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May 2, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Walli,

**RE: Board File No. EB-2017-0319: Enbridge Gas Distribution Inc. Application
for Renewable Natural Gas Enabling Program**

Please find enclosed the interrogatories submitted on behalf of the Canadian Biogas Association.

If any further information is required please do not hesitate to contact the undersigned.

Yours very truly,



Michael R. Buonaguro
Encl.

Enbridge Gas Distribution Inc.

RNG Enabling and Geothermal Energy Service Programs EB-2017-0319

CANADIAN BIOGAS ASSOCIATION INTERROGATORIES

May 2, 2018

1. New Business Activities

1.1. Should the new business activity – RNG Enabling Program – be considered as part of the utility’s regulated business?

CBA IR-1

REF: Exhibit B/Tab 1 Schedule 1 page 9

PREAMBLE:

Both programs over their respective lifetimes will reduce the number of Cap and Trade allowances that the Company will need to procure and hence lower the compliance costs for its existing and forecasted customers.

How will the RNG Enabling Program reduce EGD’s need for Cap and Trade allowances absent the procurement of RNG gas injected into EGD distribution system by EGD for consumption by EGD and its customers?

CBA IR-2

REF: Exhibit B/Tab 1 Schedule 1 page 7

PREAMBLE:

Over the course of the past eighteen months, the Company has conducted discussions with several municipalities and other potential RNG producers with respect to the services Enbridge could provide to accelerate the development of RNG production capacity in its service area. Enbridge believes this will support the growth of RNG production which will facilitate lower cost RNG to supply market demand.

a) Please provide more detail as to:

- i) how the RNG Enabling Program will facilitate lower cost RNG Supply for the Company and other consumers,
- ii) how the RNG Enabling Program will increase RNG production, and
- iii) how the RNG Enabling Program will benefit RNG producers relative to the status quo.

CBA IR-3

REF: Exhibit B/Tab 1 Schedule 1 page 10

PREAMBLE:

While these programs will be part of the Company's regulated business activities and constitute carbon abatement activities, the best methodology to address their utility revenue requirement implications over their asset lives will be to treat the annual utility revenue sufficiencies and deficiencies associated with these programs as credits or debits to the cost of carbon or costs of carbon abatement.

Please confirm that the environmental attributes associated with RNG supply that is upgraded by EGD and/or injected into the EGD system stay with the RNG producer. If not confirmed, please explain why the environmental attributes would be transferred and to whom.

2. Cost Consequences:

2.1. Is the methodology to set services fees for the RNG Enabling Program – Upgrading Service reasonable and appropriate?

CBA IR-4

REF: Exhibit B/Tab 1 Schedule 1 page 7

PREAMBLE:

The Company proposes to offer RNG upgrading services on an optional basis. As such RNG producers will have the choice of upgrading biogas to pipeline quality themselves or having Enbridge perform this function for them. All RNG producers who wish to use Enbridge's distribution system to transport RNG will have to contract with Enbridge for RNG injection services. This will enable the Company to meet its responsibilities as a distributor of natural gas and ensure the safe and reliable distribution of RNG to market.

What, if any, benefits, monetary or otherwise, are there for RNG producers that use both the upgrading and injection services to be provided by EGD as opposed to only using one or the other of those services?

CBA IR-5

REF: Exhibit B/Tab 1 Schedule 1 page 19

PREAMBLE:

Tables 2 and 3 set out a hypothetical example for a single RNG production facility to illustrate how the service charges for the Company's Biogas Upgrading and RNG Injection Services are to be determined.

With respect to the upgrading and injection services, are the required capital investments all specific to each RNG producer contracting for the service, or are there material capital investments that won't be specific to particular RNG producers? If there are non-RNG producer specific capital investments required please describe the nature of those investments, the materiality of those costs, benefits to rate payers and describe how EGD could recover those investments.

CBA IR-6

REF: Exhibit B/Tab 1 Schedule 1 page 19.

