



Enbridge Gas Inc.
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Chatham, Ontario, Canada
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April 24, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EPCOR Natural Gas Limited Partnership
Southern Bruce Leave-to-Construct Application
Ontario Energy Board File No. EB-2018-0263**

Enbridge Gas Inc. hereby submits interrogatories on the evidence of EPCOR Natural Gas LP pursuant to Procedural Order No. 1 to the above noted proceeding

Should you have any questions on this submission, please do not hesitate to contact me.

Yours truly,

[Original Signed By]

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Encl.

c.c. (email only): Bruce Brandell, EPCOR Utilities Inc.
Richard King, Osler, Hoskin & Harcourt LLP
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UNION GAS LIMITED
INTERROGATORIES TO EPCOR NATURAL GAS LP

1. **Reference:** EPCOR Application, Exhibit A, Tab 2, Schedule 1, page 2

"In the Southern Bruce Expansion Decision, the Board granted ESBGI Certificates of Public Convenience and Necessity ("CPCN") for each of the Municipality of Arran- Elderslie (except for the geographic area of the former Township of Arran and the former Village of Tara), the Municipality of Kincardine and the Township of Huron-Kinloss, conditional on the approval of its subsequent leave to construct application."

Reference: EPCOR Application, Exhibit A, Tab 2, Schedule 1, page 3

"In order to allow EPCOR to construct the Facilities to serve the Southern Bruce Municipalities, EPCOR also applies under section 8 of the MF Act for limited CPCNs along the mainline route in respect of the County of Bruce, the County of Grey, the Municipality of Brockton, the Municipality of West Grey and the Township of Chatsworth."

Reference: EPCOR Application, Exhibit A, Tab 4, Schedule 1, page 3

"For Grey County, EPCOR is seeking an upper-tier CPCN limited to a strip 500 meters to the north and south of the preferred pipeline route. Within Grey County, EPCOR is also seeking limited CPCNs for the Municipality of West Grey and the Township of Chatsworth, in each case a 500 meter-wide strip to the south and north (respectively) of the preferred pipeline route. For Bruce County, EPCOR is seeking an upper tier CPCN covering the areas for which EPCOR already has lower-tier CPCNs (i.e. the Municipality of Arran-Elderslie, the Municipality of Kincardine, and the Township of Huron-Kinloss), along with a narrow strip (500 meters to the north and south, as applicable, of the preferred pipeline route) in the Municipality of Brockton. Within Bruce County, EPCOR is seeking a limited CPCN for the Municipality of Brockton, namely a 500 meter-wide strip to the south and north (as applicable) of the preferred pipeline route."

Reference: EB-2017-0108 Decision and Order dated October 11, 2018, pages 13-14

"The OEB also agrees with OEB staff that upper-tier certificates are unnecessary, and that certificates for lower-tier municipalities, which are awarded based on geographical area, provide sufficient authorization to construct works to supply gas in area given jurisdiction, which should also include the county roads under upper-tier jurisdiction."

Questions:

- (a) Please provide metes and bounds information in lots and concessions for those parts of the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss that are associated with this leave to construct application.
- (b) Please provide metes and bounds information in lots and concessions for those parts of the Municipality of Brockton, the Municipality of West Grey and the Township of Chatsworth that are associated with this leave to construct application.
- (c) Please provide metes and bounds information in lots and concessions for those parts of the lower-tier municipalities within the County of Bruce and the County of Grey that are associated with this leave to construct application and not already addressed in other proposed CPCNs.

2. **Reference:** EPCOR Application, Exhibit A, Tab 2, Schedule 1, page 3
"Pending Board approval, EPCOR will enter into franchise agreements with the County of Bruce, the County of Grey, the Municipality of Arran-Elderslie, the Municipality of Brockton, the Municipality of Kincardine, the Municipality of West Grey, the Township of Chatsworth and the Township of Huron-Kinloss. All proposed franchise agreements are based on the Board's Model Franchise Agreement. The Franchise Agreements with the County of Bruce, the Municipality of Arran-Elderslie, the Municipality of Kincardine, the Municipality of West Grey, the Township of Chatsworth and the Township of Huron-Kinloss have been executed and are attached at Tab 4, Schedule 4. The Franchise Agreements for Grey County and the Municipality of Brockton have been approved and will be executed pending Board approval; the forms of agreement are attached at Tab 4, Schedule 4."

