



EPCOR Natural Gas Limited Partnership

Application to Amend the Certificate of Public
Convenience and Necessity for the Township of South-
West Oxford

EB-2020-0232

Responses to OEB Staff Interrogatories

December 22, 2020

OEB Staff-1

Ref: Application, pp. 7, 8, 9 and 12; EB-2019-0232 Interrogatory Response to OEB Staff-2(b)

Preamble:

ENGLP states that it is applying for an order to cancel and supersede its existing certificate of public convenience and necessity for certain areas of the Township of South-West Oxford with a new certificate that also covers Mount Elgin Road and McBeth Road (Mount Elgin-McBeth Areas). ENGLP states that this would enable it to serve the Salford Group, Burgessville Grain & Feed Inc. (Burgessville), and additional residential customers.

ENGLP states that a new 4" diameter polyethylene pipe, totaling 4,150 metres, along the north side of Mount Elgin Road starting at Culloden Line will be required to connect Burgessville. It is stated that a volumetric throughput of approximately 13,200 m³ per year will enter this portion of the expanded system.

Similarly, ENGLP states that a new 2" diameter polyethylene pipe, totaling 1,400 metres, along the south side of McBeth Road starting at Dereham Line will be required to connect the Salford Group. It is stated that a volumetric throughput of approximately 56,100 m³ per year will enter this portion of the expanded system.

In ENGLP's application to amend its certificate for South-West Oxford to include the Village of Salford, ENGLP stated that it would obtain written commitments from prospective customers.

Question:

a) Please confirm if the capacity of the proposed pipeline on Mount Elgin Road and McBeth Road is sufficient to serve other connections along the route in addition to the Salford Group and Burgessville.

ENGLP Response: Confirmed. Please see further commentary on this issue in Staff 1-b and Enbridge 1.

b) Please explain how ENGLP determined that farms and residential customers would be interested in connecting to the proposed pipe, if no formal connection requests have been received. Has ENGLP obtained written commitments from or signed contracts with these prospective customers?

ENGLP Response: ENGLP has not actively marketed to any of the additional customers included as part of this application. From time to time, potential customers have reached out directly to ENGLP staff to request service in the area.

ENGLP has not obtained written commitments or signed contracts with the potential farms or residential customers noted in this application. This application has been submitted on behalf of Burgessville Grain & Feed (Mount Elgin Road) and the Salford Group (McBeth Road) who both contacted EPCOR regarding the possibility of extending service to them. Pending the approval of this application, ENGLP will contact any additional prospective customers noted in this application to determine interest.

After Procedural Order 1 was issued on December 8, 2021, ENGLP was contacted by the Salford Group to discuss their long term growth expectations and the possibility of increasing the pipeline servicing their business from 2" to 4" in order to accommodate future expansion plans. While this development continues to be a verbal discussion at the time of responding to these questions, ENGLP has included an updated map and project cost calculations in the appendix of this submission for further review.

ENGLP defers to the Board on whether an amended application must be filed to address this new development.

OEB Staff-2

Ref: Application, p. 12

Preamble:

ENGLP states that capital contributions, if any, would be limited to portions of service pipeline exceeding 20 metres in length from the planned distribution mains depicted in Appendix "E".

ENGLP also states that a financial contribution of \$227,688 and \$30,664 have been calculated as a contribution in aid of construction (CIAC) for Burgessville and the Salford Group respectively. ENGLP further states that these costs may be reduced based on the number of other connection requests received on each route. However, there have not been any formal connections requests received yet.

Question:

a) Will any of the farms or residential customers to be attached be charged a CIAC? Please provide if known, or otherwise estimate, the number of customers who would require a service main in excess of 20 metres (i.e. who would then be required to provide a capital contribution). Please provide if known, or otherwise estimate, the average amount that these customers would be required to pay as a capital contribution.

ENGLP Response: Capital contributions would be determined based on the number of interested customers connected. For the purposes of this application, the CIAC has been calculated and presented based on known consumption for the customer who have contacted ENGLP.

If approved, ENGLP would work with the Salford Group and Burgessville Grain and Feed to refine the projections to ensure that they would accurately depict the expected volumes required. The CIAC would be adjusted accordingly before finalizing the agreement with customers.

The amount of contribution that a residential or agricultural customer would be required (if any) would be determined based on a prorated portion of expected volumes. If the total expected volume did not lead to a calculated CIAC of \$0, the additional connections would be required to contribute based on their prorated share of the anticipated load of the new pipeline over the lifetime of the assets.

b) Please explain how the CIAC for each of Burgessville and the Salford Group were calculated, and if part of the CIACs are due to service mains in excess of 20 metres. Please explain how Burgessville's and the Salford Group's contributions will be reduced in the event that other customers are connected along the same pipeline:

- i. at the same time as Burgessville and the Salford Group
- ii. the year after Burgessville and the Salford Group are attached
- iii. six years after Burgessville and the Salford Group are attached

ENGLP Response: As these proposed pipelines are independent of one another, the CIAC impacts will be different for Burgessville and the Salford Group.

