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March 20, 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 – Reply Submission**

In accordance with Procedural Order No. 2 dated December 12, 2019, enclosed please find the Reply submission 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

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.

REPLY SUBMISSION

March 20, 2020

1. These are the reply submissions of Enbridge Gas Inc. (“Enbridge Gas”) in EB-2019-0183.
2. Enbridge Gas is seeking Ontario Energy Board (“OEB” or “Board”) approval under Section 90 (1) of the *Ontario Energy Board Act* (“the OEB 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. In addition, 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.

3. 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. EPCOR has opposed the Rate M17 inclusive of its requirement for EPCOR to fund customer-specific station costs, as well as Enbridge Gas’s requirement for EPCOR to pay a contribution in aid of construction (“CIAC”) to bring EPCOR’s proportionate share of the Project to a Profitability Index of 1.0. Enbridge Gas submits that the submissions of EPCOR and those parties that support EPCOR’s position should not be accepted by the Board and that Enbridge Gas’s application should be approved as filed.
4. Underpinning EPCOR’s objection to Rate M17, payment of customer-specific station costs and payment of a CIAC is a desire for a regulated treatment in which EPCOR shifts responsibility for its own gas supply management onto Enbridge Gas, and shifts responsibility for the cost of connecting the South Bruce region to Enbridge Gas’s customers. EPCOR’s objections rely on an incorrect interpretation of regulatory precedents and principles and the misunderstanding or mischaracterization of basic facts of Enbridge Gas’s application. Such arguments should be given no weight in assessing Enbridge Gas’s application.
5. Below, Enbridge Gas will respond to the submissions made with respect to the following areas:
 - (a) The Project;
 - (b) Contribution in aid of construction;
 - (c) Customer-specific station costs;

- (d) Market-Based Storage;
- (e) Daily load balancing;
- (f) M17 Applicability; and
- (g) Interim rates.

A. The Project

6. No party in this proceeding made submissions opposing the granting of leave to construct the Project under Section 90 of the OEB Act or the approval of the form of land agreements offered to owners of land affected by the route or location of the Proposed Facilities under Section 97 of the OEB Act.
7. OEB Staff noted that Enbridge Gas proposed a modification of condition 2(b)(i) of the Draft Conditions of Approval, which would otherwise require Enbridge Gas to provide the Board notice in writing 10 days prior to the start date of construction. Enbridge Gas requested that the 10-day notice requirement be removed and replaced by a requirement to notify the Board on commencement of construction.
8. OEB Staff further noted Enbridge Gas's reference to EB-2018-0263 in its Argument-in-Chief ("AIC") where the approved conditions of approval provided that the proponent "must give the OEB notice in writing of the commencement of construction, as soon as construction begins." OEB Staff expressed an expectation for Enbridge Gas to provide the rationale for proposing to modify condition 2(b)(i) in this reply submission. As indicated in its AIC, 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 and in order to meet an in-service date of November 1, 2020. In this regard, Enbridge Gas intends to proceed as expeditiously as possible to construct the Project and has proposed the change in the condition to facilitate work within its proposed timeline.

9. In its submission OEB Staff also included an expectation that Enbridge Gas would provide an update regarding the status of the archeological assessment report(s) under review by the Ministry of Heritage, Sport, Tourism and Cultural Industries (“MHSTCI”). Enbridge Gas can confirm it has received acceptance of all reports submitted to the MHSTCI, inclusive of three Stage 2 reports and one Stage 3 report.

10. IGUA in its submission requested that Enbridge Gas address in its reply submissions whether the combined effect of the turn back of 2,508 m³ of capacity in a reverse open season held in anticipation of the need to provide service to EPCOR and the delay in EPCOR’s customer connection program permits any further deferral of the in-service date of the Owen Sound reinforcement. Enbridge Gas submits that the reverse open season was contemplated in establishing the required timing for the Project. Further, it is Enbridge Gas’s understanding the customer which released capacity on the Owen Sound Line as part of the reverse open season intends to move their operations into the EPCOR franchise area, resulting in no reduction to the overall requirement on the Owen Sound Line. As a result, there is no further delay which can be supported by the reverse open season. Furthermore, as noted in Exhibit I.STAFF.11 Enbridge Gas does note however that EPCOR “expects to have an in-service date of Spring 2020 to service its industrial community and will continue to add customers throughout 2020 and 2021.”¹ It is also Enbridge Gas’s understanding that EPCOR’s industrial customers will constitute a significant portion of its overall load, and Enbridge Gas expects EPCOR will be naturally incented to add additional customers in 2020 as quickly as possible. Enbridge Gas does not believe EPCOR’s delayed in-service date offers the opportunity to delay the in-service date of the Project.

