



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND RATE ORDER EB-2017-0319

ENBRIDGE GAS DISTRIBUTION INC.

Application for the Renewable Natural Gas Enabling Program

BEFORE: Susan Frank
Presiding Member

Lynne Anderson
Member

Emad Elsayed
Member

December 13, 2018

1 INTRODUCTION AND SUMMARY

The Ontario Energy Board (OEB) issued its decision and order on Enbridge Gas Distribution Inc.'s (Enbridge) application for its Renewable Natural Gas (RNG) Enabling Program on October 18, 2018. Pursuant to the OEB's decision and order, Enbridge filed a draft rate order and a draft accounting order for its RNG Injection Service on November 8, 2018.

Industrial Gas Users Association (IGUA), OEB staff, and Canadian Biogas Association (CBA) filed submissions to the OEB and provided comments on Enbridge's draft rate order and draft accounting order. IGUA suggested an addition to the draft accounting order to more clearly reflect the OEB's decision and order as follows: **"In order to ensure that ratepayers are not harmed by potential default of Rate 401 customers default,** [t]he annual revenue sufficiency/deficiency...". OEB staff submitted that Enbridge should update its draft accounting order to state that the new account is a variance account (instead of a deferral account) as per the OEB's decision and order. CBA suggested 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 **reasonable** costs".

Enbridge filed an updated draft rate order and draft accounting order on December 6, 2018. Enbridge accepted the comments from IGUA and OEB staff and revised the draft accounting order to capture these changes. With respect to CBA's comment, Enbridge stated that it is not necessary to include the word "reasonable" in the draft rate order. Enbridge clarified that the costs reflected in a contract would be agreed to by Enbridge and the party taking the Rate 401 service, therefore, such costs would be seen as reasonable to the parties to the injection service contract.

This Decision and Rate Order approves the updated rate order and accounting order for Enbridge's RNG Injection Service as filed on December 6, 2018. The OEB finds that it is not necessary to add the word "reasonable" as has been proposed by CBA given that the costs are those agreed to by Enbridge and an RNG producer.

2 ORDER

THE OEB ORDERS THAT:

1. The Rate Order for Rate 401 Renewable Natural Gas Injection Service, attached as Appendix A, is approved.
2. The Accounting Order for the Renewable Natural Gas Injection Service Variance Account, attached as Appendix B, is approved.

DATED at Toronto December 13, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

Enbridge Gas Distribution Inc.

EB-2017-0319

Rate Order for Rate 401 Renewable Natural Gas Injection Service

December 13, 2018

RATE NUMBER: 401	RENEWABLE NATURAL GAS INJECTION SERVICE
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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.

Appendix B

Enbridge Gas Distribution Inc.

EB-2017-0319

**Accounting Order for the Renewable Natural Gas Injection Service Variance
Account**

December 13, 2018

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 calculation 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.