The CIAC for each project is calculated using the net present value of the expected contract costs (including equipment/labour/installation and other known costs) using the discount rate as the expected cost of debt/capital.

The costs are offset by expected revenue based on customer projections (if known or a basic assumption is used per rate class) to determine a profitability index. If the index is less than a value of 1, the customer will be required to make a contribution in aid of construction (CIAC) to avoid subsidization by other customers in the Aylmer service territory.

Contributions by other customers using the infrastructure paid for by the Salford Group or Burgessville will be required to make a contribution based on their expected usage of the asset over the course of the asset until the time of rebasing after which the costs would be added into the rate base.

Without having the specific estimations per customer, the cost to connect one year after Burgessville or the Salford Group would be slightly reduced compared to if they connected at the same time. A connection six years after Burgessville or the Salford Group were connected would not require a capital contribution.

c) Please confirm if Burgessville and the Salford Group will still take service if their CIACs are not reduced (i.e. in the event that additional customers are not attached and therefore do not contribute to a reduction in Burgessville's and the Salford Group's CIACs).

ENGLP Response: Confirmed.

OEB Staff-3

Ref: Appendix E; Appendix F; Appendix G Preamble:

ENGLP included a draft certificate in Appendix F outlining the lots and concessions sought to be served in South-West Oxford being requested which includes:

- Concession 1- All of Lots 15 to 23 (Inclusive), those portions of Lot 24 lying south of Highway 401, the southwest quarter of Lot 13, and the south half of Lot 14
- Concession 2: The south half of Lots 11-12, all of Lots 13 to 28 (Inclusive).

ENGLP has also included maps of potential customers and proposed pipeline infrastructure in Appendix E and a certificate map in Appendix G illustrating the areas being requested in the draft certificate.

Question:

a) Please explain what the yellow-green lines in the maps of the proposed pipeline infrastructure in Appendix E represent.

ENGLP Response: As our mapping technology continues to evolve, ENGLP is having to rely on older maps as a base. The yellow-green lines have historically represented the known location of service lines by Enbridge/Union as a reference point. These may not be current and are for internal use only. These lines cannot be removed from the map.

b) ENGLP's certificate map in Appendix G does not include the northeast quarter of Concession 2, Lot 13 within the area being requested. OEB Staff notes that this area was granted in EB-2019-0232. Please provide a certificate map that includes this area within ENGLP's certificate.

ENGLP Response: ENGLP notes that Schedule A (page 8) of the EB-2019-0232 Decision and Order issued January 16, 2020 states:

Concession 2 – All of Lots 15 to 28 (Inclusive), **the northwest quarter of Lot 13** and the north half of Lot 14.

Please confirm if our understanding is incorrect.

c) ENGLP's map of potential customers for the McBeth Road expansion in Appendix E shows the Salford Group to be in the southeast corner of McBeth Road and Plank Line. Please confirm that the Salford Group is located in the north half of Lot 12, Concession 3.

ENGLP Response: Confirmed.

Please explain why ENGLP is requesting to add the south half of Lot 11, Concession 2 and the north half of Lot 11, Concession 3 to its certificate area.

ENGLP Response: Lot 11, Concession 2 and the north half of Lot 11, Concession 3 were added to the application in error and can be removed from consideration.

d) Please explain why the proposed 4" PE pipeline on Mount Elgin Road needs to be extended from the 3" PE gas main on Culloden Line instead of the 2" PE gas main on Dereham Line in order to serve Burgessville.

ENGLP Response: The 2" PE gas main on Dereham Line will have insufficient capacity to adequately service the customer and as a result, the 4" pipeline will need to be extended to Culloden Line.

