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July 6, 2020

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Long,

RE: EB-2020-0094-Enbridge Gas Inc.
Harmonized System Expansion Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor

Please find attached the interrogatories submitted on behalf of the Ontario Greenhouse Vegetable Growers.

If any further information is required please do not hesitate to contact the undersigned.

Yours very truly,

Michael R. Buonaguro
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sch. B), as amended ("OEB Act");

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or orders under section 36 of the Act approving certain rate mechanisms for expansion projects and a capital allocation factor for project economic feasibility as per E.B.O. 188 Guidelines.

INTERROGATORIES SUBMITTED ON BEHALF OF THE ONTARIO GREENHOUSE VEGETABLE GROWERS (OGVG)

July 6, 2020

OGVG-1

Reference: Exhibit B Tab 1 Schedule 1 page 13

Preamble: Further, the E.B.O. 188 Guidelines also contemplated that capital costs will be allocated based on the customer's peak day demand (E.B.O. 188, Final Report of the Board, January 30, 1998, Sec. 4.3.3, part (ii), page 19). The HAF refines this by making this allocation based on each customer's peak hour demand.

a) Please explain the impact, if any, of allocating capital costs based on a customer's peak hour demand rather than the customer's peak day demand.

OGVG-2

Reference: Exhibit B Tab 1 Schedule 1 page 13

Preamble: Fundamentally, the HAF is derived by dividing the net forecasted capital cost of a project by the forecasted capacity that the project serves within the Area of Benefit. The HAF is expressed as a capital cost for each cubic metre per hour of incremental capacity.

a) Please explain what is included in the gross capital costs of a project and what is deducted from the gross capital cost to arrive at the net forecasted capital cost of a project.

OGVG-3

Reference: Exhibit B Tab 1 Schedule 1 page 13

Preamble: The HAF can then be used to allocate the capital cost of a project to the customers the project serves as each customer contracts for or initiates service, based on each customer's incremental capacity requirement, in addition to the costs of any customer specific facilities that may be required (e.g., upgrades to a customer station, service line, or distribution main).

b) Please confirm that the use of the HAF ensures that individual customers are never held responsible for anything more than the capital costs originally allocated to them, regardless of EGI's ability to allocate the remainder of the forecast net capital costs to other customers. In other words, please confirm that to the extent that EGI fails to fully allocate the net capital costs of a particular project EGI bears the risk of a shortfall in recovery unless and until EGI is successful in having the costs of the project included in rate base for the purposes of setting rates (or alternatively the costs of the project are recovered through an approved incremental capital module or similar rate rider).

OGVG-4

Reference: Exhibit B Tab 1 Schedule 1 page 14
EB-2012-0431, schedules 12 and 13

Preamble: The Area of Benefit is the geographic area that will see a noticeable increase in firm natural gas capacity as a result of the Development Project.

In EB-2012-0431 Union Gas Inc. accounted for increased capacity and demand for interruptible service in its open season in support of the proposed Leamington Project and in the evidence provided to the OEB in support of the economic viability for the Leamington Project.

a) Are there potential benefits to parts of EGI's distribution system outside the Area of Benefit as a result of a Development Project not directly related to increases in firm natural gas capacity? If so please discuss those benefits and why it would not be appropriate to consider those benefits when determining the net capital costs to be allocated through the HAF.

b) Please confirm that one of the benefits of a project that increases firm natural gas capacity in an Area of Benefit is an increase in the availability of interruptible service. If so confirmed, please confirm that under EGI's proposal the impact of any incremental revenue generated through the increased availability of interruptible natural gas capacity is not considered when determining the net capital costs to be allocated through the HAF; if not considered please explain why not, and if considered please explain how.

c) Please discuss EGI's recent experience in terms of the materiality of increased interruptible service revenue created by projects that added incremental firm capacity.

OGVG-5

Reference: Exhibit B Tab 1 Schedule 1 page 14

Preamble: Enbridge Gas is proposing that the threshold of eligibility be scaled with the size of the Development Project. For larger projects, Enbridge Gas would propose that the HAF apply only to large volume customers. For smaller projects, all customers, large and small, would be included. In the four previously approved LTC projects, the "floor" of HAF applicability was set at 200 cubic metre per hour. Enbridge Gas determined the proposed HAFs based on the known parameters at that time, by dividing the net forecasted capital by the total forecasted capacity in cubic metres per hour made available by the project for customers who required in excess of 200 cubic metre per hour. These projects primarily targeted large volume customers, and as a result, a threshold was set that would target and capture those customers. In the future, with a smaller Development Project, that targets a mix of larger and mid-sized customers a lower threshold may be more appropriate.

a) For projects where the HAF is only applied to large volume customers, please describe how the capacity not allocated to any large volume customer through the use of the HAF is accounted for in the economic evaluation of the project as a whole (i.e. does EGI simply forecast the customer attachments and related revenues for the non-large customers it expects to access the increased firm capacity?).

OGVG-6

Reference: Exhibit B Tab 1 Schedule 1 page 15
EB-2018-0188 Exhibit B.Staff.2

Preamble: Enbridge Gas will cease to allocate and apply the HAF to the economic feasibility analysis of new customers requesting service in the Area of Benefit once the total incremental capacity has been fully allocated. This approach will help reduce the situations where a single customer underpins a large project with a long- term contract or CIAC and then a neighbouring customer gains access to the incremental capacity without being allocated a fair share of the capital costs that generated that capacity. It also allows the Company to factor in anticipated growth to optimize the design of the facilities up front.

In EB-2018-0188 Exhibit B.Staff.2 EGI answered a number of questions related to the use of an HAF to allocated costs to large customers and the various implications of doing so in connection with the contracts entered into by those customers.

a) Please review the answers provided by EGI in EB-2018-0188 Exhibit B.Staff.2 and identify any answers that do not reflect EGI's generic approach to the negotiation of contracts with large volume customers based on the application of an HAF to allocate cost responsibility to customers, including the amendment of such contracts under various scenarios.

b) In situations where, after the total incremental capacity for a project has been fully allocated, one or more customers that have had capital costs allocated to them through the use of an HAF reduce their overall consumption and need for firm capacity as a result DSM activity initiated either by the customer or through EGI's DSM efforts, Integrated Resource Planning initiated by EGI, or for any other reason, please confirm that EGI has the ability to take back the firm capacity allocated to those customers (assuming those customers no longer want that capacity) and offer it to new customers requiring incremental firm capacity. Assuming EGI can confirm that it can offer recovered firm capacity to new customers, please confirm that EGI can and will modify the contractual/CIAC related obligations entered into by the original customers to reflect the transfer of firm capacity to new customers; if not confirmed please explain why EGI would not account for the transfer of capacity in this way, particularly in situations where the reduction in required firm capacity is caused by EGI's DSM or Integrated Resource Planning activity?

OGVG-7

Reference: Exhibit B Tab 1 Schedule 1 page 15

Preamble: For the purposes of the economic feasibility analysis for customers allocated costs using the HAF, Enbridge Gas would continue to apply the E.B.O.188 Guidelines. Large volume customers would have flexibility through longer term contracts and/or a CIAC payment to achieve a PI of 1.0. Small volume customers would have the option of a CIAC payment and/or the TCS, as applicable over a defined term to achieve a PI of 1.0.

a) When performing the economic feasibility analysis for customers, to what extent, if any, does EGI account for the impact of the proposed project on the rates to be paid for by customers, whether it is the rate impact in EGI's next rebasing application or through the recovery of an ICM rate rider or other incremental charge similar in nature to an ICM rate rider?