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July 16, 2020

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Long,

RE: Board File No. EB-2020-0066: Enbridge Gas Inc. Application for Voluntary Renewable Natural Gas Program

Further to Procedural Order #3 please find attached the submissions of the Canadian Biogas Association.

Yours very truly,



Michael R. Buonaguro
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or
orders related to its Voluntary Renewable Natural Gas Program;

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or
orders amending or varying the rates charged to customers for the sale,
distribution, transmission, and storage of gas commencing as of January 1, 2021.

ENBRIDGE GAS INC. VOLUNTARY RNG PROGRAM

SUBMISSIONS OF THE CANADIAN BIOGAS ASSOCIATION

July 16, 2020

OVERVIEW

The Canadian Biogas Association (the “CBA”) is the collective voice of the biogas industry. Its membership includes farmers, municipalities, technology developers, utilities, consultants, finance and insurance firms, and other affiliate representatives – all with a focus on building the biogas sector in Canada.

Biogas is a clean-tech solution that continues to offer innovation to the agricultural, municipal and waste management sectors. Biogas technologies can develop in a small footprint, and function with existing operations. Biogas offers economic and social stimulus to Canadians and plays important roles in local communities, including investment in innovation, advancement in clean technologies, engagement of youth, and job creation. The required components and services are available across Canada. Biogas production generates diverse revenue streams for farms, industries and municipalities, creates new jobs in the green economy and offers attractive investment opportunities.

The conversion of biogas into renewable natural gas (“RNG”) is an important tool in unlocking biogas’ potential, a potential which in turn relies in large part on connecting sources of RNG with end use customers.

In Ontario one of the largest pools of potential RNG customers are residential and small commercial natural gas customers, a pool of customers that as a group access natural gas through their local distribution company. For almost all of Ontario’s residential and small commercial natural gas customers that access is through Enbridge Gas Inc. (“EGI”), and 95% of EGI’s residential and small commercial customers rely on EGI not only as their distributor, but also their supplier of natural gas.¹

Accordingly, in order for Ontario residential and small commercial customers to, in any meaningful way, connect directly to sources of RNG for any portion of their natural gas supply, it is imperative that EGI implement an RNG Program that facilitates the purchase of RNG on behalf of those customers. That such a program is a necessity has been recognized, the CBA suggests, by the provincial government of Ontario in its Made-in-Ontario Environment Plan (MOEP), which directs gas distributors to implement a voluntary RNG option for customers.²

For all these reasons the CBA generally supports EGI’s application for approval of its proposed Voluntary RNG Program (the “Program”); what follows are the CBA’s comments on certain aspects of the Program where it believes the OEB’s approval of the Program parameters could be adjusted to help maximize the Program’s effectiveness.

¹ EB-2020-0066 Technical Conference Transcript Volume 2 pages 44-47.

² EB-2020-0066 Exhibit A Tab 2 Schedule 1 page 1.

FLEXIBILITY

EGI is seeking approval of a static \$2.00 per month charge to be levied against general rate class customers that use system gas and voluntarily register for the charge, with any customer registering for the charge having the option to opt out on short notice.³

The CBA respectfully submits that because the proposed charge is voluntary the OEB's approval can be flexible, allowing EGI the option of accommodating a variety of options for its customers, including:

- a) allowing the possibility of a charge higher than \$2.00 per month for customers that may be interested in a larger contribution,⁴ and
- b) Allowing EGI to create a specific level of charge for certain targeted customer groups, i.e. commercial and municipal customers, that scale up the proposed charge to better reflect those customers' natural gas consumption, and allow those customers to voluntarily enter into longer term commitments, facilitating the ability for EGI to enter into long term contracts for RNG supply.⁵

In this way, while EGI can initiate the Program as contemplated by targeting residential consumers with a proposed \$2.00 per month contribution, EGI will have the flexibility to test and expand the parameters of the program to accommodate increased levels of customer participation and commitment without the need to seek further OEB approval for every proposed offering. The CBA believes that such flexibility is appropriate in circumstances such as this where the proposed rate is, in essence, negotiated on a voluntary basis with each customer.

USE OF CARBON CREDIT OFFSET REVENUE

The CBA submits that the most appropriate treatment of any revenue generated by the Program through Carbon Credit Offsets or other similar framework is through the reinvestment of that revenue into the Program, providing further funding for the purchase of RNG. In the CBA's submission the status quo proposal from EGI inappropriately allocates such revenue to all customers, including those that are not contributing to the purchase of the RNG, and therefore not directly contributing to the creation of the revenue.

³ Exhibit B Tab 2 Schedule 1 page 2.

