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VIA RESS and EMAIL

May 1, 2020

Ms. Christine Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

Re: EB-2020-0066 – Enbridge Gas Inc. (“Enbridge Gas”) – Voluntary Renewable Natural Gas (“RNG”) Program Application

Enbridge Gas has become aware of an error in the pre-filed evidence supporting its Voluntary RNG Program application. Please find attached corrections to the affected evidence. A summary of the evidence corrections has been provided below.

Location in Plan	Description
Exhibit C, Tab 2, Schedule 3	The forecast volumes of RNG to be purchased (in GJ and m ³) over the first ten years of the program were incorrectly calculated. The corrected values are provided in the attached.
Exhibit B, Tab 2, Schedule 1, Page 3, Paragraph 8	The volume (GJ) of RNG provided in paragraph 8 was derived based on Exhibit C, Tab 2, Schedule 3. The updated figure reflects the corrected calculations.
Exhibit B, Tab 2, Schedule 4, Page 2, Paragraph 5	The volumes (GJ) and emissions reduction (tCO ₂ e) provided in paragraph 5 were derived based on Exhibit C, Tab 2, Schedule 3. The updated figures reflect the corrected calculations.

Should you have any questions on this matter please contact the undersigned.

Sincerely,

(Original Signed)

Brandon Ott
Technical Manager, Regulatory Applications

Cc: David Stevens, Aird & Berlis LLP
All Interested Parties EB-2020-0066

ENBRIDGE GAS'S VOLUNTARY RNG PROGRAM

1. Enbridge Gas has developed a Voluntary RNG Program which would enable customers to elect to pay an incremental charge in support of the provincial government's goal of reducing GHG emissions through the introduction of RNG into the Company's energy supply portfolio. By utilizing an optional approach, Enbridge Gas has sought to minimize risk and ensure that the Program does not result in increases to the gas distribution rates or system gas supply charges of non-participating customers.
2. Enbridge Gas intends to launch the Voluntary RNG Program in early 2021 pending OEB approval of this application.
3. Underpinning Enbridge Gas's Voluntary RNG Program design are a series of guiding principles that the Company expects will maximize the prospects of a successful program launch:
 - i) Enbridge Gas will offer customers the opportunity to reduce GHG emissions resulting from natural gas usage;
 - ii) The Program will not impact Enbridge Gas's commitment to maintain safe and reliable operations;
 - iii) The Program will not increase the rates or costs of non-participating customers;
 - iv) The Program will not require legislative changes or government funding;
 - v) The Program will leverage existing systems and resources, and will not hinder utility integration efforts; and,
 - vi) The Program will be simple, flexible and scalable.

Program Design

4. Enbridge Gas's proposed Voluntary RNG Program will offer system gas general service customers across all rate zones the option to pay a fixed \$2 monthly charge to fund the incremental cost of including RNG volumes in the Company's system gas supply. Participating customers will not receive a specified proportion of their gas as RNG, nor will their contributions fund a set volume of RNG purchases. Rather, Enbridge Gas will use the fixed contributions from participating customers to fund the incremental cost of RNG relative to traditional natural gas, procuring as much RNG as can be purchased with the amount collected.
5. The proposed fixed monthly charge of \$2 balances increasing consumer interest in the introduction of RNG into the Company's gas supply portfolio against consumers' sensitivity to cost. Enbridge Gas's research shows that \$2 per month is a 'sweet spot' for customers who are willing to pay a premium to participate in a Voluntary RNG Program. As highlighted in Exhibit C, Tab 4, Schedule 1, market research suggests that 46% of customers will support a voluntary RNG program and are willing to contribute \$2 per month where no RNG volume commitment is specified.
6. The proposed fixed \$2 charge will provide participating customers with certainty regarding program cost, and will simplify marketing, administration and communications. In addition, the fixed charge, being disconnected from volumetric consumption, will assist Enbridge Gas in forecasting Program funds available for the purchase of RNG.
7. The Program will have no minimum term for participation, allowing customers to cancel their enrollment on 30 days' notice. While the Company expects a certain percentage of participants will leave the Program each month, it is anticipated that

this amount will at least be offset by new enrollments given marketing efforts and the relatively small financial commitment required for customers to join the program as new participants.

