

ONTARIO ENERGY BOARD

EB-2018-0205

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

AND IN THE MATTER OF an application by Enbridge Gas Inc. (“Enbridge”) regarding the 2019 federal carbon pricing program

Submissions of Environmental Defence

Enbridge’s Carbon Pricing Application – 2019

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Elson Advocacy
1062 College Street, Lower Suite
Toronto, Ontario
M4H 1A9

Kent Elson, LSO# 57091I
Tel.: (416) 906-7305
Fax: (416) 763-5435
kent@elsonadvocacy.ca

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“Climate change caused by anthropogenic greenhouse gas emissions is one of the great existential issues of our time.”

The Honourable Chief Justice Richards, Saskatchewan Court of Appeal
Reference re Greenhouse Gas Pollution Pricing Act, 2019 SKCA 40

Summary

On January 11, 2019, Enbridge Gas Inc. (“Enbridge”) filed an updated application for rates to recover carbon pricing costs. Environmental Defence asks that the orders requested by Enbridge be expedited so they can be made effective on July 1, 2019, the beginning of the second half of this year. Carbon pricing will be more efficient and effective the sooner that new rates are implemented. This will send a clearer price signal, result in smoother rates, and avoid additional interim financing costs relating to carbon costs.

Environmental Defence submits that Enbridge’s requested orders and its proposals regarding bill presentment and deferral accounts are reasonable and prudent. Environmental Defence also suggests that Enbridge highlight the climate action incentive payments in its communications as a potential source of funds for customers to invest in energy efficiency initiatives that would reduce energy costs for individual consumers and benefit the system as a whole.

Expedited Decision

Environmental Defence asks that the orders requested by Enbridge be approved in time to be effective by July 1, 2019. This would allow carbon pricing to be in place for the full second half of this year. This would be in the interest of consumers for the following reasons:

1. **Smoother Rates:** Expediting the new rates would benefit consumers by ending the accrual of backlogged customer carbon costs that began on April 1, 2019. This would result a smaller backlog and smoother rates.
2. **More Efficient and Effective:** Expediting the new rates would also benefit consumers by creating more efficient and effective price signals. Price signals are more effective if they are anticipated and clearly communicated. Expediting the new rates will send the most straightforward price signal (i.e. \$0.0391 per cubic metre). The accrued backlog of carbon is more difficult to understand and may send only a weak price signal, if any. Customers will pay the same amount in any event, but the price signal is more effective the sooner that those costs are reflected in rates in a way that can be understood and anticipated.
3. **Decrease Financing Costs:** Enbridge is already required to remit carbon payments to the federal government on a monthly basis. Enbridge is presumably entitled to earn a rate of

return on these amounts. The sooner that these payments are reflected in rates, the less that consumers will pay to finance the accrued carbon cost backlog.

4. **Statutory Compliance:** New rates are necessary to comply with the words and spirit of the the *Greenhouse Gas Pollution Pricing Act* (the “*Act*”). The *Act* attempts to create incentives to reduce carbon usage through carbon pricing.¹ This market-based approach relies on price signals.² Delaying the implementation of those price signals would frustrate the functioning of this binding legislation.³
5. **Market-Based Approach to Climate Change:** In the recent Saskatchewan Court of Appeal decision upholding the constitutionality of *Act*, Chief Justice Richards wrote that climate change is “one of the great existential issues of our time.”⁴ It is in the interests of consumers that a market-based approach to this existential issue be implemented without delay.

Bill Presentment and Communications

Enbridge has proposed draft customer bills and a communication plan relating to carbon pricing but is not seeking any specific orders in this regard.⁵ Environmental Defence submits that Enbridge’s proposals are reasonable. In particular, the proposal would include one line on customer bills reflecting the carbon costs calculated according to the current price (\$0.0391 per cubic metre for 2019). This is the most straightforward and easy to understand approach.

