



**BY EMAIL and RESS**

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September 23, 2022  
Our File: EB2022086

**Attn: Nancy Marconi, Registrar**

Dear Ms. Marconi:

**Re: EB-2022-0086 – Enbridge Dawn-Corunna LTC – SEC Submissions**

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No.4, these are SEC’s submissions on the application by Enbridge Gas Inc. (“Enbridge”) for leave to construct a new pipeline from the Dawn Operations Centre to the Corunna Compressor Station (the “project”).

SEC submits the OEB should deny approval for Enbridge to construct the project at this time. The project is not needed until at least 2027, and would be better considered in the context of the Enbridge’s upcoming rebasing application, where the Board will consider the company’s next Utility System Plan (“USP”), as well as examine issues such as cost allocation between the utility (rate-regulated) and non-utility (non-rate regulated) storage facilities.

**A. Background**

On March 21, 2022, Enbridge filed an application for leave to construct approximately 20 km of NPS 36 natural gas pipeline from the Dawn Operations Centre to the Corunna Compressor Station<sup>1</sup>, at a forecast cost of \$250.7 million, to be in-service by November 2023.<sup>2</sup> Enbridge proposes to construct the pipeline in order to replace the capacity of 7 existing reciprocal compressors that it plans to retire and abandon. These compressors are used for injection into, and withdrawal from, various storage pools that are part of its integrated storage system.<sup>3</sup>

Enbridge argues that the proposed project is needed because of reliability issues and obsolescence of these 7 compressors at its Corunna Compressor Station (K701-K703, and K705-K708).<sup>4</sup>

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<sup>1</sup> B-1-1, p.3

<sup>2</sup> D-1-1, p.1

<sup>3</sup> B-1-1, p.5-6

<sup>4</sup> B-1-1, p.11-31

Furthermore, the close proximity of these compressors to each other, in its view, poses health and safety issues.<sup>5</sup>

SEC does not dispute either the importance of the Corunna Compressor Station and broader integrated storage system to meeting design day demand, or that based on the evidence filed, the proposed project appears to be the most economic option to replace the 7 existing compressors, which due to degrading condition will have an impact on reliability. SEC's objection to the application is that, while there may be a need to eventually replace these assets, Enbridge does not need to do so for an in-service date of 2023.

To be granted leave to construct, Enbridge must demonstrate, among other matters, not just the need for the proposed project, *at some point*, but the timing of the need as well. SEC submits that Enbridge has not met that burden. The evidence demonstrates that the project is not needed until at least 2027, and there are benefits to waiting until at least then.

### **B. Reliability & Obsolescence**

The 7 compressors that are scheduled to be retired and abandoned as part of the project were built between 1964 and 1974.<sup>6</sup> Enbridge's evidence is that due to age, the compressors are obsolete, and due to deteriorating condition they have caused significant downtime in recent years, and so a replacement solution is required.<sup>7</sup> In its view, having one spare loss of critical unit compressor (K711) is now no longer sufficient to ensure reliability of its storage system to meet design day requirements and a replacement solution is required.<sup>8</sup>

SEC submits, that while the evidence does demonstrate reduced overall reliability and technological obsolescence of the existing 7 compressors, it does not show that a replacement solution is required right away. In fact, the evidence demonstrates that the need will not materialize until after 2026.

#### ***Shortfall Expected To Decrease Through 2026.***

Enbridge undertook a detailed quantitative analysis as part of its Reliability, Availability and Maintainability ("RAM") Study. It was designed to forecast the frequency and duration of compressor failures at the Corunna Compressor Station.

The outcome of the analysis was a forecast for each year of the expected shortfall in gas injection and withdrawal as compared to its rated capability. In a situation of progressive deterioration, shortfalls would be expected to increase.

