



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

**EPCOR Natural Gas Limited Partnership
Notice of Motion to Review and Vary
Phase 2 Decision and Order EB-2018-0336**

EB-2019-0276

Submission
of the
Vulnerable Energy Consumers Coalition
(VECC)

February 10, 2020

Vulnerable Energy Consumers Coalition

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

Submission

1. In its EPCOR Natural Gas Limited Partnership's (ENGLP) Decision EB-2018-0336 the Board considered the inclusion of four distribution system projects (NBV=Net Book Value):
 - i. Bradley Station Project (NBV \$402,639) ;
 - ii. Bradley Station to the Wilson Line (NBV \$748,383);
 - iii. Putnam Station to Culloden Line (NBV \$498,922);
 - iv. Springwater Road pipeline (NBV \$265,015).

The Board approved the Bradley Station Project and the Bradley Station to Wilson line. Also approved was the Springwater Road pipeline but only for inclusion following ENGLP's transition to supplying at of its natural gas at market-based rates expected to occur by January of 2021. The Board declined to include the Putnam to Culloden pipeline project (Culloden Line) in 2020 rates. Instead it invited ENGLP to present further evidence of the prudence of this project in its next cost of service application.

2. Fundamentally the question considered in EB-2018-0336 was whether ENGLP has acted prudently in building the Culloden Line in light of the Board's previously articulated concerns about the premium priced local gas purchases of the Utility. That concern had caused the predecessor owner, NRG, to retain SNC-Lavalin to complete a system integrity study which would consider, among other system pressure issues, the means to relieve the Utility of the need to purchase natural gas from locally sourced wells at a premium price (i.e. higher than what could be purchased from the Dawn hub).
3. Specifically, in EB-2018-0336 the Board made the following findings with respect to the Culloden line:

- i. ...insufficient evidence has been provided on what other options were, or should have been considered to address these issues. The OEB is not persuaded that the Putnam to Culloden Pipeline project has a material impact on the system integrity issue. Any evidence related to the issues of system reliability and facilitating future growth is limited, and the significance of addressing these other issues is not clear.*

And that:

- ii. Greater priority should have been given to addressing the system integrity issues and reducing or eliminating NRG's dependence on the locally produced premium priced gas supply from NRG Corp. The latter issue of premium priced local gas was first raised by the OEB in the 2011 rates proceeding where the OEB expressed concern of NRG Corp.'s market power. The OEB is not convinced that there were other greater priorities in the past seven years that precluded NRG or EPCOR Natural Gas from taking concrete steps to address the issue of locally produced premium priced gas and the incremental cost to ratepayers for such premium gas.*

Further and with respect to the issue of premium cost gas the Board determined:

- iii. *While the Springwater Pipeline project may have alleviated some of the system integrity issues in the southwest area, its benefits to ratepayers are uncertain given the continuing need for premium priced locally produced gas. The OEB is therefore excluding this project (\$265,015) from the 2020 rate base. The OEB approves the inclusion of the Springwater Pipeline project in rate base for the rate year following the transition to a fully market based supply of gas.*
4. It was VECC's position in EB-2018-0336 that both the Putnam-Culloden and Springwater pipeline project capital costs should be removed from rate base for the purpose of calculating 2020 rates and in perpetuity. This was based on our assessment that ENGLP had failed to make the case that the Putnam Station–Culloden Line and Springwater Road pipeline were responsive to the Board's direction to address issue of needing to be supplied by premium priced locally sourced gas. Our view was that scant evidence had been provided articulating system integrity issues that these projects purported to address. Nor was there much evidence explaining what appeared to be departure from the SNC-Lavalin study's recommendations.
5. In this motion ENGLP argues the Board made an error in fact. The Applicant states that The OEB erroneously found that ENGLP provided insufficient information on how NRG prioritized system integrity capital spending for the distribution system and the criteria that it used to prioritize the spending.¹
6. On the basis of the evidence the Board had before it at the time we hold that the Motion should fail. There is nothing in its decision which indicates that the Board did not consider all of the record. Rather the Board, like Board Staff and VECC simply did not find that record convincing or sufficiently explanative of the case that needed to be made. ENGLP was well aware of the both the issue of concern to the Board. The burden of proof lies with the with the Applicant and it failed in that charge. It is not the parties' responsibilities to extract a sufficient record via interrogatories or the Board's place to make assumptive judgements based on a paltry evidentiary filing. In our view the Board was generous beyond its requirement in law to offer ENGLP the opportunity to present further evidence at its next cost of service application on the issue.
7. The Applicant has now filed new evidence on this matter. This evidence does address a number of the concerns with respect to the Culloden Line. We believe it also addresses the issues raised by the Board about this project.
8. The evidence is from Mr. Brian Lippold (the Affidavit), General Manager of ENGLP who was formerly employed in that capacity by NRG. Mr. Lippold returned to work in November of 2019 following an extended medical leave of absence. ENGLP explained that they were unable to

