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BY E-MAIL

June 25, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc.
Application for Renewable Natural Gas Enabling Program and Geothermal
Energy Service Program
OEB File Number EB-2017-0319**

In accordance with Procedural Order No. 3, please find attached the topic areas and draft questions OEB staff intends to seek further clarification on at the technical conference related to the above noted proceeding.

Yours truly,

Original Signed By

Shuo Zhang
Advisor, Major Applications

Issue 1 – New Business Activities

TC Question #1

Ref: Ref: Exhibit B, T1, S1, p. 17 and Exhibit I.1.EGDI.STAFF.1 a) iii

Preamble:

Enbridge Gas Distribution Inc. (EGD) states that its Upgrading service will be offered as an optional service. EGD also indicates that it is aware of other organizations that are capable of providing this service.

Questions:

- a) Given that EGD's Upgrading service is an optional service and other companies can provide this type of service to Ontario RNG producers, please explain why the Upgrading service could not be offered by an affiliate of EGD.
 - i) How would EGD's business model change if the Upgrading service was to be offered through an affiliate of EGD?
 - ii) Please explain whether an affiliate of EGD could also offer a monthly fee for this service?
 - iii) Please explain whether RNG producers would be impacted by who offers the Upgrading service – EGD's affiliate or the regulated utility?

TC Question #2

Ref: Exhibit I.2EGDI.CBA.10 and Exhibit I.1.EGDI.STAFF.1 d)

Preamble:

EGD states that BC and Québec offer similar RNG Enabling Programs.

Questions:

- a) Please describe these RNG programs (e.g., how these programs are similar and how these programs differ from EGD's proposed RNG Enabling program)?
- b) Please provide the charges for Upgrading Service and the charges for Injection Service approved in BC and Québec for the most recent years.

TC Question #3

Ref: Exhibit I.1.EGDI.STAFF.1 e)

Preamble:

EGD states that it was not able to estimate the GHG reductions that will be associated with its RNG Enabling Services because of a number of factors including: 1) number of RNG projects and 2) the specific details of each project.

Questions:

- a) Please provide the GHG reductions of “a typical RNG project” with EGD outlining its assumptions. The GHG reductions are to be attributable to EGD’s Upgrading and Injection Services; not to the RNG commodity.

TC Question #4

Ref: Exhibit I.1.EGDI.CBA.1 and Exhibit I.1.EGDI.CBA.3
Exhibit I.1.EGDI.APPRO.2 e)

Preamble:

EGD states that its RNG Enabling Program will support the injection of RNG into EGD’s distribution system. Also, EGD indicated that the environmental attributes remain with the biogas producer.

EGD indicates that ratepayers will not be funding its RNG Enabling Program as it will be paid for by contracting parties.

Questions:

- a) Given that the environmental attributes remain with the producer, please discuss whether this means that EGD’s RNG Enabling Program does not actually reduce its customer GHG obligations and/or its facility-related GHG obligations under Ontario’s cap and trade program.
- b) If EGD is recovering any deficiencies from this Program in its GHG-Customer Variance Account, please explain how ratepayers are not funding this Program?

Issue 2 – Cost Consequences

TC Question #5

Ref: Exhibit I.2.EGDI.STAFF.6 a) and Exhibit I.2.EGDI.STAFF.7 d)

Preamble:

EGD indicates that in the event that the anticipated funding (for its RNG procurement proposal) is not forthcoming, EGD will seek out other support and if required revise its RNG procurement proposal that was presented to the OEB as part of its 2018 Cap and Trade Compliance Plan (EB-2017-0224).

EGD also indicates that the ultimate take up of its RNG Enabling Program will depend on whether a utility's RNG procurement process is launched and demand from direct purchase customers. EGD also estimates that up to 37 RNG production facilities could be operating by 2025.

Questions:

- a) Please explain what other support EGD is seeking?
 - i) Please explain whether EGD has found other support?
 - ii) If EGD does not get other support, does EGD still intend to go ahead with its RNG Enabling Program?

- b) With the utility RNG procurement process on hold in Ontario (based on the MoE letter, Exhibit I.1.EGDI.EP.1, Attachment 1), please explain how this will impact EGD's take up of its RNG Enabling Program?
 - i) Please explain how this will impact EGD's estimate of up to 37 RNG production facilities operating by 2025.

- c) Please explain whether EGD's affiliate Gazifère is considering procuring RNG/biogas in Ontario?

TC Question #6

Ref: Exhibit I.2.EGDI.STAFF.7 b)

Preamble:

EGD states that it has entered into an agreement with the City of Toronto for its RNG Enabling Program.

Questions:

- a) Please explain whether the agreement with the City of Toronto includes EGD procuring any of the RNG/biogas from the City of Toronto?
 - i) If yes, please provide the agreement and discuss whether ratepayers would be responsible for the cost.
 - ii) If not, does EGD know whether the City of Toronto has signed any contracts for its RNG/biogas?

- b) Please explain whether the agreement with the City of Toronto includes EGD's affiliate, Gazifère, procuring any of the RNG/biogas from the City of Toronto?

TC Question #7

Ref: Exhibit I.2.EGDI.STAFF.7 c)

Preamble:

EGD states that it is not entering into any discussions for its RNG Enabling Program with municipalities that are outside of its current service territory.

Questions:

- a) If the OEB approves EGD's and Union Gas Limited's (UGL) AMALCO application, please explain whether EGD will start entering into discussions with municipalities in UGL's current service territory for its RNG Enabling Program?

TC Question #8

Ref: Exhibit I.2.EGDI.CBA.8

Preamble:

EGD states that the EBO 188 Guidelines serve to standardize the elements to be used in the discounted cash flow (DCF) analysis as well as establish the parameters for the costs and revenues that are the inputs to that analysis.

Questions:

- a) Please identify any precedents where EGD used the DCF analysis for rate-setting purpose. Specifically, please identify any precedents where revenues/service fees are the **outputs** from the DCF analysis to achieve a PI higher than 1.0.

- b) Please prepare a scenario analysis that derives a levelized service fee that is equivalent to the revenue requirement on a present value basis over the service life of the asset.
 - i) Please discuss if EGD had considered this type of methodology to set service fee. If so, please explain why EGD decided not to use this methodology. If not, why not.
 - ii) Please discuss if EGD would consider setting service fees using this levelized methodology.
 - iii) Please discuss if EGD would consider using DCF analysis only for the purpose of financial feasibility test.
 - iv) Please discuss if a variance account is still necessary when applying the levelized service fee methodology given that it provides an equivalent amount of revenue on a present value basis to the revenue requirement.