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December 17, 2021

**Delivered by Email & RESS**

Ms. Christine Long, Registrar  
Ontario Energy Board  
P.O.Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. 2022 ICM Application  
Notice of Intervention of the Association of Power Producers of Ontario  
("APPrO")  
Board File No. EB-2021-0148**

Pursuant to Procedural Order No. 1 dated November 29, 2021 please find attached APPrO's Interrogatories to Enbridge Gas Inc. in this proceeding.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

A handwritten signature in black ink, appearing to read 'Flora Ho', is written over a light blue horizontal line.

Flora Ho

cc: David Butters, APPrO  
Regulatory Affairs, Enbridge Gas Inc.  
David Stevens, Aird and Berlis LLP

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Sched. B);

**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, 2022.

**EB-2021-0148**

**Interrogatories**

**To**

**Enbridge Gas Inc.**

**From**

**The Association of Power Producers of Ontario (APPrO)**

**December 17, 2021**

**Exhibit B**

**B-APPrO-1**

**Dawn-Cuthbert NPS 42 Replacement and Retrofits**

Reference: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 4 of 471

Preamble:

“Enbridge Gas’s Transmission Integrity Management Program (“TIMP”) periodically evaluates assets to identify hazards and determine the condition and risk of pipelines in the transmission network. An integrity assessment was recently conducted on the NPS 42 Dawn to Cuthbert pipeline as part of the scheduled condition monitoring program. The integrity assessment confirmed that the pipeline coating has degraded, allowing for the formation of time dependent pipeline threats which cannot reliably be detected using condition monitoring methods available on this pipeline. Enbridge Gas has determined that the pipeline condition represents an intolerable risk, to be mitigated through replacement of the 650 m segment of the Dawn to Cuthbert pipeline.”

Questions:

- (a) In the evidence at Attachments 3 to 9 Enbridge Gas filed integrity assessment/inspection reports ranging from August 27, 2001 to March 14, 2021. Please confirm that this is everything Enbridge Gas considers as in the scope of its TIMP evaluation for the NPS 42 Dawn to Cuthbert pipeline. If not confirmed, please file all other evidence that Enbridge Gas does consider as part of its TIMP evaluation.
- (b) The issues outlined in Attachments 3 to 9, began to be identified in 2005. What changed to make the 650 m segment of the Dawn to Cuthbert pipeline an “intolerable risk” in 2022 but not in prior years?

## **B-APPrO-2**

### **Dawn-Cuthbert NPS 42 Replacement and Retrofits**

Reference 1: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 8 of 471

Reference 2: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 12 of 471

Reference 3: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 6 of 471

#### Preamble:

Reference 1: “Based on the inspection methodologies used, it could not be determined whether the most severe SCC features have been discovered on the Dawn to Cuthbert segment and as a result, it is imperative that mitigative action be taken to proactively manage this critical asset.”

Reference 2: “In addition to the guidance on Integrity Management Programs in CSA Z662, the Canada Energy Pipeline Association (“CEPA”) documents guidance for pipeline operators experiencing SCC in the CEPA Recommended Practices for Managing Near-Neutral Stress Corrosion Cracking, 3rd Edition. Depending on the severity of the SCC, various mitigation activities are recommended including, but not limited to, inspecting the pipeline with an ILI tool capable of detecting SCC (e.g. EMAT), restriction of operating pressure, 100% surface non-destructive testing or pipe segment replacement.”

Reference 3: “Some downstream segments of the NPS 42 Dawn to Kirkwall portion of the Dawn Parkway System were constructed at the same time and with the same materials as the NPS 42 Dawn to Cuthbert pipeline, including polyken tape coating. These segments have been monitored closely through in-line inspections (ILI), targeted integrity dig programs and engineering analysis to quantify the severity and growth rates of these pipeline threats. The NPS 42 Dawn to Cuthbert pipeline, however, does not currently have ILI tool launching and receiving facilities to permit any ILI tools, including ones capable of detecting Stress Corrosion Cracking (SCC).”

#### Questions:

- (a) Given the SCC issues spotted in 2019 and corrosion issues spotted in 2005 why was the in-line inspection tool not added to the NPS 42 Dawn to Cuthbert pipeline earlier?
- (b) What other methodologies are capable of determining whether the most severe SCC features have been discovered on the Dawn to Cuthbert segment?
- (c) Why was the methodology in response to (b) above not used?
- (d) Is it Enbridge Gas’ approach that any feature of SCC (even if minor) would lead to mitigative action? What other mitigative action(s) would have been contemplated (e.g. ILI) and which ones has Enbridge Gas considered for NPS 42 Dawn to Cuthbert pipeline?

