

# ONTARIO ENERGY BOARD

**EB-2020-0160**

**IN THE MATTER OF** the *Ontario Energy Board Act*, 1998, S. O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** a section 101 application relating to the Windsor pipeline replacement project.

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## Notice of Motion

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Environmental Defence will make a motion to the Board on a date and time to be determined by the Board. The motion is to be heard in writing or orally as determined by the Board.

**THE MOTION IS FOR AN ORDER:**

1. That Enbridge provide full and adequate responses to interrogatories I.ED.1 (a) to (d) and I.ED.4 (a) to (e); and
2. In the alternative, that a technical conference be held in this matter.

**THE GROUNDS FOR THE MOTION ARE:**

**Overview**

3. Enbridge has declined to answer important interrogatories regarding the estimated cost to remove the NPS 10 pipeline at issue in this matter and how that cost would be recovered. An order for full and adequate interrogatory responses are required to ensure the Board and intervenors have the information they need to consider the issues in this case.

### Interrogatory #1 – Estimate of Removal Costs

4. I.ED.1(a) requested the following:

Please provide a table detailing the difference in the cost of leaving the abandoned pipe in place as approved in EB-2019-0172 versus the cost of removal as calculated in Enbridge's s. 101 Application. Please itemize the costs for each option and the difference between the totals for each.

5. Enbridge declined to provide a response. Instead, it referred to the incomplete information contained in its application. Enbridge's application itemized \$5.875 million in costs to remove the NPS 10 pipe but did not itemize the costs of abandoning the pipeline in place (e.g. capping, etc.) nor itemize the difference between removal and abandonment in place.<sup>1</sup> It remains unclear whether all of the \$5.875 million is incremental and what it is incremental to. Furthermore, the application refers to "costs associated with any removal activities that were included in the LTC Application"; those costs are not described or quantified in the interrogatory response.<sup>2</sup>
6. I.ED.1(b) to (d) asked Enbridge to compare the cost of pipeline removal in this application with the cost in other instances. Enbridge refused to respond, arguing this question was out of scope.
7. These questions are relevant because they go to the accuracy of Enbridge's estimate of the incremental cost of removing the pipeline. Enbridge is asking the Board to decide whether or not this pipeline should be removed. The cost of removal is obviously relevant to the questions before the Board.

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<sup>1</sup> Exhibit B, Tab 1, Schedule 4, Page 2

<sup>2</sup> *Ibid.*

#### **Interrogatory #4 – Recovery of removal costs**

8. I.ED.4(a) asked Enbridge how it proposed to recover the costs for removing the pipeline. Enbridge provided only a cursory response, stating only that “the costs will be charged/debited to accumulated depreciation consistent with the treatment of costs that would have been incurred to abandon the pipe in place.” This answer leaves out key details, such as when Enbridge would recover the amount, which proceeding would address those costs, whether a prudence review would occur, how these costs would be detailed in materials provided to the Board in the future, and whether different steps would be required to address these costs as they would involve a variance in the range of \$6 million. This information should be provided up front before the Board is asked to decide whether these costs shall be incurred.
9. I.ED.4(b) though (e) asked a number of important questions relating to the abandonment costs that have been collected over time through the asset depreciation rate. Future abandonment costs are collected from ratepayers over time through the depreciation rate and are recorded as a liability for Enbridge.<sup>3</sup> Environmental Defence asked how much Enbridge has collected from ratepayers for future abandonment in relation to this NPS 10 pipeline. Enbridge declined to answer in relation to this project or on a generalized basis.
10. Enbridge has not explained how much it has collected from ratepayers for abandonment, how this compares to its estimate of the removal cost, whether this amount/liability would be used to fund this abandonment, and, generally speaking, how depreciation figures are adjusted to address additional costs such as the \$5.875 million at issue here.

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<sup>3</sup> I.ED.4.

This information is important as it would shed light on who would pay for the removal costs and whether there is a risk of a least partial double recovery.

