ONTARIO ENERGY BOARD | COMMISSION DE L'ÉNERGIE DE L'ONTARIO

BACKGROUNDER

DECISION AND ORDER
EB-2020-0066
ENBRIDGE GAS INC.

Voluntary Renewable Natural Gas Program Application

DECISION

On September 24, 2020 the Ontario Energy Board (OEB) issued a Decision and Order approving Enbridge Gas Inc.'s (Enbridge) application to offer a Voluntary Renewable Natural Gas Program (RNG Program), on a pilot or test basis. Residential and small business customers that take part in the RNG Program will pay a charge of $2 per month, which will be shown separately on their bills. The RNG Program is expected to start in January 2021, and can continue only as a pilot project until the OEB issues a further decision on the RNG Program, either as part of Enbridge's next major rate application or in response to a stand-alone application filed by Enbridge.

The OEB noted that renewable natural gas (RNG) is a renewable energy source that reduces greenhouse gas (GHG) emissions relative to conventional natural gas, and should be explored as a means of diversifying the gas supply portfolio. RNG is a higher cost alternative to conventional natural gas, and the OEB decided that exploring the addition of RNG is best done on a voluntary and pilot basis. The learnings from the pilot would lead to a better understanding of RNG options and provide information to assess future RNG program proposals.

The $2 monthly charge for customers that participate in the RNG Program will be used to fund the higher cost to Enbridge of obtaining RNG rather than conventional natural gas. The cost of operating the RNG Program will be managed within Enbridge's existing budgets until Enbridge files its next major rate application that is expected to be effective starting in 2024.

BACKGROUND

Renewable natural gas is a renewable fuel that can be used to replace conventional natural gas (a fossil fuel). RNG is also referred to as biomethane.

In November 2018, the Government of Ontario introduced its Made-in-Ontario Environment Plan. That Plan identified actions that the government intends to take to achieve its GHG emissions reduction goals, including increasing access to renewable energy. It also indicated the government's intent to require natural gas utilities to implement a voluntary RNG option.

At the federal level, the *Greenhouse Gas Pollution Pricing Act* provides for a federal carbon pricing program that currently applies in Ontario. Among other things, that *Act* requires that natural gas utilities like Enbridge pay a carbon charge to the federal government for natural gas delivered to non-exempt customers. However, the federal carbon charge does not apply to RNG. The federal government is also developing a Clean Fuel Standard, which is expected to require fossil fuel producers, importers and distributors to reduce the carbon intensity of the fuels used in Canada. Starting in January 2023, the Clean Fuel Standard would impose a compliance obligation on natural gas utilities, including Enbridge. It is expected that this compliance obligation could partially be met through the blending of low carbon intensity fuels with natural gas. As a result, Enbridge may be required to procure RNG as part of its supply portfolio should the Clean Fuel Standard take effect.

FOR MORE INFORMATION

For additional information, please consult the OEB's Decision & Order

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This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision, and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order, which is the official OEB document.

Ce document peut être fourni en français sur demande.

DECISION AND ORDER

EB-2020-0066

ENBRIDGE GAS INC.

Voluntary Renewable Natural Gas Program Application

BEFORE: Susan Frank
Presiding Member

Lynne Anderson
Member

Emad Elsayed
Member

September 24, 2020

TABLE OF CONTENTS

1 INTRODUCTION AND SUMMARY

On March 5, 2020, Enbridge Gas Inc. (Enbridge Gas) applied to the OEB under section 36(1) of the *Ontario Energy Board Act, 1998* (OEB Act) for approval to implement a Voluntary Renewable Natural Gas (RNG) Program starting in January 2021 which would include a fixed charge of $2 per month for participating customers. RNG, also referred to as bio-methane, is a renewable energy source that has a lower carbon content than regular natural gas and therefore results in lower Greenhouse Gas (GHG) emissions.

Enbridge Gas proposed to use contributions from participating customers to fund the incremental cost of RNG (relative to traditional natural gas), with no direct costs for RNG procurement assigned to non-participating customers. Enbridge Gas proposed to manage the operating costs of the Voluntary RNG Program within its existing budgets until rebasing in 2024.

In its Application, Enbridge Gas requested approval of the cost consequences and rates necessary for the operation of the Voluntary RNG Program, to commence as of January 1, 2021.

Enbridge Gas sought approval of a fixed charge of $2 per month for each participant in the Voluntary RNG Program, and the inclusion of this charge in the relevant Rate Schedules. Enbridge also proposed to include the Voluntary RNG Program costs in the calculation of Earning Sharing Mechanism (ESM) amounts during the deferred rebasing term. Enbridge Gas further proposed that any avoided costs that result from the Voluntary RNG Program, as RNG is exempt from Federal Carbon Charge (FCC), will be tracked in the OEB-approved Federal Carbon Charge – Customer Variance Accounts (FCCCVA) for the Enbridge Gas Distribution Inc. (EGD) and Union rate zones, and that any balances would be disposed of in future FCC-related proceedings.

Enbridge Gas proposed to display customer contributions towards the Voluntary RNG Program (i.e. the $2 monthly charge) as a separate line item of the bill and to charge the same rates to all customers within a rate zone for their natural gas commodity, regardless of whether or not a customer participates in the Voluntary RNG Program. Similarly, Enbridge Gas proposed to continue to charge the same FCC within a rate zone regardless of whether or not a customer participates in the Voluntary RNG Program.

The OEB approves Enbridge Gas's proposal to establish a voluntary $2 monthly RNG charge. Such approval is being granted on a pilot basis until the OEB issues a further decision on the Program, either as part Enbridge Gas's next rate rebasing application or in response to a stand-alone application for the Program.

2 BACKGROUND

On November 29, 2018 the Government of Ontario introduced its Made-in-Ontario Environment Plan (MOEP)[1]. The MOEP identified actions that the government intends to take to achieve its GHG emissions reduction goals, including increasing access to renewable energy. One of the actions identified in the MOEP is “encouraging uptake of renewable natural gas and the use of lower carbon fuels”[2]. The MOEP also identified the government’s intent to “Require natural gas utilities to implement a voluntary renewable natural gas option for customers.”[3] The MOEP also stated that the government will “consult on the appropriateness of clean content requirements in this space.”[4] At present, there is no Ministerial Directive, provincial legislation or regulation, or any other government imperative requiring natural gas utilities to implement voluntary RNG programs.

