



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

ENBRIDGE GAS DISTRIBUTION INC.

TARIFF FOR RATE 332 TRANSPORTATION SERVICE

EB-2016-0028

June 8, 2016

Introduction

Enbridge Gas Distribution Inc. (Enbridge) filed an application on March 10, 2016 with the Ontario Energy Board (the OEB) pursuant to section 36 of the *Ontario Energy Board Act, 1998*, and sections 2.1.1 and 2.3.3 of the OEB's *Storage and Transportation Access Rule* (STAR) for an order approving Enbridge's terms of service, allocation methodology and rate schedule for gas transportation service under Rate 332 (collectively, the Tariff).

Enbridge will provide Parkway to Albion King's North Transportation Service on the Albion Pipeline under Rate 332 (the Rate 332 transportation service). The Rate 332 transportation service will be used by sophisticated shippers (utilities, transporters, etc.) that are awarded capacity on the Albion Pipeline as part of the open season process. Two potential Rate 332 shippers have intervened in this proceeding (Union Gas Limited and TransCanada PipeLines Limited).

The purpose of STAR is to establish certain operating requirements that ensure open and non-discriminatory access to transportation services for customers. In addition, it establishes reporting requirements for natural gas transmitters.

With respect to the current proceeding, STAR specifically sets out certain requirements regarding:

- The allocation of transportation capacity (section 2.1);
- Transportation open seasons (section 2.2); and
- Terms of Service and Forms of Contracts (section 2.3).¹

Historical OEB-Approvals

In its Decision and Order in the GTA Project proceeding, the OEB granted Enbridge leave to construct the GTA Project, which involved the construction of two segments of pipeline referred to as Segments A and B.² Segment A of the GTA Project (known as the Albion Pipeline) extends from Enbridge's Parkway Gate Station to the Albion Road Station, where it will connect with the King's North pipeline to be constructed by TransCanada PipeLines Limited (TransCanada).

Enbridge will make available 1,200 TJ/day of capacity on the Albion Pipeline for Rate 332 transportation service and will use 800 TJ/day of capacity on the Albion Pipeline to serve its in-franchise distribution customers. On this basis, Enbridge proposed that 60%

¹ Storage and Transportation Access Rule, December 9, 2009.

² EB-2012-0451, Decision and Order, January 30, 2014.

of the revenue requirement associated with the pipeline be allocated to Rate 332 customers and 40% to in-franchise customers. This allocation methodology was approved as part of the GTA Project proceeding.³ This is the manner in which the revenue requirement will be allocated once both in-franchise distribution customers and transportation customers (Rate 332) are receiving service on the Albion Pipeline.

In Enbridge's 2014-2018 rates proceeding, Enbridge sought approval of Rate 332 for Parkway to Albion King's North Transportation Service.⁴ In its Decision with Reasons, the OEB granted Enbridge approval to recover the revenue requirement allocated to Rate 332 customers through a contract demand charge.⁵

In the GTA Project proceeding, the OEB considered the scenario where distribution customers begin taking service on the Albion Pipeline prior to transportation customers. To address this scenario, the OEB found:

The evidence is that the cost difference between the NPS 36 pipeline (which would be required for distribution needs only) and the NPS 42 pipeline (which accommodates both distribution and transportation needs) is \$55 million. Once Segment A is in service, if there are no transportation customers, then Enbridge will be required to record the revenue requirement impact of the \$55 million in a deferral account for eventual recovery from transportation customers on Segment A.⁶

On this basis, the Greater Toronto Area Incremental Transmission Capital Revenue Requirement Deferral Account (GTAITCRRDA) was established in the GTA Project proceeding.⁷ The purpose of the account is to record the revenue requirement associated with the incremental \$55 million of forecast capital costs that resulted from the upsizing of the Albion Pipeline from an NPS 36 pipeline to an NPS 42 pipeline. The revenue requirement that is recorded in the GTAITCRRDA will be recovered from Rate 332 customers once they begin to take service on the Albion Pipeline.

For 2016, the OEB-approved revenue requirement associated with the Albion Pipeline is \$29.95 million. Of the \$29.95 million, \$25.06 million was allocated to distribution customers and the remaining \$4.89 million was allocated to Rate 332 transportation customers.⁸ The \$4.89 million reflects the revenue requirement associated with the incremental \$55 million in forecast capital costs resulting from the upsizing of the Albion Pipeline. This allocation was approved by the OEB as it was possible that only distribution customers would take service on the Albion Pipeline during 2016.

