heat content (heating value) of natural gas in the preparation of the Customer Volumes, Company Use Volumes or Output-Based Pricing System ("OBPS") Volumes. As discussed in the response at Exhibit I.APPrO.3, the Federal Carbon Charge unit rate is not affected by the customer volume forecast.

As noted at Exhibit B, Tab 1, Schedule 3, Table 2 and Exhibit B, Tab 2, Schedule 3, Table 2, the actual heating value of natural gas is applied when calculating the OBPS obligation. While different heat content values have been used in the calculation of the emissions under the OBPS than those applicable to Enbridge Gas's 2019 Rates application, Enbridge Gas does not expect that this will have a material impact on either the amount of emissions or the Facility Carbon Charge rate in 2019. Any variances due to a change in the OBPS obligation from forecast, including variances due to a change in heating value, will be recorded in the Federal Carbon Charge - Facility Deferral Accounts for the EGD rate zone and Union rate zones, and will be disposed of in a future proceeding.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Consumers Council of Canada (CCC)

Reference: Ex. A/p. 6

Question:

In the evidence that was updated on January 11, 2019, EGI provided a list of the key aspects of the GGPPA that currently remain outstanding. Please update that list and set out all outstanding issues as of April 2019.

Response

The list of outstanding aspects of the Greenhouse Gas Pollution Pricing Act ("GGPPA") included at Exhibit A, p. 6, remains materially unchanged as of April 29, 2019. Please see the response at Exhibit I.LPMA.1 for pending updates to the GGPPA.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Consumers Council of Canada (CCC)

Reference: Ex. A/p. 9, B/T1/S1, B/T2/S1

Question:

EGI had proposed to begin collecting the Federal Carbon Charge on April 1, 2019 on an interim basis. Given the OEB's denial of that request, will EGI seek recovery of the amounts not collected as of April 1, 2019 at a later date, or are the revenues associated with these charges now foregone? Is EGI required to remit the amounts even if they are not collected? Please provide the estimated monthly costs for each rate zone assuming the OEB had approved the interim charges (the 2019 costs for April to December have been provided).

Response

Enbridge Gas will seek recovery in a future proceeding of the amounts not collected as of April 1, 2019, which will be recorded in the customer-related and facility-related deferral accounts approved on an interim basis by the OEB.¹ Please see the responses at Exhibit I.STAFF.13 and at Exhibit I.LPMA.3 for additional detail regarding the timing of recovery and estimated monthly costs for each of the EGD rate zone and Union rate zones from April 1, 2019 to June 30, 2019.

Yes, Enbridge Gas is required to meet its legal obligations as a "distributor" under Part 1 of the Greenhouse Gas Pollution Pricing Act ("GGPPA"), including:²

- i) reporting the volumes of marketable natural gas delivered to its customers (Customer Volumes);
- ii) reporting the volumes of natural gas required for Enbridge Gas to operate its facilities (Company Use Volumes); and
- iii) remitting the associated Federal Carbon Charges and Facility Carbon Charges to the government of Canada as appropriate.

Please see the response at Exhibit I.STAFF.3 for detail regarding Enbridge Gas's requirements under Part 2 of the GGPPA.

¹ EB-2018-0205 Interim Decision and Accounting Order (December 14, 2018); EB-2018-0205 Interim Decision and Accounting Orders (February 28, 2019).

² Exhibit A, pp. 8-9.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Consumers Council of Canada (CCC)

Reference: Ex. A/pp. 13-14

Question:

EGI has provided a communication plan regarding the Federal Carbon Charge. Please explain to what extent EGI has, to date, informed its customers of its requirement to impose the Federal Carbon Charge on bills. What is the proposed timing of the plan assuming the OEB approves the Federal Carbon Charge as proposed? Has EGI consulted with its customers regarding communication plans related to the implementation of the Federal Carbon Charge? If not, why not?

Response

Enbridge Gas is committed to helping its customers understand the impacts of the Federal Carbon Pricing Program (“FCPP”) on their natural gas bills. Enbridge Gas has revised the timing of some planned communication tactics in the Communication Plan included with Enbridge Gas’s 2019 Federal Carbon Pricing Program application (the “Application”).¹ FCPP-related bill messaging has been developed and will be communicated via bill inserts, on-bill messages, and a social media campaign. The timing of these communications is dependent upon the issuance of a Decision and Order by the OEB on Enbridge Gas’s Application and is expected to coincide with the inclusion of proposed rates on customer bills.