¹ EPCOR Argument, page 14

B. Contribution in Aid of Construction

11. Enbridge Gas has requested EPCOR make a CIAC payment of \$5.34 million, which is commensurate with the funds required to bring EPCOR's proportionate share of the Project up to a Profitability Index of 1.0². EPCOR has made various arguments to assert that the CIAC is not appropriate. The fundamental premise of all EPCOR's arguments is that Enbridge Gas's customers should pay for EPCOR's proportionate share even though that portion of the pipeline expansion is fully to the benefit of EPCOR and its customers. By any measure of regulatory fairness, EPCOR's position is self-serving. It should be rejected by the Board.
12. In support of its position, EPCOR has made a technical argument which dissects and parses the wording of Section 7.29 of EBO 134 to reach a conclusion that a CIAC is not permitted as part of the economic testing provided for by the Board under that section. By adopting a literal interpretation of form over substance, EPCOR ignores the broader regulatory context and public interest. EPCOR submits that because community expansion is not the "sole purpose" of the Project it cannot be subject to a CIAC under EBO 134,³ despite the fact that the proportion of the project to which the CIAC applies is solely to the benefit of EPCOR and its community expansion customers. Enbridge Gas submits that application of EBO 134 requires consideration of the policy as a whole, as well as the broader context of the Board's existing rulings and basic regulatory fairness.
13. Enbridge Gas agrees with IGUA's submission that the EBO 134 test, which establishes whether or not to approve a transmission investment, should not necessarily be the same test to be applied in determining how the costs of that transmission investment should be recovered.⁴ As stated by IGUA, EPCOR takes the position that the EBO 134 test should be applied not only to consider

² Exhibit D, Tab 1, Schedule 3, page 2

³ EPCOR Argument, page 8

⁴ IGUA, page 4-5

whether the transmission investment should be approved (i.e. leave to construct granted), but also how the costs of the investment are to be recovered.⁵ The recovery of costs is a separate regulatory aspect relating to fairness in rates and cost allocation. This aspect extends beyond the consideration of the economic evaluation of a project under EBO 134. If the Board were to circumscribe its consideration of rate fairness to a literal interpretation of EBO 134 as proposed by EPCOR, the Board would be abdicating its obligation to ensure that allocated costs and cost recovery were appropriately and fairly implemented in the public interest. As indicated by IGUA, EPCOR's position regarding EBO 134 would effectively result in transmission investment costs always being recovered from all transportation customers even where a specific identifiable customer or group of customers benefits from all or part of the transmission investment.⁶

14. Notwithstanding that EPCOR acknowledges that it is responsible for 18% of the capacity of Project⁷ and that the absence of a CIAC would result in a subsidy from existing Enbridge Gas customers⁸, EPCOR believes that the issue of cross-subsidization is irrelevant. EPCOR bases its position on the fact that it is only partially responsible for the added capacity and that it views the cross-subsidy as too small when spread across Enbridge Gas's customers to be considered relevant.⁹ EPCOR is incorrect in this regard as it ignores the regulatory context that led to the opportunity for EPCOR to serve South Bruce as a utility. EPCOR's ability to serve South Bruce arose from the Board's competitive process for the expansion of natural gas distribution. EPCOR cannot now ignore the parameters that gave rise to its service opportunity.

⁵ IGUA, page 6

⁶ IGUA, page 6-7

⁷ EPCOR Argument, page 8

⁸ Exhibit I.STAFF.13, page 2

⁹ EPCOR Argument, page 10

15. As stated on page 4 of the Board’s Decision in the Generic Proceeding on Community Expansion (EB-2016-0004) (“Generic Decision”):

The other chief measure proposed to enable more expansions was a subsidy from existing customers. The OEB has determined that this is not appropriate. As noted above, the economic benefits of expansion to many communities are much greater than the costs. ... Under these circumstances, it would not be appropriate to require existing customers to pay for a portion of any expansion. The communities that receive the benefit will be the ones paying the costs.

16. Enbridge Gas agrees with OEB Staff and IGUA in their conclusion that the Generic Decision clearly determined that a subsidy from existing customers to fund community expansion is not appropriate.¹⁰ As reiterated in the Board’s Decision regarding the South Bruce Expansion applications in which the Board awarded EPCOR the right to serve South Bruce, the Generic Decision found that community expansion customers should be served by “stand-alone rates” that reflect the costs to serve customers in the newly serviced area and which are not subsidized through rates paid by customers in existing service areas.¹¹
17. EPCOR also submits that Enbridge Gas’s requirement for EPCOR to pay a CIAC to avoid subsidization of EPCOR’s Southern Bruce customers by Enbridge Gas’s existing customers is inconsistent with its rate design for transmission lines.¹² However, the examples identified by EPCOR are not applicable and EPCOR’s assertion that cross subsidization is acceptable is misplaced.
18. EPCOR incorrectly points to Enbridge Gas’s Saugeen First Nation Community Expansion Project (“Saugeen Project”) filed in EB-2019-0187 as an example of discriminatory treatment by Enbridge Gas because a CIAC for the Project was not sought. The Saugeen Project, however, is a very different project. The Saugeen Project is a distribution connection to bring natural gas to residents and businesses north of Southampton in Bruce County. The Saugeen Project will

¹⁰ OEB Staff, page 16; IGUA, page 7

¹¹ Decision and Order, EB-2016-0137/EB-2017-0138/EB-2017-0139, page 7

¹² EPCOR Argument, page 12-13

make natural gas available to 146 existing residences and 30 existing commercial businesses; in-franchise Enbridge Gas customers participating in Enbridge Gas rate classes. As noted on page 4 of the Board's Decision and Order relating to the Saugeen Project, Enbridge Gas forecasts connection of 89 customers after ten years. It will be connected to a distribution regulating station connected to the Port Elgin/Southampton system.

