Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

December 16, 2021

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

Dear Ms. Long:

Re: Enbridge Gas Inc.
2022 IRM Application Phase 2 – Incremental Capital Module
OEB Staff Interrogatories

Ontario Energy Board File Number: EB-2021-0148

In accordance with Procedural Order No. 1 please find attached the OEB Staff interrogatories for the above proceeding. This document has been sent to Enbridge Gas Inc. and to all other registered parties to this proceeding.

Enbridge Gas Inc. is reminded that its responses to interrogatories are due by January 21, 2022.

Yours truly,

Original Signed By

Petar Prazic
Digitally signed by Petar Prazic
Date: 2021.12.16 12:24:24 -05'00'

Petar Prazic
Project Advisor, Natural Gas Applications

Encl.

OEB Staff Interrogatories

2022 IRM Application Phase 2 – Incremental Capital Module

Enbridge Gas Inc.

EB-2021-0148

December 16, 2021

Staff.1

Ref.: Ref: Exhibit B, Tab 2, Schedule 1, pp. 28-29 of 35.

Preamble

Enbridge Gas is seeking ICM funding for three projects that do not require Leave to Construct (LTC) approval from the OEB. The three projects are the Dawn to Cuthbert pipeline (ICM funding request - $23.5 million), Byron Transmission Station Replacement (ICM funding request - $20.4 million) and the Kirkland Lake Lateral Replacement (ICM funding request - $20.7 million).

Questions

a) In support of the 2022 ICM funding request, Enbridge Gas has filed an Asset Management Plan (AMP) addendum. The addendum provides an update for the 2022 budget year with respect to the 2020 AMP. Please provide the list of 2022 capital projects that Enbridge Gas considered for deferral, cancellation, or change in scope in order to accommodate the three projects (noted above) within Enbridge Gas's materiality threshold for 2022.

b) Please indicate whether there are any incremental revenues associated with the three non-LTC projects noted above. If yes, please provide the incremental revenue amounts for each of these projects. Please also include any incremental revenue for each of the projects that require LTC.

c) In the event that the OEB does not approve ICM funding for the three non-LTC capital projects, how does Enbridge Gas intend to move forward on these projects?

d) Please outline all capital spending related to synergy/integration projects in 2022 and confirm if they are included in the 2022 capital budget. Please indicate if any 2022 spending related to synergy/integration can be postponed to a later year.

Staff.2

Ref.: Exhibit B, Tab 2, Schedule 1, pp. 25-26 of 35.

Preamble

ICM funding requests must be based on discrete, material projects. As defined in the OEB ACM report, "amounts must be based on discrete projects, and should be directly related to the claimed driver. The amount must be clearly outside of the base upon which the rates were derived".[1] As per the MAADs Decision, any

[1] EB-2014-0219 Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, p. 17

individual project for which ICM funding is sought must have an in-service capital addition of at least $10 million.[2]

Each eligible capital project as identified for the EGD rate zone and Union rate zones in Enbridge Gas's 2022 ICM application and evidence is a discrete project that exceeds the materiality level of $10 million. However, exceeding the threshold of $10 million does not necessarily imply that all projects over the threshold are eligible for ICM funding. The OEB's filing requirements for utilities state that minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.[3]

Question

Please explain why Enbridge Gas considers that the three projects which do not require LTC would not be considered minor expenditures in comparison to the overall capital budget.

Staff.3

Ref.: Exhibit B, Tab 2, Schedule 1, Attachment 1, Table D, page 4 of 5.

Preamble

Enbridge Gas has identified the eligible capital projects and total in-service capital amounts for the ICM funding requests based on the previously OEB-approved capitalization policy.

Questions

Please provide overhead amounts, as outlined in Table D (columns 'd' and 'e', "New Harmonized Overhead Capitalization Policy") broken down by year.

Staff.4

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 439 of 471
Dawn-Cuthbert NPS 42 Replacement and Retrofits

Preamble

[2] EB-2017-0306 / EB-2017-0307 Decision and Order, August 30, 2018, pp. 32-33
[3] OEB Filing Requirements for Electricity Distribution Rate Applications, Chapter 3: Incentive Rate-Setting Applications, p. 24

A previous ECDA survey completed in 2005 showed that the NPS 42 pipe showed areas of coating disbondment with minor to moderate pitting corrosion with up to 16% wall loss and predicted that further pitting would not exceed a total of 80 mils until year 2025.

Questions

a) Please explain the significance of the 80 mil threshold.

b) If corrosion pitting is not expected to exceed a total of 80 mils until year 2025, why does Enbridge Gas believe it must complete this project before that time?

Staff.5

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 464 of 471
Dawn-Cuthbert NPS 42 Replacement and Retrofits

Preamble

Enbridge Gas considered the option of running an Electro Magnetic Acoustic Transducer (EMAT) in-line inspection tool on the NPS 42 Dawn to Cuthbert pipeline to detect SCC and defer replacement of the pipeline until 2031. This option considered the long-term capital and O&M costs resulting from deferring the replacement until 2031 by modifying the pipeline to accept ILI tools, performing periodic EMAT and Magnetic Flux Leakage inspections and subsequent integrity digs.

