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VIA RESS, COURIER & E-MAIL

Ms. Kirsten Walli
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
Enbridge Gas Distribution Inc. – Submission

Pursuant to the Board's Procedural Order No. 5 dated April 20, 2017, enclosed please find Enbridge Gas Distribution's Submission in the above noted proceeding.

This request has been submitted through the Board's Regulatory Electronic Submission System.

Please contact the undersigned if you have any questions.

Yours truly,

[original signed]

Lorraine Chiasson
Regulatory Coordinator

cc: Britt Tan – EPCOR
Fred Cass – Aird & Berlis
All Interested Parties – EB-2016-0137/EB-2016-0138/EB-2016-0139

ONTARIO ENERGY BOARD

EPCOR Southern Bruce Gas Inc.

Applications for approval of franchise agreements and Certificates of Public Convenience and Necessity for the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss

PHASE 1 - SOUTH BRUCE EXPANSION APPLICATIONS

SUBMISSION OF ENBRIDGE GAS DISTRIBUTION INC.

On March 24, 2016 EPCOR Southern Bruce Gas Inc. ("EPCOR") filed applications with the Ontario Energy Board ("OEB" or the "Board") seeking approval for Franchise Agreements with, and Certificates of Public Convenience and Necessity for, the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss (the "South Bruce Applications").

Following completion of the Board's Generic Proceeding on Community Expansion¹, the Board issued Procedural Order No. 1 requesting that parties other than EPCOR interested in serving the areas covered by the South Bruce Applications inform the Board of their intent to do so. In response Union Gas Limited ("Union") filed a letter with the Board notifying the Board of its interest in serving the areas covered by the South Bruce Applications.

The Board then indicated in Procedural Order No. 2 that the EPCOR and Union applications would be heard together. Additionally, the Board invited interested parties to provide submissions on preliminary threshold issues related to criteria and draft filing requirements for the supply and rate proposals the Board expects to receive from EPCOR and Union.

In procedural order No. 5 the Board indicated that parties wishing to comment on the draft issues list and draft filing guidelines can do so by April 27, 2107. These are the written submissions of Enbridge Gas Distribution Inc. ("Enbridge") provided in accordance with Procedural Order No. 5 for the South Bruce Applications. In these submissions Enbridge will provide its views on the draft Issues List and the draft Filing Requirements, contained in Appendix B and Appendix C respectively, of Procedural Order No. 5.

¹ EB-2016-0004

Draft Issues List

1. Keeping in mind the principles set out in the Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), what should the process for selecting a proponent look like when there are competing proposals for serving a community?

The process for selecting a proponent should follow a process that recognizes the time and cost involved in bringing a detailed community expansion project proposal before the Board as contemplated in the Ontario Energy Board's EB-2016-0004 Decision. The process should be triggered when a project proponent notifies the Board of its intention to do any one of the two following things in order to provide first time natural gas distribution service to a community:

- 1) File a leave to construct application ("LTC") to provide gas distribution service which will require both section 90 and section 36 approvals from the Board;
- 2) Apply for approval of a certificate of public convenience and necessity ("CPCN").

It would be a potential proponent's responsibility to notify the Board, with sufficient notice, of its intention to serve a new community such that the Board can then initiate its process for selecting a project proponent. A proponent's notification letter to the Board should include a brief description of the area it intends to serve. No further information should be required from a project proponent at this stage in order to ensure that sensitive competitive information is not released to other potential proponents.

Once notification is received from a project proponent the Board should issue notice to all potential gas distribution service providers that it is in receipt of the notification and invite other interested parties to indicate if they are interested in providing gas distribution service to the same area. Duration of the period for providing notice of a competing proposal should be fixed, for example, at two weeks.

If the Board does not receive any notification of competing proposals the Board should consider the competitive process closed. Enbridge suggests that, after the Board deems a competitive process is not required, a project proponent be allowed six months to file its LTC application. If an application is not filed within this time frame another proponent may provide notice of its intent to serve the area in question.

If the Board does receive notification of a competing proposal(s) the Board should notify the project proponent and the proponent(s) of a competing proposal(s) that a competitive process, as described below, will be followed in order to establish the ultimate gas distribution service provider for the area in question. This notification should occur no later than one week after receipt of notice of competing proposals.

When processing competing applications, the Board should ensure that only parties with directly affected constituencies (“intervenor” also including proponent(s)), as determined by the Board, are allowed to participate. Further, the Board’s competitive process should align with its regulatory process.

Once a project proponent and a competing proponent(s) is established, the Board should issue notice to all potentially affected stakeholders and invite applications for intervenor status. Enbridge would expect that this stage of the process would be similar to the notice of application process currently followed by the Board.

