ONTARIO PETROLEUM INSTITUTE

Responses to Interrogatories from
Ontario Energy Board

OPI-Staff-1

Ref.: OPI Evidence, Page 1

Preamble

OPI stated that the scope of this proceeding has evolved since it was first initiated by the OEB in February 2022. Based on OPI's interpretation of the OEB's decisions in this proceeding, OPI's evidence is to address the following four system access issues:

1. Connection Process
2. Available Market/Capacity
3. Station/Connection Costs
4. Shut-in Practices

Questions

OEB staff would like to confirm its understanding of the terms used by OPI.

a) Please describe OPI's view of the Connection Process using a chronological list of key activities or a process flow diagram. Please indicate the entity(ies) responsible for completing each step in the process.

RESPONSE:

1. Producer requests to connect to EGI system and provides estimated volume and location of production. (Producer responsibility)
2. EGI determines available capacity, usually summer quantity and winter quantity, high level costs and connection location. (EGI responsibility)
3. Producer determines if it is feasible based on available capacity and high-level cost estimate. (Producer responsibility)
4. If not feasible, end of process. If feasible, EGI determines cost estimate and timing to build facilities for connection. This often includes a 40% contingency and a different price for summer and winter build. (EGI responsibility)
5. Producer agrees to cost and timing estimate and payment terms (Producer responsibility).
6. Producer and EGI execute agreements for construction of station, as well as a Gas Purchase Agreement ("GPA") or M13 contract (Producer and EGI responsibility). Terms include Producer providing leased or owned land for interconnect station. OPI does not believe that EGI has permitted a local, conventional natural gas producer to build a station in several years.
7. EGI builds delivery station; Producer provides riser and flange to which EGI will connect.

b) Please confirm that Available Market/Capacity refers to the maximum volume of locally produced natural gas that Enbridge Gas can accept into its system at a given receipt point at any given time. If OPI prefers a different definition for Available Market/Capacity, please provide it.

RESPONSE:

Confirmed.

c) Please provide a concise definition for Station/Connection Costs that includes a list of applicable costs (e.g., professional services, materials, equipment, labour).

RESPONSE:

Station/Connection costs would include: Materials, Labour, Contractors, Miscellaneous (Corrosion, fencing), Professional services for design and inspection. Please see the last page of Appendix B in OPI's evidence for a list of costs, and the picture of the site at Appendix C.

d) Please confirm that the term Shut-in Practices refers to the communications between Enbridge Gas and local producers regarding the need for Enbridge Gas to stop taking supply from a local producer, the timing of the communications, and Enbridge Gas's rationale for the stoppage. If OPI prefers a different definition for Shut-in Practices, please provide it.

RESPONSE:

Confirmed.

OPI-Staff-2

Ref.: OPI Evidence, Page 2

Preamble

OPI stated that its members need to connect to the Enbridge Gas system to: (a) bring their gas supply to market pursuant to Enbridge Gas's M13 transportation service; or (b) sell to Enbridge Gas pursuant to the terms of a Gas Purchase Agreement.

Questions

a) Do Gas Purchase Agreements provide for variability in Available Market/Capacity? Please explain.

RESPONSE:

GPAs set out a maximum daily volume that a Producer can deliver (see below for GPA excerpt, in italics). Available Market/Capacity is a condition precedent to contracting under the M13 or the GPA. When EGI determines Available Market/Capacity, the Producer is given a summer and winter delivery number.

2. Maximum Daily Volume Seller agrees to limit the volume of gas delivered in any one Day at the Delivery Location as hereinafter stated:

Delivery Location #1 shall have a Maximum Daily Volume of 2 103M3 of gas.
Delivery Location #2 shall have a Maximum Daily Volume of 13.8 103M3 of gas.
Delivery Location #3 shall have a Maximum Daily Volume of 12.0 103M3 of gas.
Delivery Location #4 shall have a Maximum Daily Volume of 14.2 103M3 of gas.
Delivery Location #5 shall have a Maximum Daily Volume of 4.2 103M3 of gas.
Delivery Location #6 shall have a Maximum Daily Volume of 14 103M3 of gas.
Delivery Location #7 shall have a Maximum Daily Volume of 11.3 103M3 of gas.
Delivery Location #8 shall have a Maximum Daily Volume of 18 103M3 of gas.
Delivery Location #9 shall have a Maximum Daily Volume of 141.6 103M3 of gas.
Delivery Location #10 shall have a Maximum Daily Volume of 4.2 103M3 of gas.
Delivery Location #11 shall have a Maximum Daily Volume of 20 103M3 of gas.
Delivery Location #12 shall have a Maximum Daily Volume of 28.3 103M3 of gas.
Delivery Location #13 shall have a Maximum Daily Volume of 40.0 103M3 of gas.
Delivery Location #14 shall have a Maximum Daily Volume of 8.5 103M3 of gas.
Delivery Location #15 shall have a Maximum Daily Volume of 13.5 103M3 of gas.
Delivery Location #16 shall have a Maximum Daily Volume of 21.2 103M3 of gas.
Delivery Location #17 shall have a Maximum Daily Volume of 11.0 103M3 of gas.
Delivery Location #18 shall have a Maximum Daily Volume of 339.6 103M3 of gas.
Delivery Location #19 shall have a Maximum Daily Volume of 168.0 103M3 of gas.
Delivery Location #20 shall have a Maximum Daily Volume of 226.6 103M3 of gas.
Delivery Location #21 shall have a Maximum Daily Volume of 21.2 103M3 of gas.

In the event the Seller exceeds its cumulative Maximum Daily Volume for all Delivery Locations, Union may, at Union's option, suspend receipts of gas until the Union's receipts of gas matches the cumulative Maximum Daily Volume for all Delivery Locations.

b) Does rate M13 provide for variability in Available Market/Capacity? Please explain.

