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January 10, 2021

Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
2300 Yonge Street, P.O. Box 2319  
Toronto ON  
M4P 1E4

Dear Ms. Long,

**RE: EB-2020-0212 EGI FCPP Application. Energy Probe Argument**

In accordance with Procedural Order#2 Attached is the Argument on behalf of Energy Probe Research Foundation.

Yours truly,

Roger Higgin Ph.D. MBA, P.Eng, – Consultant  
Sustainable Planning Associates (SPA) Inc,

cc. Tanya Persad EGI Counsel  
Adam Stiers EGI  
L Murray OEB  
M. Parkes OEB

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**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch. B;

**AND IN THE MATTER OF** an application by Enbridge Gas Inc., for an order or orders for gas distribution rate changes related to compliance obligations under the *Greenhouse Gas Pollution Pricing Act*, S.C. 2018, c. 12, s. 186.

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Enbridge Gas Inc. Application under the Federal Carbon Pricing Program (FCPP)

Energy Probe Research Foundation Argument

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January 10, 2021

## **Enbridge Gas Inc. Application under the Federal Carbon Pricing Program (FCPP) Energy Probe Research Foundation Submissions**

### **Background**

Enbridge Gas Inc. filed its Application to recover in rates, the forecasted 2021 Federal Carbon Pricing Program (FCPP) amounts related to customer natural gas volumes and Facilities volumes. The Application was given Docket # EB-2020-0212.

The Board previously approved three FCPP deferral and variance accounts<sup>1</sup> for each Rate Zone:

- Federal Carbon Charge – Customer Variance Accounts, to record the variance between actual FCPP costs related to customer emissions and FCPP costs recovered in rates related to customer emissions
- Federal Carbon Charge – Facility Variance Accounts, to record the variance between actual FCPP costs related to facility emissions and FCPP costs recovered in rates related to facility emissions
- Greenhouse Gas Emissions Administration Deferral Accounts, to record the administration costs associated with the FCPP

These accounts record the differences between the forecast and actual amounts related to customer volumes/charges, facility emissions and administration costs

### **Relief Requested**

In its Application, Enbridge Gas requests:

- Approval on a final basis of an increase in the Federal Carbon Charge from the current rate of 5.87 ¢/m<sup>3</sup> to 7.83 ¢/m<sup>3</sup>, effective April 1, 2021, to match the increase in the federal Fuel Charge that takes effect on the same date;
  - For First Nations on-reserve customers, Enbridge Gas requests that this rate be approved on an interim basis;
- Approval on a final basis of an updated Facility Carbon Charge, to increase from 0.0049 ¢/m<sup>3</sup> to 0.0066 ¢/m<sup>3</sup> for the EGD rate zone and from 0.0088 ¢/m<sup>3</sup> to 0.0127 ¢/m<sup>3</sup> for the Union rate zones effective April 1, 2021, to recover Enbridge Gas's forecast 2021 FCPP facility-related costs.

Enbridge Gas estimates that the *incremental bill impact* of the Federal Carbon Charge and Facility Carbon Charge (relative to the rates for these charges that are currently effective) for typical residential customers would be \$47.08 per year in the EGD rate zone (based on annual consumption of 2,400 m<sup>3</sup>) and \$43.23 per year in the Union rate zones (based on annual consumption of 2,200 m<sup>3</sup>).

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<sup>1</sup> EB-2019-0205

## Scope of Hearing

In Decision/Scope of Hearing Dated November 20, 2020, the Board limited the scope of the Hearing:

The OEB confirms that the review of the application filed by Enbridge Gas will be limited to considering the recovery of its costs related to the FCCP. This comprises

- (i) updating the Federal Carbon Charge and Facility Carbon Charge on customer bills, to match the costs incurred by Enbridge Gas under the GGPPA; and
- (ii) considering Enbridge Gas's activities with respect to understanding, controlling and mitigating its facility-related FCCP costs (for example, evaluating Offset Credits as an option to reduce facility-related costs)

Energy Probe notes it was contacted by Mr. Malcolm Rowan - a customer of Enbridge Gas Distribution. Mr. Rowan has concerns about the transparency of the OEB process and the disclosure of the FCCP to customers.

Given the limited Scope of Hearing, Energy Probe was not able to put forward his concerns. He has written to the Government and the Board about his issues.

## Interrogatory Responses

While working to complete Energy Probe's Interrogatory Responses, EGI found a discrepancy within the customer-related volume forecasts set out in Enbridge Gas's Application at Exhibit B. Due to an internal oversight, *an outdated version of the exempt participants list was used in the forecasting process*, resulting in less exempt volumes being included within the forecasts.<sup>2</sup>

Accordingly, Enbridge Gas has corrected this error and updated the 2021 customer-related volume forecast to include volumes from all exempt participants under the GGPPA that have registered with Enbridge Gas to date and Updated Exhibit B, Tab 1, Schedule 1, Exhibit B, Tab 2, Schedule 5, Exhibit B, Tab 2, Schedule 5, Exhibit D, Tab 1, Schedule 1 and Exhibit D, Tab 2, Schedule 1.

