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BY E-MAIL

May 5, 2020

Christine E. Long
Board Secretary and Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Application for a Voluntary Renewable Natural Gas Program
OEB File Number: EB-2020-0066**

In accordance with OEB's Decision and Procedural Order No. 1, please find attached OEB staff's interrogatories in the above proceeding. The attached document has been forwarded to the applicant and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Rachele Levin
Policy Advisor

Encl.



OEB Staff Interrogatories

Application for a Voluntary Renewable Natural Gas Program

EB-2020-0066

May 5, 2020

Staff IR-1

Ref: Exhibit B, Tab 2, Schedule 1, p. 2 #5
Exhibit C, Tab 2, Schedule 1

Enbridge Gas states “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.” Enbridge Gas did not file an ‘Exhibit C, Tab 4, Schedule 1’, but it appears that the market research report in question was filed under ‘Exhibit C, Tab 2, Schedule 1.’ The IPSOS market research report indicates that some customers would be willing to pay \$2.00, \$5.00 or \$10.00 per month.

Questions:

1. Please file Exhibit C, Tab 4, Schedule 1, or confirm that this reference should have been Exhibit C, Tab 2, Schedule 1.
2. Given that there is support from customers to pay \$5 or \$10 per month, please explain why Enbridge Gas chose to design the Program based on \$2.00 per month, rather than providing customers with a choice of whether to pay \$2.00, \$5.00 or \$10.00 per month?

Staff IR-2

Ref: Exhibit A, Tab 2, Schedule 1, p.1 # 3

Enbridge Gas states that in the November 2018 Made-in-Ontario Environment Plan, the Ontario Government’s plans to meet Ontario’s 2030 GHG target include increased use of clean fuels such as RNG and increased access to clean and affordable energy for families. Enbridge Gas states that “Taking these items into account, the Made-in-Ontario Environment Plan requires natural gas utilities to implement a voluntary RNG option for customers.”

Questions:

1. Please confirm that the Ontario Government has not passed legislation or regulation requiring natural gas utilities to implement a voluntary RNG program for customers.
2. Has Enbridge Gas had discussions with the Ontario Government indicating that it is considering legislation or regulation requiring natural gas utilities to implement a

voluntary RNG program in the near future? If such discussions have taken place, please provide details in the form of exchanged communications, draft agreements, or similar.

Staff IR-3

Ref: Exhibit A, Tab 2, Schedule 1, p. 2 #4
Exhibit B, Tab 1, Schedule 1, p. 5-6 #11-16
Exhibit B, Tab 2, Schedule 1, p. 8-9 #28, 29

In September 2011, Enbridge Gas Distribution Inc. and Union Gas Limited (the Utilities) filed applications with the OEB seeking approval for rates for the sale of natural gas that included the cost consequences of the purchase of RNG (referred to as “biomethane” in EB-2011-0242/EB-2011-0283). The OEB combined the applications into a single proceeding, and in its EB-2011-0242/EB-2011-0283 interim Decision, the OEB found that the Utilities had not provided enough evidence concerning some necessary elements of the program.

Enbridge Gas states that to the degree large commercial and industrial customers are interested in purchasing RNG, this opportunity exists in the market today. Enbridge Gas also notes that at present it is aware of one gas marketer offering a voluntary RNG program in Ontario, although this provider’s offer is different from Enbridge Gas’ proposed Program. Enbridge Gas states that it is of the view that its proposed Program does not compete with energy marketers that may attempt to offer an RNG supply option in the future, as gas marketers that seek to make RNG offers available in Ontario will be free to do so.

