

BOARD STAFF INTERROGATORY #10

INTERROGATORY

Ref: Operating Costs – Gas Supply Future Considerations
Exhibit D1 / Tab 2 / Schedule 11 / Pages 12-13

Preamble:

In the EB-2016-0142 proceeding, Enbridge agreed that “before the Company develops or acquires additional storage capacity for utility or regulated gas supply purposes it will file analysis with the Board setting out the need and justification for the incremental storage”. In the EB-2016-0215 proceeding, Enbridge agreed to file a copy of the study then being prepared by ICF International concerning Enbridge’s future storage requirements.

In March 2017, the Company filed the report developed by ICF International which evaluated incremental storage options that the Company might pursue.

At this time, as set out in the gas supply evidence in this proceeding, Enbridge is planning to acquire between 2 and 3 PJ of additional storage in April 2018. Furthermore, from time to time, the Company will consider shorter term high deliverability seasonal exchanges that provide operational flexibility to meet winter demand.

Question(s):

- a) Please file a copy of the ICF International Report on the current record.
- b) Please confirm that EGD’s decision to acquire incremental storage capacity is in accordance with the ICF International Report. Please provide specific references from the noted report that support Enbridge’s decision.
- c) Please provide a detailed explanation setting out the need and justification for the incremental storage.
- d) Please discuss the future implications on Enbridge’s gas supply plan of a potential amalgamation with Union Gas Limited. Please advise when detailed evidence with respect to this issue will be filed.

Witness: D. Small

RESPONSE

a) See attached.

b) EGD's decision to acquire incremental storage capacity is in accordance with ICF International's report. Specific references from the report which support EGD's decision include:

a. ICF's conclusion related to the impact incremental storage capacity has on Enbridge's gas supply portfolio costs (pp. 38):

In all of the scenarios, the increase in storage capacity allows Enbridge to purchase additional lower cost natural gas supply during off-peak periods for use during the winter when prices typically are higher.

b. ICF's conclusion related to the impact incremental storage capacity has on Enbridge's long-term average costs (pp. 44):

If the cost of additional storage capacity from third parties remains at or near current storage costs, ICF would recommend consideration of between and 20 Bcf of incremental storage capacity.

If incremental storage costs increase by 50 percent relative to existing contracted storage costs, ICF would recommend consideration of about 20 Bcf of incremental storage capacity.

c. ICF's conclusion related to the impact incremental storage capacity has on Enbridge's cost consequences related to colder than budgeted weather (pp. 45):

If the cost of additional storage capacity from third parties remains at or near current storage costs, ICF would recommend consideration of at least 20 Bcf of incremental storage capacity.

An increase in incremental storage costs of 50 percent relative to existing contracted storage costs would not change the recommendation. ICF would recommend consideration of at least 20 Bcf of incremental storage capacity.

Witness: D. Small

- c) As discussed at Exhibit D1, Tab 2, Schedule 3, page 7 of 15, paragraph 21 the Company is forecasting a purchase requirement of Delivered Supplies at Dawn of 92.2 Bcf with 58.9 Bcf required during the winter months. The Company also stated in paragraph 23 of the same exhibit that until 2021 the Company does not see a material change in its winter requirement at Dawn. Therefore, the Company believes that acquiring incremental storage would allow the Company to purchase more gas during the summer thereby taking advantage of the summer-winter Dawn spread. See bullet point a) in response to part b) above.
- d) The amalgamation proposal of Enbridge and Union Gas was filed with the OEB on November 2, 2017, and the proposal will be reviewed within that proceeding (under the file number EB-2017-0306 assigned by the OEB).

Witness: D. Small