

EB-2019-0137

Ontario Energy Board

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

AND IN THE MATTER OF a consultation to
Review Enbridge Gas Inc. 2020-2024 Natural Gas Supply Plan

Written Questions of

Energy Probe Research Foundation

September 6, 2019

Review of EGI 2020-2024 Gas Supply Plan
Energy Probe Research Foundation Written Questions

EP-1

Reference: Section 2.2, page 22

Preamble:

“The growth in U.S. production of natural gas from shale resources is driven by continued development of the Marcellus and Utica shale plays in the east as shown in Figure 15 below. Shale gas production will account for more than 90% of natural gas production by 2050.”

Question:

Certain Democratic Party candidates for President stated that, if elected, they would ban hydraulic fracturing. Please discuss the impact that such a ban would have on EGI’s 5-year gas supply plan.

EP-2

Reference: Section 4.1, pages 30-32 and Table 1; Section 9.1, page 64

Question:

- a) Please provide the HDD forecast and actuals for each of the CDA, EDA and Niagara for 2015-2019 and the outlook for 2020-2024
- b) What are the Standard deviations for each for the historic period? Please provide/explain the HDD sensitivity/impact to one SD.

EP-3

Reference: EB-2017-0129 Draft Report of the Ontario Energy Board, Framework for the Assessment of Distributor Gas Management Plans, page 10

Preamble:

“One of the underlying themes of the consultation on Distributor Gas Supply Planning was the topic of risk and the cost to mitigate it. Currently in Ontario, distributors manage the gas supply portfolio by balancing cost and reliability. During prior consultations stakeholders had difficulty understanding how the distributor’s objectives for the plan were linked to some of the decisions that distributors make. For example, distributors assess the risk/cost trade-off between procuring landed supply or procuring closer to the production source but the inputs to the final decision and a description of the alternative options were not articulated in a meaningful way in the gas supply memorandums.”

Question: Please explain how EGI is addressing the concerns about risks to ratepayers of

EGI's gas management. Specifically do ratepayers ultimately bear all of the risks of EGI's gas management decisions?

EP-4

Reference: Section 4.1, pages 31 to 32

Preamble: The discussion of the general service market risks appears to focus on volume risk.

Question:

- a) Is volume risk the only risk that Enbridge faces in the general service market? Please explain your answer.
- b) Is the general service volume forecast fixed for the entire 5 year period or does it change at more frequent periods?
- c) Can Enbridge mitigate the volume risk? Please provide reasons for your answer.

EP-5

Reference: Section 4.1, pages 30-32 and Table 2; Section 9.2

Question:

- a) Please break down the General Service consumption into Rate 1 and Rate 6 and show the historic actual and forecast and outlook.
- b) Please explain the impact of the Federal carbon tax for Rate 1 and Rate 6; in particular, why the consumption growth rate for Rate 1 is negative, while Rate 6 is positive.
- c) Please provide the historic Rate1 forecast and actual Normalized Average use per Customer in tabular and graphical formats and provide the trend line.
- d) Please extend the trend line into 2020-24 and comment on the result.
- e) Please provide the historic Rate 6 forecast and actual Normalized Average use per customer in tabular and graphical formats and provide the trend line.
- f) Please extend the trend line into 2020-24 and comment on the result.

EP-6

Reference: Section 4.2, pages 35-37, Figure 20; Table 4 and Average Day demand Table 14

Question:

- a) Please indicate which variable(s) in the Design Day forecast model(s) capture the declining average use trends for Rate 1 (and 6?).
- b) Please provide a discussion on how declining use affects the load factor and design day forecast.
- c) Have there been changes to the models to include NAC and other factors, such as penetration of high efficiency furnaces and tankless water heaters? Please discuss.
- d) Given Average Demand (shown in Table 14) is declining, please discuss how this has affected the GSP and specifically which contract volumes have and will be adjusted to accommodate this.

EP-7

Reference: Section 4.2, page 39, and Section 17.1

Preamble: *“The Provincial Government’s recent Made-in-Ontario Environment Plan (“MOEP”) includes a requirement for natural gas utilities to offer voluntary RNG to customers. EGI is currently in the process of developing a voluntary RNG program in response to this policy.”*

Question:

- a) Please provide a status report and outline of the voluntary RNG Program.
- b) How much has been invested before and after, the release of the MOEP?

EP-8

Reference: OEB Affiliate Relationships Code for Gas Utilities (“the ARC”), Sections, 2.34 to 2.39

Preamble: The following sections of the ARC may be relevant to the Gas Supply Plan.

Where a Market Exists

2.3.4 Where a reasonably competitive market exists for a service, product, resource or use of asset, a utility shall pay no more than the market price when acquiring that service, product, resource or use of asset from an affiliate.

2.3.5 A fair and open competitive bidding process shall be used to establish the market price before a utility enters into or renews a contract with an affiliate.

2.3.6 Despite section 2.3.5, where satisfactory benchmarking or other evidence of market price is available, a competitive tendering or bidding process is not required to establish the market

price for contracts with a value of less than \$100,000 or 0.1% of the utility's revenue net of the cost of gas, whichever is greater.

2.3.7 Where the value of a proposed contract exceeds \$300,000 or 0.3% of the utility's revenue net of the cost of gas, whichever is greater, a utility shall not award the contract to an affiliate before an independent evaluator retained by the utility has reported to the utility on how the competing bids meet the criteria established by the utility for the competitive bidding process.

