

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

November 14, 2019

Christine E. Long
Board Secretary and Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Enbridge Gas Inc. (Enbridge Gas)

Application for approval of new firm transportation service for gas distributors under the Rate M17 rate class and leave to construct a natural gas pipeline and associated facilities in the Municipality of West Grey and the Township of Chatsworth

OEB File Number: EB-2019-0183

In accordance with OEB's Decision and Procedural Order No. 1, please find attached OEB staff interrogatories in the above proceeding. The attached document has been forwarded to the applicant and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Zora Crnojacki
Project Advisor, Natural Gas Applications

Encl.



OEB Staff Interrogatories

Application for Rate M17 Firm Transportation Service and Leave to Construct a Natural Gas Pipeline and associated facilities

EB-2019-0183

November 14, 2019

Exhibit A

A-Staff-1

Ref: Exhibit A/Tab 1/ Schedule 2/ p.2

Enbridge Gas has applied for leave to construct facilities under section 90(1) of the OEB Act.

- a) Please comment on the draft conditions of approval proposed by OEB staff in Appendix A. If Enbridge Gas does not agree to any of the draft conditions of approval, please identify the specific conditions that Enbridge Gas disagrees with and explain why. For conditions in respect of which Enbridge Gas would like to recommend changes, please provide the proposed changes.

A-Staff-2

Ref: Exhibit A/Tab 1/Schedule 2/p. 2

Enbridge Gas has requested the Ontario Energy Board (OEB) to hear its application for a new M17 service in an expedited fashion in order to implement rates effective December 1, 2019. In the event that the review is not completed by the end of November 2019, Enbridge Gas has requested an interim order approving interim rates to allow for the M17 service an effective date of December 1, 2019.

- a) Please provide an update on whether the M17 service is still required as of December 1, 2019. If not, please indicate when natural gas is scheduled to flow on EPCOR Southern Bruce distribution system and when OEB approval of the M17 service would be required. Please also indicate whether there are any changes to the requested approval date of February 1, 2020 for the leave to construct.
- b) Is there an existing rate that Enbridge Gas can use to provide service to EPCOR Natural Gas Limited Partnership (EPCOR Southern Bruce) on an interim basis pending approval of the requested rates? If yes, please provide the appropriate rate class. If no, please provide reasons for not being able to provide an existing rate.

A-Staff-3

Ref: Exhibit A/Tab 3/Schedule 1/p. 3/para 8

In its application, Enbridge Gas has confirmed that at the time of filing this application

construction of a customer station is ongoing and will be complete in time to facilitate EPCOR Southern Bruce's in-service date of December 1, 2019.

- a) Please provide the purpose of the customer station.
- b) Is EPCOR Southern Bruce required to pay for the customer station? If yes, what is the agreed to amount that EPCOR Southern Bruce is required to pay?
- c) Is any portion of the cost of the customer station included in the proposed Owen Sound pipeline reinforcement costs? If yes, please provide details.

A-Staff-4

Ref: Exhibit A/Tab 3/Schedule 1/p. 4/para 13

Enbridge Gas notes that despite numerous meetings and various contract revisions, Enbridge Gas has not been able to secure the execution of commercial agreements with EPCOR Southern Bruce prior to the submission of the application.

- a) Please provide an update on the execution of the commercial agreements referred to in the application.
- b) Will Enbridge Gas be able to provide service to EPCOR Southern Bruce if it receives approval for a rate but the commercial agreements are still not executed?

Exhibit B

B-Staff-5

Ref: Exhibit B/Tab 1/Schedule 1/pp. 2-3 and NGEIR Decision with Reasons, EB-2005-0551, November 7, 2006, p. 66

In the Natural Gas Electricity Interface Review (NGEIR) Decision with Reasons, the OEB on page 66 noted:

As outline earlier in this section, the Board has found that a decision to refrain from regulating storage rates should not be based on an in-Ontario, ex-Ontario approach, but rather on the competitive position of the customer. The appropriate consideration is whether Gazifère has access to alternatives. The

evidence is that it does not; it is connected to the Enbridge system and takes a bundled distribution service. In all respects, Gazifère is similarly situated to the distributors attached to Union's system (namely, Kitchener, NRG and Six Nations) which each take bundled or semi-unbundled service. The Board finds that it is appropriate for Gazifère to receive regulated cost-based service, just as Kitchener, NRG and Six Nations do, because the service they receive is not subject to competition sufficient to protect the public interest.