As discussed its Application,² Enbridge Gas included proposed updates to its Conditions of Service for the EGD rate zone and Union rate zones effective April 1, 2019.³ As the OEB denied Enbridge Gas’s request for interim approval of rates,⁴ Enbridge Gas has delayed the implementation of these updated Conditions of Service until the OEB has issued its final Decision and Order on the Application.

To date, Enbridge Gas has completed the following communications, organized by target audience:

¹ Exhibit A, Appendix C, p. 2.

² Exhibit A, p. 13.

³ Exhibit A, Appendix D; Exhibit A, Appendix E.

⁴ Interim Decision and Accounting Orders (February 28, 2019), pp. 4-5.

Mass-Market Customers

Enbridge Gas has used the following communication tactics to provide FCPP-related information to its residential and small business customers:

Website

New webpages were launched in November 2018 on the EGD and Union websites to inform customers of:

- i) the FCPP and the proposed Federal Carbon Charge that was to come into effect as of April 1, 2019; and
- ii) how to mitigate their greenhouse gas emissions and the resulting bill impacts of doing so.

Enbridge Gas continues to maintain these webpages in 2019 and they are regularly updated to ensure that they reflect the most current information available. In March 2019, the webpages were updated to inform customers that the Federal Carbon Charge will not appear on bills until further direction is received from the OEB. The update also clarified that Enbridge Gas is required to track the costs related to the Federal Carbon Charge starting April 1, 2019, and will seek to recover these costs from customers at a later date. Enbridge Gas will continue to update the webpages to reflect updates on the FCPP and the OEB's review of Enbridge Gas's Application.

Call Centres

Enbridge Gas regularly provides key messages to its call centres and the Ombudsman's office to ensure agents are well-prepared for customer inquiries related to the FCPP and Enbridge Gas's Application. To date, call centre inquiries related to the FCPP have been minimal.

Contract Customer Market

To date, Enbridge Gas has used the following communication tactics to provide FCPP-related information to its large business customers:

Customer Meetings

Enbridge Gas presented an overview of the FCPP to energy marketers and EGD large volume customers in November 2019. Enbridge Gas intends to present an update on the program at the 2019 large volume customer meeting in May 2019.

Large Business Webpage

In March 2019, a large business webpage was added to each of the EGD and Union websites to provide these customers with information on:

- i) registration under the Output-Based Pricing System (“OBPS”);
- ii) partial relief for eligible greenhouse operators; and
- iii) Enbridge Gas’s facility declaration process to ensure customers submit the required exemption documentation to Enbridge Gas.

Enbridge Gas will continue to update its legacy webpages to coincide with updates on the FCPP and the OEB’s review of Enbridge Gas’s Application.

Newsletters

Enbridge Gas has used newsletters to provide large business customers and energy marketers with current information pertaining to the FCPP on three occasions in the Union rate zones (October 2018, December 2018 and March 2019).

One-on-One Support from Account Executives

Enbridge Gas account executives regularly engage customers to share information related to the FCPP and Enbridge Gas’s Application and are prepared to respond to inquiries as they arise.

Targeted Emails

Enbridge Gas has issued approximately eight targeted emails to various large business audiences, including large commercial and industrial customers, greenhouse operators, gas-fired power generators, and energy marketers. The themes communicated via these emails include:

- OBPS registration details;
- greenhouse operator exemption details;
- Enbridge Gas’s facility declaration process (exemption documentation requirements);
- the Federal Carbon Charge will not appear on bills until further direction is received from the OEB; and
- Enbridge Gas is required to track the costs related to the Federal Carbon Charge starting April 1, 2019 and will seek to recover these costs from customers at a later date.

Enbridge Gas is leveraging established, cost-effective communication tactics to ensure that FCPP-related information is communicated to its customers in a timely manner.

