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BY EMAIL

December 6, 2019

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Long:

**Re: EPCOR Natural Gas Limited Partnership
Application to amend the certificate of public convenience and necessity
for the Township of South-West Oxford
OEB Staff Submission
Ontario Energy Board File Number: EB-2019-0232**

In accordance with Procedural Order No. 1, please find attached the OEB staff submission for the above proceeding. This document has been sent to EPCOR Natural Gas Limited Partnership and to all other registered parties to this proceeding.

EPCOR Natural Gas Limited Partnership is reminded that its reply submission is due by December 13, 2019.

Yours truly,

Original Signed By

Azalyn Manzano
Advisor, Natural Gas

Encl.



OEB Staff Submission

**Application to amend the certificate of public
convenience and necessity for the Township of
South-West Oxford**

EPCOR Natural Gas Limited Partnership

EB-2019-0232

December 6, 2019

Background

These are OEB staff's submissions on the application filed by EPCOR Natural Gas Limited Partnership (ENGLP) on October 17, 2019, under section 8 of the *Municipal Franchises Act*.

Pursuant to E.B.C. 111 and 119 (the "Omnibus" certificate), ENGLP is currently authorized to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works in the Village of Belmont, the Township of South Dorchester, the Village of Port Burwell, the Town of Aylmer, the Village of Springfield, the Village of Vienna, certain portions of the Townships of North Dorchester, Westminster, Norfolk, Bayham, and certain portions of the Township of Southwest Oxford.¹

ENGLP seeks an order of the OEB authorizing it to also provide natural gas service to an area known as the Village of Salford (Salford), within the Township of South-West Oxford (Township).²

The utility that is currently authorized to serve Salford is Enbridge Gas Inc. (Enbridge Gas).³ Enbridge Gas is a party to this proceeding, and has submitted that it does not contest ENGLP's application.

Staff Submission

OEB staff has reviewed the record of this proceeding and, in the light of the evidence summarized below, OEB staff does not have any concern with regard to the OEB approving the application.

1) *The local municipality has expressed interest in ENGLP providing natural gas service.*

OEB staff submits that it is clear that the Township desires to obtain natural gas service for Salford, and that it has sought to do so for a number of years.

ENGLP received letters dated April 10, 2019 and August 9, 2019 from the Chief Administrative Officer of the Township on behalf of the Township's municipal council

¹ The majority of the Omnibus certificate has already been largely cancelled and superseded by the OEB's decision and order in EB-2017-0108, dated October 17, 2019 (revised November 4, 2019).

² IR responses – response to staff IR 1.

³ EB-2013-0021

requesting that ENGLP provide natural gas service to Salford.⁴ The letters state that the Township's council had worked with both Union Gas Limited (now Enbridge Gas) and ENGLP's predecessor, Natural Resource Gas Limited, to connect Salford over the past eight years without any resolution. The letter dated August 9, 2019 confirmed that the Township's council is supportive of ENGLP's initiative to provide natural gas service to Salford, and requests that the OEB consider granting the necessary approvals and permissions to allow ENGLP to provide this service.

2) *ENGLP can provide service to the Village of Salford economically.*

OEB staff agrees with the applicant that, from a customer perspective, the project provides the opportunity to connect to a natural gas distribution system for a relatively nominal fee.

ENGLP submits that there are 77 potential customers in Salford (72 residential and five commercial customers)⁵. In the same interrogatory response, ENGLP also states that, assuming a 60% conversion rate for 55 potential residential customers, the profitability index (P.I.) for the project would exceed 1.0. This has led ENGLP to understand that even with a conversion rate of less than 60% for 72 potential residential customers, the P.I. would still comfortably exceed 1.0. Thus, the project stands in no danger of any cross-subsidy by existing customers. In addition, ENGLP states that it plans to conduct a door-to-door campaign to maximize natural gas uptake and will obtain written commitments from prospective customers prior to commencing construction, which also prevents cross-subsidization of this project by existing customers.