Questions:

1. The EB-2011-0242/0283 interim Decision stated the following: “The Board concludes that the voluntary approach would be inappropriate. Such an approach would effectively place the utilities in the position of competing directly with marketers, as opposed to their current role, which is essentially that of default supplier. The Board concludes that this would be an inappropriate distortion to the competitive market” [interim Decision, p. 23]
The EB-2011-0242/0283 interim Decision also stated that “... to the extent the costs are borne by system gas customers, they should be borne by all system gas customers and the distributors themselves should not run voluntary programs.” [Interim Decision and Order; pg. 24].
 - a. Please explain whether Enbridge Gas believes that offering RNG is a competitive

- industry in Ontario.
- b. Please explain why it is appropriate for Enbridge Gas' Voluntary RNG Program to be undertaken by the regulated utility business.
 - c. Please explain how Enbridge Gas' proposed Voluntary RNG Program would not lead to an inappropriate distortion of the competitive market.
 - d. Please clarify why Enbridge Gas states its proposed Program does not compete with energy marketers that may attempt to offer a similar RNG supply option in the future.
 - i. Please discuss what examinations Enbridge Gas has performed to evaluate the impact of this Program on the retail market.
 - e. Please identify and discuss other regulators that have approved a similar Voluntary RNG Program that was part of the natural gas distributor's regulated business.
2. The EB-2011-0242/0283 interim Decision summarizes the Utilities' objections to implementing a Voluntary RNG Program: "The companies objected to a voluntary program, for three primary reasons: they do not have the marketing expertise to pursue such an approach; there is too much uncertainty around the level of take up to underpin the purchase commitments; and it would place them in direct competition with gas marketers with similar programs." These views are also articulated in the Transcripts of the EB-2011-0242/0283 proceeding. [Transcript, vol 2, p.125-6], [Transcript, vol 3, p.126-130], [Transcript, vol 7, p.22-26]
- a. Please explain whether Enbridge Gas' marketing expertise to pursue such an approach has improved.
 - b. Please explain whether and why Enbridge Gas believes there is increased certainty around the level of uptake to underpin RNG purchase commitments.
 - c. Please explain why Enbridge Gas is now of the view that a Voluntary RNG program would not place Enbridge Gas in direct competition with gas marketers with similar programs.

Staff IR-4

Ref: Exhibit B, Tab 2, Schedule 1, p. 3 #8 & p. 7 #9
Exhibit B, Tab 2, Schedule 2, p.1-2 #3

Enbridge Gas states that it forecasts procurement of 6,047 GJ of RNG in the first 12 months of the Program. Enbridge Gas also notes that it is aware of two RNG production facilities currently under construction in Ontario and several more in the planning stage. Enbridge Gas further states that it is "...aware of a number of RNG producers in Ontario expected to be in-service in 2020 and 2021 respectively and expects there will be volumes of RNG available in the market."

Questions:

1. Please describe Enbridge Gas' understanding of the availability of supply and pricing of RNG in Ontario and neighbouring jurisdictions. Please provide any documentation or materials related to this understanding, including but not limited to studies, research, reports, and market scans.
2. Please describe how Enbridge Gas will ensure that its RNG procurement plan for customers participating in the Voluntary RNG program would ensure procurement of the least cost RNG available on the market

Staff IR-5

Ref: Exhibit B, Tab 1, Schedule 1, p.2 # 4
Exhibit C, Tab 1, Schedule 1, p. 1

Enbridge Gas states that when considering the cost of RNG relative to other forms of renewable energy, "RNG compares favorably." Enbridge Gas provided a cost comparison of RNG and other renewable energy.

Questions:

1. Please describe how Enbridge Gas arrived at the value of 5.4 cents/kWh for the "RNG Low Case"? Please provide the calculations, including assumptions used to arrive at this value.
2. Has Enbridge Gas calculated a "Middle Value" and "High Value" cost comparison of RNG? If so, please provide those calculations.
 - a. Please resubmit the graph provided in Exhibit C/ Tab 1/ Schedule 1/ p. 1 with the "Medium Value" and "High Value" RNG Cases
3. Does Enbridge Gas anticipate the "RNG Low Case" cost of RNG would be available in Ontario for it to procure?
 - a. If not, what is the likely cost of RNG available in Ontario or nearby jurisdictions

that would be available for Enbridge Gas to procure? Please explain how Enbridge Gas arrived at a value for the likely cost of RNG available in Ontario.

