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November 15, 2013

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: EB 2012-0451 - Enbridge Gas Distribution Inc., - GTA Project
EB 2012-0433 - Union Gas Limited - Parkway West Project
EB 2013-0074 - Union Gas Limited - Brantford-Kirkwall/Parkway D Project**

As per Procedural Order No. 13, we have attached the submissions of the Vulnerable Energy Consumers Coalition (VECC) with respect to the above-noted proceedings.

We have also directed a copy to the applicants as well as all intervenors via e-mail.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: All Parties via email

Vulnerable Energy Consumers Coalition (VECC)

Submissions

EB 2012-0451 - Enbridge Gas Distribution Inc., - GTA Project

EB 2012-0433 – Union Gas Limited – Parkway West Project

EB 2013-0074 – Union Gas Limited – Brantford-Kirkwall/Parkway D Project

November 15, 2013

EB-2012-0451
EB-2012-0433
EB-2013-0074

IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for: an order or orders granting leave to construct a natural gas pipeline and ancillary facilities in the Town of Milton, City of Markham, Town of Richmond Hill, City of Brampton, City of Toronto, City of Vaughan and the Region of Halton, the Region of Peel and the Region of York; and an order or orders approving the methodology to establish a rate for transportation services for TransCanada Pipelines Limited;

AND IN THE MATTER OF an application by Union Gas Limited for: an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Parkway West site; an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Town of Milton; an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Brantford-Kirkwall/Parkway D Compressor Station project; an Order or Orders for pre-approval of the cost consequences of two long term short haul transportation contracts; and an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the City of Cambridge and City of Hamilton.

ARGUMENT OF THE VULNERABLE ENERGY CONSUMERS' COALITION (VECC)

ENBRIDGE GAS DISTRIBUTION INC GTA PROJECT, EB-2012-0451

The Enbridge Gas Distribution Inc. ("EGD") GTA Project consists of:

two pipeline segments, Segment A, about 27 km of NPS 42 from the proposed EGD Parkway West facilities to the Albion Road Station, and Segment B, about 23 km in total from EGD's existing Keele/CNR Station northeast to a proposed Buttonville Station (15.4 km) and then south to tie into an existing NPS 36 pipeline just north of Sheppard Avenue (7.6 km);

The aforementioned EGD Parkway West facilities consisting of a new gate station, 315 m of NPS 36 pipe to connect to the existing Parkway North pipeline, and regulation to connect the Parkway North Line to the Mississauga South Line;

The aforementioned Buttonville Station; and

An expansion of the existing Jonesville Station.

EGD's estimate of the total cost of the GTA Project is \$686.5M. EGD states that the project was designed to:

- a) maintain the safety and reliability of Enbridge's distribution system in the GTA;
- b) meet customer and load growth requirements until 2025;
- c) improve entry point diversity by reducing reliance on the Parkway 28 Gate Station;
- d) improve upstream supply diversity;
- e) improve operational flexibility of the distribution system;
- f) reduce the pressure in the Don Valley line and the NPS 26 line;
- g) allow upstream transportation contracts to better match needs of the distribution system, which is continuing to see peak demand growth; and
- h) optimize transmission build-out with other utilities.¹

VECC's submissions are presented below, following the organization of the Board's Issues List.

¹ EB-2012-0451, EGD Argument-In-Chief, October 21, 2013, pages 5-6.

A. RELATED ISSUES

1. Are the proposed facilities needed? Considerations may include but are not limited to demand, reliability, security of supply, flexibility, constraints, operational risk, cost savings and diversity as well as the Board's statutory objectives.

VECC accepts EGD's case as to the need for Segment A of the GTA Project to facilitate the desired (and, for GMi, required by its regulator) switch from Long Haul to Short Haul transportation and to meet customer and peak demand growth in the near future.

Segment A appears to meet all of the design objectives listed above, with the exception of "f) reduce the pressure in the Don Valley line and the NPS 26 line." This objective appears to relate to only Segment B of the GTA Project.

With respect to Segment A, VECC notes that the pipe was originally sized as NPS 36 and was proposed as being adequate to meet distribution requirements. VECC submits that the now proposed specification of NPS 42 for Segment A, at a higher cost, is for transportation.