11. Although the accounting details may be complicated because depreciation is calculated at a group level, not the individual asset level, Enbridge could and should have provided more information.<sup>4</sup> For example, Enbridge should explain how much it has collected at whatever level that information it is available. It should also attempt to estimate the amount that would appropriately be attributed to the NPS 10 pipeline at issue. As noted in the Board's *Rules of Practice and Procedure*, utilities must provide as much alternative information as is available if the requested information cannot be provided for one reason or another.<sup>5</sup>

#### **Technical Conference**

12. There appears to be a number of unresolved technical issues surrounding this application, including the cost issues described above. Environmental Defence submits that a brief technical conference would be appropriate. If answers to the above interrogatories are not provided, a technical conference could help to address some of these gaps.

#### **THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:**

13. The evidence filed by Enbridge;
14. The attached interrogatory responses; and
15. Any further evidence that Council may advise and the Board may permit.

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<sup>4</sup> I.ED.4(d).

<sup>5</sup> Rules of Practice and Procedure, s. 27.02(b) ("where the party contends that the information necessary to provide an answer is not available or cannot be provided with reasonable effort, setting out the reasons for the unavailability of such information, as well as any alternative available information in support of the response.").

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ENBRIDGE GAS INC.  
Answer to Interrogatory from  
Environmental Defence (ED)

INTERROGATORY

Reference:

Exhibit B, Tab 1, Schedule 4, Page 2

Preamble:

"The estimated cost for the scope of work to remove the NPS 10 steel requested by the County of Essex rather than to abandon the existing NPS 10 is ... \$5,875,000"

Question:

- (a) Please provide a table detailing the difference in the cost of leaving the abandoned pipe in place as approved in EB-2019-0172 versus the cost of removal as calculated in Enbridge's s. 101 Application. Please itemize the costs for each option and the difference between the totals for each.
- (b) For comparative purposes, please complete the following table comparing the costs and project details in the ten most recent pipeline removal project in Canada that Enbridge has been involved in:

Project name	Cost	Length of pipe	Cost per km	Size of pipe	Reason for removal	Project start and end date
Windsor Pipeline						
Comparator 1						
Comparator 2						
...						
Comparator n						

- (c) If Enbridge if believes the above table does not include the most appropriate comparators, please complete the table again with the projects that Enbridge believes are the most appropriate comparators.
- (d) On a best efforts basis, please provide (i) an estimate of the cost per km to abandon a pipeline in place on average and (ii) an estimate of the cost per km to remove a pipeline on average. If an average is imprecise, please provide a range of

reasonable figures for each. Please provide Enbridge's underlying calculations and assumptions.

- (e) How much abandonment funding would be required to be set aside for the Windsor pipeline according to the formula used by the Canadian Energy Regulator for pipeline abandonment? Is this amount based on the assumption of remove or leaving the pipe in place or otherwise?

Response:

- a) Please see Enbridge Gas's pre-filed evidence at Exhibit B, Tab 1, Schedule 4, page 1 to page 3 for the difference in the cost of leaving the abandoned pipe in place as approved in EB-2019-0172 versus the cost of removal as calculated in Enbridge Gas's. 101 Application.
- b) and c) These questions are beyond the scope of this application. Please see the preamble to Enbridge Gas's response at Exhibit I.PP.1.
- d) and e) These questions are beyond the scope of this application. Please see the preamble to Enbridge Gas's response at Exhibit I.PP.1. Enbridge Gas also notes that each abandonment will be unique given the circumstances of the abandonment, and therefore the cost will be different in each circumstance.