Instead, what the result of the analysis shows is that gas injection and withdrawal shortfalls are expected to *decrease* through 2026.<sup>9</sup> As the RAM Study concluded, "[d]espite the expected increase in plant deterioration each year, which results in higher number of failures each year, it is forecasted that both Gas Injection and Gas Withdrawal Shortfall will decrease from 2022 to 2026".<sup>10</sup>

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<sup>5</sup> B-1-1, p.11-12

<sup>6</sup> B-1-1, Attachment 2, p.4

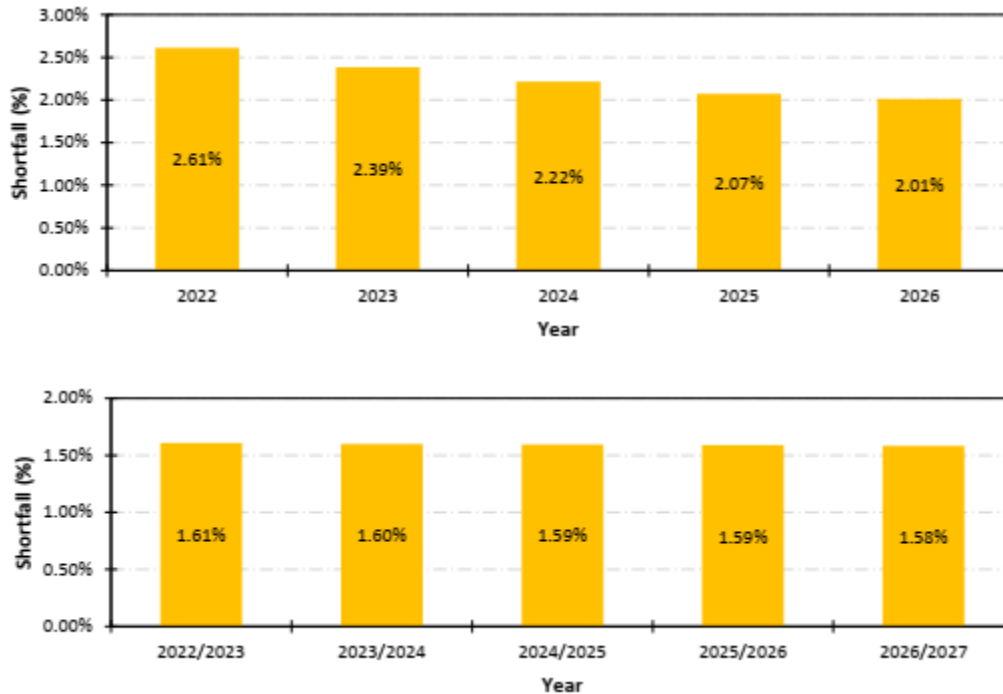
<sup>7</sup> B-1-1. p.10,13,15, 20

<sup>8</sup> B-1-1, p.8-9

<sup>9</sup> Ex. B-1-1, Attachment 2, p.4; Interrogatory Response Staff.7

<sup>10</sup> Ex. B-1-1, Attachment 2, p.4, p.46

That is, despite the expected deterioration, the adverse impact on overall reliability, measured by decreased injection and withdrawal capabilities, is expected to decline. Injection shortfalls are forecast to decrease 23% between 2022 and 2026 (from 2.61% to 2.01%), while withdrawal shortfalls are forecast to decrease by 6% over the same period (from 1.61% to 1.58%).<sup>11</sup>



The reason for the decline is that as part of its regular maintenance program, the company would soon be expected to undertake corrective repairs on compressor foundations “which is expected to significantly reduce the likelihood of future failures.”<sup>12</sup>

Enbridge has not claimed, nor would it be supported by the evidence, that the level of injection and withdrawal shortfall today (i.e. 2022) is so dire that the situation is untenable for the company. Since the forecasted shortfall is expected to decrease through 2026, there is no urgency to undertake the project until at least then.