RESPONSE:

The M13 Contract has a Maximum Daily Quantity. There is also a firm daily variability amount in the M13 contract (which provides a maximum variance from the nominated amounts). The producer pays for daily variability. Thus, under the M13 Contract, a producer contracts for firm daily gas delivery to a marketer/shipper at Dawn (termed Market Volumes in the M13 Contract). Any differences between the actual daily producer volumes (termed Dawn Volumes in the M13 Contract) and the Market Volumes are moved into and out of the producer's Producer Balancing Account. The Firm Daily Variability Demand is a defined term under the M13 Contract, and is the maximum difference allowed between the Dawn Volumes and the Market Volumes on any day. For greater clarity, please see excerpt from partially redated M13 invoice:

Current Month Charges				
Contract SA 26919 - M13037POST				
M13 Balancing				
Firm Daily Variability	2,500 GJ	$1.4410000 $CAD	*	$3,602.50
Firm Injection Commodity Charge	10,208 GJ	$0.0500000 $CAD	*	$510.40
Firm Withdrawal Commodity Charge	9,525 GJ	$0.0500000 $CAD	*	$476.25
M13 Transportation				
Station Charge	3 STN	$957.5800000 $CAD	*	$2,872.74
Delivery Commodity Charge	196,892 GJ	$0.0050000 $CAD	*	$984.46
Transmission Commodity Charge	196,892 GJ	$0.0350000 $CAD	*	$6,891.22
			Subtotal	**$15,337.57**
Contract SA 26918 - HUB595POST				
HUB Name Change				
Name Change Charge (Dawn Facilities)	328,109 GJ	$0.0030000 $CAD	*	$984.33
Fee Cap Reduction	(44,777) GJ	$0.0030000 $CAD	*	($134.33)
			Subtotal	**$850.00**
Total Charges This Month				**$16,187.57**
Harmonized Sales Tax [redacted]				**$2,104.38**

OPI-Staff-3

Ref.: OPI Evidence, Pages 4-5

Preamble

OPI stated that it understands that electricity distributors have prescriptive procedures for connecting electricity generators to their distribution systems, which include timelines for responding to connection requests (via a detailed cost estimate and an offer to connect) and standard form connection cost recovery agreements and connection agreements. OPI also understands that to some extent the procedures and timelines for connecting electricity generators have been tailored based on the size of the generation facility (with, for example, a simpler and quicker process for smaller generation facilities).

OPI stated that, in its view, establishing a prescriptive connection policy/process would be helpful to Ontario producers and helpful to Enbridge Gas in meeting its obligations under section 42 of the *Ontario Energy Board Act, 1998* (OEB Act). Section 42 deals with the duties of gas transmitters and distributors.

Question
Please provide a detailed list of the prescriptive measures that OPI believes are appropriate with respect to connecting local natural gas producers.

RESPONSE:

Chapters 3 and 6 of the Distribution System Code set out, *inter alia*, general obligations on electricity distributors related to connection of generators to the distribution system. These general obligations are supplemented by more detailed obligations set out in mandatory Conditions of Service and the OEB's *Distributed Energy Resources Connection Procedures* (the "DER Connection Procedures"). Collectively, these obligations are designed to ensure a fair, timely and transparent process for the connection of generators to the distribution system. This process includes: (a) detailed procedural steps in the connection process; and (b) mandatory timelines (which distributors must adhere to as a condition of their licence). For example, see Figure 2 and section 5.3.1 of the DER Connection Procedures (for connection of a micro-embedded generation facility) and Figure 4 and section 5.6 of the DER Connection Procedures (for connection of a small embedded generation facility). Using these processes as a guide, the prescriptive measures of most interest to OPI include:

- A fixed time period for distributor review of a connection request/application for completeness, and requirement to notify Producer that: (a) the connection request/application is complete; or (b) it is deficient/missing information (with a clear explanation of deficiency/missing information) (e.g., 14 calendar days).

- A fixed time period for distributor review of any revised connection request/application (e.g., 7 calendar days).

- A fixed time period for notification by distributor to Producer of available capacity (e.g., 5 calendar days).

- If there is available capacity, the time clock for providing a detailed cost estimate would commence (e.g., 30 days to provide agreements for station construction – see response above to OPI-Staff-1).

These are the key prescriptive measures that would provide OPI with greater certainty around timely connection. They do not address issues associated with contestability (i.e., ability for a Producer to build a station and transfer it to the distributor) or shut-in.

OPI-Staff-4

Ref.: OPI Evidence, Pages 6-7
Preamble
OPI stated that it believes that EGI is foregoing the opportunity to use locally produced gas which would displace gas delivered through upstream systems to Ontario and through

transmission systems from Dawn using fuel gas. That fuel gas is paid for by Enbridge Gas ratepayers, including the carbon cost and environmental cost associated with these alternative supplies.

OPI says it believes that Enbridge Gas's actions "artificially inhibit ratepayers enjoying more environmentally-friendly and economic service (since the GPA price paid to Ontario producers on average tracks consistently less than the Total Gas Supply Commodity Charge in Ontario)."

Questions

a) Please confirm that when OPI refers to the Total Gas Supply Commodity Charge, OPI is specifically referring to the Total Gas Supply Commodity Charge in Enbridge Gas's Union South rate zone.

RESPONSE:

Confirmed.

b) Please define the GPA price and the relevant Total Gas Supply Commodity Charge and explain the differences between them.

RESPONSE:

The GPA price is the price paid by EGI to GPA Producers on monthly statements. This pricing mechanism has been changed unilaterally by EGI and Union Gas in the past, in addition to changes in deductions for transportation and balancing. Please see below for excerpt from the most recent 2020 amendment from a Producer (first italicized paragraph). Also see below communication from EGI changing this price to ICE NGX Union-Dawn Month Ahead Bidweek index (second italicized paragraph).

