ENBRIDGE GAS INC. 2024 REBASING APPLICATION

EB-2022-0200

ONTARIO ENERGY BOARD STAFF INTERROGATORIES ON EVIDENCE OF ONTARIO PETROLEUM INSTITUTE (EXHIBIT M7)

M7.Staff-1

Ref: Exhibit M7, pages 3-4 and Appendix 1
Enbridge Gas Inc. January QRAM application, EB-2022-0073, Exhibits E-2-1 page 1 and E-2, Rate Order, Appendix A, page 6

In Appendix 1, the Ontario Petroleum Institute (OPI) provides a table that lists the price differences between the Total Gas Supply Commodity Charge (TGSCC) in the Union South Rate zone that is charged to customers by Enbridge Gas, and the Gas Purchase Agreement (GPA) price paid by Enbridge Gas to Ontario producers selling under a GPA contract. OPI notes that the mean difference in the price from January 2015 to March 2023 is 54 cents per GJ. OPI asserts that this price difference represents a cross-subsidy from Ontario producers to Enbridge Gas's in-franchise customers.

a) Please confirm that the TGSCC for Union South is the sum of (i) a commodity and fuel cost charge and (ii) a commodity and fuel price adjustment, and that the commodity and fuel cost charge includes a Gas Optimization Margin Credit and an administrative charge. If not, please explain.
b) Please explain how the price difference between the TGSCC and GPA price represents a cross subsidy.

M7.Staff-2

Ref: Exhibit M7, pp.4-5

OPI notes that the use of local natural gas results in reduced fuel gas usage by compressors in the transmission system, lowering fuel gas and carbon tax costs.

Has OPI attempted to quantify the expected energy savings associated with the use of local natural gas, and the cost savings arising from reduced fuel gas and carbon tax costs on a $/GJ basis? If so, please provide details.

M7.Staff-3

Ref: Exhibit M7, page 6

OPI states that it is concerned that an increase in monthly station fees for GPA holders from $90 to $469 or $1062 is likely to cause several local producers to stop delivering gas into Enbridge Gas's distribution system.

In the context of Enbridge Gas's proposed increases to monthly GPA producer station fees, OPI states that "… a cost of service study addressing these variables is lacking specificity or reasonableness."

a) In what year was the $90 per month station fee initially implemented?
b) Please confirm whether OPI believes that $90 per month per station charge is sufficient to cover Enbridge Gas's costs to operate and maintain the GPA producer stations.
c) Please confirm whether OPI believes that Enbridge Gas's in-franchise customers ought to subsidize the operating and maintenance costs of the GPA producer stations. If so, please explain why.
d) Please confirm whether OPI believes that a fully allocated cost of service study (also referred to as a cost allocation study) should be used to help determine the amount of station fees. If not, please explain.
e) Please elaborate on how Enbridge Gas's cost of service study is lacking specificity or reasonableness. Please provide specific examples, if possible.
f) Please confirm whether OPI is in favour of different station fees for different station types (i.e., with or without a remote terminal unit). If not, please explain.
g) Please confirm that local producers have the option of selling their gas at Dawn rather than selling to Enbridge Gas under a GPA.

M7.Staff-4

Ref: OPI Evidence, Appendix 2 GPA Holders Concerns and Comments, Chatham Resources Limited

Chatham Resources Limited explains that it provides natural gas to "many families", that excess production is sold to Enbridge Gas, and that the income from Enbridge Gas is essential to the viable operation of Chatham Resources Limited.

Please confirm whether Chatham Resources Limited relies on income from Enbridge Gas to subsidize the service Chatham Resources Limited provides to its residential customers.

M7.Staff-5

Ref: OPI Evidence, Appendix 2 GPA Holders Concerns and Comments, Cameron Petroleum Inc.

Cameron Petroleum Inc. lists five Enbridge Gas meter stations and the number of Cameron Petroleum Inc. owned wells that feed into each station.

a) Are each of the listed stations used exclusively by Cameron Petroleum Inc, or do other local producers share these stations?
b) If the stations are shared, who are they shared with and how are the monthly station fees allocated to the various users?

M7.Staff-6

Ref: OPI Evidence, page 6 and Appendix 2 GPA Holders Concerns and Comments

OPI opined that the increases in monthly station fees will contribute to local producer insolvencies and could lead to additional orphaned wells in the province. Further, if the companies and individuals in care and control of these wells do not have funds to decommission them, then these orphaned wells would either become the responsibility of the government of Ontario or the affected landowner(s).

In their letters of comment, several local producers noted that they are facing financial challenges and that an increase in monthly station fees could result in some wells becoming uneconomic. Some local producers said the increase in monthly station fees could “put us out of business.” Several local producers noted that there could be an increase in well abandonments that one local producer said could become orphaned.

a) Please define the term “orphaned” as it relates to oil and gas wells.
b) Please confirm whether local producers are required to set aside funds for well abandonments. If not, please explain how well abandonments are generally funded.
c) Does OPI believe that local producers should set aside funds for well abandonments? If not, please explain your response.