8. As noted, the Program will not offer participating customers a specified percentage or volume of RNG. Instead, the volumes of RNG procured will be driven by overall Program participation, the resulting funds collected and the incremental cost of RNG. Enbridge Gas forecasts procurement of 22,711 GJ of RNG in the first 12 months of the Program as shown in Exhibit C, Tab 2, Schedule 3. /C
9. Enbridge Gas plans to provide annual communications to participating customers outlining information such as the total amount of RNG procured under the Program, related GHG emission reductions, future forecasts, Program participation, and/or other relevant metrics.
10. Consistent with the bill presentation of the Federal Carbon Charge, Enbridge Gas intends to display customer contributions towards the Voluntary RNG Program (i.e. the \$2 charge) as a separate line item of the bill.
11. Enbridge Gas applies the Federal Carbon Charge to all volumes of gas delivered to customers, including customers who have elected to participate in the Program¹. To the extent that the RNG obtained by Enbridge Gas using Program funds reduces the Company's Federal Carbon Charge obligations, and subsequent remittance to the CRA, any variance between the Federal Carbon Charges

¹ With the exception of customers who qualify for exemption under the GGPPA and who have notified the Company of their exemption.

remitted to the CRA and the amount charged to customers will be tracked in existing OEB-approved Federal Carbon Pricing Program customer-related variance accounts, and will flow to all customers subject to the Federal Carbon Charge.

12. As detailed in Exhibit B, Tab 2, Schedule 2, Enbridge Gas proposes to begin RNG procurement using short-term contracts (e.g. seasonal or annual delivery contracts). RNG suppliers would prefer Enbridge Gas to enter into long-term (i.e. multi-year) RNG supply commitments which support investment in RNG production facilities. However, Enbridge Gas is not prepared to do so at this time without having a mechanism in place that would ensure the recovery of the associated RNG costs in rates years into the future.
13. RNG procured will form a part of Enbridge Gas' system gas supply, subject to measures to ensure its inclusion does not result in increased gas supply costs for non-participating customers. Inclusion of RNG purchased is consistent with Enbridge Gas's discussion of RNG in its 5 Year Gas Supply Plan.²

Program Eligibility

14. As discussed above, Enbridge Gas's Voluntary RNG Program will be open to any system gas general service customer across all rate zones, including the following rate classes: Rate 1, Rate 6, Rate 01, Rate 10, Rate M1 and Rate M2.
15. While commercial or industrial customers on system gas in general service rate classes may enroll in the Voluntary RNG Program, the Program has been

² EB-2019-0137, 5 Year Gas Supply Plan, page 106.

designed with a residential focus and will be marketed as such. Enbridge Gas expects that the small contribution amount of \$2 per month will naturally appeal most to residential customers, in addition to some small commercial customers.

16. To the degree large commercial and industrial customers are interested in purchasing RNG, Enbridge Gas submits that this opportunity exists in the market today. Specifically, working with a gas marketer, RNG producer, or other third party, commercial and industrial customers can arrange for the purchase of RNG commodity or RNG-based offsets under a variety of commercial arrangements. Enbridge Gas can facilitate the delivery of all or a portion of such customer's RNG gas supply through currently available direct purchase and gas transportation options.
17. Should Enbridge Gas services be required to facilitate an arrangement between a customer and a third-party marketing RNG, existing business processes and systems will be relied upon. For example, a customer may purchase a portion of their gas supply as RNG from a gas marketer or RNG producer, who would in turn work within Enbridge Gas's established direct purchase framework to see that RNG is used to meet a customer's delivery obligations and consumption.
18. Enbridge Gas's Voluntary RNG Program will initially target a modest number of customers of approximately 16,000 in the first year, growing to 23,000 and 25,000 in the next two years (see Exhibit C, Tab 2, Schedule 1). This measured start will give the Company the opportunity to validate market demand with minimal system and process changes and will allow Enbridge Gas to refrain from initiating significant system changes until growing demand for RNG is evident and the Company is better positioned to consider long-term, fixed-price RNG supply contracts.

