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September 11, 2023

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

Dear Ms. Marconi,

**RE: EB-2022-0157 Enbridge Gas Inc. Panhandle Regional Expansion Project
Interrogatories of Energy Probe on the Updated Evidence**

Attached are the interrogatories of Energy Probe to Enbridge Gas Inc. on its updated evidence in the proceeding dealing with the EB-2022-0157 Panhandle Regional Expansion Project.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe Research Foundation)
Zora Crnojacki (OEB Staff)
Haris Ginis (Enbridge Gas Inc.)
Michael Millar (OEB Staff)
Parties to the Proceeding

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EB-2022-0157 Enbridge Gas Panhandle Regional Expansion Project

Energy Probe Interrogatories on Updated Evidence

September 11, 2023

EP.10

Reference: Exhibit A, Tab 4, Schedule 1, Pages 5 and 6, paragraph 21

Preamble: “Following the OEB’s remarks in Procedural Order No. 4 regarding CIAC, Enbridge Gas account managers conducted outreach to customers who indicated their intention to submit an EOI bid. Customers were asked about the impact a requirement for CIAC would have on their demands for new/incremental service.”

The themes of the feedback are as follows:

- Customers submitting EOI bids for new/incremental service were generally doing so under the assumption that the OEB would apply the established regulatory framework for transmission system expansion projects, which does not require CIAC, consistent with similar projects constructed in the past. Customers generally indicated opposition to being required to provide CIAC to support transmission system expansion in this instance.
- No customer indicated that they would be willing to provide CIAC for a transmission system expansion project without understanding the magnitude of the CIAC and the unique justification for its selective application in this instance.

Questions:

- a) When did the outreach to customers take place? Please provide exact dates.
- b) Was the outreach to customers in written form? If the answer is yes, please file all written documents, including e-mails, used in the outreach. If the outreach was not in written form, please explain why not and file scripts of the oral communications with customers.
- c) The evidence indicates that Enbridge did not provide estimates of the magnitude of potential CIAC to the customers that it contacted. Please explain why not.
- d) Please file a list of customers that were contacted by Enbridge regarding CIAC.
- e) Did Enbridge gas account managers explain to the customers the difference between a distribution and a transmission project? If the answer is yes, please describe what the

Enbridge gas account managers said to the customers. If the answer is no, please explain why not.

- f) Please confirm that contributions paid by customers reduce rate base, and therefore it is in the interest of both Enbridge Gas and the customers that the customers do not pay contributions.
- g) Please confirm that the OEB has the jurisdiction to order Enbridge Gas to charge customer contributions.

EP.11

Reference: Exhibit A, Tab 4, Schedule 1, Pages 6, paragraph 22

Preamble: “On this basis, and for the reasons already set out on the record for the current Application, the Company re-iterates that it is not appropriate to require CIAC from specific customers for the proposed Project because, as a transmission system, the Panhandle System transports natural gas for the benefit of all customers within the Panhandle Market – rather than individual or specific customers.”

Questions:

- a) Is the Panhandle Market the area served by the Panhandle System Expansion Project? If the answer is no, please explain what the Panhandle Market is.
- b) Will the Panhandle System Expansion Project increase the size of the Panhandle Market? If the answer is yes, please explain the extent of the increase. If the answer is no, please explain why not.
- c) Please explain and quantify the benefits of the Panhandle System for the customers in the Panhandle Market.
- d) Will the costs of the Panhandle System Expansion be recovered in rates only from customers in the Panhandle Market or will the costs also be recovered from customers outside the Panhandle Market?
- e) Please define the term “transmission system” with references to the OEB Act and any other relevant document.

EP.12

Reference: Exhibit A, Tab 4, Schedule 1, Page 6, paragraph 23

Preamble: “The Panhandle System transports natural gas supply and stored volumes from the Dawn Hub and upstream supply basins into and through Enbridge Gas’s integrated storage and transmission systems, and ultimately distribution systems to end use customers.”

Questions:

- a) How many “distribution systems” are directly served by the Panhandle System? Please describe each distribution system and the location of its connection with the Panhandle System.
- b) The quoted sentence indicates that the direction of flow is from the Dawn Hub into the Panhandle System. Please confirm that the “end use customers” referred to in the sentence are the customers served by the distribution systems connected to the Panhandle System.

EP.13

Reference: Exhibit B, Tab 1, Schedule 1, Page 2, Paragraph 9

Preamble: “Consistent with these past experiences, significant growth has continued within the Panhandle Market and demand is forecast to exceed the Panhandle System capacity sooner than anticipated, resulting in the need to address a forecasted system capacity shortfall by November 1, 2024.”

