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July 16, 2020

BY RESS AND EMAIL

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

Dear Ms. Long:

Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2019-0247
2020 Federal Carbon Pricing Program Application
Reply Argument

In accordance with Procedural Order No. 2 issued by the Ontario Energy Board on May 22, 2020, enclosed please find the Reply Argument of Enbridge Gas in the above noted proceeding.

This submission has been filed electronically through the OEB's RESS and will be made available on Enbridge Gas's website at: https://www.enbridgegas.com/Regulatory-Proceedings.

If you have any questions, please contact the undersigned.

Sincerely,

Adam Stiers Digitally signed by Adam Stiers
Date: 2020.07.16 15:04:17 -04'00'

Adam Stiers
Technical Manager, Regulatory Applications

c.c.: T. Persad (EGI)
M. Parkes (OEB Staff)
L. Murray (OEB Counsel)
EB-2019-0247 (Intervenors)

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 gas distribution rate changes and clearing certain non-commodity deferral and variance accounts related to compliance obligations under the *Greenhouse Gas Pollution Pricing Act, S.C. 2018, c. 12, s. 186*.

REPLY ARGUMENT OF ENBRIDGE GAS INC.

July 16, 2020

A. Introduction and Overview

1. Enbridge Gas Inc. ("Enbridge Gas"), the Applicant, was formed by the amalgamation of Enbridge Gas Distribution Inc. ("EGD") and Union Gas Limited ("Union") on January 1, 2019 pursuant to the *Ontario Business Corporations Act*, R.S.O. 1990, c. B. 16. Enbridge Gas carries on the business of distributing, transmitting and storing natural gas within the meaning of the *Ontario Energy Board Act,* 1998 (the "Act"), in Ontario.

2. In accordance with the Ontario Energy Board (the "Board" or "OEB") Procedural Order No. 2 (dated May 22, 2020), this is the Reply Argument of Enbridge Gas in response to the arguments filed in the Submissions of OEB Staff and Intervenors.[1] Enbridge Gas has attempted to avoid repetition. This Reply Argument should therefore be read together with Enbridge Gas's Argument-in-Chief ("AiC").[2]

[1] Enbridge Gas is in receipt of the written submissions (each referred to as "Submissions") of: OEB Staff; Anwaatin Inc. ("Anwaatin"); Building Owners and Managers Association, Greater Toronto ("BOMA"); Energy Probe Research Foundation ("EP"); London Property Management Association ("LPMA"); and School Energy Coalition ("SEC").

[2] EB-2019-0247 Enbridge Gas Argument-in-Chief, June 25, 2020.

3. All parties to this proceeding generally either support, or do not oppose, the approvals sought by Enbridge Gas from the Board on a final basis, including:
    - Enbridge Gas's proposed 2020 increases to the Federal Carbon Charge and Facility Carbon Charge pursuant to Enbridge Gas's obligations under the *Greenhouse Gas Pollution Pricing Act* ("GGPPA"), effective April 1, 2020.
    - Enbridge Gas's proposed final 2019 balances in its OEB-approved FCPP-related deferral and variance accounts (FCCCVAs, FCCFVAs and GGEADAs).[3]
    - Enbridge Gas's proposed allocation methodology and disposition timing related to the 2019 balances in its FCPP-related deferral and variance accounts.

4. Considering the general support for its Application, Enbridge Gas will not comment upon each specific argument raised by parties in their Submissions, but instead will limit this Reply Argument to those that are most critical from its perspective. The fact that Enbridge Gas chooses not to address an argument should not be interpreted as agreement with it.

5. OEB Staff and Intervenors have made various requests that the OEB direct limited changes to Enbridge Gas's Application or future FCPP-related applications, which Enbridge Gas responds to in greater detail below, including:

    - to align the disposition period for all customer types in the Union rate zones;[4]
    - to disallow recovery of prudently incurred carrying costs for the period of April to September 2020 due to the OEB's decision not to approve disposition of 2019 FCPP-related Deferral and Variance Account balances on an interim basis, effective April 1, 2020;[5]
    - to forego application of OEB-prescribed interest rates to 2019 FCPP-related deferral and variance account balances for Q3 2020 in favor of using a lower interest rate based on the Board's historic methodology;[6]

[3] AiC, pp. 9-10.

