

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2016-0296
EB-2016-0300
EB-2016-0330

Ontario Energy Board

FILE No. EB-2017-0087

EXHIBIT No. K.2.2

DATE January 9/18

08 99

Union Gas Limited
Enbridge Gas Distribution Inc.
Natural Resource Gas Limited

**Applications for approval of the cost consequences of
cap and trade compliance plans and for interim rates
effective January 1, 2017**

**INTERIM RATE ORDER
November 25, 2016**

Union Gas Limited (Union Gas), Enbridge Gas Distribution Inc. (Enbridge) and Natural Resource Gas Limited (NRG) (collectively the Gas Utilities) each filed an application with the Ontario Energy Board (OEB) on November 15, 2016 seeking approval of the forecast costs arising from their Cap and Trade Compliance Plan for the January 1 - December 31, 2017 time period. The Gas Utilities filed their applications in accordance with the OEB's *Report of the Board – Regulatory Framework for Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities (Cap and Trade Framework)*¹.

The OEB assigned the following file numbers to the applications: EB-2016-0296 (Union Gas), EB-2016-0300 (Enbridge) and EB-2016-0330 (NRG).

Background

The *Climate Change Mitigation and Low-carbon Economy Act, 2016 (Climate Change Act)* was passed by the Ontario Legislature and received Royal Assent on May 18, 2016. On May 19, 2016, Ontario Regulation 144/16, *The Cap and Trade Program (Cap and Trade Regulation)*, was issued. The *Climate Change Act* and the *Cap and Trade*

¹ EB-2015-0363

Regulation set forth the details of a Cap and Trade program for the purposes of reducing greenhouse gas (GHG) emissions in Ontario. The *Climate Change Act* established that the first compliance period for the Cap and Trade program will run from January 1, 2017 until December 31, 2020, with subsequent three-year compliance periods.

Under the *Climate Change Act*, the Gas Utilities will need to develop strategies to meet their *Climate Change Act* compliance obligations. New costs will be incurred by the Gas Utilities to comply with the *Climate Change Act* and the OEB is responsible for assessing the cost consequences of the Gas Utilities' compliance plans for the purpose of approving recovery of the costs through rates.

The Applications

On November 15, 2015, the Gas Utilities each filed their Cap and Trade Compliance Plan as required by the Cap and Trade Framework. As part of each application, the Gas Utilities' are seeking approval to recover the forecast costs of their Cap and Trade Compliance Plan.

As part of the Cap and Trade Framework, the OEB indicated that it expected to establish interim rates for each of the Gas Utilities by January 1, 2017 for recovery of the projected costs of their respective Cap and Trade Compliance Plan. Consistent with the OEB's expectation, the Gas Utilities have requested that the OEB approve the cost consequences of their respective Cap and Trade Compliance Plan on an interim basis effective January 1, 2017. An OEB decision approving interim rates would allow the Gas Utilities to begin to recover the projected costs of the Cap and Trade Compliance Plans until the OEB issues its final decision on rates which will happen after the OEB has thoroughly reviewed and tested the applications.

The costs that the Gas Utilities will incur as part of their respective Cap and Trade Compliance Plan are related to the procurement of compliance instruments in order to ensure they are compliant with the *Climate Change Act* and the *Cap and Trade Regulation*. The bill impact for a typical residential customer is an estimated increase of approximately \$6 to \$7 per month on average. The exact amount of the increase will depend on the amount of gas that a customer uses and the particular gas utility.

Further information about the OEB's Cap and Trade Framework can be found on the OEB's website

at <http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Policy%20Initiatives%20and%20Consultations/Cap%20and%20Trade%20Compliance%20Plans%20%28EB-2015-0363%29>.

Combined Proceeding

Due to the similarity of the requests in the applications filed by the Gas Utilities, pursuant to Section 21(5) of the *Ontario Energy Board Act, 1998* (the Act), the OEB has determined that it will hear the applications in a combined proceeding.

The file number for the combined proceeding will be EB-2016-0296 / EB-2016-0300 / EB-2016-0330 and must be referenced in all correspondence concerning this proceeding.

Findings

Pursuant to section 21(7) of the Act, the OEB will approve, on an interim basis, the proposed rates of each of the Gas Utilities to recover the cost consequences of their Cap and Trade Compliance Plans effective January 1, 2017. This determination of interim rates is consistent with the OEB's expectations outlined in the Cap and Trade Framework and will lessen the need for any significant variances in the rates charged to customers once the OEB completes its review of the Gas Utilities' Cap and Trade Compliance Plans and approves the rates on a final basis. This will also allow the Gas Utilities to participate in the market and meet their Cap and Trade obligations.

The OEB's determination to make rates interim is without prejudice to the OEB's decision on the Gas Utilities' Cap and Trade Compliance Plans and should not be construed as predictive, in any way whatsoever, of the OEB's final determination with regards to the rates arising from the applications. The setting of interim rates will allow the OEB to adjust rates back to January 1, 2017 once the OEB has issued its final rate order in this proceeding. The establishment of interim rates in no way fetters the OEB's

discretion to determine the rates to be ultimately set. A determination of the final rates arising from this proceeding will be made when the OEB issues its final rate order.

The OEB considers it necessary to make provision for the following matter related to this proceeding.

IT IS THEREFORE ORDERED THAT:

1. Union Gas Limited's proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Union Gas Limited are outlined in Appendix A. The OEB will set final rates after the OEB has reviewed and fully tested the current application.
2. Enbridge Gas Distribution Inc.'s proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Enbridge Gas Distribution Inc. are outlined in Appendix B. The OEB will set final rates after the OEB has reviewed and fully tested the current application.
3. Natural Resource Gas Limited's proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Natural Resource Gas Limited are outlined in Appendix C. The OEB will set final rates after the OEB has reviewed and fully tested the current application.

All filings to the OEB must quote the file number, EB-2016-0296 / EB-2016-0300 / EB-2016-0330 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below.

Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below and be received no later than 4:45 p.m. on the required date.

ADDRESS

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

E-mail: boardsec@ontarioenergyboard.ca

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto, November 25, 2016

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary