



ONTARIO ENERGY BOARD

STAFF COMMENTS ON DRAFT RATE ORDER FILED ON MAY 1, 2020

**Enbridge Gas Owen Sound Reinforcement &
Rate M17 Application
EB-2019-0183**

May 11, 2020

Background

On August 29, 2019, Enbridge Gas Inc. (Enbridge Gas) applied under section 90(1) of the *Ontario Energy Board Act, 1998* (OEB Act) for an order granting leave to construct approximately 34 km of 12-inch diameter natural gas transmission pipeline, located in the Municipality of West Grey and the Township of Chatsworth in the County of Grey (Project). The Project was required to supply EPCOR Natural Gas Limited Partnership (ENGLP) with natural gas to serve the area of South Bruce and to supply the demand growth in Enbridge Gas's Owen Sound System in-franchise area. The application also included a request for a new Rate M17 firm transportation service for natural gas distributors including ENGLP. Enbridge Gas also requested approval to modify the applicability of the existing Rate M9 and Rate T3 rate schedules for gas distributors to limit their applicability to natural gas distributors that are already being served under those rates.

On April 9, 2020, the Ontario Energy Board (OEB) issued its decision on the application wherein it approved the leave to construct and the new Rate M17. In its decision, the OEB required ENGLP to inform the OEB and Enbridge Gas its preferred load balancing approach. In a letter dated April 17, 2020, ENGLP informed the OEB and Enbridge Gas that it prefers the Limited Balancing Agreement (LBA).

On May 1, 2020, Enbridge Gas filed a draft rate order that included the Rate M17 rate schedule and general terms and conditions reflecting a June 1, 2020 effective date. Enbridge Gas also confirmed that it will include the LBA within the Rate M17 service to accommodate ENGLP's load balancing requirements. The rate schedules have been updated to reflect 2020 rates as approved in Enbridge Gas's April 2020 Quarterly Rate Adjustment Mechanism application with the exception of specific charges (monthly customer charge and transportation demand charges) used in ENGLP's feasibility analysis.

OEB Staff Comments

In its decision, the OEB made two specific determinations that could impact the M17 rate schedule.

1. Pooled Metering Costs

The OEB determined that ENGLP should bear the entire cost of the customer station built to serve ENGLP natural gas customers. The OEB also determined that other pooled meter station costs that are included in the M17 Rate that have no use or benefit to ENGLP should be removed from the M17 rate. Enbridge Gas was asked to confirm

as part of the draft rate order process the nature of any pooled metering costs in the M17 rate.

Enbridge Gas in the draft rate order noted that with respect to Dawn-Parkway demand costs, ENGLP will use and benefit from the Dawn-Parkway system as gas is required to be transported to the Owen Sound line. It is therefore appropriate that metering costs related to the Dawn-Parkway and Owen Sound system continue to form part of Rate M17. OEB staff agrees with this approach.

With respect to Other Transmission demand costs, Enbridge Gas indicated that there are two Measuring and Regulation (M&R) stations included in the costs to serve ENGLP. The first is the Owen Sound Transmission Station which measures and regulates gas into the Owen Sound system at the connection with the Dawn-Parkway system. The second is the St. Jacob's Transmission Station which regulates the gas pressure along the Owen Sound line. Enbridge Gas confirmed that ENGLP will use and benefit from both stations. OEB staff agrees that these stations are of benefit to ENGLP and therefore an allocation of these costs should be included in the M17 Rate.

In the Union Gas Limited Rate M17 application that was later withdrawn, Union Gas (now Enbridge Gas inc.) noted that the Owen Sound line is categorized as Other Transmission demand and is allocated to Union South in-franchise rate classes in proportion to design day demands. Union Gas's Other Transmission assets include all transmission assets other than those identified as the Dawn-Parkway or Panhandle/St. Clair Transmission Systems.¹ These Other Transmission systems include the Dominion Line, Owen Sound Line, Sarnia Line, Windsor Line, London Line and other smaller transmission lines.² In other words, the Other Transmission demand costs portion of the M17 rate is a proxy rate that includes a number of transmission lines to serve Union South in-franchise rate classes, one of which is the Owen Sound line. Presumably, these other transmission lines (apart from the Owen Sound line) include M&R stations that form part of the Other Transmission demand costs. Enbridge Gas in the draft rate order has not clarified whether the Other Transmission demand costs includes M&R costs related to transmission lines other than the Owen Sound line. Enbridge Gas in reply is requested to clarify whether the Rate M17 Other Transmission demand costs includes M&R costs related to transmission lines other than the Owen Sound line and how these M&R stations benefit ENGLP.

2. Allocation of Project Costs

As part of the Owen Sound Reinforcement costs, the OEB approved the required capital contribution of \$5.34 million by ENGLP. The capital contribution amount reflects 18% of the project costs and is in line with the incremental capacity that is required by ENGLP.

¹ EB-2018-0244, Exhibit A, Tab 1, p. 12.

² EB-2018-0244, OEB Staff IRR# 1d.

At the same time, ENGLP will be allocated a portion of the remaining 82% of the project costs as the Profitability Index of the remaining portion (82%) is less than 1.0. In the decision, the OEB required Enbridge Gas to confirm that the portion of the 82% that is attributed to ENGLP has use or benefit to ENGLP.

In the draft rate order, Enbridge Gas confirmed that it is not seeking Incremental Capital Module treatment for the Owen Sound Reinforcement project. Consequently, the costs associated with the 82% capacity will not impact Rate M17 or any other rate class throughout the deferred rebasing period. At the time of rebasing, the project costs will be added to the Other Transmission rate base and could impact Rate M17 accordingly.

Enbridge Gas further noted that it has not completed the comprehensive cost allocation study and proposal that will inform its 2024 rebasing application. Enbridge Gas submitted that the Other Transmission costs include costs of all previous Owen Sound construction projects that have not fully depreciated. ENGLP will receive a portion of its needed volumes (6,800 m³/hr) through existing capacity and Enbridge Gas argued that ENGLP will benefit from the existing capacity that has been paid for by other customers of Enbridge Gas. Enbridge Gas further submitted that it would be inappropriate and administratively unwieldy to allocate ENGLP only those costs which relate to assets that directly serve it on a go-forward basis.

OEB staff agrees that ENGLP will benefit to a certain extent from the existing capacity that is funded by existing ratepayers. Furthermore, the Owen Sound reinforcement costs will not be added to rate base until 2024 and therefore the costs related to 82% of the capacity is not being recovered in rates. It is therefore appropriate to wait until rebasing to determine how the 82% of the project should be allocated and consider whether the Owen Sound line should have a separate transmission rate that excludes the cost of the smaller transmission lines.

OEB staff has reviewed the M17 draft rate schedules and does not have any other concerns with the proposed M17 rate.

– All of which is respectfully submitted –