ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. pursuant to section 36(1) of the Ontario Energy Board Act, 1998 for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2021.

Enbridge Gas Inc.

2021 Rates – Phase 2 - Incremental Capital Module

Submission of the Quinte Manufacturers Association

March 12, 2021

Overview

The Quinte Manufacturers Association ("QMA" or "Association") appreciates the opportunity to participate in this proceeding to consider the rate impact of Enbridge Gas Inc.'s ("EGI") Sarnia Industrial Reinforcement Project and the London Line Replacement Project ("the projects"); and the related Incremental Capital Module ("ICM") funding requests.

EGI provided the rationale and evidence to justify the need, materiality and means tests necessary to explain why the projects are needed and why ICM funding is required. The QMA found EGI's consolidated Utility System Plan, Asset Management Plan, Customer Engagement Study and the Overhead Capitalization Study were helpful in establishing the rationale for the application of the ICM requests. In addition, the QMA reviewed the Leave to Construct ("LTC") proceedings for the projects in anticipation of the respective ICM requests. The QMA considered the evidence and responses provided by EGI to intervenor interrogatories to understand how these projects may affect Association members during the deferred rebasing period (2021-2023).

The Association also participated in the one-day Technical Conference held on February 17, 2021 pursuant to Procedural Order No. 3.

Submission

The safety, security and cost of natural gas supply for manufacturing and processing purposes is of significant and recurring concern to QMA members.

The Association was initially concerned that heavy investment by EGI in the two projects and the previously included St. Laurent Phase 3 Project would increase natural gas transportation and delivery costs to Quinte manufacturers who were unlikely to benefit from the pipeline projects.[1]

The QMA has determined that the two projects being considered in this proceeding, do not have a direct impact on the Quinte manufacturers per se. However, the review and analysis of the evidence also informs the Association of the range of corporate challenges EGI is having to

[1] EGI withdrew the St. Laurent Phase 3 Project ICM request by letter to the OEB dated February 10, 2021. The QMA had a specific interest in that multi-phase project at the time.

address post amalgamation, and the necessary utility rebasing work which is likely to have a direct rate impact on QMA manufacturers and processors going forward - including new infrastructure work that may qualify for ICM funding.[2]

Pursuant to Procedural Order No. 1, the QMA asked EGI a set of interrogatories which focused primarily on the policy foundation that supports EGI's capital funding of major infrastructure works including the Sarnia Reinforcement and the London Replacement projects. EGI provided helpful responses to each of the interrogatories.

The QMA also reviewed the business cases for the projects and certain specific responses EGI provided to interrogatories of other intervenors. Further, the discussion between intervenors and EGI during the Technical Conference was helpful in clarifying how discretionary capital spending on certain projects in the Asset Management Plan moved, i.e., is brought forward/advanced or delayed in timing and roll-out.[3]

EGI stated in its evidence and in its Argument in Chief that the ICM funding requests for the projects are to recover amounts above the materiality threshold as determined through the checks and balances of the ICM hurdles currently established by the Ontario Energy Board ("OEB").[4] These amounts are to be recovered over the period of 2021 to 2023 for a total of \$152.8 million.[5]

London Line Replacement Project

Based on the evidence presented, interrogatories responded to, the ICM hurdles crossed, and the LTC (EB-2020-0192) approval granted by the OEB, the QMA has no issue with EGI's determination that the London Line Replacement Project qualifies for the ICM funding support as requested.

[2] Enbridge Gas Inc. was created effective January 1, 2019 with the amalgamation of Union Gas and Enbridge Gas Distribution Inc.
[3] Exhibit JT1.4, Pg.1
[4] "Checks and Balances" in this context means: Materiality, Means Test, Discrete Project, Need, Prudence
[5] Argument in Chief, Pg.1 and Pg.12

Sarnia Industrial Line Reinforcement Project

The Association noted that the primary driver for the Sarnia Reinforcement is the approximate $2 billion expansion of Nova Chemicals manufacturing facilities in Corunna, Ontario as discussed by EGI in its evidence and the associated LTC approval (EB-2020-0192). Nova Chemicals is a significant contract revenue customer for EGI.

The QMA recognizes that manufacturers and processors can trigger major capital investments in gas supply infrastructure (such as the Sarnia Industrial Line Reinforcement) which benefit the manufacturer, and other existing and future customers who can take advantage of improved gas infrastructure. Such improvements may generate significant future revenues that are not considered part of the ICM materiality threshold for a project, but appear within the defined ICM period. This seems to be the case for the Sarnia reinforcement project where the incremental revenue over the ICM 2021-2023 period is expected to be $5,813 million compared to the ICM funding amount of $3,922 million EGI has asked for. The Ontario Greenhouse Vegetable Growers and Board Staff, identified this issue in their interrogatories.[6] The potential for the project to generate excess revenue (primarily through expected Nova Chemical contract demand) during the requested 2021-2023 ICM period would appear to off-set the need for ICM support in the first place. This matter is somewhat concerning to the QMA, because, it suggests that the ICM screening process, currently in place, does not recognize or "capture" expected incremental revenue in the ICM period, and indicate how it should be treated – e.g., should it be considered a component of the revenue requirement for the project. The QMA believes it would be helpful if the OEB clarified this matter to provide appropriate guidance for future projects where similar situations arise when ICM funding is requested. Nevertheless, the Association takes no position on this specific issue regarding this project, but is of the view that given the existing ICM funding process the OEB has in place, EGI appears to have met the requirements for ICM funding for the Sarnia Industrial Line.

All of Which is Respectfully Submitted

[6] Exhibit I, Staff 4(c) and Exhibit I, OGVG 1