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**BY E-MAIL**

January 23, 2019

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

Dear Ms. Long:

**Re: Evidence of EPCOR Natural Gas Limited Partnership on Enbridge Gas Inc.'s application for approval of new firm transportation service under Rate M17 and leave-to-construct a natural gas pipeline in the Municipality of West Grey and the Township of Chatsworth**

**OEB File Number: EB-2019-0183**

In accordance with OEB's Procedural Order No. 2, please find attached OEB staff interrogatories with respect to the evidence filed by EPCOR Natural Gas Limited Partnership. 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

Encl.



# **OEB Staff Interrogatories on Evidence of EPCOR Natural Gas Limited Partnership**

**Enbridge Gas Inc. Application for Rate M17 Firm Transportation  
Service and Leave-to-Construct Approval for Approximately 34 km  
of Natural Gas Pipeline**

**EB-2019-0183**

**January 23, 2020**

**Staff.1**

**Ref: Elenchus Research Associates Inc. evidence, pp. 2-3**

Elenchus Research Associates Inc. (Elenchus) in its evidence notes that the end result is that the proposed terms and conditions for Rate M17 will force new distributors to contract storage for daily balancing from Enbridge Gas Inc. (Enbridge) at unregulated rates, although competitive alternatives are not available in the market.

- a) Please confirm that daily load balancing services are not available from third parties in Ontario.
- b) Is ENGLP aware of any other gas distributors or large customers of Enbridge that are receiving this service from Enbridge at unregulated rates?

**Staff.2**

**Ref: Elenchus Research Associates Inc. evidence, p. 4**

Elenchus in its evidence notes that the tilt in the playing field cannot be completely eliminated unless a core element of the Ontario Energy Board's Natural Gas Electricity Interface Review (NGEIR) Decision of November 7, 2006, is supplemented to allow new distributors to be allocated cost-based storage on the same basis as an existing distributor would be allocated cost-based storage to serve the same community. The evidence further submits that it would be inconsistent with the core conclusions of the NGEIR decision "that long-term consumer protection in terms of price, reliability and quality of service is best achieved through thriving competition for the competitive elements of the storage market and effective regulation of the non-competitive elements of the market" to refine the NGEIR decision to reflect the evolution of the Ontario natural gas sector.

- a) Is EPCOR Natural Gas Limited Partnership (ENGLP) suggesting a review of the determinations made in the NGEIR decision including the provision of cost-based storage services? If yes, please describe the specific elements of the NGEIR decision that should be reviewed according to ENGLP.

### Staff.3

#### Ref: Elenchus Research Associates Inc. evidence, p. 14

The evidence states that the storage requirements of new distributors serving previously unserved communities in Ontario was not explicitly addressed in the NGEIR decision, nor did the decision address the availability of competitive options for specific storage-based services such as daily load balancing for operational flexibility. It follows that if the storage services required for the daily load balance to support operational flexibility are not available on a competitive basis, the principles and precedents established by the NGEIR decision would require that those storage services should be subject to regulation that protects consumers.

The OEB issued the NGEIR decision on November 7, 2006. In December 2006, the OEB received three Notices of Motion. In a decision issued on May 22, 2007, the OEB determined that three of the matters raised met the test for review. One of the matters was the decision regarding additional storage requirements for Union's in-franchise gas-fired generator customers. In its submission on the Motion (EB-2006-0322 and EB-2006-0340), the Association of Power Producers of Ontario (APPrO) argued that in-franchise generation customers have no access to competitive alternatives for the high deliverability storage to be made available and therefore this monopoly service should be regulated. In its decision on the motion (July 30, 2007), the OEB reiterated that competition in storage services will be sufficient to protect the public interest. The OEB rejected the assertion that because there was a settlement on the allocation of standard deliverability storage space, there is no competitive alternative to the associated high deliverability storage from that space. The OEB further noted:

*The Board agrees that when a party contracts for a service from a supplier it may well be unable to acquire a component of that service from other suppliers; that is axiomatic. However, what is relevant is whether there are, or will be, competitive alternatives for the service as a whole. For gas-fired power generators, the service they require is intra-day balancing. The record in the NGEIR proceeding is clear that competitive alternatives will be developed for this service and that power generators and others will be able to access these services. (p.13)*

- a) Based on the above findings, does ENGLP agree that daily load balancing is a component of market-based storage services and there are competitive options for the

service as a whole?

- b) Does ENGLP agree that the OEB rejected the arguments of APPrO that intra-day balancing services is a monopoly and should be regulated? If no, please explain your position in light of the above findings in the NGEIR decision.

