



THE BOARD OF DIRECTORS

PATRICIA ADAMS
Chair and President
ANN CAVOUKIAN
Executive Director, PBDI, Ryerson University
ANDREW COYNE
Columnist, Globe and Mail
IAN GRAY
President, St. Lawrence Starch Co. Ltd.
GAIL REGAN
President, Cara Holdings Inc.
GEORGE TOMKO
Expert-in-Residence in IPSI, University of Toronto

MAX ALLEN
Producer, CBC Radio
DAVID CAYLEY
Writer and Broadcaster
GLENN FOX
Economist, University of Guelph
BRUCE PARDY
Professor of Law, Queen's University
ANDREW ROMAN
Lawyer

August 24, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Ms. Long,

**RE: EB-2020-0160 Enbridge Gas Windsor Pipeline Section 101 Application
Submission by Energy Probe on the Motion by Environmental Defense**

On August 17, 2020, Environmental Defense filed a motion under s. 27.03 of the Board's *Rules of Practice and Procedure*, seeking full and adequate interrogatory responses from Enbridge Gas Inc. to certain of its interrogatories, or in the alternative that a technical conference be held in the matter. By Procedural Order No.3, issued on August 19, the OEB invited parties to file submissions on the motion. This document is the submission of Energy Probe.

The motion is seeking full and adequate responses to the following interrogatories: I.ED.1 (a) to (d) and I.ED.4 (a) to (e).

In I.ED.1 a) Environmental Defense posed the following question:

(a) Please provide a table detailing the difference in the cost of leaving the abandoned pipe in place as approved in EB-2019-0172 versus the cost of removal as calculated in Enbridge's s. 101 Application. Please itemize the costs for each option and the difference between the totals for each.

To which Enbridge replied:

Please see Enbridge Gas's pre-filed evidence at Exhibit B, Tab 1, Schedule 4, page 1 to page 3 for the difference in the cost of leaving the abandoned pipe in place as approved in EB-2019-0172 versus the cost of removal as calculated in Enbridge Gas's. 101 Application.

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

The reply clearly does not provide the requested information. In its evidence Enbridge claims that the cost of removing the existing pipeline is \$5.9 million and that due to this apparent cost the existing pipeline should be left in place. Energy Probe submits that it is appropriate for parties to the proceeding to test that claim by requesting itemized cost information so that the OEB can assess the reasonableness of Enbridge's cost estimate.

In I.ED.1 b) to d) ED requested the following information.

(b) For comparative purposes, please complete the following table comparing the costs and project details in the ten most recent pipeline removal project in Canada that Enbridge has been involved in. (and provided a table not reproduced here).

(c) If Enbridge if believes the above table does not include the most appropriate comparators, please complete the table again with the projects that Enbridge believes are the most appropriate comparators.

(d) On a best efforts basis, please provide (i) an estimate of the cost per km to abandon a pipeline in place on average and (ii) an estimate of the cost per km to remove a pipeline on average. If an average is imprecise, please provide a range of reasonable figures for each. Please provide Enbridge's underlying calculations and assumptions.

To which Enbridge replied as follows.

b) and c) These questions are beyond the scope of this application. Please see the preamble to Enbridge Gas's response at Exhibit I.PP.1.

d) and e) These questions are beyond the scope of this application. Please see the preamble to Enbridge Gas's response at Exhibit I.PP.1. Enbridge Gas also notes that each abandonment will be unique given the circumstances of the abandonment, and therefore the cost will be different in each circumstance.

Energy Probe disagrees. The requested information is clearly within the scope of this application as Enbridge is relying on it in its assertions. Enbridge is refusing to remove the existing pipeline due to its \$5.9 million cost estimate of removal. It is therefore appropriate for intervenors to test the basis of that cost estimate by comparing it to other pipeline removal costs. Energy Probe believes that the OEB would be assisted in its decision by having this information.

In I.ED.4, a) to e) ED requested

(a) How does Enbridge propose to recover the costs for removing the pipeline if it is required to do so?

(b) Please describe generally how pipeline abandonment is paid for in Ontario, including

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

those that are removed and those that are left in place.

(c) How much funding, if any, has been set aside or earmarked for the abandonment of this pipeline?

(d) Enbridge said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount collected in relation to the NPS 10 pipeline at issue.

(e) Enbridge said that “abandonment costs [are] included in OEB approved gas distribution rates and [are] collected in the asset depreciation rate.” Please indicate the amount collected in relation to all Ontario pipelines to date. Please discuss whether this could or should be used to pay for the removal of this pipeline if said removal is required.

Enbridge replied as follows.

a) If Enbridge Gas is required to incur incremental costs to remove the NPS 10 steel main as requested by the County of Essex, as opposed to abandoning it in place, the costs will be charged/debited to accumulated depreciation consistent with the treatment of costs that would have been incurred to abandon the pipe in place.

b) In accordance with the Uniform System of Accounts for Class A Gas Utilities, gas utilities in Ontario recover (and ratepayers pay for) the net salvage cost (or abandonment cost, or cost to retire) of a pipeline through the depreciation charged on the pipeline over its life. Depreciation allocates the service value of the plant asset over its estimated life in a systematic and rational manner. The service value of the plant, for depreciation purposes, shall be its cost less its estimated net salvage value. Net salvage value means the salvage value less removal costs. In cases where removal costs exceed salvage value, the net salvage value will be negative. Whether pipeline abandonment is through removal or via being left in place, recovery is the same, but the quantum of the net salvage value to be recovered is impacted.

c) Enbridge Gas does not set aside or segregate funds for the abandonment of pipelines. With regards to the new Windsor pipeline, no abandonment / net salvage / cost to retire liability has been established as-of-yet, as the pipeline is not in service, and therefore no depreciation has been recognized.

d) Enbridge Gas is not able to provide the amount specific to the NPS 10 pipeline at issue. The costs collected through the asset depreciation rates over the life of the pipeline are calculated at the group (or pool) level, and not the individual asset level.
e) Enbridge Gas does not have the required information for all Ontario utilities, to be able to quantify the amount of abandonment costs collected in relation to all Ontario pipelines to date. Enbridge Gas is also not able to quantify the amount it has

collected to date, as the actual cost of retirements have been netted against amounts collected over time. Also, please see response to Part a).

Energy Probe believes that the responses provided by Enbridge to interrogatory 1.ED.4 a) to e) are full and adequate.

In conclusion, Energy Probe submits that the OEB should direct Enbridge to provide full and adequate responses to interrogatory I.ED.1 a) to d). As Enbridge has already provided full and adequate responses to I.ED.4 a to e, no directive from the OEB is required regarding that interrogatory.

Environmental Defense suggested that as an alternative a Technical Conference be held. Energy Probe believes that due to the highly technical nature of the evidence in this proceeding, a Technical Conference would be helpful, and be followed by a Settlement Conference where Enbridge and Essex County may have an opportunity to reach an agreement that would settle their differences.

Respectfully submitted,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.
Consultant representing Energy Probe

CC. Enbridge Gas Inc. (Regulatory Proceedings)
Patricia Adams (Energy Probe)
Kent Elson (Environmental Defense)
Scott Stoll (Aird & Berlis)
David Sundin (McTague Law Firm)