³ EB-2012-0451, Decision and Order, January 30, 2014 at pp. 50-51.

⁴ EB-2012-0459

⁵ EB-2012-0459, Decision with Reasons, July 17, 2014 at pp. 76-77.

⁶ EB-2012-0451, Decision and Order, January 30, 2014 at p. 51.

⁷ EB-2012-0451, Accounting Order, March 11, 2014.

⁸ EB-2015-0114, Draft Rate Order, Exhibit G2, Tab 5, Schedule 3, p. 2.

If Rate 332 transportation customers do not take service on the Albion Pipeline at any time during 2016, the \$4.89 million would be recorded in the GTAITCRRDA for eventual recovery from Rate 332 customers once they begin taking service on the Albion Pipeline.

However, as noted by Enbridge, it is expected that Rate 332 transportation customers will begin to take service on the Albion Pipeline on November 1, 2016.⁹ As such, the forecast balance in the GTAITCRRDA that will be collected from Rate 332 customers is reduced to \$4.1 million (i.e. \$4.89 million * 10/12 months). Enbridge stated that it will apply for disposition of the balance in the GTAITCRRDA in its 2016 deferral account disposition proceeding and expects to clear the balance as a one-time billing adjustment.¹⁰

In addition, as Rate 332 customers are expected to begin taking service on the Albion Pipeline beginning November 1, 2016, revenues will be generated from these customers through the applicable contract demand charges. To address this potential situation, the OEB approved the 2016 Rate 332 Deferral Account (R332DA) in Enbridge's 2016 Rates proceeding.¹¹ The R332DA will record the revenues collected from Rate 332 transportation customers in 2016 (net of the reduction to the forecast balance in the GTAITCRRDA). The amount recorded in the R332DA will be refunded to Enbridge's distribution customers in the 2016 deferral account disposition proceeding.

OEB staff expects that evidence related to the disposition of the 2016 balances in the GTAITCRRDA and the R332DA will be filed in Enbridge's 2016 deferral account disposition proceeding.

Scope of Proceeding

OEB staff submits that the scope of the current proceeding is narrow. As discussed above, Enbridge already has most of the necessary approvals to begin providing Rate 332 transportation service on the Albion Pipeline. The facility matters, the methodology for designing rates for Rate 332 customers, and the framework for handling timing issues have already been addressed by the OEB in previous decisions.

In this proceeding, the OEB must determine whether Enbridge's Tariff for Rate 332 transportation service, which includes its terms of service, capacity allocation methodology and rate schedule, is in accordance with STAR and with the previous approvals granted by the OEB.

⁹ EB-2016-0028, Exhibit B at p. 12.

¹⁰ EB-2016-0028, Interrogatory Responses, Staff.4.

¹¹ EB-2015-0114, Decision and Accounting Order, December 10, 2015, Schedule A at p. 39.

OEB Staff Submission

OEB staff submits that Enbridge's proposed Tariff for Rate 332 transportation service is in accordance with STAR and with the relevant previous approvals of the OEB. OEB staff submits that the proposed Tariff should be approved as filed.

Rate Schedule

The rate schedule for Rate 332 transportation service was updated on June 2, 2016.¹²

The rate schedule for Rate 332 transportation service includes a daily contract demand charge for firm transportation service on the Albion Pipeline, an Authorized Overrun Charge for Authorized Overrun Service, and language which would allow Enbridge to collect amounts from Rate 332 customers related to the disposition of the relevant deferral account balances.