Question

Please explain the significance of the year 2031. Why could this option not defer pipeline replacement beyond that year?

Staff.6

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 470 of 471
Dawn-Cuthbert NPS 42 Replacement and Retrofits

Preamble

Table 1 provides a summary of the NPV assessment for Option A – Inspect/Maintain & Replace in 2031 and Option B – Replace Now.

Table 1: NPV Analysis Results

$Millions	Option A (Inspect/Maintain, Replace in 2031)	Option B (Replace)
Net Present Value (Life Cycle)	(20.21)	(20.13)

Question

Given that the NPV of both options are approximately equal (less than 0.4% difference), did Enbridge Gas use any additional quantitative analysis (e.g., Profitability Index) to further assess the options? If so, please provide the results of that additional analysis. If not, please explain why not.

Staff.7

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 471 of 471
Dawn-Cuthbert NPS 42 Replacement and Retrofits

Preamble

Table 1 provides the estimated project costs. At approximately $10.35 million, Contract Labour is approximately 43% of the total project costs.

Table 1: Estimated Project Costs

Dawn-Cuthbert Project Costs in $	
Internal Labour	180,000
Contract Labour	10,350,000
Third Party Services	3,300,000
Materials	3,600,000
Lands	10,000
Contingency	2,180,000
Project Costs	**19,620,000**
IDC	150,000
Indirect Overheads	4,390,000
Total Project Costs	**24,160,000**

Questions

a) Please explain the methodology used by Enbridge Gas to estimate the contract labour costs.

b) Using a summary table like Table 1, please compare the actual costs of three other projects that Enbridge Gas has completed in the last year to the estimated costs for the Dawn-Cuthbert project.

Staff.8

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix B, Pages 1, 5 and 7 of 32
Byron Transmission Station

Preamble

Enbridge Gas states that the station supplies natural gas to a majority of the London, St. Thomas and Port Stanley systems. As early as 2018, Enbridge Gas identified a number of integrity, safety, reliability, maintenance and operational concerns that supported a rebuild of the Station.

Enbridge Gas states that the heating system has degraded over time and is now only capable of operating at approximately 50% of its original rated output capability. In the event of a heater failure at the Station, Enbridge Gas estimates that there is potential that more than 5,000 customers in the London area alone could be impacted.

Enbridge Gas states that the Station inlet valve is seized in a position that is approximately 90% open due to the deteriorated state of the valve. As such, the Station inlet valve is no longer considered reliable and requires replacement.

Questions

a) Please explain why Enbridge Gas's station inspection and maintenance program did not identify and resolve the heating capacity issue before 2018.

b) Please explain why Enbridge Gas's valve inspection and maintenance program did not identify and resolve the inlet valve issue before 2018.

Staff.9

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix B, Figure 2, Pages 5 of 32
Exhibit B, Tab 2, Schedule 2, Appendix B, Pages 32 of 32
Byron Transmission Station

Preamble

Enbridge Gas states that an existing 18.5 wide pipeline easement will be "conceded back" to "Softon Developments" and the abandoned pipelines will be removed.

Question

What does the term "conceded back" mean in this context?

Staff.10

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix B, Figure 2, Page 7 of 32
Byron Transmission Station

Preamble

Due to projected growth in downstream general service markets fed by the Station, in 2018 Enbridge Gas projected that the Station could reach capacity by the end of 2022. Specifically, Enbridge Gas concluded that the regulation system and the heating system at the existing Station would be incapable of meeting system demand projected by winter 2022/23.

Rebuilding the entirety of the station will have added benefit of providing increased certainty for customers' planning purposes. The new station will have adequate capacity to support a minimum of 225,000 m3/hr flow in the future (as compared to its current capacity of 170,000 m3/hr which is limited by heating systems). OEB staff notes that this approximately a 30% increase in station capacity.

Questions

a) Please provide a 10-year demand forecast for the downstream general service markets.

b) Please explain how the 10-year forecast was determined, including any key assumptions and the sources of information upon which it was based (e.g., municipal growth plans).

Staff.11

Ref.: Exhibit B, Tab 2, Schedule 2, Appendix B, Figure 1, Page 12 of 32
Byron Transmission Station

Preamble

Figure 1 is a satellite image showing the location of the Byron Transmission Station. OEB staff notes the appearance of residential development encroachment on the station.

Questions

a) What was the CSA Z662 class location of the Byron Baseline Road and Wickerson Road at the time that the Byron Transmission Station was constructed? What is the class location now?

b) If there has been a change in the class location, please confirm that the Byron Transmission Station meets the requirements of the current class location.

c) If there has been a change in the class location, when did Enbridge Gas first become aware of the change?