

May 11, 2020

VIA RESS

Ms. Christine E. Long
Registrar and Board Secretary
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Dear Ms. Long:

Re: EB-2019-0183 – Enbridge Gas Inc. (EGI) Owen Sound Reinforcement Project Leave to Construct and Rate M17 Application.

Industrial Gas Users Association (IGUA) Comments on Draft Rate Order.

We write as legal counsel to IGUA to provide comments on EGI's draft rate order (DRO) filed May 1, 2020.

IGUA's position on Rate M17 was premised on the principles of "fairness" in rate making, in general, and the principle that "beneficiary pays" in respect of community gas system expansion in particular.¹ These same principles inform our comments on EGI's DRO.

Pooled Metering Costs

As EGI noted in its DRO transmittal letter, following its determination that the costs of the Dornoch customer station should be fully allocated to EPCOR South Bruce (EPCOR), the Board expressly and clearly directed that "[a]ny pooled metering costs that provide no use or benefit to ENGLP shall be removed" from Rate M17.²

EGI's letter identifies two Measuring and Regulating stations included in EGI's Other Transmission Costs pool that provide service to EPCOR, and goes on to state:

As such, EPCOR will use and benefit from both stations and it remains appropriate for EPCOR to provide a contribution toward the recovery of M&R costs included in the Other

¹ IGUA Written Submissions, March 6, 2020.

² *Decision and Order*, April 9, 2020.

Transmission demand costs. Enbridge Gas submits this approach to cost recovery is inherent to postage-stamp rates, is consistent with Enbridge Gas' Board-approved cost allocation and remains appropriate in the derivation of Rate M17.

We understand this assertion to mean that while there are two Measuring and Regulating stations included in EGI's Other Transmission Costs pool, there are other metering costs included in EGI's Other Transmission Costs pool as well, and that the Rate M17 proposed in the DRO includes such costs.

This is contrary to the Board's direction. In setting Rate M17 the Board specifically and expressly directed that any pooled metering costs for assets that provide no use or benefit to EPCOR shall be removed. In doing so the Board expressly contemplated that there may be costs included in a cost pool but arising from metering facilities that provide no benefit to EPCOR. EGI seems to have confirmed that this is the case, but has failed to remove these costs when allocating pooled costs to EPCOR.

EGI should be directed to refile a DRO which adheres to the Board's direction and removes from Rate M17 any pooled metering costs for assets that provide no use or benefit to EPCOR.

Recovery of Reinforcement Costs

In ruling on the contribution in aid of construction (CIAC) required of EPCOR for the Owen Sound Reinforcement the Board directed EGI to confirm as part of the DRO process that *"the portion of the 82% [balance of the reinforcement costs beyond the 18% directly paid for by EPCOR through a CIAC] ...has use or benefit to ENGLP" or, "alternatively, Enbridge Gas may confirm that no portion of the 82% will be allocated to ENGLP"*.³

On this point, EGI's May 1, 2020 DRO transmittal letter notes;

... the CIAC requested is specific only to 3,848 m³/hr of EPCOR's total 10,648 m³/hr load. The remaining 6,800 m³/hr of EPCOR's load was provided by existing capacity on the Owen Sound system, and no CIAC was required relating to the use of this capacity.

We do not understand this statement to be confirmation that some portion of the 82% of reinforcement costs following payment of the CIAC are costs associated with assets that have any use or benefit to EPCOR. EGI does note that the Other Transmission assets cost pool to which these costs are allocated includes *"the costs of all previous projects undertaken to construct and operate the Owen Sound line"*, but that was not what the Board asked.

As submitted in IGUA's March 6, 2020 Written Submissions:⁴

... applying the principle of non-discrimination in rate making, should a CIAC from EPCOR be required for 18% of the cost of the Owen Sound expansion, EG should be directed to

³ Decision and Order, April 9, 2020, page 22.

⁴ IGUAs Written Submissions, Paragraph 30

ensure that EPCOR will not ultimately be responsible for any costs associated with the other 82% of the capacity, now or in future. If EPCOR is required to pay for its “share” of the expansion capacity without subsidy from other customers (which in IGUA’s submission it should be), EPCOR should not also be required to subsidize the other 82% of the costs incurred to serve other EG customers.

EGL advises in its DRO Transmittal Letter that no portion of the 82% of the costs of the Owen Sound Reinforcement will be added to rates pending rebasing. Nonetheless, EGL’s DRO transmittal letter effectively confirms that there is no use or benefit to EPCOR from the Owen Sound Reinforcement project beyond the 18% of the project capacity that it is paying for directly through the required CIAC. Accordingly, no portion of the 82% balance of reinforcement costs should be allocated to EPCOR in the future.

Yours truly,



Ian A. Mondrow

c: B. Ott (EGI)
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