[4] LPMA Submissions, pp. 5-6; OEB Staff Submissions, pp 3-4.

[5] LPMA Submissions, p. 3; EB-2019-0247, OEB Interim Decision and Order, February 11, 2020, pp. 4 and 8.

[6] LPMA Submissions, pp. 3-4; SEC Submissions, pp. 1-2.

- to record Federal Carbon Charge revenues collected from on-reserve customers in the FCCCVAs pending a decision from the Board on the applicability of such charges to these customers;[7]
- to record incremental FCPP-related bad debt, currently recorded in the OEB-approved GGEADAs, associated with the ongoing COVID-19 pandemic in a separate and distinct COVID-19 impacts-related deferral account;[8]
- to provide the OEB with updated 2020 volume forecasts and to report on any resulting changes to Facility Carbon Charges in 2020;[9] and
- to file evidence in future FCPP applications supporting Enbridge Gas's actions to manage facility-related emissions and costs.[10]

6. Enbridge Gas's Reply Argument is organized as follows:
   A. Introduction and Overview
   B. Proposed 2020 Rate Changes, 2019 FCPP-related Deferral and Variance Account Balances and Allocation and Disposition Methodologies
   C. Urgency and OEB-Defined Scope of this Proceeding
   D. Matters for Future FCPP-Related Applications
   E. Conclusions and Relief Sought

7. Defined acronyms and terms not otherwise defined in this Reply Argument bear the meanings assigned to them in Enbridge Gas's Application, responses to interrogatories and the AiC.

B. Proposed 2020 Rate Changes, 2019 FCPP-related Deferral and Variance Account Balances and Allocation and Disposition Methodologies

8. As set out in paragraph 3 above, OEB Staff and Intervenors generally either support or do not oppose the relief sought by Enbridge Gas. OEB Staff was clear in this regard, stating at page 3 of its Submissions that:

> "Enbridge Gas's Federal Carbon Charge should be approved on a final basis, effective April 1, 2020, at the current interim rate."
>
> "Enbridge Gas's Facility Carbon Charge should be approved on a final basis, effective April 1, 2020, at the current interim rate."

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[7] OEB Staff Submissions, pp. 4-6.

[8] SEC Submissions, pp. 2-3.

[9] EP Submissions, p. 6.

[10] OEB Staff Submissions, pp. 8-9.

> "The 2019 balances proposed for disposition in all FCPP DVAs should be approved."
>
> "Enbridge Gas's proposed allocation methodology for the 2019 balances in the FCPP DVAs should be approved, with disposition of these balances to begin effective October 1, 2020."

9. Similarly, on page 1 of its Submissions SEC stated that:

> "…the relief sought in the application is reasonable and consistent with the Board's decision in Enbridge's 2019 application. Enbridge has correctly calculated the appropriate 2020 Federal Carbon Charge, and the balances in the customer and facility-related variance accounts reflect the correct 2019 variances. SEC also submits that the amounts for disposition in the Enbridge Gas and Union Gas Rate Zone Greenhouse Gas Emissions Administration Deferral Accounts ("GGEADA") are reasonable."

10. On page 3 of its Submissions BOMA concluded that:

> "BOMA has reviewed Enbridge Gas' updated application and Argument-in-Chief and accepts the disposition and allocation of the 2019 costs in the six variance and deferral accounts, which the Board established in the EB-2018-0205 proceeding. On the basis of Enbridge Gas' answers to interrogatories and Argument-in-Chief, BOMA accepts that the costs were incurred prudently and has no concerns with the timing, allocation of, and recovery period for, such costs as set out in the updated application."

