GOWLING WLG

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Ian A. Mondrow
Direct 416-369-4670
ian.mondrow@gowlingwlg.com

Assistant: Cathy Galler
Direct: 416-369-4570
cathy.galler@gowlingwlg.com

VIA RESS AND COURIER

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

Dear Ms. Walli:

Re: EB-2018-0188 – Enbridge Gas Inc. (EG) Chatham-Kent Rural Project (CKRP) Leave to Construct (LTC).

Industrial Gas Users Association (IGUA) Written Submissions.

On the basis of the record herein as it has developed, IGUA does not oppose the granting of leave to construct EG's proposed CKRP. As a result of EG's interrogatory responses, IGUA is satisfied that;

1. Any subsidy to be collected by EG pursuant to the *Expansion of Natural Gas Distribution Systems* regulation will be applied by EG in such a manner as to effectively allocate the benefit of any such subsidy equally to all customers ultimately bearing costs associated with the proposed project. [B.IGUA.4]

2. Based on current approved cost allocation methodology, the project costs would be considered "Other Transmission" costs and allocated to rate classes in proportion to Union Gas South Rate Zone in-franchise design day demands (and <u>not</u> in the manner currently approved for allocation of the Panhandle transmission costs which will be subject to review as part of EG's 2020 rates application). [B.IGUA.6]

3. As a result of applying the E.B.O. 188 guidelines for project economic analysis, EG's proposal is to ensure that there will be no cross-subsidy of the project in favour of those customers who will benefit from the project by other customers (beyond the cross-subsidy by all Ontario natural gas consumers embedded in the *Expansion of Natural Gas Distribution Systems* regulation). [B.IGUA.6]

There is one additional issue on which we would offer comment; truing up of original customer contributions. [B.Staff.2, page 6, part b)iv.]

OEB Staff asked if EG has considered providing a true-up to the customers who commit to using, and contributing to the costs of, the project's capacity, should additional growth materialize (as forecast). EG indicated in response that it considered, but rejected, such a true-up on the basis that *"customers prefer certainty when they execute a long-term contract"* and *"a true up would introduce uncertainty form the customer's perspective and Enbridge Gas is prepared to manage the demand forecast risk"*.

We do not understand the "true-up" issue raised by OEB Staff to engage the allocation of risk between EG and customers, but rather as between current customers and future customers. Certainly current customers would not object to obtaining a rebate of a portion of their commitment in support of the project should additional customers come forward to benefit from the project in the future. Further, there is no "demand forecast risk" that EG bears insofar as current customers have committed to supporting the project. Customers who come to the project later should pay their proportionate share in support of the facilities from which they will benefit.

However, in this instance, EG has indicated that while forecasted demands on the Baseline Section of the project could be satisfied with an NPS 6 pipe, upsizing that section to an NPS 8 pipe would allow EG to economically serve future growth beyond the term of the initial forecast. The upsizing cost is to be borne by EG's customers at large, rather than by the customers contracting in support of this project. [B.Staff.2, part a)]

We understand the incremental cost of such upsizing to be approximately $510,000 (approximately 3%). [B.Staff.4, p.2] Given this level of incremental cost, and the significant growth observed in the project area, the upsizing seems to be a prudent proposal. IGUA also agrees that this cost to provide incremental capacity beyond that currently contracted for should not be borne by currently contracting customers. In this circumstance, if currently contracting customers are not required to support the modest incremental cost of the upsizing, then there should be no "true-up" rebate to them should customers attach in future for use of the excess capacity planned for through the current proposal. Rather, contributions required from future attaching customers should be applied to offset costs that all Union South rate zone customers will pay for the upsizing under EG's proposal.

Yours truly,

Ian A. Mondrow

c: W.T. Wachsmuth (Union)
S. Rahbar (IGUA)
A. Manzano (OEB Staff)
Intervenors of Record

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