PREAMBLE:

The determination of the service fees for Upgrading and Injection Services will be site specific and based on the fully allocated costs associated with the services in each particular instance.

Please describe the nature and forecast the level of fully allocated costs EGD expects to recover from a typical RNG producer from both upgrading and injection services. Please explain how and when that cost recovery will be managed.

2.2. Is the methodology to set services fees for the RNG Enabling Program – Injection Service reasonable and appropriate?

CBA IR-7

REF: Exhibit B/Tab 1 Schedule 1 page 4

PREAMBLE:

In June 2016 the Ontario Ministry of Environment and Climate Change (the "MOECC") published its Climate Change Action Plan (the "CCAP"). The CCAP consolidated the Province's plans to bring together effective initiatives designed to enable Ontario to achieve its GHG reduction targets. The plan outlines how the Province intends to direct the Cap and Trade proceeds towards projects that will create good jobs, help families and businesses become more energy-efficient, and accelerate Ontario's transition to a low-carbon economy.

Please discuss whether EGD's proposed RNG Enabling Program qualifies for investment from the provincial government as a measure intended to help introduce RNG in the province. If the proposed program qualifies for such funding, please discuss how such funding would be used to reduce the cost of the proposed services to RNG producers. If the proposed program does not qualify for such funding, please explain why not?

CBA IR-7

REF: Exhibit B/Tab 1 Schedule 1 page 9

PREAMBLE:

In applying the EBO 188 Guidelines, Enbridge has or will determine the capital, operating and financing cost requirements for these programs over the forecast horizon.

Please explain how the financing costs for the RNG Enabling Program will be determined.

CBA IR-8

REF: Exhibit B/Tab 1 Schedule 1 page 18

PREAMBLE:

The RNG producer will be charged separate service fees for each of the two services offered by the Company. Each service fee will be derived from a discounted cash flow (“DCF”) analysis. The DCF analysis will be based on the principles and parameters set out in the OEB’s EBO 188 feasibility guideline. The fee for each service (Upgrading or Injection) will be site specific and set so as to recover operating and maintenance costs, depreciation, utility’s return on investment, and taxes while achieving a PI equal to or greater than 1.0 over the service life of the plant. Enbridge will charge a levelized (constant) service fee for each month of the term of the contract.

Please confirm that it is EGD’s proposal to fix the monthly charge for RNG Enabling Program services at the outset of the relevant contract, and that the monthly charge is not proposed to change for the duration of the contract. If not confirmed, please explain how EGD intends to modify the monthly charge throughout the term of the contract.

CBA IR-9

REF: Exhibit B/Tab 1 Schedule 1 page 19

PREAMBLE:

The determination of the service fees for Upgrading and Injection Services will be site specific and based on the fully allocated costs associated with the services in each particular instance.

How does EGD's proposed costing methodology and forecast costs for Upgrading and Injection Services compare with other jurisdictions?

2.4.What are the appropriate terms and conditions of the Geothermal Energy Service Program, RNG Enabling Program – Upgrading Service, and RNG Enabling Program – Injection Service?

CBA IR-10

REF: Exhibit B/Tab 1 Schedule 1 page 7

PREAMBLE:

The Company proposes to offer RNG upgrading services on an optional basis. As such RNG producers will have the choice of upgrading biogas to pipeline quality themselves or having Enbridge perform this function for them. All RNG producers who wish to use Enbridge's distribution system to transport RNG will have to contract with Enbridge for RNG injection services. This will enable the Company to meet its responsibilities as a distributor of natural gas and ensure the safe and reliable distribution of RNG to market.

- a) Please explain why RNG Producers must use EGD's injection service as opposed to using a 3rd party for all or a part of the injection service? In answering please discuss each step in the injection process and why only EGD can provide that aspect of injection, or whether that aspect of the service could be provided by a third party.
- b) Does EGD directly inject all the gas that ends up in its system itself, or do third parties ever inject gas into the EGD system? If so please provide details.

