

VIA E-MAIL

February 2, 2018

Ontario Energy Board  
Attn: Kirsten Walli, Board Secretary  
P.O. Box 2319  
27<sup>th</sup> Floor, 2300 Yonge Street  
Toronto ON M4P 1E4

**RE: EB-2017-0307 – EDG/Union Rate Framework – FRPO Submission - Draft Issues Lists**

Please find attached the submissions of the Federation of Rental-housing Providers (“FRPO”) in respect of the draft issues lists submitted by the utilities and the ratepayer group.

Respectfully Submitted on Behalf of FRPO,



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DR QUINN & ASSOCIATES LTD.

- c. Andrew Mandyam, EGD, M. Kitchen - Union Gas,  
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Parties to EB-2017-0307

## INTRODUCTION

The Federation of Rental-housing Providers of Ontario (“FRPO”) would like to thank the Board for establishing a process to hear submissions about the appropriate scope for issues of significant consequence to the ratepayers of Ontario and our economy. In preparing submissions on the Rate Framework issues, it is clear that one of the foundational issues is the same as with Merger application (EB-2017-0306): the applicability of the Board’s MAAD’s policy and the associated handbooks. For efficiency, we are attaching our submissions in that proceeding and will reference as opposed to repeat those submission.

In our respectful submission, the Alternative Issues List submitted January 23, 2018 by IGUA on behalf of the group of Intervenors (the “Ratepayer List”) provides the Board and its hearing panel with an effective framework through which the consequences of the Merger, from a rates perspective, can be considered and adjudicated. In our view, the Enbridge Gas Distribution (“EGD”) and Union Gas (“Union”) Merger is clearly distinguishable from those for which the MAAD’s policy was developed. A closer consideration of some proposed issues on the Ratepayer List provides examples of important rate considerations that are absent from the applicant’s draft list. In addition, the applicant’s Argument-in-Chief misses the mark in supporting the efficacy of its draft list over the Ratepayer List. In summary, the Ratepayer List is a more effective tool to scope the proceeding and ensure that important issues are determined in the public interest.

### 1) The MAAD’s Policy and the Associated Handbooks are not Applicable to this Merger

The Board has considerable discretion in the policy instruments it chooses to regulate electricity and natural gas in the public interest of Ontario. As outlined in our submissions on the Merger<sup>1</sup>, the utilities have relied on the policies and protocols developed for a different purpose in the electricity sector. This mechanistic application of rates issues transplanted from electricity into this natural gas mega-merger only serves to narrow the scope of consideration and in our respectful submission, unduly fetters the discretion of the panel in hearing this application. FRPO believes that is not helpful to the Board.

### 2) Important Rate Considerations in the Ratepayer List

The Ratepayer List was produced by a diverse group of experienced professionals to provide the Board with consideration of important matters absent in the applicants’ draft list. Two of

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<sup>1</sup> EB-2017-0306 FRPO Submissions on Merger Issues List filed January 26, 2018, Section 1), pages 1-3 incorporated but not repeated in this submission and attached for ease of reference.

those items, A6 and A7, address gas supply and transportation costs and their allocation into rates. These issues highlight considerations which would not be found in an electric utility merger.

- a) The existing EGD distribution service area relies on contracted Union M12 service throughout the year but especially during the winter. EGD is the biggest single shipper on the system accounting for over 1/3 of the west to east demand capacity on the Dawn-Parkway system. These costs are included in the supply, transportation and delivery (through load-balancing) costs of EGD. As a result of the merger, EGD is not in a position to contract with itself for capacity. Through whatever transition may be ordered by the Board as a result of the merger, EGD shifts from an ex-franchise customer of M12 services to an in-franchise area to be served by the merged company's assets. How much Dawn-Parkway demand and resulting cost would be allocated to the EGD will be dependent upon the methodology chosen for allocation. If the methodology currently used for Union North sets an appropriate precedent, costs for all in-franchise and ex-franchise customers will shift.
- b) Union Gas and EGD do not separate their gas for company-used from system gas from an accounting perspective. Each utility calculates the amount of company-used gas it needs and it is withdrawn from the system gas pool at the prevailing cost. With EGD now as in-franchise customer, does the companies fuel gas used for compression of the Dawn-Parkway to transmit EGD gas on the Union M12 system come from Union's system gas pool as opposed to treating EGD like an ex-franchise customer supplying their own fuel? There are a number of nuances like this that would need to be considered and determined at some point, likely prior to rebasing especially if the rebasing is deferred for a long period.
- c) Union and EGD have their own procurement programs that run independently. As a merged entity, they ought to be considering their needs for gas supply holistically and sharing resources where appropriate. One example is TCPL's Storage and Transportation Service ("STS") contracting. This service is used for season load-balancing by Union's North and EGD. Union has the ability to pool their deliveries to their respective delivery areas including to the Eastern Delivery Area (an area that includes EGD's Ottawa Region). By looking at the collective needs of the merged utilities, improvements in contracting may be available to reduce the overall cost. At the same time, Union and EGD have different historic STS banked injection credits which could be shared to reduce costs of redelivery services on STS. How those costs are ultimately allocated would need to be determined and the QRAM proceeding would not be an effective proceeding for that type of determination.