Following the determination of the parties to be involved in the competitive process, the Board should establish strict timelines for submission of all proposals to serve the area in question. A completed LTC should accompany each proposal. Timelines for submission of proposals should take into account the time required to complete a LTC application. Certain LTC requirements, such as elements of an environmental report, can only be conducted at certain times during the year. Enbridge submits that the Board should determine these timelines in conjunction with all project proponents. All proposals should be required to follow a standard filing format determined by the Board. Please see Enbridge’s comments on Issue #4 for additional submissions on the draft filing requirements. Strict adherence to submission timelines should be enforced such that if a particular date for submission is missed, the proponent missing the submission date is excluded from the remainder of the competitive process.

Due to the competitive nature of the process all submissions should be made concurrently and a written process should be used. The Board should control release of the information filed with it such that submissions from proponents are released to intervenors at the same time. The Board should co-ordinate the development of and issuance of any interrogatories it and other intervenors wish to ask of proponents. Responses to interrogatories should also be released at the same time. Once the Board has determined that the record for the competitive process is complete it would then issue a Decision.

The winning proponent should be provided a maximum time frame of two years to begin construction. If construction has not commenced within this time frame another proponent may provide notice of its intent to serve the area in question.

2. Should the funding of this process be treated as a business development cost or a regulatory expense, recoverable from future ratepayers? What other approaches should the OEB consider?

Enbridge submits that the costs associated with the competitive process that are incurred by a successful proponent should be recoverable from future ratepayers. Costs incurred by unsuccessful proponents for participating in a competitive process should not be recoverable.

3. In its Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), the OEB introduced the idea of a rate stability feature for its framework for natural gas expansion:

A minimum rate stability period of 10 years (for example) would ensure that rates applied for are representative of the actual underpinning long-term costs. The utility would bear the risk for that 10-year period if the customers they forecast did not attach to the system.

- How should a rate stability period be implemented for the South Bruce areas?*
- Is a 10-year rate stability period too long or too short?*
- Should proponents have the opportunity to update costs during the rate stability period? If so, what types of costs?*

In the event that a project will require section 36 approval by the Board, due to for example, a requirement for a project specific or stand-alone rate such as a surcharge, that rate should be approved by the Board in conjunction with any Decision to grant leave to construct to a particular proponent. Any project specific rate that results in a stand-alone project should be considered as the EB-2016-0004 Decision contemplates that community expansion projects would not require existing customers to subsidize community expansion projects.

A proponent should apply for the type of stand-alone rate and associated stability period it deems appropriate for a particular project. Flexibility in a stand-alone rate in terms of the duration of a rate stability period, ability to update costs and any other associated rate stability attributes is essential due to the potential for different economic requirements for community expansion projects.

Enbridge would note that a project proponent should be in the best situation to conduct market research for a potential project, assess the risk of a project and to propose to a target community any stand-alone rate and stand-alone rate stability period best suited for that community. It is also incumbent on the proponent to determine the attributes of a project specific stand-alone rate by taking into consideration the target communities input and agreement with the type of project specific rate.

A winning proponent will be subject to the risk associated with community expansion projects as they are to be self-financing and not cross subsidized. It is the project proponent that is best situated to propose the financial mechanisms required to incent the expansion of gas distribution service while at the same time managing the risks associated with self-financing community expansion projects.

Enbridge submits that a minimum rate stability period of 10 years would seem to be appropriate. It would be up to proponents to suggest the type of rate that is to remain stable for this period. Given the competitive nature of the process being contemplated by the Board, a requirement for some form of rate stability period would introduce some discipline in the forecasts provided by project proponents and provide the Board with an indication of the degree of risk aversion of the competing proponents.

4. In expanding natural gas service to new areas, the OEB expects to approve franchise agreements following the results of a certificate competition. The selection process is primarily about finding the best value for consumers over the long term, after analyzing the supply plans and associated costs.

- Is there a need for a common format for applications to be able to appropriately assess and compare the value propositions of different proponents – for example through establishing filing requirements?*
- If so, please provide comments on the draft filing requirements attached at Schedule C.*
- Should the OEB use a Reference Plan based on a set of working assumptions such as long term system demand? What other parameters should be set in a Reference Plan?*
- Should applicants have the opportunity to create their own proposals by applying their own demand forecasts, construction phasing, etc. as opposed to a Reference Plan?*

There is a need for a common format for community expansion applications. Filing requirements should be developed. This is required such that the Board can view any competing proposals for certificate rights on an equivalent basis. In general Enbridge agrees with the draft filing requirements as proposed. Please refer to the section entitled “Draft Filing Requirements” below for Enbridge’s comments on the draft Filing Requirements.

A Reference Plan is not required. A Reference Plan would be difficult to administer, maintain, and update etc. Each community expansion application will be unique and proponents should have responsibility for preparing their own proposals. Enbridge recognizes that it will likely be the case that if the competitive process is triggered, the

proposals submitted by proponents will differ in terms of the assumptions used to justify a project. For example, proponents will likely have different views on the demand for natural gas for a particular area, customer capture rates etc.