Enbridge Gas has received anecdotal feedback from customers in response to its targeted email communications regarding the implementation of the FCPP. Generally, customers have been appreciative of the information and clarity provided.

Enbridge Gas regularly reviews customer feedback received through the following channels to ensure it is providing the most current and relevant information to its customers:

- calls to the residential and business customer call centres;
- calls to the Ombudsman's office;
- social media;
- media monitoring;
- external presentations and related questions and feedback; and
- large volume account executive interactions with customers.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Consumers Council of Canada (CCC)

Reference: Ex. A/Appendices A and B

Question:

What approval is EGI seeking from the OEB, through this application regarding bill presentment? Does EGI have the ability to provide a more detailed explanation of the Federal Carbon Charge on the bills? If not, why not? Does EGI believe simply providing a line item entitled “Federal Carbon Charge” is sufficient in terms of making its customers aware of the nature of the charge? Has EGI consulted with its customers regarding bill presentment related to the Federal Carbon Charge? If not, why not?

Response

Enbridge Gas is not seeking approval for bill presentment. As outlined at Exhibit E, Enbridge Gas proposes to present the Federal Carbon Charge as a separate line item on customer bills.

Enbridge Gas’s description of the Federal Carbon Charge line item on customer bills is limited to 30 characters. However, in order to ensure customers are aware of the nature of the Federal Carbon Charge and the Facility Carbon Charge, Enbridge Gas planned additional communication tactics, which are described in the Communication Plan included with Enbridge Gas’s Application and pre-filed evidence (e.g. dedicated informational web-pages, bill inserts, on-bill messages, and a social media campaign).¹ Please see the responses at Exhibit I.STAFF.8 and Exhibit I.CCC.3 for additional detail regarding Enbridge Gas’s Communication Plan and customer communications issued to date.

Enbridge Gas believes that its proposed line item description on bills, in conjunction with these additional communication tactics, provides adequate transparency and facilitates adequate customer awareness of the nature of the Federal Carbon Charge and the Facility Carbon Charge.

Enbridge Gas drew upon the information it acquired from the Cap and Trade Framework and Compliance Plan proceedings to inform its strategy regarding bill

¹ Exhibit A, Appendix C, p. 2.

presentment for the Federal Carbon Charge. For example, in 2016, a focus group study was conducted related to the Ontario Cap and Trade Program, which stated: ²

Respondents were nearly unanimous that whatever additional cost consumers have to bear as a result of the cap and trade program should be transparent to the consumer and that additional charges for cap and trade should be specifically referenced on natural gas bills.

Further, Enbridge Gas also notes that during consultations on the development of the OEB's Cap and Trade Framework, intervenors representing large commercial and industrial gas users were also supportive of a separate line item.³

Given these consultations, Enbridge Gas believes that further customer consultations on this issue are not necessary.

² EB-2017-0255 Exhibit B.Energy Probe.11; EB-2015-0363 Natural Gas Consumer Reaction to Ontario Government Reported Cap and Trade Plan (June 21, 2016), p. 5.

³ EB-2015-0363 Report of the Board: Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities (September 26, 2016), p. 34.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Canadian Manufacturers & Exporters (CME)

Reference: Exhibit B, Tab 2, Schedule 4; Exhibit A, page 10 of 14.

Preamble: At Exhibit A, page 10, EGI states that “The initial proposed OBS for the transmission of marketable natural gas is 80% of production-weighted national average emissions intensity.”

At Exhibit B, Tab 2, Schedule 4, EGI indicates that its 2019 forecast compressor emissions is 306,679 tCO₂e. The facilities limit provided is 207,796 tCO₂e, resulting in an overage of 98,882 tCO₂e.

Question:

- a) Please further explain the calculation of the OBS for the transmissions of marketable natural gas, and include an example.
- b) Please describe what efforts EGI (or its two predecessor companies) has undertaken to make its compressor operations more fuel efficient.