On June 21, 2018, the Federal Budget Implementation Act, 2018, No. 1 received Royal Assent, including Part V; the *Greenhouse Gas Pollution Pricing Act* (GGPPA). Under the GGPPA, the federal carbon pricing program (FCPP) applies to any province or territory that requested it or that did not have an equivalent carbon pricing system in place by January 1, 2019. On October 23, 2018, the Federal Government confirmed that the FCPP would apply to Ontario. The FCPP includes a charge on fossil fuels (the FCC), including natural gas, as a cost per unit of fuel. The Federal Carbon Charge is imposed on distributors, importers and producers under Part 1 of the GGPPA. Under Part 1 of the GGPPA, RNG (referred to as “biomethane” in the GGPPA) is exempt from the FCC.[5]

The federal government is currently developing a Clean Fuel Standard (CFS), which is expected to require fossil fuel producers, importers and distributors to reduce the carbon intensity of the fuels used in Canada. The CFS would impose a compliance obligation on the natural gas sector starting January 1, 2023. One of the proposed compliance pathways that is expected to be made available to natural gas distributors to satisfy their CFS obligation is the blending of low carbon intensity fuels with natural gas. As a result, Enbridge Gas may be required to procure RNG as part of its supply portfolio should the CFS come into force.

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[1] Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan (MOEP)
[2] MOEP, page 23
[3] MOEP, page 33
[4] Ibid
[5] GGPPA, section 8(7)

2.1 Related OEB Proceedings

In September 2011, EGD, and Union Gas Limited (Union Gas) filed applications with the OEB seeking approval for rates for the sale of natural gas that included the cost consequences of the purchase of biomethane (RNG) as part of EGD and Union Gas' respective gas supply portfolios. The OEB combined the applications into a single proceeding and, in its EB-2011-0242/EB-2011-0283 Interim Decision, the OEB found that EGD and Union Gas had not provided enough evidence concerning some necessary elements of the proposal, and gave EGD and Union Gas an opportunity to augment the evidentiary record. In the proceeding, several intervenors suggested that EGD should undertake a voluntary RNG program. In response to those suggestions, the OEB's Interim Decision stated: "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."[6]

Subsequent to the EB-2011-0242/EB-2011-0283 Interim Decision, EGD applied to the OEB for approval of a proposed RNG Enabling Program (EB-2017-0319)[7]. EGD sought the establishment of a rate for two new services as part of the RNG Enabling Program: a mandatory RNG Injection Service (wherein Enbridge Gas would build a pipeline to attach RNG producers to its distribution system) and an optional RNG Upgrading Service (where Enbridge Gas would clean biogas to pipeline quality). In regards to the RNG Upgrading Service, the OEB found that "…the RNG Upgrading Service is not the sale, transmission, distribution or storage of gas. Therefore, the OEB is not setting rates for this service under Section 36 of the OEB Act. However, the OEB finds that the proposed RNG Upgrading Service is a permitted business within Enbridge (the utility)."[8] The Decision also noted that "…it is not appropriate for the RNG Upgrading Service to be a rate-regulated activity for two reasons. First, RNG Upgrading Service is potentially a competitive activity in Ontario... Second, the OEB must also consider whether natural gas customers should bear any risk for this competitive service. The OEB finds that they should not."[9] In regards to the RNG Injection Service, the OEB found that "the RNG

[6] EB-2011-0242&EB-2011-0283, Interim Decision and Order, July 12, 2012, page 23
[7] This application also included a request for approval of a Geothermal Energy Service Program, but Enbridge Gas requested that the portion of the application related to its Geothermal Energy Service Program be held in abeyance, and the OEB approved the abeyance
[8] EB-2011-0242&EB-2011-0283, Interim Decision and Order, July 12, 2012, page 2
[9] EB-2017-0319, Decision and Order, October 18, 2018, page 11

Injection Service is a distribution activity and therefore, approves a rate-setting methodology under Section 36 of the OEB Act."[10]

In 2018, Enbridge Gas sought approval to recover costs associated with meeting its obligations under the GGPPA. In its Decision[11], the OEB approved Enbridge Gas' proposed rate adjustments to charge its customers the FCC (to recover customer-related costs) and a Facility Carbon Charge (to recover facility-related costs from Enbridge Gas's operations). The OEB also approved the establishment of six variance and deferral accounts – three accounts in each of the Union and EGD rate zones – including customer variance accounts to record the variance between actual customer-related carbon costs and customer-related carbon costs recovered in rates; facility variance accounts; and administration deferral accounts.

[10] EB-2011-0242&EB-2011-0283, Interim Decision and Order, July 12, 2012, page 2
[11] EB-2018-0205, Decision and Order, July 4, 2019

3 THE PROCESS

Enbridge Gas filed its application with the OEB on March 5, 2020.

On April 2, 2020, the OEB issued a Notice of Hearing (Notice) in respect of Enbridge Gas's application.

On April 22, 2020, Procedural Order No. 1 (PO1) was issued, which made provision for interrogatories and interrogatory responses. PO1 also granted intervenor status to the following parties:

- Building Owners and Managers Association (BOMA)
- Canadian Biogas Association (CBA)
- Consumers Council of Canada (CCC)
- Canadian Manufacturers & Exporters (CME)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-housing Providers of Ontario (FRPO)
- GFL Environmental Inc.
- Industrial Gas Users Association (IGUA)
- Kitchener Utilities
- London Property Management Association (LPMA)
- School Energy Coalition (SEC)
- Summitt Energy Management Inc. (Summitt)
- Vulnerable Energy Consumers Coalition (VECC)

PO1 also denied intervenor status to Anwaatin Inc. (Anwaatin), Ontario Sustainable Energy Association and Pollution Probe (PP). Anwaatin and PP each filed letters appealing the decision to deny their respective request for intervenor status and cost award eligibility on April 24, 2020 and April 27, 2020, respectively.