CBA IR-11

REF: Exhibit B/Tab 1 Schedule 1 page 21

PREAMBLE:

In the event that Enbridge is purchasing RNG as part of the Company's gas supply mix, the RNG producer will be able to respond to tenders for the sale of RNG to the Company.

Please describe EGD's plans to procure RNG injected into its distribution system as a result of the RNG Enabling Program. Please discuss any barriers preventing EGD from extending the scope of the RNG Enabling Program to include the procurement of RNG injected into EGD's system as a result of the program such that its customers will directly benefit from the program through the use of RNG as part of their gas supply.

Does EGD plan to distinguish between RNG that has been upgraded by EGD and RNG that has been upgraded by a 3rd party when deciding to procure RNG? What, if any, advantages will RNG producers that use EGD's Upgrade and Injection Services have over other RNG producers when competing for procurement contracts with EGD?

CBA IR-12

REF: Exhibit B/Tab 1 Schedule 1 pages 17 to 18

PREAMBLE:

Enbridge will provide these services subject to the Company entering into contracts with the RNG producers for the provision of these service(s). Items to be addressed in the contracts will include but not be limited to: the design, location, construction, operation, timing and costs of the required upgrading and injection facilities and related services. While the specific contents of each contract will be different (to reflect the details of the relevant facilities), the form of the contracts will be common or similar for all producers receiving Upgrading and / or Injection Service.

- a) How flexible is EGD willing/prepared to be in terms of volumes delivered year over year? How will variations in volumes delivered affect the monthly cost paid by a Producer, if at all?
- b) Please discuss whether there will be a cap on production under contracts for either upgrading or injection services and if so how that cap will operate.
- c) How does EGD propose to allocate the risks associated with any operational inability on the part of EGD to perform upgrading or injection services under a contract, i.e. in the event of a failure of any of EGD's equipment?
- d) How does EGD propose to allocate the risk related to the loss of RNG volumes as a result of inefficient or underperforming upgrading or injection services?

- e) Does EGD propose to offer contract terms that are equal to or better than what is available in the market outside Ontario? Please explain what terms are being considered.

3. Deferral and Variance Accounts:

3.1. Is the proposal to include the annual sufficiency / deficiency of the RNG Enabling and Geothermal Energy Service Programs within the Cap and Trade Compliance Obligation Variance Accounts reasonable and appropriate?

CBA IR-13

REF: Exhibit B/Tab 1 Schedule 1 page 10

PREAMBLE:

Enbridge proposes that these differences (deficiencies in early years and sufficiencies in later years) be captured within the Greenhouse Gas Emissions Compliance Obligation-Customer-Related Variance Account ("GHG-Customer VA") and be periodically cleared to ratepayers. The recovery of these amounts through the GHG-Customer VA is appropriate because the objective of these initiatives is to reduce GHG emissions associated with natural gas deliveries and customers' consumption of natural gas.

- a) Would the inability to protect itself against revenue shortfalls related to the proposed RNG Enabling Program cause EGD to abandon its plans to provide RNG upgrading and injection services in the market?
- b) How does EGD intend to track and clear variances between the costs related to RNG services and the revenues from RNG services in the event government policy with respect to Cap and Trade changes in the future and EGD is no longer able to recover Cap and Trade related costs from ratepayers?
- c) In the absence of an RNG Injection service as proposed in this application how would an RNG producer local to EGD inject RNG into EGD's system?

CBA IR-14

REF: Exhibit B/Tab 1 Schedule 1 page 10

PREAMBLE:

As time goes on and the assets' net book value decreases, these assets will deliver annual revenues in excess of their revenue requirements thereby returning and to some extent exceeding the revenue deficiency underwritten by ratepayers in the early years.

- a) With respect to the RNG Enabling Program under what circumstances will the revenue exceed the cost (assuming the cost includes EGD's proposed return on its capital investment)?
- b) Please explain how revenue in excess of the costs will be allocated as between EGD, its ratepayers, and the RNG producers paying for the RNG Enabling Program services, and why EGD believes that allocation is appropriate.