"The Price expressed in Canadian dollars ($) per GJ is the "Dawn Indexed Price" which is a price calculated (example attached as Schedule "2") using the monthly Dawn index for the Delivery Month as reported in the Canadian Gas Price Reporter Canadian and U.S. Spot Gas Price differentials (where Dawn row and column meet on the chart) less Union's balancing and transportation charge, as determined by Pricing Provisions on Union Gas' Hub Contract which is in effect on the last day of the Delivery Month. Union's balancing and transportation charge is equal to the Balancing rate applicable to Parking Service: Delivery to Union Within Calendar Month in $CDN per GJ. The Price is applied by multiplying it by the product of a) the Delivery Month volume in 103M3 and b) the Heating Value of 39.00 MJ/M3 which is a volume weighted average of all of Union's Ontario gas producers as determined by Union"

"Please be advised that the Canadian Gas Price Reporter (CGPR) has revised the format of their monthly publication that reports the monthly Dawn Index price used for GPA payments. Under the new format, the index that will be used for GPA payments under Section 9, Schedule "1" of

the Ontario Production Gas Purchase Agreement is: ICE NGX Union-Dawn Month Ahead Bidweek in C$/GJ effective July, 2020."

In response to differentiating the Index pricing mechanism from the TGSCC rate, we offer the following:

EGI's Union Gas south territory has been fed by a number of pipelines over the years. Union Gas' strong preference has been to source gas from different supply basins. Over the years, the amount procured has evolved and more recently, EGI has been buying more spot at Dawn in the market. However, the majority of EGI's portfolio is sourced from outside of Ontario.

The practice stems from pursuing principles of diversity and reliability. Diversity results in supply from multiple sources. Reliability results in EGI's desire to hold the pipeline rights to ensure longevity and performance. OPI understands these principles and a utility's need to be prudent in commodity procurement. However, the trade-off is that the practice of controlling pipelines to multiple sources results in some of the gas supply transport costs being fixed. These fixed costs, while stabilizing the price, do not allow efficiencies of the market to reduce costs at the delivered location.

In gas markets, an economic concept is that you cannot specify the price of gas in a certain period unless you define the location of the gas. The market's expectation of the locational supply/demand balance will set the price. In a relatively efficient market, the delivered costs of the gas from long-term contracts are higher than the cost of shorter-term gas purchased in the market. In shorter-term price run-ups in a market, such as Dawn, some landed gas may be less than spot gas. However, over the longer term, that will not be the case. To see the empirical data that supports this, one only need look at the Landed Cost Analyses that Union/Enbridge have provided over the years (see Attachment - 2021 version). The fact is that it costs more to land gas at Dawn in a portfolio fashion than it would be to simply buy it there.

TGSCC is a price established to recover Total Gas commodity costs forecast over the next 12-months including adjustments associated with the recovery of variances between actuals versus forecast for previous periods. These variances are created by differences between forecast and actual prices of delivered gas to Dawn from the locations of purchased, volume variance implications and clearly supply and demand impacts in the inter-connected and respective markets. The net result is a retail commodity price charged to a customer in the Union South area at the time it is delivered.

Ontario-based producers contribute to the reliability and diversity of the system by providing gas in the market, even more proximate to the customers than the Dawn market. In fact, applying the economic concept of value tied to location, the gas in the distribution market has more value inherently because of the location (enhanced reliability) and that there can only be two suppliers, the utility or the producer. As GPA-delivered gas substitutes for the molecules of gas procured by EGI from other sources, OPI believes it is reasonable to conclude that the molecule consumed should get the market price charged by EGI which is the TGSCC.

OPI-Staff-5

Ref.: OPI Evidence, Pages 7-8

Preamble

OPI stated that Clearbeach Resources Inc., through the acquisition of two local producer systems, operates a number of gas production wells in Norfolk County. One of the acquired production systems supplied gas to a legacy Union Gas station at Mabees Corners while the other supplied gas to Union Gas pipeline near Tillsonburg. OPI understands that the former owner of the two local producer systems had been producing volumes up to 773 GJ/d through the Mabees Corners Station. When operated by Clearbeach, two local producer systems produce 220 to 330 GJ/d.

OPI stated, "… Union Gas advised they could take only a nominal quantity with virtually nothing in the summer months" through the Mabees Corners Station.

OEB staff interprets the previous statements to mean that, although OPI believes up to 773 GJ/d once flowed through the Mabees Corners Station, Union Gas said it could not even take up to 220 to 330 GJ/d through that station.

Questions

a) Please confirm that the OEB staff's interpretation in the preamble is correct. If not, please explain.

RESPONSE:

Confirmed.

b) On what basis does OPI base its belief that the former owner of the two local producer systems produced volumes up to 773 GJ/d through the Mabees Corners Station?

RESPONSE:

The information was obtained from the daily production information of the two predecessor companies. For additional clarity, both of the companies had produced gas into two separate stations connected to the same Union Gas pipeline in the vicinity of Mabees Corners. The companies produced a combined volume of up to 773 GJ/d into Union Gas stations 11S103 and 11S102 at the same time. Gas had ceased to be delivered to 11S102 by the time Clearbeach acquired and combined the operations of the two companies. Clearbeach sought to increase the volume of gas to be delivered to 11S103 or offered to build system to 11S102, whichever was preferred by Union Gas. Clearbeach was advised by Union Gas that it could not commit to take 220 GJ/d even after it was demonstrated that the Union Gas pipeline had sufficient capacity of 773 GJ/d a short time prior to the request.

OPI-Staff-6

Ref.: OPI Evidence, Page 10

Preamble

OPI stated that greater transparency about available market/capacity in the EGI distribution system is needed, and that such market / capacity analysis should incorporate the environmental and economic benefits of local production.

Question

In OPI's view, how should a market / capacity analysis incorporate the environmental and economic benefits of local production?

RESPONSE:

In OPI's view, environmental and economic benefits are appropriate considerations when determining which gas should take priority. If multiple gas flows are competing for pipeline space and off-take market in a distribution system, in OPI's view, the more environmental and economic gas should take priority. Benefits of counterflow from Ontario local producers' injections into the EGI distribution system and the resulting reduction of gas that therefore needs to be withdrawn from utility storage pools should also be accounted for by the system preferentially taking local producer gas in priority to long-haul upstream supplies.