Also, with respect to Segment A, VECC notes that the originally "preferred path" was a shorter, 20.9 km segment, from the Bram West Interconnect to the Albion Road Station.² It is not clear to VECC why the original Bram West origination point for Segment A had to be changed to Parkway West.

With respect to Segment B, VECC is not convinced that this part of the Project is required immediately; to the contrary, VECC believes that lowering the pressure on the Don Valley and NPS 26 lines could be phased-in or even deferred in the short term

2. Do the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013 and E.B.O. 188 as applicable?

VECC submits that the Board's economic tests have been met by the proposals.

3. Are the costs of the facilities and rate impacts to customers appropriate?

In VECC's view, the increased costs caused by moving the originating point from Bram West to Parkway West, including the extra pipe and Parkway facilities made necessary by this move, should be recovered, in their entirety in transmission rates.

Further, VECC has reviewed the argument filed earlier by Board Staff with respect to this issue and concurs with the Staff's submissions made with respect to Issue A3,³ especially

² EB-2012-0451, Exhibit B, Tab 1, Schedule 1, page 1, February 12, 2013.

³ EB-2012-0451, Board Staff Submissions, pages 5-8, November 13, 2013.

with respect to the allocation of risk between ratepayers and the shareholder and with respect to the consequences of Segment A being completed while King's North is not.

Regarding the latter, VECC notes that the cost consequences of Segment A being completed while King's North is not, would be visited largely upon in-franchise distribution customers under the proposal. VECC submits that if risk is born there should be reward, and vice versa, and that it would be unfair to treat in-franchise distribution customers as "risk bearers of last resort" solely because the shareholder does not wish to accept any significant project risk.

4. What are the alternatives to the proposed facilities? Are any alternatives to the proposed facilities preferable to the proposed facilities?

VECC has addressed the alternative of the origination point of Segment A, above. VECC has also proposed the alternative of deferring construction of Segment B.

5. Is the proposed timing of the various components of the projects appropriate?

VECC has noted elsewhere in argument, the timing concerns with respect to the Brantford-Kirkwall/Parkway D Project on the status of Segment A.

VECC notes here that it has discussed its timing concerns in respect of the GTA Project above, under Issue A3.

Costs

VECC requests that it be awarded 100% of its prudently incurred costs in the combined proceedings.

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AND IN THE MATTER OF an application by Union Gas Limited for: an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Parkway West site; an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Town of Milton; an Order or Orders for pre-approval of recovery of the cost consequences of all facilities associated with the development of the proposed Brantford-Kirkwall/Parkway D Compressor Station project; an Order or Orders for pre-approval of the cost consequences of two long term short haul transportation contracts; and an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the City of Cambridge and City of Hamilton.

ARGUMENT OF THE VULNERABLE ENERGY CONSUMERS' COALITION (VECC)

UNION GAS LTD PARKWAY WEST PROJECT, EB-2012-0433

Union has applied for approval to construct a new compressor station at Parkway, known as the Parkway West Compressor Station along with (i) facilities to connect the new station to its existing Parkway Compressor Station, (ii) a loss of critical unit ("LCU") compressor, (iii) an additional pipeline connection to Enbridge, and (iv) "the provision of upgrades to existing Union transmission pipelines and other required infrastructure."¹

Union has also requested approval (i) to recover in rates the full cost of the Parkway West Project, and (ii) of an accounting order to establish the Parkway West Deferral Account.

When filed, the estimated cost of the Parkway West Project was estimated to be \$203M,² the estimate, by the end of the proceeding, had increased to \$219.4M.³ As Union has stated, the subject project is the largest ever undertaken in Union's history and is comparable, in cost, to the total annual maintenance spending of the utility.

Union's evidence is that Parkway is the only site on the Dawn-Parkway System without LCU protection; further, a major failure at Dawn could adversely impact up to 225,000 GTA customers as well as adversely impacting downstream markets relied upon by customers such as GMi and US utilities in the northeast and therefore adversely affecting these utilities' end-use customers.