11. The only material exceptions to the support of relief sought by Enbridge Gas relate to: (i) the disposition period proposed by Enbridge Gas for customers in the Union rate zones, for which LPMA and OEB Staff have made opposing submissions; and (ii) the calculation and application of interest costs, at OEB prescribed rates, to 2019 FCPP-related deferral and variance account balances, for which LPMA and SEC are seeking disallowance and/or changes to the OEB prescribed interest rate.

(i) Union Rate Zones Disposition Periods

12. LPMA stated in its Submissions that it has no issues with the balances in Enbridge Gas's FCPP-related deferral and variance accounts and that it "…commends EGI for holding its actual [GGEADA] costs of $1.6 million well

below its forecast for 2019 costs of $3.1 million."[11] LPMA goes on to support Enbridge Gas's proposed allocation methodology for the 2019 balances in FCPP-related deferral and variance accounts.[12] However, in order to limit incremental customer costs during peak heating months and to ensure that general service customers in the Union rate zones are treated the same way as similar customers in the EGD rate zone, LPMA submits that:[13]

> "…the Board should direct EGI to dispose of the [2019 FCPP-related deferral and variance account] 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."

13. LPMA does not take issue with recovery of these balances based on prospective volumes and admits that it does not usually oppose a longer disposition period and agrees that moving from the standard one-month disposition to a three-month recovery period is appropriate.[14] LPMA states that "LPMA's concern with the proposed six-month disposition period is the potential for higher bills in the January, 2021 through March, 2021 period."[15] LPMA goes on to note that gas commodity cost increases through the October 2020 and January 2021 QRAMs are possible and that Enbridge Gas intends to seek approval to clear additional deferral and variance account balances effective January 1, 2021.

14. While LPMA's request to dispose of 2019 FCPP-related deferral and variance account balances to general service customers in the Union rate zones prospectively over three months is a deviation from Enbridge Gas's standard practice for these customers, Enbridge Gas is able to facilitate such a disposition and has no immediate concerns with proceeding in this manner if the Board directs that it do so to avoid the accumulation of charges during the January to March 2021 period.

15. OEB Staff submits at page 3 of its Submissions that,

> "The OEB should consider a six-month disposition period for all customers in the Union rate zones, not just general service customers (as Enbridge Gas has proposed), in order to achieve the OEB's objective of smoothing the bill impact of this disposition."

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[11] LPMA Submissions, p. 2.

[12] LPMA Submission, pp. 4-5.

[13] LPMA Submission, p. 6.

[14] LPMA Submission, p. 5.

[15] Ibid

> "The OEB should make its final decision on the appropriate disposition period of the FCPP DVA balances as part of its review of Enbridge Gas's next QRAM application, where it can consider the combined bill impact of all rate adjustments being implemented at that time."

16. Enbridge Gas has previously explained in response to interrogatories and in its Application, that its preferred approach to disposition is a harmonized one-time adjustment charged in three monthly installments.[16] By exception, as it is unable to administer one-time adjustments for general service customers in the Union rate zones because of billing system limitations for this set of customers,[17] Enbridge Gas has proposed prospective recovery over 6 months which is its standard practice.[18]

17. While Enbridge Gas could facilitate a 6-month disposition for all customers in the Union rate zones, as proposed by OEB Staff, it expects that doing so would afford customers limited incremental benefit while exacerbating the disparity in disposition methodologies between the EGD and Union rate zones and placing additional administrative burden upon Enbridge Gas (due to adding an additional three months of installments). Additionally, because many contract customers are exempt from the Federal Carbon Charge, and thus will only be allocated a portion of 2019 FCCFVA and GGEADA balances, there is minimal benefit to further smoothing such bill impacts as the balances in these accounts are small in comparison to 2019 FCCCVA balances.

18. Enbridge Gas does not support OEB Staff's recommendation that the Board direct uniform disposition across all Union rate zones over 6 months. Instead, Enbridge Gas reiterates that it is more appropriate to dispose of 2019 FCPP-related balances in a harmonized manner, as a one-time adjustment charged over three monthly installments to customers in all rate zones with the exception of general service customers in the Union rate zones for which billing system limitations and standard practices require a six month disposition based on prospective volumes.

