Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6
Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

July 16, 2020

Ms. Christine Long
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

RE: EB-2020-0066 – Submissions of London Property Management Association - Enbridge Gas Inc. – Voluntary Renewable Natural Gas Program

Please find attached the submissions of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken Digitally signed by Randy Aiken
DN: cn=Randy Aiken, o=Aiken & Associates, ou, email=randy.aiken@sympatico.ca, c=CA
Date: 2020.07.16 09:12:50 -04'00'

Randy Aiken
Aiken & Associates

EB-2020-0066

Enbridge Gas Inc.

Application for Voluntary Renewable Natural Gas Program beginning January 1, 2021

SUBMISSIONS OF LONDON PROPERTY MANAGEMENT ASSOCIATION

A. INTRODUCTION

Enbridge Gas Inc. ("EGI") filed an application with the Ontario Energy Board ("Board") on March 5, 2020 seeking approval to implement a Voluntary Renewable Natural Gas Program ("VRNGP"), This VRNGP would offer customers the choice to pay $2 per month towards the purchase of Renewable Natural Gas ("RNG") that would displace system supply of traditional natural gas. This in turn would reduce the overall greenhouse gas emissions from the natural gas consumed by the customers of EGI.

The EGI proposal would not increase rates for non-participating customers while EGI is on its deferred rebasing period, which is expected to continue through 2023. During this deferred rebasing period, EGI would pay for all program operating cost from existing distribution revenue. This would enable all funds received through the VRNGP to be used to fund the purchase of RNG.

The submissions of the London Property Management Association ("LPMA") with respect to the VRNGP are provided below.

B. SUBMISSIONS

a) Support for the Voluntary Renewable Natural Gas Program

LPMA generally supports the proposed VRNGP, with a number of proposed changes which are dealt with in subsequent sections of these submissions below.

LPMA supports the use of renewable natural gas and believes that the voluntary nature of EGI's proposal is an appropriate first step in enabling and encouraging the production and consumption of renewable natural gas.

LPMA submits that the Board should adopt and accept a number of the components of the proposed program including:

- **Simplicity and Scalability**

  The EGI proposal is both simple and scalable. The money from the voluntary participants is aggregated and determines the amount of RNG that can be purchased based on the RNG prices available. The amount of RNG purchased will automatically be scaled (up or down) based on the number of customers that participate and the price of RNG. Both of these factors are forecast in the EGI proposal, but are essentially unknowns at this time. The automatic scalability of the EGI proposal eliminates, or at least significantly reduces, the risk associated with either of these factors.

- **No Rate Impact on Non-Participating Customers**

  As the evidence indicates, there is no direct rate impact on non-participating customers through either their distribution rates. LPMA submits that this is appropriate since non-participating customers should not bare any costs associated with a voluntary program.

- **No Impact on the PGVA or Gas Costs of Non-Participating Customers**

  As indicated in Exhibit I.Staff.7, any EGI RNG purchases will be valued in the Union South PGVA as the prospective priced as planned Dawn purchases during each twelve month forward period when setting gas supply rates through the QRAM process. LPMA submits that this will result in no impact on the QRAM reference price for non-participating customers and should accepted by the Board.

  In the same response (Exhibit I.Staff.7), EGI explains how the difference between the actual cost of RBG purchased and the actual Dawn reference price will be booked as a debit to the Union South PGVA. The methodology proposed by EGI will remove the incremental cost of RNG from the Union South PGVA and transfer it to the same balance sheet account used to track funds collected from the VRNGP.

LPMA accepts this methodology and notes that this was confirmed, as indicated in the response to Undertaking JT2.1, where it was stated that:

> *"The monthly adjustment to remove the incremental cost of RNG purchased from the Union South PGVA will always be equal to the dollar amount transferred to the balance sheet account used to track funds collected from the Voluntary RNG Program".*

- **Responsive to Public Policy**

  LPMA submits that the VRNGP is responsive to the Government of Ontario's Made-in-Ontario Environment Plan ("MOEP") which requires natural gas utilities to implement a voluntary renewable natural gas program for customers.

