

## Introduction

The natural gas utilities are in their second year of managing the Carbon Cap & Trade Compliance costs. In this combined proceeding, the Board is assessing the appropriateness and reasonableness of the expected costs for respective utilities' approach. Given the requirements for confidentiality of the forecasted costs, we cannot assist the Board in the core aspects of the determination. However, there were aspects of the proceeding which ratepayer representatives can contribute to the Board's determinations as they pertain to Administrative Costs, including Research and Development, in addition to the prioritization of investments in abatement.

Throughout the proceeding, the Federation of Rental-housing Providers of Ontario ("FRPO") has collaborated with other ratepayer representatives to reduce duplication and maintain efficiency. In doing so, we found our views were almost completely aligned with the School Energy Coalition ("SEC").

After a review of the Arguments-in-Chief, and the pertinent record, we established our final positions. Given expectations of alignment with what we believed were the views of SEC, we sought an advanced copy of their submissions on the Administrative costs for the utilities. Upon review of SEC's submissions, we are completely aligned with the well-articulated views, and therefore adopt the argument of SEC in Section A, Administrative Costs.

In addition to that adoption, FRPO would offer the following concerns on a distinct aspect of this proceeding as follows:

### The LDC's Prioritization of Renewable Natural Gas is Misplaced and Not in the Public Interest

The Ontario gas utilities have long been interested in the benefits of Renewable Natural Gas ("RNG"). Several years ago, the Board established a proceeding to hear their respective applications to facilitate the introduction of RNG into the pipeline<sup>1</sup>. The Board did not approve the application and its proposals due to uncertainty in some factors and deficiencies in the evidence such as an avoided carbon price.<sup>2</sup>

Now with a greater ability to forecast the price of carbon, the utilities have brought back these proposals as part of their abatement activities for Carbon Cap & Trade compliance. Prompted by the LDC's request<sup>3</sup>, Procedural Order No. 1 in this proceeding seemed to provide priority assessment of the RNG proposals of the applicant. Subsequently, Procedural Order No. 2 served to reduce some further discovery and to place some aspects of the RNG proposals out of scope for determination. However, there does seem to be a lack of consensus on the interpretation of the ruling in P.O. 2 (more below) and the LDC's are still seeking administrative costs for RNG development; we believe that it is important to provide our perspective on RNG for consideration of this panel in creating clarity in its views on RNG.

---

<sup>1</sup> EB-2011-0242 and EB-2011-0283

<sup>2</sup> EB-2011-0242 and EB-2011-0283, Interim Decision and Order, dated July 12, 2012.

<sup>3</sup> Exhibit 1, page 6

**Lack of Consensus on Interpretation of Procedural Order No. 2 – Contract Approval**

On day 2 of the Technical Conference, Energy Probe was trying to get clarity on Enbridge's views of the need for Board approval RNG contracts<sup>4</sup>.

DR. HIGGIN: Thank you. One question I didn't ask, but I'd like just to put it on the record, is on EP 10, if you could look at part E to the response to EP.10.

So part E; it appears that you used the words "not anticipated". That's what I'm trying to clarify. It says:

"I is not anticipated that OEB approval will be required for each individual contract."

Could you just clarify why that procurement is different than any other gas supply contract that requires OEB approval?

MS. OLIVER-GLASFORD: We don't have a gas supply expert on this panel, so I think it would be...

DR. HIGGIN: I'm happy to have an undertaking. The undertaking is to clarify why RNG contracts do not appear -- may not need OEB approval, as opposed to regular gas supply contracts.

MR. O'LEARY: Mr. Higgin, maybe I could -- my green button is -- perhaps I could respond.

I believe that answer relates to the fact that Procedural Order No. 3 indicates that the Board does not believe that any approvals are required.

DR. HIGGIN: I can't speak to that. All I'm asking the company is -- that's your answer, that no approvals are required?

MR. O'LEARY: That's correct.

Minutes later in the proceeding, Board Staff counsel offered a contrary perspective:

MS. DJURDJEVIC: Thank you, Mr. Higgin. I want to go back to a comment made by Mr. O'Leary so we are clear on the record about what PO No. 2 said about RNG procurement and funding and it states:

"The OEB has determined that the RNG procurement and funding model does not require approval."

And just to be clear, the panel did not turn its mind to whether it would approve contracts. That was not one of the issues raised at the time.

So just to make sure, you know, that it is not a foregone conclusion that the OEB will not be approving them, because that's not explicit in the P.O., so, I mean, the panel will, you know, give us their views when we get before them in a couple of weeks, but I just wanted to make sure that that was not the intent, to say that the OEB is not going to approve supply contracts as does with others, so...

MR. O'LEARY: Thank you for your --

MS. DJURDJEVIC: Thanks.

MR. O'LEARY: -- statement on that, and I appreciate being corrected. It is Procedural Order No. 2.

<sup>4</sup> Technical Conference, Transcript Volume 2, page 86, line 22 to page 87, line 3

FRPO finds it disconcerting that Enbridge counsel acknowledged the correction on the P.O. number but did not acknowledge that contracts may need approval. Given this uncertainty, we would respectfully submit that understanding the Panels determination on this issue is important to all parties in the proceeding.

### **Ratepayers Are Not Held Harmless from the Exorbitant Premium for RNG**

One of the pillars of the LDC's proposition for the benefits of RNG is the ability to protect ratepayers with the use of government funding<sup>5</sup>. Numerous times throughout the record, the LDC's promoted the premium of RNG, over and above existing commodity and compliance costs, as not impacting the ratepayer. What the LDC's seem to be oblivious to, at least through their communication in this proceeding, is that a considerable source of the "government funding" is expected "green funds" which are funded in a considerable fashion from Carbon Cap & Trade Compliance costs from utility customers.

