

## 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 2018 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 (“tCO<sub>2</sub>e”), as well as “voluntary participants” in the Cap and Trade program who emit between 10,000 and 25,000 tCO<sub>2</sub>e and purchase their own emissions allowances but 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 and other instruments and to undertake customer abatement activities 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;
- b. Facility-related obligation costs: costs to acquire the necessary emission allowances and other instruments and to undertake facility abatement activities to meet its compliance obligations arising from 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; investigating and implementing incremental GHG abatement activities; 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 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.<sup>1</sup>

5. The Framework contemplated that Enbridge would file its 2018 Compliance Plan by August 1, 2017. However, to allow the Natural Gas Utilities an opportunity to consider the pending Decision of the Board in respect of the 2017 Compliance Plan filings, the Board by letter dated July 27, 2017 granted each of the Natural Gas Utilities an extension to the filing of their 2018 Compliance Plans until three weeks following the issuance of the Board's Decision in respect of the 2017 Compliance Plans. This letter also indicated that if further time was required, a request for a further extension could be made. On September 21, 2017, the Board issued its Decision and Order in respect of the Company's 2017 Compliance Plan (EB-2016-0300). By letter dated October 3, 2017, Enbridge requested an extension to file this Application until November 9, 2017. This request was granted by the Board.

6. 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 2018 being the last year of its five-year term. Neither the Custom IR plan, nor the pending 2018 Rate Adjustment Application (EB-2017-0086) provide for the recovery of the costs which Enbridge will incur undertaking Cap and Trade Compliance Plan Activities in 2018 and beyond. This Application therefore seeks the appropriate orders, approvals and acceptances by the Board to establish rates and/or

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<sup>1</sup> Framework, page 1

charges over and above those set pursuant to Enbridge's Custom IR plan and the 2018 Rate Adjustment Application.

7. 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 evolving nature of Ontario's carbon market (including the pending linkage with Quebec and California);
- c. It demonstrates that Enbridge's proposed abatement activities and 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 reasonable;
- 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.

8. 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 or determinations as may be necessary or appropriate to approve the following:

- a. 2018 Customer-related and Facilities-related Tariffs or Charges (referred to in this Application as 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. Interim Cap and Trade Tariffs, to be approved on or before December 1, 2017 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 January 1, 2018. In the event that Interim Cap and Trade Tariffs for 2018 cannot be approved on this timeline, then Enbridge requests that the 2017 Cap and Trade Tariffs be declared as interim for 2018 as of January 1, 2018, with any necessary adjustments to be made later in the 2018, after the 2018 Cap and Trade Tariffs are approved;
- c. The establishment of a 2018 Greenhouse Gas Emissions Compliance Obligation – Customer-related variance account ("GHG-Customer VA") and a 2018 Greenhouse Gas Emissions Compliance Obligation – Facility-related variance account ("GHG-Facility VA") to record the differences that occur in 2018 between the actual revenues received from the Cap and Trade Tariffs and the actual costs Enbridge incurs to meet its 2018 obligations related to GHG emissions from relevant customers and Company facilities. These variance accounts will ensure that the Company neither over or under-recovers its Customer and Facility-related obligation costs;

- d. The amounts recorded in the 2016 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”) and an order approving the clearance of such amounts to customers at the next practical QRAM;
  - e. 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 and appendices;
  - f. The RNG procurement model set out in Exhibit C, Tab 5, Schedule 2. Enbridge requests approval of the RNG procurement model as early as possible, and no later than the end of January 2018, so that important local sources of RNG can be procured for the longer term benefit of Ontarians; and,
  - g. The forecast costs associated with Enbridge’s planned abatement activities as set out in Exhibit C, Tab 5, Schedule 1, which are comprised of the cost for two additional full-time equivalent (“FTE”) employee resources and available funds of up to \$2 million in the Low Carbon Initiative Fund (“LCIF”) that will be tracked through the 2018 GGEIDA.
9. 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 in respect of Documents marked “Auction Confidential”, “Market Sensitive” or “Confidential” 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.

10. 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.

11. 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. Carbon proxy price – the approach that Enbridge has used to set the carbon proxy price is somewhat different from the Guidelines and from what is set out in the EB-2016-0300 Decision and Order. The reasons why Enbridge's approach is appropriate are explained in Exhibit B, Tab 4, Schedule 1.

12. 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:

The Applicant:

Regulatory Contact:  
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Director, Regulatory Affairs,  
Financial Planning and Analysis  
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The Applicant's counsel:

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DATED: November 9, 2017 at Toronto, Ontario

ENBRIDGE GAS DISTRIBUTION INC.

Per:                     [original signed]                    

Andrew Mandyam  
Director, Regulatory Affairs, Financial  
Planning and Analysis