- **Initial Use of Short-Term Contracts**

  LPMA supports the use of short-term contracts for the purchase of renewable natural gas for the immediate future, as proposed by EGI. These short-term purchases eliminate, or at least substantially reduce, the risk of non-participating customers being stuck with and having to pay for higher priced renewable natural gas should the program fail to deliver the outcomes forecasted by EGI. It would not be appropriate for EGI to enter into long-term contracts when the revenue stream from the voluntary participants is not guaranteed because customers can opt out of the voluntary monthly payment at any time (with proper notice).

  If the revenue projections are realized and the number of voluntary customers grows at least remains steady, then EGI and the Board may want to consider the use of longer-term contracts. LPMA submits that this should be part of a review of the VRNGP in the future, possible as part of the next rebasing application.

- **No Long-Term Customer Commitments**

  EGI proposes to allow customers to essentially opt out of the voluntary program on a monthly basis, by allowing customers to cancel their enrollment with 30 days' notice (Exhibit B, Tab 2, Schedule 1, para. 7). LPMA submits that this is appropriate for a voluntary program.

  Requiring customers who enroll in the program to stay for a minimum amount of time in excess of one billing cycle, such as for a year, would compromise the "voluntary" component of the program by locking customers in for a period beyond a billing cycle. LPMA submits that this would not be appropriate for a voluntary program.

Customers may need to respond quickly to changes in their financial situation, which as COVID-19 has shown us, can happen overnight. The flexibility offered by the EGI proposal is important in that it will not provide a disincentive to customers who are interested in participating in the program, but may be concerned about a long-term commitment to pay the additional fee each month. LPMA does have concerns with customers knowing they have the ability cancel their enrollment in the program with 30 days' notice. LPMA submits that the Board should direct EGI to remind customers of this option on a regular basis, perhaps as part of the customer notice each quarter as a result of QRAM rate application.

- **No Negative Impact on Gas Marketers**

LPMA does not believe that there is likely to be any negative impact on gas marketers of the EGI VRNGP. There has been no evidence provided that indicates that gas marketers are providing or are proposing to provide offering any similar service to customers.

Gas marketers are already able to provide customers an RNG offering for all or a portion of their natural gas requirements through direct purchase agreements.

Gas marketers are likely to benefit from the EGI proposal in that the profile of RNG will be increased in Ontario and may prompt customers to enquire about the offerings available from gas marketers. The marketers could also bid on supplying RNG to EGI through the RFP process that EGI will use to purchase RNG. For example, in Exhibit I.PP.11, EGI states that information regarding the RNG RFPs will be communicated to industry groups, interested parties and other parties relevant to RNG procurement.

- **Rate Class Availability**

EGI proposes to limit the VRNGP to its general service customers, which includes Rates 1, 6, M1, M2, 01 and 10 across the various rate zones. While this excludes all contract customers, LPMA notes that the vast majority of the customers of EGI would be eligible for the VRNGP. LPMA submits that there would be little gained (in terms of additional revenues) by expanding the program to the contract rate classes and such an expansion would likely result in significantly higher costs to administer the program. In any event, contract customers have easy access to gas marketers and direct purchase options that could include the direct purchase of RNG.

b) Proposed Changes for the Voluntary Renewable Natural Gas Program

As noted above, LPMA has a number of proposed changes that it submits the Board should consider before approving the voluntary renewable natural gas program. Each of these proposed changes is noted below.

- **Rates vs. Costs**

  As noted above, EGI proposes to absorb the costs associated with the program during the deferred rebasing application. EGI states that all direct and indirect costs will be funded by existing revenues during the deferred rebasing term, meaning that there will be no **rate** increases to non-participants (Exhibit I.CCC.a). However, as noted in Exhibit I.LPMA.10(a), during this deferred rebasing period, there is potential for the VRNGP program costs to reduce the amount of earnings sharing to be shared with ratepayers, including non-participants, thus impacting the **costs** paid by non-participants and others. In particular, EGI stated in the response to LPMA that:

  > *"Enbridge Gas will include operating costs of the program as part of utility results (i.e. within utility rate base and O&M) for the purpose of calculating earnings sharing (ESM) for each year within the deferred rebasing period."*

  LPMA submits that this would increase the amounts paid by all ratepayers (i.e. increasing costs), including non-participants and would violate the spirit of not increasing costs to ratepayers that do not participate in the program.