Ontario natural gas production offers certain environmental benefits over non-conventional production. Proximity to customers and short transportation distances results in a smaller carbon footprint as Ontario production avoids EGI compressors, storage and also avoid upstream compressors and transport.

OPI believes that the oil and natural gas industry plays an important role in the economy of the Canada and the Province of Ontario. The industry employs a significant number of people both directly and indirectly through suppliers of products and services. Producers pay substantial royalties and other fees to landowners throughout the province including the Province of Ontario for gas produced from Lake Erie wells. The gas produced in Ontario does not pass through the TransCanada, Dawn to Parkway system and is not compressed into the Dawn Storage making it far more environmentally friendly.

OPI-Staff-7

Ref.: OPI Evidence, Page 11

Preamble

OPI stated that it has directly raised with Enbridge Gas the possibility of OPI's members constructing the customer stations that connect a local producer's pipeline system to Enbridge Gas's pipeline system. The customer station would then be transferred to Enbridge Gas, after Enbridge Gas completed an inspection. OPI's members would ensure the customer stations met all requisite technical and safety standards.

OPI stated that it understands that one way that electricity generators (and load customers) are able to mitigate the cost of connecting to the electricity distribution

system is via a contestability procedure that enables the generator or load customer to construct connection assets to applicable legal standards and then transfer those assets to the electric utility. OPI understands that all connection work can be undertaken in this manner by a connecting customer other than: (a) preliminary planning, design and engineering specifications for the connection work, and (b) construction work on the incumbent utility's existing facilities and equipment.

Questions

a) Please confirm that OPI's members are not interested performing the preliminary planning, design and engineering specifications for the customer stations, and that those activities ought to remain with Enbridge Gas. If not, please explain.

RESPONSE:

OPI members are not interested in performing the preliminary planning, design and engineering specifications for the local producer stations, provided that the stations are designed with good industry practise and reasonable industry design parameters – i.e., not unnecessary specifications and redundancy.

b) Please confirm that OPI's members are not interested performing the final tie-in of the customer stations to Enbridge Gas's system nor the energization and commissioning work. If not, please explain.

RESPONSE:

Confirmed.

c) Please confirm that OPI's members are only interested in constructing the customer station according to Enbridge Gas's design and engineering specifications. If not, please explain.

RESPONSE:

Confirmed. OPI members or subcontractors are fully capable of and interested in constructing the customer station in accordance with reasonable, industry standard EGI design and engineering specifications.

d) Please confirm whether OPI's members are interested in procuring the materials for the station (e.g., pipe, fittings, controls, instrumentation) or whether they would rely on Enbridge Gas to supply the materials.

RESPONSE:

Yes, OPI members or subcontractors are capable of and interested in procuring the materials for the station.

e) Please provide any additional information that OPI thinks would help OEB staff better understand the proposed division of roles and responsibilities between OPI members and Enbridge Gas as they relate to customer stations.

RESPONSE:

Clear, prescriptive connection procedures (with fixed timelines) should produce a detailed cost estimate in a timely manner that should enable a producer to make a determination as to whether or not to build its own customer station. Local producers are in the natural gas business, and have the ability to procure materials, retain contractors and work with technical regulators in the sector.

ONTARIO PETROLEUM INSTITUTE

Responses to Interrogatories from
Enbridge Gas Distribution Inc.

1. ***Reference***: Decision and Procedural Order No. 4, page 1
   "The Ontario Energy Board finds that certain items identified by the Ontario Petroleum Institute are appropriately addressed in the current proceeding, while others are appropriately addressed in the 2024 Rebasing proceeding. Specifically, the Ontario Petroleum Institute's concerns about fair and transparent system access will be heard in the current proceeding and issues related to the terms of service associated with the current M13, 401 and proposed E80 rates will be heard in the 2024 Rebasing proceeding. Enbridge Gas Inc.'s proposal in the 2024 Rebasing proceeding for injection station fees will also remain in that proceeding."

   Questions:
   (a) Please explain what relief the OPI is seeking in this proceeding and indicate the OEB's authority / jurisdiction for each item of relief.

RESPONSE:

This proceeding was commenced on the Board's own motion, not by way of an application (with requested relief outlined by an applicant). The jurisdictional issues in this proceeding have been well-covered, so OPI will not revisit those matters in an IR response. However, in general terms, the issues of most importance to OPI include:

- A fairer, transparent, more prescriptive process for connecting to and accessing EGI's distribution system, including connection procedures with fixed timelines, greater transparency in how EGI calculates available market/capacity (which is a pre-condition to access for local producers)

- Priority access to distribution system over upstream volumes to recognize local producer benefits including but not limited to reduced carbon footprint and local economic benefits.

- Station costs contestability – i.e., the option for Ontario producers to build their own stations.

- Improved contract terms, particularly as they relate to limiting the duration of producer shut-ins.

(b) Please explain what issues and positions the OPI will be pursuing in the 2024 Rebasing proceeding.

RESPONSE:

Not relevant to this proceeding.

2. ***Reference***: OPI Evidence, page 2, lines 9-11
"EGI's process for connecting Ontario gas producers to the EGI distribution system is not a robust, prescriptive one. Instead, the connection process is ad hoc, with no firm timelines or standardized information exchange procedures, to OPI's knowledge."

Question:
Please provide details of what OPI would consider a "robust" and "prescriptive" process for connecting Ontario gas producers to Enbridge Gas' system.

RESPONSE:

See OPI response to Staff-3 above for key prescriptive measures.

3. ***Reference***: OPI Evidence, page 2, lines 12-16
"As a result, OPI's members have experienced poor responsiveness on the part of EGI to service requests from Ontario producers, resulting in undue delays to projects. Attached at Appendix A hereto is a tabular summary of a recent attempt by one Ontario producer (Lagasco) to reactivate an existing station ("Station 05D-501") and recommence flowing gas into the EGI distribution system."

Questions:
(a) Please identify how many connection requests have been made by the OPI's members in the past five years.