Question:

Please confirm EPCOR's understanding that the effective date of any franchise agreement will be the later of the date of the Decision and Order issued by the Ontario Energy Board approving a franchise agreement or the date of the 3rd and Final reading of the municipal bylaw approving the franchise agreement.

3. **Reference:** EPCOR Application, Exhibit A, Tab 3, Schedule 1, page 7
"Subject to OEB approval, construction is scheduled to begin in June 2019. This will allow sufficient time to construct the Project over three summer construction seasons and avoid higher winter construction costs. This construction schedule has been updated from EPCOR's CIP submission to take into account the impact of the delay in approval of a Leave to Construct for the Project which was originally assumed to be August 2018. EPCOR is targeting substantial completion of the Project by December 31, 2021."

The proposed construction schedule is targeted to begin in June 2019, with natural gas being distributed to Bruce Energy Centre, Chesley and Paisley for the 2019-2020 heating season if Union completes the custody transfer station in November 2019 as originally targeted. Natural gas is expected to be available in Kincardine and Tiverton for the 2020-2021 heating season, and Lucknow, Inverhuron, Point Clark and Lurgan Beach for the 2021-2022 heating season."

Reference: EPCOR Application, Exhibit A, Tab 6, Schedule 1, page 1

"The proposed construction schedule will start to provide natural gas to residences, business and industrial customers for the 2019-2020 heating season. EPCOR must commence construction by June 2019 to meet the in service date and avoid winter construction. Therefore, EPCOR is requesting that the Board issues a decision for this proceeding by the end of May 2019."

Questions:

- (a) Please provide an update on the expected in-service dates of the various components of the project.
- (b) Please provide an update to Table 2 - CIP Customer Forecast (Exhibit A, Tab 7, Schedule 1, page 6) showing details of current estimates of how many of each class of customer (residential, commercial and industrial) EPCOR plans to serve for the 2019-2020 and subsequent heating seasons.
- (c) Please provide an update to Table 3 - CIP Throughput Volumes (Exhibit A, Tab 7, Schedule 1, page 7) showing details of current throughput estimates
- (d) Please provide an update on the costs forecast for this project since the CIP review process.

- (e) What are the scheduling impacts if final approvals of the requested leave to construct, proposed franchise agreements and CPCNs are not received by May 31, 2019 or June 30, 2019?
- (f) Please confirm that no construction activities have been commenced and will not commence until the CPCNs have been approved by the OEB and final franchise agreements have been executed by the municipalities.

4. **Reference:** EPCOR Application, Exhibit A, Tab 4, Schedule 4
Proposed Franchise Agreements

"4. Duration of Agreement and Renewal Procedures.

- a. If the Corporation has not previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law.*
- b. At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the Municipal Franchises Act."*

Reference: OEB's 2000 Model Franchise Agreement:

"4. Duration of Agreement and Renewal Procedures

- (a) If the Corporation has not previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law.*
- or*
- (b) If the Corporation has previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20 year term of this Agreement, the Model Franchise Agreement is changed, then on the 7th anniversary and on the 14th anniversary of the date of the passing of the Bylaw, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20 year term.*
- (c) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the Municipal Franchises Act."*

Questions:

- (a) Please confirm EPCOR's understanding that Enbridge Gas (previously Union Gas Limited) has been distributing gas within the following municipalities:
- Municipality of Arran-Elderslie (since 1997)
 - Municipality of Brockton (since 1962)
 - Township of Chatsworth (since 1962)
 - Municipality of West Grey (since 1962)
 - County of Bruce (since 1962)
 - County of Grey (since 1959)
- (b) Please confirm EPCOR's understanding that Enbridge Gas currently holds franchise agreements with and Certificates of Public Convenience and Necessity for each of the municipalities identified in part (a)..
- (c) Given that consumers within these municipalities have been receiving gas distribution services for several decades, please confirm that clause 4 of the proposed franchise agreements for these municipalities should refer to sub-clause (b) of the 2000 Model Franchise Agreement.

