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**VIA RESS, EMAIL and COURIER**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Re: Enbridge Gas Distribution Inc. (the "Company" or "Enbridge")  
Ontario Energy Board (the "Board") File: EB-2015-0049  
Multi-Year Demand Side Management Plan (2015 to 2020)  
Evidence in Chief – Panel 4**

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Enclosed please find the Evidence in Chief for Enbridge's Panel 4.

The submission has been filed through the Board's Regulatory Electronic Submission System ("RESS").

If you require further information, please contact the undersigned.

Yours truly,

(Original Signed)

Bonnie Jean Adams  
Regulatory Coordinator

cc: Mr. Dennis O'Leary, Aird & Berlis  
EB-2015-0049 Intervenors

## **Evidence in Chief – Hilary Thompson**

Q: Can you please comment on Mr. Chernick's revisions to Enbridge's Avoided Distribution costs identified in Exhibit L.GEC.2 Table 8 on page 41?

A: Ms. Thompson

Mr. Chernick completed a review of Enbridge's Avoided Distribution Costs and concluded that they should have been 3.4 to 4.7 times higher than the costs that Enbridge used. I would like to demonstrate that Enbridge appropriately reflected the Avoided Distribution Costs and that no revisions need to be made apart from the ones that have been indicated by Enbridge.

### **Area 10 and Appendix B**

Starting with Table 8 on Page 41, under "Corrections", Mr. Chernick refers to Area 10 and Appendix B. These were inadvertent omissions that were identified through the course of the interrogatory responses. These omissions amount to approximately \$55M, which is a 27% increase to the costs that were originally provided to Navigant. It is important to note that this 27% increase results in a marginal increase to the Avoided Distribution Costs Adder of less than 1% in the Water Heating and Industrial load profiles, and less than 2% in Space Heating and Space and Water Heating load profiles as indicated in the response to Undertaking JT1.28.

Enbridge is currently in the process of doing a complete update to the reinforcement project list for the Q4 Input Assumption Update. Enbridge feels that this is appropriate since the identification of the projects is now up to 2 to 3 years old and many changes can occur within the distribution system that would change the reinforcements (i.e., changes in load growth, changes in development projections, changes in system operation, etc.). For the Area 10 projects alone, we know that some projects will remain on the list, others will be added, and some will drop off because they are either no longer required or are not required to address load growth and would not be an avoided cost. Based on this, the latest forecast for Area 10 is expected to be approximately half of the above estimate but this will be confirmed as part of the Q4 update.

### **2010 – 2012 Revisions**

Mr. Chernick compared the 2010-2012 Asset Plan actuals to the 2010-2012 actuals provided to Navigant as an input into the Avoided Distribution Costs. Mr. Chernick concluded that \$17.4M was missing from the information provided to Navigant.

The main point that I would like to raise here is that all reinforcement projects are not necessarily an avoided cost in relation to DSM. The actual costs from 2010-2014 were reviewed in that manner – to identify the true avoided costs – to ensure that the Avoided Distribution Costs were a reasonable derivation of the costs that fit into this category and were not inflated or deflated.

For example, in the costs for the 2010-2012 Asset Plan, it included the transition of an old gate station into a straight run of pipe that was approximately \$3M, the installation of a project that directly supported a new industrial customer load at approximately \$1M, and sales projects that directly supported customer attachments at approximately \$5M – none of which fit within the category of avoided costs. In addition, approximately \$8M of costs for the GTA Project was included which I will discuss in more detail in a moment. This speaks to why the numbers are different for specific and intended purposes and why no corrections are required to this line item.

### **GTA Project**

For GTA Project, Mr. Chernick concluded that additional GTA Project costs should be included in the Avoided Distribution Costs above and beyond the costs that were already included for load growth. I can confirm that the portion attributable to load growth was included in the Avoided Distribution Costs.

Mr. Chernick's table suggests that further costs associated with Segment B should be included, however as noted on page 45 of the Board's Decision for the GTA Project (EB-2012-0451, dated January 20 2014), it found that DSM was "not a sufficiently viable alternative in these circumstances" in relation to alternatives considered. In general, the Board's GTA Project Decision acknowledged that the project addressed multiple needs. More specifically, the Board acknowledged that Segment B addressed load growth, eliminated the bottleneck between the western and eastern part of the system, and allowed for the pressure reduction of the Don Valley and NPS 26 lines to less than 30% SMYS in relation to the code adoption document issued by the Technical Standards and Safety Authority. The GTA Project costs that addressed these other objectives, such as increasing supply chain diversity and flexibility, were not included since they would not be an avoided cost.

This addresses all the corrections that Mr. Chernick noted in his Table 8. In summary, the only revision that needs to be made is the inclusion of the projects that were missed by Enbridge following the full update to the reinforcement projects which were identified, as I noted earlier, and were included in Enbridge's response to Undertaking JT1.28. All other line items should go to \$0.

## **O&M Costs**

Q: Can you please comment on Mr. Chernick's conclusion in respect to O&M avoided costs?

A: Ms. Thompson

Mr. Chernick suggests that Enbridge should have included O&M costs for 1% of the investment. Enbridge used 0% since the incremental pipe installed per year is not considered in the development of the annual O&M budget as mentioned in the response to GEC Interrogatory 59.