*This update has reduced Enbridge Gas's forecast customer-related costs by \$54.75 million from what was filed in its Application. The correct total 2021 customer related cost is \$1,359.35 million (formerly \$1,414.11 million); approximately \$841.99 million for the EGD rate zone and \$517.36 million for the Union rate zones. There are no changes to the unit rates or bill impacts as a result of this update*

## Energy Probe Submission on Regulatory Process

**Given the Board's Direction regarding the restricted scope of the Hearing, Enbridge has a particular onus to provide clear and accurate evidence.**

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<sup>2</sup> Exhibit I. EP.3 Attachment 1

**Attempts by Energy Probe to provide due diligence regarding the forecast 2021 volume forecasts were met with reference to the Board’s Direction on Scope. However, in some cases a response was provided<sup>3</sup>.**

**As noted above, in responding to Energy Probe Interrogatories, EGI discovered it made a gross error in the forecast of 2021 OBPS Volumes that required a material restatement of its 2021 OBPS forecast and Net Volumes.**

**Energy Probe submits that the Board should modify its approach to allow intervenors to examine the EGI forecasts in detail and ask and receive answers to appropriate questions.**

**Energy Probe also requests that the Board direct EGI to provide greater transparency on the FCCP on customer’s bills, as well as enhanced information regarding the Federal Carbon Charge on its web-site.<sup>4</sup>**

**If the Ontario EPS program comes in to effect, the information provided to customers should then clearly delineate the amounts of the OPBS and EPS charges.**

### **Forecasts of Customer-Related FCCP charges for 2021**

Enbridge Gas is required to register with the Canada Revenue Agency (“CRA”) under Part 1 of the GGPPA as a “distributor” for the volumes of natural gas that it delivers to its Customers for their own consumption (“Customer Volumes”) and for the volumes of natural gas that EGI consumes in the operation of its distribution system that are not covered by OBPS (“Company Use Volumes”) to facilitate delivery of natural gas to its customers(i.e. for distribution buildings, boilers/line heaters and natural gas vehicle (“NGV”)fleet fuel).

The GGPPA requires Enbridge Gas to remit the Federal Carbon Charge to the government of Canada, on a monthly basis no later than the last day of the first month after the reporting period, for these volumes.

Enbridge Gas’s Updated Application includes cost estimates and volume forecasts for 2021 that are meant to be used for informational purposes only. Customers will be charged the Federal Carbon Charge and Facility Carbon Charge based on actual volumes. Enbridge Gas will seek disposition of any variance to forecast for 2021 as well as FCCP-related 2021 administration costs through a future application

For the purposes of estimating the Customer Volume forecast, Enbridge Gas excluded: (i) an estimate of customer volumes exempt from Part 1 of the GGPPA, including customer volumes qualifying for exemption for non-covered activities and OBPS-qualified customer volumes with

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<sup>3</sup> Exhibit I.EP.11

<sup>4</sup> Exhibit I.EP.7

emissions exceeding 10 ktCO<sub>2</sub>e; (ii) estimated volumes delivered to downstream distributors; and (iii) 80% of the estimated volumes delivered to commercial greenhouse operators<sup>5</sup>.

The correct total 2021 customer-related FCPP cost is \$1,359.35 million (formerly \$1,414.11 million); approximately \$841.99 million for the EGD rate zone and \$517.36 million for the Union rate zones.

### **Energy Probe Submission 2021 Customer-Related Volumes**

**Enbridge Gas noted that it did not make any COVID-19 pandemic specific adjustment to its General Service Market volume forecast, but that the Q2 2020 Economic Outlook that this forecast was based on, did include a forecast of variables that inherently includes certain COVID-19 pandemic impacts (such as GDP, unemployment and housing starts).**

**Energy Probe suggests 2021 volume forecasts may be affected by continuation of the COVID-19 Pandemic<sup>6</sup>. Nonetheless Energy Probe accepts that Enbridge Gas's Federal Carbon Charge be approved on a final basis, effective April 1, 2020, at the requested rate of 7.8300 ¢/m<sup>3</sup> for both the EGD and Union rate zones, for all customers, However, as a condition of approval, the Board should require EGI to conduct a mid-term review and advise the Board if the actual YTD 2021 volumes indicate the forecast is materially different, leading to large amounts in the Federal Carbon Charge – Customer Variance Accounts.**

### **OBPS forecasts for 2021/22 and Ontario Emission Performance Standards (EPS)**

Enbridge Gas is also required to register under Part 2 of the GGPPA as an “emitter” for the volumes of natural gas that it consumes in the operation of its transmission and storage compressor stations (“OBPS Volumes”), which are “covered facilities” under the GGPPA, to facilitate delivery of natural gas to its customers.

