Introduction

The following are the submissions of the Federation of Rental-housing Providers of Ontario ("FRPO") in the Union Gas 2014 Natural Gas Rates proceeding EB-2013-0365. The procedural background to these submissions was well summarized by the Board Staff submission dated June 22, 2014 and, for efficiency, will not be repeated here. Instead, these submissions will be focused on one of the remaining outstanding issues: The Allocation of the Kirkwall Metering Costs ("Kirkwall issue").

The other outstanding issue is the Leamington Line issue. Due to the affiliation of our consultant's organization, DR QUINN & ASSOCIATES LTD., we have left submissions on that issue to the proponent, the Ontario Greenhouse Vegetable Growers ("OGVG"). However, not surprisingly, we adopt their principled submissions on that issue as a better balancing of interests between the utility, the new customers (or those with expanded load and/or change in contract delivery) and existing ratepayers.

On the Kirkwall issue, we jointly sponsored the evidence of Mr. John Rosenkranz with the City of Kitchener, the Canadian Manufacturers & Exporters ("CME") and OGVG. We have appreciated CME's lead on this issue and we have read and adopt their submissions. We further provide the following in support of their position.

Allocation of Kirkwall Metering Costs

The evidence of Mr. Rosenkranz lays out the chronology of events and the Board's rendered decisions on this matter including the number of times that the cost allocation issue has been deferred[1]. The evidence goes on to address the principled allocation that represents improved cost causality for these assets.

In our view, Union's Argument-in-Chief repeats past positions and concludes with:

[1] Exhibit K1.3

"*Notwithstanding Union's view that no change to the Kirkwall metering costs are required at this time, Union will review the cost allocation and rate design of Dawn-Parkway costs as part of future Dawn-Parkway facilities expansions*[2]."

In our respectful submission, Union has had opportunity to review and justify the allocation methodology as directed by the Board but is <u>again</u> deferring in spite of the Board's directive to review the rate in the 2014 rate proceeding and with the knowledge that evidence of a "reasonable"[3] alternative methodology has been filed.

In our view, Union's main argument comes down to consistency with other Dawn to Parkway assets that are designed to meet easterly demands on the Dawn-Parkway transmission system on design day.[4] However, the Kirkwall metering enhancements were made to allow access of Niagara supplies into the Dawn-Parkway system for ex-franchise volumes. Union has argued that these facilities costs should allocated based upon their contribution to the easterly design day demand. But, the fact is whatever volumes come to Kirkwall on a design day are transported through to Parkway as part of the Kirkwall-Parkway service (M12 or C1). Union has stated that these metering facilities contribute to their ability to meet their Parkway requirements but the reality is these volumes represent a utilization of Dawn-Parkway space.

This point can be seen by considering what would happen on a peak day if no volumes arrived at Kirkwall. Union has provided that on a design day 6,973 10^6 m^3 flows from Kirkwall to Parkway.[5] On a design day, to the extent that the gas is not nominated at Kirkwall for delivery to Parkway, the amount of gas needed on the design day at Parkway goes down the same amount. In simple terms, the access of supply at Kirkwall does not contribute to meeting Union easterly design day requirements, it, in fact, consumes the pipe capacity available. This point is further emphasized by Union's confirmation to our inquiry on this point.[6] Therefore, the only

[2] Union Argument-in-Chief submitted June 13, 2014, pages 4-5
[3] Transcript, page 49, line 28 to page 50, line 22.
[4] Exhibit A, Tab 1, Page 21 of 23
[5] Exhibit B9.5, Table 1
[6] Exhibit B9.9 c)

logical conclusion is that the Kirkwall metering assets do not contribute to Union's eastern design day requirements.

As a result, in our view, these assets are to provide an ex-franchise service and do not contribute to the easterly design day requirements as compressors, pipe and other components of the Dawn-Parkway system and therefore do not warrant consistent treatment. Union has evidenced that it can directly assign asset costs to a service[7]. We respectfully submit that the Board has the evidence available in this proceeding to accept the principles and the resulting rate impacts in the joint evidence authored my Mr. Rosenkranz to provide a more equitable allocation of costs for all ratepayers.

All of which is respectfully submitted on behalf of FRPO,

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Principal

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[7] Exhibit B9.3