2.3.8 The Board may, for the purposes of sections 2.3.6 and 2.3.7, consider more than one contract to be a single contract where it has been entered into for the purpose of setting the contract values at levels below the threshold level set out in section 2.3.6 or 2.3.7.

2.3.9 Where a reasonably competitive market exists for a service, product, resource or use of asset, a utility shall charge no less than the market price of the service, product, resource or use of asset when selling that service, product, resource or use of asset to an affiliate.

Question:

- a) Please provide names of affiliates of EGI that the company is using or is planning to use for storage and transportation.
- b) Please explain how EGI is complying or is planning to comply with the above sections of the ARC.

EP-9

Reference: Section 5.3 pages 42-43 Tables 6 and 7

Question:

- a) Please provide a version of Table 7 showing Affiliate and Third Party storage contracts.
- b) Please indicate the proposed allocation of storage to General Service and Contract customers similar to Union Rate zone Table 25.
- c) Please provide the current cost range for COS/Regulated and Market storage.
- d) Please provide the price forecast for COS and Market storage for 2020-2024.

EP-10

Reference: Section 6.4, page 55

Preamble: *"The post-2020 TCPL Mainline regulatory construct may result in changes to services, tolls, delivery areas and cost allocation, creating risks for EGI including the potential*

for less flexibility and higher costs. It is possible that such changes bring about the requirement for a revised Plan relative to what is planned today. However, at this time EGI cannot estimate what the impacts may be.”

Question:

- a) Given the Expiry date of Dec 31, 2020 what are the projected timelines for revisions to the Long Haul component of the GSP.
- b) If a “Halloween Agreement 2” with shippers is not reached, when will the TCPL toll structure go to a regulatory hearing? Please discuss.

EP-11

Reference: Section 11.1, page 70, Table 20

Question:

- a) Please provide the HDD forecast and actuals for each of the UNE, UNW and Union South for 2015-2019 and the outlook for 2020-2024.
- b) What is the standard deviation for each for the historic period? Please provide/explain the HDD sensitivity/impact to one standard deviation.

EP-12

Reference: Section 11.1, Page 70, Table 20

Question:

- a) Please breakdown the General Service consumption into Rate M1, Rate M2, Rate 01 and Rate 10 and show the historic actual and forecast and outlook 2020-24.
- b) Please explain and support the impact of the Federal carbon tax for Rate M1, Rate M2, Rate 01 and Rate 10;
- c) Please provide the historic Rate M1 forecast and actual Normalized Average use per Customer in tabular and graphical formats and provide the trend line.
- d) Please extend the trend line into 2020-24 and comment on the result.
- e) Provide the historic Rate 01 forecast and actual Normalized Average use per customer in tabular and graphical formats and provide the trend line.

- f) Extend the trend line into 2020-24 and comment on the result

EP-13

Reference: Section 11.1, Pages 74-75, Figure 30 and Tables 22 and 23

Question:

- a) Please explain why Design Day demand for UNE is increasing, despite declining consumption per customer.
- b) Please explain why Design Day demand for Union South is increasing, despite declining consumption per customer.

EP-14

Reference: Section 12.1, Table 25

- a) Please explain why Union cannot allocate the excess storage to Enbridge rate zones, at either regulated or market rates? Specifically, why does this capacity need to be marketed rather than assigned?
- b) How much do EGD shareholders realize from the Sale?
- c) What Premium is Union rate zones receiving for the excess storage in terms of revenue and unit costs What is the average price range relative to the market storage range for Enbridge rate zones.

EP-15

Reference: Section 12.3 Transportation Portfolio, page 80

Question: Has any of the information presented to the OEB in EB-2016-0186 and EB-2017-0087 to support the justification for increased capacity on Panhandle Eastern changed since then? Please explain your answer.

EP-16

Reference: Section 12.3, Page 80

Preamble: “In the latter half of 2018, Union bid into the Dawn to Parkway Open Season for 40,000 GJ/d of capacity with an in-service date in 2021.”

Question: Please explain the process used by Union to bid for capacity on its own system.

EP-17

Reference: Section 12.5, Page 82, Table 26

Question:

- a) Please provide the historic Transactional Services Revenue from UDC showing the volumes sold and revenues.
- b) Please provide the forecast for TS Revenue 2020-2024.

EP-18

Reference: Section 13.1, page 86

Preamble: *“At this time, it is unknown what transportation option will be available to the Union EDA beginning in 2021 as all incremental transportation options could require a facilities build. Transportation contracts **supporting a facility build** would require a term of 15 years in addition to the 3 to 4 years of lead time to allow for construction, limiting contracting flexibility.”*

Question:

Please provide more detail on the build options available for the Union EDA.

EP-19

Reference: Section 17.2, Page 102 Community Expansion

Question:

- a) Please Provide a List of the 72 potential communities, including # customers, Rate Zone and in-service dates.
- b) Have economic feasibility assessments been undertaken? List those that meet eligibility, the AIC and government assistance for each and the in-service date.
- c) What specific transportation changes are embedded in the plan to accommodate community expansion. Please discuss/expand.

EP-20

Reference: Section 18, and Appendix J

Question:

- a) Please explain the genesis of the Scorecard i.e. the selection of the metrics with references as appropriate.
- b) Please provide the 5 year historic metrics for HDD variance and compare the average to the targets.
- c) Why is there no metric for Demand Forecast? Please explain why this is not included in the Scorecard.
- d) Why cannot EGI populate the Scorecard with results from the previous/historic Gas Supply plans? Please explain.

Respectfully submitted,

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Consultants to Energy Probe