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BY EMAIL

June 24, 2019

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: OEB Staff Submission
EPCOR Natural Gas Limited Partnership
2019 Federal Carbon Pricing Program Application
OEB File Number: EB-2019-0101**

Pursuant to Procedural Order No. 1, please find attached the submissions of OEB staff in the above referenced proceeding.

Yours truly,

Original signed by

Michael Bell
Project Advisor, Application Policy and Climate Change

cc: All Parties in EB-2019-0101

ONTARIO ENERGY BOARD

OEB Staff Submission

EPCOR Natural Gas Limited Partnership

2019 Federal Carbon Pricing Program Application

EB-2019-0101

June 24, 2019

INTRODUCTION

The Government of Canada's *Greenhouse Gas Pollution Pricing Act* (GGPPA), which received Royal Assent on June 21, 2018, established a federal carbon pricing program (FCPP) which applies to any province or territory that does not have an equivalent carbon pricing system. On October 23, 2018, the Government of Canada announced that Ontario would be covered by the GGPPA and that the effective date of the Federal Carbon Charge on distributors, importers and producers would be April 1, 2019.

On March 8, 2019, EPCOR Natural Gas Limited Partnership (EPCOR Gas) applied to the OEB 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 GGPPA. EPCOR Gas is seeking approval for:

- An order (or orders) allowing EPCOR Gas to charge customers a fuel charge on a volumetric basis, in the amount of the Federal Carbon Charge required to be paid pursuant to the GGPPA, effective April 1, 2019
- An order (or orders) approving or fixing approving just and reasonable rates, effective April 1, 2019, to allow EPCOR Gas to recover the other costs associated with compliance with the GGPPA
- An order (or orders) granting final approval to the accounts approved by the OEB on an interim basis, namely the Greenhouse Gas Emissions Administration Deferral Account, the Federal Carbon Charge – Customer Variance Account, and the Federal Carbon Charge – Facility Variance Account¹

Under the FCPP, EPCOR Gas² is required:

- To pay the Federal Carbon Charge to the federal government for volumes of natural gas that EPCOR Gas delivers to its residential, commercial and industrial customers³ starting April 1, 2019
- To pay the Federal Carbon Charge to the federal government for company use volumes (such as distribution buildings and natural gas vehicle (NGV) fleet) starting April 1, 2019

On April 1, 2019, the OEB issued an Interim Decision and Order denying EPCOR Gas' request to use its existing greenhouse gas accounts established under the now-discontinued provincial cap and trade program to record costs/cost variances associated with compliance with the GGPPA. Instead, the OEB approved, on an interim

¹ Argument-in-Chief, p. 5

² EPCOR Gas is not considered to be a prescribed industrial facility under the GGPPA and therefore it is not covered under the Output-Based Pricing System (OBPS).

³ Includes customers who are not covered under the OBPS.

basis, the establishment of three new accounts to capture administration costs and customer-related and facility-related variances. The OEB also denied interim rates as of May 1, 2019, stating that it would consider the comments of stakeholders and submissions of parties prior to making a determination on any new charges and related bill presentation issues.⁴

On May 2, 2019, the OEB issued Procedural Order No. 1 (PO 1) that set out dates for intervenors and OEB staff to file written submissions. Also, in PO 2, the OEB determined that the scope of the proceeding would be limited to considering recovery of EPCOR Gas' costs related to the FCPP and the presentation of the carbon charges on customers' natural gas bills. The OEB stated that it would not be considering additional measures that EPCOR Gas should undertake to reduce either customer-related or facility-related emissions as an issue for adjudication. The OEB also indicated that it would not be approving the forecast administration costs in this proceeding.

The following are the submissions of OEB staff.

