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February 21, 2020

VIA RESS, EMAIL and COURIER

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

Re: Enbridge Gas Inc. ("Enbridge Gas")
Ontario Energy Board ("Board") File: EB-2019-0183
Owen Sound Reinforcement Project Leave to Construct & Rate M17 Application – Argument-in-Chief

In accordance with Procedural Order No. 2 dated December 12, 2019, enclosed please find Argument-in-Chief of Enbridge Gas in the above noted proceeding.

This submission has been filed electronically through the Board's RESS and is available on our website: https://www.uniongas.com/projects/owen-sound-expansion.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Brandon Ott
Technical Manager, Regulatory Applications

Cc: Intervenors (EB-2019-0183)
C. Keizer, Torys LLP

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 in the Municipality of West Grey and the Township of Chatsworth;

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

ENBRIDGE GAS INC.

ARGUMENT-IN-CHIEF

February 21, 2020

1. This is Enbridge Gas Inc.'s ("Enbridge Gas") Argument-in-Chief in EB-2019-0183.[1]

2. Enbridge Gas is seeking Ontario Energy Board ("OEB" or "Board") approval under Section 90 (1) of the *Ontario Energy Board Act* ("the Act") for Leave to Construct approximately 34 kilometres of NPS 12 hydrocarbon (natural gas) pipeline ("Proposed Facilities" or "the Project") in the Municipality of West Grey and the Township of Chatsworth, both of which are within the County of Grey. Enbridge Gas is applying under Section 97 of the Act for an order approving the form of land agreements offered to owners of land affected by the route or location of the Proposed Facilities.

3. Pursuant to Section 36 of the Act, Enbridge Gas is requesting approval from the Board of a new Rate M17 firm transportation service for gas distributors and to limit the applicability of the existing Rate M9 and Rate T3 rate schedules to existing gas distributor customers who commenced and continued service to their current delivery points under these rates prior to January 1, 2019 in accordance with Exhibit C, Tab 1, Schedules 2 and 3.

4. Enbridge Gas is proposing that EPCOR Southern Bruce Gas Inc. ("EPCOR") be subject to Rate M17 in response to a request to provide transportation to the South Bruce expansion area. In addition to making this service available to EPCOR and other potential new gas distributors in Ontario, existing gas distributors will have the option to take the Rate M17 service.

5. Enbridge Gas submits that the Project is in the public interest and the proposed Rate M17, together with the proposed changes to the existing Rate M9 and Rate T3, are appropriate and should be approved for purposes of providing services to new gas distributors, including EPCOR.

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[1] Pursuant to Procedural Order No. 2 dated December 12, 2019

6. This submission addresses each of the following areas in turn:

   (i) The Owen Sound Reinforcement Project;

   (ii) Contribution in aid of construction;

   (iii) Rate M17;

   (iv) Customer-specific station costs;

   (v) Cost based storage;

   (vi) Daily load balancing; and,

   (vii) Other leave to construct considerations.

7. While Enbridge Gas addresses the evidence submitted by EPCOR and its consultant Elenchus Research Associates Inc. (“Elenchus”) in this Argument-in-Chief, Enbridge Gas does not address all points or arguments within the EPCOR and Elenchus submissions. For clarity, Enbridge Gas’s decision to leave any specific point or argument unaddressed does not suggest agreement, acceptance or endorsement of such points or arguments.

A. Owen Sound Reinforcement Project

8. The Project is required to reinforce Enbridge Gas’s Owen Sound Transmission Pipeline System.[2] The Proposed Facilities include the installation of the NPS 12 pipeline, upgrades to the existing Durham Station and a new valve/receiver site at the northern terminus. The Proposed Facilities are required to meet EPCOR’s demands to serve the South Bruce expansion area[3] as well as Enbridge Gas’s increasing demands for natural gas in the areas served by the Owen Sound System.

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[2] Exhibit D, Tab1, Schedule 1

[3] South Bruce expansion area includes the Municipality of Arran-Elderslie, Municipality of Kincardine and the Township of Huron-Kinloss

9. As outlined in Exhibit E, Tab 3, Schedule 3, Enbridge's anticipated in-franchise growth is distributed across nearly 7,800 customers on a forecast basis. With respect to ex-franchise needs, EPCOR's requirements account for 18% of the capacity provided by the Project.[4] Given the significant, specific and identifiable nature of EPCOR's contribution to the need and timing of the Project, Enbridge Gas has sought a contribution in aid of construction ("CIAC") in the amount of $5.34 million.

