

APPrO INTERROGATORY #2

INTERROGATORY

2016 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”)

Reference: Exhibit C, Tab 1, Schedule 11, Pages 1-2; Exhibit C, Tab 2, Schedule 1, Page 3.

Preamble: On June 21, 2016, APPrO made the following submissions in the Board's Consultation to Develop a Regulatory Framework for Natural Gas Distributors' Cap and Trade Compliance Plans (EB-2015-0363) (emphasis added):

“At any rate, adjustments that occur must only occur prospectively, i.e., variances must be rolled forward to be included in future periods. There cannot be any “one-time” adjustments or true ups representing past variances and customer activity. Generators make the commercial decision to operate based on their marginal operating costs. If a cost is restated after the fact, it is no longer a marginal operating cost but a “one-time” fixed cost. Ontario’s current electricity market structure makes it difficult to recover this type of cost and therefore goes against the intent of the C&T program as it does not provide the appropriate price signal to the consumer. Any variances must be included in, or rolled forward, for computing and establishing the new rates for future periods. **This is especially important for settlement of contracts between the IESO and generators which underpinned the significant investments in the electricity sector in order to reduce its carbon footprint.”**

The Board incorporated APPrO's feedback directly into the Report of the Board, *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities*, EB-2015-0363 dated September 26, 2016 (the “**Framework**”) at Section 6.2.1 (emphasis added):

“The OEB also believes that deferral account balances should be apportioned between customer-related and facility-related obligations and, **to avoid any market distortions, the balances should be administered on a prospective basis, not a retroactive basis.”**

Enbridge proposes to clear the balance of the 2016 GGEIDA to various customer classes based on the number of customers in each rate class.

Questions:

Please provide further details on Enbridge's proposed disposition methodology for the 2016 GGEIDA.

Witnesses: A. Kacicnik
F. Oliver-Glasford
R. Small

- (a) For the 2016 GGEIDA and referencing the Framework, is Enbridge proposing a “one-time” retroactive adjustment or a forward looking prospective adjustment?
- (b) Did Enbridge consider the market distortions that would be created for natural gas fired generators by a one-time retroactive disposition, as identified by the Independent Electricity System Operator in its May 19, 2017 submissions in EB-2016-0296/EB-2016-0300?
- (c) Please explain to the Board panel what market distortions Enbridge is aware of that might arise under Enbridge’s proposed disposition methodology?
- (d) Please explain what alternative disposition approaches are available to Enbridge to mitigate those market distortions?
- (e) Please explain whether, for each of these alternative approaches, they could be implemented in a way to ensure that Enbridge is held whole under such a disposition approach?
- (g) Please identify any other factors which the Board should be aware of when considering any alternative approaches? Please provide evidence to quantify each such factor based on actual data, to the extent available.

RESPONSE

With respect to 2016 GGEIDA, the Board determined the following in Procedural Order No. 2:

The OEB finds it appropriate to defer consideration of the final disposition of Enbridge’s 2016 GGEIDA account balance. However, the OEB will consider whether the balance should be disposed of on an interim basis in this proceeding. As a result, interim disposition of the 2016 GGEIDA Account is added as an issue for the settlement conference and intervenor cost award eligibility. The OEB finds it appropriate to defer final disposition given the other, concurrent applications before the OEB.

and

Any matters related to the GGEIDA account (other than whether interim disposition of the GGEIDA account is appropriate) are excluded from settlement.

In its application, Enbridge requested disposition of 2016 GGEIDA balance with supporting evidence. If Enbridge’s proposal is approved by the Board on an interim basis, the 2016 debit balance of \$0.853 million would be collected from ratepayers on an interim basis.

Witnesses: A. Kacicnik
F. Oliver-Glasford
R. Small

Given the Board's determination in Procedural Order No. 2, the Company does not consider it appropriate to provide responses to the interrogatory questions above within this proceeding.

Witnesses: A. Kacicnik
F. Oliver-Glasford
R. Small