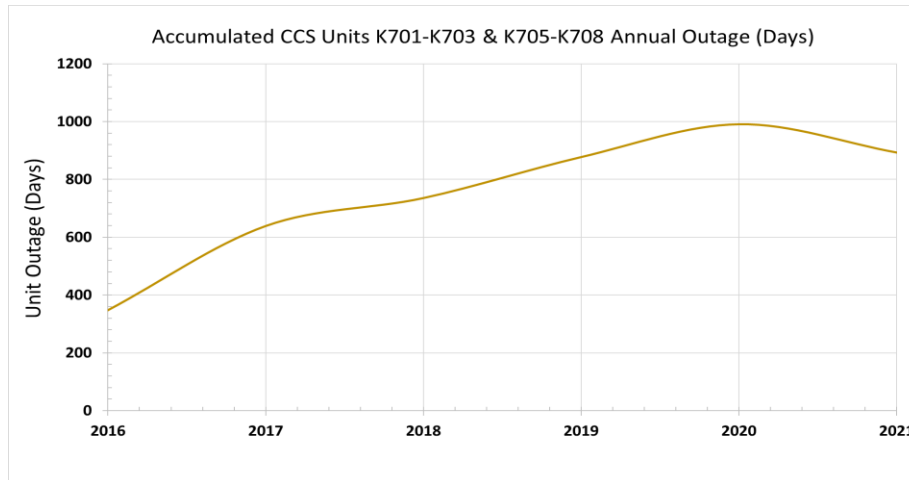
***Enbridge Has Recently Invested Significant Amounts in Repairs and Replacement Parts***

In addition to the results of the RAM Study, the evidence also shows that the outage time for the 7 compressors has stabilized, and is even beginning to show a downward trajectory over the last 1 to 2 years.<sup>13</sup>

<sup>11</sup> Ex. B-1-1, Attachment 2, p.4

<sup>12</sup> Ex. B-1-1, Attachment 2, p.4,6

<sup>13</sup> Ex. B-1-1, Attachment 2, p.4,8



This improving trend is likely the result of significant repairs, and the installation of replacement parts that were undertaken during the increasing compressor downtime over the previous few years.<sup>14</sup> By their very nature, these repair and part replacement activities reduce future risk of failures and downtime. As Enbridge readily admitted when asked about this repair work, “it is not surprising to see maintenance activities improving down time as those activities are done.”<sup>15</sup> These repairs, which were included in the 2021 updated Asset Health Review<sup>16</sup>, were inputs to the RAM Study that contribute to the forecast of decreasing injection and withdrawal shortfalls.<sup>17</sup>

Enbridge, through revenue collected from customers’ rates, has invested a significant amount of money on these repairs and parts replacements over the last few years. Since 2014, each compressor that is proposed to be replaced by the project, has been the subject of maintenance work. Since 2017, Enbridge has spent approximately \$25.2M in capital<sup>18</sup>, and \$17.2M in O&M<sup>19</sup>, for the 7 compressors it plans to retire as part of the proposed project. Customers should be able to enjoy the benefits from these significant expenditures, which they paid for, before they are asked to pay again, this time for replacement assets (i.e. the proposed project).

***Proposed Project Does Not Even Address Main Cause For The Shortfall***

Not only is the forecast injection and withdrawal shortfall forecast expected to decrease through at least 2026, the proposed project will not even address its largest driver. The RAM Study identified that the main contributors to failures, and the resulting shortfalls at the Corunna Compressor Station, are units K-704, and K709 through K711, which are considered the most critical to the operation of the facility and are “forecasted to account for 99.56% and 86.79% of the total gas shortfall of the Injection and Withdrawal modes, respectively.”<sup>20</sup>

None of these 4 compressors are to be addressed as part of the proposed project. With respect to two of these compressors (K704 and K711), the proposed project was not even an option, as they are

<sup>14</sup> See Interrogatory Response SEC.9, p.2, Table 1

<sup>15</sup> Technical Conference Transcript, Day 2, p.18

<sup>16</sup> Undertaking JT 2.3

<sup>17</sup> B-1-1, Attachment 2, p.25

<sup>18</sup> See totals for K701-K703, and K705-K708 in Table 4, Interrogatory Response FRPO.6(c)

<sup>19</sup> See totals for K701-K703, and K705-K708 in Table 3, Interrogatory Response FRPO.6(c)

<sup>20</sup> B-1-1, Attachment 2, p.47

specific units that serve a specific purpose, which cannot be replicated by the project.<sup>21</sup> The result is that the risk identified by compressor failure will remain, and will not be materially reduced because of the proposed project, at least through the end of the RAM study period.

