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**Enbridge Gas Inc.**  
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January 18, 2021

BY RESS AND EMAIL

Ms. Christine Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)  
Ontario Energy Board (OEB) File No.: EB-2020-0212  
2021 Federal Carbon Pricing Program Application  
Reply Argument**

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In accordance with Procedural Order No. 2, issued by the Ontario Energy Board on December 11, 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  
Technical Manager, Regulatory Applications

c.c.: T. Persad (EGI)  
M. Parkes (OEB Staff)  
L. Murray (OEB Counsel)  
EB-2020-0212 (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 related to compliance obligations under the *Greenhouse Gas Pollution Pricing Act, S.C. 2018, c. 12, s. 186*.

### REPLY ARGUMENT OF ENBRIDGE GAS INC.

January 18, 2021

#### 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. On September 30, 2020, Enbridge Gas applied to the Ontario Energy Board (the “Board” or “OEB”) pursuant to section 36(1) of the Act, for:
  - (i) An order or orders allowing Enbridge Gas to charge customers a Federal Carbon Charge of 7.83 ¢/m<sup>3</sup> on a final basis effective April 1, 2021 (the amount of the Federal Carbon Charge required to be paid pursuant to the *Greenhouse Gas Pollution Pricing Act, S.C. 2018, c. 12, s. 186* (“GGPPA”)), with the exception of First Nations on-reserve customers for which Enbridge Gas requested that rate increases be approved on an interim basis subject to the OEB’s final determinations regarding the Deferred Issues.<sup>1</sup>

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<sup>1</sup> As set out in pages 18 to 20 of its August 13, 2020 Decision and Order on Enbridge Gas’s 2020 Federal Carbon Pricing Program Application (EB-2019-0247), the OEB ordered that for First Nations on-reserve customers the Federal Carbon Charge and rate riders for disposition of the 2019 balances in the Customer Variance Accounts remain interim and that Enbridge Gas track FCPP-related charges for these customers until such time that the OEB makes a final determination regarding their constitutional applicability.

- (ii) An order or orders approving or fixing just and reasonable rates for all Enbridge Gas rate zones (EGD, Union North and Union South),<sup>2</sup> on a final basis effective April 1, 2021, to allow Enbridge Gas to recover other costs (including Facility Carbon Charge costs of 0.0066 ¢/m<sup>3</sup> for the EGD rate zone and 0.0127 ¢/m<sup>3</sup> for the Union rate zones) in compliance with the GGPPA.
3. In accordance with the Board's Procedural Order No. 2 (dated December 11, 2020), this is the Reply Argument of Enbridge Gas in response to the Written Submissions of OEB Staff and Intervenors.<sup>3</sup>
4. Importantly, in its Written Submission OEB Staff generally supports all aspects of Enbridge Gas's Application, including rate increases and actions taken by Enbridge Gas to manage facility related Federal Carbon Pricing Program ("FCPP") costs. Further, intervenors generally either support, or do not oppose OEB approval of Enbridge Gas's proposed rates on a final basis effective April 1, 2021,<sup>4</sup> with the exception of EP which submitted that the Board should approve the Facility Carbon Charge on an interim basis and FRPO which generally supports the submissions of EP. Enbridge Gas addresses EP's argument regarding the Facility Carbon Charge in Section B of this Reply Argument.
5. Considering the general support for its Application and the OEB-defined scope of this proceeding set out in the Board's November 20, 2020 Decision on Scope of Proceeding,<sup>5</sup> 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.

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<sup>2</sup> Collectively, the Union North and Union South rate zones are referred to as the "Union rate zones".

<sup>3</sup> Enbridge Gas is in receipt of Written Submissions (each referred to as "Submissions") of: OEB Staff; Anwaatin Inc. ("Anwaatin"); Building Owners and Managers Association, Greater Toronto ("BOMA"); Canadian Manufacturers & Exporters ("CME"); Energy Probe Research Foundation ("EP"); and Federation of Rental-housing Providers of Ontario ("FRPO").

