

INTRODUCTION

The Federation of Rental-housing Providers of Ontario (“FRPO”) appreciates the Board inviting our involvement in the Gas Supply working group and requesting feedback on the Draft Report. The Report culminates previous consultations in Natural Gas Market reviews and other proceedings¹. In the covering letter, in addition to general comments on the Report, the Board requested comments on:

- Are the criteria for assessing gas supply plans appropriate for that purpose? Are there additional criteria that should be applied?
- Is the review process set out in the Draft Report optimal? Are there any issues in terms of how that process relates to other OEB processes?

We will address those requests, in reverse order, while addressing some general comments on the subject matter of the Report with the Criteria Submissions.

PROCESS SUBMISSIONS

Gas Supply planning, implementation and execution is fundamentally about risk management. The ultimate Gas Supply function balances a number of factors and its outcomes can be measured in many ways. The Board is the entity that is mandated to ensure an appropriate balance in factors and outcomes. FRPO respects the establishment of Guiding Principles and expectations of Measuring Outcomes to assist in its determinations.

To understand the interactions between the Principles, strategies and Outcomes, one needs to understand the market dynamics and the interplay of a number of factors. Respectfully stated, the Board and its staff are not actively engaged in the gas markets on a regular basis to gain experience in some of these matters. As a result, perspectives on these issues are often informed by the application.

In our view, the proposed process could be greatly improved with the inclusion of steps of discovery and, if necessary, testing of the evidence and determination by the Board. It has been our experience that these essential elements have been key factors in the collective knowledge of the Board and ratepayers in Gas Supply affairs of the utilities. In fact, in our respectful

¹ EB-2014-0289 and EB-2015-0238

submission, we would not be engaged in the development of this Framework were it not for the due process of and transparency created by recent traditional proceedings.

In our submissions to the Board in the Distributor Gas Supply Consultation, we outlined some of our experience which informs our opinion of the need for this due process². From those submissions, we provide the following paragraph for ease of reference:

In 2009, FRPO urged the Board to provide more opportunity for discovery in the area of cost allocations assumptions underpinning Union's deferral account dispositions related to storage services to its customers³. In spite of an independent study of the accounting methodologies by a Union Gas sponsored consultant supporting Union's methodologies, the contested proceeding resulted in the Board determining, among other changes, that Union had inappropriately charged a hurdle rate return on assets that were in fact service contracts⁴. The result of this approach was Union was expensing the service provided by others then allocating an additional cost to customers for a return on assets to its shareholders for assets that it did not own. Adjustments which flowed from this decision resulted in consumers receiving over \$10 million each of two years following the decision⁵.

In addition, at other times in our experience, it is the prospect of litigation that brings parties to the table to negotiate a more equitable resolution. While ratepayers supported Enbridge's contracting for additional Long-Term Firm Transportation due to rising costs of Short-Term Firm Transport⁶, FRPO initiated discovery regarding the mitigation of UDC on that same transport in a subsequent rate setting proceeding⁷. Through the discovery process, it was clear that ratepayers and the utility held different views of prudent mitigation of transport risk⁸. In spite of not reaching settlement within the Board-ordered Settlement Conference, with the prospect of litigation in front of the Board, parties came together and negotiated a settlement agreement that was presented to and approved by the Board⁹.

² EB-2015-0238 FRPO_SUB_LDC GAS SUP_20160308

³ EB-2009-0052 FRPO Submissions May 28, 2009.

⁴ EB-2011-0038 Decision and Order dated January 20, 2012

⁵ Ibid and EB-2012-0206 Decision on Board Motion dated July 18, 2012

⁶ EB-2012-0459 Exhibit N1, Tab 2, Schedule 1 (Settlement Agreement of Aspects of Enbridge Gas Distribution 2014 Gas Supply Plan, October 29, 2013

⁷ EB-2014-0276

⁸ EB-2014-0276 Technical Conference, Transcript, Pages 26-32 and 36-39.

⁹ EB-2014-0276 Exhibit N1, Tab 1, Schedule 2, Board – approved Transcript, Volume 1, April 14, 2015

With success in that proceeding, a path for understanding was created that provided an additional opportunity for an equitable settlement in the Heat Value issue¹⁰.

