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**WITHOUT PREJUDICE
BY RESS, EMAIL AND COURIER**

Montréal, May 1, 2018

Ms. Kirsten Walli
Board Secretary
ONTARIO ENERGY BOARD
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

**Object: Letter of comment of Énergir, L.P.
Board files: EB-2017-0306 and EB-2017-0307
Our file: 312-00868**

Ms. Walli,

By letter dated March 21, 2018, the Ontario Energy Board (the “**Board**”) granted Énergir, L.P. (“**Énergir**”) the status of intervenor in the above-mentioned files. After a thorough analysis of the evidence submitted thus far, and having participated in the Technical Conference, Énergir respectfully submits the present letter of comment that addresses the potential impact on storage and transportation services of the rate setting mechanism and associated parameters proposed by the Applicants.

Storage services: Unregulated capacity

Énergir contracts storage services with Union Gas Limited (“**Union**”), which are then passed on to its customers through its load-balancing tariff. Énergir has 8.7 PJ of storage capacities contracted with Union at market-based rates for the 2019-2022 period,¹ which represents approximately 48% of Énergir’s storage capacities and approximately 10% of the 80.9 PJ unregulated storage capacity available from Union.²

¹ See Appendix 5 of Énergir’s gas supply plan for the 2019-2022 period filed in its latest annual rate case (R-4018-2017) at: http://publicsde.regie-energie.qc.ca/projets/424/DocPrj/R-4018-2017-B-0034-DemAmend-Piece-2018_03_29.pdf

² Interrogatory Responses from Applicants to School Energy Coalition, filed on 2018-03-23, Exhibit C.SEC.3, page 1.

Enbridge Gas Distribution (“EGD”) has historically contracted unregulated market storage and currently contracts for 19.5 PJ of storage services with Union.³ The Applicants state that contracts whereby EGD procures unregulated storage services from Union at market rates will expire after the amalgamation. As these contracts expire, the proposed amalgamated company (“Amalco”) will use a blind RFP process managed by an independent third party for EGD storage needs. Amalco unregulated may bid into the RFP.⁴

In total, there are 306.8 PJ of storage capacity in Ontario, which are owned at 99.1% by Union, EGD and its affiliate Market Hub Partners Canada L.P.⁵ that competes in a larger geographic market of almost 1.2 Tcf of working gas capacity.⁶

In the report “Analysis of Merchant Natural Gas Storage Competition in Ontario” commissioned in connection with the Competition Bureau’s review of the merger of Enbridge Inc. and Spectra Energy Corp., ICF concludes that the storage market in which EGD and Union compete is indeed highly competitive and that the merger of EGD and Union’s storage operations would have little impact on the concentration of storage services.⁷

Énergir acknowledges that Amalco would be operating in a competitive environment for its unregulated storage capacities, which would in theory prevent Amalco from offering services at off-market prices. Moreover, Énergir does not only take into consideration the price, but also other characteristics such as intraday flexibility or type of service, in order to select the most advantageous option for its customers. Therefore, as long as those other characteristics are still available in the storage market, Énergir does not envision any impact on its customers. Furthermore, the proposed blind RFP process suggests that there will be no change in the unregulated capacity available in the Ontario market after the amalgamation. As such, Énergir concludes that the amalgamation of Union and EGD’s storage capacities should have no significant impact on the current and future storage capacity that Énergir contracted or might contract with Union.

Transportation services: Cost allocation and rate design

The transportation service is subject to rate schedules approval by the Board. The Applicants request a 10-year deferred rebasing period with the amalgamation, but are also considering a proposal for Amalco’s 2019 Rates application to change the current approved rate design for Union’s M12 and C1 Rates regarding transportation demand charges on the Dawn-Parkway segment. The proposed rate design would recover the demand costs associated with Dawn, Kirkwall and Parkway stations from transportation services that utilize each station.⁸

³ Interrogatory Responses from Applicants to the Association of Power Producers of Ontario, filed on the 2018-03-23, Exhibit C.APPrO.7, Question C, page 2.

⁴ Interrogatory Responses from Applicants to School Energy Coalition, filed on 2018-03-23, Exhibit C.SEC.2, Attachment 1, page 1.

⁵ Undertaking Responses from Applicants, filed on 2018-04-06, Exhibit JT2.9, page 1.