- a) Please confirm whether Gazifère currently receives regulated cost-based service from Enbridge Gas.
- b) The OEB in the NGEIR Decision determined that Gazifère does not have access to alternatives as it is connected to the Enbridge system. Please describe how the situation of Gazifère is different from EPCOR Southern Bruce that will also be connected only to the Enbridge Gas system.
- c) Do the findings in the NGEIR Decision prevent Enbridge Gas from offering regulated cost-based service (bundled or semi-bundled) to EPCOR Southern Bruce? If yes, please provide the appropriate reference in the NGEIR Decision.

B-Staff-6

Ref: Exhibit B/Tab 1/Schedule 1/pp. 3-4/para 8 and NGEIR Decision with Reasons, EB-2005-0551, November 7, 2006, pp. 82-83

In response to the entrance of new gas distributors in Ontario, Enbridge Gas is introducing the Rate M17 transportation service. The proposed service will provide gas distributors with a transportation service similar to other ex-franchise transportation services, and similar to the services held by existing utilities that were identified as having competitive storage options within the NGEIR proceeding (i.e. legacy Enbridge Gas Distribution, Énergir and Utilities Kingston). Enbridge states that with the introduction of the Rate M17 transportation service, new gas distributors will have access to competitive storage options and will be able to buy storage services on behalf of their customers.

In the NGEIR Decision, the OEB determined that there should be a cap on Union Gas Limited's existing storage space that is reserved for in-franchise customers at cost based rates. Accordingly, the OEB determined that Union Gas should be required to reserve 100 PJ (approximately 95 bcf) of cost-based rates for in-franchise customers.

Enbridge Gas (the amalgamated utility) will next rebase for 2024 rates.

- a) Will the 100 PJ of storage space be sufficient to serve all in-franchise customers (legacy Enbridge Gas Distribution and Union Gas Limited) of Enbridge Gas in 2024 or will in-franchise customers require storage at market-based rates?

B-Staff-7

Ref: Exhibit B/Tab 1/Schedule 3/p. 1

In its application, Enbridge Gas has proposed to introduce a new Rate M17 rate schedule to accommodate firm transportation service from Dawn, Kirkwall or Parkway to the gas distributor's delivery area. Enbridge Gas' proposed rate design includes a monthly charge, firm monthly transportation demand charge, commodity charges to recover incremental compressor fuel and unaccounted for gas and overrun charges. The proposed rates are based on current approved interim 2019 rates and will be subject to changes based on the outcomes of Enbridge Gas' 2019 rates proceeding.

- a) The OEB issued the final rate order related to Enbridge Gas' 2019 rates (EB-2018-0305) on October 24, 2019. As a result, please provide the updated rates for each of the rate design components referred to in this application.

B-Staff-8

Ref: Exhibit B/Tab 1/Schedule 3/p. 2

Enbridge Gas has proposed a fixed monthly charge as part of its rate design that will be unique for each customer that takes service under Rate M17, specific to the delivery area. Enbridge Gas has proposed a fixed monthly charge of \$1,998.71 for EPCOR Southern Bruce based on estimated annual customer-related O&M costs of approximately \$24,000. The proposed monthly charge assumes that EPCOR Southern Bruce has paid for the required customer station facilities in whole through a contribution in aid of construction (CIAC).

- a) Please confirm if a shipper or direct marketer wishing to transport gas into South Bruce will be eligible to take service under Rate M17. If not, what rate would be applicable to a shipper or direct marketer that wishes to transport gas into the South Bruce area?

- b) Would a shipper or direct marketer that transports gas into South Bruce be required to use the customer station facilities that EPCOR Southern Bruce has paid for in full?

B-Staff-9

Ref: Exhibit B/Tab 1/Schedule 3/p. 4

As one of the rate design components, Enbridge Gas has proposed a firm monthly transportation demand charge for easterly service from Dawn to the delivery area and westerly service from Parkway or Kirkwall to the delivery area. The rate design for each of the transportation options includes two parts. The first part of the charge provides a contribution towards the recovery of Dawn-Parkway demand costs and the second part provides a contribution to the recovery of Other Transmission demand costs.