With the prospect of a Union-Enbridge merger, the province will, in essence, have one non-independent system operator not only controlling access to the natural gas markets, but also using the proxy of ratepayers to make choices that determine those ratepayers' costs and the potential benefit to the shareholder. In our respectful submission, removing the prospect of litigation from the Gas Supply process at this juncture creates a considerable imbalance in the system and subjects ratepayers to additional risk. We, therefore, urge inclusion of a more traditional proceeding over the consultation that is outlined in the Draft Report.

CRITERIA & SUBJECT MATTER SUBMISSIONS

FRPO has reviewed the draft report and commends the Board and its staff for the comprehensive consideration of subject matter that would contribute to an effective framework. As the working group has not met after release of the Draft Report, these submissions are our opportunity to assist staff and the Board in refining the content. As such, the following are our submissions on the subject matter aspects of the report.

Page 2: "By way of a letter dated December 16, 2016, the Minister of Energy requested that the OEB consider the role of renewable natural gas (RNG) as a potential fuel source to reduce greenhouse gas emissions."

FRPO appreciates that the Board has recognized that the Minister asked for the role of RNG be considered (emphasis added). From what we have been learning about RNG in the Carbon Cap & Trade Compliance proceeding, we respect that there was no establishment of a minimum quantity of RNG as we firmly believe that would not be in the public interest.¹¹

Page 4:" Distributors will determine the mix of assets (i.e. transportation and storage) that will enable them to achieve this goal."

¹⁰ EB-2016-0142 & EB-2016-0215

¹¹ EB-2017-0224 & 0255 FRPO_SUB_CAP COMP_20180531

While the mix of assets can form the base of tools to enable goal achievement, it is important to note that “delivered services” is an important feature as will be outlined later in the submissions. Our proposed amendment would read “Distributor will determine the mix of assets (i.e., transportation and storage) *and delivered services (i.e. planned discretionary supply)* that will enable them to achieve this goal.”

Pages 6 and 7.

The Draft Report states one of the Guiding Principles is Cost-Effectiveness. One of the measures expected is Flexibility. It is our view that a somewhat under-utilized tool that provides both is Planned Discretionary Supply closer to the market at an effective hub such as Dawn. Enbridge has planned discretionary purchases at Dawn in the winter that are transacted in a cold winter and need not be transacted in a warm winter. These planned discretionary supplies can also reduce the need for storage by transacting for gas delivered above ground during the winter reducing the need for both storage space and deliverability. Further, the summer discretionary purchases are made to the level needed to fill storage before the winter based upon the storage level coming out of the winter. Using this approach, the utility does not have the risk of selling contracted transport in the market at a discount.

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Demand Forecast: We believe that there is an important distinction between Annual Demand and Peak Day Demand. Both must be given consideration in Gas Supply planning and System Design. In our respectful submission, opportunities have been lost when consideration has not been given to both in conjunction with major projects. Adding criteria such as Contribution to System Design in the Gas Supply plan would create an opportunity for assessment of the potential. This addition would, in part, address links to other proceedings.

Page 8: “ Analysis of the cost and bill impact of options considered and how these reliability options compare to the selected option including a description of the considerations used to determine the final plan. “

FRPO appreciates the use of cost and bill impact as opposed to just landed cost. Bill impact takes into account factors such as load balancing that landed cost does not. Further, we submit that assessment can be enhanced with the use of sensitivity analysis that tests the options with a reasonable range of around the base assumptions to ensure the chosen alternative is robust.

Page 20: “Analysis of the cost and bill impact of options considered and how these reliability options compare to the chosen option including a description of the considerations used to determining the final solution”.

Once again, FRPO would recommend that sensitivity analysis could be added to the Gas Supply criteria inclusions listed. Utilities have the ability to create output reports from SENDOUT which could be used to evaluate the proposed solution over a reasonable range of input assumptions. A great example would be Enbridge providing an assessment of the cost of additional market based storage versus delivered gas supply above ground at Dawn for the winter period. For the annual update, SENDOUT would not even be needed as the purchase of storage versus delivered supply at Dawn could be evaluated at the margin with then current pricing.

CONCLUSION

The Draft Report creates a strong foundation for data and information requirements of a Gas Supply Framework. Respectfully, we urge the Board to consider instituting discovery and litigation for determination by the Board to maximize the efficacy of the process in maintaining a balance between ratepayers and the utilities. Thank you for the opportunity to comment and for your consideration of our submissions.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,



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