Union's evidence also indicates that there has been an increase in design day compression flows at Parkway onto the TransCanada System, from less than 0.54 PJ/d in 2005/2006,⁴ to 2.3 PJ/d by November 2013, with further increases to come in the next two years.⁵

The increase in flows at Parkway onto the TC System have resulted in the duty cycle of the main Parkway compressor (Parkway B) increasing from 33% to over 90% over the same period, 2008/09 to 2012/13.⁶

Union has attributed the very large, recent increases in flows from Parkway onto the TC System as being driven by (i) shippers adjusting their supply portfolios from Long Haul to Short haul services, (ii) the increase in Ontario gas fired generation facilities, and (iii) the "repurposing" of Dawn-Kirkwall turnback capacity.⁷

¹ EB-2012-0433, Schedule B, page 1, filed January 29, 2013.

² Ibid

³ Union Argument-In-Chief, page 8, paragraph 24.

⁴ Ibid, page 4, paragraph 14.

⁵ Ibid, page 6, paragraph 19.

⁶ Ibid, page 5, paragraph 18.

⁷ Ibid, page 5, paragraphs 15 and 18.

Union has stated that the subject project is supported by the shippers who will bear most of the project costs, and has provided evidence that the project will result in favourable rate impacts for small volume bundled residential customers, including those customers served under rate M1 in the South and Rate 01 in the North.

VECC submits that it is, in principle, appropriate that those customers giving rise to the need for facilities, should be assigned the costs of those facilities.

VECC further submits that the proposed deferral account provides protection to ratepayers that only the actual costs of the project will be recovered by the utility.

In VECC's view, Union has justified the need for the project and is allocating the costs of the project appropriately.

In light of the preceding, VECC's supports Union's Parkway West Project Application.

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ARGUMENT OF THE VULNERABLE ENERGY CONSUMERS' COALITION (VECC)

UNION GAS LTD BRANTFORD-KIRKWALL/PARKWAY D PROJECT, EB-2013-0074

Union has applied for approval for (i) leave to construct an NPS48 pipeline from the existing Brantford Valve Site ("Brantford") to the Kirkwall Custody Transfer Station ("Kirkwall"), (ii) leave to construct the Parkway D Compressor, (iii) at Parkway, known as the Parkway West Compressor Station along with (i) facilities to connect the new station to its existing Parkway Compressor Station, (ii) a loss of critical unit ("LCU") compressor, (iii) pre-approval of full recovery of all project costs from ratepayers, (iv) approval of an accounting order establishing the Brantford-Kirkwall/Parkway D Deferral Account, and (v) pre-approval of the cost consequences of two, long-term short haul transportation contracts on the TCPL Mainline.

Union's evidence is that the cost of the projects is \$204M and that the associated annual revenue requirement will peak at \$15.9M. The allocation of the costs is consistent with the current methodology and will result in (i) a shift of \$1.6M in costs from Union South to Union North, (ii) an additional reduction of \$100K for Union South, and (iii) \$16M allocated to ex-franchise customers.

VECC accepts that as a result of incremental demand – driven by concerns over reliability of supply, diversifying the supply portfolio, contracting for supply closer to markets, and the general shift from long-haul to short-haul transportation – additional capacity is required.

VECC has also reviewed the estimated costs and rate impacts associated with this project and finds that they are reasonable; further, the proposed deferral account associated with this project, will ensure that only costs actually (and prudently) incurred by the utility will be recovered from ratepayers.

VECC notes that Union has estimated that significant gas cost savings, \$144M over the next 15 years for Union North customers in addition to savings by customers of EGD and GMi, are expected to result from this project.

VECC notes that LPMA filed its argument in this proceeding earlier and VECC has reviewed this argument.

With respect to the issues of "Need" (ISSUE A1), "Compliance with the Board's economic Tests including EBO 188" (ISSUE A2), and "Costs and Rate Impacts" (ISSUE A3), VECC supports the submissions of LPMA.

Further, given the need for the instant project being conditioned on the approvals of TC's King's North Project and EGD's GTA Project (Segment A), VECC supports the submissions made by LPMA with respect to "Timing" (ISSUE A5) and "Conditions" (ISSUE C7), namely that:

The Parkway D compressor is needed only if the GTA project is approved and built; and the Brantford Kirkwall pipeline is needed only if EGD's GTA Segment A and TC's King's North projects are approved and constructed. Therefore, the regulatory approvals granted to the Parkway D Compressor and the Brantford-Kirkwall pipeline should be conditioned accordingly.

With respect to ISSUE C6, "Pre-Approval of the Cost Consequences of Two Long Term Transportation Contracts," VECC takes no position.

Subject to the submissions above, VECC supports the application.