

ONTARIO ENERGY BOARD

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

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

Energy Probe Submission

May 27, 2019

The Scope and the Issues

The scope of the proceeding and the issues to be decided were set out by the OEB in Procedural Order No.2. The Board determined that the scope of this proceeding would 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.

Enbridge Gas has requested approval of the Greenhouse Gas Emissions Administration Deferral Account to record the administration costs for all rate zones. The OEB has approved this account on an interim basis. This OEB in Procedural Order No.2 decided that this proceeding will determine whether final approval will be granted for this account. For the deferral and variance accounts requested by Enbridge the OEB decided to only consider whether they meet the tests set out in the Filing Requirements for Natural Gas Rate Applications, that is: Causation, Materiality and Prudence.

Although there is no approved issues list for this case, the Board's statements in Procedural Order No.2 can be restated as the following four issues.

1. Is the forecast of Enbridge Gas' costs related to the FCPP appropriate?
2. Is the recovery method proposed by Enbridge Gas of its FCPP costs appropriate?
3. Is the presentation of the carbon charges on customers' natural gas bills proposed by Enbridge Gas appropriate?
4. Are the five new deferral accounts proposed by Enbridge Gas appropriate?

Energy Probe's submission addresses each one of these four issues in turn.

Issue 1: Is the forecast of Enbridge Gas' costs related to the FCPP appropriate

Enbridge Gas' costs related to the FCPP consist of three components:

1. incremental program administration costs;
2. Customer-related Federal Carbon Charge costs, which the Enbridge Gas is required to remit under the GGPPA for volumes delivered to its residential, commercial and industrial customers who are not covered under the OBPS; and
3. Facility-related ("Facility Carbon Charge") costs, which the Enbridge Gas is required to pay under the GGPPA arising from its facilities and operation of its gas distribution systems.

Incremental Program Administration Costs

According to the Applicant's evidence the 2019 incremental program administration costs are expected to be \$3.1 million¹. The costs seem reasonable.

Customer Related Federal Carbon Charge Costs

The Applicant's forecast of CFCC is \$359.0 million² consisting of \$225.9 million³ for the EGD rate zone and \$133.1 million⁴ for the Union Gas Rate zone.

Facility Related Carbon Charge Costs

The Company's forecast of its Facility Related Carbon Charge Costs is \$2.3 million consisting of \$0.3 million⁵ for the EGD rate zone and \$2.0 million⁶ for the Union Gas Rate zone.

Issue 2: Is the recovery method proposed by Enbridge Gas of its FCPP costs appropriate?

Enbridge Gas proposes to charge to customers of a Federal Carbon Charge on a volumetric basis, in the amount of the Federal Carbon Charge required to be paid pursuant to the GGPPA; and to recover Facility Carbon Charge costs on a volumetric basis, included in delivery or transportation charges on customers' bills. Beginning April 1, 2019, Enbridge Gas proposes to charge distribution customers the Federal Carbon Charge⁷ of 3.91 cents/m³, which is equivalent to \$20/tCO₂e.

The cost recovery of the Federal Carbon Charge is based on the Customer Volume forecast⁸ of 9,182,794 10 3 m³. This volume excludes customers that are exempt under GGPPA, volumes delivered to other distributors, and 80% of volumes delivered to commercial greenhouses⁹.

The cost recovery of the Facility Carbon Charge is based on the forecast of the Facility Volumes¹⁰ of 167,857 10 3 m³ representing the gas used by Enbridge in its operations.

Energy Probe believes that the volume forecasts and the proposed recovery method are reasonable and appropriate.

¹ Exhibit C, Page 2, Table 1

² Exhibit B, Page 2

³ Exhibit B, Tab 1, Page 2

⁴ Exhibit B, Tab 2, Page 2

⁵ Exhibit B, Tab 1, Page 2

⁶ Exhibit B, Tab 2, Page 2

⁷ Exhibit E, Page 2

⁸ Exhibit B, Page 2

⁹ Exhibit E, Page 2

¹⁰ Exhibit B, Page 3

Issue 3: Is the presentation of the carbon charges on customers' natural gas bills proposed by Enbridge Gas appropriate?

Enbridge Gas proposes to present the Federal Carbon Charge on the monthly volume delivered to the customer on a separate line on the customer's monthly bill.

Enbridge Gas proposes to include the Facility Carbon Charge on the volume used by Enbridge in its operations in the delivery charge, and not to combine it with the Federal Carbon Charge in the bill presentation¹¹.

Energy Probe agrees with the proposal.

If the objective of the GGPPA is to provide customers with an incentive to reduce their use of natural gas, customers need information of the consequences of their own use, not the use of natural gas by Enbridge in its operations. Combining the two charges would provide gas customers with inaccurate information.

Moreover, the cost of combining the two charges on a single line on the bill would increase implementation time and costs and can not be justified by the relatively small \$2.3 million cost estimate of the Facility Carbon Charge¹².

Energy Probe therefore believes that the proposed presentation on customers' bills is appropriate.

Issue 4: Are the five new deferral accounts proposed by Enbridge Gas appropriate?

Enbridge Gas has proposed the following deferral and variance accounts.

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);

Federal Carbon Charge – Customer Variance Account ("FCCCVA") for the EGD rate zone; c. 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 the EGD rate zone

Federal Carbon Charge – Customer Variance Accounts for the Union North and Union South rate zones; 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 Union North and Union South rate zone,

Federal Carbon Charge – Facility Variance Account ("FCCFVA") for the EGD rate zone; to record cost variances between the actual facility carbon costs incurred and the amount collected in rates in EGD rate zone.

¹¹ Exhibit I, EP-1

¹² Exhibit I, Staff-14

Federal Carbon Charge – Facility Variance Accounts for the Union North and Union South rate zones. 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 Union rate zones.

The first of the above accounts, GGEADA, was previously approved by the OEB on an interim basis. Enbridge Gas is requesting its final approval and Energy Probe supports this request.

Energy Probe understands that at this time it is not known with any certainty which customers will be subject to the OBPS so the volumes subject to the Federal Carbon Charge may be different than current forecast of OBPS volumes¹³. Deferral and variance accounts are needed as this will recovery of carbon charges.

Energy Probe believes that the proposed deferral and variance accounts meet OEB's tests of: Causation, Materiality and Prudence ¹⁴

In conclusion, Energy Probe supports the application of Enbridge Gas as filed.

Energy Probe requests that it be allowed to recover its reasonable incurred costs of intervention in this proceeding.

Respectfully submitted, May 27, 2019.

Original signed by,

Tom Ladanyi
Consultant to Energy Probe

¹³ Exhibit I, EP-3 and EP-5

¹⁴ Exhibit I, Staff 11