Additionally, Enbridge attempts to justify the urgent need for the project based on the risk of multiple compressor failures on design day.<sup>22</sup> However, the RAM Study concludes that low frequency high consequence events (worst-case scenarios), at least with respect to major components (crankshaft, engine, aftercooler, and valve system items) will not contribute significantly to capacity shortfalls.<sup>23</sup>

### **C. Health and Safety Concerns**

Enbridge also argues that there is an immediate need for the project on the basis that it has identified a health and safety issue caused by multiple compressor units in close proximity with each other.<sup>24</sup> There are currently 5 compressors housed in building 1 that were installed between 1964 and 1970.<sup>25</sup> Subsequently, the remaining compressors were installed in similar proximity to each other in building 2 in the 1980s.<sup>26</sup> Enbridge began to consider the proximity of compressors as health and safety issues only in 2021, as part of a Qualitative Risk Assessment (“QRA”), where it determined that they were too crowded within their respective buildings.<sup>27</sup>

SEC submits these concerns are not a safety emergency and do not justify the immediate retirement of these compressors. Health and safety is very important and must be considered by the company, but it does not mean that every risk rises to the level that requires premature asset retirement.

There has not actually been any change of compressor condition or new asset information that would result in this new safety issue arising for the first time in more than 50 years of operating the Corunna Compressor Station that would require immediate retirement. All that changed was in 2021, Enbridge adopted new tools and criteria to assess risk.<sup>28</sup> However, there has been no change to any of the underlying risks themselves, only how they were assessed.

Enbridge has not pointed to non-compliance with any applicable legislation, code or industry standard regarding minimum compressor distance.<sup>29</sup> While the company is correct that any such regulation represents a minimum safety requirement, and not best practice that should be followed<sup>30</sup>, that is not evidence supporting the project. At best it is neutral. Enbridge itself has identified methods to mitigate any health and safety risk in the short-term.<sup>31</sup>

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<sup>21</sup> Technical Conference Transcript, Day 1, p.157

<sup>22</sup> B-1-1, p.14; EGI contemplates a worst-case scenario when 2 compressors units are out of service on a design day, which does not contribute to shortfalls significantly according to its RAM study.

<sup>23</sup> B-1-1, Attachment 2, p.5 & p.8

<sup>24</sup> B-1-1, p.26.

<sup>25</sup> Technical Conference Transcript, Day 1, p.108

<sup>26</sup> Technical Conference Transcript, Day 1, p.118-119

<sup>27</sup> B-1-1, p.11, 23; Interrogatory Response CME 1, Attachment 1

<sup>28</sup> Technical Conference Transcript, Day 1, p.109

<sup>29</sup> Interrogatory Response Staff.4

<sup>30</sup> *Ibid.*

<sup>31</sup> B-1-1, p.26-28, See also Interrogatory Response CME 1, Attachment 1, p. 70

#### **D. Significant Benefits To Delaying the Project**

SEC submits, that even if the Board finds that the project is going to be needed eventually, there are several important reasons to reject the leave to construct application at this time, on the basis that the project is not required until at least 2027.

#### ***Impact on Rates***

Customers should not be required to pay for capital spending until it is needed. While Enbridge has said it is not seeking ICM treatment for the project in 2023<sup>32</sup>, since it is rebasing in 2024<sup>33</sup>, the project will be included in its forecast opening rate base to be recovered from customers beginning that year.<sup>34</sup> Even a difference of three years (2024 to 2027) is a material difference for customers, considering the forecast \$250M cost of the project. Depending on the rate framework that Enbridge proposes as part of its rebasing application, the impact may even be greater, for example through use of a future ICM deadband, which would limit recovery. In addition, as discussed above, customers should be able to benefit from the capital and O&M investments made in recent years on the 7 compressors that are planned to be retired and abandoned as part of the project.

