



**Ontario Energy Board  
Commission de l'énergie de l'Ontario**

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**DECISION AND ACCOUNTING ORDER**

**EB-2015-0367**

**UNION GAS LIMITED**

**Request for approval to establish the Greenhouse Gas Emissions  
Impact Deferral Account**

**BEFORE: Allison Duff**  
Presiding Member

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**April 7, 2016**

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## 1 INTRODUCTION AND PROCESS

Union Gas Limited (Union) is a major Canadian natural gas storage, transmission and distribution company serving about 1.4 million residential, commercial and industrial customers in communities across northern, southwestern and eastern Ontario.

Union filed an application on December 17, 2015, with the Ontario Energy Board (OEB) seeking approval to establish a deferral account to record the cost impacts of government requirements related to greenhouse gas emissions (the Greenhouse Gas Emissions Impact Deferral Account).

In Procedural Order No. 1, the OEB granted intervenor status and cost eligibility to a number of parties. The OEB also scheduled dates for filing interrogatories, responding to interrogatories, and filing submissions.

The OEB received submissions from OEB staff, the Building Owners and Managers Association – Greater Toronto (BOMA), the Canadian Manufacturers and Exporters (CME), the School Energy Coalition (SEC) and a reply submission from Union.

The OEB approves Union's request to establish the Greenhouse Gas Emissions Impact Deferral Account and approves the Draft Accounting Order as filed.

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## 2 GREENHOUSE GAS EMISSIONS IMPACT DEFERRAL ACCOUNT

### Background

In its application, Union noted that the Ontario Government announced the future implementation of a Cap and Trade program as part of its strategy to reduce Ontario's greenhouse gas emissions.

Union stated that the costs that it intends to record in the account are outside the base upon which its rates were derived and management's control.

Union provided the following examples of the types of costs that it intends to record in the proposed deferral account:

- Emissions reporting compliance costs
- Billing system changes
- External consultant costs
- Costs associated with participating in OEB Cap and Trade consultations
- Implementation costs, including additional staff costs and the purchase of allowances

Union noted that while the magnitude of the costs are unknown, the costs are expected to be material.

Union stated that it is not seeking any determination on the potential disposition of the costs that will be recorded in the proposed deferral account as part of this proceeding. Union noted that it will seek recovery of any costs recorded in the Greenhouse Gas Emissions Impact Deferral Account in a future deferral account disposition proceeding.

Union filed a Draft Accounting Order for the proposed deferral account with its application.

None of the parties that filed submissions in the proceeding opposed the establishment of the proposed Greenhouse Gas Emissions Impact Deferral Account.

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## Findings

The OEB approves the establishment of the proposed Greenhouse Gas Emissions Impact Deferral Account requested by Union. The OEB also approves the Draft Accounting Order as filed.

On February 24, 2016, as this proceeding was ongoing, the Ontario Government introduced new legislation on climate change. The proposed *Climate Change Mitigation and Low Carbon Economy Act* builds on Ontario's recent actions to fight climate change. The government's Cap and Trade program is designed to put a limit on the amount of greenhouse gases that businesses, institutions and households can emit. The objective of the Cap and Trade program is to reduce greenhouse gas emissions in the province and encourage the development of clean technologies.

The establishment of the proposed deferral account will enable Union to record costs that it incurs related to the Ontario Government's Cap and Trade program.

The OEB finds that Union has demonstrated the need for the account and does agree that the expected costs are likely to be material. The precipitating event – i.e. the government's new Cap and Trade program – is clearly outside of management's control. The actual costs that Union incurs to meet its new obligations are to some extent within management's control, and they will be reviewed by the OEB when the account is brought forward for disposition.

The OEB approved a similar deferral account for Enbridge Gas Distribution Inc. (Enbridge) in its 2016 rates proceeding (EB-2015-0114). The OEB finds that it is appropriate for Union to have a deferral account for the same purpose as Enbridge.

In both the Enbridge and Union proceedings, parties indicated concern regarding the type of expenses that may be recorded in the deferral account. The issue of which expenses are appropriate for recovery from customers will be reviewed by the OEB when the deferral accounts are brought forward for disposition. At the time that Union brings forward a request for disposition of the balances in the Greenhouse Gas Emissions Impact Deferral Account, the OEB will review the costs for prudence and will determine whether the costs are appropriate for recovery from ratepayers in the context of Union's IRM framework. In the deferral account disposition proceeding, parties will have the opportunity to review and test the evidence filed by Union in support of its

disposition requests. Until the OEB approves the disposition of the balances in the Greenhouse Gas Emissions Impact Deferral Account, the risk of disallowance is borne by the distributor.

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### 3 COST AWARDS

The OEB may grant cost awards to eligible parties pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of the OEB's *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB notes that filings related to cost awards shall be made in accordance with the schedule set out in the Order section of this Decision.

## 4 ORDER

### THE BOARD ORDERS THAT:

1. Union shall establish the Greenhouse Gas Emissions Impact Deferral Account (No. 179-152) in accordance with the OEB's findings.
2. Union shall maintain the Greenhouse Gas Emissions Impact Account (No. 179-152) in accordance with Schedule A.
3. Intervenors shall file with the OEB, and forward to Union, their respective cost claims by **April 21, 2016**.
4. Union shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **May 5, 2016**.
5. Intervenors shall file with the OEB, and forward to Union, any responses to any objections for cost claims by **May 12, 2016**.
6. Union shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

**DATED** at Toronto April 7, 2016

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**SCHEDULE A**  
**DECISION AND ORDER**  
**UNION GAS LIMITED**  
**EB-2015-0367**  
**APRIL 7, 2016**



**UNION GAS LIMITED**

**Accounting Entries for  
Greenhouse Gas Emissions Impact Deferral Account  
Deferral Account No. 179-152**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit            -        Account No.179-152  
                                 Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account

Credit           -        Account No. 728  
                                 General Expense

To record, as a debit (credit) in Deferral Account No. 179-152, the impacts of provincial and federal regulations related to greenhouse gas emission requirements.

Debit            -        Account No.179-152  
                                 Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account

Credit           -        Account No. 323  
                                 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-152, interest on the balance in Deferral Account No. 179-152. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.