

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving and/or accepting its Cap and Trade Compliance Plan and approving or fixing rates and/or charges to recover the costs incurred undertaking its Cap and Trade Compliance Plan.

APPLICATION

1. The Applicant, Enbridge Gas Distribution Inc. (“Enbridge”, or the “Company”), is an Ontario corporation with its head office in Toronto, Ontario. It carries on the business of selling, distributing, transmitting and storing natural gas within Ontario.

2. The relevant persons affected by this Application are the customers of Enbridge, with the exception of Large Final Emitters (“LFE”), i.e., facilities that emit more than 25,000 tonnes of carbon dioxide equivalent (“tCO₂e”), as well as “voluntary participants” in the cap and trade program who emit between 10,000 and 25,000 tCO₂e and purchase their own emissions allowances however would still incur applicable facility-related and administrative costs. It is impractical to set out the names and addresses of the relevant customers because they are too numerous.

3. On May 18, 2016, the *Climate Change Mitigation and Low-carbon Economy Act, 2016* (“Climate Change Act”) received Royal Assent. Under the Climate Change Act, Enbridge has compliance obligations and will incur costs to meet these obligations:

- a. Customer-related obligation costs: costs which Enbridge will incur to acquire the necessary emission allowances to meet its compliance obligations under the Cap and Trade program for natural gas-fired generators and residential, commercial and industrial customers who are not Large Final Emitters (“LFEs”) or voluntary participants and any resulting increase to financing costs;

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- b. Facility-related obligation costs: costs to acquire the necessary emission allowances associated with the Company's facilities and operation of its gas distribution system and any resulting increase to financing costs; and
 - c. Incremental administrative and program costs: including, but not limited to costs associated with salary and benefits of management and staff required to oversee and undertake all necessary administrative functions; changes to Enbridge's billing systems; costs to retain external consultants, such as emission allowance acquisition strategists, external legal counsel, external accounting support; costs payable in respect of current and future cap and trade Ontario Energy Board (the "Board") regulatory proceedings; costs for measurement, verification and reporting of Greenhouse Gas ("GHG") emissions; and the resulting incremental impact on customer-related bad debt, customer care and/or customer communication expenses.
4. On September 26, 2016, the Board issued the *Report of the Board: Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap & Trade Activities* (EB-2015-0363) (the "Framework"). The Framework states that the Board expects Enbridge to file its Compliance Plan by November 15, 2016 in order for the Board to set interim rates to allow for the recovery of 2017 Cap and Trade compliance costs.¹ The Framework further states that the Board will assess Enbridge's Compliance Plan (the "Compliance Plan") for cost effectiveness, reasonableness and optimization and ultimately to determine whether to approve the associated Cap and Trade costs for recovery from customers.²
5. In EB-2012-0459, Enbridge received approval effective January 1, 2014 for a five-year Custom Incentive Regulation ("Custom IR") Plan which determines how rates are set in the years 2014 – 2018 inclusive. Enbridge is currently operating under this Custom IR plan with 2017 being the fourth year of its five-year term. Neither the Custom IR plan, nor the 2017 Rate Adjustment Application (EB-2016-0215) provide for the recovery of the costs which Enbridge will incur undertaking Cap and Trade Compliance Plan Activities in 2017 and beyond. This Application therefore seeks the appropriate orders, approvals and acceptances by the Board to establish rates and/or charges over and above those set pursuant to Enbridge's Custom IR plan and the 2017 Rate Adjustment Application.

¹ Framework, page 38

² Framework, page 1

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6. Enbridge hereby applies to the Board for a determination that the Company's Compliance Plan is compliant with the Framework and is accepted by the Board because:

- a. The term of the Compliance Plan, being one-year, is appropriate;
- b. It is reasonable and has prudently optimized decision-making to achieve efficiency and to reasonably manage risk given the legislative framework, the tools available at this time, and the lack of data around Ontario's nascent carbon market;
- c. It demonstrates that Enbridge's planned investment decisions have been prudently prioritized and paced including proposed long-term investments;
- d. it will result in reasonable, predictable rates arising from Enbridge's Cap and Trade activities as much as is possible based on the uncertainty inherent in the unknown, new Ontario carbon market;
- e. It includes an appropriate degree of transparency and documentation;
- f. It provides for the appropriate levels of flexibility which will allow Enbridge to adapt to changing market conditions;
- g. It includes an appropriate Customer Outreach and Communication Plan;
- h. It includes appropriate monitoring and reporting mechanisms and requirements; and,
- i. It provides for continuous improvement over time.

