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September 23, 2022

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, P.O. Box 2319  
Toronto ON  
M4P 1E4

Dear Ms. Marconi,

**RE: EB-2022-0086 Enbridge Gas Dawn to Corunna Leave to Construct Application  
Energy Probe Argument**

Attached is the Argument of Energy Probe Research Foundation (Energy Probe) in the in the EB-2022-0086 proceeding, the application by Enbridge Gas Inc. to the Ontario Energy Board for Leave to Construct approval of its proposed Dawn to Corunna Pipeline.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi  
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe Research Foundation)  
Michael Millar (OEB Staff)  
Ritchie Murray (OEB Staff)  
Adam Stiers (Enbridge Gas Inc.)

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**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B, and in particular, sections 90 (1) and 97 thereof;  
**AND IN THE MATTER OF** an Application by Enbridge Gas Inc. for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities from the Township of Dawn-Euphemia to St. Clair Township;  
**AND IN THE MATTER OF** an Application by Enbridge Gas Inc. for an Order or Orders approving the proposed forms of agreements for Pipeline Easement and Options for Temporary Land Use.

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**Enbridge Gas Inc. Dawn to Corunna LTC**

**Energy Probe Argument**

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**September 23, 2022**

## **Enbridge Dawn to Corunna LTC**

### **Energy Probe Argument**

#### **Executive Summary**

Enbridge has applied to the OEB for a Leave to Construct (LTC) approval of a \$250.8 million project to build a 20 km pipeline of NPS 36 diameter from its Dawn operations centre to its Corunna Compressor Station (CCS). The proposed pipeline would serve storage service needs of utility and non-utility customers of Enbridge. The pipeline has a large negative Net Present Value (NPV) of \$200 million and over its life would require a subsidy from utility customers.

The need for the project was created by the decision of Enbridge management to retire seven compressors at the CCS which reduced the storage capacity and deliverability of required its utility and non-utility customers.

Based on the evidence presented on the issues in this case Energy Probe submits that the OEB should not approve the LTC application. To obtain an LTC order under Section 90 of the OEB Act, an applicant needs to demonstrate to the OEB that the need for the project and the alternatives considered are appropriate. Based on the record in this proceeding, Energy Probe submits that Enbridge Gas has not demonstrated that they are.

The alternatives that Enbridge considered to replace the storage capacity were not appropriate because integrated storage operations of legacy Union Gas Limited and Enbridge Gas Distribution was not one of the alternatives considered. It is possible that integrated storage operations could restore the lost capacity and deliverability for utility customers without the need to build the proposed pipeline.

Energy Probe suggest that the proceeding be adjourned to allow Enbridge to file a study of integrated storage operations of facilities required to provide service to utility customers in its Enbridge Gas Distribution and Union Gas Rate Zones.

#### **Background**

Enbridge Gas Inc. applied to the OEB on March 21, 2022, for an order granting leave to construct a natural gas pipeline consisting of approximately 20 km of NPS 36 pipe from its Corunna Compressor Station (CCS) to the Dawn Operations Centre. Enbridge claims that the

pipeline is needed to allow abandonment of seven compressor units at CCS. Enbridge does not need OEB approval to retire compressors.<sup>1</sup>

## Issues

In the Notice for this proceeding the OEB indicated that it intends to follow its standard Issues List for natural gas leave to construct applications. Energy Probe will only make submissions on Issues 1.0: Need for the Project, 2.0: Project Alternatives, and 3.0: Project Cost and Economics.

### 1.0 Need for the Project

According to Enbridge *“the need for the Project is obsolescence, decreasing reliability and intolerable safety risks at the CCS. The increased frequency of cold weather events highlights the importance of reliable infrastructure that is available to serve customers when they need it the most (e.g., to heat their homes during the coldest time of year).”*<sup>2</sup> To mitigate the risks of obsolescence, decreasing reliability and intolerable safety Enbridge decided that it must retire some or all compressor units at CCS. It decided that it could not retire all eleven units. Enbridge will retire seven out of eleven compressors at CCS while continuing to operate the remaining four compressors, a reduction in 20,000 hp in compressor power. The retained compressors are K704, K709, K710 and K711<sup>3</sup>.