19. In contrast, the EPCOR connection significantly contributes to the need for the Project. South Bruce is the largest area in Southern Ontario that does not have access to natural gas and EPCOR anticipates connecting 5,278 customers over a ten year period.¹³ As noted in evidence, absent the addition of EPCOR the Owen Sound Line would have had sufficient capacity to serve Enbridge Gas's in-franchise needs until the winter of 2022/2023,¹⁴ making EPCOR the primary driver for the timing of the Project. Furthermore, EPCOR is connecting to the Owen Sound Transmission System through a dedicated station at Dornoch as an ex-franchise shipper. EPCOR's attempts to draw parallels between the current circumstance and the Saugeen Project should be ignored by the Board.
20. Enbridge Gas's proposal to serve the Saugeen First Nation consisted of three revenue components:
 - (a) Applicable rates from Enbridge Gas's Rate M1 and M2 rate schedules for customers in the project area;
 - (b) A System Expansion Surcharge ("SES") applied to customers for a 40-year period, to enable the new general service customers to contribute additional funds towards the economic feasibility of the

¹³ Decision and Order, EB-2018-0263, page 5

¹⁴ Exhibit D, Tab 1, Schedule 3, page 1

project in excess of the funds derived from existing rate schedules;
and,¹⁵

(c) A CIAC of \$1.8 million provided by the Provincial Government under
Bill 32, Access to Natural Gas Act, 2018.

21. Through the SES mechanism customers in the Saugeen Project area are contributing toward the cost of the Saugeen Project by contributing a portion of their annual savings toward natural gas system expansion for a 40-year period. Further, the rates paid by Saugeen Project customers include amounts dedicated to the recovery of transmission costs. As such the customers served by the Saugeen Project will make a contribution toward the recovery of Owen Sound Line costs.
22. Regardless of whether Enbridge Gas or EPCOR had been selected to serve South Bruce, the selected gas distributor should be required to bear the same costs of reinforcement. 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.¹⁶
23. EPCOR has suggested Enbridge Gas's application of EBO 134 is inconsistent as various Dawn-Parkway system expansion projects did not include a CIAC. As stated in Enbridge Gas's AIC, the Dawn-Parkway expansion projects in question were wholly distinguishable from the Project and the expansion needed to connect EPCOR. Dawn-Parkway expansions create cross-franchise transportation capacity for a variety of North American shippers, both in-franchise and ex-franchise. This facilitates a more robust and utilized Dawn-Parkway

¹⁵ EB-2019-0187, Exhibit B-1-1, page 2

¹⁶ Enbridge Gas AIC, p. 8

system which increases the overall volume moving through Dawn and the number of parties participating in the Dawn market, creating long-term benefits for all Enbridge Gas customers through a geographically proximate and competitive market. A comparison between Dawn-Parkway projects and the specific portion of the Project dedicated to serve EPCOR is a comparison of apples and oranges.

24. Finally, contrary to accepted rate making principles, EPCOR not only submits that it should not be subject to a CIAC, but that EPCOR should also be shielded from any future rate changes arising from similar expansions of Other Transmission line expansions where the project $PI < 1.0$.¹⁷
25. With respect to Other Transmission Projects, Enbridge Gas agrees with OEB Staff's submission that the proportionate share of all Other Transmission projects is a rate design issue. As stated by OEB Staff: "The costs of Other Transmission projects, including the costs of the Project, will be categorized as Other Transmission costs and allocated to in-franchise customers in the Union South rate zone in proportion to design day demands. Other Transmission costs is a component of the rate design that includes the recovery of all transmission assets (excluding the Dawn Parkway, Panhandle and St. Clair system) used to serve in-franchise customers in the Union South rate zone. OEB staff submits that this treatment is consistent with the manner in which costs are recovered from all other customers for the use of the same assets."¹⁸
26. Consequently, based on the foregoing, it is reasonable and consistent with regulatory principles that EPCOR pay the CIAC.