⁴ EB-2020-0066 Technical Conference Transcript Volume 2 pages 50-51; it appears from this exchange in the technical conference that there is no structural reason to fix the parameters of the Program as proposed by EGI, but rather EGI has sought limited approval in order to limit concerns about competition.

⁵ EB-2020-0066 Exhibit I.CBA.3; the CBA noted in this interrogatory that other jurisdictions had more interest from municipal customers than residential customers, suggesting that a program that had a higher contribution level and a longer term commitment may be feasible if targeted to municipal customers, a possibility that a more flexible program approval would allow EGI to explore.

In the CBA's view options that involve attempts to allocate carbon credit offset revenue directly to the Program participants as a form of refund on their investment is, in addition to the apparent cost and complexity of tracking and making such a refund to only Program participants⁶, counter to the spirit of the Program. Given that the Program, in its current form, only purports to procure a small portion of RNG as part of the gas supply, it makes more sense, the CBA submits, to maximize the RNG purchasing power of participant contributions by reinvesting carbon credit offset revenue on their behalf than it does trying to refund a marginal amount of their contribution.⁷ EGI confirmed that in order to facilitate such treatment of carbon credit offset revenue all that will be required is an appropriate accounting order permitting EGI to isolate and redirect that revenue as required.⁸

EGI confirms that based on its current forecast cost of RNG, every \$2.00 of RNG that it is able to purchase should generate approximately \$0.25 of Carbon Credit Offset Revenue, which, if redirected back into the Program, will increase the amount of RNG EGI can procure by approximately 12% relative to EGI's status quo proposal.⁹

EGI'S OWN USE GAS

The CBA believes it is noteworthy that at the same time EGI is proposing to ask its general service system gas customers to contribute \$2.00 a month towards the purchase of RNG on their behalf, with the expectation that the request will result in a forecast purchase of approximately 52,000 gigajoules of RNG per year by year 10 of the Program¹⁰, EGI purchases 800,000 gigajoules of natural gas per year for its own use, without any indication that EGI is entertaining to voluntarily purchase some portion of RNG for its own use gas supply.¹¹

To be clear, the CBA does not propose that EGI be required to bear the cost of the premium to purchase RNG as part of its own use gas requirements.

The CBA does propose, however, that the OEB confirm that EGI can, if it chooses, to voluntarily contribute an amount towards the premium associated with the purchase of RNG as part of its own use gas portfolio, and that EGI can do so in combination with its efforts to purchase RNG for the system gas portfolio. The CBA believes that it may be of tremendous value to the overall success of the Program if EGI were to, as it is asking its customer to do, voluntarily pay a reasonable amount towards the purchase of RNG for its

⁶ EB-2020-0066 Exhibit I.STAFF.14

⁷ The CBA would suggest that in a scenario where a customer was funding the procurement of RNG for 100% of their gas supply, a direct refund to such a customer based on the Carbon Credit Offset would become appropriate.

⁸ EB-2020-0066 Exhibit I.STAFF.14; EB-2020-0066 Technical Conference Transcript Volume 2 page 50.

⁹ EB-2020-0066 Technical Conference Transcript Volume 2 pages 50-51

¹⁰ EB-2020-0066 Exhibit I.STAFF.10

¹¹ Exhibit I.CBA.1 i)

own use. From a marketing perspective EGI could, for example, institute a matching proposal, where for every \$2.00 a customer contributes towards the purchase of RNG EGI would match that contribution, presumably up to a maximum amount; given the relative size of EGI's annual own use gas portfolio compared to the largest forecast procurement of RNG for system gas customers, the CBA would respectfully submit that such a proposal could dramatically increase the amount of RNG procured without a material impact on EGI.

Were EGI to voluntarily purchase RNG for its own use as part of the RNG Program it would also allow EGI to enter into longer term contracts for the procurement of RNG, possibly reducing the per unit cost of the RNG it procures for itself relative to short term and spot contracts, since EGI can, for its own use gas purchases, control the risk associated with the longer term contracts, since it would be directly responsible for financially supporting such arrangements.

Again, the CBA is not proposing that EGI be compelled in some way to fund the acquisition of RNG for its own use gas requirements; the CBA only asks that the OEB confirm that EGI can, if it volunteers to do so, participate in the acquisition of RNG as part of the Program, given the vast amount of own use gas it procures on an annual basis.