<sup>4</sup> This is with the exception of First Nations on-reserve customers for which Enbridge Gas requested that rate increases be approved on an interim basis.

<sup>5</sup> Where the Board directed that the scope of this proceeding would be limited to considering the recovery of Enbridge Gas's costs related to the FCPP, specifically: (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 FCPP costs. The Board also advised that the Deferred Issues would be heard as part of the 2020 FCPP proceeding and not in this 2021 FCPP proceeding.

6. 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:
- That given the uncertainty about Ontario's Emissions Performance Standards ("EPS") the Facility Carbon Charge should be approved on an interim rather than on a final basis.<sup>6</sup>
  - That as a condition of approval of the Federal Carbon Charge, the Board should require Enbridge Gas to conduct a mid-term review and advise the Board if the actual YTD 2021 volumes indicate that the forecast is materially different, leading to large amounts in the Federal Carbon Charge Customer Variance Account ("FCCCVA").<sup>7</sup>
  - That the Board should modify its approach to allow intervenors to examine the Enbridge Gas forecasts in more detail and be afforded the opportunity to ask and receive answers to appropriate questions.<sup>8</sup>
  - That the Board should order Enbridge Gas to produce a fully allocated costing of all charges levied pursuant to the FCPP.<sup>9</sup>
  - That the Board should direct Enbridge Gas to present the Facility Carbon Charge as a separate line item on customers' bills as well as enhanced information regarding the Federal Carbon Charge on its website.<sup>10</sup>
  - That the Board should indicate to Enbridge Gas that the 2021 forecast increase in bad debt should be considered under the Board's review of COVID-19 expenses.<sup>11</sup>
  - That a Draft Rate Order is not necessary in this proceeding. Instead, Draft complete tariff sheets reflecting the OEB's determination could be filed by Enbridge Gas for each of the EGD and Union rate zones as part of Enbridge Gas's April 2021 QRAM application.<sup>12</sup>

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<sup>6</sup> EP Submission, p. 6.

<sup>7</sup> EP Submission, p. 5.

<sup>8</sup> EP Submission, p. 4.

<sup>9</sup> Anwaatin Submission, p. 3.

<sup>10</sup> EP Submission, p. 4; BOMA Submission, p. 3.

<sup>11</sup> EP Submission, p. 7.

<sup>12</sup> OEB Staff Submission, p. 9.

7. Enbridge Gas's Reply Argument is organized as follows:
  - A. Introduction and Overview
  - B. Proposed 2021 Rate Changes
  - C. OEB-Defined Scope of this Proceeding
  - D. Matters for Future FCPP-Related Applications
  - E. Conclusions and Relief Sought
8. Defined acronyms and terms not otherwise defined in this Reply Argument bear the meanings assigned to them in Enbridge Gas's Application and responses to interrogatories.

**B. Proposed 2021 Rate Changes**

9. As set out in paragraph 4, 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 pages 4 and 7 of its Submission:

"...OEB staff believes that Enbridge Gas's methodology for establishing the Federal Carbon Charge is appropriate. OEB staff submits that Enbridge Gas's Federal Carbon Charge should be approved on a final basis, effective April 1, 2020, at the requested rate of 7.8300 ¢/m<sup>3</sup> for the EGD rate zone and the Union rate zones, for all customers, with the exception of on-reserve First Nations customers, for whom this rate should be approved on an interim basis."

"...OEB staff believes that Enbridge Gas's methodology for establishing the Facility Carbon Charge is based on the best available information at this time and is appropriate. OEB staff submits that Enbridge Gas's Facility Carbon Charge should be approved on a final 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."

10. Similarly, on page 3 of its Submission BOMA stated:

"BOMA has reviewed the application and responses to interrogatories and is supportive of the application."

11. On page 1 of its Submission CME concluded:

"...CME has reviewed EGI's application and the interrogatory responses provided. CME does not oppose the relief sought by EGI in this application."

12. On page 5 of its Submission EP concluded:

“...Energy Probe accepts that Enbridge Gas’s Federal Carbon Charge be approved on a final basis, effective April 1, 2021, at the requested rate of 7.8300 ¢/m<sup>3</sup> for both the EGD and Union rate zones, for all customers.”