10. In addition to the Proposed Facilities, as confirmed in Exhibit I.STAFF.2, Enbridge Gas has constructed a customer station to facilitate connection of EPCOR to the Owen Sound System. As Attachment 1 to the above noted Exhibit Enbridge Gas provided EPCOR a letter on November 7, 2019, informing EPCOR that Enbridge Gas had completed construction of the customer-specific station as of November 1, 2019. The station will allow Enbridge Gas to commence serving the initial EPCOR load on approval of Rate M17 and notice that EPCOR's system is prepared to take service from Enbridge Gas. This customer station is the interconnection point with EPCOR, providing a minimum guaranteed pressure to EPCOR and measurement for billing purposes. EPCOR has agreed to pay customer-specific station costs in the amount of $4.02 million.[5]

11. Enbridge Gas proposes an in-service date for the Proposed Facilities of November 1, 2020. As noted in evidence, the Project is required to serve EPCOR's load for the winter of 2020/2021 and beyond.[6] The Proposed Facilities will be constructed at a cost estimated to be $69 million, including interest during construction and indirect overheads. Enbridge Gas will not seek ICM treatment for the Project in 2020.[7]

12. Enbridge Gas's pre-filed evidence requested that leave to construct the Project be granted by February, 2020 in order to facilitate timely construction and service

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[4] Exhibit I.EPCOR.2 a) v)
[5] Exhibit I.EPCOR.5 a)
[6] Exhibit D, Tab 1, Schedule 1, page 1
[7] Exhibit I.EP.2

to EPCOR[8]. EPCOR submits it has made "significant commitments and investments" to provide gas distribution service to the Southern Bruce expansion area. Specifically, EPCOR states it has constructed approximately 57 kilometres of the proposed 60 kilometres of NPS 8 natural gas pipeline. EPCOR plans to complete the remaining section of NPS 8 pipeline in the spring of 2020 to bring natural gas to the Bruce Energy Centre ("BEC"), "with service to the customers in the BEC to commence immediately thereafter". EPCOR also cited plans to expand service to the communities of Kincardine and Tiverton in 2020, and to commence serving residential and commercial customers in those communities during the summer of 2020.[9]

13. Enbridge Gas requests leave to construct the Project as soon as can practically be granted by the Board in order to allow construction to begin on the timelines submitted in its pre-filed evidence. With the exception of condition 2(a)(i) Enbridge Gas accepts the Conditions of Approval as proposed by Board Staff in Exhibit I.STAFF.1, Appendix A and commits to comply with all such conditions ultimately set out by the Board.

14. Enbridge Gas requests relief from condition 2(a)(i) which would otherwise require Enbridge Gas to provide the Board notice in writing 10 days prior to the start date of construction. Enbridge Gas requests the 10-day notice requirement be removed and replaced by a requirement to notify the Board on commencement of construction. Enbridge Gas notes approval of this revised condition is consistent with the Board's recent Decision and Order in EB-2018-0263.[10]

B. Contribution in Aid of Construction

15. As noted on page 2 of Exhibit D, Tab 1, Schedule 3, Enbridge Gas has requested EPCOR make a CIAC payment of $5.34 million, which is

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[8] Exhibit A, Tab 2, Schedule 1, page 2
[9] EPCOR Evidence p.6
[10] EB-2018-0263, Decision and Order, July 11, 2019, page 14

commensurate with the funds required to bring EPCOR's proportionate share of the Project up to a Profitability Index of 1.0.

16. The combined evidence of EPCOR and Elenchus submits that the CIAC requested from EPCOR relating to its portion of the Project costs is not appropriate, and that no CIAC should be required.[11] EPCOR believes that this cost should be paid by Enbridge Gas's existing customers instead, which would be the effective outcome in the event no CIAC was paid.

17. Central to EPCOR's position is its assertion that the EBO 134 economic test used to assess the economic feasibility of the Project has not been applied appropriately or consistently. Enbridge Gas submits that this is not the case. Enbridge Gas's position is that the Project is in the public interest, and its application of the tests set out in EBO 134 are appropriate for purposes of evaluating the Project. Section 7.29 of EBO 134 reads as follows:

> The Board finds that a contribution-in-aid of construction should be required for those projects where the sole purpose is to supply gas into a new area and where the evaluation process demonstrates an undue burden on existing customers.

18. In both its Kingsville (EB-2018-0013) and Stratford Reinforcement (EB-2018-0306) Decisions the Board agreed with Enbridge Gas's position that projects of this nature should be considered transmission projects and use the economic tests outlined in EBO 134. The Project is a transmission project that increases the capacity of the Owen Sound System to meet forecasted demand growth that arises from a variety of sources over a large geographic area of the Enbridge Gas franchise. On a more specific and identifiable basis however, the Proposed Facilities will also provide natural gas transmission service to EPCOR. In light of the known and specific nature of EPCOR's contribution to the need for the Proposed Facilities, Enbridge Gas submits that the CIAC proposed is an

[11] EPCOR Evidence, page 4; Elenchus Evidence, page 26

appropriate mechanism to ensure that Enbridge Gas's existing ratepayers are not harmed by payment of an undue subsidy.[12]

19. EPCOR suggests that Enbridge Gas has not applied the EBO 134 test appropriately with respect to a CIAC, arguing that supplying gas to a new area (i.e. South Bruce) is not the sole purpose of the Project.[13] EPCOR's request for service is a primary driver of the timing of the Project,[14] however Enbridge Gas has not requested a CIAC derived based on the entire cost of the Project. Instead the CIAC requested of EPCOR solely relates to the funds required to bring EPCOR's proportionate share of the Project up to a Profitability Index of 1.0. EPCOR's proportionate share has been determined based on the portion of total incremental capacity which will be used to serve EPCOR.[15]

