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July 9, 2020

Ms. Christine Long
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

RE: EB-2019-0247 – Submissions of London Property Management Association - Enbridge Gas Inc. 2020 Federal Carbon Pricing Program Application

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

Yours very truly,

Randy Aiken Digitally signed by Randy Aiken
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Randy Aiken
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Enbridge Gas Inc.

2020 Federal Carbon Pricing Program Application

**SUBMISSIONS
OF
LONDON PROPERTY MANAGEMENT ASSOCIATION**

A. INTRODUCTION

Enbridge Gas Inc. ("EGI") filed an application with the Ontario Energy Board ("Board") on November 18, 2019 seeking approval to increase the Federal Carbon Charge and the Facility Carbon Charge to recover the costs associated with its obligations under the Government of Canada's *Greenhouse Gas Pollution Pricing Act* ("GGPPRA") in 2020 and to dispose of the 2019 balances in all of the federal carbon pricing program ("FCPP") related deferral and variance accounts based on actual costs incurred from January 1, 2019 to September 31, 2019 and on forecasted costs from October 1, 2019 to December 31, 2019.

On February 11, 2020, the Board approved EGI's proposed increased Federal Carbon Charge and Facility Carbon Charge effective April 1, 2020 on an interim basis. The Board did not approve disposition of EGI's FCPP-related deferral and variance accounts on an interim basis, but rather directed EGI to filed updated evidence with final December 31, 2019 account balances when available. The Board also told EGI to include consideration of options for the approach related to the disposition of account balances that would smooth bill impacts in its updated application.

EGI filed its updated evidence on May 14, 2020 seeking Board approval to increase the Federal Carbon Charge and Facility Carbon Charge on a final basis effective April 1, 2020 and to clear the 2019 balances in the Board approved FCPP-related deferral and variance accounts based on the final actual costs recorded in these accounts as of December 31, 2019.

In EGI's 2019 FCPP application (EB-2018-0205), the Board approved the establishment of six new deferral and variance accounts. These new accounts were to record separately for each of the EGD rate zone and the Union rate zones each of the following: actual administration costs in the Greenhouse Gas Emissions Administration Deferral Accounts ("GGEADA"); Federal Carbon Charge cost variances between the actual costs incurred and the amount recovered through rates related to the volumes delivered by EGI in the Federal Carbon Charge – Customer Variance Accounts ("FCCCVA"); and the Facility Carbon Charge cost variances between the actual costs incurred and the amount recovered through rates related to company use and output-based pricing system volumes associated with EGI's operations in the Federal Carbon Charge – Facility Variance Accounts ("FCCFVA").

This is the submission of the London Property Management Association ("LPMA") with respect to the balances and proposed disposition of the amounts included in the FCPP-related accounts.

B. SUBMISSIONS

a) Non-Interest Balances in the FCPP-Related Accounts

LPMA has no issues with the balances in the FCPP-related accounts, excluding the interest costs which are dealt with in the following section.

With respect to the administration costs in the GGEADA, LPMA commends EGI for holding its actual costs of $1.6 million well below its forecast for 2019 costs of $3.1 million (Exhibit C, Table C-1, Updated). While some of the costs forecast for 2019 are now expected to be incurred in 2020 (some IT, verification report), the majority of the reductions are related to bad debt ($0.67 million) and staffing ($0.48 million). LPMA notes that with the exception of bad debt, EGI is forecasting the 2020 administration costs (Exhibit C, Table C-3, Updated) to be similar to the actual 2019 administration costs noted above.

b) Interest Costs

EGI has included interest costs on all of the accounts through the third quarter of 2020 (Exhibit I.LPMA.3). The total amount of interest to be recovered is about $3.8 million, composed of about $40,000 related to the GGEADA (Exhibit I.EP.8), $12,000 related to the FCCFVA (Exhibit I. Staff.9) and $3.75 million related to the FCCCVA (Exhibit I.LPMA.4). Clearly the interest associated with the FCCCVA makes up the vast majority of the interest to be recovered, so LPMA's submissions that follow only reference this amount.

LPMA has two issues with the amount of interest included in the account balances proposed to be recovered.

The first issue is that LPMA submits that ratepayers should not be burdened by the additional interest cost included for the April through September period of 2020. EGI filed its application in November of 2019, in plenty of time for rates to put in place for April 1, at least on an interim basis. In fact, this is what EGI requested from the Board in its original application.

While the Board approved the new Federal Carbon Charge and Facility Carbon Charge on an interim basis effective April 1, 2020, it declined to do the same thing related to the recovery of the deferral and variance accounts. LPMA notes that the Board could have approved the disposition of the FCPP-related accounts on an interim basis, with a true up when actual data for all of 2019 became available. In failing to do this, the Board has cost ratepayers an additional $1.26 million. This figure is the sum of the differences in the cumulative interest figures at the end of September versus at the end of March for the EGD rate zone ($0.78 million) and the Union rate zones ($0.48 million) as shown in the Attachment to Exhibit I.LPMA.4.

LPMA submits that it is not appropriate or reasonable for ratepayers to pay an additional $1.26 million because the Board failed to act in a timely manner when it had the ability to reduce costs to ratepayers by approving an interim recovery of the account balance in April, 2020 at the same time it approved an interim change in the Federal Carbon Charge and the Facility Carbon Charge.

The second issue relates to the use of the prescribed interest rate of 1.38% for the third quarter of 2020 instead of the 0.57% that resulted from the Board's approved methodology for setting the prescribed interest rates on a quarterly basis.

Using the information in Exhibit I.LPMA.4, LPMA has estimated that as a result of using the 1.38% instead of 0.57% has resulted in additional interest cost of approximately $30,000 over the July through September, 2020 period.

