

January 12, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

**RE: EB-2017-0255 – RNG Interrogatories of London Property Management Association to Union Gas**

Please find attached LPMA's RNG related interrogatories with respect to the above noted proceeding to Union Gas.

Sincerely,

*Randy Aiken*

Randy Aiken  
Aiken & Associates  
Encl.

cc: Adam Stiers (Union Gas)  
Valerie Bennett (OEB)  
Ljuba Djurdjevic (OEB)  
Intervenors

**INTERROGATORIES OF THE**  
**LONDON PROPERTY MANAGEMENT ASSOCIATION**  
**TO UNION GAS**  
**RELATED TO RNG PROCUREMENT AND FUNDING MODEL**

**Issue 1.10.1**

**Interrogatory #1**

Ref: Exhibit 1, page 6

Union has requested approval to proceed with its RNG procurement proposal by the end of January, 2018. Please provide the impacts on the proposal if OEB approval is not received until the end of February, March, or April.

**Interrogatory #2**

Ref: Exhibit 3, Tab 1, page 3

The evidence indicates Union has been actively pursuing RNG for 2018, working jointly with EGD, the Ministry of Energy and the MOECC to advance this initiative.

Please provide all documents in Union's possession associated with this joint effort.

**Interrogatory #3**

Ref: Exhibit 3, Tab 1, page 6

What is the current status of government funding for RNG?

**Interrogatory #4**

Ref: Exhibit 3, Tab 1, pages 21-22

Given the uncertainties noted in the evidence, how has Union factored this into the cost, production level and timing of its RNG proposal?

**Interrogatory #5**

Ref: Exhibit 3, Tab 4, page 2

a) Please confirm that if Union does not receive government funding it will not proceed with the RNG proposal as currently filed. If this cannot be confirmed, please explain fully.

b) Under what circumstances would Union proceed with its current RNG proposal, or some alternative to that proposal, if the level of government funding is less than that included in Union's current proposal? Please explain fully.

#### **Interrogatory #6**

Ref: Exhibit 3, Tab 4, page 18

a) What requirements will Union put in place to ensure that the RNG injected into the distribution system will be of similar quality to fossil natural gas?

b) Is the heat content of RNG the same as conventional natural gas? If not, is it higher or lower?

c) If the heat content of RNG is not the same as conventional natural gas, how will Union address the potential impacts on customers that are located along lines close to injection points of RNG?

d) Will Union require RNG to meet the same quality requirements as required from local natural gas producers in Ontario? Please explain fully any differences.

#### **Interrogatory #7**

Ref: Exhibit 3, Tab 4, page 20

The evidence states that Union would contract for 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.

a) Will the contracted priced negotiated between Union and the RNG producer include the cost of carbon? In particular, in the example provided, does the \$16/GJ long-term contracted price of RNG include the \$0.85/GJ carbon price in 2018?

b) If the response to the above question is yes, does this mean that as the carbon price increases over the contractual term of the agreement, the net amount to the producer will decline?

c) Will Union be required to purchase cap and trade credits for both conventional natural gas and RNG, or only for conventional natural gas? Will there be any offsets to Union ratepayers to the carbon costs associated with the purchase of RNG? Please explain fully.

#### **Interrogatory #8**

Ref: Exhibit 3, Tab 4, page 21

Will there be negotiations with the provincial government for each RNG procurement contract? If not, please explain how the forecast prices would be determined for multiple contracts that are negotiated at different times.

### **Interrogatory #9**

Ref: Exhibit 3, Tab 4, page 21

Union's proposal is to use forecasts for traditional natural gas supplies and the forecasted cost of carbon as determined by the OEB LTCPF applicable at the time of contracting for conducting negotiations with the province.

- a) Does this mean that the amount of provincial funding to be received by Union to subsidize the cost of RNG recovered from system gas ratepayers is fixed for the length of the contract and is based on the forecasts noted above?
- b) Are system gas customers at risk for any actual cost variances from that forecast for the length of the RNG supply contracts, or will any variance between actual and forecast costs be included in the cap and trade charges?
- c) Please explain how the net RNG costs will be recovered. Will they be included in the cost of gas and recovered only from system gas customers, or will they be included in the cap and trade costs and recovered through distribution rates rather than the cost of gas, or will the costs be split between the cost of gas and the cost of cap and trade? Please explain fully.