20. As noted in Exhibit I.STAFF.13, page 2, "The intent of the CIAC is to more closely align with the principle of cost causation by having customer(s) that cause the costs pay their proportionate share of the costs where possible…Without a CIAC, the remainder of EPCOR's proportionate share will be paid by Enbridge Gas customers, who would then be subsidizing EPCOR's Southern Bruce customers." Enbridge Gas submits that requiring a CIAC of EPCOR which is proportionate to EPCOR's share of the costs is an appropriate application of EBO 134 that upholds important principles of utility ratemaking such as cost causation and the limiting of cross-subsidization.

21. In answer to an interrogatory, Enbridge Gas identified projects that were subject to either EBO 188 or EBO 134 in Exhibit I.EPCOR.3, and did not include projects completed along the Dawn-Parkway system as the Project is not comparable to Dawn-Parkway expansion projects. EPCOR has suggested Enbridge Gas's application of EBO 134 has been inconsistent, and that EPCOR's load is

[12] Exhibit D, Tab 2, Schedule 3, p. 2
[13] EPCOR Evidence, page 10
[14] Exhibit D, Tab 1, Schedule 3, page 1
[15] Ibid., page 2

comparable to Dawn-Parkway projects in that EPCOR's "…increase in demand at Dawn will also proportionately increase liquidity."[16]

22. Dawn-Parkway expansion projects are not comparable to EPCOR's load or the Project. Dawn-Parkway expansions create highly marketable cross-franchise transportation capacity which is of interest to a variety of North American shippers, both in-franchise and ex-franchise. A more robust and utilized Dawn-Parkway system increases the overall volume moving through Dawn and number of parties participating in the Dawn market, creating long-term benefits for all Enbridge Gas customers by improving its ability to purchase gas at terms set in a geographically proximate and competitive market.

23. EPCOR's claim that its additional load will similarly increase liquidity at Dawn is not credible. EPCOR's load is relatively small compared to the volumes enabled through Dawn-Parkway projects, and only incrementally increases demand at Dawn, which is not comparable to projects which increase capacity linked to the broader North American market and facilitate both demand and supply.

24. In another line of argument relating to the CIAC, Elenchus states that "…the proposed CIAC would set a precedent by tilting the playing field in favour of Enbridge and it would violate the principle of ensuring that the playing field is as level as practical for competitive community expansion."[17]

25. Elenchus also submits that "A central feature of this competitive framework is a level playing field with respect of the **cost** of upstream enhancements."[18] [emphasis added] Elenchus re-states in their evidence that "…equivalent **costs** should be charged to the selected gas distributors (whether it is the incumbent or a new entrant)"[19] [emphasis added]

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[16] EPCOR Evidence, page 15, lines 5-6
[17] EPCOR Evidence, page 3, lines 19-22
[18] Ibid, page 16
[19] Ibid, page 25

26. The purpose of the requested CIAC is to ensure that the selected gas distributor pay their appropriate portion of the cost of upstream reinforcement. The CIAC requested corresponds directly to the load requirements of EPCOR within the context of the overall load provided for by the Project. Regardless of whether Enbridge Gas or EPCOR had been selected to serve South Bruce, the selected gas distributor should be required to bear those same costs of reinforcement.

27. When served by EPCOR in the absence of a CIAC, the South Bruce customers will not pay their share of the Project's costs and will effectively be subsidized by Enbridge Gas's customers. The CIAC requested maintains a level playing field amongst gas distributors, as opposed to disrupting it, and mitigates the subsidization of an ex-franchise gas distributor by Enbridge Gas's customers.

C. Rate M17

28. The purpose of the Rate M17 service is to provide a service to ex-franchise distributors (located at points on Enbridge Gas's system other than Dawn-Parkway) that is comparable to the transportation service enjoyed by other ex-franchise gas distribution customers. At the time of the Natural Gas Electricity Interface Review ("NGEIR")[20] this service was not available, and distributors such as Kitchener Utilities and EPCOR Natural Gas Limited Partnership (formerly NRG) were granted their current services and access to cost-based storage in recognition of their lack of access to alternatives. Rate M17 rectifies the situation that existed at the time of NGEIR and ensures that Rate M17 customers have the same access to transportation and storage opportunities that other distributors (e.g. Energir, Kingston, legacy Enbridge Gas Distribution) already have.

29. The Rate M17 service as proposed 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 proposed service

[20] EB-2005-0551

under the Rate M17 Rate Schedule[21] is a firm point-to-point transportation service between an applicable receipt point and the delivery area. The M17 customer will contract with Enbridge Gas to transport gas from Dawn, Kirkwall or Parkway to the delivery area.