On April 30, 2030, the OEB issued a decision granting Anwaatin's and PP's intervenor status and cost award eligibility requests based on the clarification received regarding the scope of their interventions.

On May 13, 2020, Environmental Defence (ED) filed a letter requesting that it be allowed to intervene in this proceeding and be eligible to apply for an award of costs.

On May 15, 2020, the OEB issued Procedural Order No. 2, in which the OEB granted intervenor status and cost eligibility to ED.

On or before May 7, 2020, parties filed written interrogatories on Enbridge Gas' application. Enbridge Gas filed responses on May 27, 2020.

On May 22, 2020, the OEB issued Procedural Order No. 3, which made provision for a virtual, transcribed technical conference and all remaining procedural steps.

On June 16 and 18, 2020, the OEB held a virtual, transcribed technical conference. Enbridge Gas filed undertakings from the technical conference on June 25, 2020.

On July 3, 2020, Enbridge Gas filed its argument-in-chief.

Submissions were filed by Anwaatin, BOMA, CBA, CME, CCC, Energy Probe, ED, FRPO, IGUA, LPMA, PP, SEC, Summitt, VECC, and OEB staff on or before July 21, 2020.

On August 5, 2020 Enbridge Gas filed its written reply submission.

4 DECISION

4.1 Proposed voluntary charge

Enbridge Gas proposed that its Voluntary RNG Program would offer system gas general service customers the option to pay a fixed $2 monthly charge to fund the incremental cost of procuring RNG.[12] Enbridge Gas stated that a single level of participation ($2 per month) and availability to system gas general service customers is intended to maximize participation and make the Program easy to administer.[13] Enbridge Gas stated that it would initially target a modest number of customers for the Program (approximately 16,000) in the first year, growing to 25,000 customers in the third year and 37,000 customers by year ten.[14] Enbridge Gas proposed to display customer contributions towards the Voluntary RNG Program (i.e. the $2 monthly charge) as a separate line item of the bill.

Enbridge Gas stated that its proposed Voluntary RNG program is consistent with the objective of both the provincial and federal governments to reduce GHG emissions, and specifically, the provincial government's MOEP, which stated that the government will "require natural gas utilities to implement a voluntary renewable natural gas option for customers".[15]

Most parties who filed submissions supported the approval of the Voluntary RNG Program in some form. However, many intervenors sought to have conditions placed on such an approval, including some who argued that the OEB should only provide a time-limited or pilot approval for the Program, until the end of Enbridge Gas's deferred rebasing period (December 31, 2023).

One of the issues raised by several parties was the potential impact of the Program on the competitive market, including potential impacts to natural gas marketers and other existing or future RNG service providers.[16]

SEC argued that approval would allow Enbridge Gas to become a gas marketer, competing with unregulated companies but with unfair advantages due to its regulated utility status, contrary to directly applicable past guidance in proceeding EB-2011-0242/0283.

[12] Argument in Chief, paragraph 14
[13] Enbridge Gas reply argument, paragraph 17
[14] Argument in Chief, paragraph 18
[15] MOEP, page 33 (filed at Exhibit C, Tab 4, Schedule 2)
[16] CCC, CME, Energy Probe, ED, IGUA, LPMA, PP, SEC, Summitt, VECC, OEB staff

Summitt had concerns about the impact on competition, arguing that allowing Enbridge Gas to carry out the Program would create an inappropriate distortion to the competitive market for other market participants that may offer a similar product in the future because gas marketers must comply with the *Consumer Protection Act, 2002 (CPA)* and the *Energy Consumer Protection Act, 2010* (ECPA). Summitt argued that Enbridge Gas's proposed Program is contrary to the *CPA*,[17] and the OEB should require Enbridge Gas to comply with the provisions under the CPA in offering an RNG Program.[18]

Other parties did not necessarily agree with SEC and Summitt that potential competitive impacts should prohibit approval of the Program. A number of parties submitted that there is no clear evidence demonstrating that the Program would distort the retail market or disrupt related activities by gas marketers.[19] As a result, a number of the parties supported a time-limited approval of the Program that would allow the OEB time to gain more insight into issues of Program design and potential impacts on competition, as well as time for the policy landscape to develop before deciding whether the Program should be approved, modified, or rejected.[20]

CME submitted that by meeting demand for RNG in Ontario, Enbridge Gas's entrance into the market could ultimately reduce the number of other entrants into the RNG market and prevent the establishment of an open, competitive RNG marketplace. According to CME, the OEB should require Enbridge Gas to file evidence in its rebasing application that would allow parties and the OEB to monitor Enbridge Gas's impact on the RNG market.[21] Energy Probe submitted that, should tangible competition arise, the OEB should direct Enbridge Gas to cease operation of its Voluntary RNG Program.[22] Similarly, CCC was of the view that if the OEB determines that there will be negative impacts on gas marketers, Enbridge Gas should not be permitted to offer the Program as a regulated service[23]. Energy Probe submitted that the Voluntary RNG Program is not natural gas supply and distribution and therefore is not a service that must be provided by Enbridge Gas under the OEB Act, and that therefore the Program should be considered a non-utility program unless it is approved as a pilot program.[24]

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[17] Summitt submission, pages 3-4
[18] Summitt submission, page 7
[19] PP submission, page 2; OEB staff submission, page 4; CCC submission, page 2; LPMA submission, page 4; VECC submission, page 4; Energy Probe submission, page 6
[20] CCC, Energy Probe, IGUA, OEB staff, PP
[21] CME submission, paragraph 16
[22] Energy Probe submission, page 6
[23] CCC submission, page 3
[24] Energy Probe submission, page 6

In their submissions, some parties also addressed Enbridge Gas's statements about the MOEP and its relevance to this application. IGUA and SEC submitted that the Government of Ontario's policy position does not amount to a legal requirement for a Voluntary RNG Program.[25]