  LPMA submits that the potential increase in cost to non-participants is not in accordance with public policy. EGI noted in the presentation to senior management that the *"Ontario Government has no interest in supporting a voluntary RNG program that would impact rate payers not participating in the program"* (Exhibit JT1.13, Attachment 1, page 3). Clearly the loss of a portion of the earnings sharing if and when EGI is in an earnings sharing position in any of 2021 through 2023 (the remaining deferred rebasing years) would have a negative impact on these non-participant customers.

  LPMA also notes that in the presentation made by EGI to the Ministry of Energy, Northern Development and Mines in September 2019, it stated that *"Enbridge's voluntary program will enable customers to support the introduction of RNG into the Company's gas supply while insulating non-participating customers from incremental RNG costs"* (Exhibit JT2.6, Attachment 1, page 3). Clearly, the proposal to reduce any potential earnings sharing as a result of the incremental RNG costs cannot be considered any type of insulation for non-participating customers.

EGI also states in Exhibit I.LPMA.10(a) that standalone accounting of the amounts associated with the program would not yield benefits commensurate with the costs to do so. LPMA submits that EGI should be required to track the costs associated with the VRNGP in the same way it will be tracking the revenues it receives from the voluntary participants and the way it tracks the cost of the RNG purchased using this revenue. As noted below, LPMA is submitting that a review of the program should be undertaken as part of the next rebasing application (scheduled for 2024 rates). Without an accurate recording of the costs associated with the program on a historical basis, how will the Board and interest parties be able to assess the success or failure of the program or how to recover the costs going forward as part of the rebasing application?

In the next two bullet points that follow, LPMA submits that voluntary participants should pay the full costs associated with the program and be credited with the reduction in the federal carbon tax payable. The revenues, federal carbon tax reduction and program costs should be tracked through a VRNGP account with the net amount available to purchase RNG.

This approach of using a VRNGP account would eliminate the impact of the program costs on the earnings sharing mechanism and prevent non-participant customers from being harmed by ensuring that the proposed program does not result in a potential reduction in the earnings sharing amounts that may be available to them.

- **Voluntary Participants Should Pay All Related Costs**

LPMA submits that the proposed program should be fully paid for by the customers that participate in it. This is no different than system gas customers paying a system gas fee to cover the costs associated with purchasing natural gas for system gas customers. This fee is only recovered from those customers that create the costs (system gas customers) and not from direct purchase customers. Direct purchase customers pay the costs associated with the administration of the direct purchase contracts. RNG participants, like system gas customers and direct purchase customers should pay the costs associated with their choice.

As shown in Exhibit I.LPMA.16(b) Corrected, if the program costs were recovered from the voluntary participants, the incremental costs ranges from $1.35 per month in 2021 to $1.24 per month in 2022 and $0.88 per month in 2023. Over the three-year deferred rebasing period, the incremental cost is about $1.12 per month per voluntary participant. These figures do not include an allocation to the participants of the estimated cost savings related to the reductions in the amounts of the federal carbon charge payable.

If these savings are used to offset the program costs noted above, the incremental monthly charge is even lower, as shown in the table below. The reduction in the federal carbon charges attributable to the RNG program are based on a savings of $0.25 per month per voluntary participant, as calculated in Exhibit I.EP.10 using the 2021 federal carbon charge. In reality the federal carbon charge reductions would be higher in 2022 and 2023 under the assumption that the rate for this charge increases, as is currently proposed.

Year	2021	2022	2023	Total
Participant Forecast	16,000	23,000	25,000	64,000
Program Costs	259,106	340,881	263,978	863,965
Federal Carbon Charge Savings	(50,000)	(69,000)	(75,000)	(194,000)
Net Costs	209,106	271,881	188,978	669,965
Incremental Monthly Charge per Customer	$1.09	$0.99	$0.63	$0.87

Over the three year deferred rebasing period, the average cost is only $0.87 per month per voluntary participant.