- (e) In Reference 2, Enbridge Gas mentions that the type of mitigation activities recommended depend on the severity of the SCC, but in Reference 1, it appears that the severity of the SCC could not be determined. Please explain and reconcile.

**B-APPrO-3**

**Dawn-Cuthbert NPS 42 Replacement and Retrofits**

Reference: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 468 of 471

Preamble:

“Enbridge Gas is planning to construct the Project between June and September 2022, with an in-service date of September 30, 2022. Site restoration would occur between May and July of 2023. See Exhibit B, Schedule 1, Attachment 10 for a detailed Project schedule.”

Question:

- (a) Is the site restoration cost included in the project estimate cost of \$24.2 million? If not, what are the costs for site restoration and how will these costs be funded?

**B-APPrO-4**

**Dawn-Cuthbert NPS 42 Replacement and Retrofits**

Reference: Exhibit B, Tab 2, Schedule 2, Appendix A, Page 471 of 471

Preamble:

“The total estimated cost of the Project is \$24.2 million as shown in the Table 1 below. This cost includes: (i) materials; (ii) construction and labour; (iii) environmental protection measures; (iv) contingencies; (v) interest during construction (“IDC”); and (vi) indirect overheads.

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
<b>Project Costs</b>	<b>19,620,000</b>
IDC	150,000
Indirect Overheads	4,390,000
<b>Total Project Costs</b>	<b>24,160,000</b>

The cost estimates set out in Table 1 include an 11.4% contingency applied to all direct capital costs.”

Questions:

- (a) How were the contractors and third parties selected to perform the Contract Labour and Third Party Services as listed in Table 1? Did Enbridge Gas run a competitive procurement process for all these services and materials?
- (b) What type of work is included in “Third Party Services”? Were any of the “Third Party Services” sole sourced? If so, please provide the sole source justification.
- (c) How was the 11.4% contingency determined?
- (d) Please list each of the anticipated risks associated with achieving the estimated project cost and describe how each of those risks have been managed to date. Please quantify, if possible, the remaining risks. Does this show the contingency of \$2.18 million is sufficient?
- (e) Are any COVID-19 related costs included in this cost estimate (including incremental material costs or incremental labour costs arising from shortages or delays related to the COVID-19 pandemic)? If not, does Enbridge Gas anticipate any COVID-19 related costs, to be incurred on top of this estimated project cost of \$24.2 million?

**B-APPrO-5**

**Byron Transmission Station**

Reference 1: Exhibit B, Tab 2, Schedule 2, Appendix B, Page 6 of 32

Reference 2: Exhibit B, Tab 2, Schedule 2, Appendix B, Page 8 of 32

Preamble:

Reference 1: “In late 2018, Enbridge Gas conducted a system-wide indirect heater assessment (including size, condition and operation of heater systems) and identified both of the heaters at the Station as Risk Rank 2 (L3 C4). The assessment recommended that the heaters be replaced in 2021.”

Reference 2: “In April 2021, the Project ISD was updated to August 31, 2022 due to several factors including: delays in securing site plan approvals and building permits, additional construction scope arising from the site plan consultation process with the City of London, and industry wide material procurement delays largely related to the unprecedented and ongoing COVID-19 pandemic.”

Questions:

- (a) Please provide a copy of the system-wide indirect heater assessment.
- (b) Were there any other heaters, apart from the two heaters at the Station that were at Risk Rank 2?
- (c) The assessment recommended that the heaters be replaced in 2021, but due to delays the project’s in-service date was pushed to August 31, 2022. How has the delay impacted the functionality of the heaters?
- (d) Given that there has been a series of delays, including reasons due to the ongoing COVID-19 pandemic, what is the probability of this project being delayed to 2023?



**B-APPrO-6**

**Byron Transmission Station**

Reference 1: Exhibit B, Tab 2, Schedule 1, Page 11 of 35

Reference 2: EB-2020-0095 - Enbridge Gas Inc. 2021 Rates Application

Preamble:

Reference 1:

**“DP/TPS Replacements** - reclassified from System Renewal \$13M and variance in replacement and class location programs due to pacing and scope \$5M

**Growth** – Byron Transmission Station project delayed to 2022 in-service \$20M offset by change in reinforcement timing and scope due to changes in the growth forecast (\$10M)”

Question:

- (a) As stated in Reference 1, the Byron Transmission Station project was delayed from 2021. Why did Enbridge Gas not bring an ICM application for the Byron Transmission Station project in its 2021 Rates Application (Reference 2)?