- d) Storage is one of the most important assets used in balancing seasonal requirements. EGD currently contracts for storage with Union for its load balancing needs for the incremental amount above what EGD's own cost-based storage can provide. EGD has also communicated its belief that it needs more storage. As required by, the NGEIR decision, Union has reserved 100PJ of cost-based storage for the needs of its in-franchise customers. Since the time of the NGEIR decision, Union's in-franchise needs have not reached the 100PJ limit resulting in the surplus cost-based storage being sold in the market. With EGD merging with Union, should existing EGD customer needs be able to be served by the cost-based storage.
- e) As outlined in our Merger submissions<sup>2</sup>, the natural gas market in Ontario is very dependent on the market-based, non-utility storage services in the Dawn area (Union Dawn, EGD Tecumseh, AltaGas/Market Hub Partners Sarnia Airport). With Enbridge Inc. wholly owning almost all and partially-owning the remainder through Market Hub Partners, the public interest question arises: Is there sufficient competition to protect the public interest with respect to price to allow continued forbearance? If so, how does the Board ensure sufficient price discovery to ensure that the Dawn area storage services market can operate efficiently and appropriately?

While some may argue that some of the gas supply aspects of these issues may be appropriately placed in the Gas Supply Review Framework, it is expected that the yet to be announced Framework will likely not address cost allocation nor other aspects of storage pricing issues. Further, the Board may decide to place conditions on the merger approval that could address some of the above issues.

We respect that the above only focuses on two issues in the Ratepayer List but we understand our colleagues will address others. In spite of the applicants' view that these issues fall into contest simply because they assert that the issues are "*unnecessary or inappropriate for determination by the Board, or do not arise as legitimate issues in the circumstances of this case*"<sup>3</sup>, with no substantive claim as to why, these items do arise due to their request to merge. As a result, the rate implications ought to be considered by this Board.

### 3) The Applicants' Argument-in-Chief Misses the Mark in Comparing the Draft Lists

While it may be understood without saying, FRPO believes that it is important to emphasize that throughout the Argument-in-Chief the applicants refer to their proposed

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<sup>2</sup> EB-2017-0306 FRPO Submissions on Merger Issues List filed January 26, 2018, Section 2) a), pages 4-5 incorporated but not repeated in this submission and attached for ease of reference

<sup>3</sup> Argument-in-Chief filed January 26, 2018, page 10, paragraph 43.

issues list as the Draft List (emphasis added) holding the connotation that that list is the starting point for discussion. In our respectful submission, the applicants' draft list is exactly that and not the Board's draft list. To the extent that the Ratepayer List varies from the applicant draft list, it is not the right of the applicant to judge that the Ratepayers issue does not add anything leaving its draft list as the default.

There are numerous cases where the applicants assert the Ratepayer List issue does not add anything or is inappropriate without adding support for such statements. Our intent was to scope what ratepayers are asking the Board to consider and it is often beyond the narrow scope that the utilities have used to try to frame their application. In our view, the applicants have the right to submit their applications in the manner they want. However, that right does not extend to dictating to the Board what is pertinent for the determination and establishment of what is important in setting just and reasonable rates under the Board's mandate including protecting the interests of consumers.

We had intended on citing numerous issues and flaws with the Argument-in-Chief. However, in reviewing the submissions of other ratepayer representatives, we believe these points have been adequately covered. Without limitation to the effective submissions of others and FRPO's alignment with their views, FRPO adopts LPMA in further demonstrating that the Argument-in-Chief misses the mark.

## CONCLUSION

We have limited our submissions to the areas outlined above. We have done so intentionally with the understanding that our colleagues representing other ratepayers' interests will be submitting other areas of concern. We have appreciated the collaboration of these colleagues and believe our collective efforts have been well coordinated to reduce duplication while ensuring that the Board is hearing a strong voice from the ratepayers of Ontario on the draft issues lists. We respectfully request the Board's consideration and acceptance of the issues as articulated on the Ratepayer List.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,



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