Response

- a) As discussed in Exhibit B, Appendix A, the Output-Based Standard (“OBS”) for transmitting processed natural gas has been developed by Environment and Climate Change Canada (“ECCC”) based on national data provided by companies in the natural gas transmission and storage sector. The OBS was determined by ECCC by calculating the average emissions intensity for the sector, and then multiplying the average by 80%. An example calculation is shown below, using Union rate zones data for 2016-2017 for illustrative purposes only (national data is not publically available).

$$\begin{aligned}\text{Emissions Intensity} &= \frac{\sum \text{Compressor Station Emission}}{\sum (\text{Rated Brake Power}_n \times \text{Load}_n \times \text{Runtime}_n)} \\ &= 306,679 \text{ tCO}_2\text{e}^1 \div 495,534 \text{ MWh}^2 \\ &= 0.620 \text{ tCO}_2\text{e/MWh}^3\end{aligned}$$

¹ Exhibit B, Tab 2, Schedule 4, Col. 1, Line No. 1.

² Exhibit B, Tab 2, Schedule 4, Col. 3, Line No. 1.

³ Exhibit B, Tab 2, Schedule 4, Col. 2, Line No. 1.

Below is a description of the inputs:

- Compressor Station Emissions: Stationary combustion and flaring emissions from compressor stations, expressed in tCO₂e.
- Rated Brake Power: Mechanical output of the engine, expressed in MW.
- Load: Actual annual average percent load of driver. If load is unavailable, the result of $\text{rpm}_{\text{avg}}/\text{rpm}_{\text{max}}$, where,
 - rpm_{avg} : Actual annual average speed during operation of driver, expressed in rpm.
 - rpm_{max} : Maximum rated speed of driver, expressed in rpm.
- Runtime: Number of annual operating hours, expressed in hours.
- n: Number of drivers operated.

- b) In 2017, the Company established the Facility GHG Emission Reduction Program (“FGERP”). The purpose of the FGERP was to support the identification, assessment, and implementation of cost-effective emission reduction opportunities. Enbridge Gas continues to explore opportunities identified through this program, including a pilot project to implement online monitoring of Enbridge Gas’s transmission stations. Through online monitoring, engine use at transmission stations can be optimized to reduce fuel consumption and GHG emissions. Moving forward, Enbridge Gas will continue to expand the FGERP database by identifying and tracking emission reduction opportunities, and expanding this initiative to include additional facilities.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe (EP)

Reference: Letter from the Minister of Energy to the Chair of the OEB of February 20, 2019

Preamble: In the letter the Minister of Energy expressed the Ontario government's objective for transparency on natural gas bills regarding the federal government's carbon tax.

Question:

- a) Does Enbridge support the government's objective for transparency on natural gas bills?
- b) Please explain how Enbridge Gas is proposing to meet the government's objective for transparency on natural gas bills, including the transparency on the natural gas bills of the clearing of the proposed deferral and variance accounts.

Response

- a) Enbridge Gas supports the objective for transparency on natural gas bills regarding the federal government's Federal Carbon Pricing Program ("FCPP").
- b) Enbridge Gas is proposing to meet the government's objective for transparency on natural gas bills regarding the federal government's FCPP through the following means:
 - i) addition of the Federal Carbon Charge as a separate line item on natural gas bills;
 - ii) communication of the FCPP as discussed in the Communications Plan, as filed at Exhibit A, Appendix C;
 - iii) addition of the Federal Carbon Charge in the Conditions of Service, as filed at Exhibit A, Appendices D and E; and
 - iv) addition of the Federal Carbon Charge and Facility Carbon Charge to rate schedules for the EGD rate zone and Union rate zones.

Enbridge Gas is not applying to dispose of the 2019 balances in its proposed administration-related and Federal Carbon Charge-related deferral accounts for the EGD rate zone and Union rate zones as part of this proceeding but expects to

propose a similar level of transparency as part of its application for disposition of these balances in a future proceeding.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe (EP)

Reference: Exhibit A, Page 4, Table 1

Question:

- a) Does \$/tCO₂e depend on the heating value of natural gas?
- b) If the answer to (a) is yes, please compare the heating value of the natural gas underpinning the numbers in Table 1 to the range of heating values of natural gas, including RNG, on the Enbridge Gas system and discuss the impact of heating value differences on \$/tCO₂e. If the answer to (a) is no, please explain why not.