#### **Staff.4**

##### **Ref: Elenchus Research Associates Inc. evidence, p. 15**

The evidence quotes the OEB's Generic Community Expansion Decision (EB-2016-0004) which states (p.19):

*The issue of advancing upstream system expansion and enhancements should be considered in every case where they are shown to exist. The cost of upstream enhancement that any project would bear must be the same regardless of the utility proposing the expansion. This will allow for proper comparison of competing bids, again levelling the playing field.*

- a) Please explain if the similarity in the cost of upstream enhancement referred to above is not merely in the context of facilitating the comparison of competing bids and not to ensure that upstream enhancements costs are identical for all competing proponents.
- b) Please explain how the cost of upstream enhancement would be the same for competing proponents if a new distribution utility is considering multiple supply options and an incumbent utility enjoys certain cost advantages because of an existing distribution and transmission system.

#### **Staff.5**

##### **Ref: Elenchus Research Associates Inc. evidence, p. 19**

The evidence states that "In a current proceeding before the Régie de l'énergie, Energir has filed evidence that separates the traditional load balancing function into two functions: seasonal storage and operational flexibility. Operational flexibility is the storage-based service required to respond to the within-day variances that will inevitably occur, forcing a distributor to increase or decrease the scheduled deliveries during the day to avoid unacceptable end of day imbalances between deliveries and actual consumption by its customers."

- a) In the context of the above, please define the function of seasonal storage and contrast it to operational flexibility.
- b) Has that distinction been approved by the Régie de l'énergie? If so please provide a copy of the decision approving it.
- c) Has that distinction been approved by other regulators? If so, please provide a copy of the decision(s) approving it.

## **Staff.6**

### **Ref: Elenchus Research Associates Inc. evidence, p. 27**

The evidence states that the most direct way to avoid tilting the competitive playing field that would result if the Ontario Energy Board (OEB) were to accept the proposals of Enbridge in the current application would be to reject the proposal that Rate M9 and Rate T3 services will not be available to new distributors serving new communities. This approach would imply that as a matter of policy, community expansion projects should have access to cost-based storage on the same basis as existing distributors.

- a) Please confirm if the ENGLP franchise is outside the franchise area of Enbridge Gas Inc.
- b) Please indicate how ENGLP's view of having access to cost-based storage aligns with the NGEIR decision (EB-2005-0551, November 7, 2006, p.3) that states that the Board will cease regulating prices charged for all storage services offered by legacy Union Gas and Enbridge Gas Distribution to customers outside their franchise areas.

## **Staff.7**

### **Ref: Elenchus Research Associates Inc. evidence, p. 28**

Enbridge has proposed that Rate M17 service will not include daily load balancing. The evidence submits that the OEB could amend this limitation and require that daily load balancing be bundled with the service, on a basis comparable to the transportation services that are available to Enbridge to serve customers of community expansion projects that it undertakes.

- a) Would the amended service as proposed above include cost-based or market-based

storage rates?

- b) If Enbridge were to agree to the amendment, would ENGLP take service under the amended Rate M17? Under such conditions, would ENGLP still oppose the proposed limited accessibility of Rate M9 and Rate T3 to existing gas distributors?

#### **Staff.8**

##### **Ref: ENGLP evidence, p. 4**

In its evidence ENGLP has raised certain concerns with respect to the proposed rate (M17) and the contribution required by Enbridge. ENGLP is required to pay a contribution in aid of construction (CIAC) of \$5.34 million for upstream reinforcement. ENGLP has submitted that its share has not been appropriately calculated under EBO 134. ENGLP has further submitted that Enbridge's charge of \$4.02 million for meter station costs is not consistent with Enbridge's past practices and the proposal to charge a customer-specific monthly charge for the meter station is neither appropriate nor consistently applied.

- a) In ENGLP's opinion what should be the appropriate amount of the CIAC? Please provide supporting calculations and rationale for a particular recommendation?
- b) ENGLP has already paid for meter station costs. Should the meter station costs have been different than that paid by ENGLP? What should have been the appropriate amount in the opinion of ENGLP and how should it have been recovered or allocated?
- c) Does ENGLP propose a different customer-specific monthly charge than what has been proposed by Enbridge? If yes, please provide the suggested amount and the supporting rationale.

#### **Staff.9**

##### **Ref: ENGLP evidence, pp. 7-8**

Since all the gas required to service the South Bruce region must be transported by Enbridge, ENGLP notes that it is important that the conditions of service between Enbridge and ENGLP be approved in a timely fashion. If the OEB does not reach a decision on the application before service is required, service could potentially commence according to ENGLP under one of the existing OEB approved M9 or T3 services.