LONG TERM CONTRACTS

While EGI does not currently plan on entering into long term contracts in connection with the Voluntary RNG Program because of the risk that Program participation could fall short relative to any long term contract commitments that EGI might enter into, a risk that EGI does not want to bear, EGI does recognize the value of long term contracts for RNG supply and in particular the importance of long term contracting to potential RNG producers:

Enbridge Gas does not initially propose to enter into long-term contracts for RNG supply, though it is understood that such contracts are the preference of RNG producers since they support investment and growth in production facilities. Enbridge Gas recognizes this preference, and generally believes that long-term contracts will more effectively enable increased RNG production in Ontario and elsewhere. However, Enbridge Gas requires assurance (or very high likelihood) of cost recovery for long-term RNG contracts given that gas supply is not an activity for which the Company earns any return. This may be possible in the future depending on the growth of the Voluntary RNG Program, or other changes in the regulatory environment, for example as a result of the introduction of a CFS.¹²

As noted earlier in these submissions EGI procures 800,000 gigajoules of natural gas for its own use annually, relative to the forecast 52,000 gigajoules of RNG EGI anticipates procuring on behalf of voluntary participants at the height of the program's penetration into EGI's customer base after 10 years. In the CBA's respectful submission it would be

¹² EB-2020-0066 EGI Argument in Chief, page 7.

reasonable to allow EGI to, in the unlikely event that Program funding becomes insufficient to underpin any long term RNG contracts entered into by EGI, use any RNG that becomes unfunded as part of its own use gas portfolio and recover that cost from its entire customer base. In this way EGI could plan on entering into long term contracts for a portion of its RNG supply, based on the level of funding it receives from voluntary participants, with the possible outcome that it reduces the cost of procured RNG.¹³

Alternatively the OEB could allow any shortfall in revenue relative to long term contracts in a deferral account for future consideration and disposition, providing EGI with the opportunity to establish that it acted prudently when entering into long term contracts for RNG through the Program based on the level of Program participation at the time the contract was entered into; if determined to have acted prudently, EGI could then recover the unfunded premium from all customers, notionally using the unfunded RNG for its own use gas portfolio.

RECOVERY OF OPERATING COSTS

EGI has proposed to absorb the operating costs associated with the Program during the remainder of its current IRM period, bringing forward a permanent proposal for the treatment of such costs on rebasing for the 2024 rate year.¹⁴ EGI recognizes that in absorbing the operating costs there is a possibility that earnings sharing between ratepayers and EGI may be impacted, but that the impact is, relatively speaking, immaterial given the low level of operating costs in the first instance and the muted impact those costs have on the earnings sharing calculation.¹⁵

The CBA supports EGI's proposal to absorb the operating costs of the Program prior to rebasing, and notes that, when the operating costs are considered on rebasing and going forward, there is a compelling argument in support of allocating those costs across all customers.

The operating costs underpin a Program that enables general class system gas customers to choose to pay a premium for RNG; that Program remains an option to those customers whether they choose to participate or not, including customers that may choose to go on and off the program as their personal circumstances change over time.¹⁶

Additionally, a significant portion of the operating costs include marketing and educational material that is supplied to the entire population of potential participants, not just actual participants, which information is of benefit to the recipients whether or not they choose to ultimately participate.¹⁷

¹³ EB-2020-0066 Technical Conference Transcript Volume 2 page 61.

¹⁴ EB-2020-0066 EGI Argument in Chief, page 8.

¹⁵ EB-2020-0066 EGI Argument in Chief, pages 8-9.

¹⁶ EB-2020-0066 Technical Conference Transcript Volume 2 page 48.

¹⁷ EB-2020-0066 Technical Conference Transcript Volume 2 pages 47-48.

Lastly the CBA notes that the societal benefits of RNG that participants are expected to want to access when making the choice to participate in the Program are enjoyed by all customers (and all non-customers for that matter), as set out by EGI:

Benefits from RNG may include:

- Avoided lifecycle emissions from extracting and processing natural gas;
- Reduction in methane emissions at the project source, such as from landfill gas capture, manure management and wastewater treatment;
- Improved waste management such as improved collection of agricultural wastes and waste organics;
- Production of byproduct that may be used as an organic fertilizer; and
- Creation of jobs and economic activity.¹⁸

To be clear, the CBA is not proposing that customers in general be required to fund the operating costs of the Program in the short term given EGI's proposal to absorb those costs until rebasing. The CBA is simply noting that there is evidence supporting such recovery through rates, which supports the notion in this proceeding that the Board should not be concerned about the potential, minor effect on earnings sharing between EGI and its customers prior to rebasing.

