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August 27, 2020

VIA RESS and EMAIL

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (Board) File No.: EB-2020-0094
Harmonized System Expansion Surcharge, Temporary Connection Surcharge
and Hourly Allocation Factor
Undertaking Responses**

In accordance with Procedural Order No. 2 dated August 13, 2020, enclosed please find undertaking responses from the technical conference held on August 20, 2020 in the above noted proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Digitally Signed)

Rakesh Torul
Technical Manager,
Regulatory Applications

cc: Tania Persad, Sr. Legal Counsel
EB-2020-0094 Intervenors

ENBRIDGE GAS INC.

Undertaking Response to FRPO

Explain the derivation and application of the Hourly Allocation Factor using FRPO's hypothetical example and two scenarios set out below.

CUSTOMER	SUMMER DEMAND	WINTER DEMAND
	m ³ /hr	m ³ /hr
LARGE SUMMER	300	0
LARGE WINTER	50	200
TOTAL SMALL	100	400
TOTAL	450	600

Capital Project Cost = \$10M Total Completed Capacity = 1,000 m³/hr

Please provide the methodology and show the calculations that achieve that result.

Further, assume that after 5 years both large customers in the 10 year forecast have been attached and 90% of the small customers without any significant additional capital cost (original capital spent was \$10M):

- 1) a new summer customer with a summer demand of 250 m³/hr is added, please describe the methodology that would be applied and show the calculation of the new allocations.
- 2) a new winter customer with a winter demand of 250 m³/hr is added, please describe the methodology that would be applied and show the calculation of the new allocations (for clarity, this scenario is only with addition of the new winter customer without the new summer customer in 1) above).

Response:

Assumptions:

- 1) The system is a winter peaking system.
- 2) Total forecasted incremental winter peaking needs are 600 m³/h over the forecast period.
- 3) The minimum facilities capable of meeting the forecasted demand results in the creation of 1,000 m³/h of capacity.

Step 1: split the project and capital cost into a large volume and small volume component based on proportion of the peak hourly demands vs. forecast small volume component = $400 \text{ m}^3/\text{h} / 600 \text{ m}^3/\text{h} \times \$10 \text{ million} = \$6,666,666.67$ large volume component = $200 \text{ m}^3/\text{h} / 600 \text{ m}^3/\text{h} \times \$10 \text{ million} = \$3,333,333.33$

Step 2: create the HAF for large volume customers based on forecasted volumes
HAF = capital of large volume component / sum of large volume forecast
= $\$3,333,333.33 / (200 \text{ m}^3/\text{h} + 300 \text{ m}^3/\text{h}) = \$6,666/\text{m}^3/\text{hour}$

Scenario 1: “after 5 years both large customers in the 10-year forecast have been attached and a new summer customer with a summer demand of 250 m³/hr is added.”

In this case, since 100% of the forecasted large volume customers have been connected, the HAF would cease to apply. The new summer customer would be subject to an economic test that considers the capital costs required to connect them such as a customer station, service line and their appropriate share of any additional facilities required to serve them at their site.

Scenario 2: “after 5 years both large customers in the 10-year forecast have been attached and a new winter customer with a winter demand of 250 m³/hr is added.”

In this case, since 100% of the forecasted large volume customers have been connected, the HAF would cease to apply. The new winter customer would be subject to an economic test that considers the capital costs required to connect them such as a customer station, service line and their appropriate share of any additional facilities required to serve them at their site.

ENBRIDGE GAS INC.

Undertaking Response to IGUA

To consider the board's decision in the Kingsville Reinforcement Project, which was EB-2018-0013, and advise whether the Board's expressed concerns might have been dealt with through the HAF Mechanism had it been in place at the time, and if not, why not.

Response:

As per the Decision from EB-2018-0013, the Board's concerns included:

"First, the new pipeline has ancillary distribution benefits according to Union in addition to the transmission functions. The distribution benefits are evident as Union identified 14 firm customer contracts executed and 20 customer contracts being negotiated which rely on the approval and construction of the Project. The OEB finds that the Project meets both distribution and transmission needs, yet the OEB's economic tests are exclusive, applicable to either distribution or transmission lines.

Second, the economic test for transmission, E.B.O. 134, does not attribute who should pay with each stage of testing. For distribution pipelines, the more recent E.B.O. 188 test recognizes that if there is insufficient new revenue generated by the project to cover its costs, capital contributions are required from the benefiting parties. Under E.B.O. 134, the stage 2 benefiting parties would be downstream connecting customers and the local economy. Currently there is no mechanism to have these parties make a contribution to the costs despite their substantial benefit.

For natural gas in Ontario, no economic test or ratemaking mechanism exists today to allow these discrepancies to be addressed.

The OEB acknowledges the creative thinking included in IGUA's submission. While it is not appropriate to split the costing between transmission and distribution pipelines as proposed by IGUA in this proceeding, such proposals may help inform future thinking on the treatment of dual function pipelines."
(emphasis added)

The HAF or a similar mechanism may have been able, in part, to help mitigate some of the Board's concerns. However further consideration of the method for attributing costs to specific customers versus the benefits attributed to the system or the economy as a whole would have been required.

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Undertaking Response to IGUA

To reconcile Mr. Macpherson's statements about no CIAC being required with what's apparently in the decision on Leamington Phase 2.

Response:

In Leamington Phase 2 (EB-2016-0013), at the time of the proceeding, and using the customers' parameters contemplated at the time, there was one customer that would have required a CIAC payment even when extending the term of its contract and economic feasibility assessment out to 20 years.

Subsequent to the OEB decision, Enbridge Gas and the customer were able to negotiate a service agreement that resulted in the customer not having to make a CIAC payment.