Questions:

- a) The quoted paragraph indicates that there were two forecasts of when the demand was to exceed capacity. Please file the two forecasts and give the date of each forecast.
- b) Please file a table showing the numbers of Panhandle Market customers by categories of general service and contract customers. For each category show the original demand forecast and the current demand forecast, and a column showing the increases or decreases for each category.

EP.14

Reference: Exhibit C, Tab 1, Schedule 1, Page 2

Preamble: “The industrial sector makes up 55 percent of the total peak hour consumption but only accounts for 23 percent of the peak hour reductions. This effect is due to several reasons:

- The HVAC and process heating (water and steam) end uses, both entirely in the industrial sector, make up 50 percent and 5 percent of total peak hour consumption, respectively. These end uses only account for a total of 22 percent of the peak hour reduction (17 percent for HVAC and 5 percent for process heating).
- There were significantly less measures that passed the TRC test in the HVAC and process heating (water and steam) end uses, especially when compared with space heating.”

Questions:

- a) Please provide the numerical data that supports the statements by Posterity regarding the peak hour consumption and the peak hour reductions in the quoted text.
- b) Did Posterity survey the industrial sector customers of Enbridge in the Panhandle Regional Expansion Market to obtain independent consumption information or did Enbridge provide posterity with the consumption information for the industrial sector?

EP.15

Reference: Exhibit E, Tab 1, Schedule 1, Page 4, Paragraph 9, and Schedule 5.

Preamble: “The Stage 1 DCF analysis for the Project can be found at Exhibit E, Tab 1, Schedule 5. This schedule indicates that the Project has a NPV of negative \$150 million and a PI of 0.48.”

Questions:

- a) Why did Enbridge use a 40-year revenue horizon in its Stage 1 DCF analysis?
- b) What are the NPV and the PI if a 20-year horizon is used in the DCF analysis as is specified in EBO 188 for large volume customers?

EP.16

Reference: Exhibit E, Tab 1, Schedule 1, Pages 4 and 5, Paragraph 14

Preamble: “A Stage 2 analysis was undertaken as the Stage 1 NPV is less than zero (negative \$150 million). The Stage 2 analysis considers the estimated energy cost savings that accrue directly to Enbridge Gas in-franchise customers as a result of using natural gas instead of another fuel to meet their energy requirements. The difference in fuel cost is derived as:
[Weighted Average Alternative Fuel Cost - Cost of Natural Gas] × Energy Use”.

Questions:

- a) Who are the “in-franchise customers” referred to in the quoted sentence? Are they new customers added in the Panhandle Regional Expansion Market area? If they are not, please explain why not?
- b) Do the “weighted average alternative fuel cost” remain constant over the analysis periods of 20 and 40 years? If the answer is yes, please explain why. If the answer is no, please explain how the weighted average alternative fuel costs change over the 20 year and 40-year periods.
- c) What assumptions did Enbridge make in its Stage 2 analysis regarding the impact of Energy Transition initiatives over the 20 year and 40-year periods, such as
 - i. electrification and the percentage of residential customers converting their heating systems from gas to electricity;
 - ii. hydrogen and RNG volumes used by Enbridge in its system and the impact on the cost of gas; and
 - iii. costs of conversion of the Enbridge facilities in the Panhandle Market area to allow for distribution of hydrogen.

EP.17

Reference: Exhibit E, Tab 1, Schedule 1, Page 5

Preamble: “The Stage 2 energy cost savings have only been calculated for the general service customer class. It is assumed that contract rate customers will not choose an alternative fuel if natural gas is not available to them. The non-availability of natural gas will cause contract rate customers to expand or move their operations to other jurisdictions, likely outside of Ontario, where their natural gas needs can be served.”

Questions:

- a) Did Enbridge contact contract rate customers regarding their plans if natural gas was not available to them? If the answer is no, please explain why not. If the answer is yes, please indicate which customers would move to other jurisdictions?
- b) What assumptions did Enbridge make regarding potential use of hydrogen and RNG by contract rate customers?

EP.18

Reference: Exhibit E, Tab 1, Schedule 2, Page 1

Questions:

- a) Please explain how the Indirect Overheads of \$68.8 million were estimated showing all calculations.
- b) Were any Indirect Overheads amounts applied to Outside Services? If the answer is yes, please explain why Outside Services costs, which are costs paid to outside construction contractors have Enbridge Indirect Costs applied to them.