30. Under the ex-franchise service offerings, gas distributors will manage their own gas supply arrangements and competitive storage services which are available within the market at market-based rates. As noted in Exhibit I.EPCOR.7 c), under the terms of the M17 contract EPCOR "…has the option to contract for storage balancing service from Enbridge Gas, an agent or marketer to balance differences between nominated and actual gas consumption at the receipt point."

31. As detailed at Exhibit B, Tab 1, Schedule 3, Enbridge Gas's proposed rates are consistent with the rate design principles that underpin Enbridge Gas's existing ex-franchise rates, where applicable. Enbridge Gas's proposed rate design consists of the following components:

    (i) A monthly charge to recover fixed customer-related costs associated with having the gas distributor attached to Enbridge Gas's system;

    (ii) Firm monthly transportation demand charges for each of the transportation paths to the delivery area;

    (iii) Commodity charges to recover incremental Dawn-Parkway compressor fuel and UFG associated with providing the transportation service; and

    (iv) Overrun charges for quantities that exceed the M17 shipper's contract demand.

[21] Exhibit C, Tab 1, Schedule 1

32. Enbridge Gas will not require existing gas distributor contracts and delivery points taking service under the Rate M9 and Rate T3 rate schedules to transition to Rate M17. In the event existing Rate M9 and Rate T3 customers elect to switch to Rate M17, they will no longer be eligible to return to their previous Rate M9 or Rate T3 services.

33. With respect to Rate M17, the primary focus of the EPCOR and Elenchus evidence is that EPCOR should be permitted to take service under either Rate M9 or Rate T3,[22] and that the Rate M17 proposal as filed should not be approved by the Board.

34. Enbridge Gas's Rate M17 proposal is reasonable and entirely consistent with its existing services. In Enbridge Gas's assessment the differences between Rate M17 and Rates M9 and T3, as well as the primary concerns articulated by EPCOR and Elenchus, relate to the following areas:

a) Treatment of Customer-Specific Station Costs;
b) Cost-Based Storage; and,
c) Daily Load Balancing.

35. In the following sections Enbridge Gas will address each of these areas. In each case Enbridge Gas submits that EPCOR and Elenchus's submissions are either incorrect or not reasonable concerns warranting alteration of Rate M17.

D. Customer Specific Station Costs

36. EPCOR states that the requirement to pay for the cost of its Dornoch customer meter station, either as a component of the Rate M17 monthly customer charge or as a CIAC, is "inconsistent with past practices"[23].

37. Enbridge Gas disagrees as the Dornoch Station is providing service only to EPCOR as confirmed by EPCOR in Exhibit I.Enbridge.2 b). The stations utilized

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[22] EPCOR Evidence, page 3; Elenchus Evidence, pages 3-4
[23] EPCOR Evidence, page 22

by Rate T3 customers provide an apt comparison to the Dornoch station as they are in fact customer-specific stations. In Exhibit I.Enbridge.2 d), EPCOR could not confirm that the Rate T3 monthly customer charge included recovery of the revenue requirement for rate base (net of any CIAC) and O&M costs associated with customer-specific stations. Enbridge Gas can confirm that these costs are recovered in the Rate T3 monthly customer charge, and thus confirms that its treatment of the costs of the Dornoch Station are consistent with its past practices relating to customer-specific stations. Stated differently, if EPCOR received service under Rate T3, the costs of customer-specific stations would be treated in the same manner as such costs are treated under Rate M17.

38. Enbridge Gas also reiterates its efforts to provide flexibility and choice to EPCOR in this regard. Enbridge Gas offered EPCOR the option to pay for the customer-specific station within the Rate M17 monthly customer charge or upfront as a CIAC. EPCOR has confirmed it received this option and elected to make the CIAC payment requested.[24]

39. Given Rate T3[25] or a modified Rate T3[26] service has been agreed to as acceptable by EPCOR, and that Enbridge Gas has confirmed above that the treatment of customer-specific station costs in Rate M17 and Rate T3 are the same, Enbridge Gas submits there should be no disagreement between Enbridge Gas and EPCOR relating to treatment of customer-specific station costs. Enbridge Gas submits the Board should approve its treatment of customer-specific station costs when approving Rate M17.

40. EPCOR points to the Parkway Station, being a Union-Enbridge interconnection which included a measurement station, and related facilities as part of the GTA Project (EB-2012-0433) to indicate inconsistent application of policies relating to station costs on the part of Enbridge Gas.

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[24] EPCOR IRR, Enbridge.2 a)
[25] EPCOR Evidence, page 3, lines 14-16
[26] Ibid., page 39

41. EPCOR suggests "…the meter station at the Union-Enbridge interconnection was a customer-specific station used to deliver gas to the westerly terminus of Segment A of Enbridge's recent GTA reinforcement project. No other customers receive gas at this meter station."[27] EPCOR submits that because TransCanada PipeLines Ltd. had not received approval for its King's North pipeline at the time of approval for the Parkway Station work, TC Energy Ltd.'s present and ongoing contract for service on the Albion Pipeline (formerly Segment A of the GTA Project) is irrelevant, and that the interconnection should continue to be considered a customer-specific station for the purposes of EPCOR's argument.[28]

42. EPCOR's assessment is incorrect. The intention of the GTA Project had from the beginning been for TransCanada PipeLines Ltd. to take capacity on the Albion Pipeline.[29] Further, it is relevant and important to note that TC Energy Ltd. (formerly TransCanada PipeLines Ltd.) presently contracts for more than half of the capacity of the Albion Pipeline. Clearly this is not a "customer-specific" station for a single gas distributor, but a station that links to a transmission pipeline that offers service to other gas transmitters.