ENGLP states that any capital contribution from its customers would be limited to a charge of \$10/metre for portions of service pipelines that exceed 20 metres, which is required to avoid cross-subsidization of service mains by existing customers.⁶ In its interrogatory response, ENGLP submits that there are 13 potential connections out of the 72 that would exceed 20 metres, and would be required to pay a maximum customer contribution of \$200 to \$300 on top of the customary \$100 fee for installation of a service lateral.⁷

ENGLP's analysis does not include the potential attachment of The Salford Group, a manufacturing company located in the area that was mentioned in the April 10, 2019 letter from the Township as "looking for a natural gas connection".⁸ The attachment of The Salford Group may result in an even higher P.I. In the event that connecting The

⁴ Application, Appendix A and Appendix B

⁵ ENGLP Response to OEB Staff-2(b)

⁶ Application, p. 10

⁷ ENGLP Response to OEB Staff-3(a)

⁸ Application, Appendix A; ENGLP Response to OEB Staff-2(a)

Salford Group requires any additional capital investments, OEB staff assumes that ENGLP will re-run its P.I. calculation and require The Salford Group to pay any capital contribution required.

ENGLP also intends to connect any previously unidentified potential customers in Salford that request natural gas service.⁹

3) *ENGLP does not require leave to construct from the OEB in order to serve Salford.*

OEB staff submits that, based on the specifications provided in the proceeding, the pipelines to be constructed by ENGLP in Salford do not require prior leave to construct approval from the OEB.

ENGLP states that the pipelines to be used to service Salford do not require leave to construct pursuant to section 90(1) of the *Ontario Energy Board Act, 1998*, nor do they require a system expansion surcharge.¹⁰ ENGLP proposes constructing approximately 2,362 metres of 2-inch polyethylene pipe, exclusive of the service laterals to individual customers, to connect Salford. The total capital cost including service laterals, tracer wire, meters, regulators and associated fittings is estimated to be \$140,995. ENGLP states that a volumetric throughput of approximately 68,000 m³/year will enter the expanded system at Salford Road and Dereham Line, and that it would endeavor to connect customers prior to the 2020 heating season.¹¹

4) *Enbridge Gas is not contesting the application.*

Enbridge Gas' certificate for the Township includes the authorization to serve Salford.

Enbridge Gas submits that it conducted its own cost analysis for serving Salford. Based on its analysis, and while it states that it would like to connect the potential customers in Salford, Enbridge Gas believes it is more economic for ENGLP to attach these specific customers to ENGLP's system.¹²

5) *Other Considerations*

If the OEB were to grant the application, then OEB staff supports ENGLP's preference that portions of the Omnibus certificate relating to the Township be cancelled and superseded by a new certificate relating only to the Township (and which would also include Salford). OEB staff submits that this is preferable and administratively easier for

⁹ ENGLP Response to Enbridge Gas-1(b)

¹⁰ Application, p. 7

¹¹ Application, pp. 8-9

¹² Enbridge Gas, Request for Intervenor Status

all affected parties, as opposed to further amending the Omnibus certificate to include Salford.

OEB staff also submits that, if the OEB were to grant ENGLP's application, then the OEB should cancel Enbridge Gas' existing certificate for the Township (EB-2013-0021) and replace it with new certificate that would authorize it to serve within the Township except for the areas listed on ENGLP's new certificate.

OEB staff has attached a draft of the two new certificates, for the OEB's consideration, in the event the application is approved.

All of which is respectfully submitted.

Schedule A
EB-2019-0232

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

EPCOR Natural Gas Limited Partnership

approval under section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas in the

Township of South-West Oxford

as it is constituted on the date of this Decision and Order, in the following areas:

- Concession 1 – All of Lots 15 to 23 (Inclusive), those portions of Lot 24 lying south of Highway 401, the southwest quarter of Lot 13, and the south half of Lot 14
- Concession 2 – All of Lots 15 to 28 (Inclusive), the northwest quarter of Lot 13 and the north half of Lot 14
- Concessions 3 to 9 – All of Lots 15 to 28 (Inclusive)
- Concession 10 – All of Lots 15 to 28 (Inclusive) and the southern quarter of Lot 14
- Concession 11 – All of Lots 15 to 28 (Inclusive) and the southern quarter of Lot 14
- Concession 12 – All of Lots 15 to 28 (Inclusive)

DATED at Toronto, December XX, 2019

ONTARIO ENERGY BOARD

Original Signed By

Pascale Duguay

Manager, Application Policy and Climate Change

Schedule B
EB-2019-0232

Certificate of Public Convenience and Necessity

The Ontario Energy Board grants

Enbridge Gas Inc.

approval under section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended, to construct works to supply natural gas in the

Township of South-West Oxford

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