RESPONSE:

OPI believes that there have been very few requests in recent years, as producers in general have been discouraged from exploring for new natural gas reserves due to difficulties and costs related to accessing the EGI system as a means of bringing gas to markets either through sales to EGI or transportation to Dawn for sales to third parties.

(b) Please explain why Station 5D-501 needed to be "reactivated". Why was this station "deactivated"?

RESPONSE:

It is OPI's understanding that the predecessor company made an application to re-inject gas into the production reservoir as pressure support, because gas pricing was low and the predecessor company thought it would result in increased oil production. Increased oil production did not occur and therefore Lagasco applied to MNRF to convert the injection well back into a production well. Lagasco made its re-activation request to EGI. It is OPI's understanding that the station was kept active by the predecessor company and by Lagasco in that they both continued to pay all applicable utility charges.

(c) What obligations did Enbridge Gas or Lagasco have during the deactivation period to maintain this station?

RESPONSE:

OPI's understanding is that EGI and their predecessor would maintain the station in good working order while Lagasco (and its predecessor) continued paying the fees levied.

(d) Was Lagasco paying Enbridge Gas for any maintenance required on this station during the deactivation period?

RESPONSE:

OPI believes that Lagasco was paying the monthly charges levied by EGI during the deactivation period.

4. ***Reference***: OPI Evidence, page 2, lines 5-8 and page 3 (Available Market / Capacity)
"OPI's members need to connect to the EGI system in order to: (a) bring their gas supply to market (i.e., to Dawn, pursuant to EGI's M13 transportation service); or (b) sell to EGI (pursuant to the terms of a Gas Purchase Agreement ("GPA") for subsequent delivery by EGI to its distribution customers)."

Questions:

(a) Please confirm that OPI members are transmission customers, not distribution customers, when they are connecting to the Enbridge Gas system and transporting gas.

RESPONSE:

Gas producers that have M13 contracts seem to be considered to be transmission customers by EGI. As noted above, OPI does not believe any of their gas physically makes it to Dawn, or enters the Dawn to Parkway system. In fact, there are very few, locations where the gas even enters any portion of the transmission system. The vast majority of the gas flows directly into the distribution system and is consumed by EGI customers in local markets.

OPI producers sell their gas where they can get the best prices, most consistent capacity and where they receive the fewest/lowest charges from Enbridge. OPI producers only transport to Dawn (contractually, the gas never physically gets transported to Dawn) to receive a better price than that which EGI pays them under the GPA. The decision to transport to Dawn or to sell under the GPA for local producers depends on the volume being delivered at a particular station due to the higher monthly fixed costs for M13 stations.

(b) Please confirm that OPI members have the option to sell gas to Enbridge Gas, or to transport the gas to Dawn for sale to other customers.

RESPONSE:

Confirmed. OPI members have in the past been offered two types of contracts for gas delivered into the EGI system: an M13 contract or a GPA. Under the M13 contract, although the gas never physically gets to Dawn, EGI does what could be better described as a swap and allows the M13 contract holder to sell the gas to other marketers at Dawn. Under the GPA, gas is sold directly to EGI, and producers must adhere to the terms and conditions set out by EGI in what is described as a nonregulated rate, with little or no ability to negotiate terms and conditions including the pricing structure.

(c) Please explain what efforts OPI members have made to identify other markets / sales channels for their gas, other than injecting into the Enbridge Gas system and selling to Enbridge Gas. Provide examples from the past five years.

RESPONSE:

OPI members have explored other markets including other regulated utilities, greenhouses and residential customers. It is very difficult for OPI members to access other markets / sales for their gas (other than selling it to EGI or via the M13 contract). One producer (OM Limited Partnership) was able to obtain a Certificate of Public Convenience and Necessity allowing it to sell gas directly to a greenhouse operator. Another producer (Lagasco Inc.) sells gas to ENGLP's Aylmer system

and was able to achieve pricing that it believes more fairly represents the value of gas injected the distribution system in close proximity to customers).

Selling directly to an Ontario customer requires a franchise rights application to the OEB. OPI believes that Metalore Resources, a member of OPI, made a franchise application to directly supply a customer in this way but ultimately did not proceed with the project.

(d) For each member of the OPI, please provide details of alternate methods of reaching markets that have been considered such as compressing for CNG truck transfers.

RESPONSE:

See response to (c) immediately above. OPI is not aware of all of its members' commercially sensitive information. However, OPI is aware of one producer currently exploring delivering gas for CNG transportation. The economic feasibility appears to be questionable at this time largely due to the high cost and significant number of regulations.

(e) Please explain what authority or direction OPI relies upon for the proposition that Enbridge Gas has a duty to accept gas injections from OPI members into the distribution system.

RESPONSE:

OPI is not sure where in its evidence such a proposition was made.

(f) Please explain, using examples from the past five years, how OPI members have been prepared to provide contractual assurances of daily volumes to be injected from a producer.

RESPONSE:

OPI is aware of only one. OPI does not believe that EGI has ever requested contractual assurances of daily volumes as it is understood that the EGI system is designed without taking producer volumes into account. This is one of the reasons OPI does not feel it is reasonable to assume it should be assessed costs from EGI for this aspect of EGI's rate base. That said, Ontario production is quite stable on average.

Many local producers could only accept this type of obligation if they were equipped to make it and understood any consequences of failure to deliver. OPI does not believe EGI has ever provided OPI's members with the information to allow the issue to be explored.

5. ***Reference***: OPI Evidence, page 4, lines 20-22
"In OPI's view, establishing a prescriptive connection policy/process would be helpful to Ontario producers and helpful to EGI in meeting its obligations under section 42 of the Ontario Energy Board Act, 1998 (the "OEB Act")."

Reference: OPI Evidence, page 11, lines 18-22 and page 11, lines 1-2
"OPI understands that connecting electricity generators and load customers often choose to proceed with this approach because the customer believes it can carry out the work at a lower cost. OPI believes that the same process should be available to connecting Ontario natural gas producers, and that it would mitigate the costs of connection – leading to a more financially viable gas production industry, and regulatory equivalency between Ontario's gas and electricity sectors."