⁶ *Ibid.*

⁷ Applicants’ Submission on School Energy Coalition’s Motion, filed on 2018-04-19, Attachment 1, page 4.

⁸ Interrogatory Responses from Applicants to TransCanada Pipelines Limited, filed on 2018-03-23, Exhibit C.TCPL.4, Question A, page 1.

Énergir is seeking fair and balanced rates from its suppliers and therefore supports to proceed with a cost allocation and rate design for the M12 and C1 Rates as soon as 2019 to ensure the aforementioned.

Transportation services: Interruptible intraday capacity

Énergir has approximately 724,395 GJ/d⁹ of M12 service with Union, which represents 9.2% of the 7,904,420 GJ/d¹⁰ of the Dawn-Parkway System capacity. Énergir's C1 Rate contracts will reach the end of their term in 2019.

EGD has contracted for 2,985,500 GJ/d¹¹ of M12/M12X services, which represent 37.8% of the Dawn-Parkway System capacity. Union uses 2,208,703 GJ/d¹² for in-franchise needs. Going forward, EGD shall be treated as an in-franchise customer and thus, 65.7% of the system will be used in-franchise.

In their evidence, the Applicants state that the amalgamation will not change the price, quality or reliability of transportation services for customers.¹³ Since M12 and C1 transportation customers will still be entitled to nominate their firm transportation quantities under their firm transportation contracts at the Timely window,¹⁴ Énergir acknowledges that post-amalgamation, the priority and the quality of the firm service will indeed remain unchanged.

Adjustments to firm transportation quantities nominations will still be available on an interruptible basis at intraday nomination windows as provided in the contracts. In-franchise requirements will still be considered firm all-day. In an example regarding interruptible intraday capacity discussed during the Technical Conference and detailed in Undertaking JT3.12, the Applicants confirmed that, when short in capacity on an intraday window, in-franchise customers will be given priority over ex-franchise customers and get all of their required capacity as opposed to the latter who would potentially only have a share in the remaining capacity, if any.¹⁵ The Applicants emphasized that in the past, Union has not had to allocate interruptible intraday capacity on the Dawn-Parkway System between in-franchise and ex-franchise customers and see this as an improbable scenario.¹⁶

Énergir recognizes that intraday capacity has not historically been an issue and is aware that the above mentioned scenario is based on theoretical assumptions only. However, given that post-amalgamation, most of the capacity would already be allocated in-

⁹ See Appendix 4 of Énergir's gas supply plan for the 2019-2022 period filed in its latest annual rate case (R-4018-2017) at: http://publicsde.regie-energie.qc.ca/projets/424/DocPrj/R-4018-2017-B-0034-DemAmend-Piece-2018_03_29.pdf

¹⁰ Interrogatory Response from Applicants to TransCanada Pipelines Limited, filed on 2018-03-23, Exhibit C.TCPL.3, Question E, page 2.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ Application and Evidence from Applicants, EB-2017-0306, Exhibit B, Tab 1, page 40.

¹⁴ Undertaking Responses from Applicants, filed on 2018-04-03, Exhibit JT3.12, page 1.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

franchise to cover both Union and EGD's needs, Énergir respectfully submits that the interruptible intraday capacity dynamic will be different and therefore, unknown situations may materialize during, for example, a peak day.

As an ex-franchise customer using M12 and C1 services, Énergir would like to be reassured by the Applicants that it should expect no alteration on the intraday capacity's availability post-amalgamation. Therefore, Énergir understands that should there be no impact on the availability of the intraday capacity, the M12 and C1 Rates should remain unchanged.

Upcoming oral hearing

As per Procedural Order No. 6, the oral hearing in the present files will be held on May 3, 4, 14 and 15, 2018. As mentioned in its email dated April 23, 2018, Énergir wants to inform the Ontario Energy Board that it will attend the hearing in person or follow it via audio streaming for monitoring purposes only and does not plan to cross-examine any witness.

However, depending on the evidence adduced during the hearing and on the Applicants' argument, Énergir reserves its right to submit a written argument and thus add to or change, in whole or in part, the comments expressed and positions taken in the present letter.

Énergir wants to thank the Board for the consideration that it will give to the present letter.

Sincerely yours,



Dave Rhéaume
DR/jf/vl

- cc. All intervenors (by email only)
Mr. Michael Millar (by email only)
Mr. Ian Richler (by email only)
Mr. Khalil Viraney (by email only)