In addition to the concerns about competition, SEC also opposed the application arguing that (i) the public interest benefits of the Program are de minimis; (ii) the proposed cost of the carbon reductions being sought is unreasonably high; (iii) non-participating customers will be subsidizing the Program through the ESM[26]; and (iv) participating customers will be influenced to direct their environmental support to a program with minimal benefits, and thus may reduce their support of activities that have real environmental benefits.[27]

Few parties commented on the proposed $2 monthly charge amount to be charged to participants. CBA and ED submitted that customers should be offered the option to pay more to offset more of their gas use with RNG.[28] PP proposed that the Program be made available to all Enbridge Gas customers rather than only general service customers.[29]

In it reply submission, Enbridge Gas acknowledged that the sale of RNG has the potential to be a competitive market activity, and that it did not perform a detailed analysis of the potential impact of its Voluntary RNG Program on existing and potential third-party RNG producers, marketers, and other service providers.[30] Enbridge Gas stated that given its small scope, the Program does not compete with energy marketers that may attempt to offer an RNG supply option, but is a complementary offering that may in fact stimulate the demand for RNG in the province.[31] Enbridge Gas's evidence indicated that at present, there is little to no competition in the sale of injected RNG to residential and other low-volume customers in Ontario, with only one marketer offering an RNG option to customers.[32]

Enbridge Gas disputed SEC's concern that Enbridge Gas is taking on the role of a gas marketer, stating that participants in the Program will receive the same gas supply as before, and will continue to be system supply customers, while at the same time making a voluntary contribution towards "greening" of Enbridge Gas's overall system gas

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[25] IGUA submission, paragraph 9; SEC submission, page 3
[26] The issue of ESM is dealt with in part 4.2 of this Decision and Order
[27] SEC submission, pages 8-9
[28] CBA submission, page 2; ED submission, page 10
[29] PP submission, page 8
[30] Exhibit I.Anwaatin.10, page 2; Technical conference transcript, June 16, 2020, pages 71-72
[31] Exhibit B, Tab 2, Schedule 1, page 9, no. 29
[32] Exhibit I.CBA.1(d); Exhibit I.SUMMITT.8; Technical conference transcript, June 16, 2020, pages 63-65

portfolio.[33] Enbridge Gas further argued that Summitt's concern about distortion of the competitive market was only theoretical because there is no evidence that Summitt or any other gas marketer (other than the single marketer currently offering RNG) is interested in making future offerings of RNG available.[34]

Enbridge Gas also disagreed with Summitt's view of the CPA and ECPA, arguing that neither of those statutes applied to Enbridge Gas in relation to activities that are rate-regulated by the OEB, as seen in the exemption provisions of the statutes.[35]

With respect to the MOEP, Enbridge Gas conceded that there is no legal imperative requiring it to have a Voluntary RNG Program, but is of the view that the MOEP articulates the government's intentions regarding its interest in natural gas utilities implementing a voluntary RNG program.[36] In addition, Enbridge Gas stated that in its communications with the provincial government related to the Program, the government has expressed support for the proposed Program.[37]

Enbridge Gas also requested that in the event the OEB decides to provide a limited-time approval of the Program, the OEB confirm that any investments made for the purposes of the Program will be recoverable over the associated life of the assets, which is longer than the deferred rebasing period.[38]

Findings

The OEB approves Enbridge Gas's proposal to establish a voluntary $2 RNG charge. Such approval is being granted on a pilot basis until the OEB issues a further decision on the Program, either as part Enbridge Gas's next rate rebasing application or in response to a stand-alone application for the Program.

The OEB acknowledges that RNG is a renewable energy source that reduces GHG emissions and should be explored as a means of diversifying the gas supply portfolio. Since RNG was proposed as a supply option in the EB-2011-0242/0283 proceeding there has been little progress on incorporating RNG into the Ontario natural gas system in the interim. The OEB agrees that additional investigation of RNG is appropriate and an exploration of the additions of this higher cost alternative to conventional natural gas supply sources is best done on a voluntary and pilot basis. Many intervenors supported a time-limited program. The OEB supports the investigation of the addition of RNG in

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33 Enbridge Gas reply argument, paragraph 54
34 Enbridge Gas reply argument, paragraphs 52-53
35 Enbridge Gas reply argument, paragraphs 56-57
36 Enbridge Gas reply argument, paragraph 7
37 Technical conference transcript, June 18, 2020, page 131; Enbridge Gas reply argument, paragraph 7
38 Enbridge Gas reply argument, paragraph 16

terms of customer interest, costs and benefits of RNG. These learnings would lead to a better understanding of RNG options and information to assess future RNG program proposals. The issue of recovering any investments made for the pilot program raised by Enbridge Gas can be addressed as part of reviewing the pilot results.

Some intervenors suggested that the Program should be a non-utility program. The OEB continues to emphasize that the Program is being approved on a pilot basis and agrees with OEB staff that there would be a significant administrative effort to have a separate, licensed affiliate to offer this relatively small program.

Concern about the potential impact on competitive RNG providers was raised by several parties. The OEB notes that a competitive market for RNG for natural gas consumers has had very limited development over the past decade with only one participant offering retail RNG. This one retailer does not offer a partial RNG option and did not intervene in this proceeding. The pilot is expected to increase the understanding of RNG programs by Enbridge Gas and its customers to facilitate future refinements and improvements that may encourage more participants in this market.

An additional concern was raised that the Program might discourage customers from investing in other more significant conservation efforts. The OEB finds that the Program is too small, both in terms of the number of participants and the associated monthly charge, to detract customers from other conservation efforts.

Enbridge Gas indicated that this RNG proposal was in response to direction from the provincial government's MOEP. Some intervenors argued that the communications from the government on RNG were not legislative directives. The OEB agrees that it was not directed by the government to specifically support the expansion of RNG; however, the Voluntary RNG Program proposed by Enbridge Gas is consistent with the government's MOEP. The government has indicated that the introduction of RNG as a "clean fuel" could help Ontario meet its 2030 emission reduction target.

Some intervenors suggested that Enbridge Gas explore other levels of RNG charge and possibly allowing other customer groups to participate. These comments are appropriate for Enbridge Gas to consider when it assesses the current pilot program and makes its proposal for the Program as part of a future application. The OEB concludes that this initial RNG offering should be kept simple during the pilot phase, and agrees with Enbridge Gas that these issues can be considered after some practical experience with the Program and once details of the CFS are known.