¹⁷ EPCOR Argument, page 11

¹⁸ OEB Staff, page 14

C. Station Specific Costs

27. OEB Staff,¹⁹ IGUA²⁰ and SEC²¹ concur with Enbridge Gas's position that EPCOR is responsible for the \$4.02 million customer station costs for the Dornoch Station because it is was built for the sole purpose of serving EPCOR, and that if EPCOR does not pay the costs directly, Enbridge Gas customers would be subsidizing EPCOR's customers contrary to the Generic Decision. In this regard, EPCOR in its submissions provided no effective response.
28. EPCOR reiterated in its submissions the position taken in its evidence that the Union-Enbridge interconnection constructed as part of the GTA Project is a customer-specific station for which costs were allocated to the Dawn-Parkway system as a whole.²² Enbridge Gas conclusively established that the station in question is not a customer-specific station in its AIC²³ and EPCOR has not provided any new insight in its Argument in response. IGUA agreed with Enbridge Gas in this regard.²⁴
29. EPCOR attempts to re-assert its position in Argument, stating "In its Company evidence, [EPCOR] includes the example of the interconnection facility between the pre-merger Union Dawn-Parkway system and pre-merger Enbridge Segment A of the GTA reinforcement project. In this example, Union did not charge Enbridge a CIAC for the \$19.2 million interconnection facility. The revenue requirement associated with this Union-Enbridge interconnection facility is included in the Dawn-Parkway Easterly Transmission Charge and then recovered in all rates that are subject to allocation of that charge."²⁵ EPCOR

¹⁹ OEB Staff, page 13

²⁰ IGUA, page 3

²¹ SEC, page 3

²² EPCOR Argument, page 15

²³ AIC, page 12

²⁴ IGUA, page 5

²⁵ EPCOR Argument, page 15

appears to believe its customer-specific station, which is a one-way connection to a distribution system with no other interconnections, is comparable to a transmission interconnection station at the east end of the Dawn-Parkway system which connects the Dawn-Parkway system to Enbridge Gas's Albion Pipeline transmission line. Such a station is clearly not to the benefit of a sole customer as the Dornoch Station is, as a transmission system such as Dawn-Parkway with no interconnection to other transmission systems or supply basins is of no practical use. Interconnections to other transmission systems are required to facilitate the movement of gas supply into and across the Dawn-Parkway system and are thus integral to the system itself. It is entirely appropriate that the cost of such stations are allocated to the Dawn-Parkway system as approved by the Board, and to suggest that such stations are comparable to EPCOR's customer-specific station is not credible.

30. In response to Enbridge Gas's submission that Rate T3 is an appropriate comparison for recovery of meter station costs, EPCOR did not establish a distinction between cost treatment under Rate T3 and the proposed Rate M17. Instead, EPCOR criticized the OEB approved rate design of Rate T3 and recovery in that rate of the Dawn-Parkway Easterly Transportation Charge. Because in EPCOR's opinion the recovery of both those costs and customer-specific station costs under Rate T3 is inappropriate, EPCOR concludes that Rate T3 is not an appropriate comparison. Enbridge Gas submits that Rate T3 charges are OEB approved and that Rate T3 is clearly an appropriate comparison for assessing the recovery of customer specific station costs.
31. Rate T3 also serves gas distributors in Ontario and EPCOR submitted this would be an acceptable service to EPCOR. The Rate T3 monthly customer charge recovers the costs of customer-specific station costs. Like customer-specific stations in Rate T3, the Dornoch Station is a customer-specific station, as submitted by Enbridge Gas and confirmed by EPCOR. Approval of Enbridge

Gas's application will uphold regulatory precedent (i.e. Rate T3) and long-standing regulatory principles (e.g. cost causation).

32. FRPO suggests that the Dornoch Station should be assessed using EBO 188, calculating any necessary CIAC in order to bring the project up to an appropriate level of profitability. FRPO's assertion is premised on the fact that the station is fed by a transmission main which in turn feeds a distribution system²⁶. The fact that the station feeds a distribution system is not relevant to this assessment. FRPO's recommendation to use EBO 188 is not appropriate and does not merit consideration.

D. Rate M17 – Market-based Storage

33. The purpose of Rate M17 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") 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 addresses 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. As a result, it is consistent and reasonable to require Rate M17 customers, including EPCOR, to use market-based storage for their storage needs.
34. Though EPCOR may have expressed a desire to contract under Rate M9 or Rate T3, 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-

²⁶ FRPO, page 9

based storage.”²⁷ 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 who purchase market-based storage to meet both their seasonal and daily load balancing needs.

35. OEB Staff, IGUA and SEC agree that post-NGEIR, Enbridge Gas is not required to provide cost-based storage to new ex-franchise customers.²⁸ Energy Probe, however, incorrectly asserts that Enbridge Gas wants the OEB to allow it to “discriminate between existing gas distributor customers and new gas distributor customers”.²⁹ This is based on the premise that existing distributors have acquired rights, and that on the basis of a National Energy Board precedent such an arrangement is not appropriate and amounts to undue rate discrimination.³⁰ Energy Probe’s submission ignores the significance of the NGEIR decision, and as such Enbridge Gas’s proposal is not discriminatory. The NGEIR Decision established that when storage service is otherwise available through the competitive market, the Board will forebear in regulation of that service. EPCOR’s transportation needs can be met through approval of Rate M17 and its storage needs through access to the competitive storage market the Rate M17 service will grant them. By requiring EPCOR to obtain market-based storage Enbridge Gas is not discriminating, but rather is directly applying the regulatory policy set out in NGEIR.
36. Energy Probe’s objection appears to focus more on existing distributors accepting service under Rate T3 and Rate M9, with access to cost-based