In its updated response to OEB staff interrogatory No. 1, Enbridge provided the calculation for the \$0.0410 GJ/day contract demand charge.¹³ The charge was calculated by dividing 60% of the total 2016 revenue requirement for the Albion Pipeline (\$17.97 million = \$29.95 million * 60%) by the total contract capacity available for Rate 332 transportation service (1,200,000 GJ/day) and then dividing that amount by 365. OEB staff submits that the updated contract demand charge was calculated correctly in accordance with the cost allocation and cost recovery methodologies established by the OEB in GTA Project proceeding¹⁴ and Enbridge's 2014-2018 rate proceeding.¹⁵

OEB staff also notes that if the Rate 332 transportation service is undersubscribed (i.e. the full 1,200,000 GJ/day of available capacity is not sold), Enbridge will file a request for a vary order prior to transportation customers taking service on the Albion Pipeline. If a revision to the contract demand charge is necessary, the charge would be calculated based on the same approved revenue requirement but would be divided by a lower contracted capacity.¹⁶

OEB staff expects that any request for a vary order, if necessary, will be filed by Enbridge immediately following the open season for Rate 332 transportation service. The open season is expected to be held in early August 2016. After the open season,

¹² EB-2016-0028, Evidence Update, Exhibit B, Attachment I.

¹³ EB-2016-0028, Updated Interrogatory Response, Staff.1.

¹⁴ EB-2012-0451

¹⁵ EB-2012-0459

¹⁶ EB-2016-0028, Interrogatory Responses, CCC.3.

Enbridge will know how much capacity on the Albion Pipeline has been contracted for by Rate 332 shippers.

OEB staff submits that Enbridge's proposal to request a vary order to adjust the contract demand charge is appropriate if the Rate 332 transportation service is undersubscribed.

Enbridge proposed an Authorized Overrun Charge for Authorized Overrun Service set at 120% of the contract demand charge. Enbridge noted that if there is unutilized capacity on the Albion Pipeline, and a transportation customer can use more capacity than it has contracted for, the customer may request Authorized Overrun Service.¹⁷ Enbridge stated that the 20% premium is necessary to incentive shippers to contract for the amount of firm capacity that the shipper actually requires rather than rely on the Authorized Overrun Service, which is designed to be used on a temporary basis.¹⁸ OEB staff notes that the methodology for setting the Authorized Overrun Charge for Rate 332 transportation service has not been previously approved by the OEB.

OEB staff submits that setting the Authorized Overrun Charge at 120% of the contract demand charge is reasonable. OEB staff is of the view that setting the rate at this level will provide the appropriate incentive for shippers to contract for firm transportation service at a level that meets their ongoing needs.

Enbridge provided an updated Authorized Overrun Charge as part of its updated rate schedule.¹⁹ OEB staff submits that the updated Authorized Overrun Charge was calculated correctly.

OEB staff also submits that the language included in the rate schedule regarding the requirement for Rate 332 customers to pay charges associated with OEB-approved disposition of the relevant deferral accounts is clear and reflective of previous approvals of the OEB. OEB staff also notes that, in response to an interrogatory, Enbridge stated that it will inform potential shippers of the anticipated additional charges resulting from the disposition of the GTAITCRRDA as part of its open season.²⁰

OEB staff submits that the updated proposed rate schedule for Rate 332 transportation service is appropriate and should be approved by the OEB as filed.

STAR Requirements

As noted previously, STAR specifically sets out certain requirements regarding:

¹⁷ EB-2016-0028, Exhibit B at p. 9.

¹⁸ EB-2016-0028, Interrogatory Responses, Staff.3.

¹⁹ EB-2016-0028, Evidence Update, Exhibit B, Attachment I.

²⁰ EB-2016-0028, Interrogatory Responses, Staff.4.

- The allocation of transportation capacity (section 2.1);
- Transportation open seasons (section 2.2); and
- Terms of Service and Forms of Contracts (section 2.3).²¹

Allocation of Transportation Capacity

STAR requires that a transmitter's (in this case, Enbridge's) methods for allocating transportation capacity be defined in its tariff and that the tariff be approved by the OEB.²²

STAR requires that: (a) firm transportation service that becomes available as a result of a facility expansion (i.e. new capacity) be offered through an open season; and (b) existing transportation capacity that becomes available for long-term firm transportation service also be offered through an open season. Firm transportation service that has been previously offered in an open season, but not awarded in an open season, may be awarded by other methods (as defined in the tariff).²³

In the General Terms and Conditions and the FT Service Schedule that form part of Enbridge's proposed Tariff, Enbridge set out the methodology that it proposes to use for allocating capacity on the Albion Pipeline.

In section 4 of the proposed FT Service Schedule, Enbridge specifically addressed the capacity allocation requirements set out in STAR.

