

May 28, 2019

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Ian A. Mondrow
Direct 416-369-4670
ian.mondrow@gowlingwlg.com

Assistant: Cathy Galler
Direct: 416-369-4570
cathy.galler@gowlingwlg.com

T1016675

Dear Ms. Walli:

Re: EB-2018-0205 – Enbridge Gas Inc. (EG) 2019 Federal Carbon Pricing Program Application.

Industrial Gas Users Association (IGUA) Written Submissions.

Cost Recovery

Pursuant to the Federal *Greenhouse Gas Pollution Pricing Act (GGPPA)* EG will be required to remit to the government \$3.91¢/m³ of natural gas delivered to customers in 2019 who are not subject to the Federal Output Based Pricing System (OBPS) provisions of the *GGPPA*. IGUA has no concerns with EG's proposal to increase its 2019 delivery rates to recover these incremental costs from its delivery customers who do not fall under the OBPS.

As an "emitter" in respect of its own facilities, EG will also be required to remit payment for any carbon emissions in excess of its deemed carbon intensity (being 80% of the national average intensity for the subject activities). EG forecasts these costs in 2018 to total \$2.013 million (\$0.182 million for the EGD Rate Zone and \$1.831 million for the Union Rate Zones).¹ IGUA has no concerns with EG's proposal to increase its 2019 delivery rates to recover these incremental costs from its delivery customers. IGUA's submission on this aspect of EG's application is without prejudice to positions which IGUA may take at the time of disposition of these costs as to the prudence with which EG has acted to control its excess emissions.

In addition, EG forecasts costs to administer its *GGPA* obligations of \$3.1 million in 2019. EG is not proposing to recover these forecast administration costs now, but rather to defer recovery of actual administrative costs. IGUA does not object to EG's request to record actual administrative costs in a deferral account. Questions have been raised regarding whether these costs should be recovered from customers if they do not exceed EG's IRM period materiality threshold. IGUA's submission on

¹ Application, p.11.

recording of actual administrative costs is without prejudice to positions which IGUA may take on these questions when the balance in the account is brought forward for disposition.

Bill Presentation

EG reports that in its 2016 focus group study²;

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.

IGUA has, in the past, been a vocal advocate of such transparency.

EG has proposed to present the Federal Carbon Charge associated with customer volumes as a separate line item on customer's bills, which in IGUA's view is appropriate.

However, EG has proposed to recover the costs associated with company use volumes (both facility related and Output Based Pricing System (OBPS) designated) as part of a Facility Carbon Charge included in delivery or transportation charges on customer's bills. While EG acknowledged that it is possible to display the Facility Carbon Charge separately (EG indicated in combination with the Federal Carbon Charge) on customer's bills, EG also stated that it "expects" that would require additional time and cost.³ EG has not indicated the amount of time or potential quantum of such costs. EG has indicated that it is continuously improving its billing systems to ensure its ability to comply with the GGPPA⁴, and as noted above it has forecast \$3.1 million in 2019 administrative costs associated with GGPPA compliance.

Under EG's bill presentment proposals, IGUA's members, and other Ontario large gas consumers and transportation customers, who are subject to the OBPS would have no bill transparency in respect of their EG charged carbon costs.⁵

EG supports its proposal to blend the Facility Carbon Charge with other delivery related costs on customer's bills on the basis that the subject costs are incurred to deliver and transport natural gas. More to the point, however, the subject costs are driven by the consumption of gas, and the Federal government's legislative direction to price the carbon associated with that gas consumption. In that respect, these costs are external to those incurred in the general operations of transporting and delivering natural gas. Indeed, that is precisely the basis upon which EG is seeking to pass these costs through to customers.

² Exhibit I.CCC.4

³ Exhibit I.Staff.14.

⁴ Exhibit I.Staff.4, last paragraph.

⁵ IGUA acknowledges that, as has been the case in the past, EG proposes to add the Facility Carbon Charge unit rate to its rate schedules [Exhibit I.LPMA.5, part b)], but that is not the same thing.

It remains IGUA's view that, as a matter of principle, all carbon costs should be separately and transparently identified on customer bills. Adherence to that principle would dictate separate and transparent identification of the Facility Carbon Charge on customer bills.

While IGUA generally supports greater transparency in this matter, we also acknowledge that the facility related charges are relatively small (compared to customer related carbon charges). We further acknowledge that there is no further information on the record regarding what additional time or cost would be entailed to achieve a more transparent presentation of carbon costs on customer bills.

There is insufficient information on the current record for the Board to properly consider the cost/transparency trade off being presented to it. ***We suggest that EG should provide more information in this respect in its reply submission, so that the Board can consider the cost/transparency trade off with more complete information.***

To address EG's stated concern that including Facility Carbon Charges on a line with the Federal Carbon Charge would make it difficult for customers to independently verify (by comparison to the legislated carbon price) their rate for carbon released⁶, there could;

- (a) be two carbon lines on the bill; one for customer related charges and one for facility related charges; or
- (b) be one carbon line on the bill, with an accompanying explanation (including separate identification of the customer related charges unit rate applied).

EG might also indicate in its reply submission what options for bill presentment of Facility Carbon Charges it has considered.

Yours truly,



Ian A. Mondrow

- c: A. Stiers (EGI)
M. Seers (Torys)
S. Rahbar (IGUA)
M. Bell (OEB Staff)
Intervenors of Record

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⁶ Exhibit I.Staff.14.