



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

BY EMAIL

April 6, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Application for Hidden Valley Community Expansion Project Approval
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2022-0249**

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 and to all other registered parties to this proceeding.

Enbridge Gas is reminded that its responses to interrogatories are due by April 24, 2023.

Yours truly,

Original Signed By

Petar Prazic
Senior Advisor, Natural Gas Applications

Encl.

**OEB Staff Interrogatories
Enbridge Gas Inc.
EB-2022-0249**

Please note, Enbridge Gas is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref: Letters of Comment

Preamble:

Following publication of the Notice of Application, the OEB received one letter of comment.

Questions:

Please file a response to the matters raised in the letter of comment. Going forward, please ensure that responses to any matters raised in subsequent comments or letters that Enbridge Gas receives are filed in this proceeding. Please ensure that name and contact information is redacted for public filings. All responses must be filed before the argument (submission) phase of this proceeding.

ISSUE 1.0 NEED FOR THE PROJECT

Staff-2

Ref: Exhibit B, Tab 1, Schedule 1, page 2 of 6, paragraphs 7 and 9, Plus Attachment 3: *Natural Gas Pipeline Expansion Study - Hidden Valley*

Preamble:

Enbridge Gas conducted surveys of potential residential customers to gauge interest in natural gas distribution service and conversion within the Project area. Enbridge Gas retained Forum Research, a third-party research supplier, to conduct surveys by telephone, online and in-person of potential residential customers in the Project area between August 23 and September 18, 2022. A total of 61 surveys were completed.

Questions:

- a) What methods did Enbridge Gas use to collect the responses to the survey?
- b) What was the response rate to the survey? Please compare the response rate to response rates in recent market surveys conducted for or retained by Enbridge Gas for other Phase II community expansion projects?
- c) Since the completion of the market research survey on September 18, 2022, has Enbridge Gas obtained any additional information on the interest for switching to natural gas service as part of this community expansion project? Please provide any additional information.

Staff-3

Ref: Exhibit B, Tab 1, Schedule 1, pages 5-6 of 6, paragraph 13; Table 2: Forecasted Customer Attachments for the Project

Preamble:

The Project's in-service date is planned to be October 2023. The table below shows forecasted attachments over ten years annually starting in 2023. Enbridge Gas forecasted attachments of 110 customers in the Town of Huntsville and District of Muskoka (all residential) by the tenth year of the project (2023-2032).

Table 2: Forecasted Customer Attachments for the Project

Hidden Valley Customer Additions	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total Forecasted
Residential	29	26	10	7	6	7	6	7	6	6	110
Commercial											
Industrial											
Total	29	26	10	7	6	7	6	7	6	6	110

Questions:

- a) Please discuss the method and data Enbridge Gas used to forecast 110 residential attachments in the Town of Huntsville by 2032.

- b) What is the assumed capture rate of the forecast attachments by the end of the tenth year?
- c) Please discuss any anticipated potential delays that may affect the construction schedule for the Project or cause the forecasted number of customer attachments to be below forecast.
- d) Please describe in detail Enbridge Gas's outreach activities, plans and/or programs to ensure that the customer attachments will be realized as forecasted.
- e) Please comment on differences in forecasted number of customer attachments Enbridge Gas provided in project proposal approved for funding in Phase 2 of the NGEF process and the project subject to this application?

ISSUE 3.0 PROJECT COST AND ECONOMICS

Staff-4

Ref: Exhibit E, Tab 1, Schedule 1, pages 1-2 of 5, paragraphs 1-3; Table 1: Estimated Project Costs (\$CAD)

Preamble:

The total estimated Project cost is \$3.5 million. The total pipeline costs are \$2.2 million. The total ancillary costs are \$1.3 million for which Enbridge Gas is not seeking Leave to Construct. The itemized costs for the Project are presented in the table below.