In Enbridge Gas' OEB-approved cost allocation study for the Union Gas rate zones, the Owen Sound line is categorized as Other Transmission demand and is allocated to Union Gas in-franchise rate classes in proportion to design day demands. Enbridge Gas has proposed the Other Transmission demand average unit rate at \$1.844 per GJ based on Enbridge Gas' current approved rates. Enbridge Gas has indicated that this component of Enbridge Gas' proposed rate design provides for a reasonable contribution to the recovery of fixed costs associated with the assets used to provide the transportation service from the Dawn Parkway system to the delivery area.

- a) In OEB staff interrogatory response # 5a in EB-2018-0244 (the withdrawn M17 rate application), Union Gas Limited (now, Enbridge Gas) confirmed that it has used the Other Transmission demand average unit rate as a reasonable proxy to serve the South Bruce area from the Dawn-Parkway system. Why is it not appropriate to design a rate that reflects the specific cost to serve the South Bruce area? Please contrast your response with Enbridge Gas' proposal to establish the level of the monthly charge based on a distributor's delivery area.
- b) Does Enbridge Gas have the required cost information to design a rate that captures the specific transportation cost from the Owen Sound lateral on the Dawn-Parkway system to the interconnect where EPCOR Southern Bruce would take the delivery of gas?
- c) What would be the rate (M17) if Enbridge Gas uses a direct assignment of the Owen Sound lateral costs as compared to Other Transmission demand costs?

B-Staff-10

Ref: Exhibit B/Tab 1/Schedule 3/pp. 3-6

Enbridge Gas has proposed a firm monthly transportation demand charge for easterly service from Dawn to the delivery area and westerly service from Parkway or Kirkwall to the delivery area. To calculate the easterly demand charge from Dawn to the delivery area, Enbridge Gas has adjusted the current approved Rate M12/C1 Dawn-Parkway demand rate based on the distance from Dawn to the Owen Sound lateral. This proration recognizes the distance gas would be required to travel on the Dawn Parkway system on design day to serve the South Bruce expansion area. For the westerly service, Enbridge Gas has proposed a demand charge from Parkway or Kirkwall to the delivery area based on the Rate C1 westerly Dawn-Parkway demand charge for transportation from Parkway to Dawn.

In OEB staff interrogatory response # 4 in the withdrawn M17 rate application, Union Gas Limited (now, Enbridge Gas) confirmed that unlike the easterly service that uses a distance-weighted rate, the westerly service rate is set based on the current Rate C1 westerly transportation rate from Parkway to Dawn or Parkway to Kirkwall which is common regardless of the distance travelled from Parkway. The response did not provide specific reasons for the different treatment based on the direction the gas travels.

- a) Please explain the reasons for different rate design treatment for easterly and westerly flows and identify if the difference in treatment is related to how gas flows on a design day on the Dawn-Parkway system.

Exhibit D

D-Staff-11

Ref: Exhibit D/Tab 1/Schedule 2/p. 2

Enbridge Gas has indicated that EPCOR Southern Bruce will require 10,648 m³ per hour of natural gas.

EPCOR Southern Bruce is expected to connect customers in a phased manner.

- a) When is the demand of 10,648 m³ per hour likely to materialize?

D-Staff-12

Ref: Exhibit D/Tab 1/Schedules 1 and 2

Enbridge Gas has completed an economic analysis in accordance with the recommendations of the OEB's E.B.O. 134 report on Economic Tests for Transmission Pipeline Applications and the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications. The application further states that EPCOR Southern Bruce will be required to pay a CIAC for the capacity it uses on the new pipeline.

- a) Please provide a reference to other infrastructure projects wherein Enbridge Gas completed an economic analysis on the basis of the OEB's E.B.O. 134 report on Economic Tests for Transmission Pipeline Applications but required a CIAC from a customer.

D-Staff-13

Ref: Exhibit D/Tab 2/Schedule 3/p. 2/para 5 and Exhibit E/Tab 4/Schedule 1/p. 1

EPCOR Southern Bruce is required to pay \$5.34 million as a capital contribution (CIAC) towards the cost of the project. Enbridge Gas has indicated that the proposed CIAC is an appropriate mechanism to ensure that Enbridge Gas' existing ratepayers are not harmed by payment of an undue subsidy.

