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May 27, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
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 -
London Property Management Association Written Submissions**

Please find attached the written submissions of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken

Randy Aiken
Aiken & Associates

cc: All Parties (by e-mail)

ENBRIDGE GAS INC.

2019 Federal Carbon Pricing Program Application

SUBMISSIONS
OF
LONDON PROPERTY MANAGEMENT ASSOCIATION

A. INTRODUCTION

Enbridge Gas Inc. (“Enbridge Gas”) applied to the Ontario Energy Board (“Board”) for approval under section 36(1) of the *Ontario Energy Board Act, 1998* to increase rates to recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (“GGPPA”).

The federal carbon pricing program (“FCPP”), being implemented through the GGPPA, requires Enbridge Gas to remit Federal Carbon Charges to the Government of Canada for the use of natural gas by both Enbridge Gas (Facility Carbon Charge) and its customers (Customer Carbon Charge). Enbridge Gas is seeking recovery from its customers of those carbon charges, as well as the tracking of its administration costs related to the FCPP.

In Procedural Order No. 2 dated April 2, 2019, the Board determined that the scope of the proceeding would be limited to considering the recovery of the Enbridge Gas costs related to the FCPP and the presentation of the carbon charges on customers’ natural gas bills.

Enbridge Gas is not seeking, in this application, approval of its forecast administration costs for the FCPP. Rather, Enbridge Gas is seeking approval of the Greenhouse Gas Emissions Administration Deferral Account to record the administration costs for all rate zones. The Board approved this account on an interim basis (Interim Decision and Accounting Orders, February 28, 2019).

This is the submission of the London Property Management Association (“LPMA”) related to this application.

B. BILL PRESENTATION

On February 20, 2019, the Minister of Energy, Northern Development and Mines wrote to the Chair of the Board and encouraged it to *“have regard to the government’s objective of transparency for natural gas bills in any proceeding related to the implementation of the federal carbon tax, and to ensure that stakeholders have an opportunity to present their views to the OEB on the appearance of this new charge on natural gas bills”*.

In the response found in Exhibit I.EP.1, Enbridge Gas states that it supports the transparency on natural gas bills regarding the federal government’s FCPP and indicated that among other things, it was proposing the addition of the Federal Carbon Charge as a separate line item on natural gas bills.

While this is a significant increase in the level of transparency from the level (or the lack of) that the Board approved for the provincial cap and trade charges, LPMA submits that Enbridge Gas fails to meet a reasonable level of transparency. The distributor is proposing to only show the Customer Carbon Charge as a separate line item on the customer bill, while hiding the Facility Carbon Charge in the delivery or transportation rates.

Enbridge Gas justifies this treatment by stating that 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 (Exhibit I.LPMA.5).

LPMA submits that this justification should be rejected by the Board. All the proposed approach does is hide part of the Federal Carbon Charge from customers.

The Harmonized Sales Tax (“HST”) is levied on all costs shown on a customer bill. Would it be reasonable to hide the HST on delivery or transportation services in those rates rather than as a separate line item? Like the Enbridge Gas proposal, a portion of the HST charges relate to the provision of delivery or transportation services. Similarly, following the Enbridge Gas proposal, why not hide the HST component associated with the cost of gas in the gas commodity charge, rather than in a separate line item?

Would the Board or customers be satisfied with the level of transparency (or lack thereof) if the Board approved a bill where the HST associated with delivery or transportation services was included in those rates and the separate HST line only contained the portion of the HST associated with the gas commodity? Of course not. Yet this is exactly what Enbridge Gas is proposing with respect to the Federal Carbon Tax. Put simply, LPMA

submits that the Federal Carbon Charge is equal to the Customer Carbon Charge plus the Facility Carbon Charge. It is not equal to only the Customer Carbon Charge.

Another justification provided by Enbridge Gas for only including the Customer Carbon Charge in the Federal Carbon Charge line item on the bill is found in the response to Exhibit I.STAFF.14.

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

LPMA submits that the additional time and costs would be minimal, as Enbridge Gas will show the customer and facility carbon rates as separate items in the rate schedules (Exhibit I.LPMA.5). If Enbridge Gas is not able to add two numbers together and show them as one line item on a bill and do so with minimal incremental time and cost, then LPMA would have serious concerns about the ability of the company to properly bill customers.

LPMA also notes that by combining the customer and facility carbon charges into one bill line item, it should be simpler for Enbridge Gas to track the amount of money collected for the Federal Carbon Charge that needs to be remitted to the federal government. Any incremental one-time costs associated with IT development and testing associated with the addition of the two charges into one line item would likely be significantly lower than the ongoing costs associated with the required accounting separation of the facility carbon charges from the delivery or transportation rates in order to track the actual amount recovered.

LPMA notes that Enbridge Gas provides two other reasons in the response to Exhibit I.STAFF.14. LPMA submits that neither of these reasons stands up to scrutiny.

First, Enbridge Gas says that including the facility carbon charge in delivery and transportation charges, as proposed, is consistent with the nature of other costs included in the delivery and transportation charges. This is clearly not true. These costs are the direct result of the FCPP. Other costs included in the delivery and transportation charges include operation and maintenance costs, return on capital, depreciation and income taxes. The FCPP is unlike any of these costs.