19. If the Board wishes to further harmonize disposition periods then Enbridge Gas supports the recommendation of LPMA to dispose of balances to general service customers in the Union rate zones over three months based on prospective volumes. In any event, it is appropriate and preferable for the Board to make a

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[16] Exhibit I.STAFF.13 d).

[17] Exhibit I.EP.13 a).

[18] Exhibit D, p. 13.

final determination on the disposition period now based on the evidence before it in this proceeding and without speculation on the potential impacts of any future application (e.g. October 2020 QRAM).

(ii) Interest on 2019 FCPP-Related Deferral and Variance Account Balances

20. In its Submission, LPMA states on page 3 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."

21. Enbridge Gas interprets LPMA's submission to be a request that the OEB disallow interest costs on 2019 FCPP-related deferral and variance account balances for the period of April to September 2020. While Enbridge Gas is sympathetic to the increased costs borne by ratepayers as a result of the accumulation of interest charges during this period, it cannot accept LPMA's assertion that Enbridge Gas should be disallowed recovery of these reasonable and prudently incurred costs.

22. As discussed by LPMA in its Submission, Enbridge Gas acted prudently to avoid the continued accumulation of these costs by requesting that the Board approve the disposition of these balances on an interim basis effective April 1, 2020.[19] Presumably, by denying its request for interim clearance and directing Enbridge Gas to file updated evidence reflecting final audited year-end balances in these accounts, the Board has also acknowledged and accepted the continued accumulation of interest that is a natural consequence of its decision. Enbridge Gas should not be penalized for complying with the Board's direction in this regard.

23. Both LPMA and SEC argue that the Board should not approve Enbridge Gas's proposed application of the OEB-prescribed interest rate of 1.38% for Q3 2020. The basis for these arguments stems from the Board's unilateral decision to deviate from its historic methodology to set the prescribed interest rate for deferral and variance accounts for Q3 2020. Both LPMA and SEC note that using the Board's historic methodology to set the prescribed interest rate for Q3 2020 would have resulted in a lower rate of 0.57% (reducing interest costs by

[19] LPMA Submissions, p. 3.

approximately $30,000 from July to September 2020).[20] LPMA and SEC, have called on the Board to review its decision in this regard.

24. Both LPMA and SEC go on in their Submissions to argue that if the Board determines that it is appropriate to maintain the prescribed interest rate for Q3 2020 at 1.38% (despite its deviation from historic methodology), that the Board should either raise this as an issue in the Consultation on the Deferral Account – Impacts Arising from the COVID-19 Emergency (EB-2020-0133) (the "COVID Deferral Consultation"),[21] or defer consideration of any increase from the approved methodology so that it can be determined in the context of this same COVID Deferral Consultation.

25. Enbridge Gas has put forward an Application that reflects the recovery of prudently incurred costs associated with complying with the GGPPA and FCPP in 2019 and 2020 including interest costs incurred related to 2019 balances in FCPP-related deferral and variance accounts up to the proposed effective date of disposition (beginning October 1, 2020) at OEB-prescribed interest rates. No intervenor has taken issue with those balances or contests the accuracy of Enbridge Gas's interest calculations. Accordingly, Enbridge Gas submits that the OEB should approve the balances proposed for disposition, including interest. Should the Board's prescribed interest rate change, as compared to those used to calculate the prospective balances for disposition and the associated unit rates, Enbridge Gas will calculate interest in accordance with that direction and any resulting variance would be reflected as part of any residual balance from the clearance of these accounts (i.e. as part of amounts reflected in the Deferred Rebate Account and Deferral Clearing Variance Account).

C. Urgency and OEB-Defined Scope of this Proceeding

26. As set out on pages 4 and 5 of OEB Staff's Submission,

> "The OEB previously indicated that it would defer consideration of issues raised by Anwaatin Inc. and the Chiefs of Ontario, as to whether the FCPP charges are constitutionally applicable in light of the *Indian Act*, relevant treaties, and section 35 of the Constitution, until such time as the Supreme Court of Canada (SCC) has rendered its decision on the appeals concerning the constitutionality of the GGPPA."