The OEB does not accept Summitt's arguments that the CPA and/or ECPA apply to the Voluntary RNG Program. With respect to the ECPA, on the basis of section 27(1)2 of Ontario Regulation 389/10, part II of the ECPA does not apply to Enbridge Gas in relation to activities that are rate-regulated by the OEB. With respect to the CPA, the OEB also agrees with Enbridge Gas that the CPA does not apply in this circumstance by virtue of section 2(3) of the CPA which states the Act does not apply to "the supply of a public utility". Summitt has not satisfactorily explained how the Voluntary RNG Program conflicts with specific sections of the CPA.

The OEB approves the addition of a $2 monthly charge to relevant Rate Schedules for the Voluntary RNG Program on a pilot basis, effective January 1, 2021.

4.2 Impact on customers who do not voluntarily participate

4.2.1 Program Costs, ESM amounts and Treatment of Federal Carbon Charge Savings

In this proceeding, there was disagreement amongst the parties as to how Program costs and potential savings in the FCC should be treated.

Enbridge Gas proposed to manage the operating costs of the RNG Program within its existing revenues until rebasing in 2024 as this would maximize the amount of RNG purchased and cause no rate increases to non-participants.[39] However, Enbridge Gas acknowledged that non-participating customers could see an impact of the Program through the calculation of any potential ESM amount if its return on equity exceeded 150 basis points above the allowed return on equity in any given year.[40]

With respect to the FCC, Enbridge Gas proposed that given that funds obtained through the Voluntary RNG Program will reduce its FCC obligations[41], the variance between the FCC amount remitted to the government and the amount charged to customers would be tracked in the existing OEB-approved FCCCVA. [42] Under this proposal, the FCC benefit (savings) would flow to all customers subject to the FCC, including non-participating customers. Enbridge Gas estimated this benefit to be less than $50,000 for the first year of the Voluntary RNG Program.[43] Enbridge Gas advocated for this

[39] Argument in Chief, paragraph 27
[40] Argument in Chief, paragraph 27
[41] The inclusion of RNG in Enbridge Gas's gas supply portfolio is expected to reduce the amount of FCC payable because, under the FCPP, RNG ("biomethane" in the GGPPA) is exempt from the FCC. As a result, Enbridge Gas expects a credit balance in the Federal Carbon Charge – Customer Variance Accounts (FCCCVA). See Enbridge Gas reply argument, page 14 and GGPPA, section 8(7)
[42] Exhibit B, Tab 2, Schedule 1, pages 3-4, no. 11; Enbridge Gas reply argument, paragraph 237
[43] Argument in Chief, paragraph 28

approach because the administrative costs to direct the credit only to Program participants would outweigh the benefits.[44]

A number of parties opposed funding the Program from existing revenues, and were of the view that this funding treatment would create a cross-subsidy situation where non-participants could effectively subsidize the Program. In order to avoid this cross-subsidization, some parties submitted that Enbridge Gas should fund Program costs out of revenues collected for the Program. LPMA, CME and IGUA suggest that this could be done by increasing the monthly charge so that there is still a net amount of $2 per month available to fund RNG purchases.[45] Other parties proposed that the Program costs could be funded from the proposed $2 monthly charge, leaving a smaller net amount available for RNG purchases.[46]

Several parties also argued that Program costs should be removed from the determination of any ESM amounts in order to ensure that non-participants see no impact from the Program.[47]

A number of parties further objected to Enbridge Gas's proposal to track FCC savings in the FCCCVA. These parties provided alternative suggestions for how Enbridge Gas should treat the FCC savings, including allocating the savings to the Federal Carbon Charge Facility-related Variance Accounts (FCCFVA)[48]; providing an annual credit to Program participants[49]; using the credit amount to purchase additional RNG[50]; and using savings to offset Program costs.[51]

LPMA expressed a concern that RNG may reduce the heat content of natural gas, which could negatively impact some customers through higher volumetric charges. LPMA submitted that the OEB should consider requiring Enbridge Gas to adjust volumes for customers near RNG injection points on standard (i.e. not high pressure) distribution lines, similar to the existing barometric pressure adjustments that have been used to calculate bills for many years.[52]

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[44] Argument in Chief, paragraph 28; Exhibit I.STAFF.14; Technical conference transcript, June 16, 2020, page 174; Technical conference transcript, June 18, 2020, pages 26-30
[45] IGUA submission, paragraph 11; CME submission, paragraph 21; LPMA submission, page 7
[46] CME submission, paragraph 21; LPMA submission, page 7; EP Submission, page; 6 CCC submission, page 3; IGUA submission, paragraph 11
[47] See, for example: CCC submission, page 3; Energy Probe submission, pages 4-5; IGUA submission, paragraph 12; SEC submission, page 6; VECC submission, page 12
[48] IGUA submission, paragraph 14
[49] VECC submission, page 10
[50] CBA submission, page 2-3; FRPO submission, page 3
[51] Energy Probe submission, page 5; LPMA submission, page 9
[52] LPMA submission, page 10

In its reply argument, Enbridge Gas stated that having participants directly pay the Program costs would reduce the amount of RNG purchased with Program revenues, or if the monthly charge were to be increased to cover Program costs, participation would decrease.[53] Enbridge Gas further maintained that returning FCC savings to all customers subject to the FCCCVA is appropriate because it provides reduced FCC costs that would help to offset any potential reduction in ESM amounts arising from inclusion of Program costs in ESM calculations in years where Enbridge Gas exceeds the ESM threshold.[54] In the event that the OEB disagrees with Enbridge Gas's proposed approach, Enbridge Gas stated that the only viable and appropriate alternative would be to apply credit balances in the FCCCVA that result from RNG purchases through the Program to purchase additional volumes of RNG.[55]