E. Cost-Based Storage

43. EPCOR has expressed concern with Enbridge Gas's proposal to modify Rate M9 and Rate T3 services to preclude new gas distributors,[30] and Elenchus has submitted that rejecting Enbridge Gas's alterations to Rate M9 and Rate T3 is "the most direct way to avoid tilting the competitive playing field…"[31] Enbridge Gas submits that its Rate M17 service is fair and consistent with existing services and established regulatory guidance, particularly with respect to cost-based storage.

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[27] EPCOR Evidence, page 23
[28] Ibid.
[29] EB-2012-0451/EB-2012-0433/EB-2013-0074 Decision and Order, pages 2-4
[30] EPCOR Evidence, page 3, lines 14-16
[31] Elenchus Evidence, page 27

44. As described in Enbridge Gas's pre-filed evidence, the award of Certificates of Public Convenience and Necessity for South Bruce to EPCOR represented the first granting of such rights within a previously un-serviced area since the NGEIR proceeding, in which access to competitive storage services was reviewed.[32] Enbridge Gas further noted:

> In the NGEIR Decision[33], the Board determined access to cost-based storage should be predicated on whether or not a utility has sufficient access to competitive storage options. Specifically, the Board 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 [the utility] has access to alternatives." The Board further established that:
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> a) Existing utilities taking bundled or semi-unbundled service from another utility (i.e., Kitchener Utilities, EPCOR Natural Gas Limited Partnership (formerly NRG), Six Nations Natural Gas, and Gazifére) do not have sufficient access to competitive storage options under these service offerings to protect the public interest and will continue to receive access to cost-based storage services; and,
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> b) Existing utilities that buy storage services on behalf of their customers had access to competitive storage options and do not require the protection of regulation for the acquisition of storage from legacy Union (i.e. legacy Enbridge Gas Distribution, Énergir (formerly Gaz Métro), and Utilities Kingston). [34]

45. The introduction of Rate M17 provides the same access to competitive storage options that was available to legacy Enbridge Gas Distribution, Énergir (formerly Gaz Métro), and Utilities Kingston at the time of the NGEIR Decision. As a result, it is consistent and reasonable to require Rate M17 customers, including EPCOR, to utilize market-based storage for their storage needs.

46. As noted in Exhibit I.STAFF.6, at the time of the NGEIR Decision the Board determined the amount of cost-based storage that should be reserved for Union's

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[32] Exhibit B, Tab 1, Schedule 1, page 2

[33] EB-2005-0551 Natural Gas Electricity Interface Review Decision with Reasons November 7, 2006, p.p. 61-66.

[34] Exhibit B, Tab 1, Schedule 1, pages 2-3

in-franchise customers was 100 PJ. Enbridge Gas noted in Exhibit I.STAFF.6 page 2 that the Union rate zones' in-franchise storage requirement for the winter of 2019/2020 is 97.1 PJ, demonstrating that the Union rate zones have very little additional cost-based storage available to in-franchise customers to accommodate future growth.

47. EPCOR has confirmed that its franchise area is outside of Enbridge Gas's franchise area,[35] making EPCOR an ex-franchise gas distribution customer comparable to utilities such as legacy Enbridge Gas Distribution, Énergir (formerly Gaz Métro), and Utilities Kingston. Enbridge Gas submits that it would not be just or reasonable to allocate the remaining cost-based storage of the Union rate zones to an ex-franchise customer such as EPCOR, as the 100 PJ was clearly set aside by the Board to serve the growth requirements of in-franchise customers.

48. Though EPCOR may have expressed a desire to contract under Rate M9 or Rate T3 as referenced above, EPCOR has indicated that it is prepared to accept a service "…whereby the cost base storage embedded in the T3 service would be replaced with market-based storage."[36] In this respect Enbridge Gas submits that EPCOR and Enbridge Gas are in agreement that the service provided to EPCOR need not include cost-based storage which has been reserved for Enbridge Gas's in-franchise customers. This will align EPCOR's storage practices with those of other ex-franchise distributors such as legacy Enbridge Gas Distribution, Énergir (formerly Gaz Métro), and Utilities Kingston who all purchase market-based storage to meet both their seasonal and daily load balancing needs; services which can be purchased from Enbridge Gas or another provider.

[35] Exhibit I.STAFF.6, page 1; EPCOR notes that both EPCOR and Enbridge Gas have a franchise agreement with the Municipality of Arran-Elderslie, resulting in an area of minor overlap.