²⁷ EPCOR Evidence, page 39

²⁸ OEB Staff, page 17; IGUA, page 8; SEC, page 4

²⁹ Energy Probe, page 6

³⁰ Ibid.

storage, than on EPCOR taking service under Rate M17.³¹ Enbridge Gas can only follow NGEIR; not amend it. Enbridge Gas has not proposed to alter the access to cost-based storage available to existing Rate T3 and Rate M9 customers; a position reinforced by the submissions of OEB Staff.³²

37. Energy Probe and FRPO erroneously place weight upon the concept of “embedded distributors”³³. The record clearly demonstrates, as confirmed by EPCOR, that EPCOR is an ex-franchise customer. The Board in the NGEIR decision did not render its decision based on whether a customer was an “embedded distributor”. Rather, the Board found that the determination should be made based upon whether or not the distributor in question had access to competitive storage options. The Board found that many distributors, namely those with access to services on the Dawn-Parkway system, did have such access and should not be entitled to cost-based storage. On approval of Rate M17, EPCOR will have access to competitive storage and thus should not be entitled to cost-based storage. This is the key determinant referenced by the Board in establishing eligibility for cost-based storage in NGEIR.³⁴ FRPO’s reference to embedded distributors is introducing a concept not relied upon by the Board in the NGEIR Decision. FRPO’s characterization of EPCOR as “embedded” should be given no weight in this matter.
38. FRPO’s interpretation of NGEIR diverges further by speculating about what was in the minds of the Board panel that made the NGEIR Decision. FRPO suggests that when the Board set aside cost-based storage for growth in the Union franchise, they may have been including “virgin” territory such as EPCOR’s South Bruce distribution franchise.³⁵ Putting the highly speculative nature of

³¹ Energy Probe, page 6

³² OEB Staff, page 22-23

³³ Energy Probe, page 6; FRPO, page 3

³⁴ Exhibit B, Tab 1, Schedule 1, page 2-3

³⁵ FRPO, page 3

FRPO's submission aside, the inclusion of an ex-franchise gas distributor within the 100PJ of cost-based storage reserved for in-franchise growth is not consistent with the Board's NGEIR Decision. Had the Board believed an ex-franchise distribution customer should be included within the set aside cost-based storage, it is reasonable to conclude such consideration would have been explicitly stated by the Board. No such consideration was expressed or implied in the NGEIR Decision. Speculating on the minds of a previous Board panel in such a manner is neither productive nor appropriate. FRPO's speculation should be dismissed.

39. FRPO also suggests that the difference in cost between cost-based and market-based storage is relevant to the Board's Decision in this proceeding, asserting that Enbridge Gas is inappropriately securing an advantage over new entrants in all future community expansion opportunities. FRPO fails to acknowledge that the Enbridge Gas Distribution ("EGD") rate zone already procures significant amounts of market-based storage, and that the Union rate zones are very close to outgrowing the 100 PJ of cost-based storage available to in-franchise customers.³⁶ This problem would only be exacerbated if EPCOR, an ex-franchise customer, were granted some of the limited remaining cost-based storage reserved for in-franchise customers; advancing the date by which Enbridge Gas will need to begin procuring market-based storage to serve the needs of the Union rate zones. Enbridge Gas agrees with SEC that it would be especially unfair to allow EPCOR to access the 100 PJ of Enbridge Gas's cost-based storage for Union rate zone customers, while EGD rate zone customers, part of the same company, cannot have access to the remaining cost-based storage.³⁷ OEB Staff concur that it would be unfair to provide an ex-franchise customer such as EPCOR access to cost-based storage when existing cost-based storage

³⁶ Exhibit I.STAFF.6, page 2

³⁷ SEC, page 4

is already insufficient to meet the needs of Enbridge Gas's in-franchise customers.³⁸

40. Enbridge Gas submits that it reasonable that the Rate M17 service require market-based storage as it is wholly consistent with NGEIR and fairly protects cost-based storage set aside for Union rate zone customers.

E. Rate M17 – Daily Load Balancing

41. Like EPCOR's evidence, a significant proportion of EPCOR's Argument related to Rate M17 and the availability of daily load balancing. EPCOR's argument is largely repetitive of its evidence, and similarly seeks to sow confusion regarding the nature of the services offered and the needs of EPCOR as a gas distributor. Despite Enbridge Gas's clear and detailed AIC submissions explaining how the combination of a HUB Agreement, market-based storage account and EPCOR's third-party contracted service gas supply management will enable EPCOR to balance daily loads under Rate M17, EPCOR continues to erroneously insist that it requires an "end of day no notice balancing" service that only Enbridge Gas can provide.³⁹
42. Enbridge Gas clearly addressed this matter in its AIC and will provide an abbreviated re-statement of the basic facts presented in this proceeding. As noted on page 15 of Enbridge Gas's AIC, "EPCOR and Elenchus are incorrect...An imbalance on the day can existing under the terms of Rate M17." Enbridge Gas continues on page 16 that "while shippers are expected to take all commercially reasonable efforts to balance daily consumption this balance will not always be achieved." The same page notes 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