19. The proposed Program is readily scalable given that RNG volumes introduced to the system can vary directly with customer participation in the Program.

Program Enrollment

20. Enrollment in Enbridge Gas's Voluntary RNG Program will be available by either visiting the Company's website and enrolling online or by calling the Company's customer service call centres. During enrollment, customers will agree to the predefined terms and conditions of the Program such as the amount of the fixed charge and the terms of cancellation.
21. Participating customers will continue to maintain their enrollment status in the case of a move. Enbridge Gas also intends to offer the Program to new and moving customers during other customer service interactions.

Responding to the Board's EB-2011-0242/0283 Decision

22. In their 2011 RNG applications, the Utilities proposed to limit the volume of RNG purchased to an annual cap of 5.5 petajoules (145 million m³). This quantity would have represented approximately 2% of system gas supply for the Utilities at that time³. The Utilities also requested approval of an RNG procurement model which included the purchase of RNG from Ontario producers at fixed prices over a 20-year term. The Utilities set the volume cap such that the estimated total bill impact on an annual basis for a typical residential customer would be no more than \$18 per year.

³ EB-2011-0242/EB-2011-0283, Renewable Natural Gas Application, Exhibit B, Tab 1, Page 1.

23. In its Decision and Order, the Board found the Utilities to have provided insufficient evidence to support approval of their applications⁴, specifically citing the following areas as requiring additional evidence or consideration:
- i) the technical and operational considerations of potential developers in Ontario;
 - ii) a rigorous cost benefit analysis;
 - iii) availability of similar programs in North America and elsewhere;
 - iv) consideration of the potential involvement of gas marketers; and,
 - v) the appropriate size of the program and customer acceptance of the resulting bill impacts.
24. Enbridge Gas has addressed the five concerns pointed out by the Board in its EB-2011-2042/EB-2011-0283 Decision in this proposal, as outlined below.
25. With respect to operational considerations of potential developers in Ontario, the Company has been active in supporting the development of RNG production facilities in the province. In 2018 the Board approved EGD's RNG enabling program by allowing the Company to provide RNG upgrading services as an unregulated business activity and RNG injection services as a regulated business activity (EB-2017-0319). Enbridge Gas is aware of two RNG production facilities currently under construction in Ontario and several more in the planning stage of development. Enbridge Gas will be working with these project developers and providing the services they require to get their RNG to market.

⁴ EB-2011-0242/EB-2011-0283, Interim Decision and Order, Page 4.

26. Regarding the Program's cost and benefits, the Program will be completely voluntary on an opt-in basis and will not impose increased rates on those customers that choose not to participate in the program. The cost to participating customers (\$2 per month) is modest, and customers will have the choice whether to participate or not. Participating customers will be able to assess the value of the program to them based on Enbridge Gas's reporting of Program results and associated GHG reductions.
27. With regards to other similar programs, Enbridge Gas has included reference to several other voluntary RNG programs offered in North America in Exhibit C, Tab 3, Schedule 1. The program offered by DTE Energy in Michigan is the most similar to Enbridge Gas's proposed Program. Enbridge Gas's Voluntary RNG Program differs somewhat from others in that it has been designed to avoid rate increases for non-participating customers. As a result, Enbridge Gas will not be in a position to enter into long-term fixed price RNG procurement agreements and will not be able to commit to a set RNG volume for specific customers or the Program as a whole. However, the Program will present an RNG option for customers that is scalable and avoids rate increases for non-participants.
28. Concerning gas marketers, at present the Company is aware of only one gas marketer offering a voluntary RNG program in Ontario. This provider's offer is different from Enbridge Gas's proposed Program in that participating customers pay for the cost of offsetting their specific traditional natural gas usage with an equivalent amount of RNG. Enbridge Gas's Program is primarily targeted at cost sensitive customers looking to support low-carbon initiatives by offering a fixed monthly charge added to their existing natural gas bill.