Enbridge Gas's Facility Volume forecast is based on an estimate of the volume of natural gas and resulting emissions required for Enbridge Gas to facilitate delivery of natural gas to its customers. Facility Volumes are composed of estimates for: (i) Company Use Volumes including distribution buildings, boilers/line heaters, and NGV fleet volumes, all of which are subject to the Federal Carbon Charge under Part 1 of the GGPPA; and (ii) OBPS Volumes including transmission and storage compression volumes, which are subject to the OBPS as Enbridge Gas's transmission and storage system is a “covered facility” under Part 2 of the GGPPA.

Entities that are covered under part 2 of the GGPPA are exempt from coverage under Part 1 of the GGPPA and subject to the OBPS established for industrial facilities in prescribed energy intensive and trade exposed (“EITE”) sectors. Entities included in the OBPS are required to apply to Environment and Climate Change Canada (“ECCC”) for a “covered facility” certificate

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<sup>5</sup> Exhibit I.EP.3 Updated Exhibit B, Tab 1, Schedule 1

<sup>6</sup> Exhibit I.Staff.4

which can then be used to apply to the Canada Revenue Agency for exemption from the Federal Carbon Charge.

As noted above, Enbridge Gas's Updated its customer OBPS forecast in its Exhibit I.EP.3 Response. This also resulted in a restatement of the Net Volume Forecast for 2021,

On September 21, 2020, the Government of Ontario announced that the Government of Canada has determined that Ontario's Emissions Performance Standards (EPS) are an acceptable carbon pricing alternative to the federal OBPS for eligible industrial facilities; however, the timeline for the changes to the GGPPA needed to bring into effect the Ontario EPS has not yet been established.

Once these changes have been made, Enbridge Gas would be subject to the EPS instead of the OBPS, which would change Enbridge Gas's facility-related costs.

In the current application, Enbridge Gas has assumed that it will remain subject to the federal OBPS in 2021, and not the Ontario EPS. Enbridge Gas noted that it could amend its application once additional details are announced. Enbridge Gas estimated that transitioning from the OBPS to the EPS for the 2021 period could reduce its facility-related compliance costs by approximately \$1.9 million.<sup>7</sup>

On December 17, 2020, after the close of record in this proceeding, the Government of Ontario posted a proposal on the Environmental Registry. The proposal notes that the Government of Canada has not yet made a decision on a start date for compliance obligations under the EPS program but that the options under consideration are for industry to have compliance obligations under the EPS program begin with their 2021 emissions or their 2022 emissions. The Ontario regulatory proposal is drafted based on a 2021 start date (i.e., covering 2021 emissions and onwards), in advance of a federal decision, and would be adjusted if the Government of Canada decides on a 2022 start date.

### **Energy Probe Submission**

If the EPS comes into effect in 2021, Enbridge Gas's facility-related costs could change, being reduced by approximately one-third.<sup>8</sup>

Energy Probe suggests that although Enbridge Gas's methodology for establishing the Facility Carbon Charge is the same as 2020/21, given the uncertainty about EPS and its impact on 2021/22 OBPS volumes and charges, the OBPS should be approved on an *interim basis* effective April 1, 2021, at the requested rate of 0.0066 ¢/m<sup>3</sup> for the EGD rate zone and 0.0127 ¢/m<sup>3</sup> for the Union rate zones.

### **Administrative Costs**

Enbridge Gas has forecast 2021/22 Admin Costs to be \$4.41 million. of which \$2.58 million is bad debt.

Enbridge Gas is not seeking approval to recover these costs in this application,

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<sup>7</sup> Exhibit I.Staff.1 plus Attachment Table 1

<sup>8</sup> Ibid 4

### **Energy Probe Submission**

**Although EGI is not seeking approval of its Admin Costs, Energy Probe, requests that the Board indicate to EGI that the forecast increase in Bad Debt should be considered under the Board's review of COVID-19 Expenses**

### **Disposition of 2020 Deferral Account Balances**

The Board in its Decision on Scope of Proceeding dated November 20, 2020, stated Enbridge Gas's 2019/2020 balances in FCCP-related deferral and variance accounts, and the allocation and disposition methodologies previously approved by the Board are not in scope in this proceeding

Respectfully Submitted On Behalf of Energy Probe Research Foundation

Roger Higgin SPA Inc.