5. **Reference:** EB-2016-0137/0138/0139 Decision and Order dated April 12, 2018, page 12

"4.3 Municipal Franchise Agreements

The original applications filed by EPCOR on March 24, 2016 also requested that the OEB approve the terms of their franchise agreements with the South Bruce Municipalities. The form of the franchise agreements filed differs from the 2000 Model Franchise Agreement (MFA) in the following ways:

- *The proposed franchise agreements contain termination provisions. If EPCOR fails to meet certain milestones dates at various points throughout the regulatory applications and construction, the municipalities have termination rights. The rationale was to ensure that EPCOR is actively pursuing this undertaking in a timely manner.*
- *The proposed franchise agreements provide for the payment of an annual fee by EPCOR to the municipalities following the commencement of operation of the gas system. The annual fee is 1% of gross revenue minus gas supply commodity costs.*
- *The proposed franchise agreements provide for a rebate of the Municipality's portion of any property or similar taxes payable by EPCOR for the first 10 years of operation.*
- *The proposed franchise agreements provide for the assignment of the agreements to a wholly or majority owned subsidiary of EPCOR."*

Questions:

- (a) Has EPCOR entered into any side agreements / arrangements with the Southern Bruce Municipalities?
- (b) If the answer to (a) is yes, please provide documentation related to these agreements / arrangements.

6. **Reference:** EPCOR Application, Exhibit A, Tab 7, Schedule 1, page 4

"In confirming the economic viability of this project EPCOR is relying on determinations made by the OEB in its Southern Bruce Expansion Decision with respect to an EBO 188 based economic test which is applied to a distribution system expansion."

Reference: EPCOR Application, Exhibit A, Tab 7, Schedule 1, page 5

"EPCOR proposes that the CIP process, the parameters contemplated therein and the Southern Bruce Expansion Decision have addressed the economic feasibility requirement. The

circumstances of this Application are unique in that it is the result of the Southern Bruce Expansion Decision. As a new stand-alone franchise with stand-alone rates, there are no existing customers that will be affected by development of the system, and no cross-subsidization will occur with any other Ontario system, including EPCOR's Aylmer operations."

Reference: EPCOR Application, Exhibit A, Tab 7, Schedule 1, page 3

"On December 21, 2018 EPCOR received a letter from the Minister of Energy, Northern Development and Mines stating that the South Bruce expansion project will be eligible to receive rate protection associated with Bill 32, Access to Natural Gas Act, 2018."

Questions:

- (a) Was a discounted cash flow analysis in accordance with the parameters laid out in EBO 188 completed for the proposed project? If yes, please provide this analysis.
- (b) Please explain EPCOR's position that the rate protection associated with Bill 32 will not result in any cross-subsidization with any other Ontario gas distribution system.

7. **Reference:** EPCOR Application, Exhibit A, Tab 7, Schedule 1, page 5

"EPCOR has undertaken consultations with potential customers in the area and is proposing rates with an objective of being competitive so as to encourage conversion. As part of the Board's competitive CIP process, EPCOR is required to take additional risks not common to other utilities including market risk during the rate stability period. Moreover, EPCOR accepts the capital cost risk associated with construction of the facilities contemplated within the framework of the CIP, further ensuring that no customers in either system will have exposure to capital cost overruns from the development of the distribution system."

Questions:

- (a) Please provide details of the additional risks that EPCOR is required to take that are not common to other utilities.
- (b) Please describe the provisions in EPCOR's proposed rate design that are intended to make EPCOR's service competitive and to encourage conversion.