³⁸ OEB Staff, page 18

³⁹ EPCOR Argument, page 22

and/or others.” This contract, whomever it is with, is EPCOR’s market-based storage. The contract will be used to eliminate imbalances identified through corresponding storage injections or withdrawals as required.” Finally, Enbridge Gas addresses the HUB Agreement; an industry standard agreement between Enbridge Gas, the operator of the Dawn hub, and market participants at Dawn. Among other features, this 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.”⁴⁰

43. Enbridge Gas submits that this arrangement has been clearly articulated in evidence and argument, as evidenced by OEB Staff’s clear understanding of the arrangement and OEB Staff’s submission that the daily balancing options included in Enbridge Gas’s proposal appear to “meet the needs of [EPCOR].”⁴¹
44. The clear explanation re-iterated above also demonstrates that EPCOR’s concern that the HUB Agreement gives Enbridge Gas “the right at its sole discretion to provide 48 hour verbal notice to require [EPCOR] to bring its Balancing Account to zero by the end of such 48 hour period”⁴² is similarly unwarranted. As explained, the purpose of the HUB Agreement is not to maintain a cumulative balance over time; it is a short-term mechanism which allows time for market participants such as EPCOR and its contractor to correct imbalances through injections to and withdrawals from storage. Such an agreement is not intended to carry imbalances for multiple days, so a 48 hour requirement to balance would not affect the daily load balancing activities of EPCOR. FRPO expresses similar concerns under the mistaken belief that the HUB Agreement, as opposed to EPCOR’s market-based storage, is EPCOR’s daily load balancing mechanism.⁴³ EPCOR and FRPO’s submissions on this matter are mistaken,

⁴⁰ AIC, page 17

⁴¹ OEB Staff, page 20

⁴² EPCOR Argument, page 22

⁴³ FRPO, page 7

and Enbridge Gas submits their arguments should be rejected by the Board on that basis.

45. The primary components of a daily balancing service are market-based storage, which can be provided by a variety of competitive counterparties, and a service (internal or contracted) to manage supply and demand through nominations. EPCOR has acquired the latter and has every opportunity to acquire the former on a competitive basis. The correction of load imbalances occurs through market-based storage services and corresponding nominations undertaken by the gas shipper or its agent. The HUB Agreement is an operational agreement between a participant in the Dawn market and Enbridge Gas; the operator of the Dawn market. The purpose of the agreement is not to provide daily load balancing; it is to ensure the safe and reliable operation of a natural gas storage and market hub.
46. Enbridge Gas's role as counterparty in the HUB Agreement is as facility operator to ensure that gas entering and leaving its facilities is accounted for physically and, if necessary, financially. The fact that only Enbridge Gas can operate its own assets is a given and is not evidence that only Enbridge Gas can provide daily load balancing. Given the HUB Agreement is not the daily load balancing service in question, Enbridge Gas submits that daily load balancing under Rate M17 is not monopoly controlled. As stated numerous times in evidence and argument, third parties can and do provide market-based daily balancing services through nominated market-based storage.
47. EPCOR's assertions that its only source of data regarding the state of load balance is Enbridge Gas on a retroactive basis is also inaccurate. As noted on page 20 of Enbridge Gas's AIC:

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.

48. EPCOR's evidence and Argument also advance a notion that Rate M17 already includes cost recovery for load balancing services, and that as such daily load balancing services should be offered at no additional cost to EPCOR. This notion is incorrect. EPCOR points to evidence from Union Gas Limited's 2013 rebasing application where it was noted that Union Gas Limited, now Enbridge Gas, holds 9.5PJ of storage for system-wide integrity purposes. The purpose of this storage was described at that time by Union Gas Limited as follows:

As an integrated storage and transmission system operator Union requires system integrity space to support the integrity of the system as a whole and provide the provision of service to all customers. It provides reserve capacity and allows for the operational balancing necessary to manage all of the services Union offers and ensures the integrity of Union's storage, transmission and distribution systems.⁴⁴

49. In review of this description EPCOR appears to have focused on the word 'balancing' to the neglect of the remaining content and context. This storage is clearly described as a necessary buffer to maintain the safety and integrity of Enbridge Gas's system as a whole, ensuring continued operation as a result of unexpected and unplanned events or system demands.⁴⁵ This function is not a 'service' and is never described as such; it is a necessary asset to enable an integrated system operator to safely operate. EPCOR has clearly mischaracterized Enbridge Gas's Board approved integrity storage needs and their purpose. EPCOR's submissions on this subject should be given no weight by the Board.