Table 1: Estimated Project Costs (\$CAD)

Item No.	Description	Pipeline Costs	Ancillary Costs
1.0	Material	17,995	99,330
2.0	Labour and Construction	1,359,704	982,239
3.0	Outside Services	519,452	23,531
4.0	Land, Permits, Approvals and Consultations	8,861	0
5.0	Contingency	186,637	113,549
6.0	Sub-Total	2,092,649	1,218,649
7.0	Interest During Construction	18,157	3,362
8.0	Direct Overheads	37,984	92,860
9.0	Total Project Costs	2,148,790	1,314,871

The estimated cost presented in the application is \$1.4 million higher than the original project proposal presented to the Government of Ontario (2019/2020) for funding under Phase 2 of the NGEF (EB-2019-0255). Enbridge Gas noted that the \$1.4 million cost increase is "...attributed primarily to the completion of the project design and schedule."

Questions:

- a) Please confirm that the variance between the estimated cost presented in the application is \$1.4 million higher than the original project proposal presented to the Government of Ontario for funding under Phase 2 of the NGEF. Please provide a reference to the evidence in the EB-2019-0255 proceeding where this can be reconciled.
- b) Please explain in more detail the reasons for the cost variance between the current estimate and Enbridge Gas's project proposal for funding under Phase 2 of the NGEF. To support your response, please provide a table (breaking down the itemized cost description) separately comparing the NGEF cost estimate to the current cost estimate. Please discuss any major variances in each itemized cost estimate.
- c) Please discuss whether any portion of the increased cost is associated with the increased number of forecasted customer attachments relative to the project proposal in 2019/2020 (110 compared to the original estimate of 103).

Staff-5

Ref: Exhibit E, Tab 1, Schedule 1, pages 4-5 of 5, paragraphs 13-14
EB-2022-0200, Enbridge Gas 2024 Rebasing Application, Exhibit I.2.6-Staff-74

Preamble:

After SES and NGEF funding, the Project currently has a NPV of -\$71,000 and a PI of 0.95. In its original proposal (EB-2019-0255), Enbridge Gas provided an estimated PI of 1.0 for the Project. Enbridge Gas indicated that the primary driver of the lower estimated PI in this application is higher forecasted capital costs partially offset by higher distribution rates and lower forecasted property taxes.

Enbridge Gas stated that the estimates of NPV and PI are subject to change as the Project progresses through the design and construction phase. Any variances from

forecasted capital cost or revenues, including variances in the customer attachment forecast for the Project, will be managed by Enbridge Gas during the rate stability period. The final actual PI will be determined using actual information and will be communicated at the next rebasing application after the expiry of the rate stability period.

In its 2024 Rebasing application, Enbridge Gas stated that it proposed to include the original net capital cost of the Project that underpinned the NGEF funding proposal in rate base.

Questions:

- a) Please confirm that matters relating to the appropriate net capital amount to be included in rate base for the rate stability period are properly addressed as part of Enbridge Gas's 2024 Rebasing proceeding.
- b) Please advise whether, after the conclusion of the rate stability period and at the time of next rebasing, it is Enbridge Gas's intent to seek to close to rate base the actual capital costs of the Project and include the most up-to-date forecast of revenues associated with the Project.
- c) Please advise whether, after the conclusion of the rate stability period and assuming that the current forecast of costs and revenues is accurate, there will be a subsidy from Enbridge Gas's other ratepayers to the customers connected to the Project in the context of a realized PI of 0.95 in this scenario.

ISSUE 4.0: ENVIRONMENTAL IMPACTS

Staff-6

Ref: Exhibit F, Tab 1, Schedule 1: Environmental Matters, page 1 of 5; Attachment 1 and 2.

Preamble:

The Environmental Report (ER) was sent via email to OPCC members, municipalities, conservation authorities, and Indigenous communities on September 16, 2022. The ER was sent by letter to landowners on September 16, 2022. The comments received were acknowledged and, where required, responses were provided.

Questions:

- a) Please provide the supporting documentation, i.e. the email correspondence referenced in Attachment 2.
- b) Please file an update of the comments provided in Attachment 2 (summarized in tabular format) that Enbridge Gas has received as part of its consultation since the application was filed, including the supporting documentation, i.e. email correspondence that is referenced. Please include the dates of communication, the issues and concerns identified by the parties, as well as Enbridge Gas's responses and actions to address these issues and concerns.

Staff-7

Ref: Exhibit F, Tab 1, Schedule 1, page 4 of 5.