### **Interrogatory #10**

Ref: Exhibit 3, Tab 4, page 21

- a) Please confirm that the cost of cap and trade customer-related charges are recovered from all non-large final emitters and that the facility-related charges are recovered from all customers. If this cannot be confirmed, please explain.
- b) If the RNG related costs are considered cap and trade costs, will the net cost related to RNG (cost less provincial funding) be recovered through the customer-related charge or the facility-related charge?
- c) If the costs are recovered through the customer-related charge, please confirm that large final emitters would not pay any of the associated RNG costs.

### **Interrogatory #11**

Ref: Exhibit 3, Tab 4, page 22

- a) What is the expected timing and frequency of the provincially funded portion of the RNG contracted price?
- b) What is the expected timing and frequency of payment by Union of the RNG contracted price?
- c) Based on the above responses, what is the impact on the working capital allowance with respect to the payment for RNG and the receipt of the provincially funded portion of the RNG cost relative to the purchase of conventional natural gas?

### **Interrogatory #12**

Ref: Exhibit 3, Tab 4, pages 22-23

The evidence states that customers would incur costs equal to the forecast cost of conventional natural gas plus the forecasted avoided cost of carbon.

- a) What customers are being referred to by Union? Are they system gas customers, or all distribution customers? Please explain fully.
- b) Please confirm that the customers are at risk for any difference between the forecasted cost of conventional natural gas and the actual cost, as well as any difference between the actual and forecasted avoided cost of carbon. If this cannot be confirmed, please explain fully.

### **Interrogatory #13**

Ref: Exhibit 3, Tab 4, page 23

- a) The evidence states that introducing RNG into the gas supply portfolio will reduce customer and facility emissions. Please explain how the use of RNG in place of conventional natural gas will reduce customer and facility emissions.
- b) Is the carbon content of RNG lower than that of conventional natural gas?
- c) What is the carbon content of RNG relative to that of conventional natural gas?

### **Interrogatory #14**

Ref: Exhibit 3, Tab 4, page 23

- a) The evidence states that the proposal is expected to impose no material cost increase beyond what customers would bear for conventional natural gas. Please explain how the shift in costs from cap & trade charges to a gas supply charge will impact each of the following: system gas customers, direct purchase customers (non-large final emitters), and large final emitters.
- b) What is the potential volume of RNG Union expects to purchase over the next number of years? Please compare this to the volume of gas purchased by Union for facility purposes.

### **Interrogatory #15**

Ref: Exhibit 3, Tab 4, page 23

Please explain how other jurisdictions may compete with Ontario for RNG that is produced in Ontario.

### **Interrogatory #16**

Ref: Exhibit 3, Tab 4, pages 23-24

a) Please provide further details on the commercial opportunities within Ontario that Union is pursuing.

b) Is Union or any affiliate of Union involved or expecting to be involved in the financing, ownership or operation of any RNG facilities in Ontario? If yes, please explain how Union will negotiate a price with these entities.

### **Interrogatory #17**

Ref: Exhibit 3, Tab 4, page 24

The evidence states that Union will leverage gas supply contracting processes to facilitate RNG production into Union's system similar to existing contracting processes utilized today for Ontario Local Production (i.e Rate M13) and other gas purchases.

a) The use of the word "similar" implies differences. Please provide a list of all the differences between RNG and location production contracting processes.

b) Will RNG producers be required to pay the M13 (or another) rate for gas produced into the Union system?

c) Who is responsible for the capital costs of the natural gas lines that connection the RNG production facility to the Union Gas system? Is this different from the natural gas lines that connection local conventional natural gas producers to the Union Gas system?

### **Interrogatory #18**

Ref: Exhibit 3, Tab 4, pages 36-37

Is Union proposing the same contracting process, including provincial funding, for biomass conversion (thermochemical) to RNG? If not, please provide details on the contracting process for this source of RNG, including any subsidies that may be available.

### **Interrogatory #19**

Ref: Exhibit 3, Tab 5, pages 7-8

a) What is the number of FTE's related directly to RNG?

b) What is the total cost of the FTE's that are directly related to RNG?

c) How much of this cost is allocated to cap & trade and how much is allocated to gas purchases?

d) How are the costs associated with the RNG related FTE's recovered? For example, does the provincial funding cover the incremental costs related to these FTE's?

e) Given the pending merger of Union with Enbridge, what steps has Union taken to ensure that there is no duplication of effort between Union and Enbridge with respect to all aspects associated with the procurement of RNG supplies?

**Interrogatory #20**

Ref: Exhibit 3, Tab 8, pages 1

What new business activities is Union contemplating with respect to RNG, other than procuring RNG supplies and connecting the supplies to the distribution system?