The decision by Enbridge to retire seven compressors results in *“(i) reductions of 5.7 PJ in withdrawal deliverability and 14.7 PJ in injection capacity, thereby reducing EGD rate zone in-franchise storage capacity by 20 PJ from 99.4 PJ to 79.1 PJ, and (ii) a reduction of 0.67 PJ/d in design day storage withdrawal deliverability.”*<sup>4</sup>

### Energy Probe Submission

Enbridge does not need OEB approval to retire compressors<sup>5</sup>. The decision to retire seven compressors was a decision made by Enbridge Management on May 3, 2021<sup>6</sup> and approved by Enbridge Board of Directors on October 26, 2021<sup>7</sup>. It should be noted the Enbridge Management and BOD made this decision without the QMA report<sup>8</sup> which was produced on May 17, 2022,

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<sup>1</sup> JT1.13

<sup>2</sup> I.EP.6a

<sup>3</sup> Exhibit B, Tab 1, Schedule 1, page 9

<sup>4</sup> AIC page 17, paragraph 35

<sup>5</sup> I.EP.1b; JT1.13

<sup>6</sup> JT2.6

<sup>7</sup> I.SEC.1; TC July 27, 2022, Tr.160

<sup>8</sup> ICME.1, Attachment; TC July 27, 2022, Tr.161-162

months later to support the decision in what appears to be decision-based evidence making. Neither Enbridge Management nor its Board of Directors considered the regulatory risk that ratepayers would be opposed to subsidizing Enbridge non-utility business and that the OEB may not approve it. Energy Probe submits that the decisions by Enbridge Management and its Board of Directors are flawed because they did not consider this very probable risk.

Enbridge justifies its decision based on the obsolescence and decreased reliability of its compressor units. However, its proposed alternative includes continued operation of K704, one of its oldest and least reliable compressors<sup>9</sup> and keep two other old compressors, K708 and K710, in operation<sup>10</sup>. So, the decision to retire seven out of eleven compressors does not solve one of its main problems.

The decision by Enbridge Management and its approval by the Board of Directors reduces storage capacity and deliverability below the requirements of utility customers in its EGD Rate Zone.<sup>11</sup> The project in this application is the proposed 20 km of NPS 36 diameter pipeline. The need for this project is a decision made by Enbridge management to retire seven compressors, an event that has already happened. According to ICF, the decision to retire the compressors is not optional.

*“Enbridge considers the retirement of the compressors at Corunna to be non-optional.”<sup>12</sup>*

The OEB is not being asked to approve retirement of compressors so the reasons for their retirement are not relevant to the OEB decision on the pipeline approval. According to Enbridge, it does not matter what the OEB says, Enbridge will not change its decision to retire seven out of eleven compressors at CCS.

By retiring seven compressors Enbridge has reduced storage capacity from 99.4 PJ to 79.1 PJ and 1.9 PJ/d deliverability needed for its EGD Rate Zone customers by 0.67 PJ/d between 99.4 PJ and 43.5 PJ and by 0.3 PJ/d below 43.5 PJ. To continue to serve its utility customers in its EGD Rate Zone Enbridge is obligated to restore storage capacity by 20.3 PJ to 99.4 PJ from 79.1 PJ and deliverability by 0.67 PJ/d and 0.3 PJ/d.<sup>13</sup>

ICF in its report presented slightly different numbers.

*“The decommissioning of the compressors at Corunna would reduce Enbridge’s access to storage working gas space at Tecumseh from 99,400 TJ to 84,673 TJ and would reduce the withdrawal capacity at Tecumseh at full working gas inventory from 1,894 TJ/day to 1,228 TJ/day. The storage space and deliverability that would be lost due to the decommissioning of*

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<sup>9</sup> Exhibit B, Tab 1, Schedule 1, page11; Tr. 154-156

<sup>10</sup> I.EP.8

<sup>11</sup> JT2.4

<sup>12</sup> Exhibit C, Tab 1, Schedule 1, Attachment 2, Page 9

<sup>13</sup> I.EP.5e

*the compressors represent a significant component of the current Enbridge supply portfolio for its in-franchise customer base located in the EGD rate zone. Loss of this storage capacity would reduce the cost-of-service based storage working gas capacity available to this customer group by 15% percent and reduce the cost-of-service based storage deliverability available to this group by 35%.”<sup>14</sup>*

According to ICF to continue to meet its obligation to EGD Rate Zone customers, Enbridge would only need 99,400 TJ less 84,673 TJ which is 14,727 TJ or 14.7 PJ. This is significantly lower than the 20.3 PJ based on Enbridge evidence quoted earlier. It is not clear which number is right.