¹¹ Motion page

obtain information from Mr. Lippold prior to his return to work meaning that he was unable to provide assistance the EB-2018-0336 proceeding.

Brownsville Area Pressure Issues

9. The Affidavit is informative of the key question - why did ENGLP (NRG) build the Culloden line in light of the other pressing need raised by the Board to address the reliance of premium priced natural gas? It was Mr. Lippold's evidence that during exceptionally cold conditions, NRG experienced system pressure drops in the Northeast quadrant near Brownsville, to as low as 5 psi. When the pressure drops below 10 psi, it was explained, there is a serious risk of system outages. As such this situation required constant monitoring, but in 2014 the control stations lacked an alarm mechanism. In order to monitor system pressure, the Operations manager recommended pressure adjustments based on readings that were manually collected by calling into the various control stations. In response to Board Staff questions ENGLP made an estimate of the number of times Utility staff were required to make visits to these stations outside of regular working hours. The estimated number of incidents is shown in the table below.²

Year	Min. # of incidents
2014	55
2015	30
2016	40

10. Mr. Lippold explained that alternative solutions to the low-pressure issues in the Brownsville area were attempted but found to be unreliable.

SNC-Lavalin Study

11. The SNC-Lavalin study of March 2016, recommended projects to address pressure issues experienced in the northeast and southwest of the system. However, these recommendations did not take into account the additional gas supply from Union Gas Limited (now Enbridge) at the Bradley Station. ENGLP (NRG) did not ask SNC-Lavalin to revise its study in light of the additional gas supply from Union Gas (now Enbridge) because of the time required to complete a new analysis and the pressing need to address the inadequate flows of gas in the northeast quadrant of the franchise. It is Mr. Lippold's evidence that modifying the SNC study to consider the new supply of gas at Bradley Station was not acceptable because that course of action would delay a solution to what he saw as a serious safety and system integrity issue.

² Staff-1

12. Furthermore, the Affidavit explains that The Putnam to Culloden pipeline was substantially similar to what management considered an inferior solution proposed in the SNC study - generally running along Lewis Road and continuing along Whittaker Road and terminating in the Brownsville area.
13. Fundamentally the evidence of Mr. Lippold is that the low-pressure issues in the franchises' northeast quadrant posed a serious safety risk to the Utility at the time. For this reason, management gave the Putnam to Culloden pipeline the highest priority system integrity project and in order to eliminate this significant safety and supply risk.
14. We would also note that the Affidavit and responses to interrogatories explain in greater detail that ancillary benefits of project in increasing the number of potential customers who can be served natural gas³. This is outcome is congruent with current Provincial policy to expand natural gas service.
15. Finally, it is ENGLP's evidence that the absence of these insights in its original application came about due to the unrelated and unavoidable personal situation of Mr. Lippold. We take this explanation at face value. We also take note of the standing Board decision to remove the Springwater Road pipeline from rate base pending resolution of the premium gas issue. Considering all of this we conclude that it would be reasonable for the Board to revise its decision in EB-2018-0336 and to allow for the inclusion of the net book value as of January 1, 2020 of the Putnam Station to Culloden Line.⁴

Reasonably Incurred Costs

VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

³ See for example, Staff-9 and VECC-2

⁴ VECC notes that any such adjustment would be made through the 2016-2017 System Integrity Capital Deferral Account.