EB-2019-0183

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order or Orders approving a new firm transportation service for gas distributors under the Rate M17 rate class, effective December 1, 2019;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order or Orders modifying the applicability of the existing Rate M9 and Rate T3 rate schedules for existing gas distributors;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Municipality of West Grey and the Township of Chatsworth; and

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order or Orders approving the form of various land agreements.

Interrogatories

To

Enbridge Gas Inc. (Enbridge)

From

EPCOR Natural Gas Resources Limited (EPCOR)

November 14, 2019

Question: 1

Reference:

i. Exhibit A Tab 3 Schedule 1
ii. Exhibit B Tab 1 Schedule 1, paragraph 8
iii. Exhibit B Tab 1 Schedule 4, paragraph 2
iv. Press releases referencing Union Energy Solutions Ltd., an unregulated affiliate of Enbridge and Certarus Ltd. (Certarus) investments in several 'virtual pipelines' to deliver compressed natural gas (CNG) to mining, forestry and industrial customers in Northern Ontario.
    - https://www.redrocktownship.com/certarus-announcement/
    - https://www.globenewswire.com/news-release/2019/05/23/1841584/0/en/Certarus-Ltd-Announces-Strategic-Alliance-and-Commercial-Investment-Agreement-With-Enbridge-Inc-for-the-Expansion-of-Natural-Gas-Supply-to-Remote-Locations-in-Northern-Ontario.html
v. EB-2018-0329 intervention letter dated September 26, 2019 from Certarus stating their desire to deliver gas to five municipalities that have filed an application to develop their own distribution system to serve residential, commercial and industrial customers.
vi. *Ontario Energy Board Act 1998*, S.O. 1998, c. 15, (Schedule B) (OEB Act)
    - *"gas" means natural gas, substitute natural gas, synthetic gas, manufactured gas, propane-air gas or any mixture of any of them; ("gaz")*
    - *"gas distributor" means a person who delivers gas to a consumer and "distribute" and "distribution" have corresponding meanings; ("distributeur de gaz", "distributer", "distribution")*

Preamble:

In references i) to iii) Enbridge discusses the rationale to introduce the M17 service as the new default service for new gas distributors and to limit grandfather access to existing services.

In references iv) - v), Enbridge refers to a commercial venture by Certarus to operate a virtual pipeline to deliver CNG to residential, commercial, and industrial customers in Northern Ontario.

In reference vi), the OEB Act defines a gas distributor as a person who delivers gas to a consumer.

EPCOR would like to better understand all of Enbridge's policies and practices with respect to the provision of services by companies targeting to provide natural gas service to previously unserved areas.

a) Please describe the commercial relationship that Enbridge Inc. has with Certarus in Ontario.

b) Please confirm that Certarus has recently begun receiving natural gas service from Enbridge in the Timmins area to produce CNG for delivery in Northern Ontario to customers not served by Enbridge and identify the rate class that Certarus is being serviced under.

c) Please confirm that Enbridge has recently commenced providing service to Certarus or is in discussions with Certarus for service in Red Rock to produce CNG and deliver it to customers in Northern Ontario not served by Enbridge. Please provide either the rate class for service that is either being received or the service that Enbridge has proposed to service the Red Rock location in the event that the Red Rock facility is not currently in service.

d) Please identify all other locations where Enbridge is providing service to Certarus in Ontario.

e) Please confirm that Enbridge has not introduced a new rate class in the Union North Rate Zone, or any other Enbridge Rate Zone to provide service to new CNG customers. If Enbridge has introduced a new rate class, then please provide copies of the respective approved tariffs.

f) Please provide Enbridge's position whether it views Certarus is a gas distributor as defined under the OEB Act, and if not, why not.

g) Please provide a copy of all company policies, practices, guidelines or other internal instructions that Enbridge uses to determine the type of service that a CNG customer is eligible for, including any limitations to any existing service.

h) Please complete a table, as illustrated below, identifying certain limited information about each CNG customer that is either currently receiving service, or committed to receive service from Enbridge in each of Enbridge's rate zones. The table should include locational information, the date that these customers went into service (or anticipated to go into service), the utility rate zone that each customer is in and the specific service rate class that each customer receives, and which of these customers has the ability to purchase gas supply from Enbridge.