29. Enbridge Gas is of the view that the Program does not compete with energy marketers that may attempt to offer an RNG supply option. Rather, it is a complementary offering that would provide Ontario consumers with more choices. Gas marketers that seek to make RNG offers available in Ontario will be free to do so. Much like in the marketing of traditional natural gas, gas marketers will also have the freedom to design unique and innovative RNG products for customers that go beyond the scale, scope and format of Enbridge Gas's Program (e.g. RNG contracts providing 100% of a customer's consumption as RNG, contracts with fixed commodity prices over set terms, etc.).

30. In response to the Board's concern regarding the size of the Program and potential bill impacts, Enbridge Gas's Voluntary RNG Program is voluntary. Concerns regarding the bill impacts of the Program can be weighed by customers who will independently assess the costs and benefits for themselves. The size of the Program will be determined by the degree of customer acceptance it receives, and customers that opt into the Program will do so knowing exactly how their participation will impact their monthly gas bill.

PARTICIPANT FORECAST, PROGRAM COSTS & RATE DESIGN

Participation Forecast

1. Supported by market research, the experience of Fortis BC, and the experience of DTE Energy, Enbridge Gas forecasts approximately 16,000 participants will enroll in the Company's Program in its first 12 months of operation. The participation rate is expected to increase over the second year of the Program; rising to a total of 23,000 before transitioning to a more measured pace of growth. By the end of the tenth year of the Program, Enbridge Gas forecasts 37,000 participants will be enrolled, as shown in Exhibit C, Tab 2, Schedule 1.
2. Enbridge Gas forecasts that Program participants' contributions in the first year of Program launch will be approximately \$385,000, growing to approximately \$850,000 annually by year ten. Enbridge Gas forecasts the cumulative program funds will be \$6.8 million ("RNG Contributions") in the first ten years of Program operations.

Program Costs

3. Enbridge Gas forecasts total Program operating costs over the first ten years of the Program will be \$2.7 million. It is estimated that approximately \$400,000 of the operating costs will be incurred in the first year of Program launch, offset by a tax credit of just under \$200,000 over the same period. Operating costs are expected to drop in future years to approximately \$250,000 annually by year ten. Forecast costs include marketing costs, billing processing costs, customer contact center costs, legal costs and the revenue requirement associated with capital costs required for upgrades to internal systems (Exhibit C, Tab 2, Schedule 2).
4. The Company will manage these operating costs within its existing budgets until rebasing in 2024. Managing these costs within existing O&M budgets will allow

Enbridge Gas to dedicate all RNG Contributions collected during the deferred rebasing term toward the procurement of RNG, rather than the recovery of the Company's costs.

5. Enbridge Gas estimates that forecast RNG Contributions will allow the Company to procure over 400,000 GJ of RNG supply over the ten-year forecast period, resulting in an emissions reduction of approximately 20,000 tCO₂e. Enbridge Gas estimates available funds from the first 12 months of program operations will allow for procurement of over 22,000 GJ of RNG, increasing gradually to reach 52,000 GJ in year ten. Please see Exhibit C, Tab 2, Schedule 3. /C

Rate Design

6. The Voluntary RNG Program will offer general service system gas customers the option to pay a \$2 fixed monthly charge to fund the incremental cost of including RNG volumes in system gas supply. The Program will be available to system gas customers in general service rate classes in the EGD and Union rate zones, specifically Rate 1, Rate 6, Rate 01, Rate 10, Rate M1 and Rate M2. Enbridge Gas proposes to update the applicable rate schedules to include a provision for the optional \$2 monthly charge for system gas general service customers. Draft rate schedules are provided at Exhibit C, Tab 5, Schedules 1 and 2.

TEN YEAR PROGRAM FORECAST

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>	<u>YEAR 8</u>	<u>YEAR 9</u>	<u>YEAR 10</u>
Funds Collected	\$386,090	\$548,264	\$590,438	\$632,613	\$674,787	\$716,961	\$759,135	\$801,309	\$843,483	\$885,658
RNG Volumes (GJ)	22,711	32,251	34,732	37,213	39,693	42,174	44,655	47,136	49,617	52,098
RNG Volumes (m³)	609,863	866,032	932,649	999,267	1,065,885	1,132,503	1,199,121	1,265,739	1,332,356	1,398,974

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