**B-APPrO-7**

**Byron Transmission Station**

Reference: Exhibit B, Tab 2, Schedule 2, Appendix B, Page 7 of 32

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.”

Question:

- (a) Please update the projection in Reference 1 with the best available information as at the date these interrogatory responses are filed.
- (b) When is the Station expected to reach capacity using this updated projection?

**B-APPrO-8**

**Byron Transmission Station**

Reference 1: Exhibit B, Tab 2, Schedule 2, Appendix B, Page 32 of 32

Reference 2: Exhibit C, Tab 2, Schedule 1

Preamble:

Reference 1: “The project cost has increased from the previous estimate reported in the Asset Management Plan. This is largely due to: (i) reclassification of the cost estimate from a Class 5 estimate (based on historical project costs and rangeability of -50% to +100%) to a Class 1 estimate, (ii) increased civil scope based on Site Plan Approval consultations, (iii) increased scope due to land acquisition agreement; and (iv) increased construction labour costs as a result of project construction being spread over two years.”

The project cost of the Byron Transmission Station in the Asset Management Plan at Reference 2 was \$8.05 million and the project cost in this application is \$16.7 million (not including indirect overheads and IDC), which means it has more than doubled because of the identified factors Enbridge Gas identified in Reference 1.

Question:

- (a) Are any COVID-19 related costs included in this cost estimate (including incremental material costs or incremental labour costs arising from shortages or delays related to the COVID-19 pandemic)? If not, does Enbridge Gas anticipate any COVID-19 related costs, to be incurred on top of this estimated project cost of \$20.4 million?
- (b) What are the risk mitigation measures that Enbridge Gas has implemented to avoid a further significant cost increase like that which is mentioned in the preamble?

**B-APPrO-9**

**Kirkland Lake Lateral Replacement**

Reference: Exhibit B, Tab 2, Schedule 2, Appendix C, Page 147 of 147

Preamble:

Table 1: Estimated Project Costs

<u>Item No.</u>	<u>Description</u>	<u>Cost</u>
1.0	Material Costs	\$1,982,400
2.0	Labour Costs	\$7,728,000
3.0	External Permitting, Land	\$168,000
4.0	Outside Services	\$3,074,400
5.0	Direct Overheads	\$487,200
6.0	Contingency Costs	\$3,360,000
7.0	<b>Project Cost</b>	<b>\$16,800,000</b>
8.0	Indirect Overheads	\$ 3,750,059
9.0	IDC	\$116,281
10.0	<b>Total Project Costs</b>	<b>\$20,666,340</b>

“The cost estimates set out in Table 1 include a 25% contingency applied to all direct capital costs to reflect the preliminary design stage of this Project.”

Questions:

- (a) What type of work is included in “Outside Services”? If the “Outside Services” are performed by third parties, how are the third parties selected to perform those services? Did Enbridge Gas run a competitive procurement process for these services?
- (b) Were any of the “Outside Services” sole sourced? If so, please provide the sole source justification.
- (c) How is the 25% contingency determined?
- (d) Are any COVID-19 related costs included in this cost estimate? If not, does Enbridge Gas anticipate any COVID-19 related costs, such as costs related to supply chain issues, to be incurred on top of this total estimated project cost of \$20.7 million?

**B-APPrO-10**

Reference: EB-2014-0219, Report of the OEB: New Policy Options for Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, Pages 16-17

Preamble:

The *Report of the OEB: New Policy Options for Funding of Capital Investments: The Advanced Capital Module* (ACM Report) states that distributors must meet an OEB-defined materiality threshold and a project-specific materiality threshold. It states:

“A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise, they should be dealt with at rebasing.

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.”

Questions:

- (a) Please provide the 2019 to 2022 total capital budget amounts for the combined utility (i.e. both Enbridge Gas Distribution and Union Gas rate zones combined).
- (b) Please calculate the value of each of the ICM projects that Enbridge Gas is requesting funding for in this 2022 Rates Application as a percentage of the total capital budget identified in (a) above.
- (c) For each of the ICM projects that Enbridge Gas is requesting funding for in this 2022 Rates Application, please explain why Enbridge Gas believes it meets the OEB’s project-specific materiality test, as set out in the Reference.