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[20] LPMA Submissions, p. 3; SEC Submissions, pp. 1-2.

[21] LPMA Submissions, p. 4.

27. OEB Staff goes on to submit that the Board has two options before it in this regard:[22]

> "The first would be to set final rates for the 2020 Federal Carbon Charge and Facility Carbon Charge and to provide for the disposition of balances in the 2019 FCPP-related DVAs, but require Enbridge Gas to record the FCPP-related revenues that could potentially be impacted by consideration of the deferred issues in the variance account. The second would be to postpone the approval of the 2020 Federal Carbon Charge and the disposition of the 2019 balance in the FCCCVAs on a final basis until the deferred issues have been considered."

28. The OEB stated in its April 21, 2020 letter responding to Anwaatin that,[23]

> "For the reasons previously outlined in its March 19, 2020 Decision, the OEB remains of the view that all considerations of the Deferred Issue [whether Federal Carbon Pricing Program charges are constitutionally applicable in light of the *Indian Act*, relevant treaties, and section 35 of the Constitution] are being postponed and no further action is required at this time.
>
> The OEB's Interim Decision and Order of February 11, 2020 approved Enbridge Gas Inc.'s proposed unit rates for the Federal Carbon Charge and Facility Carbon Charge, on an interim basis, effective April 1, 2020. The postponement of the Deferred Issue does not limit the OEB's ability to address this issue at a future date."

29. If the OEB concludes that it is necessary to make provision in its decision on Enbridge Gas's Application to enable the exemption of on-reserve customers from Federal Carbon Charges in the future, then Enbridge Gas supports OEB Staff's first option, subject to a slight modification to clarify that the OEB should direct Enbridge Gas to <u>track</u> 2019 and 2020 Federal Carbon Charge revenues (including any revenues from the disposition of the 2019 balance in the FCCCVAs) collected from on-reserve customers separately so they may be refunded at a future date (in parallel with receipt of a commensurate credit from the Canada Revenue Agency ("CRA") for funds remitted). As the purpose of the FCPP-related variance accounts is to record the variance between actual carbon costs and carbon costs recovered in rates as approved by the Board, it is currently not appropriate to rely upon these accounts to "record" revenues already collected from on-reserve customers and remitted to the CRA.

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[22] OEB Staff Submission, p. 5.

[23] http://www.rds.oeb.ca/HPECMWebDrawer/Record/675039/File/document

30. Enbridge Gas interprets OEB Staff's second option as being the general postponement of a final determination on 2020 Federal Carbon Charges and clearance of 2019 balances in the FCCCVAs. Enbridge Gas submits that the second option put forward by OEB Staff is not reasonable or appropriate. The Supreme Court of Canada ("SCC") has already deferred this matter once due to the ongoing COVID-19 pandemic and could feasibly see a need to defer it again should there be cause (originally scheduled in March 2020 and deferred to September 2020).[24] By deferring its decision on Enbridge Gas's Application until the SCC renders its decision, the Board will cause the continued accumulation of interest on the 2019 balances in FCPP-related deferral and variance accounts, increasing ratepayer costs. Further, other than the Deferred Issues which impact a very small percentage of Enbridge Gas's customers, as part of this proceeding the Board has all of the evidence required to make a final determination on Enbridge Gas's Application and no party to this proceeding contests that Enbridge Gas is acting in accordance with the GGPPA or FCPP. OEB Staff itself acknowledges, on page 15 of its Submissions, the urgency of Enbridge Gas's Application to dispose of these balances:

> "Unlike this year, the balances in FCPP DVAs in future years are likely to be small, reducing the urgency of these balances promptly."

31. To be clear, Enbridge Gas does not support any further postponement of the Board's final decision on its Application. However, should the OEB conclude that it is appropriate to postpone its final determination on 2020 Federal Carbon Charges and clearance of 2019 balances in the FCCCVAs, then Enbridge Gas submits that the OEB should clarify that this only applies to the costs for on-reserve customers.

