ENBRIDGE

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VIA Email, RESS and Courier

December 6, 2018

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

Dear Ms Walli:

Re: Ontario Energy Board File No. EB-2017-0319
Enbridge Gas Distribution Inc. ("Enbridge")
Application for Renewable Natural Gas Enabling Program
Updated Rate 401 Rate Schedule and Draft Accounting Order

Pursuant to the Ontario Energy Board's (the "Board") Decision and Order dated October 18, 2018, attached please find Enbridge's responses to the submissions of parties in relation to the draft rate Schedule for Rate 401 and the draft Accounting Order for the Renewable Natural Gas Injection Service Variance Account.

This submission was filed through the Board's Regulatory Electronic Submission System and will be available on the Company's website at www.enbridgegas.com/Regulatory-Proceedings

Regards,

(Original Signed)

Joel Denomy, M.A. CFA
Technical Manager, Regulatory Applications

cc: All Parties to EB-2017-0319

APPLICATION FOR RENEWABLE NATURAL GAS ENABLING PROGRAM
UPDATED DRAFT RATE ORDER FOR RATE 401 AND DRAFT ACCOUNTING ORDER

Pursuant to the Ontario Energy Board's (the "Board") Decision and Order for the above noted proceeding these are the submissions of Enbridge Gas Distribution Inc. ("Enbridge" or the "Company") in relation to the draft Rate Order for Rate 401 and the Draft Accounting Order for the Renewable Natural Gas Injection Service Variance ("RNGISVA") Account.

On October 18, 2018 the Board issued its Decision and Order for the above noted proceeding. In that Decision and Order the Board directed Enbridge to file with the Board an updated draft Rate Order for Rate 401 and a draft Accounting Order for the RNG Injection Service Variance account. Enbridge filed those documents with the Board on November 8, 2018. Parties wishing to provide comments on the draft Rate Order and draft Accounting Order were directed to provide submissions to the Board by November 22, 2018. Enbridge received three submissions. One from Board Staff which indicated that the RNG Injection Service Deferral Account ("RNGISDA") be changed to a RNGISVA. The other two submissions were from IGUA and CBA. These submissions suggested wording changes to the draft Accounting Order and draft Rate Order respectively.

Enbridge has reviewed the submissions from IGUA and does not have any concerns with IGUA's suggested changes to the draft Accounting Order. Enbridge does not agree with the change suggested by CBA in relation to the draft Rate Order. CBA suggests that the wording in the draft Rate Order be changed to include the word "reasonable" as follows:

> *"The Service Fee is set so as to recover all <u>reasonable</u> costs associated with the provision of service…"*

The costs being recovered under Rate 401 will have been reflected in a contract agreed to by the party taking Rate 401 service and the Company, as such these costs must be seen as reasonable to the parties to the injection service contract (i.e. Enbridge and the party taking Rate 401 service). It is the Company's submission that the inclusion of the word "reasonable" in the draft Rate Order as suggested by CBA is not necessary and would serve to confuse the contractual relationship between the Company and Rate 401 injection service customers. Parties to the contract will have agreed to those costs that are reasonable and the contract itself sets out the costs that are to be included. For completeness Attachment 1 contains the draft Rate Order as originally filed by Enbridge on November 8, 2018. Attachments 2 and 3 contain the updated draft Accounting Order, in clean and blackline versions, with IGUA's suggested change in addition to the changes outlined below.

Enbridge does not take issue with Board Staff's suggestion that the RNGISDA be changed to the RNGISVA. While Enbridge does recognize that, throughout the hearing, reference was made to a variance account to capture the sufficiency/deficiency related to RNG Injection Services, the Company, when drafting the Accounting Order did not believe this account should be treated as a variance account. This is why the draft Accounting Order indicated that the account was a deferral account. The Board's Decision in EBRO 495, at page 159, articulates the difference between a deferral account and a variance account:

> *8.0.1 "Deferral" accounts capture the costs or revenues where no allowance has been made in the Company's rates. "Variance" accounts capture the variation in costs or revenues from amounts reflected in rates.*

No allowance has been made in the Company's rates in relation to the costs or revenues associated with Rate 401, simply the clearance of the account itself to ratepayers upon rebasing. Enbridge utilized this definition when drafting the Accounting Order. However, as the Company believes Board Staff is pointing out, the inclusion of the sufficiency/deficiency in Rate 401 implies that variations in costs or revenues are included in the rate for Rate 401 and as such a variance account is appropriate to record these differences. Enbridge has therefore redrafted the Accounting Order to capture the changes suggested by Board Staff.

RATE NUMBER: 401	RENEWABLE NATURAL GAS INJECTION SERVICE

APPLICABILITY:

To any Renewable Natural Gas producer ("Applicant") who enters into a Service Agreement ("Agreement") with the Company for Renewable Natural Gas injection services located on or adjacent to the property employed by the Applicant for producing Renewable Natural Gas in an area served by the Company's Gas Distribution Network. Renewable Natural Gas Injection Service under this Schedule is conditioned upon arrangements mutually satisfactory to the Applicant and the Company for design, location, construction, and operation of required facilities.

RATE:

The Company will set a rate based on the Applicant's unique circumstances ("Service Fee"). The Service Fee shall be based on a cost-of-service calculation of the Company's fully-allocated direct and indirect costs using the Company's weighted average cost of capital ("WACC") of providing the services under the Agreement for a period of time agreed to between the Company and the Applicant.

The Service Fee for Renewable Natural Gas Injection Services 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 Ontario Energy Board's EBO 188 feasibility guideline (the "Guideline"). The Service Fee for Renewable Natural Gas Injection Services is a site specific levelized (constant) service fee applicable to each month of the term of the Agreement. The Service Fee is set so as to recover all costs associated with the provision of service such as, but not limited to; operating and maintenance costs, depreciation, cost of debt, the Company's return on investment and related taxes. The Service Fee will be calculated such that the application of the Guideline is forecast to result in a Profitability Index of equal to or greater than 1.02 over the service life of the plant and facilities required to provide this service.

TERMS AND CONDITIONS OF SERVICE:

To be set out in the Service Agreement. This rate schedule is in effect as of January 1, 2019.

ACCOUNTING TREATMENT FOR A RNG INJECTION SERVICE VARIANCE ACCOUNT (“RNGISVA”)

The purpose of the RNGISVA is to record the annual revenue sufficiency/deficiency related to the provision of RNG Injection Services to RNG producers. The calculation of any annual revenue sufficiency/deficiency will be calculated as the difference between actual revenues generated under Rate 401 (RNG Injection Service) and the actual revenue requirement impact of the costs incurred (on a fully allocated basis) to provide those services. In order to ensure that ratepayers are not harmed by potential default of Rate 401 customers, the annual revenue sufficiency/deficiency calclulation will not include any impacts of contract default by RNG injection service customers.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of as part of a rate rebasing application, or in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the annual revenue sufficiency/deficiency:

Debit/Credit:	RNGISVA	(Account 179. ___)
Credit/Debit:	Operating Revenue	(Account 300. 000)

To record the annual revenue sufficiency/deficiency in relation to providing the RNG Injection Service to RNG producers.

2. Interest accrual:

Debit/Credit:	Interest on RNGISVA	(Account 179. ___)
Credit/Debit:	Interest expense	(Account 323. 000)

To record simple interest on the opening monthly balance of the RNGISVA using the Board approved EB-2006-0117 interest rate methodology.

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