APPENDIX

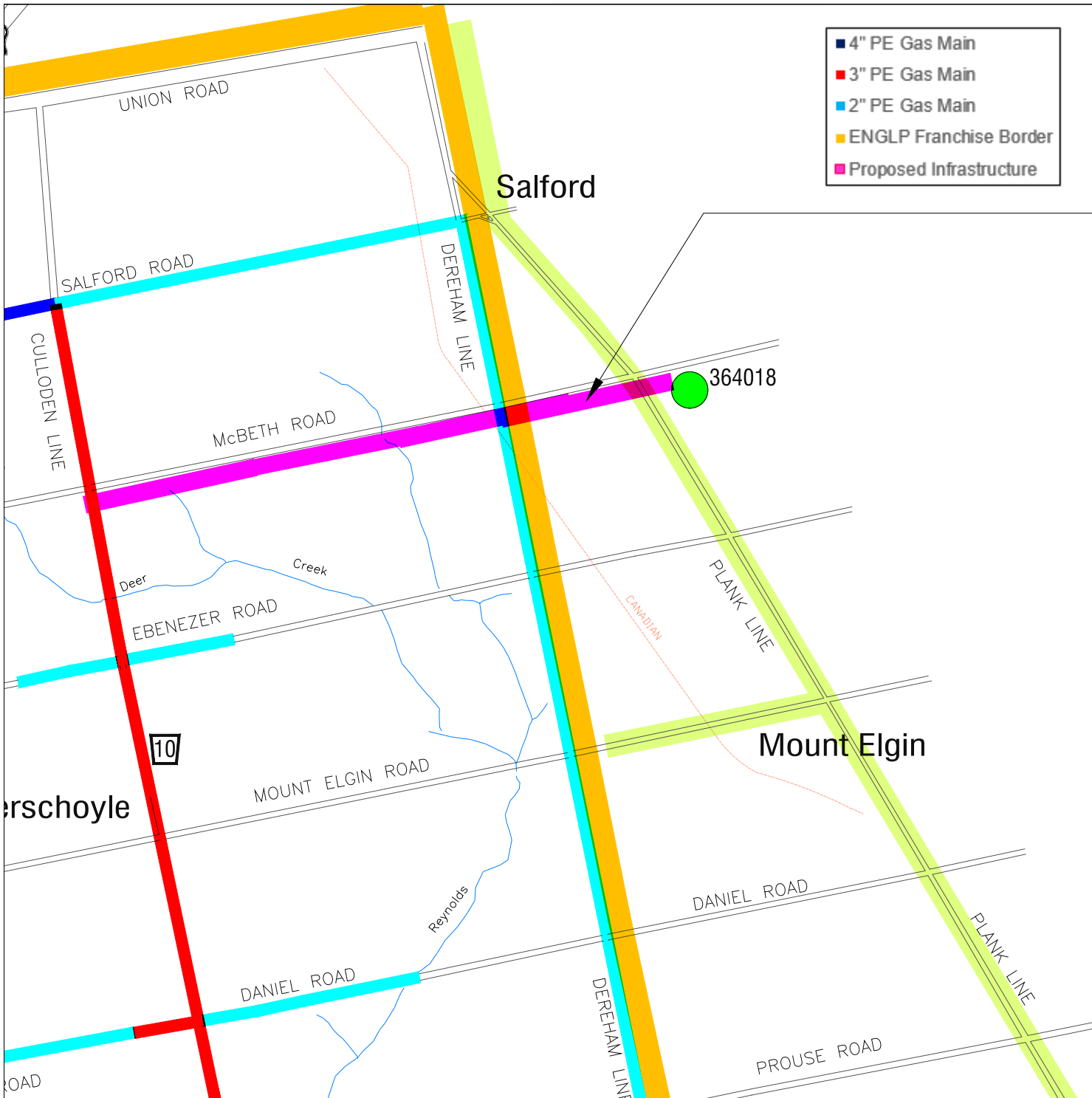
McBeth Road - Scenario B - 4" Pipe

Background: When the Salford Group contacted ENGLP and discussed capacity, it was agreed that a 2” pipeline would have sufficient capacity to service their business. ENGLP filed the application using these assumptions and estimates. After Procedural Order 1 was issued on December 8, 2021, ENGLP was again contacted by the Salford Group. After internal planning, the Salford Group is reviewing the possibility of increasing the pipeline to a 4” instead of a 2” to suit their long term growth expectations.

This change in scope would not only require a larger pipe, but would also require an extension and reinforcement back to Culloden Line.

The final capital contribution and project costs are still being determined, but below is a installation cost comparison based on projected numbers:

	McBeth Road - A	McBeth Road - B
Pipe	2" P.E. Pipe	4" P.E. Pipe
Length (m)	1,465	5,400
Unit Cost (\$)	<u>\$4</u>	<u>\$23</u>
Subtotal	\$6,226	\$124,200
Tracer Wire	1,209	4,455
Installation	47,243	288,265
Permits	2,000	2,000
Internal Resourcing	<u>996</u>	<u>1,992</u>
Total	\$57,675	\$420,912



- 4" PE Gas Main
- 3" PE Gas Main
- 2" PE Gas Main
- ENGLP Franchise Border
- Proposed Infrastructure

NOTES;

PROPOSED 4"PE GAS MAIN LINE TO BE INSTALLED AT SOUTH SIDE OF McBETH ROAD APPROXIMATELY 5400m OF LENGTH TO PROPERTY 364018



No.	REVISIONS	DATE	BY



DESIGNED BY: _____ CHECKED BY: _____

DRAWN BY: T.B. APPROVED BY: _____

PROJECT NAME: 364018 SALFORD GROUP

PROPOSED MAIN LINE INSTALLATION FOR
 McBETH ROAD to PROPERTY 364018
 approximately 5400m

PROPOSED START DATE: 2020

NODE No. XXX DRAWING No. 2 of 2