OEB STAFF SUBMISSION

Volumetric and Carbon Costs Forecast

The 2019 customer-related volume forecast subject to the GGPPA is 16,191,551 m³.⁵ EPCOR Gas indicated that the customer-related volumetric forecast was based on EPCOR Gas' 2020 cost-of-service application⁶ weather normalized load forecast prepared by Elenchus Research Associates Inc.⁷

The 2019 facility-related volume forecast subject to the GGPPA is 27,023 m³.⁸

EPCOR Gas applied the 2019 unit cost of carbon of \$20 per tonne of carbon dioxide equivalent or 3.91 cents/cubic meter (¢/m³) to the 2019 customer-related and facility-related volume forecasts. The resulting total forecast cost is \$635,203 (\$634,146 + \$1,057) for 2019.⁹

⁴ Interim Decision and Order, April 1, 2019, p. 4

⁵ EPCOR Gas updated its customer-related volumetric forecast in its Argument-in-Chief (AIC) as it received an Exemption Certificate from one of its customers, pp. 5-6

⁶ EB-2019-0336

⁷ Ex B, T1, S1, p. 1

⁸ Ex B, T1, S1, p. 2

⁹ AIC, pp. 5-6

OEB staff has no issues with respect to the customer-related and facility-related volumetric forecast subject to the GGPPA nor the unit cost used for 2019.

Proposed Federal Carbon Charge and Facility Carbon Charge

EPCOR Gas requested to charge customers Federal Carbon Charge and a Facility Carbon Charge on a volumetric basis.¹⁰

OEB staff submits that EPCOR Gas' proposal to recover the charges on a volumetric basis is appropriate as the costs are also incurred on a volumetric basis.

Bill Presentation

EPCOR Gas stated that the 2019 Federal Carbon Charge of 3.91 ¢/m³ on volumes delivered to its residential, commercial and industrial customers¹¹ will be presented as a separate line item on customers' bills.¹²

EPCOR Gas also stated that the 2019 Federal Carbon Charge on company use volumes (such as distribution buildings¹³ and NGV fleet) will be recovered from customers as part of the Facility Carbon Charge and that these costs will be included in the delivery or transportation charges on customers' bills.¹⁴

OEB staff supports EPCOR Gas' proposal to: 1) present the Federal Carbon Charge associated with customer-related volumes as a separate line item on customers' bills and 2) include the costs related to the Facility Carbon Charge in the delivery or transportation charges on customers' bills. In the view of OEB staff, this approach appropriately recognizes that the Facility Carbon Charge relates to EPCOR Gas' on-going operational activities and the Federal Carbon Charge is a specific amount that natural gas distributors are required to remit to the federal government based on the individual customer's consumption.

Deferral and Variance Accounts

EPCOR Gas originally proposed in its application to use its existing greenhouse gas-related deferral and variance accounts to record the costs of its obligations under the GGPPA. However, the OEB determined that new accounts, rather than the existing

¹⁰ Ex E, T1, S1, p. 1

¹¹ Customers that are covered under Part I of the GGPP Act.

¹² Ex E, T1, S2, p. 2

¹³ EPCOR Gas has also included unaccounted-for-gas (UFG) in its Facility Carbon Charge. However, at this time EPCOR Gas has assumed UFG to be zero.

¹⁴ Ex E, T1, S1, p. 2

accounts, should be used to record costs related to the GGPPA. As such, the OEB approved, on an interim basis, the establishment of the:

- Greenhouse Gas Emissions Administration Deferral Account effective January 1, 2019 (GGEADA)
- Federal Carbon Charge – Customer Variance Account (FCCCVA) effective April 1, 2019
- Federal Carbon Charge – Facility Variance Account (FCCFVA) effective April 1, 2019¹⁵

EPCOR Gas seeks approval of the above new accounts of management.

OEB staff submits that the OEB should approve the three new accounts.

Timing of the Disposition – Deferral and Variance Accounts

EPCOR Gas indicated that it intends to seek disposition of its 2019 administration costs as part of its annual Price Cap IR application.¹⁶

OEB staff expects that EPCOR Gas will file an annual Federal Carbon Pricing Program-related application. OEB staff submits that EPCOR Gas should dispose of the 2019 balances (which would include GGEADA, FCCCVA, FCCFVA) as part of a future Federal Carbon Pricing Program-related application so that all FCCP-related costs and balances are reviewed in the same proceeding.

All of which is respectfully submitted

¹⁵ Interim Decision and Order, April 1, 2019, p. 5

¹⁶ OEB-STAFF-3