Questions:
(a) Please provide detail on which provisions of the Distribution System Code that OPI believes should be replicated for gas system connections.

RESPONSE:

See OPI's response to Staff-3 re: connection procedures. There are contestability procedures set out in the Transmission System Code. See OPI response to 5(c) below.

(b) Please explain what direction the OPI seeks from the OEB, and whether it takes the form of an addition to the Gas Distribution Access Rule or other OEB rule.

RESPONSE:

See OPI response to EGI-1 above. The Board's jurisdiction over the issues in this proceeding has already been canvassed.

(c) Please explain how the principles set out in section 3.2.15A of the Distribution System Code ("*Work that requires physical contact with the distributor's existing distribution system is not eligible for alternative bid unless the distributor decides in any given case to allow such work to be eligible for alternative bid.*") apply to the connection assets that OPI seeks to make contestable.

RESPONSE:

The only work that would require physical contact would be the final tie-in to EGI piping. OPI members could build the facility and EGI could do final connection to a riser they bring above ground instead of EGI building the facility and OPI supplying the riser to connect to.

(d) Please explain what aspect of section 42 of the OEB Act applies to the connection of a gas producer who is injecting gas into Enbridge Gas' system.

RESPONSE:

The applicability of subsections of the OEB Act should be a matter for legal argument, not written discovery. However, OPI believes the first three operative provisions of section 42 are relevant.

(e) Please provide the OPI's understanding of the cost to move to a more prescriptive process and the OPI's opinion on who would pay for the increased costs (i.e., producers or all ratepayers).

RESPONSE:

OPI believes there would be substantial savings for both EGI and for the producers if a more prescriptive process were adopted/developed. Contrast the items noted in OPI's response to Staff-3 with the example at Appendix A and B in OPI's evidence. Not having a prescriptive process with fixed timelines results in inefficiencies (in OPI's view).

6. ***Reference***: OPI Evidence, page 6, lines 13-18
"During the summer, most distribution systems will not need to maintain as high an operating pressure to maintain security of supply as heat sensitive consumption is minimized. Since local producers must be able to inject into these same systems with higher pressures in the high consumption season of winter, it stands to reason that if EGI operates its distribution systems at lower summer pressures, Ontario producers should be able to inject their gas to serve the summer consumption."

Reference: OPI Request for Intervenor Status, February 18, 2022
"The OPI is an association of Ontario-based natural gas and oil producers, the members of which produce natural gas into the regulated local pipeline networks of Enbridge Gas Inc. (EGI) and EPCOR pursuant to various system gas contractual arrangements."

Questions:
(a) Please provide details of the OPI members that have active contracts with Enbridge Gas.

RESPONSE:

OPI believes that there are nine M13 contracts and 66 GPA contracts. Some Ontario producers may not be members of OPI. OPI is aware of at least seven local producers who have at least one station.

(b) For each member of the OPI, please provide:
   i. documentation on system design to ensure no supply interruptions;
   ii. emergency response procedures to ensure 24 / 7 operation;
   iii. operating procedures associated with real time monitoring systems;
   iv. details of how gas quality standards are monitored and achieved and what systems are in place to control these quality standards in real time;
   v. details of how the BTU content is monitored for any gas injected; and
   vi. a copy of the most recent facilities and pipeline integrity report and details regarding standards being followed.

RESPONSE:

OPI is an industry association and as such does not have these details. We have never made it a requirement of our organization to receive information this granular from our membership.

(b) Please provide details of any OPI members that have completed technical and financial studies on the benefit of onsite compression and storage of natural gas for optimal injection during demand seasons.

RESPONSE:

The OPI does not have access to this information from members. This information would presumably be commercially sensitive and confidential to any producers that might have considered these options.

7. ***Reference***: OPI Evidence, page 7, lines 5-11
"EGI's determinations on the available market/capacity do not provide assumptions made by EGI on how seasonal adjustment to EGI's system pressures were considered to allow local Ontario producer access. However, these determinations can preclude initial investment by producers and artificially inhibit ratepayers enjoying more environmentally-friendly and economic service (since the GPA price paid to Ontario producers on average tracks consistently less than the Total Gas Supply Commodity Charge in Ontario)."

Question:
Please provide the leak survey plans for each of the OPI's members, including details of what standards are followed and the frequency of leak surveys.

RESPONSE:

OPI does not have access to this type of operational information from its members.

8. ***Reference***: OPI Evidence, page 7, lines 11-13
"In OPI's experience, transparency through required reporting on EGI's market assessments would advance Ontario interests, in furtherance of the Board's objectives and its authority under section 41 of the OEB Act."

Question:
Please explain how section 41 of the OEB Act (which relates to reporting on allocation of market demand) applies to the injection of locally produced natural gas during a period where there is sufficient gas supply to meet all demands.

RESPONSE:

OPI seeks to gain knowledge as to how the market might be divided among all those with gas supplies that might meet demand. EGI's premise of sufficient gas supply seems to suggest its reliance on its traditional gas supply sources to the preclusion of local production. OPI believes that local production provides several benefits to the economy and government including a lower carbon footprint and should flow preferentially during times of low demand.

9. ***Reference***: OPI Evidence, page 7, lines 18-22
"Clearbeach Resources Inc. ("Clearbeach"), through the acquisition of two local producer systems, operates a number of gas production wells in Norfolk County, south of Tillsonburg. One of the acquired production systems was supplying gas to a Union Gas station at Mabees Corners. The other production system was supplying gas to Union Gas via an 18 km high pressure pipeline running to a Union Gas station near Tillsonburg."

Question:
Please indicate the approximate dates of the events described with respect to the Mabees Corners Station and the Paton Pool / Shackleton Station.