13. Two exceptions to the support of relief sought by Enbridge Gas are addressed below:

(i) Interim Approval of the Facility Carbon Charge

14. On Page 6 of its Submission EP stated:

“...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.”

15. Enbridge Gas reiterates that the timeline for changes to the GGPPA needed to bring into effect the Ontario EPS has not yet been established. Further, as stated in Enbridge Gas’s interrogatory responses to EP:<sup>13</sup>

“Legislation on the EPS was enacted as of July 2019. Although already enacted, the compliance obligation under the EPS will not apply until the federal government stands down the Output-Based Pricing System (“OBPS”) in Ontario. At the time of this submission, Enbridge Gas is not aware when the federal government will take action to stand down the OBPS in Ontario.”

16. OEB Staff addressed the potential for changes to 2021 Facility-Related OBPS costs resulting from the Ontario EPS, stating on pages 6 and 7 of its Submission:

“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.”

“Should the EPS come into effect in 2021, Enbridge Gas’s facility-related costs could change, being reduced by approximately one-third. However, because the Facility Carbon Charge is a small charge that is recovered over all Enbridge Gas customer volumes, and the Federal Carbon Charge –

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<sup>13</sup> Exhibit I.EP.4.

Facility Variance Accounts are in place (albeit with the limitation noted above), this change would have a minor bill impact on customers.

Given the above considerations, OEB staff believes that Enbridge Gas's methodology for establishing the Facility Carbon Charge is based on the best available information at this time and is appropriate. OEB staff submits that Enbridge Gas's Facility Carbon Charge should be approved on a final 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."

17. Given that: (i) the timeline for transitioning from the OBPS to the EPS has yet to be confirmed; (ii) the magnitude of the estimated reduction in OBPS compliance costs in 2021 resulting from a potential transition from OBPS to the EPS is estimated to be \$1.9 million (less than 1% of total 2021 FCPP-related costs); and (iii) the Board-approved Federal Carbon Charge – Facility Variance Accounts were established to capture differences between actual facility-related costs and facility-related costs recovered in rates, it is appropriate for the Board to approve Enbridge Gas's proposed Facility Carbon Charge on a final basis now, based on the best available information before it in this proceeding. Further, approving the Facility Carbon Charge on an interim basis, as proposed by EP, could require that Enbridge Gas come forward with an additional application and evidence to support making these rates final in 2021, which would not be efficient.

(iii) Condition of Approval for the Federal Carbon Charge

18. On page 5 of its Submission EP states:

"Energy Probe suggests 2021 volume forecasts may be affected by continuation of the COVID-19 Pandemic. 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."

19. Enbridge Gas is opposed to EP's recommended condition of approval of the Federal Carbon Charge. A mid-term review of Enbridge Gas's customer-related volume forecast, which was provided for informational purposes only, would serve no purpose. As explained in Enbridge Gas's Application and consistent with Enbridge Gas's 2019 and 2020 FCPP applications, customers will be charged the Federal Carbon Charge rate monthly based on actual billed

volumes.<sup>14</sup> Therefore, variances between actual billed volumes and the customer-related forecasts set out at Exhibit B and in response to interrogatories will not be recorded in the Federal Carbon Charge – Customer Variance Accounts. The Board should reject EP’s proposed condition of approval.

**C. OEB-Defined Scope of this Proceeding**

20. At page 4 of its Submission EP states:

“...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.”

21. As previously stated, customer-related volume forecasts are provided for informational purposes only and customers will be charged the Federal Carbon Charge rate monthly based on actual billed volumes. Further, as stated in Enbridge Gas’s responses to EP’s interrogatories:<sup>15</sup>

“...a discrepancy within the customer-related volume forecasts set out in Enbridge Gas’s Application at Exhibit B was identified. Due to an internal oversight, an outdated version of the exempt participants list was used in the forecasting process, resulting in fewer exempt volumes being included within the forecasts. Accordingly, Enbridge Gas has corrected this issue 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...There are no changes to the unit rates or bill impacts as a result of this update.”