One way to consider this perspective is a hypothetical situation wherein each sector of the economy that created a carbon emission had to collect carbon compliance costs and ensure that those funds were invested in abatement measures that reduced the output of emissions from that sector. In our view, the result would be a system that would look for efficacy in the abatement measures invested in to minimize the overall cost of the outputs in that sector including the compliance cost and subsequent investment in abatement. If an abatement measure were shown not to have efficacy, the overall cost of outputs of that sector would rise accordingly. The result of this all-in cost approach would result in the sector striving to find those abatement measures with the greatest efficacy especially if their output faced competition.

One of the outputs of that system would be an assessment and prioritization of those measures on the basis of efficacy. The logical output of this thinking, in our submission, would mirror the Marginal Abatement Cost Curve ("MACC"). Using the MACC Benchmarks based on Mid-Range LTCPF<sup>6</sup>, one would be incredulous if one of the highest prioritized abatement measures chosen by this sector would be the RNG Abatement measures that, by far, have the lowest efficacy.

Reflecting on this proceeding though, that is what the LDC's are aggressively promoting. But why?

### **LDC Choice of Compliance Alternative is Influenced by Risk and Reward of the Company**

In a nascent market, risk exists in the many unknowns that exist as stakeholders try to assess what these incentives and market forces will create, allow, maximize or, in some cases, destroy. FRPO is cognizant that the LDC's are not incented to take on risk in employing potentially aggressive strategies to mitigate ratepayer risk. FRPO supported the LDC's and encouraged the

---

<sup>5</sup> Exhibit 3, Tab 4, page 20, Figure 2.

<sup>6</sup> MACC Report, Exhibit K1.2, Table 4

Board not to expect the LDC's to enter into arrangements that would result in risk for the LDC when there was no incentive offered for such actions<sup>7</sup>.

On the other hand, in our view, the LDC's should not prioritize abatement programs that are driven by the potential for investment in assets for the associated return. While it is a matter of Agency Theory that management would seek shareholder interest, we respectfully submit that it is incumbent on the Board to balance the interests of the shareholders and ratepayers in these matters.

### **Emission-Neutrality of Waste Generated RNG is Uncertain**

As with any new government program, good intent can be overshadowed by poor design and/or implementation. One of the matters that FRPO pursued in this proceeding was the underlying premise to RNG produced from animal or human waste being considered emission neutral<sup>8</sup>. The IRR provided a reference to the Intergovernmental Panel on Climate Change, obviously a noted authority on these matters. The simple premise, as we understand it, is that the combustion of biomass is considered emission neutral due to its regrowth pulling carbon dioxide out of the atmosphere.

Concerned that human and animal waste do not "regrow", the response was pursued with the utilities panels at the Technical Conference<sup>9</sup>. We had hoped to benefit from the knowledge of the LDC's in these matters. Union provided an undertaking that reinforced the concept of biomass regrowth,<sup>10</sup> and provided that BC has a similar definition while Enbridge suggested that we seek answers from the Ministry. That inquiry was underway at the time, however, the only response that we have received is that the Ministry has no views on this scientific premise. We are still pursuing a more concrete answer.

Our concern is one of regulatory risk. Ironically, in this forum, it is not from the discretion of this Board. The concern we have is that in any new government program, regulations are initially set but can change with enhanced experience. In this case, a more specific definition of the combustion of biomass limited to regrowth precludes carbon neutrality of the combustion of animal or human waste. As neither the LDC's, nor the Ministry of Environment and Climate Change is able to explain how RNG is emission-neutral, the strong potential is there that eventually an improved definition of biomass combustion that is emission neutral may evolve eliminating the exemption of RNG from solid human or animal waste.

We concede that still evolving regulations on the aspect of methane emissions from human or animal waste could provide some valuable incentives for capture and energy generation, but the regulations that the LDC's have been relying upon are carbon dioxide emissions. However, if the capture of methane emissions is found to be a valuable tool in the fight against climate change, we submit that the public interest approach to this opportunity is already being implemented with sewage treatment plants investing in onsite co-generation without the

---

<sup>7</sup> EB-2016-0296 & -0300, FRPO\_SUB\_CAP COMP\_20170518

<sup>8</sup> EB-2017-0255 Exhibit B.FRPO.1

<sup>9</sup> Technical Conference, Volume 1, pages 114-116 and Volume 2, pages 142-146

<sup>10</sup> JT1.24

expensive addition of incremental facilities to clean and compress to inject the methane into the pipeline<sup>11</sup>.

### Conclusion

FRPO respects that there is a shared learning curve with the introduction of Carbon Cap and Trade. While we understand the LDC's have advanced some approaches to managing this responsibility on behalf of most of its ratepayers, we strongly support the submissions of SEC in regards to the Administrative Costs proposals of the LDC's. We further urge the Board to recognize the risks and rewards associated with the RNG program and use this this time of political uncertainty to speak into criteria or guiding principles that would be applied to such a long-term investment evaluation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,



Dwayne R. Quinn  
Principal  
DR QUINN & ASSOCIATES LTD

---

<sup>11</sup> For an example of an Ontario example see the example of Waterloo Region's employment of this strategy at: <https://www.therecord.com/news-story/7206169-waterloo-region-to-save-millions-by-using-sewer-gas-to-generate-electricity/>