RESPONSE:

Mabees Corner Station: Two local producer systems delivered gas into the Union Gas system at Mabees Corners with two separate meter stations between October, 2004 and March, 2007. These volumes combined averaged 773 GJ/D In 2018, both local producer systems were tied together and production increased at the Mabees station from approximately 200 GJ/d in September, to approximately 465 GJ/d in December. The producer made a request to supply additional volumes originally in 2014 and a second time sometime in 2017 and was told by Union Gas that there was not sufficient capacity in the local market to accept additional volumes.

Paton Station: Connection requests were made from a local producer on two separate occasions. First discussions were in 2014, with subsequent discussions in the summer of 2021.

10. ***Reference***: OPI Evidence, page 8, lines 4-8

"OPI understands that one of Clearbeach's predecessor companies had been supplying gas through the Former Station (prior to construction of the 18 km high pressure pipeline) while the other predecessor company had been producing volumes up to 773 GJ/d through the Mabees Corners Station."

Questions:

(a) Please confirm whether Lagasco and Clearbeach are affiliated companies. If confirmed, please explain their affiliation.

RESPONSE:

Some of the shareholders of Clearbeach and Lagasco are common. Both are private companies with some overlap in shareholdings.

(b) Please describe any other affiliations between Lagasco and other OPI member companies.

RESPONSE:

Neither Lagasco nor Clearbeach has any affiliation with other OPI member companies.

(c) Please confirm that Lagasco and Clearbeach have the same representative that works with Enbridge Gas on producer connection requests.

RESPONSE:

Lagasco and Clearbeach have had several individuals represent them in discussions with Enbridge Gas.

(d) Please confirm that the Lagasco representative working with Enbridge Gas is also the President and/or Chairman of the OPI.

RESPONSE:

Scott Lewis is the current elected chairman of the OPI serving the second year of his two year term. He and other individuals have had discussions with Enbridge Gas on behalf of Lagasco Inc.

(e) Please explain the governance structure of the OPI and confirm whether Lagasco and its affiliated companies have control, either directly or indirectly, over the actions and decisions of the OPI.

RESPONSE:

The OPI Board of Directors consists of 13 elected members from a broad spectrum of the oil and gas industry in Ontario. This includes members from service companies, various consultants, and operators. If relevant to this proceeding, please refer to the OPI website for details.

The directors of OPI are elected by the members. The only person on the Board of Directors with an affiliation to Lagasco is the current Chair. The actions and decisions of OPI are governed by its Board of Directors.

11. ***Reference***: OPI Evidence, page 10, lines 8-9
"As noted in section 2.0 of this evidence (above) and Appendix A, there are challenges faced by Ontario producers in obtaining timely cost estimates for customer stations."

Questions:
For each member of the OPI, please provide:
i. the number of cost estimates requested in the last 5 years; and

RESPONSE:

Clearbeach Resources, Bill Blake, in 2014, Again Frank Kuri in 2021, Shackleton Line request

Denmar Brines, Denis Marcus, made a request in 2014

Lagasco Inc., Scott Lewis, made a request in 2021

Nick Hendry, 2020 – not an OPI member

There has been limited drilling in the past 10 years due to low gas prices, high station build costs and limited takeaway capacity based on EGI calculations. There has also been a natural consolidation in the natural gas industry in the province as operators have struggled with profitability.

ii. the names of the members under which each cost estimate was requested and the date of each request.

RESPONSE:

See response to item (i) immediately above.

12. ***Reference***: OPI Evidence, page 11, lines 2-3
"OPI's members would, of course, ensure these stations met all requisite technical and safety standards."

Questions:
For each member of the OPI, please provide:

i. details of any incidents of loss time injuries or fatalities in association with the construction, operations or maintenance on their assets;

RESPONSE:

OPI does not have nor does it seek this information from its members. OPI is not aware of any fatalities of members at work.

ii. documentation associated with any orders or fines from the TSSA, Ministry of Environment or Ministry of Labour associated with their operations;

RESPONSE:

OPI does not have nor does it seek this information from its members.

iii. details of qualifications of all operating and maintenance personnel;

RESPONSE:

OPI does not have nor does it seek this information from its members.

iv. a copy of detailed safety manuals; and

RESPONSE:

OPI does not have nor does it seek this information from its members.

v. detailed procedures for abandonment of assets after production ends.

RESPONSE:

In general, producers review all wells on an annual basis and takes into account productive capabilities and operating costs. Those wells which no longer have an economic benefit to the company are placed on a list to be abandoned. The wells are then plugged and abandoned in accordance with all applicable legal requirements. Facilities associated with these wells are decommissioned.

ONTARIO PETROLEUM INSTITUTE

Responses to Interrogatories from
Industrial Gas Users Association

1. **Reference: OPI Evidence, page 10, lines 3-5.**

Preamble:
OPI's evidence states:
OPI believes that greater transparency about available market/capacity in the EGI distribution system is needed, and that such market/capacity analysis should incorporate the environmental and economic benefits of local production.

Questions:

(a) Please elaborate on what *"environmental and economic benefits"* should be incorporated into analysis by EGI of market/capacity in the EGI distribution system.

RESPONSE:

See OPI response to Staff-6. The carbon footprint in natural gas transportation and delivery to customers is recognized increasingly as an important factor which should be considered. Reduced carbon footprint in energy production and its proximity to consumers' end-use should be considered relevant in market/capacity analysis - especially so that lower carbon footprint gas is not turned away or down to allow for ex-jurisdiction long-haul gas to be transported to customers, when there is a local alternative. Additionally, gas delivered near consumption point should have a far smaller chance of becoming UFG as it does not pass through storage and the majority of EGI's transmission and distribution systems, or other provincial or state upstream gathering and transmissions systems.

(b) Please explain how OPI suggests such benefits be incorporated into the analysis.

RESPONSE:

There are qualitative and quantitative benefits, in OPI's view, that could be incorporated into the analysis. See OPI response to Staff-6. For example, EGI calculates facilities carbon charge and therefore must have information regarding its compressors' use of fuel gas. By looking at a producer delivery point and determining upstream avoided compressor usage, EGI could determine that there is an avoided fuel gas and carbon emissions benefit attributable to locally produced gas. Then, at a minimum, EGI should ensure priority to locally produced gas over upstream gas supplies when calculating if there is market for a local producer to connect.