Mr. Chernick looked back to the O&M costs for the GTA Project and noticed that \$13M of O&M was identified for the \$687M project. This O&M cost expressed as a percentage in relation to the total project cost is 1-2% as Mr. Chernick stated in his evidence. It is important to note that the majority of the \$13M of O&M costs is directly related to the attachment of the forecasted customers (such as costs to support customer care and billing). Since DSM does not aim to defer or avoid the attachment of customers, only the costs associated with the reinforcements should be considered in this calculation. Using Mr. Chernick's approach, the applicable percentage drops to 0.01% with the portion of Segment B that is attributable to load growth, which is immaterial. This confirms the use of 0% O&M assumption for the Avoided Distribution Cost calculation.

## **Relocations, Replacements, and Sales**

Q: Can you please comment on Mr. Chernick's recommendations in regards to the inclusion of relocation, replacement, and sales mains in the Avoided Distribution Costs?

A: Ms. Thompson

In the development of the Avoided Distribution Costs, Enbridge referenced back to a previous filing, EBRO 487, which is filed at Exhibit I.T9.EGDI.GEC.51, Attachment 1. On page 21 of this attachment, it outlines the categories of distribution main expenditures – reinforcement, sales, relocation, and replacement. Through the course of this initial study, it was determined that reinforcement mains were the primary category of avoided distribution system costs affected by load reduction, and therefore, the Company generally limited the inputs to this expenditure type.

The last two paragraphs on page 21 of the attachment referenced states:

*The other categories of distribution main costs were excluded because they would not be materially affected by load reduction DSM programs. Sales mains are primarily smaller diameter mains. Sales mains costs were not included in the Company's estimate since the DSM programs under consideration are not expected to increase or decrease the number of customer additions.*

*Relocation and replacement mains were excluded because expenditures on these facilities are driven by factors such as routine maintenance and conflicts with other developments, such as road improvement. The need for these facilities is not related to demand.* I should mention to the extent that Enbridge knew about upcoming projects that were upsized to accommodate future growth, the costs associated with the growth component were included in the forecast provided to Navigant.

I should mention to the extent that Enbridge knew about upcoming relocation or replacement projects that were upsized to accommodate future growth, the costs associated with the growth component were included in the forecast provided to Navigant.

In summary, Enbridge feels that it has been consistent with the inputs to the Avoid Distribution Costs as compared to previous years.

Q: Mr. Chernick referenced a relocation project that added capacity to the system. The project was called the Municipality of York Pipeline Project (EB-2011-0270). Can you comment on Mr. Chernick's observations?

A: Ms. Thompson

Enbridge had a 4" and an 8" line along Ninth Line in Markham near 19<sup>th</sup> Avenue. The region was widening Ninth Line from 2 lanes to 4 lanes and asked Enbridge to relocate the two gas mains and only install one main in its place. To maintain the capacity of the 4" and 8" with one gas main, Enbridge at a minimum had to replace it with a 12" since the Company does not install 10" pipe. The increased capacity of the 12" was incidental to the replacement project and not driven by load.

## **Evidence in Chief – Andrew Welburn**

Q. Do you have any comments about the position advanced by GEC in relation to price suppression effects?

A. Mr. Welburn:

Yes. The supply and transportation price impacts resulting from a reduction in demand that were discussed by GEC are the result of only looking at a select few considerations. If the Board is to consider such impacts, it will be important to take a more broad perspective of market influences. One example would be to consider the implications of lower commodity costs. If there is a decrease in market prices as a result of Enbridge's DSM programs, there is the potential for the lower commodity prices to influence the level of natural gas production. Should natural gas production decline, it could lead to an increase in natural gas prices.

Q. Do you have any view about whether Enbridge's DSM programs result in price suppression across North America?

A. Mr. Welburn:

Although we have considered the concept of price suppression effects when evaluating commodity price information provided by independent third party experts, we are not aware of any studies specific to the markets we operate in. We do not believe there is sufficient information to make that determination especially given the complexity of having storage near the franchise and the unique nature of services such as multi-point balancing in the Union Gas franchise.

It is also important to consider the magnitude of Enbridge's DSM program which makes up less than 1% of the Company's annual demand. It is not clear at this time if demand reduction of that magnitude will influence prices in a meaningful way, if at all, given the more significant impact that other factors such as weather and new infrastructure that is being proposed and developed that continues to increase the integration of North America's market.

## **Evidence in Chief – Trent Winstone**

Q: Mr. Winstone, Mr. Chernick makes comments about Navigant's apparent use of a real carrying charge in its avoided distribution cost study. Do you have any comments about Mr. Chernick's observation and the position that he has taken?

A: Mr. Winstone:

Mr. Chernick concludes that Navigant used a real carrying charge of 5.9% instead of a nominal carrying charge, and in order to correct for this error, applies a 7.7% carrying charge in his revised avoided cost calculations. This adjustment is not correct as the Navigant methodology does not include a carrying charge. The Navigant methodology calculates the difference in revenue requirement attributable to the deferral of a capital investment. As such, no adjustment to Navigant's study are required.