Response

- a) As discussed at Exhibit A, Enbridge Gas obtained the values for the carbon price for marketable natural gas, both in \$/tCO₂e and in ¢/m³, directly from the Greenhouse Gas Pollution Pricing Act ("GGPPA").¹

The specific methodology and conversion factors used by the federal Department of Finance to perform the conversion are not publicly available. In general, to perform such a conversion, either a factor for tCO₂e/m³, or alternatively a factor for tCO₂e/GJ along with a heating value in GJ/10³ m³, may be used.

- b) As discussed in the response at part a), Enbridge Gas is unable to complete the comparison requested without specific knowledge of the methodology or conversion factors used by the federal Department of Finance.

¹ Greenhouse Gas Pollution Pricing Act, Schedules 2 and 4. These values are also available on the Department of Finance's website at: https://www.fin.gc.ca/n18/data/18-097_1-eng.asp.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe (EP)

Reference: Exhibit A, Page 5

Preamble: “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.”

Question:

- a) How many exemption certificates has Enbridge Gas received from its customers for each of its rate zones and what is the annual quantity of gas that they represent?
- b) When does Enbridge expect to have all of the 2019 exemption certificates from its customers?

Response

- a) As of April 17, 2019, Enbridge Gas has received a total of 430 exemption certificates from emitters, downstream distributors, users and greenhouse operators.¹ The number of exemption certificates received and associated forecast annual consumption volumes exempt from the Federal Carbon Pricing Program (“FCPP”) are detailed in Table 1.

¹ Users are defined as customers who use natural gas as a process input.

Table 1

Rate Zone	Registration Type	Number of Exemption Certificates Received	Forecast Exempted Annual Consumption Volumes (m ³) ²
EGD	Emitters	18	1,029,558,785
	Distributors	0	0
	Users	2	71,714,406
	Greenhouse Operators ³	103	63,950,021
Union	Emitters	54	4,766,475,948
	Distributors	5	358,739,713
	Users	0	0
	Greenhouse Operators ³	248	460,531,393
Total		430	6,750,970,266

- b) As of April 17, 2019, 21 additional customers have notified Enbridge Gas of their intent to register for an exemption under the Output-Based Pricing System as summarized in Table 2. Enbridge Gas cannot comment on when these remaining customers will complete the requirements set out by Enbridge Gas (completion of a declaration form, CRA-issued exemption certificate and registration confirmation letter) to exempt them from the Federal Carbon Charge.

Table 2

Rate Zone	Number of Additional Exemption Certificates Expected	Forecast Exempted Annual Consumption Volumes (m ³) ²
EGD	11	297,910,293
Union	10	144,001,263
Total	21	441,911,556

² Based on actual 2018 annual consumption volumes.

³ Forecast annual consumption volumes for greenhouse operators in Table 1 reflect partial relief (80%) allowed under the Draft Regulations Amending the Fuel Charge Regulations as detailed at: <https://www.fin.gc.ca/drleg-apl/2019/fuel-charge-reg-redevance-combustibles-l-eng.asp>.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe (EP)

Reference: Exhibit A, Page 7

Preamble: “As a natural gas utility in Ontario, which is a “listed province” in the GGPPA, Enbridge Gas is required to register under Part 1 of the GGPPA with the CRA (Minister of National Revenue) as a “distributor” for volumes of natural gas delivered to its customers. Further, Enbridge Gas is required to register under the GGPPA as an “emitter” since its transmission and storage compressor stations are “covered facilities” under Part 2 of the GGPPA.”

Question:

- a) Has Enbridge Gas registered as a distributor and emitter?
- b) If the answer to (a) is yes, please file the registration documents. If the answer to (a) is no, when will Enbridge Gas register?

Response

- a) Yes, Enbridge Gas has registered as both a distributor and emitter.
- b) Please see Attachments 1 and 2.



Fuel Charge Exemption Certificate

under section 36 of the Greenhouse Gas Pollution Pricing Act

Use this form as an exemption certificate in accordance with section 36 of the Greenhouse Gas Pollution Pricing Act.

1. Business information

Legal name: Enbridge Gas Inc.

Business number: 1 0 5 2 0 5 1 4 0 C T 0 0 0 2

2. Registration type

Tick the appropriate box to indicate your registration type. Tick only **one** box.