[36] EPCOR Evidence, page 39, lines 2-3

F. Daily Load Balancing

49. EPCOR and Elenchus dedicate significant portions of their evidence to the issue of daily load balancing, with the central argument being that Rate M17's requirement for shippers to enter into a daily load balancing agreement with Enbridge Gas or a third party is unjust, due to their belief that only Enbridge Gas can provide such a service.

50. EPCOR states "Enbridge's proposed Rate M17 does not include any daily balancing entitlements. Each day, the volumes consumed at Dornoch (i.e., receipts at Dornoch) must equal ENGLP's deliveries to Enbridge at Dawn. This is problematic in that its [sic] is virtually impossible to have these two quantities precisely match on any day and to have any entity other than Enbridge have knowledge of, and accommodate, the mismatched volumes."[37] This, according to Elenchus, amounts to a form of *de facto* monopoly service.[38]

51. Enbridge Gas submits that EPCOR and Elenchus are incorrect in this regard. An imbalance on the day can exist under the terms of Rate M17. Furthermore, Enbridge Gas is not the only party capable of providing a daily load balancing service, which is contemplated and articulated in the Rate M17 Rate Schedule and the evidence supporting this application.

52. Section 10 of Schedule B of the Rate M17 Rate Schedule states the following:

> 10. The parties hereto recognize that with respect to Transportation Services, on any day, receipts of gas by Union and deliveries of gas by Union **may not always be exactly equal**, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, **and any imbalances arising shall be allocated, as applicable, to: (i) the firm contract handling daily imbalances** entered into by Shipper pursuant to Schedule "A", Article XXI, Section 2.a, or (ii) the agreement entered into by Shipper pursuant to the requirement stated in Shipper's associated precedent agreement.[39] [emphasis added]

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[37] EPCOR Evidence, page 26, lines 7-12
[38] Elenchus Evidence, page 20, lines 12-14
[39] Exhibit C, Tab 1, Schedule 1, pages 15-16

53. Schedule “A”, Article XXI, Section 2.a of the Rate M17 Rate Schedule, as referred to above, notes:

> Shipper shall, as required, have entered into the necessary contracts with **Enbridge and/or others** to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have executed a valid **Facilitating Agreement** and Interconnect Operating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and shall, as required, have entered into the necessary **firm contract to handle daily imbalances**;[40] [emphasis added]

54. As a system operator Enbridge Gas understands the inherent difficulty of perfectly balancing nominated volumes against actual consumption down to the molecule. It is generally understood and actioned, through terms such as those included within the Rate M17 Rate Schedule, that while shippers are expected to take all commercially reasonable efforts to balance daily consumption this balance will not always be achieved.

55. In such an event the Rate M17 terms referenced above clearly state that cooperation between the parties will be leveraged to reduce imbalances and that remaining imbalances shall be allocated to EPCOR’s firm daily load balancing contract, which as per Article XXI, Section 2.a of the M17 Rate Schedule, can be a contract with “Enbridge and/or others”. This contract, whomever it is with, is EPCOR’s market-based storage account. This account will be used to eliminate imbalances identified through corresponding storage injections or withdrawals as required.

56. Enbridge Gas also notes the requirement for EPCOR to have executed a valid Facilitating Agreement, which in Article XXI, Section 1.d of the M17 Rate Schedule is defined as “…the Interruptible Service HUB Contract or equivalent…” A Facilitating Agreement is a standard operational agreement between Enbridge Gas and market participants in the Dawn market hub. Among

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[40] Exhibit C, Tab 1, Schedule 1, page 13

other terms, a Facilitating Agreement creates the legal framework for end-of-day imbalances to temporarily exist, allowing time for imbalances to be identified, quantified, and allocated to the appropriate storage contract.

57. Contrary to the submissions of EPCOR and Elenchus an imbalance can exist on the day. Enbridge Gas submits that third parties can and do provide the market-based daily balancing services which EPCOR requires under Rate M17. As such Enbridge Gas's proposal to require EPCOR to secure a daily load balancing service is not monopolistic and is a reasonable inclusion in the overall Rate M17 proposal. Enbridge Gas also notes this was a requirement which was added to Rate M17 in an effort to alleviate EPCOR's concerns with the original Rate M17 proposal filed in EB-2018-0244.

58. Enbridge Gas's original Rate M17 proposal included a generous limited balancing agreement ("LBA") consistent with the LBA previously provided to Enbridge Gas Distribution under Rate M12, where it was used to balance volumes substantially greater than those required by EPCOR. The LBA is also consistent with the agreements Enbridge Gas has to balance daily loads in the Union North and Enbridge Gas Distribution rate zones served by TC Energy Ltd.'s Canadian Mainline. EPCOR rejected this proposal for two stated reasons.

