

VIA E-MAIL

January 4, 2020

Ontario Energy Board
Attn: Board Secretary
P.O. Box 2319, 27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

RE: EB-2019-0172– EGI Windsor Line Replacement – FRPO Request for Oral Hearing

We are writing on behalf of FRPO, with respect to the procedural steps in the Windsor Line proceeding. We appreciated the Board's acceptance of the merits of a technical conference in this proceeding.

In our request for additional discovery, we had hoped that a Technical Conference would provide clarity on the issues of sizing and costs for the eastern half of the Windsor line project. However, we still find the record confusing and somewhat incredible in two specific areas: pipe sizing and estimated costs of that sizing. We respectfully submit that it is in the public interest to hold an Oral Hearing to resolve and clarify the record.

Estimated Cost Differentials Defy Logic

To attempt to get clarity, FRPO and Board staff provided specific advanced questions for the Technical Conference. While some of those questions addressed the costs of recent steel pipe projects in the range of sizes that could be considered, the company did not provide witnesses who could speak to the cost differences noted¹ in the evidence. In trying to assess the validity of the 0.8% difference² submitted, clarifying requests were made via undertaking for costs from recent long NPS 4 and 6 Steel projects. The projects clarified were new pipe and provide of comparison of the cost of installing NPS 4 versus NPS 6 (summarized below).

Project	Size	Length (km)	Total Cost (\$M)	Cost per unit length (\$M/km)	Contractor cost (\$M)	Contractor cost per unit (\$M/km)
Milverton ³	NPS 4	20.5	3.29	0.16	<3.29	<0.16
CFB Trenton ⁴	NPS 6/8*	12.9	6.88	0.53	5.16	0.40
CREEKFORD ⁵	NPS 6	4.5	2.35	0.52	2.09	0.46

* Over 90% of the CFB project was NPS 6 with the remaining NPS 8

¹ TC1 Transcript, Dec. 5, 2019, pg. 25, lines 9-15

² Exhibit KT1.6

³ Exhibit KT1.4 using estimated Year and clarifications provided in JT1.8 – however contractor cost not provided for steel only.

⁴ Exhibit KT1.4 and

⁵ Exhibit KT1.4 and JT1.5

These costs evidence that the unit cost for the NPS 4 project cost was less than one-third of the cost of the NPS 6. It should also be noted that the contractor cost per unit length for NPS 4 was less than half of the unit cost for NPS 6.

However, when we asked the company to provide high-level estimates to provide estimates for the scenarios that provided adequate existing and excess surplus capacity, the company provided:⁶

SIZE	ESTIMATED COST	DIFFERENCE (NPS 6)
NPS 6	\$77.4M	-
NPS 4	\$76.1M	\$1.3M
NPS 2	\$74M	\$3.4M

While larger than the initial estimate of \$0.8M provided by the Company⁷, the difference of \$1.3M between the estimated cost of NPS 4 vs. NPS 6 still appears unrealistically small. Since the company did not breakdown the costs like other project estimates submitted, we submit the following:

It stands to reason that costs for company resources, lands, stations, etc. will be constant. Therefore, the only variables that would influence the cost would be the cost of the material for the pipe and the contractor costs to install the pipe. We asked for company standard material price list values for the unit cost of steel pipe. The undertaking provided that NPS 6 was generally almost twice the cost of NPS 4. But the undertaking went on to clarify that for larger projects, the Company requests specific quotes resulting in a narrowing of the difference between the material cost for NPS 4 and 6. But even using, the smaller differential provided in JT1.12, we have calculated the estimated cost differential for the pipe on eastern leg of the project:

NPS 6 \$50/m x 32,200m= \$16.1M

NPS 4 \$36/m x32,200m= \$11.6M (requested to answer KT1.6)

DIFFERENTIAL = \$4.5M (not incl. up-size of all fittings beyond pipe)

Therefore, since the cost of the material is \$4.5M more for NPS 6, to determine a difference of \$1.3M for the total cost of the project means the Company estimated that the contractor would charge approximately \$3.2M **more** to install NPS 4 than NPS 6. This is inconsistent with the evidence presented in this proceeding and, respectfully, defies logic.

⁶ Exhibit JT1.14

⁷ Exhibit KT1.6

While it is not the same comparison, the company did estimate the cost of doing the entire project as NPS 8. Using that information and prorating it to the eastern leg to Port Alma would suggest that NPS 8 would be about \$6M more expensive which makes more sense⁸.

NPS 6 \$92.7M

NPS 8 \$104M

DIFFERENTIAL \$11.3M for 60km or approximately \$6M (prorated for 32.2km)

This type of differential makes intuitive sense but further calls into question, the estimated differential between NPS 6 and NPS 4 presented above.

Design Creates Surplus to Allow for Speculative Utilization

In response to the FRPO advanced questions on sizing scenarios, the company provided a package of responses including tables requested by FRPO to provide surplus capacity at the end of the eastern leg of the project under different sizing scenarios.⁹ The Company determined surplus capacity for the applied for design is over 220 times the forecasted need at the end of ten years. Reducing the size of the eastern leg from NPS 6 to NPS 4 resulted in surplus capacity over 70 times the need at the end of ten years.

When questioned about the need for the enormous levels of surplus capacity, the witnesses provided that there were additional potential customers east of Comber that were not included¹⁰ in the forecast. We requested that the potential load additions be provided (respecting confidentiality) including the distance east of the T in the intersection north of the Comber Transmission station¹¹. What was provided was that there for “four inquiries in the Port Alma and surrounding area”¹². However, it is disconcerting that the distance from the T in the intersection was not provided. This distance could be provided without any risk to confidentiality. Further, it is very surprising that in the Project Charter approved only a year ahead of this application, in the Key Commercial Drivers Section, while growth benefits are identified for other areas, there is no mention of industrial inquiries in the Port Alma area¹³. We believe these potential load additions require additional scrutiny to establish the appropriate sizing of the pipe.

Therefore, whether the Board grants our request for an Oral Hearing, we respectfully request that the Company be ordered to provide specific information to establish that these are four separate requests (i.e., not one proponent that had asked about various locations and loads

⁸ Exhibit C. Tab 3, Schedule 1, page 23

⁹ Exhibit KT1.2

¹⁰ TC1 Transcript, Dec. 5, 2019, pg. 48-49

¹¹ TC1 Transcript, Dec. 5, 2019, pg. 51

¹² Exhibit JT1.15

¹³ Exhibit JT1.17, Attachment 2, page 7

under consideration) and the specific distance for each of the requests from the T in intersection of pipe north of the Comber Transmission station. To protect confidentiality, any specific customer information can be submitted under the Board's Practice Directions on Confidential Filings. Further, the Company should clarify if any of those customer requests are in process, as in our exchange with the Company witness, it was stated that one of the customers had "come on"¹⁴. However, a review of JT1.1 and JT1.2 does not show loads consistent with such a customer is in the existing loads or future loads. In our view, the existing and future prospective loads are critical to the appropriateness of the proposed sizing.

Conclusion

As is outlined above, the record is disjointed and must be piecemealed together. Once compiled, the conclusions do not seem to support other aspects of evidence in the record. We firmly believe that more clarity and certainty in the record related to appropriate sizing and costing of alternatives would assist the Board in approving a prudent approach to the Windsor Line replacement.

Respectfully Submitted on Behalf of FRPO,



Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

- c. R. Torul, EGI Regulatory Proceedings – EGI
M. Millar, J. Fernandes – Board Staff
Interested Parties EB-2019-0172

¹⁴ TC1 Transcript, Dec. 5, 2019, pg. 49, lines 7-15.