Enbridge submits that common filing guidelines will provide some measure of consistency with respect to judging the completeness of competing applications. Further, another measure of consistency is provided by requiring proponents to adhere to the economic evaluation criteria contained in EBO 188.

Recognizing that there will be differences in proponent's assumptions for assessing the viability of their proposals, Enbridge suggests that a proponent's rate proposals, in particular the type of rate and rate stability period, can be utilized by the Board to assess a proponent's expectation of variability in the assumptions used for assessing the economics of a project. For example a longer rate stability period coupled with no updating to any rate components would be preferred, all else equal, to a shorter rate stability period with adjustments to components of the rate.

5. How should the costs of proposals be compared? (e.g. \$/month, \$/system capacity, use of demand day, delivery capacity of the system for comparison)

Costs of proposals should be compared based on $\$/m^3$ per for distribution service. The Board should require that rate impacts presented by a proponent include the costs associated with any service requirements from an existing gas distribution service provider. Costs associated with any upstream reinforcement triggered by a project should also be considered. The Board should also consider groupings of projects where distribution service cost efficiencies can be demonstrated.

6. Should measures be put in place to ensure completion of the proposed projects, and if so, what should these measures be?

Please see Enbridge's comments under Issue #1 above.

Draft Filing Requirements

When there are multiple parties' interested in being granted the same franchise agreement and Certificate of Public Convenience and Necessity to serve an area, the OEB will apply the following decision criteria:

- *Organization*
- *Financial capacity*
- *Proposed community supply*
- *Schedule*
- *Costs - construction and administration/support costs*
- *Other factors*

The OEB will require the following information to be filed as part of an applicant's filing. The requirements are separated into three main sections:

- (A) The capability of the applicant to serve the area;*
- (B) The applicant's Plan for serving the area; and*
- (C) Other factors to support the expansion.*

(A) CAPABILITY OF THE APPLICANT

1. Background Information

The applicant must provide the following information:

1.1 Contact information for each of the following persons:

- a) the applicant;*
- b) primary representative for the applicant;*
- c) any legal representative;*
- d) any affiliates of the applicant.*

Contact information includes the name, postal address, telephone number, and, where available, the email address and fax number of the persons listed above.

1.2 Confirmation that the applicant has not previously had a licence or permit revoked and is not currently under investigation by any regulatory body

2. Organization

2.1 An overview of the applicant's relevant utility experience - construction and operations

2.2 A description of the applicant's organizational structure and ownership, and a chart to illustrate the structure

2.3 Identification and description of the role of any third parties to be used in the applicant's ongoing operations

2.4 Evidence that the applicant's business practices are consistent with good utility practices and that it possesses or can obtain all the required licenses and permits to function as a gas distribution utility

3. Financial Capacity

The applicant must demonstrate that it has the financial capability necessary to develop, construct, operate and maintain safe and reliable service to customers in the proposed area. To that end, the applicant shall provide the following:

3.1 Evidence that it has capital resources that are sufficient to develop, finance, construct, operate and maintain safe and reliable service to the proposed area

3.2 Evidence of the current credit rating of the applicant, its parent or associated companies

3.3 Evidence that the financing, construction, operation, and maintenance of safe and reliable service to the proposed area will not have a significant adverse effect on the applicant's creditworthiness or financial condition

(B) PLAN FOR SERVING THE AREA

4. Proposed Community Supply

The applicant must provide an overview of its proposed supply to the area, including:

4.1 A description of the specific areas to be served

4.2 A description of the infrastructure that will be required to serve the area, including the interconnection of any new infrastructure with the existing gas distribution system

4.3 A description of the lands that will be impacted by infrastructure and plans to obtain control of this land through an easement, lease, planned purchase, or other agreement

4.4 A description of any significant issues anticipated in land acquisition or permitting and a plan to mitigate them

4.5 A description of all permits and approvals required, including Environmental Assessments, any Duty to Consult, and regulatory approvals

4.6 A map illustrating the planned infrastructure and areas to be served

5. Costs of Supply and Customer Rates

5.1 Evidence of the underlying long term cost structure expected for serving the area

5.2 A description of any major assumptions underlying the expected cost structure

5.3 A description of the tariffs and proposed rates

Enbridge proposes that an additional requirement under this section be a description of services and/or facilities that may need to be provided to a proponent by another gas distribution utility(s) and the cost consequences thereof.

6. Schedule

6.1 The applicant must file a schedule that describes milestones and estimated dates

6.2 Proposed reporting requirements

(C) OTHER FACTORS

The applicant should provide any other information that it considers relevant to its application to serve the area.