Registered distributor ☐

Registered emitter ☒

Registered user of fuel ☐

Registered specified air carrier ☐

Registered specified marine carrier ☐

Registered specified rail carrier ☐

3. Certification

As an authorized person, I certify that the information given on this form is correct and complete. I understand that it is a serious offence to make a false statement.

<u>Malini Giridhar</u>		<u>Vice President, Business Development and Regulatory</u>	
Name (print)		Title	
<u>416-495-5255</u>		<u>Malini Giridhar</u>	<u>20190401</u>
Telephone number	Extension	Signature	Year Month Day

Personal information is collected under the Greenhouse Gas Pollution Pricing Act to administer the fuel charge. It may also be used for any purpose related to the enforcement of the Act such as audit, compliance and collection activities. It may be shared or verified with other federal, provincial, territorial or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the Privacy Act, individuals have the right to access, or request correction of, their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 062 at canada.ca/cra-info-source.

Did you know?

False declaration

If a particular person delivers fuel in a listed province to another person at a particular time, if an exemption certificate applies in respect of the delivery in accordance with subsection 36(1) and if the declaration referred to in paragraph 36(1)(b) is, at the particular time, false, the following rules apply:

- the other person must pay to the Receiver General for Canada a charge in respect of the fuel and the listed province in the amount determined under section 40;
- the other person is liable to pay, in addition to any other penalty under Part 1, a penalty equal to 25% of the amount of the charge under paragraph (a) payable in respect of the fuel; and
- if the particular person knows, or ought to have known, that the declaration is, at the particular time, false, the particular person and the other person are jointly and severally, or solidarily, liable for the payment of the charge in respect of the fuel and the listed province under paragraph (a), the penalty under paragraph (b) and any related interest and penalties.

What to do now

- Give the original certificate to your supplier.
- Keep a copy of this certificate with your records.
- Do not send this certificate to the Canada Revenue Agency.



Fuel Charge Exemption Certificate

under section 36 of the Greenhouse Gas Pollution Pricing Act

Use this form as an exemption certificate in accordance with section 36 of the Greenhouse Gas Pollution Pricing Act.

1. Business information

Legal name:

Enbridge Gas Inc.

Business number:

1 0 5 2 0 5 1 4 0 C T 0 0 0 1

2. Registration type

Tick the appropriate box to indicate your registration type. Tick only **one** box.

Registered distributor

☒

Registered emitter

☐

Registered user of fuel

☐

Registered specified air carrier

☐

Registered specified marine carrier

☐

Registered specified rail carrier

☐

3. Certification

As an authorized person, I certify that the information given on this form is correct and complete. I understand that it is a serious offence to make a false statement.

Malini Giridhar

Name (print)

Vice President, Business Development and Regulatory

Title

416-495-5255

Telephone number

Extension

Malini Giridhar

Signature

2019 03 08

Year Month Day

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- the other person must pay to the Receiver General for Canada a charge in respect of the fuel and the listed province in the amount determined under section 40;
- the other person is liable to pay, in addition to any other penalty under Part 1, a penalty equal to 25% of the amount of the charge under paragraph (a) payable in respect of the fuel; and
- if the particular person knows, or ought to have known, that the declaration is, at the particular time, false, the particular person and the other person are jointly and severally, or solidarily, liable for the payment of the charge in respect of the fuel and the listed province under paragraph (a), the penalty under paragraph (b) and any related interest and penalties.

What to do now

- Give the original certificate to your supplier.
- Keep a copy of this certificate with your records.
- Do not send this certificate to the Canada Revenue Agency.

ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe (EP)

Reference: Exhibit B, Tab 1, Schedule 1; Exhibit B Tab 2, Schedule 1

Question:

Please explain how the forecasts of OBPS Participant & Other Exempt volumes for EGD and Union rate zones shown in Co.2 of the two tables were estimated.

Response

Enbridge Gas used its customer list from the Cap and Trade program as a starting point to identify customers that could be covered under the Output-Based Pricing System ("OBPS"). Adjustments to this list were subsequently made to account for differences between Cap and Trade and the Federal Carbon Pricing Program ("FCPP"), namely, adding power generation customers (as they qualify for the OBPS) and removing municipalities, universities, schools and hospitals (as they do not qualify for the OBPS). Wherever possible Enbridge Gas used updated 2019 forecast customer volumes, where 2019 forecast volumes were not available Enbridge Gas relied upon actual 2017 customer volumes.

