

**U P D A T I N G   O F   P R O V I S I O N A L   R N G   T A R I F F**

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## INTRODUCTION

1 On September 3, 2019, the Régie de l'énergie (the Régie) handed down its partial decision  
2 D-2019-120 on the application to set a provisional renewable natural gas (RNG) tariff. In this  
3 decision, the Régie set a provisional RNG tariff of 31.83¢/m<sup>3</sup> for the period from June 19 to  
4 September 30, 2019, and 34.13¢/m<sup>3</sup> for the 2019–2020 rate year.

5 The methodology adopted by the Régie in decision D-2019-107 (Methodology) is based on the  
6 principle of taking into account only the actual volumes and costs borne by the Distributor and the  
7 most realistic projections possible. These actual supply costs are then used to calculate the total  
8 weighted cost of RNG supply, thus determining the RNG unit tariff.

9 On May 26, 2020, the Régie issued decision D-2020-057 (Decision) on step B of file  
10 R-4008-2017, which approved the following characteristics of RNG supply contracts:

- 11 • An average cost of all RNG purchase contracts less than or equal to \$15/GJ (56.84¢/m<sup>3</sup>),  
12 indexed to the Québec consumer price index, starting in the 2019 rate year;
- 13 • Total contracted RNG capacity less than or equal to 1% of the forecast total distribution  
14 volume in 2020–2021;
- 15 • A maximum duration of 20 years for RNG supply contracts.

16 This Decision replaces the characteristics put in place by decision D-2015-107 for the acquisition  
17 of RNG within Énergir's territory since September 11, 2019. Consequently, this Decision approves  
18 the coming into force of the contract with the city of Saint-Hyacinthe as of the aforementioned  
19 date, with all its characteristics.

20 Since September 11, 2019, Énergir has also entered into other RNG supply contracts, in  
21 compliance with the characteristics approved by the Régie. These include a contract whose RNG  
22 injection is planned for summer 2020.

23 It should be noted that any contract whose characteristics do not meet these guidelines requires  
24 special authorization by the Régie.

1 As the application of the Decision has an effect on the cost of supplying RNG, Énergir proposes  
2 a treatment for the provisional RNG rates for the period from June 19 to September 30, 2019, as  
3 well as for the 2019–2020 rate year. The Distributor also proposes creating a provisional RNG  
4 tariff for 2020–2021.

**1 PERIOD FROM JUNE 19 TO SEPTEMBER 30, 2019, AND  
2019-2020 RATE YEAR**

5 The new agreement reached with the city of Saint-Hyacinthe, effective September 11, 2019, has  
6 modified Énergir RNG supply cost and, consequently, the provisional RNG rates for the period  
7 from June 19 to September 30, 2019, as well as for the 2019–2020 rate year. However, Énergir  
8 proposes not changing the provisional rates for these two periods. Instead, the Distributor  
9 proposes to:

- 10 • Maintain current rates;
- 11 • Transfer the difference between the current rates and the rates resulting from the new  
12 agreement to the deferred expense account (DEA) authorized by the Régie<sup>1</sup> to record any  
13 difference between RNG's actual cost of purchase and the selling price charged to  
14 customers; and
- 15 • To establish the DEA when producing the 2019–2020 annual report. The starting balance  
16 of the DEA on October 1, 2019, will be adjusted to reflect the impact of purchases made  
17 in Saint-Hyacinthe between September 11 and September 30, 2019.

18 For the period from June 19 to September 30, 2019, by changing only the purchase price from  
19 the city of Saint-Hyacinthe as of September 11, 2019, the provisional RNG rate would have been  
20 29.147¢/m<sup>3</sup> instead of 31.83¢/m<sup>3</sup>.

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<sup>1</sup> D-2019-107.

**Table 1**  
**Data used to calculate provisional RNG tariff**  
**(June 19 to September 30, 2019)**

	<u>Actual volume</u> (m <sup>3</sup> )	<u>Actual RNG price functionalized at Dawn</u> (¢/m <sup>3</sup> )
<b>City of Saint-Hyacinthe*</b> <b>biomethanation plant</b> (June 19 to September 10, 2019)	883,478	16.869
<b>City of Saint-Hyacinthe*</b> <b>biomethanation plant</b> (September 11 to 30, 2019)	211,824	34.441
<b>Hamilton/Tidal Energy</b> <b>biomethanation plant</b>	██████████	██████████
<b>Provisional RNG tariff from June 19 to September 30, 2019</b>	<b>1,446,582</b>	<b>29.147</b>

\* Price for delivery in franchise based on the formula approved by the Régie in decision D-2015-107 for the period from June 19, 2019, to September 10, 2019, and 36.564¢/m<sup>3</sup> for the period from September 11 to 30, 2019, then functionalized at Dawn with an adjustment of -2.123¢/m<sup>3</sup>.