Enbridge CNG Customers

Customer Reference	Municipality	Service Date	Utility Rate Zone	Rate Class	Customer has the Right to Purchase to Gas Supply from Enbridge (Y/N)
A					
B					
C					
D					

i) Please provide a copy of each of the Board approved tariff sheets for each of the rate classes noted above.

j) Please indicate if Certarus and all other CNG customers were required to fully pay for the Enbridge customer station feeding the customer independent of any economic test applied to the project. If not, please explain why not.

Question: 2

Reference:

i. Exhibit B Tab 1 Schedule 3 paragraph 6-8
ii. Exhibit D Tab 1 Schedules 1-3
iii. Exhibit D Tab 2-3 Schedule 1
iv. Exhibit E Tab 4 Schedule 1

Preamble:

In reference i), Enbridge provides a description of the applicable input charges for the M17 service, including a unit charge of $1.844/GJ to recognize the cost for Enbridge's "Other Transmission" assets.

In reference ii) Enbridge describes the proposed capital expansion project as a 34 km NPS 12 reinforcement of their Owen Sound line costing $69 million. Reference ii) also describes the increase in capacity is to facilitate EPCOR's request for 10,648 m^3/h of capacity as well as Enbridge's internal growth off the Owen Sound System of 13,864 m^3/h. Reference ii) also notes that EPCOR is required to pay a CIAC of $5.34 million.

In Reference iii) Enbridge implies that a portion of the EPCOR load is to be met from existing capacity.

EPCOR would like to better understand these inputs and Enbridge's current practices to adjust its rates.

a) Please provide:
   i. The level of unused capacity of the Owen Sound Line at Dornoch as of November 1, 2018, November 1, 2019 and the unused capacity forecast at November 1, 2020 (inclusive of the capacity made available from the reverse open season).
   ii. The amount of unused capacity of the Owen Sound Line that is proposed to be used to meet EPCOR's demand of 10,648 m^3/h.
   iii. The level of EPCOR's demand that Enbridge proposes to be provided from the proposed reinforcement facilities.
   iv. The total capacity being added with the Owen Sound Reinforcement Project.
   v. The percentage of the EPCOR demand, that is being provided from the proposed reinforcement facilities, represents of the total expansion capacity of the Owen Sound Line.

b) Please provide the detailed calculation illustrating how the CIAC of $5.34 million was determined and list all assumptions.

c) Please confirm that the PI will equal 1.0, for that portion of the Owen Sound Line reinforcement that is required to serve EPCOR capacity.

d) Enbridge notes that the PI for the Owen Sound Line reinforcement is 0.31. Please recalculate the PI assuming that EPCOR was not required to pay a CIAC.

e) How much of the proposed Owen Sound Line reinforcement project costs will be allocated to Other Transmission costs? Please confirm that this allocated amount is net of the CIAC that is proposed to be collected from EPCOR as a CIAC.

f) Please confirm that the resulting revenue requirement from the Owen Sound Line reinforcement costs, that is allocated to Other Transmission costs will be recovered from all Union South Rate Zone customers including M17 customers. If not confirmed please explain in full.

g) Enbridge states that "*the CIAC proposed is an appropriate mechanism to ensure that the Enbridge Gas's existing ratepayers are not harmed by the payment of an undue subsidy*."
   i. Please provide the generic threshold test used to determine if a Union South project results in an undue subsidy.
   ii. Please specify in detail how Enbridge reached the conclusion that an undue subsidy would exist without a CIAC for the Owen Sound Line expansion.
   iii. Appendix A of the "Filing Guidelines on the Economic Tests for Transmission Line Pipeline Applications, Board File No. EB-2012-0092" requires the applicant to include "an assessment of the impacts on Ontario consumers in terms of cost, rates, reliability and access to supplies". Please provide a reference for this assessment in the application. If it is not included in the application, please provide a copy of such assessment.
   iv. Enbridge states that with a 2020 in-service date, it is not able to provide the bill impacts associated with this project. If Enbridge has not determined the bill impacts, how did Enbridge determine that without a CIAC that there would be an undue subsidy?

h) It appears that approximately half of the Owen Sound Reinforcement Project is situated north of the EPCOR delivery point at Dornoch. If any of the project costs north of Dornoch are included in the CIAC calculation, please explain in full the rationale to include such costs in the CIAC calculation. Please recalculate the CIAC assuming that that no project costs north of Dornoch are included in the CIAC calculation.

i) Please also provide the costs associated with the project north of Dornoch as well as the incremental volumes being served north of Dornoch.

j) Please estimate the annual impact to a Union South residential customer assuming that the proposed $5.34 million in CIAC from EPCOR is reduced to $0 for this reinforcement. Please also specify this as a percentage of a residential customer's total annual bill. If Enbridge is unable to provide the impact to a Union South residential customer, then please provide the following:

   i. An estimate of the annual revenue requirement that would have to be recovered from other customers, if the proposed $5.34 million in CIAC was reduced to $0.
   ii. The approximate percentage of Other Transmission costs currently approved for allocation to residential customers.

iii. The number of residential customers in Union South Rate Zone.
iv. Please calculate the product of i), ii) and iii) above. Please confirm that this product is reasonable estimate of the impact to a Union South residential customer, or explain why it would not represent a reasonable estimate of the impact.