22. In the Decision on Scope of Proceeding issued by the Board November 20, 2020, the Board defined the nature of this proceeding as “largely mechanistic”. Enbridge Gas supports the Board’s reasoning for this characterization as well as the scope ultimately established by the Board. Each of the three FCPP-related applications made by Enbridge Gas since 2019 have, to some degree, contained unique issues but all have recognized the fact that the applications are largely mechanistic in nature. Accordingly, the Board has rightfully taken care to examine each application and establish a scope for FCPP-related proceedings that strikes a balance between understanding unique issues and maintaining regulatory efficiency. EP’s assertion that the Board should make a determination now, based upon a single instance that has been corrected without impact to

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<sup>14</sup> Exhibit B, p. 2

<sup>15</sup> Exhibit I.EP.3. [emphasis added]

ratepayers or the unit rates or bill impacts sought through Enbridge Gas's Application, regarding the scope of all future FCPP-related applications is not appropriate and should be rejected by the Board.

**D. Matters for Future FCPP-Related Proceedings**

(i) Cost Allocation of Charges Levied Pursuant to the FCPP

23. At page 3 of its Submission Anwaatin states:

"It appears to Anwaatin that EGI's compliance with the GGPPA and other similar compliance based regulatory schemes and/or customer payments made pursuant to the FCPP may be used by EGI towards meeting the Commitments. Consequently, accounting transparency and accountability is important. Anwaatin requests that the Board order EGI to produce a fully allocated costing of all charges levied pursuant to the FCPP in a manner that provides transparency and accountability as to whether such charges are going to the account of EGI, customers, or EGI's shareholder. Anwaatin believes that this accounting transparency and accountability should be introduced now."

24. As stated in Enbridge Gas's responses to interrogatories:<sup>16</sup>

"Both of the Online Monitoring and Air Filter emission reduction opportunities are being driven by Enbridge Gas's standard operational maintenance program and, as such, all associated project costs are being recovered as part of Enbridge Gas's regular maintenance costs. Enbridge Gas is not seeking to recover any costs associated with either of these projects through this Application, its FCPP-related rate changes or FCPP-related deferral and variance accounts."

25. As Enbridge Gas has not proposed to recover the costs associated with any emission reduction opportunities as part of its Application, Anwaatin's assertions regarding the need to introduce additional accounting transparency now are without purpose and misplaced as part of the argument phase of this proceeding. As stated in response to interrogatories, should Enbridge Gas implement projects in the future for the sole purpose of reducing its facility-related emissions, it expects that it may seek to recover such costs as part of future FCPP applications. At such time that Enbridge Gas seeks to recover such costs, if Anwaatin wishes to better understand their allocation then it should pose interrogatories to Enbridge Gas accordingly, assuming that the Board considers such questions to be within the scope of future proceedings.

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<sup>16</sup> Exhibit I.STAFF.2 a).

(iii) Presentation of the Facility Carbon Charge on Customer Bills

26. At page 4 of its Submission EP states:

“Energy Probe also requests that the Board direct EGI to provide greater transparency on the FCPP on customer’s bills, as well as enhanced information regarding the Federal Carbon Charge on its web-site.

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

27. Similarly, at page 3 of its submission BOMA states:

“BOMA suggests that consideration be given in a future proceeding as to whether the Facility Carbon Charge should be presented as a separate line item on customer’s bills to enable customers to quickly and easily see the entire impact of the FCPP on their monthly gas bill.”

28. The Board gave thorough consideration to the matter of bill presentation as part of its review of Enbridge Gas’s 2019 FCPP application. Little more than a year and a half ago, in its July 4, 2019 Decision and Order on that application the Board acknowledged that certain intervenors advocated for separate lines on the bill and it ultimately supported Enbridge Gas’s recommendations:<sup>17</sup>

“The OEB accepts Enbridge Gas’ proposal to present the Federal Carbon Charge (customer-related) as a separate line on the bill and to include the Facility Carbon Charge as part of the delivery and transportation charge.”