Preamble:

A Cultural Heritage Checklist was completed by Stantec for the Project prior to submission of Enbridge Gas's application and it was recommended based on the checklist that a *Cultural Heritage Report: Existing Conditions and Preliminary Impact Assessment* be completed for the Project. Enbridge Gas noted that the report was anticipated to be submitted to the Ministry of Tourism, Culture and Sport (MTCS) for approval before December 31, 2022.

Questions:

- a) Has this report been submitted to MTCS for approval? If so, what is the present status?

Ref: Exhibit F, Tab 1, Schedule 1, Attachment 1: Environmental Report: *Hidden Valley Community Expansion Project, Appendix E, Draft Stage 1 Archaeological Assessment Stage 1 Report*

Staff-8

Preamble:

A Stage 1 Archaeological Assessment (AA) was completed by Stantec on July 28, 2022, submitted to the MTCS for review on November 9, 2022, and remains with MTCS for review and potential acceptance. The Stage 1 AA can be found in Appendix E of the

ER. A Stage 2 AA will be completed and submitted to MTCS for review and acceptance in 2023 prior to the start of construction.

Questions:

- a) What is the status of the Stage 1 AA and when is the anticipated date of filing the Stage 2 AA Report with the MTCS for review?

ISSUE 5.0: ROUTE MAP AND FORM OF LANDOWNER AGREEMENTS

Staff-9

Ref: Exhibit G, Tab 1, Schedule 1, Page 1, paragraph 3 and Attachment 3

Preamble:

Enbridge Gas noted that the Project follows the public road allowance for the majority of the route. Enbridge Gas will obtain municipal consent to construct in road allowance from the Town of Huntsville and the District of Muskoka.

Enbridge Gas stated that temporary working areas may be required along the route where the road allowance is too narrow or confined to facilitate construction. Enbridge Gas stated that agreements for temporary working rights will be negotiated where required. Enbridge Gas noted that no permanent easement is required for the Project.

Questions:

- a) Please provide an update on the status and prospect of remaining land negotiations where temporary easements are required. Please include any concerns raised by landowners and Enbridge Gas's responses.
- b) Please discuss any expected delays with respect to obtaining the required land rights for the Project and its impact to the construction start and in-service date.

Staff-10

Ref: Exhibit G, Tab 1, Schedule 1, pages 1-2 of 3, paragraphs 4-5.

Preamble:

Enbridge Gas identified the potential permits/approvals that may be required for the Project at the reference above and in the ER.

Enbridge Gas also stated that other authorizations, notifications, permits and/or approvals may be required in addition to the ones listed.

Questions:

- a) Please advise whether Enbridge Gas has identified any other permits/approvals required for the Project other than those listed in the application. If so, please provide a description of the required permit/approval.
- b) Please provide an update on the status of each permit/approval including when Enbridge Gas expects to receive the required permit/approval. Please discuss any anticipated potential delays that may affect the construction schedule for the Project.

ISSUE 6.0 INDIGENOUS CONSULTATION

Staff-11

Ref: Exhibit H, Tab 1, Schedule 1 and Attachments 1-6.

Preamble:

The Ministry of Energy's (MOE) Delegation Letter identified ten Indigenous communities that Enbridge Gas should consult in relation to the Project.

Enbridge Gas filed a summary of the Indigenous consultation activities (Attachment 5). The information Enbridge Gas filed at Attachments 5 and 6 describes the Indigenous consultation up to December 13, 2022.

Questions:

- a) Please provide an update on Indigenous consultation activities set out in Attachments 5 and 6, summarizing any issues and concerns raised and how these are being addressed. Please include any supporting documentation, i.e. email correspondence that is referenced.

- b) Please update the evidence with any correspondence between MOE and Enbridge Gas since the application was filed, regarding MOE's review of Enbridge Gas's consultation activities.
- c) Please indicate when Enbridge Gas expects to receive a Letter of Opinion from MOE.
- d) Please comment on any issues arising from the Project that could adversely impact constitutionally protected Aboriginal or treaty rights. Have any Indigenous communities identified any Aboriginal or treaty rights that could be adversely impacted by the project? If any potential adverse impacts have been identified, please comment on what Enbridge Gas is doing to address these issues.