- a) Please explain how the CIAC amount was derived and the rationale for the allocated amount.
- b) Please explain the meaning of "undue subsidy". Will Enbridge Gas customers be subsidizing a portion of the costs to serve EPCOR Southern Bruce customers?

D-Staff-14

Ref: Exhibit D/Tab 1/Schedule 1/p.1

Enbridge Gas requests leave to construct approximately 34 kilometres of Nominal Pipe Size (NPS)12 pipeline (the Project) in the County of Grey.

- a) Enbridge Gas has indicated that construction is planned in the following geographic areas:
- Municipality of West Grey
 - Township of Chatsworth

If an area has been omitted, please revise your response.

- b) Please provide the reference number for the applicable Municipal Franchise Agreements of the areas identified in part (a).
- c) Please provide the reference number for the applicable Certificate of Public Convenience and Necessity of the areas identified in part (a).

D-Staff-15

Ref: Exhibit D/Tab 2/Schedule 5/p.2

Enbridge Gas states that it requires permanent and temporary easement rights as well as two fee simple land right purchases for the Project.

Enbridge Gas has provided Forms of Permanent Easement and Temporary Land Use Agreements that it says were previously approved by the OEB.

- a) Please confirm whether the purchase of lands required for the Project is now complete. If not, please provide an update on the negotiations with private landowners for the purchase of lands, including any concerns that have been expressed by landowners with respect to the proposed Project. Please comment on when Enbridge Gas expects these agreements to be executed.
- b) Please provide an update on the status of the temporary land use (TLU) rights required for the Project, including any concerns that have been expressed by landowners. Please indicate the number of TLU rights that are required.

- c) Please discuss any concerns that Enbridge Gas has with respect to obtaining any of the required land rights for the Project.
- d) Please provide the file numbers for the OEB decisions approving the forms of agreements provided in this application.

D-Staff-16

Ref: Exhibit D/Tab 2/Schedule 6/p.1

Enbridge Gas states that its Environmental Report was provided to the Ontario Pipeline Coordinating Committee (OPCC) on August 31, 2018. A summary of the comments received from the OPCC review and Enbridge's responses is provided with the application.

- a) Please provide an update of the OPCC summary of comments and concerns received from the public consultation since the application was filed. Please include Enbridge Gas' responses and actions to address the issues and concerns.

D-Staff-17

Ref: Exhibit D/Tab 2/Schedule 6/p.3,4

Enbridge Gas states that an archeological assessment (AA) will be completed by a licensed archaeological firm.

The Project crosses approximately 20 water courses requiring permits to be acquired.

- a) Please provide details of the planned AA, including the steps required to meet all of the provincial requirements for the AA.
- b) Please confirm whether a Stage 1 AA has been completed. Please confirm whether the Ministry of Tourism, Culture and Sport (MTCS) has reviewed the Stage 1 AA and when Enbridge Gas expects to receive a response from the MTCS with respect to the Stage 1 AA.
- c) Please provide an update on the status of Enbridge Gas' Stage 2 AA, indicating if Enbridge Gas has submitted its Stage 2 AA to the MTCS, whether the Stage 2 AA field work is underway and when this will be completed.

- d) Please indicate when Enbridge Gas anticipates a response from the MTCS with respect to the Stage 2 AA.
- e) Please indicate the latest timeline by which Enbridge Gas must receive a response from the MTCS to start the Project on time.
- f) Please comment on the implications for the Project if Enbridge Gas does not receive a response from the MTCS before the timeline specified in part (e).
- g) Please discuss any concerns that Enbridge Gas has with respect to obtaining any permits required for the Project.

D-Staff-18

Ref: Exhibit D/Tab 2/Schedule 7/p.1

Enbridge Gas' evidence indicates that on April 20, 2017, it received a letter from the Ministry of Energy, Northern Development and Mines (MENDM) indicating that Enbridge Gas had been delegated the procedural aspects of consultation for the Project. On August 29, 2019, Enbridge Gas provided its Indigenous Consultation Report to the MENDM, requesting that the MENDM determine if the procedural aspects of the duty to consult for the Project are sufficient.

- a) Please provide an update on Indigenous consultation activities since August 29, 2019 and identify any concerns and issues raised in the consultation process and steps that Enbridge Gas has committed to undertake to address any concerns or issues.
- b) Please update the evidence with any correspondence between the MENDM and Enbridge Gas after August 29, 2019, regarding the MENDM's review of Enbridge Gas' consultation activities.
- c) Please indicate when Enbridge Gas expects to receive the consultation sufficiency letter from the MENDM.

