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Our File # 339583-000250 and 251

By electronic filing

January 12, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Enbridge Gas Distribution Inc. ("EGD")
2018 Cap and Trade Compliance Plan
Board File #: EB-2017-0224

Union Gas Limited ("Union")
2018 Cap and Trade Compliance Plan
Board File #: EB-2017-0255

We are writing on behalf of Canadian Manufacturers & Exporters ("CME"). Please find attached CME's Interrogatories for both EGD and Union in the above-noted proceedings.

Yours very truly

Borden Ladner Gervais LLP

Scott Pollock

enclosure

c. Andrew Mandyam and Fiona Oliver-Glasford (EGD)
Dennis O'Leary and David Stevens (Aird & Berlis LLP)
Adam Stiers (Union)
Crawford Smith (Torys LLP)
Intervenors in EB-2017-0224 and EB-2017-0255
Paul Clipsham and Ian Shaw

OTT01: 8694779: v1

Enbridge Gas Distribution Inc.
Union Gas Limited

Applications for approval of the cost consequences
of 2018 Cap and Trade Compliance Plans

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
TO ENBRIDGE GAS DISTRIBUTION INC. ("EGD')
AND TO UNION GAS LIMITED ("UNION")**

(Issue 1.10.1 of Draft Issues List)

Interrogatories of CME to EGD

CME 1

Ref: Exhibit C, Tab 5, page 9 of 29

At Exhibit C, Tab 5, page 9, EGD states that "Biogas producers require longer term contracts in order to support capital investments in RNG production facilities. Enbridge is considering entering into RNG procurement contracts with terms of up to 10 years in duration."

(a) CME wishes to better understand the decision to enter into longer-term fixed contracts. Did EGD compare or solicit any third parties to compare the various types and lengths of contracts? If so, please provide the comparisons, or any work done that was used to determine the optimal nature and maximum duration of the contract.

(b) Why was the upper limit of 10 years decided upon?

(c) With long-term fixed contracts, there is a risk to ratepayers if the price of gas and/or carbon is significantly lower than what was forecast at the time of entering into the contract. Does EGD plan to hedge those risks in any way, whether in the contract terms or otherwise?

CME 2

Ref: Exhibit C, Tab 5, Schedule 2, Page 8 of 29

At Exhibit C, Tab 5, Schedule 2, page 8, Enbridge states "Some potential producers of renewable gas supplies are at the early stage of project development in anticipation of market opportunities developing in Ontario while others are closer to fruition."

(a) Will the individual RNG projects' stage of development (how close they are to fruition) be the primary driver behind the length of the contract term? Why or why not?

(b) If the stage of development drives the contract term, does EGD expect that the length of the contracts will generally decline over time as RNG projects in Ontario become more numerous and further developed?

CME 3

Ref: Exhibit C, Tab 5, page 9 of 29

At Exhibit C, Tab 5, page 9, EGD states that it will "Negotiate and enter into a contractual arrangement between the Company and the Province whereby the Province agrees to compensate ratepayers for the difference between the cost of the RNG purchased and the carbon abated cost of natural gas. The latter will be determined by summing the forecast cost of traditional gas supplies over the term of the RNG procurement contract with the Board's LTCPF mid-range forecast carbon cost applicable for each respective year of the same time period."

CME wishes to better understand the implications of the cost allocation between the various parties to the RNG funding proposal.

(a) Please confirm if the notional cost of carbon that is being factored into the ratepayer cost of RNG is only being used to determine the appropriate allocation of costs between ratepayers and the Ontario Government.

(b) If EGD is granted the funding proposal that they are seeking in this application, and begins using RNG, please confirm if this will decrease the total cap and trade compliance costs that EGD will incur.

(c) If the answer to b) is yes, will the reduction in compliance costs be captured in the Greenhouse Gas Emissions Compliance Obligation – Customer Related Variance Account, or another account?

(d) If the answer to c) is yes, if EGD secures provincial funding, and begins to source RNG, does it plan to begin forecasting the reductions in GHG emissions reductions into their future compliance plans, or will it be left to the variance account to true-up the impact of RNG on the total cap and trade compliance costs?

Interrogatories of CME to Union

CME 1

Ref: Exhibit 3, Tab 4, page 19 of 60

At Exhibit 3, Tab 4, page 19, Union states that "Union's RNG plan reflects the requirement of biomass producers to contract for longer-term contracts in order to support capital investment in RNG production facilities. As a result, Union expects to enter into fixed price RNG procurement contracts with terms up to 10 years in duration, subject to provincial funding."

(a) CME wishes to better understand the decision to enter into longer-term fixed contracts. Did Union compare or solicit any third parties to compare the various types and lengths of contracts? If so, please provide them.

(b) Why was the upper limit of 10 years decided upon?

(c) With long-term fixed contracts, there is a risk to ratepayers if the price of gas and/or carbon is significantly lower than what was forecast at the time of entering into the contract. Does Union plan to hedge those risks in any way, whether in the contract terms or otherwise?

CME 2

Ref: Exhibit C, Tab 5, Schedule 2, Page 8 of 29 (EGD's application)

At Exhibit C, Tab 5, Schedule 2, page 8, EGD states "Some potential producers of renewable gas supplies are at the early stage of project development in anticipation of market opportunities developing in Ontario while others are closer to fruition."

(a) Does Union agree with EGD's description of the state of RNG projects?

(b) Will the individual RNG projects' stage of development (how close they are to fruition) be the primary driver behind the length of the contract term? Why or why not?

(c) If the stage of development drives the contract term, does Union expect that the length of the contracts will generally decline over time as RNG projects in Ontario become more numerous and further developed?

CME 3

Ref: Exhibit 3, Tab 4, pages 19 and 20 of 60

At Exhibit 3, Tab 4, pages 19 and 20, Union states that "Based on these RNG contracts, Union will then enter into a contractual arrangement with the province to provide provincial funding equal to the difference between the fixed price of RNG contracted with the producer, and the cost of conventional natural gas plus the avoided cost of carbon. The inclusion of the avoided cost of carbon is to recognize that customers would have incurred a carbon cost in the absence of RNG."

CME wishes to better understand the implications of the cost allocation between the various parties to the RNG funding proposal.

(a) Please confirm if the notional cost of carbon that is being factored into the ratepayer cost of RNG is only to determine the appropriate allocation of costs between ratepayers and the Ontario Government.

(b) If Union is granted the funding proposal that they are seeking in this application, and begin using RNG, please confirm if this will decrease the total cap and trade compliance costs.

(c) If the answer to b) is yes, will the reduction in compliance costs be captured in the Greenhouse Gas Emissions Compliance Obligation – Customer Related Deferral Account, or another account?

CME 4

Ref: Exhibit 3, Tab 4, page 23 of 60

At Exhibit 3, Tab 4, page 23, Union states that "Since Union's ability to procure RNG is dependent on funding, Union has not included any RNG in its gas supply portfolio for 2018 and has not reflected any related GHG emissions reductions in the 2018 Compliance Plan."

(a) If Union secures provincial funding, and begins to source RNG, does it plan to begin reflecting GHG emissions reductions in their future compliance plans?