



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

BY EMAIL

September 22, 2023

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

Dear Ms. Marconi:

**Re: EPCOR Natural Gas LP
Brockton Community Expansion Project
OEB Staff Supplemental Interrogatories
Ontario Energy Board File Number: EB-2022-0246**

In accordance with Procedural Order No. 1, OEB staff filed interrogatories for the above proceeding on September 18, 2023. On September 19, 2023, EPCOR Natural Gas LP (EPCOR) filed an updated application that included a request for a new deferral account called the Excess Soil Variance Account. In the cover letter to the updated application, EPCOR suggested that OEB staff could file interrogatories on the updated evidence by September 28, 2023, which is the date by which intervenors may file interrogatories. OEB staff has no issue with this suggestion, and files the attached interrogatories on the updated evidence.

This document has been sent to EPCOR and to all other registered parties to this proceeding.

Yours truly,

Ritchie Murray
Sr. Advisor, Applications – Natural Gas

Encl.



OEB Staff Supplemental Interrogatories

Brockton Community Expansion Project

EPCOR Natural Gas LP

EB-2022-0246

September 22, 2023

3-Staff-17

Ref.: Exhibit K, Tab 1, Schedule 1, Page 1

Preamble

On January 1, 2021, phase one of Ontario's *On-Site and Excess Soil Management Regulation*, O. Reg. 406/19, and supporting amendments took effect (Regulation). The Regulation introduced a framework for the excavation, removal, transport and disposal of excess soils between two or more sites. On January 1, 2022, the phase two provisions of the Regulation came into effect and were in place briefly from January to April 2022, following which they were temporarily suspended until January 1, 2023. This temporary suspension of the Regulation was intended to provide time for municipalities, developers, and other stakeholders to gain a greater understanding of its requirements and for the Ministry of the Environment, Conservation and Parks to consider the need for improvements.

EPCOR was recently informed by its Project contractor that construction costs for the Project would increase as a result of soil handling requirements set out in the Regulation, including but not limited to soil testing, removal, tracking and disposal of excess soils. On September 5, 2023, the Project contractor provided EPCOR with a quote for projected increased costs directly related to the Regulation.

Questions

- a) Please briefly explain the similarities and differences between the phase one and phase two provisions.
- b) Please confirm that any costs associated with the phase one provisions have already been accounted for in the cost of the project. Otherwise, please explain.

3-Staff-18

**Ref.: Exhibit A, Tab 2, Schedule 1, Page 5
Exhibit K, Tab 1, Schedule 1, Pages 1 and 3**

Preamble

In early 2023 EPCOR updated the economics of the Project and determined that as a result of industry wide construction and maintenance cost increases in addition to a reduced customer consumption forecast, the project would no longer achieve a Profitability Index (PI) of 1.0. As an alternative to cancelling the project, EPCOR modified the Project scope such that it achieves a PI of 1.0.

EPCOR is forecasting that during the system expansion construction phase of the Project, it will incur additional charges of approximately \$500,000 to manage excess soil in compliance with the Regulation and related requirements.

EPCOR is seeking an end date for recording amounts in the Excess Soil Variance Account (ESVA) of January 1, 2033 (the end of the 10-year rate stability period) in order to capture any ongoing costs associated with compliance with the Regulation.

EPCOR says that without approval of this variance account, the PI for the project is forecast to be 0.90.

Questions

- a) Please confirm that, inclusive of the soil management costs, the total project cost is now \$24.95 million (and the cost was previously \$24.48 million).
- b) Please provide the revised net project cost after the application of the NGEP funding.
- c) Please provide an updated net present value calculation (Exhibit E, Tab 1, Schedule 1, Attachments 1 and 2) based on the updated total project cost assuming the ESVA is not approved.
- d) Please provide EPCOR's position on which NPV calculation that the project should be evaluated based on: (a) original NPV calculation; or (b) updated NPV calculation requested in part (c) of this question above. Please provide rationale supporting EPCOR's position.
- e) Please confirm that the proposed ESVA, if approved, would only be applicable to Brockton customers. Otherwise, please explain.
- f) Please provide the proposed timing of the disposition of any balance in the ESVA (e.g., annually, or at the end of the RSP term).
- g) Please confirm that the rates that EPCOR intends to charge its Brockton customers are no longer sufficient to cover the costs of the Project.
- h) As an alternative to the ESVA, did EPCOR consider further modifying the scope of the Project to maintain a PI of 1.0? Please explain the advantages and disadvantages of this alternative approach, and why EPCOR decided not to pursue this option.
- i) What length of pipeline would need to be removed from scope and how many

customer connections would be forgone if EPCOR were to rescope the Project to achieve a PI of one rather than implement the ESVA?

- j) Why can EPCOR not accommodate the additional cost to comply with the Regulation through the use of Project contingency? In the response, please explain why or why not.

3-Staff-19

Ref.: Exhibit K, Tab 1, Schedule 1, Attachment 1, Page 1

Preamble

The additional costs of complying with the Regulation include the cost of environmental compliance testing, transporting excess soil from the worksite to an approved slurry handling facility, the fees charged by such a facility, and any other related costs necessary to meet all requirements under the Regulation.

Questions

- a) The evidence uses the terms “excess soil” and “slurry handling facility”.
- i. Please confirm that the term excess soil refers to soil (including any associated stones, debris, etc.) associated with excavation activities (e.g., removed by shovel, backhoe, excavator, etc.). Otherwise, please explain.
 - ii. Please confirm that the term slurry refers to excess drilling fluid (e.g., bentonite clay, water and any additives) associated with horizontal directional drilling (HDD) activities. Otherwise, please explain.
- b) Are the additional costs driven more by excess soil associated with excavations or by slurry associated with HDD activities? Please quantify (if possible) and explain.
- c) What actions (e.g., protocols and procedures) will EPCOR take to minimize the amount of excess soil and slurry generated during construction? Please provide a brief explanation of each action and how it will be monitored and enforced.