Question: 3

Reference: Exhibit D Tab 1 Schedule 1

Preamble: In Exhibit D Tab 1 Schedule 1, Enbridge states that it has filed for approval of the facilities pursuant to EBO 134. EPCOR would like to better understand how this economic test was applied, and whether it has been applied consistently.

a) Enbridge appears to rely at least partially on the collection of a CIAC from EPCOR in the application of this EBO 134 economic test rather than use the outcome of a stage 2 and stage 3 economics to support the feasibility of the Owen Sound Line reinforcement. Please provide the appropriate references in EBO 134 that discusses the ability for the utility to charge a CIAC, and how the utility uses its discretion to rely on a CIAC vs relying on a stage 2 and stage 3 economic test to support a project.

b) Please confirm that Enbridge does not charge a CIAC for transmission expansions costs related to the Dawn-Parkway system and that both in-franchise and ex-franchise rates are adjusted to reflect the new facility costs independent of the subsidy that may be required from existing customers. If not confirmed, please explain in full.

c) For each transmission project expansion that Enbridge has undertaken in Union South (both Dawn-Parkway and Other Transmission assets) in the last 10 years please provide the following information:
   i. The capital cost.
   ii. The incremental volume added to the system for each of:
      - In-franchise contract rate classes,
      - In-franchise general service customers, and
      - M12 capacity (i.e. capacity used to serve ex-franchise customers).
   iii. Details on any CIAC payable directly by expansion customers, and the respective amounts.
   iv. The Stage 1 PI for each project, both before and after the application of any CIAC.
   v. The economic test used to evaluate the feasibility of each project, and whether Stage 2 or Stage 3 economics were relied on to justify the project’s feasibility.
   vi. The annual rate impact to a typical Union South residential customer (please include residential customers in Union North residential customers if their rates have been affected by the projects) resulting from each expansion project.
   vii. In each case where residential rates were increasing as a result of an expansion project, please explain how Enbridge reached the conclusion that there was no undue subsidy to existing customers from the transmission expansion project.

Question: 4

Reference:

i. Exhibit D Tab 1 Schedule 2
ii. Exhibit D Tab 1 Schedule 3

Preamble:

In reference i) Enbridge references EPCOR's requested capacity of 10,648 m^3/h, Enbridge also notes that there has been turnback capacity of 2,508 m^3/h. Enbridge's also states that their internal growth over the next four years is forecast to be 13,864 m^3/h.

In reference ii) Enbridge indicates that the CIAC is $5.34 million.

a) Please confirm that on July 26, 2018, Enbridge (formerly Union Gas), advised EPCOR in writing (email from M. Hagerman) that only the requested capacity in excess of 9,400 m^3/h would be subject to direct assignment of costs, as well as any resulting CIAC calculation. In other words, only the difference between the 10,648 m^3/h and the 9,400 m^3/h (i.e. 1,248 m^3/h) would be subject to a CIAC. Please provide a copy of that correspondence.

b) Please explain any difference between the volume that is subject to the CIAC in the Hagerman email (i.e. the volume in excess of 9,400 m^3/h) and the actual volume used to determine the CIAC.

c) Please further confirm that the 1,248 m^3/h of expansion capacity required to service EPCOR represents 5.67% of the total expansion capacity (1,248 m^3/h /22,004 m^3/h).

d) Please confirm that Enbridge (formerly Union Gas) advised EPCOR that the capacity in the Owen Sound Line was being reserved for the successful party in the Common Infrastructure Plan franchise competition for Southern Bruce.

e) To the extent that the EPCOR expansion capacity used to the determine the CIAC of $5.34 million is different than the 1,248 m^3/h of expansion capacity indicated on July 26, 2018, please recalculate the CIAC using 1,248 m^3/h as the Owen Sound Line expansion capacity necessary to serve EPCOR.