As stated in Exhibit A, Enbridge Gas assumed that customers that emit greater than 10 ktCO₂e (the threshold limit for voluntary registration as EITE sector entities) but less than 50 ktCO₂e and that undertake an activity for which an OBS applies would opt-in to the OBPS in 2019.¹

¹ Exhibit A, p. 13.

ENBRIDGE GAS INC.
Answer to Interrogatory from
London Property Management Association (LPMA)

Reference: Ref: Exhibit A, page 6

Question:

Has there been any change in the key aspects of the GGPPA that remain outstanding?
If yes, please provide details.

Response

As of April 29, 2019, the list of outstanding aspects of the Greenhouse Gas Pollution Pricing Act ("GGPPA") included at Exhibit A, p. 6, remains materially unchanged. However, Enbridge Gas is aware of two pending updates to the GGPPA:

1) March 2019 Draft Regulations Amending the Fuel Charge Regulations¹

These draft regulations under the GGPPA include updates for the fuel charge applicable to greenhouse operators, updates to registration and reporting requirements for greenhouse operators, and rebates for fuel exported by non-residents of Canada.

2) Regulatory Proposal for the Output-Based Pricing System Regulations Under the Greenhouse Gas Pollution Pricing Act²

Environment and Climate Change Canada ("ECCC") developed and published a proposal for regulations to implement the Output-Based Pricing System ("OBPS") that will apply to facilities carrying out specified industrial activities. The deadline for stakeholder comments was February 15, 2019. The final OBPS regulation is expected to be published in Spring / Summer of 2019.

¹ Department of Finance: Draft Regulations Amending the Fuel Charge Regulations, <https://www.fin.gc.ca/drleg-apl/2019/fuel-charge-reg-redevance-combustibles-eng.asp>.

² Environment and Climate Change Canada: Regulatory Proposal, <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system/proposal-regulations.html>.

ENBRIDGE GAS INC.
Answer to Interrogatory from
London Property Management Association (LPMA)

Reference: Exhibit A, page 8

Question:

- a) Will Enbridge Gas's own use include unaccounted for gas? Please explain fully.
 - b) How will the calculation of the monthly volume that has to be reported to CRA be calculated? Will it be based on billed volumes during the month and would this amount be adjusted for unbilled volumes?
 - c) What is the timing with respect to the remittance of the federal carbon charge to the federal government?
-

Response

- a) Enbridge Gas' own use fuel will not include unaccounted for gas ("UAF" or "UFG"), as this is not required under the Greenhouse Gas Pollution Pricing Act ("GGPPA"). Federal carbon charges under Part 1 of the GGPPA are based on billed volumes.
- b) Please see the response at Exhibit I.STAFF.7.
- c) As per Section 69 (1) of the GGPPA, remittance is due to the Canada Revenue Agency no later than the last day of the first month after the reporting period (e.g., payment for natural gas volumes delivered in April is due by May 31).

ENBRIDGE GAS INC.
Answer to Interrogatory from
London Property Management Association (LPMA)

Reference: Exhibit A, page 12

Question:

The OEB did not approve the requested rates on an interim basis for April 1, 2019.

- a) What are the expected balances in each of the customer variance and facility variance accounts for each of the EGD and Union rate zones as of the end of June, 2019?
- b) Is Enbridge proposing how these balances would be recovered (including the time frame over which they would be collected) as part of this proceeding? If yes, please provide details. If no, when does Enbridge propose to file an application to deal with these balances and to begin recovery of the amounts?

