PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

EB-2019-0137 - Enbridge Gas Inc.

5 Year Gas Plan

Submission
Of the
Vulnerable Energy Consumers Coalition
(VECC)

October 21, 2019

Vulnerable Energy Consumers Coalition

Public Interest Advocacy Centre
613-562-4002
piac@piac.ca

Plan Harmonization

1. In its decision EB-2017-0306/307 approving the merger of Union Gas Limited (Union) and Enbridge Gas Distribution Inc. (Enbridge Distribution) the Board allowed the merged Utility to postpone rate harmonization until the next rebasing. The rates being considered were distribution rates. The Board determined that issues raised with respect to the review of the Natural Gas Electricity Interface Review (NGEIR) and the potential impact to the Storage and Transportation Access Rule (STAR) were outside the scope of that proceeding. That is, the harmonization of the gas supply plan and its outcome price was left as an evolving issue to be examined post-merger.

2. Enbridge Gas Inc. (Enbridge Gas) claims to have filed a harmonized plan[1]. This is not quite accurate. What has been provided is really two plans under one cover. We are not being critical in making this assertion. It only natural that when the two such largest gas utilities merge that their long history of supplying gas in different parts of the province would not immediately meld into a single form. And we understand that it is Enbridge Gas' objective to achieve a more harmonized plan going forward[2].

3. As such our first submission is that the current plan forms an adequate basis for the QRAM price setting for the next 12 months.

4. Our second submission is that the merged Utility should harmonize its gas supply and transportation methodologies and physical arrangements so as to provide a unified gas supply price and as soon as reasonable possible. Doing this offers the opportunity for reducing both transportation and gas costs. Specifically we think it possible that the new Utility to have gas prices calculated for 3 zones: (1) Union North; (2) Union South & Enbridge CDA (GTA); and (3) Union North East & Enbridge EDA (Ottawa). We also note the evolving change in gas source, largely moving from the Canadian Western Sedimentary basin to supplies sourced from the Utica-Marcellus shale plays in the U.S. Northeast. This offers an opportunity to realign transportation and supply options with the different geographical areas now being served by a single Utility.

5. There also remain inconsistencies as between the methodologies employed by the two former utilities in estimating their gas needs. For example, it appears that while Union zone requirements are based on a design day with 100% interruptible load off the system, this is not the case for the Enbridge zones which uses a 75% assumption[3]. Similarly the Union and Enbridge zones apply different methodologies for load forecasting and the calculation of average customer use. They also use of different versions of SENDOUT. Unlike the physical constraints associated with actual gas delivery there is no inherent or logical reason for these methodological differences. Mostly they arise as part of the history of the two separate utilities. Elimination of these ad hoc differences should be a priority of the Utility since as time goes on it becomes ever more indefensible for

[1] Stakeholder Conference, September 23, 2019, page 37
[2] Stakeholder Conference, September 24, 2019, page 93
[3] Stakeholder Conference, September 23, 2019, pages 103-106

customers of one utility to be subject to different outcomes based on nothing more than historical happenstance.

Storage

6. Enbridge is the owner of 277 of the 280 Bcf of storage in Ontario. It operates the gas storage facility of the other 3 Bcf. It is also clear that only a small, if not negligible amount of Michigan based storage is accessed by in-franchise customers[4]. These facts call into question the underlying premise of the Board's policy which ultimately causes ratepayers to purchase storage at "market rates." One might even question the basis of the premise that a robust market exists.

7. The fact is Enbridge Gas has created an elaborate contracting methodology in order to attempt to show that its contracting for storage (and for that matter transportation) is unbiased. However, the likelihood of the utility contracting with anyone but itself or an affiliate appears to be near zero.

8. The amalgamation of these utilities and the harmonization of their gas supply plans including storage requirements provides an opportune time to review the NGEIR policies. This policy was finalized in 2008 is now over 10 years old. Its effectiveness has yet to be evaluated by the Board.

Summary

9. We submit that Gas Supply Plan provided by Enbridge Gas forms a good basis for providing the outcome of reasonably priced Utility supplied gas. In large that is because the plan is largely a continuation of the predecessor plans. It does not however, provide much progress toward a true harmonized plan which might provide benefits to ratepayers. We think one step forward would be for the Board to establish a number of objectives for the utility to achieve a harmonized plan. The first of which would be to require the Utility to harmonize gas planning methodologies. The second is that there should be the examination of new QRAM gas price setting zones. Finally, we believe the Board should in the near term evaluate the NGEIR policy and determine its future role.

[4] Stakeholder Conference, September 24, pages 24-30