ENBRIDGE GAS INC.  
Answer to Interrogatory from  
Environmental Defence (ED)

INTERROGATORY

Reference:

Exhibit B, Tab 1, Schedule 4, Page 2

Preamble:

In EB-2019-0188, Exhibit I.ED.4, Enbridge said:

A provision for future abandonment costs is included in OEB approved gas distribution rates and is collected in the asset depreciation rate. Future abandonment costs charged to earnings through the depreciation expense are recorded as a liability on the Enbridge Gas financial statements and are collected from all ratepayers. Depending on the circumstances, the costs could be charged to ratepayers in different manners, such as through higher net salvage rates included within depreciation rates and provisions included within rates, for a period of time leading up to and or after the abandonment. While less likely, it is also possible that the pipe retirement and abandonment could be treated as an extraordinary retirement, and a loss could be included within rates.

Question:

- (a) How does Enbridge propose to recover the costs for removing the pipeline if it is required to do so?
- (b) Please describe generally how pipeline abandonment is paid for in Ontario, including those that are removed and those that are left in place.
- (c) How much funding, if any, has been set aside or earmarked for the abandonment of this pipeline?
- (d) Enbridge said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount collected in relation to the NPS 10 pipeline at issue.
- (e) Enbridge said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount collected in relation to all Ontario pipelines to date. Please discuss



whether this could or should be used to pay for the removal of this pipeline if said removal is required.

- (f) Please explain and elaborate on the paragraph included in the preamble.
- (g) How much abandonment funding would have been required to be set aside for the NPS 10 pipeline according to the formula used by the Canadian Energy Regulator for pipeline abandonment?

Response:

- a) If Enbridge Gas is required to incur incremental costs to remove the NPS 10 steel main as requested by the County of Essex, as opposed to abandoning it in place, the costs will be charged/debited to accumulated depreciation consistent with the treatment of costs that would have been incurred to abandon the pipe in place.
- b) In accordance with the Uniform System of Accounts for Class A Gas Utilities, gas utilities in Ontario recover (and ratepayers pay for) the net salvage cost (or abandonment cost, or cost to retire) of a pipeline through the depreciation charged on the pipeline over its life. Depreciation allocates the service value of the plant asset over its estimated life in a systematic and rational manner. The service value of the plant, for depreciation purposes, shall be its cost less its estimated net salvage value. Net salvage value means the salvage value less removal costs. In cases where removal costs exceed salvage value, the net salvage value will be negative. Whether pipeline abandonment is through removal or via being left in place, recovery is the same, but the quantum of the net salvage value to be recovered is impacted.
- c) Enbridge Gas does not set aside or segregate funds for the abandonment of pipelines. With regards to the new Windsor pipeline, no abandonment / net salvage / cost to retire liability has been established as-of-yet, as the pipeline is not in service, and therefore no depreciation has been recognized.
- d) Enbridge Gas is not able to provide the amount specific to the NPS 10 pipeline at issue. The costs collected through the asset depreciation rates over the life of the pipeline are calculated at the group (or pool) level, and not the individual asset level.
- e) Enbridge Gas does not have the required information for all Ontario utilities, to be able to quantify the amount of abandonment costs collected in relation to all Ontario pipelines to date. Enbridge Gas is also not able to quantify the amount it has collected to date, as the actual cost of retirements have been netted against amounts collected over time. Also, please see response to Part a).

- f) The preamble to this question reflects a portion of Enbridge Gas's response to an Environmental Defence (ED) interrogatory in EB-2019-0188, in which ED asked who would pay for the cost of abandoning a pipeline if it becomes a stranded asset. Enbridge Gas's response attempted to articulate how abandonment costs were typically recovered in relation to assets that were retired in the normal course of business, at the end of their useful lives. This is further elaborated upon in the other parts of this interrogatory response. The response in the preamble then attempted to further articulate, that under the scenario of a stranded asset, it is possible that the treatment and recovery of a stranded asset (including the abandonment of that asset) could occur in different manner, such as through an extraordinary retirement, subject to Board approval.
- g) The quantum and treatment of abandonment costs that would have been required for the NPS 10 pipeline in accordance with the Canadian Energy Regulator formula is not relevant to this proceeding.