32. In its Submissions at pages 2 and 3, SEC submits that incremental FCPP-related bad debt caused by the ongoing COVID-19 pandemic should be recorded in the OEB-approved deferral account established to record impacts arising from the COVID-19 emergency (Account 1509 – Subaccount Other Costs). SEC is asking the Board to make a determination on this accounting deviation in the absence of any specific evidence regarding the materiality of these amounts or consideration of the appropriateness of maintaining separate FCPP-related accounting records.

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[24] https://www.scc-csc.ca/case-dossier/info/hear-aud-eng.aspx?ya=2020&mo=9&submit=Search

33. As set out in Enbridge Gas's responses to interrogatories,[25] bad debt amounts resulting from the FCPP are entirely incremental to bad debt amounts included in Enbridge Gas's base rates, this is also true of all other FCPP-related administrative costs. For this reason, former Cap-and-Trade and current FCPP-related bad debt amounts are recorded in administration deferral accounts. Accordingly, Enbridge Gas has consistently and appropriately proposed to recover actual incremental 2019 FCPP-related bad debt costs from ratepayers as part of its 2019 GGEADA balances. No intervenor is opposed to these amounts, their allocation or their disposition. Further, Enbridge Gas has provided a forecast of incremental 2020 FCPP-related bad debt costs for informational purposes only and will record actual incremental 2020 FCPP-related bad debt costs incurred in the GGEADAs consistent with the OEB-approved accounting orders for these accounts and Enbridge Gas's 2019 and 2020 FCPP applications (which reflect this treatment). For these reasons Enbridge Gas proposes to continue accounting for such expenses in a manner consistent with its treatment of these costs in 2019. Enbridge Gas expects to seek recovery of actual 2020 bad debt costs through a future application (likely its 2022 FCPP application in Q3 2021).

D. Matters for Future FCPP-Related Proceedings

34. EP and OEB Staff raise issues in their Submissions that are more appropriately dealt with through future FCPP-related proceedings.

35. At pages 5 and 6 of its Submissions, EP speculates that: Enbridge Gas's volume forecasts for 2020 may be materially inaccurate; Q3 commodity prices may increase FCPP bill impacts; bad debt may be higher than forecast; and Enbridge Gas's Output Based Pricing System may materially change. For these reasons Energy Probe requests that Enbridge Gas provide the Board with a Q2 2020 forecast update and amend its 2020 FCPP-related rate changes accordingly. Enbridge Gas does not agree with EP's conclusions, or the limited justification set out in their Submissions in support of their recommendation.

36. Administrative cost forecasts and volume forecasts are by their very nature subject to variation, this is the reason that the Board established FCPP-related deferral and variance accounts, to record actual administrative costs incurred and variances between actual carbon costs and carbon costs recovered in rates, respectively. Similarly, Enbridge Gas has provided forecast 2020 administrative costs (including bad debt) for informational purposes only. Only actual administrative costs incurred in 2020 will be recorded in the GGEADAs.

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[25] Exhibit I.SEC.2 b).

37. As there is no commodity cost component to any FCPP-related charges Enbridge Gas assumes that EP intended to refer to the accumulation of bill impacts resulting from commodity price increases together with disposition of 2019 balances in FCPP-related deferral and variance accounts effective October 1, 2020. Enbridge Gas's Q3 2020 QRAM application is not before the Board in this proceeding and speculation on its potential impacts at this time is not appropriate.

38. Enbridge Gas assumes that EP is referring to the federal government's Output Based Pricing System ("OBPS"). As set out in Enbridge Gas's Application at Exhibit A, pp. 7-8, final OBPS regulations have been published, including finalization of the Output-Based Standard for industrials. Enbridge Gas does not expect any further changes to OBPS regulations in 2020. The only aspect of the FCPP that currently remains outstanding is development of the federal GHG offset system. As set out in its responses to interrogatories,[26] Enbridge Gas is considering all available options to meet its compliance obligation under OBPS, including purchasing credits or offset credits once they are available. Enbridge Gas has assumed that it will satisfy its 2019 OBPS obligation by paying the Federal Carbon Charge as federal offset credits and meaningful amounts of surplus credits are not expected to be available before the 2019 compliance deadline (April 15, 2021). Further, if Enbridge Gas's final 2019 or 2020 OBPS obligation varies from the amounts set out in its Application, Enbridge Gas will record the variance in the FCCFVAs and will seek to dispose of this variance through a future FCPP-related application.