(c) Please explain the objective of incorporating such benefits, including in particular what use EGI and/or the OEB should make of such information.

RESPONSE:

From a system access perspective, Ontario producers believe that the benefits provided by local production should warrant priority access for local producers. Where possible, the EGI system pressure should be optimized seasonally to allow local producer volumes to flow into the distribution system seasonally and annually.

From a rate perspective (which are now outside the scope of this proceeding), Ontario producers believe EGI charges should be reduced or eliminated to prevent Ontario producers from cross-subsidizing in-franchise customers.

2. **Reference: OPI Evidence, page 11.**

Preamble:
OPI's evidence discusses the potential for a *"contestability procedure"* for connecting Ontario natural gas producers to the EGI system, analogizing to the contestability procedures under the OEB's *Distribution System Code*.

Question:
Please describe the components of the facilities for Ontario natural producers to connect to the EGI system, and specify which of those components OPI believes can and should be made subject to a contestability procedure.

RESPONSE:

Piping, regulators, filters, separators, meter, valves, fencing, landscaping etc. should be made subject to a contestability procedure. OPI believes that its response to Staff-7 will be helpful to IGUA in delineating what OPI members propose could (and could not) be undertaken by producers.

Attachment

2021-2024 Transportation Contracting Analysis

	Route (A)	Point of Supply (B)	Basis Differential $US/mmBtu (C)	Supply Cost $US/mmBtu (D) = Nymex + C	Unitized Demand Charge $US/mmBtu (E)	Commodity Charge $US/mmBtu (F)	Fuel Charge $US/mmBtu (G)	100% LF Transportation Inclusive of Fuel $US/mmBtu (I) = E + F + G	Landed Cost $US/mmBtu (J) = D + I	Landed Cost $Cdn/G (K)	Point of Delivery (L)	Comments
	Dawn	Dawn	0.0478	2.9683				0.0000	$2.97	**$3.74**	Dawn	
	TC: Dawn LTFP	Empress	-0.5589	2.3616	0.61	0.00	0.0826	0.6937	$3.06	**$3.85**	Union SWDA	
	TC: Great Lakes to Dawn	Empress	-0.5589	2.3616	0.66	0.01	0.0826	0.7526	$3.11	**$3.92**	Dawn	
	TC: Niagara to Dawn	Niagara	-0.0881	2.8323	0.15	0.00	0.0165	0.1707	$3.00	**$3.78**	Dawn	
	MichCon: MichCon to Dawn	SE Michigan	-0.0539	2.8665	0.16	0.00	0.0356	0.1964	$3.06	**$3.86**	Dawn	
	Vector: Chicago to Dawn	Chicago	-0.0681	2.8523	0.18	0.00	0.0119	0.1946	$3.05	**$3.84**	Dawn	
	Panhandle: Panhandle FZ to Dawn	Panhandle Field Zone	-0.2639	2.6566	0.75	0.06	0.1362	0.9433	$3.60	**$4.54**	Dawn	
	NEXUS via St. Clair: Clarington to Dawn	Dominion South Point	-0.6191	2.3014	1.09	0.00	0.0718	1.1601	$3.46	**$4.36**	Dawn	
	Rover: Rover SZ to Dawn	Dominion South Point	-0.6191	2.3014	0.98	0.05	0.0718	1.1013	$3.40	**$4.29**	Dawn	

Supply Assumptions used in Developing Transportation Contracting Analysis:

	Annual Gas Supply & Fuel Ratio Forecasts	Point of Supply Col (B) above	Nov 2021 - Oct 2022	Nov 2022 - Oct 2023	Nov 2023 - Oct 2024	Average Annual Gas Supply Cost $US/mmBtu Col (D) above	Fuel Ratio Forecasts Col (G) above
	Henry Hub	**Henry Hub**	**$ 3.01**	**$ 2.60**	**$ 3.15**	**$ 2.92**	
	Dawn	Dawn	$ 3.07	$ 2.61	$ 3.22	$ 2.97	
	TC: Dawn LTFP	Empress	$ 2.44	$ 2.01	$ 2.64	$ 2.36	3.50%
	TC: Great Lakes to Dawn	Empress	$ 2.44	$ 2.01	$ 2.64	$ 2.36	2.93%
	TC: Niagara to Dawn	Niagara	$ 2.95	$ 2.49	$ 3.06	$ 2.83	0.58%
	MichCon: MichCon to Dawn	SE Michigan	$ 2.97	$ 2.52	$ 3.12	$ 2.87	1.24%
	Vector: Chicago to Dawn	Chicago	$ 2.95	$ 2.51	$ 3.10	$ 2.85	0.42%
	Panhandle: Panhandle FZ to Dawn	Panhandle Field Zone	$ 2.74	$ 2.33	$ 2.90	$ 2.66	5.13%
	NEXUS via St. Clair: Clarington to Dawn	Dominion South Point	$ 2.47	$ 1.99	$ 2.45	$ 2.30	3.12%
	Rover: Rover SZ to Dawn	Dominion South Point	$ 2.47	$ 1.99	$ 2.45	$ 2.30	0.61%

1

Sources for Assumptions:

Gas Supply Prices (Col D): ICF Q3 2020 Base Case

Fuel Ratios (Col G): Average ratio over the previous 12 months or Pipeline Forecast

Transportation Tolls (Cols E & F): Tolls in effect on Alternative Routes at the time of Union's Analysis

Foreign Exchange (Col K) $1 US = $1.329 CDN From Bank of Canada Closing Rate September 21, 2020

Energy Conversions (Col K) 1 dth = 1 mmBtu = 1.055056

EGI's Analysis Completed: Sep-20

Paths included in analysis are those with comparable services available for contracting, as well as relevant benchmarks and currently contracted paths.