⁴⁴ EPCOR Evidence, page 33

⁴⁵ EPCOR Evidence, page 33

50. Enbridge Gas believes its current Rate M17 proposal, including its requirement for a daily load balancing service and the HUB Agreement required to operationalize it, is reasonable. Enbridge Gas notes that its previous Rate M17 proposal, inclusive of a Limited Balancing Agreement (“LBA”) which is highly flexible and industry-standard, is also reasonable. OEB Staff concur with Enbridge Gas in this regard. OEB Staff submitted that the daily balancing service that is included in the current proposal meets the needs of EPCOR, and that the combination of the M17 services with a daily load balancing service or LBA would also provide sufficient flexibility to meet the needs of EPCOR.⁴⁶
51. With respect to the LBA, the material concern raised by EPCOR in its submissions was that imbalance fees above the initial no-fee tier were mirrored after TC Energy’s rate to provide a similar service on TC Energy’s system.⁴⁷ EPCOR has also highlighted its concern that the LBA required nominations, while EPCOR preferred a no notice service.⁴⁸ Enbridge Gas addressed these two concerns in its AIC, and EPCOR did not present new or modified arguments in response.
52. As noted in Enbridge Gas’s AIC, the LBA included in the original Rate M17 proposal in EB-2018-0244:
- (a) Would be a highly flexible mechanism to assist EPCOR in daily load balancing;⁴⁹

⁴⁶ OEB Staff, page 20

⁴⁷ EPCOR Evidence, page 37

⁴⁸ Ibid.

⁴⁹ AIC, page 18

- (b) Is consistent with the existing LBA offered under Rate M12 for gas distributors directly connected to the Dawn-Parkway system as described in the Rate M12 rate schedule;⁵⁰
- (c) Has proven acceptable for the operation of Union North and the EGD rate zone, and is included within their Board approved deferral account accounting orders for administering such costs;⁵¹ and,
- (d) Is industry standard in Ontario.⁵²

53. EPCOR's concerns with respect to the fees associated with exceeding the LBA imbalance limits are not reasonable. While the numeric basis of those fees may be associated with TC Energy's system, they have proven acceptable in the past (i.e. Rate M12) where Enbridge Gas has received Board approval of the exact same LBA. More so, such fees are not cost-based in any event; they are fees put in place as a disincentive against shippers exceeding their limits.
54. Enbridge Gas believes EPCOR's comment regarding nominations is more representative of EPCOR's true position. Much of EPCOR's evidence and argument focuses on creating a perception that EPCOR requires a service without nomination requirements, whether it be for load balancing or for service entirely as originally expressed by EPCOR.⁵³ It appears EPCOR does not want to pursue conventional gas and transportation arrangements that are readily available in the market and have been used successfully by other gas industry participants, and instead wants to receive a regulated service which alleviates EPCOR from gas supply management responsibility.

⁵⁰ Ibid., page 19

⁵¹ Ibid.

⁵² Ibid.

⁵³ EPCOR Evidence, page 37

55. EPCOR's submissions seek to make the case that the most appropriate course of action is to alleviate EPCOR of the need to balance supply and demand through nominations. As noted in Enbridge Gas's AIC,⁵⁴ 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.
56. Because of how daily load balancing has been either misunderstood or mischaracterized by FRPO, Enbridge Gas believes it is important to clarify certain inaccuracies of FRPO's submission. FRPO suggests that balancing on TC Energy's system is achieved through Storage Transportation Service ("STS"), a facilitating Operator Balancing Agreement ("OBA") and a Limited Balancing Agreement ("LBA") (though FRPO refers to it as a Load Balancing Account). FRPO appears to believe the combination of these services provides an appropriate service to utilities connected to TC Energy, suggesting "The STS, OBA and LBA components of [TC Energy] are integral to the utilities of Eastern Canada being able to receive firm service and manage imbalances in an economic fashion."⁵⁵ FRPO has misunderstood and mischaracterized all three of these arrangements in its submission.
57. STS is a transportation service offered by TC Energy; reserving capacity on a specified path of pipeline for delivery to a specified delivery point. The "storage" component of STS is merely an augmentation of shipper's rights under the contract which lend themselves to injection and withdrawal from storage. It is a transportation service to and from a storage location or a point on the system with access to storage, not a daily storage or load balancing service. The Rate M17 contract includes transportation to the Dornoch Station, so there is no need

⁵⁴ AIC, page 18

⁵⁵ FRPO, page 6

for any additional STS-like service to meet the needs of EPCOR. In short, STS is not relevant to the Board in consideration of this application.

58. With respect to OBAs, it is equally unclear why such agreements would be relevant. Enbridge Gas only has OBAs to manage technical relations with other transmission pipelines including TC Energy, DTE, Bluewater, Panhandle and Vector. Enbridge Gas does not have an OBA for its distribution delivery points served immediately off of the TC Energy system (e.g. points in Union North such as the WDA, NDA and EDA). FRPO seems to believe the OBA and LBA are somehow integral to one another, suggesting “[TC Energy’s] OBA allows for the shipper to carry a [sic] imbalance in its Load Balancing Account (“LBA”)”.⁵⁶ To Enbridge Gas’s knowledge, this is not the case. In Enbridge Gas’s experience with TC Energy, OBAs are a separate matter between transmission operators.
59. FRPO appears to believe the functions of the LBA are split across the OBA and LBA, when in fact an OBA is an agreement between transmission operators and an LBA is an agreement governing a transmission-to-distribution connection point. In the context of a transmission-to-distribution connection the functions described by FRPO are all attributed to the LBA, which allows for shippers to carry a specified imbalance on a daily and cumulative basis. While FRPO finds the LBA arrangement appropriate for TC Energy to offer utilities solely connected to its Canadian Mainline, it is unclear why the exact same arrangement (as included in the EB-2018-0244 version of the Rate M17 service) would be inappropriate for EPCOR. FRPO takes similarly contradictory positions in arguing for EPCOR to receive cost-based storage, suggesting that sole connection to TC Energy’s Canadian Mainline is appropriate justification for Utilities Kingston to take market-based storage, while sole connection of EPCOR to Enbridge Gas’s transmission system does not justify the same treatment. In that case, FRPO’s argument is based in the belief that TC Energy’s system is an “interconnecting