7. Enbridge further applies to the Board pursuant to Section 36 of the *Ontario Energy Board Act, 1998*, as amended (the "Act") for such final, interim or other orders or accounting orders as may be necessary or appropriate to approve the following:

- a. 2017 Customer-related and Facilities-related Tariffs (the "Cap and Trade Tariffs") to recover the costs of meeting Enbridge's obligations related to GHG emissions from relevant customers and Company facilities;
- b. The methodology used to determine the Cap and Trade Tariffs including:

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- i. the forecasting methodology and resulting 2017 forecast of Delivery Volumes and Facility Use Volumes including the impact on such forecasts of Enbridge's Green Investment Fund (GIF) and Demand Side Management (DSM) activities;
 - ii. the forecasting methodology and resulting 2017 forecast of GHG emissions resulting from the Delivery Volumes and Facility Use Volumes forecasts;
 - iii. the forecasting methodology and resulting 2017 forecast for the cost of emission allowances;
 - iv. the forecasting methodology and resulting forecast of the costs to meet Enbridge's Customer and Facility-related obligations; and
 - v. the cost allocation and rate design methodologies used to derive the proposed 2017 Cap and Trade Tariffs.
- c. Interim Cap and Trade Tariffs, to be approved on or before December 2, 2016 in order that the Interim Cap and Trade Tariffs can be included with Enbridge's Quarterly Rate Adjustment Mechanism (QRAM) Application and implemented as of the Cap and Trade start date of January 1, 2017;
- d. The establishment of a new variance account to record the differences that occur in 2017 between the actual revenues received from the Cap and Trade Tariffs and the actual costs Enbridge incurs to meet its 2017 obligations related to GHG emissions from relevant customers and Company facilities. This new variance account will ensure that the Company neither over or under-recovers its Customer-related obligation costs and Facility-related obligation costs; and
- e. The use of the 2017 Greenhouse Gas Emissions Impact Deferral Account ("GGEIDA") to record the administrative and overhead costs incurred by Enbridge in respect of its Cap and Trade activities for future recovery from ratepayers.
- f. The illustrative bill impacts of a typical residential customer that include the sum of Cap and Trade charges for Customer-related and Facility-related costs found at Exhibit G Tab 1 Schedule 1.

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8. Enbridge requests confidential treatment of documentation, data and information (“Documents”) pursuant to the Board’s Rules of Practice and Procedure and the Practice Direction on Confidential Filings and Documents marked “Auction Confidential” or “Market Sensitive” or as specified in the Confidentiality exhibit in this filing at Exhibit A, Tab 3, Schedule 1, and in accordance with the Climate Change Act, O. Reg. 144/16: The Cap and Trade Program (“Cap and Trade Regulation” or “the Regulation”), and the Framework.

9. Enbridge further applies to the Board, pursuant to the provisions of the Climate Change Act, the Cap and Trade Regulation and the Board’s *Rules of Practice and Procedure*, for such final, interim or other Orders and directions as may be appropriate in relation to the Application and the proper conduct of this proceeding.

10. Where there have been deviation(s) from the Framework, Enbridge has provided an explanation and reasons why those deviation(s) are just and reasonable in the appropriate Exhibit. A summary of the deviation(s), is as follows:

- a. Enbridge has utilized the auction reserve, or floor, price of the Ontario market in 2017 for allowance price forecasting for rate making purposes instead of the Intercontinental Exchange 21-day strip settlement price of the California Carbon Allowance for delivery in each of the 12 months of the forecast year. – Exhibit B-Tab 4-Schedule 1

11. Enbridge requests that a copy of every document filed with the Board in this proceeding be served on the Applicant and the Applicant’s counsel, as follows:

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The Applicant:

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DATED: November 15, 2016 at Toronto, Ontario

ENBRIDGE GAS DISTRIBUTION INC.

Per: _____ [original signed] _____

Andrew Mandyam
Director, Regulatory Affairs, Financial Planning
and Analysis

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