Enbridge is not obligated to restore storage capacity or deliverability for its non-utility customers.<sup>15</sup> The use of utility storage assets for non-utility purposes was approved by the OEB in its EB-2005-0551 NGEIR Decision<sup>16</sup> but that decision did not place an obligation on Enbridge to provide service to non-utility customers, and neither did the subsequent EB-2017-0306/0307 Decision<sup>17</sup>. The proposed pipeline would restore the required storage system withdrawal capacity on a 1:1 basis<sup>18</sup> for both utility and non-utility customers but Enbridge proposes to allocate 100% of the cost to utility customers.<sup>19</sup> This is clearly unfair. Utility customers should not be forced to subsidize the non-utility storage business of Enbridge.

## **2.0 Project Alternatives**

Having decided that it will retire seven compressor units Enbridge considered alternatives that would restore storage capacity and deliverability that had been provided by the retired units to both utility and non-utility customers. It considered two non-facility alternatives, four facility alternatives, and a repair and replace alternative.<sup>20</sup> Based on its analysis Enbridge selected a 20 km pipeline of NPS 36 diameter from Dawn to Corunna as the preferred alternative.

### Energy Probe Submission

The need for the proposed pipeline project was created by the decision of Enbridge management to retire seven compressors. The OEB does not have the authority to reverse that decision. It can

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<sup>14</sup> Exhibit C, Tab 1, Schedule 1, Attachment 2, Page 6

<sup>15</sup> JT1.3; JT2.4

<sup>16</sup> EB-2005-0551 Decision Natural Gas Electricity Interface Review, November 7, 2006

<sup>17</sup> EB-2017-0306/0307 Decision and Order, Enbridge Gas Distribution Inc. and Union Gas Limited Application for Amalgamation and Rate-Setting Mechanism, August 20, 2018, Amended September 17, 2018

<sup>18</sup> Exhibit C, Tab 1, Schedule 1, page 19, paragraph 36

<sup>19</sup> AIC, page 26, paragraph 61

<sup>20</sup> Exhibit C, Schedule 1, Page 1

only consider alternatives to the proposed pipeline, not alternatives to the retirement of compressors.

Enbridge has the obligation to serve the needs of EGD Rate Zone customers. The only alternatives that the OEB should consider are the alternatives that will restore the capacity and deliverability for EGD Rate Zone customers, not the alternatives that would restore deliverability and capacity for non-utility customers.

Enbridge briefly considered an alternative that would maintain the deliverability and capacity for EGD Rate Zone customers and not require the building of any new facilities which it identified as a non-facility alternative<sup>21</sup>, but dismissed it because it claims without evidence that “*the frequency and severity of extreme weather events experienced across North America has increased.*” Energy Probe provided an opportunity for Enbridge to provide numerical evidence to support this claim, but Enbridge could not provide any.<sup>22</sup> While Enbridge provided evaluation of other alternatives, it did not evaluate it further or provide any cost analysis<sup>23</sup> of this non-facility alternative.

Enbridge did not evaluate integrated operation of CCS and Dawn as it explained in its response to an interrogatory.<sup>24</sup>

*“Please provide the study that EGI or Enbridge Inc. undertook to evaluate the synergy and integration opportunities of the two previously separate storage operations of the CCS and Dawn. We understand that EGI/EI may be concerned about confidentiality. Therefore, we respect if the submission of this study may require confidentiality treatment for which we will comply with the Board’s practice directions in handling.*

*a) If no such study exists, please explain why a newly integrated utility would not undertake a study to determine if two physically linked operations which perform the same type of functionality would not be studied to determine how the integrated operations may be refined to create additional capacity.*

#### *Response*

*a) Enbridge Gas has not undertaken a study to evaluate the synergy and integration opportunities of the storage operations at Dawn and the CCS. However, Enbridge Gas analyzes its storage system on an integrated basis. The two storage systems are currently only connected at Dawn. The integrated system is primarily evaluated based on storage capacity and design day deliverability. The integration of the systems does not have any impact on the storage capacity of the individual storage pools. When evaluating design day deliverability, it is important to understand that*

