Introduction

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[1]. 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.[2]

Recently, with a greater ability to forecast the price of carbon, the utilities had brought back these proposals as part of their abatement activities for Carbon Cap & Trade compliance. FRPO's primary concerns in the Compliance proceedings were the lack of efficacy of RNG as a carbon abatement strategy, the LDC's motivations in promoting RNG and our belief that RNG created from animal or human waste was not, in fact, carbon emission neutral.[3] With the new Ontario government's termination of the Cap and Trade Compliance regime, our primary concerns have been addressed, even if temporarily.

After a review of the Arguments-in-Chief, and the pertinent record, we established our final positions. As with other proceedings, FRPO collaborated with other ratepayer representatives. Seeing consistent alignment between our views and those of IGUA's, we sought and received their willingness to allow our support for and adoption of their argument on the key matters in this proceeding. In addition to our adoption of IGUA's well-articulated submissions, we offer some additional views on:

1) Lack of Evidentiary Basis for the Demand for the Approval of these Services
2) Utility Provision of Upgrading Service May Inhibit Market Development
3) Ratepayer/shareholder Risk for Early Retirement of Facilities

1) Lack of Evidentiary Basis for the Demand for the Approval of these Services

We respect that EGD's original application for RNG and Geothermal Enabling Services was submitted during the term of the Ontario Cap and Trade regime. Notwithstanding the termination of this regime by the current government, EGD's Argument-in-Chief ("AIC") attempts to establish need by pointing out:

a) "*The legislation that terminates the Cap and Trade Program also requires the Ontario Government to establish GHG reduction targets and prepare a climate change plan.*"[4] We would respectfully remind the Board that many parties including Board staff were

[1] EB-2011-0242 and EB-2011-0283
[2] EB-2011-0242 and EB-2011-0283, Interim Decision and Order, dated July 12, 2012.
[3] EB-2017-0224, 0255 FRPO Submissions dated 20180531
[4] EGD AIC page 1, paragraph 2

concerned with the lack of efficacy of RNG compared other carbon abatement measures in the Compliance plans of the utilities.[5] In our respectful submission, the establishment of carbon emission targets does not necessarily drive any need for RNG services.

b) "*Additionally, the Federal Government is planning to introduce a clean fuel standard (CFS) that would require that a portion of natural gas supply be comprised of RNG or other lower-carbon components".*[6] In our respectful submission, this statement is speculative as EGD's own AIC later corrects to state: "*Additionally, the Federal Government* ***may*** *implement a CFS, which could require that a minimum portion of fuel distributed in the buildings and industrial sectors would be renewable."*[7] ***(emphasis added).*** Moreover, this CFS is still in the consultation stage with the publishing of Final Regulations planned for 2021.[8]

Beyond these potential regulatory requirements, the only cited example of need is the City of Toronto project. In the case of this project, EGD has testified that it will proceed even without the requested relief in this application.[9] Given the number of uncertainties around regulatory requirements, we submit that it may be appropriate to defer providing the relief sought by EGD.

2) Utility Provision of Upgrading Service May Inhibit Market Development

As noted in our introduction, we support IGUA's views on the separation regulatory treatment of the Injection and Upgrading Services. Further, we are concerned that the utility offering the Upgrading Service, even without the sustainable competitive advantage of regulated rates, could serve to inhibit the development of a competitive market for the Upgrading service.

During the technical conference, EGD provided testimony that the Upgrading and Injection facilities would be co-located and added reasons for that configuration.[10] In our exploration of this topic with EGD witnesses, EGD did not accept that their provision of both Upgrading and Injection services would be more economical.[11] However, we would respectfully submit that having one contractor on a single site and the potential to use common equipment provides the utility with economies that only the monopoly can enjoy. As an example, EGD has identified that it must check the energy content of the gas and ensure that it meets required specifications.[12] Most utilities and pipelines use a chromatograph to measure gas constituents, quality and energy

[5] EB-2017-0224, 0255
[6] EGD AIC page 1, paragraph 2
[7] EGD AIC page 4, paragraph 15
[8] https://www.canada.ca/en/environment-climate-change/services/managing-pollution/energy-production/fuel-regulations/clean-fuel-standard.html
[9] Technical Conference Transcript, page 96, paragraphs 16-19.
[10] Technical Conference Transcript, pages 81-85
[11] Technical Conference Transcript, page 132-136
[12] EGD AIC page 6, paragraph 23

content.[13] A chromatograph would be needed for the Injection service. At the same time, the Upgrading service would need to ensure gas quality prior to sending the gas to the Injection facility. In the case where EGD would provide both services, one chromatograph could be used by both services for the required functions. While only one example, we submit that there would be others with other economies.

3) Ratepayer/shareholder Risk for Early Retirement of Facilities

The EGD proposed provision of Enabling services brings up other issues of cost allocation (e.g., EGD indirect costs) and providing the service at ratepayer risk. However, we understand that IGUA and other parties have addressed those issues in their submissions.

One area of significant concern though is issue of what party bears the risk for undepreciated assets and site remediation in the event of early termination of service. EGD has stated that they will not add the need for financial assurances from the producers in their Rate Handbook to manage this risk.[14] EGD appears to be relying on its experience to determine if such a condition is necessary. In our respectful submission, to the extent that the Board approves any ratemaking methodology from this application, that order ought to require the shareholder to be responsible for all of these costs in the event of early termination where EGD, in its discretion, determined that financial assurances were not required.

<u>Conclusion</u>

FRPO adopts the submissions of IGUA on the major issues of this case. Further, we encourage the Board to consider if the timing is right for these approvals, if EGD should be providing the Upgrading service and EGD's shareholder responsibility for the financial risk management decisions of its utility. We thank the Board for its consideration of these views and we thank IGUA for its work and collaboration on submissions.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

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[13] https://pgjonline.com/magazine/2011/july-2011-vol-238-no-7/features/the-fundamentals-of-pipeline-gas-chromatographs
[14] Exhibit JT1.15