Exhibit E

E-Staff-19

Ref: Exhibit E/Tab 3/Schedule 3/p.1

Enbridge Gas states that the proposed facilities are required to reinforce the Owen Sound System and to provide service to EPCOR Southern Bruce. Enbridge Gas has forecasted in-franchise growth on the Owen Sound System of 13,864 m³/hr over the next four years.

Enbridge Gas states that the in-franchise growth forecast is based on historic customer attachments and local knowledge. Enbridge Gas provided a table reflecting customer attachment forecast relevant to the Owen Sound System for 2019-2023 based on historical attachments.

- a) Please replicate the table showing the customer attachments for the past four years for the Owen Sound System.
- b) Please provide any other information available to support Enbridge Gas' forecast of the in-franchise growth.

E-Staff-20

Ref: Exhibit E/Tab 4/Schedule 1/p.1

The total estimated cost of the Project is approximately \$69M.

- a) Please provide an estimate of the costs of consultation for the Project. Please confirm whether consultation costs have been included in the total estimated costs of the Project. If this is not included in the Project costs, please explain how Enbridge Gas intends to fund the costs of consultation.
- b) Please provide comparable projects that Enbridge Gas has completed in the past and that were approved by the OEB. Please provide a breakdown of the costs for these projects.
- c) Please confirm whether the Project is included in Enbridge Gas' Utility System Plan and Asset Management Plan that has been accepted by the OEB.

APPENDIX A

Draft Leave to Construct Conditions of Approval Enbridge Gas Inc. – EB-2019-0183

1. Enbridge Gas Inc. (Enbridge Gas) shall construct the facilities and restore the land in accordance with the OEB's Decision and Order in EB-2019-0183 and these Conditions of Approval.
2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.
(b) Enbridge Gas shall give the OEB notice in writing:
 - i. of the commencement of construction, at least ten days prior to the date construction commences
 - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service
 - iii. of the date on which construction was completed, no later than 10 days following the completion of construction
 - iv. of the in-service date, no later than 10 days after the facilities go into service.
3. Enbridge Gas shall implement all the recommendations of the Environmental Report filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.
4. Enbridge Gas shall advise the OEB of any proposed change in the project, including but not limited to changes in: OEB-approved construction or restoration procedures, the proposed route, construction schedule and cost, the necessary environmental assessments and approvals, and all other approvals, permits, licences, certificates and rights required to construct the proposed facilities. Except in an emergency, Enbridge Gas shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.
5. Concurrent with the final monitoring report referred to in Condition 6(b), Enbridge Gas shall file a Post Construction Financial Report, which shall provide a variance analysis

of project cost, schedule and scope compared to the estimates filed in this proceeding, including the extent to which the project contingency was utilized. Enbridge Gas shall also file a copy of the Post Construction Financial Report in the proceeding where the actual capital costs of the project are proposed to be included in rate base or any proceeding where Enbridge Gas proposes to start collecting revenues associated with the project, whichever is earlier.

6. Both during and after construction, Enbridge Gas shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
 - (a) A post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Enbridge Gas' adherence to Condition 1
 - ii. describe any impacts and outstanding concerns identified during construction
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction
 - iv. include a log of all complaints received by Enbridge Gas, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project
 - (b) A final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
 - i. provide a certification, by a senior executive of the company, of Enbridge Gas' adherence to Condition 3
 - ii. describe the condition of any rehabilitated land
 - iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction
 - iv. include the results of analyses and monitoring programs and any recommendations arising therefrom
 - v. include a log of all complaints received by Enbridge Gas, including the date/time the complaint was received; a description of the complaint; any actions taken to address the complaint; and the rationale for taking such

actions

7. Enbridge Gas shall designate one of its employees as project manager who will be responsible for the fulfillment of these conditions, and shall provide the employee's name and contact information to the OEB and to all the appropriate landowners, and shall clearly post the project manager's contact information in a prominent place at the construction site.

The OEB's designated representative for the purpose of these Conditions of Approval shall be the OEB's Manager of Natural Gas (or the Manager of any OEB successor department that oversees natural gas leave to construct applications).