⁵⁶ FRPO, page 5

pipeline”, while Enbridge Gas’s transmission system, is not.⁵⁷ Enbridge Gas cannot rectify the clear contradictions within FRPO’s arguments and submits the Board should give them no weight given their contradictory nature and basis in clear misunderstandings.

60. In light of the foregoing, the submissions of EPCOR and any intervenors who support their load balancing position should not be accepted. The daily load balancing service that is included in the current proposal meets the needs of EPCOR and, if desired, the previously offered Rate M17 inclusive of an LBA would also meet the needs of EPCOR.

F. Rate M17 - Applicability

61. EPCOR made submissions asserting that Enbridge Gas was inconsistent in the application of Rate M17 since it had not sought to apply Rate M17 to Certarus Ltd., stating a belief that Certarus is a new distributor under the OEB Act.⁵⁸ As stated in its interrogatory response to EPCOR, for the purpose of the Rate M17 service Enbridge Gas defines gas distributors as natural gas distribution utilities which own traditional gas distribution systems and assets (e.g., pipes, stations); not CNG or similar customers such as Certarus. Furthermore, Enbridge Gas submits that Certarus operates across the province and beyond in a competitive market against propane and other fossil fuel providers. Certarus has no underground infrastructure (i.e. pipe) and does not operate a traditional natural gas distribution system.⁵⁹
62. In its submissions, EPCOR also included and made reference to a letter from OEB Staff to the Ministry of Energy, Northern Development and Mines related to the application of the OEB Act to LNG and CNG. Enbridge Gas submits it is

⁵⁷ FRPO, page 4

⁵⁸ EPCOR Argument, page 26

⁵⁹Exhibit I.EPCOR.1

clearly inappropriate for EPCOR to introduce entirely new information within this proceeding as an attachment to Argument, as this approach denies parties, including Enbridge Gas, the ability to test such information. The result is a record relating to the letter which is incomplete, and Enbridge Gas submits such untested information should be given no weight in assessing this application.

63. Nevertheless, Enbridge Gas submits that the correspondence in question is irrelevant to the application, which relates to Rate M17 and EPCOR's taking service under that rate; not the regulatory treatment of CNG and LNG companies. However, Enbridge Gas does note that the correspondence in question does not consider the implications of the Board's Decision and Order in EB-2014-0012 where the Board decided to forbear from regulating the provision of LNG on the basis that there was already a competitive market in place for this service. Enbridge Gas also notes the letter is dated February 25, 2020 and expresses the views of OEB Staff, who themselves note that "some of the points below have not yet been the subject of an OEB Decision."⁶⁰ Even if the letter provided by EPCOR were relevant to this proceeding, which Enbridge Gas submits it is not, at best it presents an open question lacking the definitive guidance that can only be provided by a fact-specific Board Decision.

G. Interim Rates

64. In order to commence service prior to a final decision of the OEB, Enbridge Gas has requested interim rates to allow the Rate M17 service if needed. EPCOR views this approach as highly prejudicial. However, EPCOR in its submission has set out no basis for prejudice. Enbridge Gas submits that there is no prejudice to EPCOR. Further, EPCOR noted in its Argument that it does not anticipate being in a position to offer service to any of its customers until June of 2020.⁶¹ With a record closing March 20, 2020, Enbridge Gas is hopeful that an interim rate is not

⁶⁰ EPCOR Argument, Appendix 1, page 2

⁶¹ Ibid., page 28

required. To the degree the Board's Decision is rendered on a date nearing June of 2020 Enbridge Gas also notes that contracts relating to Rate M17 are already executed with EPCOR, and as such on a contractual basis Rate M17 would be a more expedient path to initiating service than an interim arrangement under another rate class given no contractual arrangements for such rate classes have been made between Enbridge Gas and EPCOR.

H. Conclusion

65. Enbridge Gas submits that its proposed Rate M17 is reasonable and should be approved as filed. The rate is consistent with NGEIR and appropriately provides for market-based storage, which facilitates daily load balancing in alignment with industry standards. The recovery of the proposed CIAC and the receipt of station specific costs appropriately reflects cost responsibility pursuant to the Generic Decision.

All of which is respectfully submitted, this 20th day of March, 2020

(Original Signed)

Charles Keizer
Counsel to Enbridge Gas Distribution Inc.