The FT Service Schedule states that Enbridge will issue an open season (known as the initial open season) to offer and allocate to eligible bidders the capacity of the initial facilities constructed for the Albion Pipeline.

After the conclusion of the initial open season, if there are requests for firm service on the Albion Pipeline: (a) that cannot be met through existing capacity, and additional facilities are required, Enbridge would issue an open season and allocate any new capacity to eligible bidders that becomes available from incremental system expansions (if Enbridge decides to undertake these expansions); (b) that can be met with Albion Pipeline capacity that was either previously awarded in an open season and is becoming available or was not previously offered in an open season, Enbridge would issue an open season and allocate any such capacity to eligible bidders; (c) that can be met with Albion Pipeline capacity that was previously offered in an open season but was

²¹ Storage and Transportation Access Rule, December 9, 2009.

²² Storage and Transportation Access Rule, December 9, 2009 at section 2.1.1.

²³ Storage and Transportation Access Rule, December 9, 2009 at sections 2.1.2 and 2.1.3.

not awarded, then Enbridge would evaluate each request on a first-come, first-served basis.

Section 4 of the proposed FT Service Schedule also states that capacity requests for FT service will be awarded in order of highest to lowest economic value based on the net present value of the proposed per-unit rate and the proposed term of service without regard to the proposed volume.²⁴

In its proposed General Terms and Conditions, Enbridge also set out how prospective shippers must submit requests for service and how it will handle requests for service (including how notice of an award of capacity will be provided).

OEB staff submits that the capacity allocation methodology proposed by Enbridge in its Tariff, as discussed in both the General Terms and Conditions and the FT Service Schedule, is in accordance with STAR.

Transportation Open Seasons

STAR sets out a number of requirements for conducting open seasons for firm transportation services. These requirements are related to: notification and timing; and the content of open season notice.²⁵

Enbridge intends to hold the initial open season for Rate 332 transportation service in early August 2016 in anticipation of commencing the service on November 1, 2016.

Section 4 of the proposed FT Service Schedule states that Enbridge will conduct any open season(s) in accordance with the terms and conditions prescribed by the OEB either in STAR or otherwise.²⁶

In response to an interrogatory from OEB staff, Enbridge confirmed that it would follow all of the requirements set out in section 2.2.1 of STAR for the open season to be held for Rate 332 transportation service.²⁷

OEB staff submits that the Tariff for Rate 332 transportation service includes language that provides the OEB with the necessary assurance that the open season for Rate 332 transportation service will be handled in accordance with the requirements established by STAR.

²⁴ EB-2016-0028, Exhibit B, Attachment II, pp. 54-55.

²⁵ Storage and Transportation Access Rule, December 9, 2009 at section 2.2.1.

²⁶ EB-2016-0028, Exhibit B, Attachment II, p. 55.

²⁷ EB-2016-0028, Interrogatory Responses, Staff.6.

Terms of Service and Forms of Contracts

STAR requires that each transportation service offered by a transmitter have its own specific standard form of contract and its own terms of service. STAR also requires that the terms of service be included in the tariff and that the tariff be approved by the OEB. STAR also sets out standard terms of service that must be included in the tariff for transportation service.²⁸

OEB staff reviewed Enbridge's proposed terms of service for Rate 332 transportation service, as set out in the General Terms and Conditions and the FT Service Schedule, and submits that Enbridge's proposed Tariff includes all of the standard terms of service required by STAR.

OEB staff also reviewed Enbridge's proposed standard form of contract for Rate 332 transportation service and has no concerns.

Finally, STAR requires that the transmitter post the standard form of contract for each transportation service on its website. STAR also requires that any negotiated contract be posted on the transmitter's website for as long as the contract remains in force.²⁹ OEB staff confirmed, in interrogatories, that Enbridge will post its standard form of contract and any negotiated contracts on its website.³⁰

Overall, OEB staff submits that Enbridge's proposed Tariff meets all of the requirements of STAR and provides for non-discriminatory access to Rate 332 transportation service.

All of which is respectfully submitted.

²⁸ Storage and Transportation Access Rule, December 9, 2009 at sections 2.3.2, 2.3.3, and 2.3.4.

²⁹ Storage and Transportation Access Rule, December 9, 2009 at sections 2.3.5 and 2.3.6.

³⁰ EB-2016-0028, Interrogatory Responses, Staff.8.