39. Enbridge Gas does not have any more current 2020 forecast information available and does not anticipate any significant impact to its proposed FCPP-related rates at this time. As the Federal Carbon Charge unit rate is set as a function of the federal carbon charge rates for marketable natural gas established by the federal government,[27] the only rates that would theoretically be impacted by a material change to volume forecasts are Facility Carbon Charge costs associated with Enbridge Gas's Company Use and OBPS volumes. For 2020, Enbridge Gas has forecast the costs associated with these volumes to be approximately $4.2 million.[28] Given the relative immateriality of these costs and associated rate impacts in comparison to the Federal Carbon Charge costs of $1,026.1 million associated with Enbridge Gas's customer

[26] Exhibit I.STAFF.8 b) and c).

[27] Exhibit A, p. 6, Table A-1.

[28] Exhibit B, p. 4.

volumes, and considering that the OEB has previously established FCPP-related variance accounts exactly for the purpose of recording variances between actual carbon costs and carbon costs recovered in rates, there is no value in directing Enbridge Gas to re-create its customer and facility-related volume forecasts for 2020 or to amend the Facility Carbon Charge proposed by Enbridge Gas for final OEB approval.

40. In its Submissions, at pages 8 and 9, OEB Staff requests that the OEB direct Enbridge Gas to include supporting evidence of its actions to manage facility-related emissions and costs in future FCPP applications. As set out in its responses to interrogatories,[29] in 2019 Enbridge Inc. implemented a Carbon and Energy Efficiency Plan ("CEE Plan") to identify emission reduction opportunities at each of its business units, including Enbridge Gas. At this time Enbridge Gas has not identified cost-effective opportunities that would result in significant reductions in emissions related to stationary combustion and flaring (activities that could qualify to reduce the emission intensity of Enbridge Gas's operations under OBPS).

41. Enbridge Gas intends to bring forward further details of its actions to manage facility-related emissions and costs in its 2021 FCPP application which Enbridge Gas intends to file with the OEB by the end of Q3 2020. As part of that application Enbridge Gas intends to provide the OEB with a summary of the preliminary economic assessment (compared to the Federal Carbon Charge) of projects with the potential to reduce Enbridge Gas's emission intensity under OBPS. Accordingly, there is no need to direct Enbridge Gas in this regard.

E. Conclusions and Relief sought

42. For the reasons set out above and in its Argument-in-Chief, Enbridge Gas respectfully requests that the OEB make the following findings, determinations and orders:
    (1) Approve Enbridge Gas's request to increase the Federal Carbon Charge from 3.91 ¢/m^3 (or \$20/tCO_2e) to 5.87 ¢/m^3 (or \$30/tCO_2e), the amount of the Federal Carbon Charge required to be paid pursuant to the GGPPA, on a final basis effective April 1, 2020;
    (2) Approve Enbridge Gas's request to increase the Facility Carbon Charge from 0.0036 ¢/m^3 to 0.0049 ¢/m^3 for the EGD rate zone and from 0.0084 ¢/m^3 to 0.0088 ¢/m^3 for the Union rate zones, on a final basis effective April 1, 2020; and

[29] Exhibit I.STAFF.9 d).

(3) Approve Enbridge Gas's 2019 balances in FCPP-related deferral and variance accounts (GGEADAs, FCCCVAs and FCCFVAs), together with the proposed allocation and disposition methodologies for each of the EGD and Union rate zones, on a final basis effective October 1, 2020.

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All of which is respectfully submitted this 16th day of July 2020.

Adam Stiers

Digitally signed by Adam Stiers
Date: 2020.07.16 15:05:11 -04'00'

Adam Stiers
Technical Manager Regulatory Applications