1 For the 2019–2020 rate year, the impact of updating the provisional RNG tariff would be to  
 2 increase the price of RNG from 34.13¢/m<sup>3</sup> to 41.762¢/m<sup>3</sup>. This estimate is based on the following  
 3 assumptions:

- 4
- Purchase price resulting from the agreement with the city of Saint-Hyacinthe indexed to  
 5 inflation;<sup>2</sup>
  - Withdrawal of projected volumes for Coop Agri-Énergie Warwick and Complexe Enviro  
 6 Connexions Itée projects.  
 7

<sup>2</sup> In accordance with the assumptions used in the supply plan for the 2019–2020 rate case (R-4076-2018), the inflation rate used is 1.90%.

**Table 2**  
**Data used to calculate provisional RNG tariff (2019–2020)**

	<u>Projected*</u> volume (m <sup>3</sup> )	<u>Projected*</u> RNG price functionalized at Dawn (¢/m <sup>3</sup> )
City of Saint-Hyacinthe biomethanation plant	4,086,184	35.666
Hamilton/Tidal Energy biomethanation plant	██████████	██████████
<b>Provisional 2019–2020 tariff</b>	<b>5,738,862</b>	<b>41.762</b>

\* Price for delivery based on volume projections updated on June 20, 2020 and functionalized at Dawn with an adjustment of 1.593¢/m<sup>3</sup>.

- 1 Given the change in supply costs, Énergir believes that it has three possibilities:
- 2 1. A retroactive adjustment to reflect the cost of acquisition to the bills of customers who
- 3 consumed RNG during the periods of application of the provisional RNG tariffs;
- 4 2. An adjustment to the 2019–2020 tariff applicable on July 1, 2020;
- 5 3. The maintenance of current rates with payment of the differences between costs and
- 6 revenues in a DEA.

7 Adjustments 1 and 2 involve repeated variations of the provisional RNG tariff. However, as

8 mentioned in exhibit B-0096, Gaz Métro-1, Document 1, p. 34, Énergir wants to offer its

9 customers a rate with some stability. Discussions with customers have shown that they prefer a

10 billing rate that varies as little as possible. A retroactive adjustment and price change for the last

11 months of the fiscal year would therefore not be desirable.

12 In addition, communicating with customers is more difficult during the summer months and

13 updating the provisional RNG tariff would require exchanges with RNG consumers to properly

14 convey the information.

15 For these reasons, Énergir believes that scenario 3 is the best option for the 2020–2021 rate year.

**2 2020–2021 RATE YEAR**

- 1 In order to be able to sell RNG to its customers for the 2020–2021 rate year, Énergir is asking the  
 2 Régie to approve a RNG rate that would be applicable until the Régie renders a decision on the  
 3 merits of step C of this file or until it decides otherwise.
- 4 Following the Methodology adopted by the Régie in the decision on the provisional rate  
 5 (D-2019-107), Énergir used supply contracts that met the characteristics approved in step B.

**Table 3**  
**Data used to calculate provisional RNG tariff**  
**(2020–2021)**

	<u>Projected volume</u> (m <sup>3</sup> )	<u>Projected RNG price</u> <u>functionalized</u> <u>at Dawn</u> (¢/m <sup>3</sup> )
City of Saint-Hyacinthe biomethanation plant	4,140,000	35.594*
Hamilton/Tidal Energy biomethanation plant	██████	██████
(Coop Agri-Énergie Warwick)	██████	██████
EDL	██████	██████
██████████	██████	██████
<b>Provisional 2020–2021 tariff</b>	<b>11,881,896</b>	<b>51.941</b>

\* Prices functionalized at Dawn with a -2.331¢/m<sup>3</sup> adjustment and indexed to inflation.<sup>3</sup>

- 6 The resulting tariff is **51.941¢/m<sup>3</sup>**.

<sup>3</sup> In accordance with the assumptions used in the supply plan for rate cases 2019–2020 (R-4076-2018) and 2020–2021 (R-4119-2020), the inflation rates used are 1.90% and 1.79% respectively.

**CONCLUSION**

- 1 **Énergir is asking the Régie to:**
- 2 • **Maintain the provisional RNG tariffs in effect for the period June 19 to June 30, 2019**
- 3 **and for the 2019–2020 rate year;**
- 4 • **Allow Énergir to record in a DEA any difference between the actual purchase cost of**
- 5 **RNG and the selling price charged to customers; and**
- 6 • **Determine a new provisional RNG tariff for 2020–2021 and set it at 51.941¢/m<sup>3</sup>.**