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<sup>21</sup> Exhibit C, Tab 1, Schedule 1, page 10

<sup>22</sup> I.EP.4; Tr. 162-163, July 27, 2022

<sup>23</sup> Exhibit C, Tab 1, Schedule 1, page 22

<sup>24</sup> I.FRPO.2

*the two storage systems were designed around similar design day principles to meet design day conditions. In addition, the pipeline and compression facilities are, for the most part, fully utilized. Therefore, any opportunities would require the construction of new facilities or the modification of existing facilities”*

It is possible that synergy and integration of CCS and Dawn could restore the capacity and deliverability required by in-franchise customers at a lower cost. But Enbridge did not consider that alternative<sup>25</sup> and did not ask CERA to consider it in its study. This was confirmed by a response to another interrogatory and by answers by Enbridge witnesses at the Technical Conference.<sup>26</sup>

While the OEB can not order Enbridge to not retire the seven compressors, it can advise Enbridge to delay the retirement until it has filed a study of integrated operation of its storage facilities. Energy Probe suggest that the proceeding be adjourned to allow Enbridge to file a study of integrated storage operations of facilities required to provide service to utility customers in its Enbridge Gas Distribution and Union Gas Rate Zones.

### **3.0 Project Cost and Economics**

Enbridge estimated the cost for the project to be \$206.9 million excluding indirect overheads and loadings. On that basis project has a negative Net Present Value of \$200 million<sup>27</sup>. With indirect overheads and loadings, the cost of the project is \$250.8 million<sup>28</sup>. That cost includes \$41.8 million<sup>29</sup> in what Enbridge calls Ancillary Facility costs for equipment and buildings mostly located at CCS. Its cost analysis appears to have excluded the cost of retirement of the seven compressors \$2.8 million.<sup>30</sup> Profitability Index (PI) of the project is 0.062.<sup>31</sup>

#### Energy Probe Submission

The proposed project has a large negative NPV of \$200 million, and a very low PI of 0.062, and is completely uneconomic from the point of view of utility customers. The proposed project will require that utility customers subsidize the provision of storage service by Enbridge to non-utility customers for the expected 40-year life of the proposed pipeline. Energy Probe submits that this would be unfair and that the OEB should not approve the proposed project.

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<sup>25</sup> Exhibit C, Tab 1, Schedule 1, Attachment 2, page 32, *Assessment of the Value of the Enbridge Gas Dawn to Corunna Storage Project Potential Value of Incremental Storage Capacity and Market-Based Alternatives for Enbridge Gas*, ICF, 2/3/2022

<sup>26</sup> LFRPO.17: TC, July 27, 2022, Tr. 45-56

<sup>27</sup> Exhibit C, Tab 1, Schedule 1, Attachment 1, Page 3, *NPV of Alternatives-40 Year Term*

<sup>28</sup> Exhibit D, Tab 1, Schedule 1, page 1, Table 1, *Estimated Project Costs*

<sup>29</sup> JT1.15

<sup>30</sup> JT1.14

<sup>31</sup> JT2.7



## **Conclusion**

The need for the project was created by a decision by Enbridge to retire seven compressors at its Corunna Compressor Station. Enbridge claims that the decision was justified by obsolescence and decreased reliability of the compressor units. Yet Enbridge decided to not retire one of the oldest and least reliable compressors and kept another two old compressors in service.

To replace the lost capacity and deliverability caused by the decision to retire seven compressors Enbridge evaluated several alternatives but it did not consider integrated operation of storage assets of legacy Union Gas and legacy Enbridge Gas Distribution. It also never considered that its only obligation was to provide service to utility customers and that utility customers would object to any alternative that would force them to subsidize non-utility customers. The preferred alternative selected by Enbridge would have utility customers subsidizing non-utility customers for many years.

For these reasons, the OEB should not approve this LTC application. Energy Probe suggest that the proceeding be adjourned to allow Enbridge to file a study of integrated storage operations of facilities required to provide service to utility customers in its Enbridge Gas Distribution and Union Gas Rate Zones.