In relation to ESM amounts, Enbridge Gas stated that the inclusion of Program costs in ESM calculations is consistent with the principles underpinning ESM, as the Voluntary RNG Program is a utility activity being conducted in accordance with the policies of the Ontario Government for the benefit of ratepayers and the Province, and Program costs will be part of the Company's actual utility costs of providing service to ratepayers[56]. Enbridge Gas also stated that, to the extent that it is in an earnings sharing position in any year, the net impact to ratepayers in any year would be less than $150,000.[57]

In response to suggestions from parties regarding alternative approaches for allocating FCC savings, Enbridge Gas stated that in order to provide the benefit only to Program participants, it would need to either re-design the Program[58] and modify the billing system, or reduce the amount of FCC on a forecast basis and perform periodic true-ups[59]. Enbridge Gas stated that both of those options would increase administrative complexity and costs to the Program. In terms of allocating the FCC savings only to participating customers, Enbridge Gas argued it would be uneconomic given that the amounts to be refunded to participants would likely be only $0.25-$0.30 a month.[60]

Enbridge Gas further stated that it considered flowing the FCC savings into procurement of additional RNG, but concluded that the accounting orders for the FCCCVA would need to be amended for it to do so.[61] Enbridge Gas estimated flowing FCC savings into the procurement of additional RNG would result in an annual amount

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[53] Enbridge Gas reply argument, paragraph 30
[54] Enbridge Gas reply argument, paragraph 39
[55] Enbridge Gas reply argument, paragraph 40
[56] Enbridge Gas reply argument, paragraph 34
[57] Enbridge Gas reply argument, paragraph 35
[58] To be based on a fixed volume
[59] Exhibit I.STAFF.14, page 2
[60] Technical conference transcript, June 18, 2020, page 25
[61] Exhibit I.STAFF.14, pages 1-2

of approximately $3.00 per Program participant for the procurement of additional RNG in 2021.[62]

In response to LMPA's concern regarding the potential for RNG to reduce the heat content of the gas, Enbridge Gas submitted that it would be open for parties to raise these types of issues at the time that the Program is revisited in a future application, as at that point Enbridge Gas will have had experience with the Program.[63]

Findings

Enbridge Gas stated that "the Program will not increase the rates of non-participating customers throughout Enbridge Gas's deferred rebasing period". The approach to the treatment of the Program operating costs as part of Enbridge Gas's annual operating costs would, however, have the potential to impact all customers in the calculation of the ESM. As part of a pilot program, the OEB expects that the administrative costs would be included in Enbridge Gas's operating costs and not charged to the participating customers, as recommended by some parties. This is based on the fact that the results of the pilot could eventually benefit all customers. The Program operating costs are forecast to be $400,000 in the first year, reducing over time to approximately $250,000 annually by year ten.[64] The OEB approves the operating costs for the Program to flow through the ESM calculation, and understands that there is a possibility that all customers will bear a portion of these costs if Enbridge Gas's earnings reach a level that require them to be shared with customers. However, the amount involved in the ESM calculation is not material given the size of Enbridge Gas's revenue requirement. This approach to the ESM calculation is to be re-evaluated as part of Enbridge Gas's next rebasing application.

The RNG purchased will reduce the FCC due to the substitution effect of the replacement of fossil fuel by renewable fuel. Intervenors differed in their recommendations on the appropriate treatment of this cost savings. While the OEB understands the recommendation that the same customers who may be impacted by the operating costs (through a possible lower earnings sharing) should receive the benefit of the FCC savings, Enbridge Gas's position is that the FCCCVA account more accurately captures the program's intent to offer clean affordable energy to general service system gas customers. The OEB agrees with Enbridge Gas and finds that the FCC credit to customer volumes is more appropriately recorded in the FCCCVA. As

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[62] Enbridge Gas reply argument, paragraph 40
[63] Enbridge Gas reply argument, paragraph 62
[64] Argument in Chief, paragraph 25

typical for a pilot program, Enbridge Gas will be expected to separately track the Program operating costs and the FCC savings.

The heat content issue raised by LPMA can be addressed when Enbridge Gas provides an assessment of the pilot program and makes recommendations for further refinements if necessary.

4.2.2 Customer communications

Enbridge Gas stated that it plans to provide annual communications to participating customers outlining information such as the total amount of RNG procured, related GHG emission reductions, future forecasts, Program participation, and/or other relevant metrics.[65]

A number of parties articulated their expectations that customer communications be accurate and complete, and provide customers with information sufficient to make an informed decision about whether to enroll in the Program.[66]

Some parties also expressed specific concerns regarding marketing materials for the Program, and offered a variety of suggestions about what should be included in these materials. For example, ED submitted that the OEB should require Enbridge Gas to submit its customer communication materials for approval or direct Enbridge Gas to inform customers of how much natural gas consumption would be replaced by RNG, the cost of the emissions reductions, and information regarding other heating options.[67] ED also submitted that the OEB should require Enbridge Gas to encourage pursuit of energy efficiency and heat pumps in addition to RNG.[68] PP argued that Enbridge Gas's marketing material should be validated by a third party and shared with the OEB, interested stakeholders and filed as part of Enbridge Gas's rebasing application.[69]

Enbridge Gas indicated that as part of its marketing and communications strategy, it would create awareness of RNG and the Program by providing 'social recognition of Program participants'.[70] ED and SEC expressed concerns with this proposal.[71] ED suggested that Enbridge Gas should withdraw the proposed social recognition

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[65] Argument in Chief, paragraph 29; Enbridge Gas reply argument, paragraph 25
[66] OEB staff submission, page 9; Energy Probe submission, page 5; FRPO submission, page 2; SEC submission, page 8; VECC submission, page 5
[67] ED submission, pages 3-4. Specifically, ED recommends that Enbridge Gas inform its customers of: i) the percent of an average household's consumption that would be offset through the program, (ii) the cost of the emissions reductions ($/tCO2e), and (iii) the comparative cost effectiveness and emissions reductions potential of energy efficiency and heat pumps per the OEB-commissioned report
[68] ED submission, page 4
[69] PP submission, page 8
[70] Exhibit B, Tab 2, Schedule 3, page 1
[71] ED submission, pages 8-10; SEC submission, page 8

campaign or ensure it reflects the fact that the average household will replace less than 2% of their fossil fuel consumption.[72] Enbridge Gas stated that the social recognition aspect of its marketing strategy is a small part of its plans, and that it is appropriate for the utility to decide how to promote and grow the Program.[73]