If the FCPP is, as Enbridge Gas suggests, consistent with the nature of other costs included in the delivery and transportation charges, then LPMA submits that these

facility carbon charge costs should be treated in a consistent manner with the other costs and that no special treatment, including variance accounts or changes in rates should be given to them. If electricity rates go up, no special treatment is provided to a distributor. If wages go up faster or slower than anticipated, no special treatment is provided to a distributor. Why should this cost, which the distributor says is consistent with the nature of other costs included in the delivery and transportation rates, be treated differently?

Clearly LPMA does not believe that the FCPP costs, including the facility carbon costs, should be treated in a manner consistent with other costs that are recovered through the delivery or transportation rates. The Facility Carbon Charges are part of the total Federal Carbon Charges.

Secondly, Enbridge Gas indicates in Exhibit I.STAFF.14 that presenting customers with only the Federal Carbon Charge (i.e. excluding the Facility 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. Enbridge Gas goes on to explain that this is consistent with the GGPPA which uses greenhouse gas emissions pricing as an incentive for behaviour change. The interrogatory reply then goes on to state that *“Combining the Federal Carbon Charge and the Facility Carbon Charge as a single line item obscures this incentive.”*

One can only hope that Enbridge Gas does not actually believe that showing a higher price and a higher cost of combining the federal and facility carbon charges in place of a lower price and lower cost of only the federal carbon charge somehow obscures the incentive for behaviour change through gas emissions pricing! Traditional economic theory states the opposite – higher prices/costs is an incentive to use less – unless, or course, natural gas is a Giffen good and higher prices incent higher consumption!

In summary, LPMA submits that the Board should direct Enbridge Gas to combine the Customer Carbon Charge with the Facility Customer Charge and show the resulting Federal Carbon Charge as a separate line item on the customer bill. LPMA would also not be opposed to showing both carbon charges on the bill separately.

Combining both customer charges and showing the resulting total on a separate line achieves two government objectives.

First, it coincides with the provincial government’s objective of transparency for natural gas bills. The Enbridge Gas proposal hides a portion of the federal carbon tax in the delivery or transportation rates.

Second, it supports the federal government's GGPPA which uses greenhouse gas emissions pricing as an incentive for behaviour change. Why hide part of the greenhouse gas emissions pricing and reduce the incentive for behaviour change, as proposed by Enbridge Gas?

C. DEFERRAL/VARIANCE ACCOUNTS

In general, LPMA supports the request of Enbridge Gas for the deferral and variance accounts noted in Exhibit A at page 12.

In particular, LPMA supports the final approval of the Greenhouse Gas Emissions Administration Deferral Account ("GGEADA"). However, LPMA submits that this account should track the costs incurred separately for each of the Enbridge Gas Distribution and Union Gas rate zones. LPMA expects that a significant portion of the costs associated with the administration costs will be IT development and testing for the billing systems. Since the former the Enbridge and Union had different billing systems, the costs are not like to be the same and should be tracked separately. There may also be common costs that are incurred and are not based on the rate zones. These costs should be tracked separately as well. Whether the costs should ultimately be allocated to rate zones can be dealt with as part of the approval and disposition of all the FCPP related accounts in a future proceeding.

LPMA notes that in the February 28, 2019 Interim Decision and Accounting Orders, the Board approved the Federal Carbon Charge – Customer Variance Account for the EGD rate zone and the Federal Carbon Charge – Customer Variance Account for the Union rate zone, both effective April 1, 2019 on an interim basis. These accounts were in addition to the above noted GGEADA. LPMA supports the finalization of these two accounts.

On December 14, 2018, the Board approved the establishment of a Federal Carbon Charge – Facility Deferral Account for each of the EGD and Union rate zones on an interim basis. LPMA supports the finalization of these accounts as well, but submits that they should both be renamed as variance accounts to recognize the fact that Enbridge Gas will continue to record these costs in the accounts and also record the revenues associated with the facility carbon charges. This would also be consistent with the Federal Carbon Charge – Customer Variance Accounts noted above.

D. RECOVERY OF INCURRED COSTS

LPMA is concerned that Enbridge Gas is not requesting the recovery of the amounts it expects to incur by the end of the June, 2019 in both of the EGD and Union customer-related and facility-related accounts. As shown in Exhibit I.LPMA.3, the forecasted balance in the customer-related accounts is \$63 million for the EGD rate zone and \$40 million for the Union rate zone. The facility-related account projections are even higher, at \$68 million for the EGD rate zone and \$209 for the Union rate zone.

In total, these accounts are forecast at \$380 million at the end of June. They will be higher in the federal carbon charges are not implemented on July 1, 2019. Even though the Board's current prescribed interest rate of 2.18% is relatively low, the interest still amounts to about \$700,000 per month. LPMA submits that the Board should approve move immediately to deal with the recover of the balances in this account, including approval of an interim recovery. Any delay in the recovery of these amounts could cost ratepayers millions of dollars in unnecessary costs.

E. COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

May 27, 2019

Randy Aiken

Consultant to London Property Management Association