LPMA submits that the Board should direct EGI to set the voluntary monthly payment charge at $2.87. This would cover the program costs net of the federal carbon charge savings and leave the same $2 per month as proposed by EGI to go towards purchasing RNG.

This approach adheres to good rate making principles in that the costs and benefits associated with the program are allocated to the customers that are creating the costs and benefits.

EGI has indicated in the response to part (c) of Exhibit I.LPMA.16 Corrected that by increasing the monthly customer charge to include the recovery of the program costs the number of voluntary participants would decline by 4,000 per year. This was confirmed at the technical conference (Technical Conference Transcript June 18, 2020, pages 12-13).

As indicated in the technical conference, EGI relied on the methodology explained in the response to Exhibit I.EP.4 to estimate the reduction in the number of customers from the increased charge. However, as noted in the exchange at the technical conference, the impact was the same regardless of the increase in the monthly customers charge. In particular, EGI suggested that the reduction would be 4,000 customers in both the first and tenth year, even though the increase in the monthly charge would $1.35 in the first year and only $0.57 in the tenth year.

The response to part (b) of Exhibit I.EP.4 is clear and does not support EGI's contention that a small increase in the monthly customer charge would result in a significant decrease in the number of voluntary participants. The response states (emphasis added):

> *"The program participation forecast is based on multiple factors, including market research specific to Enbridge Gas customers, the experience of other utilities and consumer trends. As noted on page 4 of Exhibit C, Tab 4, Schedule 1 (erroneously filed as Exhibit C, Tab 2, Schedule 1), 25% of customers said they are **willing to pay at least $2 per month** and are very likely to sign-up next month for an RNG program."*

LPMA submits that EGI's response does not support a reduction in the number of voluntary participants from moving to $2 per month to $2.87 per month (which would recover the forecasted net program costs over the deferred rebasing period in addition to purchasing the same amount of RNG as in the EGI proposal) since the market research indicated that 25% of customers were **willing to pay at least $2** per month. The market research **did not indicate** that 25% of customer **were not willing to pay more than $2** per month.

At page 7 of Attachment 1 of Exhibit JT1.13, EGI states that *"Enbridge will use RNG participation revenues to cover both administration and RNG procurement costs"*. EGI said the same thing to the provincial government. In the presentation to the Ministry of Energy, Northern Development and Mines in September 2019 on the proposed program design, it was stated that *"Enbridge will use voluntary customer contributions to cover both administrant and RNG procurement costs associated with the program"* (Exhibit JT2.6, Attachment 1, page 3). This is precisely what LPMA submits is appropriate and should be approved by the Board.

- **Who Should Benefit from Federal Carbon Tax Reductions?**

As noted above, the inclusion of RNG in EGI's gas supply portfolio will reduce the amount of federal carbon charges payable by EGI on behalf of its ratepayers (Exhibit B, Tab 1, Schedule 1, paragraphs 8 & 9). EGI proposes to account for this reduction by recording it as a credit in the Federal Carbon Charge – Customer Variance Account ("FCCCVA"). This would result in all customers who pay the FCCCVA benefiting from this reduction.

Other parties may suggest that the credit should be recorded in the Federal Carbon Charge – Facility Variance Account ("FCCFVA"). This would spread the benefit of the reduction in the federal carbon charges payable by EGI over all of the customers which pay the facility charge, which is a larger group of customers.

LPMA submits that the credit that is created by the voluntary participants in the program should not be recorded in either the FCCCVA or the FCCFCA. The credit should benefit those customers that have created the benefit. This is a good rate making principle where the benefits follow the costs. The costs of the program are being incurred by the voluntary participants through the incremental monthly charge under the EGI proposal and these voluntary participants would also pay for the program costs under the LPMA proposal noted above. Allocating the benefits to the same group of customers that are paying the costs is a sound rate making/allocation methodology. It reduces the net program costs to be paid and provides more funds that can be used to purchase additional RNG volumes.