Question: 5

Reference: Exhibit B Tab 1 Schedule 3 paragraph 3

Preamble: In Exhibit B Tab 1 Schedule 3 paragraph 3, Enbridge references the need for a customer specific charge to cover off the capital and O&M costs associated with the station net of any contribution in aid of construction ("CIAC").

a) Please confirm that EPCOR has paid or committed to pay Enbridge $4.023 to cover the forecasted cost of the customer station at Dornoch.

b) In the event that the Board were to decide that EPCOR was not required to pay a CIAC related to the Owen Sound Line reinforcement costs, please provide:
   i. The net present value (NPV) of the proposed M17 transmission revenue that would be collected from EPCOR over the 40-year life of the project.
   ii. Assuming that the Board agreed that the NPV of the transmission revenue ought to apply to offset the costs of the Dornoch customer station, please recalculate the amount owning by EPCOR for the Dornoch customer station and confirm that Enbridge would refund such amounts.

Question: 6

Reference:

i. Exhibit A Tab 3 Schedule 1
ii. Exhibit B Tab 1 Schedule 1

Preamble:

In reference i) as part of the background to the original application for approval of the new M17 service, Enbridge discusses the Board's approach for serving new communities and that it would be subject to competition. Enbridge also states that "*the creation of the Rate M17 as proposed was appropriate given the arrival of the first new entrant to the gas distribution market in Ontario since the Board's Decision in the Natural Gas Electricity Interface Review*"

In reference ii) Enbridge states:

Enbridge Gas developed the Rate M17 transportation service for gas distributors in response to changes in the competition for natural gas distribution in Ontario. Enbridge Gas is proposing the M17 service to EPCOR in response to EPCOR's request to provide transportation to the South Bruce expansion area. In addition to making this service available to other potential new entrants, existing customers who are gas distributors will also have the option to take transportation service under Rate M17.

a) Please confirm the following features of the proposed M17 service (or otherwise explain why Enbridge is unable to confirm these features):
   i. Point to point cost-based transportation, requiring receipts and deliveries to be balanced daily.
   ii. No cost based seasonal storage.
   iii. Requires daily nominations.
   iv. No daily balancing rights.
   v. No access to gas supply.

b) Please explain if the intention of the M17 service is solely for non-Enbridge distributors (as well as any existing distributors wishing to change from an existing service) wishing to service unserved areas, or is it Enbridge's intention to also service new communities under the same terms, conditions, costs, and risks as would be incurred by a non-Enbridge distributor. If no, please fully explain why and further detail the service that such customers would receive from Enbridge in lieu of a M17 type service.

c) Please confirm that in the event that Enbridge is not intending to service new communities under M17 type terms, that this could provide a competitive advantage to Enbridge over other distributors.

<u>Question: 7</u>

<u>Reference:</u> Exhibit B Tab 1 Schedule 2

<u>Preamble:</u> In Exhibit B Tab 1 Schedule 2, Enbridge states the following:

…

3. Enbridge Gas's proposed Rate M17 transportation service for gas distributors includes transportation from Dawn, Kirkwall or Parkway (the points of receipt) to the customer's custody transfer point(s) with Enbridge Gas (the delivery area). The service offers transportation within Union South to transport gas East of Dawn on the Dawn Parkway system in combination with transportation on other Union South transmission lines to the delivery area.

4. The proposed service under the Rate M17 rate schedule is a firm point-to-point transportation service between an applicable receipt point and the delivery area. Similar to Enbridge Gas's other ex-franchise transportation services under Rate M12 and Rate C1, the M17 customer, also referred to as a shipper, will contract with Enbridge Gas to transport gas from Dawn, Kirkwall or Parkway to the delivery area. The ability to choose a path provides added flexibility and choice for the shipper.

a) Enbridge states that M17 service allows for receipt points of Dawn, Kirkwall or Parkway. Is a M17 customer allowed to have more than one receipt point within a M17 contract? If not, please explain why.

b) Please confirm that a M17 customer that delivers gas to a Parkway delivery point is eligible for Parkway Delivery Commitment Incentive ("PDCI") payment. If not confirmed please explain why not.

c) Please confirm that under the terms of a M17 contract with a gas distribution customer, that once the gas is nominated to be delivered to Enbridge at a receipt point that until Enbridge delivers the gas at the delivery point, there are no other service providers that can provide a daily balancing service to manage any differences between gas nominated to Enbridge and the actual gas consumption at the delivery point.