59. First, EPCOR stated the original Rate M17 "required daily nominations for volumes to be delivered at Dornoch."[41] As stated by EPCOR in Exhibit I.Enbridge.3, page 1, EPCOR has now engaged a third party system operator for "Gas Supply Planning & Nomination Services" whose duties will include issuing "…nominations to suppliers (at Dawn, Kirkwall and Parkway) and to Enbridge on a daily basis…"

60. Enbridge Gas submits that EPCOR has the appropriate contracts, and as a result, capabilities in place to facilitate daily nominations, which should alleviate concern regarding EPCOR's ability to accommodate the requirement for daily

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[41] EPCOR Evidence, page 37, lines 5-9

nominations. The completion of nominations and the balancing of supply and demand are basic functions required to administer a gas distribution business, and it is not unreasonable to expect a gas distributor to undertake this function using internal expertise or a third-party service provider.

61. Second, EPCOR stated that the LBA "…fees above the first tier were not cost-based and were based solely on TransCanada's rate to provide such a service on TransCanada's system and had no relationship to Enbridge's actual costs of providing this service on its system."[42]

62. As converted from GJ to m^3 in Exhibit I.Enbridge.8, the daily no fee balancing limit under the original Rate M17 proposal was 54,156 m^3, with the cumulative no fee limit identified in EPCOR evidence as effectively double the daily limit, or approximately 108,312 m^3.[43] While EPCOR chose not to provide its forecast peak daily volume after ten years of service in response to Exhibit I.Enbridge.8, a fair illustrative figure can be ascertained by multiplying EPCOR's year ten peak hourly volume of 10,648m^3 [44] by 20.[45] This illustration would suggest a peak daily load of approximately 212,960m^3 in year ten of EPCOR's system expansion. Under this scenario, EPCOR's nomination for consumption on the day would need to be incorrect by an amount greater than 25% of this estimated EPCOR peak daily load in order to incur fees. On a cumulative basis, EPCOR would need to be out of balance by an amount in excess of 50% of this estimated forecast peak daily load. The above noted figures are calculated using EPCOR's year ten peak consumption forecast. As such Enbridge Gas submits that the LBA would provide EPCOR substantially more flexibility than indicated above during the initial years of EPCOR's operation.

63. Enbridge Gas submits this is a highly flexible window to maintain a balance between nominated and actual volumes without incurring fees. As such it is not

[42] EPCOR Evidence, page 37, lines 9-12
[43] EPCOR Evidence, page 36
[44] Exhibit D, Tab 1, Schedule 3, page 1
[45] Multiplying peak hourly load by 20 is a frequently used method to approximate peak daily load

reasonable to outright reject this LBA proposal solely on the basis of fees, particularly where those fees have a low probability of being triggered with any regularity. Further, as noted in describing the original Rate M17, the LBA proposed is "…consistent with the existing LBA offered under Rate M12 for gas distributors."[46] The LBA is an approved service under Rate M12 and any charges associated with exceeding the first tier of the Rate M12 LBA are described on the Rate M12 rate schedule:

> Where Union and the shipper have entered into a Limited Balancing Agreement ("LBA"), the rate for unauthorized parking or drafting which results from nomination variances shall equal the "Balancing Fee" rate as described under Article XXII of TransCanada PipeLines Transportation Tariff.[47]

64. Enbridge Gas utilizes this same LBA to balance daily load with TC Energy Ltd. in its Union North rate zone. The Board has approved the Accounting Order for Enbridge Gas's Transportation Tolls and Fuel – Union North East Operations Area Account (Deferral Account No. 179-146), including reference to debits or credits resulting from any "…charges that result from the Limited Balancing Agreement."[48] The Enbridge Gas Distribution Rate Zone relies on the same LBA in order to balance daily loads with TC Energy Ltd., as described in the Board-approved Accounting Order for the Purchased Gas Variance Account ("PGVA") – EGD Rate Zone.[49] The LBA proposed within the original Rate M17 is industry-standard within Ontario for the purpose of balancing daily loads between natural gas system operators, and as such was a reasonable inclusion within the original Rate M17 as a means for daily load balancing.

65. As described above Enbridge Gas believes its current Rate M17 proposal, including its requirement for a daily load balancing service and the Facilitating Agreements required to operationalize it, is reasonable. Enbridge Gas notes that

[46] EB-2018-0244 Exhibit A, Tab 1, Page 8, lines 14-15

[47] As filed in most recent QRAM Application: EB-2019-0273, Exhibit E, Tab 2, Schedule 7, Appendix B, Rate M12 Rate Schedule, page 2 under "Nomination Variances"

[48] EB-2018-0305 Rate Order, Exhibit F1, Tab 3, Rate Order, Union Rate Zones, Appendix G, Page 24

[49] EB-2018-0305 Rate Order, Exhibit F1, Tab 3, Rate Order, EGD Rate Zone, Appendix E, Page 2

its previous Rate M17 proposal, inclusive of an LBA which is highly flexible and industry-standard, is also reasonable and acceptable to Enbridge Gas. Either of these proposals should be deemed reasonable and acceptable to EPCOR.