- **Local Issues with Heat Content**

LPMA is concerned with the impact on customers that are located downstream of RNG injection points on the distribution system. This issue was discussed with the EGI witnesses at the technical conference (Technical Conference Transcript June 18, 2020, pages 7 – 10).

LPMA agrees with the EGI comment that if the RNG is injected into a high pressure line, the dilution effect on the heat content of the RNG versus the regular gas would be minimal. However, the EGI witness did confirm that it is possible that RNG could be injected into a standard distribution line. This is the situation which is of concern to LPMA.

EGI's current forecast of the heat content of the gas in its system is 39.28 megajoules per cubic metre. This figure is taken from the April 1, 2020 QRAM (EB-2020-0077) at Note 1 in Exhibit E, Tab 2, Schedule 1. As shown on page 3 of Attachment 1 to Exhibit I.EP.8, the acceptable range of heating values for RNG to be injected into the EGI system ranges from 36 megajoules per cubic metre to 40.2 megajoules per cubic metre. EGI's current system heat content is much closer to the top of this range than it is to the bottom.

As the EGI witness agreed, customers that consume gas downstream of the RNG injection point where the heat content of the RNG being injected is closer to the bottom of the acceptable range would have to consumer more gas to make up for the lower heat content of the gas. The example given was that if the RNG heat content was at 36 megajoules per cubic metre, which is nearly 10% below the average system gas heat content, the customer would have to consume approximately 10% more to meet their energy requirements.

While it is unlikely that a customer downstream of an RNG injection point would only be consuming RNG and not a mix of RNG and gas with the higher heat content, the mixture could negatively impact customers through higher volumetric charges.

When asked if EGI has considered the need for heat content zones around RNG injection points, Mr. McGill stated that all of the RNG injection facilities will be equipped with gas chromatographs, so EGI will know the heat content of the RNG that is coming into the system. The EGI witness also indicated that EGI would have to deal with this issue on a case-by-case basis for RNG production facility.

LPMA submits that the Board should consider requiring EGI to adjust volumes for customers near RNG injection points on standard (i.e. not high pressure) distribution lines, similar to the barometric pressure adjustments that have been used to calculate bills for many years.

Even if the overall heat content impact of an RNG injection point is small, say a reduction of 1%, the impact on a customer is a 1% increase in their gas consumption and volumetric delivery charges. It would be unfair for a customer downstream of an RNG injection point who has the same energy requirements as a customer upstream of the injection point to have to pay more every month.

- **Program Review**

LPMA submits that the Board should direct EGI to provide the results of the VRNGP program as part of its next rebasing application, which is expected for 2024 rates. EGI has already indicated that as part of its rebasing application effective for 2024 that it would bring forward a proposal for the treatment of program costs on an ongoing basis (Exhibit I.Staff.12(1)). In particular, EGI stated in that response that:

> *"Enbridge Gas has not yet determined how Program operating costs will be treated upon and beyond rebasing in 2024. The Company expects its proposal at that time will be best informed by the most current government policy, experience delivering the Program to that point, market conditions at that time, and other relevant factors. For example, these factors could indicate it is appropriate to seek inclusion of Program operating costs within rates (on a cost of service basis), or that such costs should be recovered from Program revenues beyond 2023."*

LPMA submits that the Board should direct EGI to provide full details on the historic and forecast costs associated with the program, along with participation rates and the results/outcomes of the program in 2021 and 2022 as well as any portion of 2023 that is available during the 2024 rebasing application proceeding.

A comprehensive review is needed to ensure that the program is delivering value for the money being provided by voluntary participants and what types of changes could be made to improve or expand the program.

C. COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED
July 16, 2020

Randy Aiken
Digitally signed by Randy Aiken
DN: cn=Randy Aiken, o=Aiken & Associates, ou, email=randy.aiken@sympatico.ca, c=CA
Date: 2020.07.16 09:13:17 -04'00'

Consultant to London Property Management Association