d) Please confirm that the only firm nomination window for the M17 contract is at 1:30 pm for flow to commence the following gas day at 9:00 am (all time references are Central Time Zone).

e) Please explain in detail how the Enbridge nomination process works through a normal 2-day weekend and a 3-day long weekend (where Monday is observed as a holiday). Please also include when firm nominations are required for the first business day following a weekend and the effective time of such firm nomination.

f) When specifically does Enbridge make actual daily receipts and delivery information available for a gas day under a M17 contract? When is the next first firm nomination window subsequent to this information being made available and when is the effective period for such firm nomination after such imbalance information is made available:
   i. On a normal weekday.
   ii. Over a 2-day weekend.
   iii. Over a 3-day long weekend.

g) Please confirm that under the M17 service, daily receipts and deliveries must continue to be in balance each day even if there are no firm nomination windows to accommodate such volumes being in balance. If not, please explain.

Question: 8

Reference:

i. Exhibit B Tab 1 Schedule 3 paragraph 1
ii. Exhibit C Tab 1 Schedule 1

Preamble:

In reference i) Enbridge states that the M17 charges include: "*Commodity charges to recover incremental Dawn-Parkway compressor fuel and UFG associated with providing the transportation service." [Emphasis added]*

EPCOR would like to better understand this commodity charge calculation.

a) In reference i) Enbridge notes that M17 commodity charges, among other things, is intended to recover the incremental Dawn-Parkway compressor fuel and UFG (unaccounted for gas). Please confirm that the reference to incremental fuel only relates to the incremental compressor fuel and not incremental UGF.

b) Please explain the base from which incremental fuel is determined and how this incremental fuel calculation could change over time?

c) Reference ii) is the rate schedule that illustrates the proposed commodity charges and provides an option for "Utility Supplied Fuel" and "Shipper Supplied Fuel". Please confirm that all incremental compressor fuel commodity costs are excluded in the Shipper Supplied Fuel commodity costs.

d) Please explain if the Shipper Supplied Fuel – Fuel Ratios are in fact incremental fuel ratios or average fuel ratios.

e) Since the M17 Dawn-Delivery service excludes any service easterly from the Owen Sound Line take-off, please confirm that there are no fuel requirements downstream of the Owen Sound Line take-off included in the M17 fuel ratios.

f) EPCOR understands that the Dawn-Parkway system is predominantly an easterly flow system. If so, one might expect that a either a Kirkwall to Delivery area or a Parkway to Delivery area M17 service would be a counter flow service which would actually save fuel for the Dawn-Parkway system, resulting in negative fuel ratios. Please explain how the incremental fuel ratios were determined for the Kirkwall to Delivery Area and the Parkway to Delivery area service.

g) Please provide a graph showing daily flows and direction of travel on the Dawn-Parkway System for the last 2 calendar years for:
   i. Flows at Dawn.
   ii. Flows at Kirkwall.

iii. Flows at Parkway.

h) For the Dawn-Delivery Area service, please provide a table that compares the proposed M17 fuel ratios in reference ii), for each of the April 1 – October 31 and November 1 – March 31 time periods to the actual fuel ratios experienced in each of the last 2 years during these same two time periods for Enbridge's M12 service between Dawn and Parkway.

i) Please list all of the other services offered by Enbridge where the fuel ratios are determined on an incremental basis.

Question: 9

Reference: Exhibit D Tab 1 Schedule 3

Preamble: Enbridge proposes to collect a CIAC from EPCOR in an amount $5.34 million. EPCOR would like to better understand the risks associated with this proposed cost.

a) Please describe the level of accuracy of the capital cost estimate that was used to determine the overall capital cost of the reinforcement project.

b) Please state Enbridge’s policy on who bears the capital cost risk if there are spending variances.

c) Please explain how the CIAC or the M17 rates would be affected if the capital cost for the entire project are different than what has been estimated.

Question: 10

Reference: Exhibit C Tab 1 Schedule 1

Preamble: Enbridge provides draft tariff sheets and general terms and conditions for the proposed M17 service.

a) Please provide a copy of the contract for the proposed M17 service.

Question: 11

Reference: Procedural Order Number 1

Preamble: The OEB has adopted the evidence of EB-2018-0244, the prior application where Enbridge sought approval of its proposed M17 service, prior to withdrawing the application.

a) Please identify any portions of the evidence that are no longer applicable and explain why such areas are no longer applicable.

b) Please update interrogatory responses as necessary.