Findings

Enbridge Gas indicated that it would commence Program communication to its customers prior to the commencement of the Program in January 2021. Several intervenors expressed concern about the customer communications and recommended that the OEB approve Enbridge Gas's customer communications. The OEB will not require pre-approval of Enbridge Gas's communication material to its customers about the Program, including its social recognition of Program participants. This is a pilot program and the learnings about how to best communicate with customers remain with the utility to consider and reflect in any proposed changes to the Program. The OEB directs Enbridge Gas to provide accurate and sufficient information to its customers on an annual basis as proposed by Enbridge Gas, that will facilitate informed decisions by customers. Enbridge Gas is to remind customers in these annual communications that they can stop their participation in the Program or join the Program at any time.

4.3 RNG Procurement

Enbridge Gas stated that it will procure RNG in accordance with its internal Gas Supply Procurement Policies and Practices*,* and proposes to begin its procurement of RNG using short-term contracts (e.g. seasonal or annual delivery).[74] Enbridge Gas indicated that it is not prepared to enter into long-term RNG supply commitments without having a mechanism in place that would ensure the recovery of the associated RNG costs in rates years into the future.[75]

Most parties did not specifically address Enbridge Gas's proposed approach to procuring RNG by way of short-term contracts. Of those that did, CBA and ED advocated for the use of long-term RNG supply contracts, saying that the use of long-term contracts may reduce the per unit cost of the RNG it procures relative to short-term contracts and increase the degree to which the Program could spur the market for RNG.[76] In contrast, LPMA submitted that the use of long-term supply contracts is not

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[72] ED submission, page 4
[73] Enbridge Gas reply argument, paragraph 26
[74] Argument in Chief, paragraph 21; Exhibit I.STAFF.6(2). See Exhibit I.ANWAATIN.3(a) for Enbridge Gas's Gas *Supply and Procurement Policies and Practices*
[75] Exhibit B, Tab 2, Schedule 1, page 4, no. 12; Argument in Chief, paragraph 22
[76] CBA submission, pages 4-7; ED submission, page 10

appropriate at this time because the revenue stream from the voluntary Program is not guaranteed.[77]

Some parties raised other issues related to procurement generally. For example, Anwaatin questioned whether Enbridge Gas's policies and practices in and around portfolio diversification, ensuring fairness to counterparties, corporate governance, and means of procurement may be ill-suited to activities in the RNG market. Anwaatin also argued that Enbridge Gas's narrow focus of procuring the lowest cost RNG may exclude Indigenous producers and/or suppliers which runs contrary to the company's Indigenous Peoples Policy. Anwaatin requested that the OEB determine whether Enbridge Gas's existing Gas Procurement Policies and Practices are sufficient and appropriate for use in the context of RNG procurement.[78] Enbridge Gas's reply submission addressed Anwaatin's issue, noting that its Gas Procurement Policies and Practices explicitly include RNG within the definition of "gas". Enbridge Gas further expressed the view that its Gas Procurement Policies and Practices are appropriate and sufficiently flexible to be used to guide RNG procurement for the Program. Enbridge Gas also argued that the focus on low-cost RNG is appropriate to meet the Program's goal of maximizing RNG volumes.

Other parties submitted that Enbridge Gas should report back to the OEB on procurement activities. CBA submitted that where Enbridge Gas chooses to procure RNG by means other than an RFP, it should disclose the details of that procurement to the OEB for review.[79] CME submitted that Enbridge Gas should file evidence about all RNG procurement transactions at the next rebasing application.[80] PP suggested that Enbridge Gas should include third party participation in an "evaluation committee" to evaluate RNG supply options.[81] Enbridge Gas stated that it will report on its procurement activities as part of Program reporting during its rebasing application.[82]

In terms of the criteria that will be applied to the procurement of RNG, Enbridge Gas stated that initially, it would consider price and availability, as well as conformance with the definition of bio-methane (RNG) in the GGPPA and credit ratings of potential suppliers. Enbridge Gas stated that the RNG it procures will be inclusive of substitution

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[77] LPMA submission page 3
[78] Anwaatin submission, paragraph 20
[79] CBA submission, page 6
[80] CME submission, paragraph 27
[81] PP submission, page 8
[82] Enbridge Gas reply argument, paragraph 48

environmental attributes which have recognized value in the jurisdiction in which Enbridge Gas operates.[83]

Anwaatin submitted that the OEB should ensure accounting oversight of any environmental attributes that Enbridge Gas acquires and that the OEB should require Enbridge Gas to allocate any value beyond the substitution value to Program participants.[84] CBA argued that Enbridge Gas should only purchase RNG that includes all applicable environmental attributes, and should direct any benefits received from monetizing environmental attributes to the Program.[85] In its reply argument, Enbridge Gas stated that it does not believe that it is necessary to stipulate that any RNG purchased will be inclusive of all environmental attributes, but where it is possible to monetize environmental benefits associated with procured RNG, then the resulting financial benefits will be applied to further purchases of RNG for the Program.[86]

Some parties raised questions about the participation of Enbridge Gas affiliates in RNG activities, and requested that the OEB order disclosure requirements about the financial operations of those affiliates and that Enbridge Gas be required to file evidence on any transactions with affiliates entered into as part of the Program.[87] In its reply, Enbridge Gas addressed these concerns by stating that it would comply with all requirements of the Affiliate Relationships Code (ARC) and Reporting and Record Keeping Requirements (RRRs) and, at rebasing, will report on its RNG procurement experience.[88]

FRPO argued that Enbridge Gas uses the M13 rate to allow Ontario-based natural gas producers to get their gas to Dawn in order to allow for transaction with counterparties. FRPO argued that the RNG market may be enabled by the establishment of a new OEB-approved rate that would minimize barriers for potential RNG producers. FRPO submitted that the M13 rate schedule should be reviewed in terms of its applicability to RNG producers.[89] Enbridge Gas submitted that it would be open for parties to raise