“The OEB acknowledges that some intervenors have advocated for a second line on the bill for the Facility Carbon Charge. However, the OEB concludes that having two separate lines on the bill (one for the Federal Carbon Charge (customer-related) and another for the Facility Carbon Charge) is unnecessary given the expected magnitude of charges related to facilities.”

29. In the short amount of time that has passed since the Board issued its Decision and Order on Enbridge Gas’s 2019 FCPP application, there has been no significant change to the actual or forecasted magnitude of facility-related FCPP charges. Further, the magnitude of such charges is anticipated to decrease if the Ontario EPS comes into effect. For these reasons, Enbridge Gas does not support further review of presentation of FCPP-related charges on customer bills at this time.

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<sup>17</sup> EB-2018-0205, OEB Decision and Order, July 4, 2019, p. 7.

30. With regard to EP's suggestion that enhanced information on the Federal Carbon Charge is required on Enbridge Gas's website, Enbridge Gas has not received any evidence to indicate the information currently provided is insufficient. The current information provided on Enbridge Gas's website is comprehensive and informative for customers seeking information on the Federal Carbon Charge. As new information relating to the FCPP materializes, Enbridge Gas's website is updated accordingly to ensure customers are informed with the most up to date and relevant information.

(iii) Bad Debt Expense

31. At pages 6 and 7 of its Submission EP states:

“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”

32. EP's Submission appears to incorrectly imply that any increase in bad debt from 2020 to 2021 should be attributed to the impacts of the COVID-19 pandemic. In reality, due to the steadily increasing cost of carbon established by the GGPPA, annual increases in these amounts are to be expected. Less than six months ago, as part of its review of Enbridge Gas's 2020 FCPP application, the Board made a finding regarding the appropriate tracking of COVID-19 pandemic related bad debt expenses:<sup>18</sup>

“The OEB finds it appropriate for Enbridge Gas to record bad debt expense for the FCPP related to the COVID-19 emergency in the COVID-specific sub-account so that all matters related to the COVID-19 emergency are recorded in the same account. Enbridge Gas can keep records to distinguish between the bad debts for FCPP and other bad debt amounts.”

33. Considering that: (i) Enbridge Gas included a forecast of 2021 administrative costs for informational purposes only; (ii) Enbridge Gas is not seeking to recover any administrative costs through this proceeding; and (iii) the Board has already directed Enbridge Gas to record COVID-19 pandemic related bad debt expenses in the COVID-specific sub-account, there is no need to direct Enbridge Gas as requested by EP.

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<sup>18</sup> EB-2019-0247, OEB Decision and Order, August 13, 2020, p. 11.

**E. Conclusions and Relief Sought**

34. For the reasons set out above, 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 5.87 ¢/m<sup>3</sup> (or \$30/tCO<sub>2e</sub>) to 7.83 ¢/m<sup>3</sup> (or \$40/tCO<sub>2e</sub>), the amount of the Federal Carbon Charge required to be paid pursuant to the GGPPA, on a final basis effective April 1, 2021; and
- (2) Approve Enbridge Gas's request to increase the Facility Carbon Charge 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, on a final basis effective April 1, 2021.

35. At page 9 of its Submission OEB Staff stated,

“OEB staff submits that if the OEB approves the rates requested by Enbridge Gas in this application (which OEB staff has supported), that a Draft Rate Order in this proceeding is likely unnecessary. The rates impacted by this proceeding are clearly shown (in Exhibit D, Tab 1, Schedule 1 for the EGD rate zone, and Exhibit D, Tab 2, Schedules 1 and 2 for the Union rate zone, which includes rate changes due to the change in the PDCI credit). Draft complete tariff sheets reflecting the OEB's determination could be filed by Enbridge Gas for each of the EGD rate zone and Union rate zones as part of its April 2021 QRAM application.”

Enbridge Gas supports OEB Staff's Submission in this regard.

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**All of which is respectfully submitted this 18<sup>th</sup> day of January 2021.**

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Adam Stiers  
Technical Manager Regulatory Applications