PROCUREMENT-RFP PROCESS vs. DIRECT ENGAGEMENT

The CBA generally agrees and supports EGI's proposed procurement process, noting that the procurement of RNG is already included as a component of EGI's Gas Supply Procurement Policy.¹⁹ The CBA would only note that instances where EGI would be in a position to circumvent the preferred RFP process and instead sole source RNG through direct engagement with a particular RNG Supplier should be extremely rare and the subject of detailed reporting to the OEB when EGI updates the OEB with respect to the operation of the program in its next rebasing application. The fact is that even under the most aggressive forecasting the proposed RNG component of EGI's overall gas supply portfolio is small, with no particular need to procure RNG supply specifically at any particular moment (i.e. for meeting peak demand on short notice), that it would seem very unlikely that EGI would find itself in a position where it cannot undertake its normal RFP process for RNG procurement.²⁰ If and when EGI chooses to circumvent an RFP process, it should disclose the details of that choice to the OEB for review in future proceedings in order to allow the OEB to confirm that the choice was reasonable under the circumstances.

¹⁸ EB-2020-0066 Exhibit I.PP.10

¹⁹ EB-2020-0066 Technical Conference Transcript Volume 2 page 68.

²⁰ EB-2020-0066 Technical Conference Transcript Volume 2 pages 69-70.

PROCUREMENT-ENVIRONMENTAL ATTRIBUTES

EGI's commitment to customers should be the preservation of all environmental attributes to the credit of participating customers to the extent possible; in the case of the carbon credit offset revenue, as noted, that credit would take the form of increased procurement of RNG using the revenue generated from that aspect of the RNG's environmental attributes.

It would appear possible to the CBA that certain RNG offerings made to EGI may include RNG that has certain of its environmental attributes removed and sold to 3rd parties; the CBA respectfully submits that it would be inappropriate for EGI to accept offers to purchase RNG that does not have all of its environmental attributes intact for two specific reasons:

- a) allowing RNG with differing sets of environmental attributes as a result of activity on the part of the seller to monetize certain of its RNG's attributes before selling to EGI will serve to unduly complicate the RFP process, as EGI will be put in the position of having to determine whether an appropriate amount of that monetization has been passed through to the price being offered; and
- b) the justification for the Program at its core is the need to facilitate access to RNG for EGI's customers that want to voluntarily support the inclusion of RNG in EGI's system gas offering precisely because of the environmental attributes associated with RNG as compared to conventional natural gas sources; stripping RNG of any of those attributes, even if only on paper through a monetization process, will serve to undermine the purpose of the Program and potentially confuse customers as to precisely what the contributions are being used to purchase.

In the CBA's submission the Program's objectives are best served if EGI, in the first instance, purchases RNG with its environmental attributes intact, and then, to the extent possible, monetize those attributes to the credit of Program customers through the reinvestment of any monetization revenue into the procurement of RNG in the same way the CBA has proposed that any Carbon Credit Offset revenue be reintroduced into the Program.

SUMMARY

For all of the reasons above, the CBA respectfully submits that the OEB should approve the proposed voluntary RNG Program for EGI, with the following adjustment to the requested approval:

- a) Flexibility: EGI should be permitted the flexibility to offer differing levels of contribution and differing levels of commitment to term, so that EGI can implement customer specific offerings based on the size and nature of its different system gas customers to maximize the contributions to the Program without the need to seek OEB approval for every different offering;

- b) Carbon Credit Offset Revenue: EGI should be directed to reinvest any revenue generated by Carbon Credit Offsets back into the Program for the purchase of RNG rather than distribute that revenue to all customers;
- c) Own Use Gas: the OEB should confirm that EGI is at liberty to voluntarily fund the premium to procure some level of RNG for its own use gas, and to do so in conjunction with the proposed RNG Program;
- d) Long Term Contracts: the OEB should permit EGI to enter into long term contracts for the procurement of RNG for the Program and, in the event there is a funding shortfall, allow EGI to absorb any unfunded RNG into its own use gas portfolio and recover the unfunded premium on that RNG from all customers. In providing this mechanism the OEB could allow EGI to track any unfunded premium associated with long term contracts for RNG in a deferral account before allowing EGI to absorb those costs as part of its own use gas portfolio, and require EGI to demonstrate that it acted prudently with respect to those long term contracts before allowing EGI to recover the premium from all customers;
- e) Procurement-RFP vs. Direct Engagement: while the CBA believes there is no need to overtly change EGI's procurement policy as it relates to the procurement of RNG, the CBA does note that circumstances requiring EGI to circumvent an RFP process for the purchase of RNG should be exceedingly rare such that EGI should be required to report on any RNG transactions that are entered into without using the preferred RFP process to ensure that EGI has acted appropriately; and
- f) Procurement-Environmental Attributes: the CBA submits that EGI should be required to only entertain the procurement of RNG that has all of its environmental attributes intact, both as a measure to simplify the procurement process and as a measure to ensure that the expectations of Program participants concerning the RNG they are purchasing are fully met.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 16th DAY OF JULY, 2020