#### ***Reviewed in Context of New System and Asset Management Plan***

As part of that rebasing application, Enbridge is required to file a new USP and Asset Management Plan (“AMP”), which outlines its overall capital planning process and spending for a 5-year period. SEC submits it is preferable to review a project, where possible, in the context of a USP. While this project was included in Enbridge’s most recent USP filed in 2020<sup>35</sup>, the OEB has never reviewed it in detail, as the company has not rebased since its filing. In the ICM application where the USP and AMP were filed, the OEB limited its review to matters directly at issue in that proceeding.<sup>36</sup> The OEB commented that it was an ICM application, and that “[t]he intent is not to undertake the same detailed assessment of the USP and AMP that would normally occur in a rebasing application (cost of service or Custom IR).”<sup>37</sup> The OEB’s expectation would be that the “USP and AMP will be assessed in the next rebasing application, along with the overall capital plan.”<sup>38</sup>

#### ***Cost Allocation of Project At Issue***

Due to the integrated nature of Enbridge’s storage assets, the proposed project will service both the utility (rate regulated) and non-utility (non-rate regulated) storage operations.<sup>39</sup> Based on the current approved cost allocation methodology, it is Enbridge’s position that while the proposed project will be used for both utility and non-utility operations, the entire cost for the project should be allocated to the utility business and recovered from ratepayers.<sup>40</sup>

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<sup>32</sup> Interrogatory Response EP.2; Interrogatory Response PP.12b

<sup>33</sup> SEC notes that based on previous ICM projects, due to the tax shield afforded in the first year resulting in an initial rate reduction, it may be to the benefit of the company not to seek ICM treatment in 2023 when the project is to go into rate base in 2024, as it may result in a credit back to customer (see for example EB-2021-0148, B-2-1, Table 12)

<sup>34</sup> Interrogatory Response PP.12a

<sup>35</sup> Interrogatory Response PP.2a, EB-2020-0181, Exhibit C-2-1. The project was also discussed in the context of the AMP Addendum filed in EB-2021-0148. Similarly, there was no detailed review of that document as it relates to projects not considered as part of Enbridge’s 2022 ICM application.

<sup>36</sup> [Procedural Order No. 3 \(EB-2020-0181\), February 5, 2021](#), p.3

<sup>37</sup> [Procedural Order No. 3 \(EB-2020-0181\), February 5, 2021](#), p.4

<sup>38</sup> [Procedural Order No. 3 \(EB-2020-0181\), February 5, 2021](#), p.4

<sup>39</sup> Interrogatory Response SEC.18d

<sup>40</sup> Undertaking JT2.5



SEC believes that this is entirely unfair. At the same time, we do agree with Enbridge that cost allocation of the proposed project is not directly at issue in this proceeding<sup>41</sup>, and will be considered as part of the company's rebasing application, where it will file a review of its storage allocation methodology previously ordered by the Board.<sup>42</sup>

With that said, the cost allocation issue has an impact on this leave to construct application. The need for the project and the question of who will ultimately pay for it (ratepayer or shareholder), are intrinsically linked, as this determines who bears the cost and risk. Delaying the project until at least 2027 will allow the Board to resolve the question of the appropriate cost allocation methodology for storage projects that service both utility and non-utility operations.

***Alternatives Can Be Considered Further***

While SEC accepts, based on the alternatives presented in the evidence, that the proposed project is the most cost-effective option, we also agree in part with the submissions of the Federation of Rental-housing Providers ("FRPO") regarding Enbridge's review of the possible universe of alternatives. At the very least, the evidence does not demonstrate that Enbridge has undertaken a robust review, as one would have expected considering the cost of the project. Denying leave to construct the project because the need is premature would give the company time to consider, and then present to the Board for review, a more detailed and expansive consideration of alternatives.

**E. Summary**

SEC submits, that while Enbridge will be required to address the issue with 7 compressors at its Corunna Compressor Station, the evidence does not demonstrate that there is a need for the work to be completed before 2027. As a result, the OEB should deny leave to construct, as there are significant benefits to customers of delaying the project.

Yours very truly,  
**Shepherd Rubenstein P.C.**

Mark Rubenstein

cc: Brian McKay, SEC (by email)  
Applicant and intervenors (by email)

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<sup>41</sup> Argument-in-Chief, para. 60

<sup>42</sup> See [Decision and Order \(EB-2020-0256\), April 22, 2021](#), p.4