Staff-IR 6

Ref: Exhibit B, Tab 2, Schedule 2, p.1 #1
Exhibit B, Tab 2, Schedule 1, p.4 #12

Enbridge Gas states that its plan to procure RNG will seek to maximize the quantity of RNG purchased based on “the most current data available”. As such, Enbridge Gas will purchase RNG based on forecast funding derived from actual participation numbers. For the purpose of forecasting, Enbridge Gas assumes program participants will remain in the Program for a period of 12 months from their enrollment, and that while some participants may leave the Program each month, new participants are expected to at least offset any reduced funding.

Enbridge Gas also notes that it proposes to begin RNG procurement using short-term contracts (e.g. seasonal or annual contracts).

Questions:

1. Please explain what Enbridge Gas’ source is for the “most current data available.”
2. Will Enbridge utilize a tendering process (RFPs or similar) for RNG supply?
 - a. If so, would the terms of the tendering process will be subject to pre-defined criteria or terms and conditions? If so, what would these be?
 - b. If not, by what other mechanism will Enbridge Gas procure RNG to ensure that they are acquiring RNG cost-effectively?
3. Please explain what criteria Enbridge Gas will apply when it selects RNG suppliers. For example, will Enbridge Gas consider environmental or other attributes, or will Enbridge Gas only consider price and availability of RNG? Please explain.
4. If Enbridge Gas signs an annual contract and participants drop out of the Voluntary RNG program, how would Enbridge Gas propose to deal with the cost consequences of the contractual obligation?
5. Please confirm whether Enbridge Gas has entered into discussions regarding an agreement with potential RNG suppliers for the procurement of RNG.
 - a. If such discussions have taken place, please provide further details in the form of exchanged communications, draft agreements, letters of intent or similar.
 - b. If not, when does Enbridge Gas intend to enter into discussions with RNG suppliers? Please explain.

Staff-IR 7

Ref: Exhibit B, Tab 2, Schedule 1, p.4 #13

Enbridge Gas states that the RNG it procures 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.”

Questions

1. Please describe the “measures” Enbridge Gas plans to employ to ensure that the inclusion of RNG in system gas does not result in increased gas supply costs for non-participating customers.

Staff IR-8

Ref: Exhibit C, Tab 2, Schedule 3, p. 1

Enbridge Gas provided a table including forecast funds collected from the Voluntary RNG Program, as well as RNG Volumes (in GJ and m³).

Questions:

1. Please add new rows to this table that detail:
 - a. the estimated amount of funds that will be directly used to procure RNG in each year, and
 - b. the assumed settlement price (\$/GJ or \$/m³) of this procurement.
2. Please explain Enbridge Gas’ assumptions behind the assumed settlement price for procuring RNG.
3. Please describe how Enbridge Gas’ assumptions on the settlement price to procure RNG compare with the estimates in Chapter 3 of the final report for *Marginal Abatement Cost Curve for Assessment of Natural Gas Utilities’ Cap and Trade Activities* (EB-2016-0359).

Staff IR-9

Ref: Exhibit B, Tab 1, Schedule 1, p.4 # 10

Enbridge Gas states that the federal government is developing a Clean Fuel Standard (CFS), which will require fossil fuel producers, importers and distributors to reduce the carbon intensity of fuels. Enbridge Gas states that under the CFS it would be required to procure RNG as part of its supply portfolio.

Questions:

1. Please explain how Enbridge Gas' CFS obligations would relate to a Voluntary RNG Program.
2. Please explain whether, as part of the CFS, Enbridge Gas could seek to obtain any GHG reduction credits from the Voluntary RNG Program
 - a. If so, would these credits result in financial benefit to Enbridge Gas shareholders or customers? Please explain.

Staff IR-10

Ref: Exhibit B, Tab 1, Schedule 1, p.4 # 9
Exhibit B, Tab 2, Schedule 4, p.1-2 #1,2,5

Under Part 1 of the Federal Government's *Greenhouse Gas Pollution Pricing Act*, (GGPPA), Enbridge Gas is exempt from paying the Federal Carbon Charge on volumes of RNG (referred to as "biomethane" in the GGPPA).