- a) Has ENGLP discussed the above option with Enbridge? If yes, please provide Enbridge's response.

**Staff.10**

**Ref: ENGLP evidence, Table 1, pp. 12-13**

In its evidence, ENGLP has provided a list of Dawn-Parkway expansion projects and Other Transmission projects, which relied on the EBO 134 economic test.

- a) Please confirm that the list of projects identified on page 13 (Table 1) did not require a contribution in aid of construction (CIAC).
- b) For pipeline expansion projects identified in Table 1, please indicate if the revenue requirement related to the project was allocated to rate classes that would be using the incremental or new service.

**Staff.11**

**Ref: ENGLP evidence, Table 1, p. 16**

The evidence notes that in response to an ENGLP interrogatory asking for the annual impact to a Union South residential customer if the CIAC was not recovered from ENGLP, Enbridge noted that the bill impact would be \$0.12, which represents less than 0.1% of their annual bill.

- a) Based on the above argument, is ENGLP suggesting that it should not be required to pay any CIAC?
- b) If ENGLP does not pay a CIAC, would Enbridge customers be subsidizing the customers of ENGLP? How would such an approach align with the Generic Community Expansion Decision (EB-2016-0004) which noted that it would not be appropriate to require existing customers to pay a portion of the costs for any community expansion (p.4)?



**Staff.12**

**Ref: ENGLP evidence, Table 1, pp. 28-35**

ENGLP in its evidence has raised certain operational issues with respect to daily balancing under the proposed M17 service. The evidence indicates that the daily imbalance cannot be retroactively changed as it is only possible for ENGLP (or any third party) to remedy the imbalance on a prospective basis. The proposed M17 transportation agreement between ENGLP and Enbridge does not allow for an imbalance to exist. The evidence further notes that ENGLP cannot be expected to precisely balance the receipts and deliveries under the M17 service and only Enbridge can offer a daily imbalance service under the M17 contract. ENGLP has indicated that it is therefore required to enter into a daily balancing storage service with Enbridge that is market-based and beyond the purview of regulation.

- a) Is ENGLP aware of other Enbridge customers that have similar transportation agreements and are required to load balance on a daily basis? If yes, please provide details.
- b) Is ENGLP aware of other rate classes (of legacy Union Gas or Enbridge Gas Distribution) that have similar requirements around daily balancing?
- c) Has ENGLP discussed the problem identified above with Enbridge and has Enbridge proposed appropriate solutions? Please provide a detailed response.

**Staff.13**

**Ref: ENGLP evidence, pp. 35-36**

ENGLP in its evidence notes that since the M17 contract does not allow for any imbalances between volumes delivered to Enbridge and received from Enbridge, a balancing service is mandatory, and it can only be provided by Enbridge. Negotiations of a market-based daily balancing storage arrangement with Enbridge under Rate M17 raises two concerns for ENGLP; (a) being subject to unregulated monopoly pricing; and (b) having no guarantee of renewal rights for ENGLP for such service (which to date, Enbridge has refused to provide).

- a) With respect to negotiating market-based daily balancing storage services, does the reference to unregulated monopoly pricing imply that the cost for market-based daily balancing storage arrangement would be subject to arbitrary pricing and changes or would the unregulated price be based on the contractual agreement between Enbridge

and ENGLP?

- b) Is ENGLP aware of why Enbridge has refused to provide guarantee of renewal rights?

**Staff.14**

**Ref: ENGLP evidence, pp. 38-39**

The evidence states that while ENGLP did not agree with the changes to the availability provisions of the existing M9 and T3 services, in an effort to find a solution that was reasonably suitable to both parties, ENGLP indicated that it was prepared to consider a “modified” T3 service whereby the cost based storage embedded in the T3 service would be replaced with market-based storage costs. Enbridge rejected this proposal.

- a) Is ENGLP aware of why Enbridge rejected the proposal? If yes, please provide details.
- b) In ENGLP’s opinion, would the proposed “modified” T3 service contravene determinations made in the NGEIR decision?
- c) Would the market-based storage costs include daily load balancing by Enbridge? If yes, please describe the mechanics of such a service.
- d) Would the proposed “modified” T3 service raise any regulatory or ratemaking concerns according to ENGLP?
- e) Would ENGLP prefer a modified M17 rate with daily load balancing services from Enbridge or a modified T3 service as proposed above? Please provide reasons for the preferred option.