66. Under either the current Rate M17 proposal or the previous Rate M17 proposal, EPCOR can take additional steps to acquire more timely information to commence balancing activities prior to receipt of official measurement information from Enbridge Gas, such as the installation of check measurement on the EPCOR side of the Dornoch station. This arrangement would be similar to arrangements Enbridge Gas has at interconnections with other system operators and customers.

G. Other Leave to Construct Considerations

Project Alternatives

67. Enbridge Gas has, in evidence and during the course of this proceeding, evaluated a number of Project alternatives. The preferred alternative is the Project. As detailed at Exhibit E, Tab 3, Schedule 4, Enbridge Gas assessed a variety of alternatives, including, but not limited to: reinforcement in the Project area consisting of different lengths and diameter of pipe; construction of additional pipeline reinforcement at different locations on the Owen Sound System; a Maximum Operating Pressure (“MOP”) upgrade to a portion of the System; adding compression on the System and, Integrated Resource Planning (“IRP”).

68. IRP as an alternative was assessed relative to the following criteria: (i) the economic feasibility of the Project; (ii) the nature of demand driving the Project; and (iii) the ability to implement and verify energy savings resulting from any IRP alternative by November 2020, the Project’s in-service date. Enbridge Gas concluded that DSM was not a viable alternative to the project given it would not

be sufficient to offset demand and would not materialize in adequate time to impact the in-service date for the Project.[50]

Design and Construction of the Proposed Facilities

69. Enbridge Gas has designed the Proposed Facilities to meet or exceed all applicable codes and regulations. Enbridge Gas is proposing to construct the Project in 2020 following its standard construction practices which have been continuously updated to ensure the Project will be constructed safely and that impacts to the lands and environment are minimized. Material is available to construct the Proposed Facilities and contractors familiar with Enbridge Gas's design and construction practices are available to construct the Project.[51]

Routing and Environmental Matters

70. The Board's Environmental Guidelines for Location, Construction and Operation of Hydrocarbon Pipelines in Ontario (7th Edition, 2016) are addressed at Exhibit D, Tab 2, Schedule 6. Subject to following its standard construction practices and adhering to the mitigation measures recommended in the Environmental Report ("ER") prepared by AECOM, Enbridge Gas believes there will be negligible impacts resulting from the construction of the Project.

Landowner Matters

71. The majority of the Proposed Facilities will be located within existing road allowances in the Municipality of West Grey, the Township of Chatsworth and the County of Grey. As updated in the response at Exhibit I.STAFF.15, Enbridge Gas has acquired all necessary permanent land rights (including two fee simple purchases) required for the Project. The temporary land rights necessary to facilitate easier and more efficient installation of the Proposed Facilities will be obtained from the directly affected landowners. It is Enbridge Gas's intention to

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[50] Exhibit D, Tab 2, Schedule 2
[51] Exhibit D, Tab 2, Schedule 4

continue to meet with landowners to further discuss and resolve whatever questions or concerns they may have.

Indigenous Consultation

72. As stated at Exhibit D, Tab 2, Schedule 5, Enbridge Gas has worked closely with the Ministry of Energy, Northern Development and Mines ("MENDM") to ensure the affected Indigenous communities were not only consulted with but that their concerns and issues were identified and addressed.

73. As set out in an EB-2019-0183 evidence update filed with the Board on November 27, 2019, Enbridge Gas included in this submission a copy of the letter of consultation sufficiency it received for the Project from the MENDM.

H. Conclusion

74. With respect to the Project, Enbridge Gas submits that the evidence demonstrates it is needed and that the Proposed Facilities are appropriate to meet that need. Enbridge Gas has applied EBO 134 appropriately under the circumstances of this Project and submits that it is reasonable to expect EPCOR to provide a CIAC which ensures it is paying for its proportionate share of the Project given EPCOR's contributions toward the need and timing of the Project.

75. With respect to Rate M17, Enbridge Gas submits that its proposed rate is reasonable and addresses the needs of EPCOR and other gas distributors in Ontario. Enbridge Gas submits that Rate M17 should be approved as filed.

76. EPCOR has asserted that the requirement for it to pay for its customer-specific station is inconsistent with past practice, however Enbridge Gas submits this approach to be entirely consistent for comparable facilities; most notably customer-specific stations under Rate T3, which EPCOR has described as an acceptable service to EPCOR.

77. Consistent with NGEIR, as an ex-franchise customer with access to competitive storage options EPCOR should not be granted cost-based storage.

78. Contrary to the assertions of EPCOR, Rate M17 does allow for daily imbalances to exist, as demonstrated in the Rate Schedule for Rate M17 included in evidence, and as such Enbridge Gas submits that third parties can and do provide daily load balancing services. Enbridge Gas also notes that its previous Rate M17 proposal included a highly flexible LBA, which would provide an alternative means for EPCOR to manage its daily load balancing needs. Either of these solutions are reasonable and practical means to manage daily load balancing, and Enbridge Gas submits that either should be acceptable to EPCOR.

All of which is respectfully submitted, this 21st day of February, 2020

(Original Signed)

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Counsel to Enbridge Gas Inc.