In addition to its proposed communication plans, Environmental Defence suggests that Enbridge highlight the climate action incentive payments as a potential source of funds to invest in energy efficiency. This would increase transparency and accuracy by making customers aware of the incentive payment component of carbon pricing. It also creates an opportunity to promote energy efficiency, which ultimately results in lower energy bills for customers and decreased gas system costs.

Environmental Defence supports Enbridge’s proposal to include facility-based costs in the Delivery charge. This is reasonable and in the best interests of consumers because:

1. The facility-related carbon costs are a tiny fraction of the overall carbon costs (less than 1%). The amount is not material on a bill-by-bill basis.

¹ *Greenhouse Gas Pollution Pricing Act*, S.C. 2018, c. 12, s. 186, preamble (“Whereas behavioural change that leads to increased energy efficiency ... is necessary for effective action against climate change; Whereas the pricing of greenhouse gas emissions ... is an appropriate and efficient way to create incentives for that behavioural change”).

² *Ibid*; *Reference re Greenhouse Gas Pollution Pricing Act*, 2019 SKCA 40 at paras. 81 & 160.

³ *Reference re Greenhouse Gas Pollution Pricing Act*, 2019 SKCA 40 at para. 210.

⁴ *Reference re Greenhouse Gas Pollution Pricing Act*, 2019 SKCA 40, para. 4.

⁵ Exhibit C; Exhibit A, Appendix C; Exhibit I.CCC.4.

2. Grouping the customer and facility costs together could cause confusion as customers would not be able to reconcile the charge on their bill with the current carbon price.
3. The facility-related carbon costs, like the costs incurred by Enbridge to comply with other legislated environmental and health and safety regulations, are part of its on-going business activities and are appropriately reflected in the Delivery charge. Including these costs in the Delivery charge means that these costs are being treated in the same manner as the Board treats all other utility costs of operation. Carbon costs associated with Enbridge's facilities are part of its ongoing cost of providing natural gas service.⁶
4. Including the facility-related carbon costs on bills would require additional time for Enbridge to implement relating to "IT development and testing" as well as additional costs.⁷ This additional time and cost is not warranted.

Deferral Accounts

Enbridge is proposing to seek the disposition of the various deferral accounts in a future proceeding.⁸ This includes the carbon charges accrued from April 1, 2019 to the date of the Board's next order. No specific orders are sought by Enbridge at this time. This is a reasonable approach.

When Enbridge seeks the disposition of those accounts in the future, Environmental Defence recommends that the costs be included in rates over a significant period of time (e.g. 24 months) to provide rate smoothing. Environmental Defence also recommends that the deferred costs be included in the Delivery charge for the same reasons outlined above with respect to the facility-related carbon costs.

Conclusion

Environmental Defence has been cognizant of the following directions from the Board regarding the scope of this proceeding in *Procedural Order 2*:

"In this proceeding, the OEB will not be considering additional measures that Enbridge Gas should undertake to reduce either customer-related or facility-related emissions as an issue for adjudication.

The OEB has other proceedings in which measures promoting energy efficiency and the reduction of greenhouse gases can be considered including:

⁶ See Ontario Energy Board, *Report of the Board Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities*, EB-2015-0363, September 26, 2016, p. 33

⁷ EB-2018-0205, Exhibit I.STAFF.14

⁸ Exhibit I.STAFF.11; Exhibit I.CCC.2.

- An established framework for demand-side management for the period 2015 to 2020 (DSM Framework). Matters related to DSM are considered in separate applications under the DSM Framework.
- The Undertakings Enbridge Gas has made to the provincial government within which the OEB can permit Enbridge Gas to undertake new businesses on a case-by-case basis. Enbridge Gas can bring forward applications for the OEB's consideration for new business activities to support the reduction of greenhouse gases.”

Environmental Defence wishes to address the significant additional savings that could accrue to consumers through incremental energy efficiency initiatives driven by carbon pricing and will seek to do so in other proceedings. This may be the most important issue within the Board's jurisdiction relating to carbon pricing. However, for the purposes of the scope of this specific proceeding, Environmental Defence simply asks that the requested orders be implemented as soon as possible.