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[83] Enbridge Gas reply argument, paragraph 45. Procuring the RNG with the substitution environmental attributes would allow Enbridge Gas to remove this volume of gas from its FCC obligation and ensure the substitution value of the RNG is not double counted by another party
[84] Anwaatin submission, paragraph 21(a)
[85] CBA submission, page 7
[86] Enbridge Gas reply argument, page 3 (vi)
[87] Anwaatin submission, paragraph 14; CME submission, paragraph 27; SEC submission, pages 6-7
[88] Enbridge Gas reply argument, paragraph 50; see Affiliate Relationships Code for Gas Utilities: https://www.oeb.ca/sites/default/files/uploads/documents/regulatorycodes/2019-01/Affiliate-Relationships-Code-for-Gas-Utilities-ARC-20101125.pdf
[89] FRPO submission, pages 6-7

these types of issues at the time that the Program is revisited in a future application, as at that point Enbridge Gas will have had experience with the Program.[90]

Findings

Enbridge Gas plans to follow the same processes it uses for the procurement of traditional natural gas. The OEB supports this approach with the objective of procuring RNG at the lowest cost for the Program pilot.

The OEB agrees with Enbridge Gas that cost and availability should be the main criteria in the pilot stage. Issues raised by Anwaatin regarding conformance with Enbridge Gas's Procurement Policies and Practices and by FRPO regarding the applicability of the M13 rate schedule can be addressed in a future proceeding when more information and experience with the Program is available.

With respect to affiliate transactions, Enbridge Gas has confirmed that its procurement of RNG will comply with the ARC and the RRRs, and it will report on its RNG procurement experience as part of its rebasing application or a future stand-alone application for the Program, including information about its transactions with affiliates or unregulated business units.

Intervenors raised the issue of environmental attributes, both in terms of the impact on price of the contract and who gets the benefits. Enbridge Gas noted that "Enbridge Gas's procurement will generally seek out the lowest cost RNG inclusive of substitution environmental attributes, which have recognized value in the jurisdiction in which the Company operates". The treatment of environmental attributes may see change during this pilot period in response to the pending federal CFS legislation. The OEB expects that Enbridge Gas will monitor developments and bring their learnings to the rebasing application or a future stand-alone application for the Program. During the pilot, the OEB directs that any environmental attributes are to be to the benefit of all customers.

The benefits of longer-term contacts in terms of potential lower prices and increased development of RNG producers were highlighted by intervenors. Enbridge Gas noted that the risk of longer-term contracts was high in a program where there is a lack of predictable revenues. Given that this is a pilot program, the OEB supports the use of competitive short-term contracts.

Finally, regarding RNG procurement, the OEB approves Enbridge Gas's proposal to use all the RNG revenues during the deferred rebasing term to pay for the incremental costs of RNG, which will be included within Enbridge Gas's gas supply portfolio.

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[90] Enbridge Gas reply argument, paragraph 62

4.4 Future Program considerations

Enbridge Gas stated that if the Program were to be approved, it intends to file an application or request within (or at the same time as) its rebasing application for updated approvals for the Program (effective as of January 1, 2024). Enbridge Gas stated that this application will include, at a minimum, a proposal for how Program costs will be recovered on a go-forward basis and a report on its experience with the Program.[91]

CCC and OEB staff provided their views as to items that Enbridge Gas should report upon when seeking approval of updated terms of the Program at rebasing.[92]

Enbridge Gas stated that it will file evidence to support its requests of the OEB, including relevant reporting information that is available.[93]

Findings

The OEB will not dictate the details of future reporting by Enbridge Gas on the results and experience of the pilot at this time. Enbridge Gas indicated that it will provide "reporting on Program results (participation, costs, RNG volumes etc.), RNG procurement approaches and experience, observations on the competitive market, discussion of the impact of the CFS, and details relating to go-forward proposals for the future of the Program".[94] In addition to the information that Enbridge Gas proposed to provide as part of its rebasing application for 2024 rates, Enbridge Gas should be informed by the suggestions made by the participants in this proceeding.

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[91] Enbridge Gas reply argument, paragraph 59
[92] CCC suggested that Enbridge Gas should file a full report on the Program, including a full assessment of all direct and indirect costs, participation rates, volumes procured, FCC costs avoided, any risks to ratepayers, and an independent assessment of the competitive market for RNG in Ontario. (CCC submission, page 3). OEB staff suggested that Enbridge Gas report on participant information, operating costs, FCC costs avoided, volumes of RNG procured and GHG emissions avoided, impacts on non-participating customers, including ESM amounts decreased, updates on provincial and federal government policy, an assessment of the competitive market for RNG provision, criteria applied by Enbridge Gas in their procurement of RNG and success of Enbridge Gas' procurement strategy. (OEB staff submission, pages 9-10)
[93] Enbridge Gas reply argument, paragraph 61
[94] Enbridge Gas reply argument, paragraph 61

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas Inc.'s Voluntary Renewable Natural Gas Program is approved. Such approval is being granted on a pilot basis until the OEB issues a further decision on the Program, either as part Enbridge Gas's next rate rebasing application or in response to a stand-alone application for the Program.

2. Enbridge Gas Inc. shall include the $2 per month Voluntary RNG Program charge to the relevant Rate Schedules effective January 1, 2021.

3. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., their respective cost claims by **October 8, 2020**.

4. Enbridge Gas Inc. shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **October 22, 2020**.

5. Intervenors shall file with the OEB, and forward to Enbridge Gas Inc., any responses to any objections for cost claims by **November 5, 2020**.

6. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All materials filed with the OEB must quote the file number, **EB-2020-0066**, be submitted in a searchable/unrestricted PDF format with a digital signature through the OEB's web portal at https://pes.ontarioenergyboard.ca/eservice. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at https://www.oeb.ca/industry. If the web portal is not available parties may email their documents to boardsec@oeb.ca.

All communications should be directed to the attention of the Board Secretary at the address below and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Rachele Levin at Rachele.Levin@oeb.ca and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca.

DATED at Toronto September 24, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar and Board Secretary