In other correspondence to the Board, LPMA, along with other ratepayer groups, have called on the Board to review the unilateral deviation from the Board's prescribed methodology to set the prescribed interest rate used for deferral and variance accounts for the third quarter of 2020. LPMA submits that if the Board does ultimately revert back to the prescribed methodology for the third quarter of 2020, the impact should be reflected in the deferral and variance account balances.

If the Board does not ultimately follow its prescribed methodology for the third quarter 2020 rate and maintains the 1.38% rate, then LPMA submits that the Board should raise this as an issue in EB-2020-0133, the Consultation on the Deferral Account – Impacts Arising from the CIVID-19 Emergency, which was the reason given by the Board for deviating from its prescribed interest rate policy. Clearly this deviation will result in additional revenues for EGI compared to the situation if the prescribed interest rate policy had been followed.

c) Allocation of GGEADA Balances

EGI is proposing to allocate the balances in the GGEADA accounts based on different methodologies for the EGD rate zone and the Union rate zones. Specifically, in the EGD rate zone, EGI is allocating these administration costs to rate classes in proportion to the number of customers, while in the Union rate zones, the allocation is based on the 2013 Board-approved administrative and general expenses (Exhibit I.LPMA.7).

As indicated in the above noted interrogatory response, the allocator used for the Union rate zones is an output from the 2013 Board approved cost allocation study in Union's 2013 rate rebasing proceeding (EB-2011-0210), which was the last time the Board approved a complete cost allocation study. Administration and general expenses are allocated in proportion to other O&M expenses by functional classification and rate class.

LPMA submits that the allocation for the administrative costs in the GGEADA for the Union rate zones is appropriate and should be approved by the Board.

While the use of a common allocation methodology across the Union and EGD rate zones would be preferred, LPMA submits that this should not be done until there is a common cost allocation study filed and approved by the Board in a future rates rebasing proceeding where both options currently used, and others, are considered for the allocation of the administration costs associated with the FCPP.

d) Allocation of FCCCVA & FCCFVA Balances

LPMA supports the use of the April through July, 2019 volumes to allocate the FCCCVA and FCCFVA balances to the rate classes for the reasons provided Exhibit D, Updated, pages 8 to 10 and in the responses to Exhibit I.Staff.12 and Exhibit I.EP.13. The balances in the customer related variance accounts makes up the vast majority of the balance in the two accounts and the balance in the FCCCVA is mainly the result of the actual volumes over the April 1, 2019 to July 31, 2019 period. This can be seen in the figures found in the attachment to Exhibit I.LPMA.4 where the vast majority of the balances in the EGD and Union FCCCVA is incurred over this period.

e) Disposition of FCPP-Related Account Balances

In the Board's Interim Decision and Order dated February 11, 2020, the Board stated that EGI should propose options or the approach to disposition of the balances that would smooth bill impacts. In their updated evidence, EGI considered three disposition options, being a one-month disposition, a three-month disposition and a six-month disposition. The one-month disposition has been the standard practice for all but the general service rate classes in the Union rate zones.

EGI is proposing a one-time billing adjustment disposed of in three equal instalments over a three-month disposition period beginning October 1, 2020. This would apply to all customers except the general service customers in the Union rate zones (rates M1, M2, 01 and 10). For these customers EGI is proposing a disposition period of six months beginning October 1, 2020 and running through March, 2020. This is the standard practice of disposition for the customers in these rate classes.

LPMA does not usually oppose a longer disposition period and agrees with EGI that moving from the standard one-month disposition to a three-month recovery period is appropriate. EGI has stated that the proposed one-time adjustment disposed of in three equal installments for all customers other than the general service rate classes in the Union rate zones will smooth the bill impacts for these customers over a longer period than the standard practice of one-month (Exhibit I.Staff.13, part d). LPMA agrees with this proposal.

However, LPMA has concerns with the proposed six-month disposition period proposed for the general service rate classes in the Union rate zones. LPMA does not have any issue with the recovery based on prospective volumes.

EGI notes in part (d) of the response to Exhibit I.Staff.13 that the three-month disposition period provides a balance between acceptable bill impacts and the length of the disposition period. If this is the case, the question arises as to why a six-month disposition period has been proposed for the general service rate classes in the Union rate zones. As indicated in the response to part (a) of Exhibit I.Staff.13, a three-month disposition period is technically feasible for these customers.

LPMA's concern with the proposed six-month disposition period is the potential for higher bills in the January, 2021 through March, 2021 period. As the Board is aware, these are the highest consumption quarter for the vast majority of general service customers. In addition to a significant potential increase in gas commodity costs as part of an October 1, 2020 QRAM application and in a January 1, 2021 QRAM application, EGI has indicated that it intends to begin disposition on January 1, 2021 for either the 2019 deferral and variance account balances or the 2017 and 2018 Demand Side Management deferral and variance account balances, subject to Board approval (Exhibit I.Staff.13, part c). While it is not known at this time whether the net account balances will result in amounts to be recovered from or rebated to customers, LPMA is concerned about the potential for multiple layers of increased costs to hit these customers in the highest consumption quarter of the year, resulting in the potential for significant increases in the bills.

Recovering the FCPP-related balances over the same period as for all other EGI customers (i.e. three months) eliminates one of the added costs for the January, 2021 through March, 2021 period and ensures that the general service customers in the Union rate zones are treated in the same manner (in terms of the disposition period) as similar customers in the EGD rate zone.

For the reasons noted above, LPMA submits that the Board should direct EGI to dispose of the balances for the general service customers in the Union rate zones over the same three-month period that is applicable to all other EGI customers.

C. COSTS

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

ALL OF WHICH IS RESPECTFULLY SUBMITTED
July 9, 2020

Randy Aiken

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Consultant to London Property Management Association