Response

- a) Table 1 reflects Enbridge Gas's forecast customer-related deferral account balances at June 30, 2019 based on the estimated 2019 customer obligation of \$359 million and customer-related charge of 3.91 cents/m³ (as outlined in Exhibit B) for each of the EGD rate zone and Union rate zones:

Table 1
Forecast Monthly Customer-Related Deferral Account Balances

(\$ million)	EGD	Union
April	21	17
May	28	13
June	14	10
Total⁽¹⁾	63	40
Note: (1) Total balance as of June 30, 2019		

Table 2 reflects Enbridge Gas's forecasted facility-related deferral account balances at June 30, 2019 based on the estimated 2019 facility obligation of \$2.4 million (as outlined in Exhibit B) for each of the EGD rate zone and the Union rate zones:

Table 2
Forecast Monthly Facility-Related Deferral Account Balances

(\$ 000's)	EGD	Union
April	23	88
May	29	67
June	16	54
Total	68	209
Note: (1) Total balance as of June 30, 2019		

- b) No, Enbridge Gas is not proposing how these balances would be recovered as part of this proceeding. Please see the response at Exhibit I.STAFF.13.

ENBRIDGE GAS INC.
Answer to Interrogatory from
London Property Management Association (LPMA)

Reference: Exhibit A, Appendix C

Question:

- a) Please explain why any costs associated with communications about the company's energy efficiency programs should be included as part of the federal carbon tax communication plan and not in the demand side management communication plans.
- b) Please provide full details about the costs and plans included in the demand side management communication plans and explain fully how the proposed communications to be included in the federal carbon tax communications plan are different.

Response

- a) Enbridge Gas is not seeking to dispose of the administrative costs associated with its 2019 Federal Carbon Pricing Program application (the "Application") as part of this proceeding. As discussed in the response at Exhibit I.STAFF.13, Enbridge Gas will apply to dispose of the final 2019 balance in its proposed GGEADA in a future proceeding.

Enbridge Gas has not included costs related to communication of energy efficiency programs in its Application. Consistent with Enbridge Gas's Cap and Trade program-related communications, Enbridge Gas will leverage planned FCPP-related communications to include information on existing energy efficiency programs, at no increased cost to customers, in order to help customers identify ways of mitigating their energy costs in 2019 and beyond.

- b) The details of Enbridge Gas's OEB-approved 2015-2020 DSM Plans and associated 2019 budgets for the EGD rate zone and Union rate zones are publicly available and not at issue in this proceeding.¹ In its Procedural Order No. 2 the OEB states that "The OEB has determined that the scope of this proceeding will be limited to considering recovery of Enbridge Gas' costs related to the FCPP and the presentation of the carbon charges on customers' natural gas bills."² As stated in the

¹ EB-2015-0029/0049 Decision and Order (January 20, 2016); EB-2015-0029/0049 Revised Decision and Order (February 24, 2016).

² Procedural Order No.2 (April 2, 2019), p.1.

response at part a), Enbridge Gas will inform its customers of energy efficiency programs at no increased cost.

The objective of communications related to Enbridge Gas's Application is three-fold: (i) highlight potential customer cost impacts; (ii) clarify the requirements of Enbridge Gas's customers to ensure compliance; and (iii) inform customers of Enbridge Gas's energy efficiency programs to help customers identify ways of mitigating their energy costs in 2019 and beyond.

ENBRIDGE GAS INC.
Answer to Interrogatory from
London Property Management Association (LPMA)

Reference: Exhibit E, page 6 & Exhibit A, Appendix B

Question:

- a) Please explain why the facility carbon charge is proposed to be embedded in the delivery or transportation charges on customers' bills rather than as part of the overall carbon related charges shown on the customers' bills.
- b) Please confirm that Enbridge will include both the customer and facility carbon rates as separate items in the rate schedules, consistent with how the cap & trade rates were treated. If this cannot be confirmed, please explain any differences.
- c) Please confirm that Enbridge could include the facility carbon charge in the Federal Carbon Charge section of the Union Gas bill shown on page 2 of Exhibit A, Appendix B, rather than including it in the deliver related section of the bill. If this could not be done, please explain fully.

Response

- a) The Facility Carbon Charge is proposed to be embedded in delivery or transportation charges as these charges relate to the provision of delivery or transportation services. Specifically, the charge relates to Enbridge Gas's Company Use Volumes and Output-Based Pricing System ("OBPS") Volumes (compressor fuel volumes), which are both currently recovered in delivery or transportation charges.
- b) Confirmed.
- c) Please see the response at Exhibit I.STAFF.14.