Enbridge Gas estimates that based on its forecasted uptake of the Voluntary RNG program, funds from the first 12 months of the Program will allow for procurement of over 6,000 GJ of RNG, increasing to 30,000 GJ in year ten. In total, Enbridge Gas estimates that cumulative RNG Contributions from the first ten years of the Program will allow it to procure over 200,000 GJ of RNG, resulting in a GHG emissions reduction of approximately 10,000 tCO₂e.

Questions:

1. Please provide all calculations related to the following in a single table:
 - a. Forecasted numbers of participating customers by year (to year ten)

- b. Forecasted volumes of RNG to be procured by year (to year 10), and total volume of RNG procured over the ten year period
 - c. Forecasted GHG emissions reduction by year (to year 10), and total GHG emissions reduction over the 10 year period
 - d. Forecasted Federal Carbon Charge reduction by year (to year 10) based on forecasted emissions reductions in c) above
 - e. Please provide all assumptions used to derive the above calculations, including:
 - i. the cost of RNG per volume
 - ii. the conversion factor used to calculate volume of RNG to GHG emissions
 - f. Please provide any other supporting documentation, including data, assumptions and analysis, used to prepare the table.
2. Does Enbridge Gas anticipate a decrease in the forecasted number of participants as a result of COVID-19?
- a. If so, please explain and adjust the calculations in the table requested above

Staff IR-11

Ref: Exhibit B, Tab 2, Schedule 1, p. 3 #10

Enbridge Gas states that 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.

Questions:

1. Please confirm that Enbridge Gas is not seeking the OEB's approval on how to display the customer contribution towards the Voluntary RNG Program.
2. Please confirm that the additional line on the bill will be shown on the bills of program participants only.

Staff IR-12

Ref: Exhibit B, Tab 2, Schedule 4, p.1-2 #3,4
Exhibit C, Tab 2, Schedule 2

Enbridge Gas states that "forecasts total Program operating costs over the first ten years of the

Program will be \$2.7 million.” Enbridge Gas also states that it “will manage these operating costs within its existing budgets until rebasing in 2024.” Enbridge Gas provided a table that includes operating costs at Exhibit C, Tab 2, Schedule 2.

Questions:

1. Upon rebasing in 2024, would the operating costs of the Program be borne by all ratepayers? Please explain.
2. Please explain how Enbridge Gas proposes to respond if actual operating costs are higher than forecasted.
3. Please explain whether increased participation in the Program above that forecasted by Enbridge Gas would result in higher than expected operating costs.
 - a. If so, please explain Enbridge Gas’ plan for keeping operating costs low

Staff IR-13

Ref: Exhibit B, Tab 2, Schedule 4, p. 1 # 2-3
Exhibit C, Tab 2, Schedule 2, p. 1-2

Enbridge Gas forecasts that in the first ten years of Program operations, cumulative Program funds will be \$6.8 million and total Program operating costs will be \$2.7 million. Enbridge Gas provided a table that includes these forecasts at Exhibit C, Tab 2, Schedule 2.

Questions:

1. Please discuss Enbridge Gas’ view of whether or not it is cost-effective for ratepayers to contribute \$2.7 million in operating costs for a program that is forecast to accumulate \$6.8 million over a ten year timeframe.
2. Please provide an amended table that includes a column for ‘totals’ to represent the sum of each row in the table (from 2021 to 2030).

Staff IR-14

Ref: Exhibit B, Tab 2, Schedule 1, p. 3 #11

Enbridge Gas notes that any reduction in its Federal Carbon Charge obligations due to the

Voluntary RNG program would be tracked in its existing OEB-approved Federal Carbon Pricing Program customer-related variance accounts, and would flow to all Enbridge Gas customers subject to the Federal Carbon Charge.

Questions:

1. Please explain why Enbridge Gas proposes to flow the benefit of any reduced Federal Carbon Charge to all Enbridge Gas customers subject to the Federal Carbon Charge and not just to the customers that participate in the Voluntary RNG program