Introduction

Enbridge Gas Inc. (EGI) has applied for the Board's approval under section 36 of the OEB Act for:

i) A System Expansion Surcharge ("SES") for future Community Expansion Projects;

ii) A Temporary Connection Surcharge ("TCS") for Small Main Extensions and Customer Attachment Projects;

iii) Amendments to Rider I of the Rate Handbook for the EGD rate zone and to Rate Schedules 01, 10, M1 and M2 for the Union rate zones;

iv) An Hourly Allocation Factor ("HAF") to be applied in the economic feasibility calculation for future Development Projects consistent with the Board's EBO 188 Guidelines; and
v) Amendments to the Company's feasibility policies to implement the SES, TCS and HAF as proposed.

The following are the submissions of the Federation of Rental-housing Providers of Ontario (FRPO) on the applied for concepts and associated issues and concerns.

FRPO Accepts the Concepts Advanced as Unfinished Improvements

SES and TCS

FRPO supports the concepts advanced as improvements that create standardization, harmonization but with a missing element of consistency. The broad implementation of these concepts, if approved, could meet some regulatory goals and principles but lacks consistency in the treatment of customer groups.

In our view, the SES and TCS have comparable principles and provide consistency in methodology between larger and smaller projects. We also accept that having a common SES approach for all EGI rate zones would meet the Board's previously stated desires for harmonization within EGI rate zones. However, if fully applied, there would be inconsistent treatment between large and small volume customers in their choice of paying upfront or paying throughout the Rate Stability Period (RSP). We were prepared to advance this consistency issue, however for efficiency, we adopt and support the submissions of the London Property Management Association (LPMA) on this issue[1].

[1] LPMA_SUB_20200918 pages 2-4

HAF

Our initial concerns with the HAF stemmed from a concern over the equitable treatment of customers in situations where non-coincident peaks could result in inequitable treatment. We understand and respect EGI's desire to reduce the risks of the situation that by intentional or unintentional decisions of customers, some customers pay disproportionately for the benefits gained. We accept that the HAF improves the opportunity for equitable allocation of cost responsibility amongst the customers benefitting from the project. However, we understand that from a system design point of view, depending on the seasonality of gas utilization by the potential customers, there can be customers that do not contribute to the quantum of capacity required.

It was this concern that prompted FRPO to submit a scenario to EGI in advance of the settlement conference[2]. During the Technical Conference[3], EGI made clear that the HAF would be applied to large volume customers independent of seasonality. Further that once the HAF has been recovered from the customers, additional large volume customers would be able to connect without recovery of HAF[4].

In our view, applying the HAF in spite of seasonality, while not perfect cost causality, provides an essence of equitable treatment for customers in a project. In the documented scenario[5], to not seek capital recovery from the large summer peaking customer while seeking a larger capital recovery from the larger customer (due to not sharing the HAF with summer customer) would seem inequitable. We would support the proposed allocation of HAF without seasonality attribution.

However, we are concerned with the proposed discontinuation of the HAF in the RSP. In our submission, that is inequitable for large and, potentially, small customers. We say that for a number of reasons:

1) In striving for certainty in recovery, the allocation of responsibility for the portion of capital recovery associated large customers to those identifiable at the outset, still creates the risk of large customers connecting to the system within the RSP without contributing. In our scenario[6], a large customer could join the system early in the RSP using incremental capacity that was naturally available because there are only discrete nominal pipe sizes. That large customer would receive benefit from the

[2] FRPO submitted a letter providing the basis for the scenario explored in JT1.1 on August 18th to Enbridge, the case manager and the Board Secretary but it was not found on the Board's RDS at time of submission.
[3] EB-2020-0094 Enbridge TC August 20 2020, pages 30-32
[4] EB-2020-0094 Enbridge TC August 20 2020, pages 33-36
[5] Exhibit JT1.1
[6] Exhibit JT1.1 Scenarios 1 and 2

upfront capital expenditures borne by the identifiable customers added who paid a Contribution in Aid of Constuction (CIAC) without the potential for rebate to the large customers as EGI has stated[7].

2) EGI has stated that large volume customers could assure their contribution of the customer allocated costs of the HAF through long-term contracts[8]. Our understanding of EGI company policies is that these long-term contracts would come with appropriate financial assurances to secure payment through the contracting period. If the customer allocated costs of HAF are supported through long-term contracts of existing customers, it is our understanding, the HAF component has been met and there is no allocation of HAF costs to the new customer, only customer related costs of service line[9].

3) In the scenario of the additional customer, the benefit of additional utilization which could contribute to the revenue requirement assuring early recovery. This benefit would not be shared with the small volume customers if the utility did not continue to update the profitability index (PI) during the RSP[10].

4) The application includes the following position from the company[11]:

   If a rebasing year occurs during the 10-year RSP, Enbridge Gas will include the estimate of capital costs and customer attachment and volumetric forecast used in the initial evaluation of a Project for rate setting purposes.

   If this approach is approved, the company shifts the risk on recovery of the **estimated** capital to ratepayers and upward opportunity to the utility. If in this scenario, the new large customer is connected within the RSP but after re-basing the costs, the opportunity would go entirely to the company net of any earnings sharing that may be in place.

For the above reasons, we would respectfully submit that a more equitable approach would be continuation of the HAF throughout the RSP, the requirement for the utility to rebate contributions to the HAF (or relieve longer-term contract commitments) and the requirement to track the project PI to relieve small volume customers of their SES or TCS in the event of unforeseen large customer additions.

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[7] EB-2020-0094 Enbridge TC August 20 2020, page 38, line 10 to page 39, line 16
[8] Exhibit B, Tab 1, Schedule 1, Page 15, paragraph 44.
[9] EB-2020-0094 Enbridge TC August 20 2020, page 34, lines 2-13
[10] Exhibit.I.Staff.1(c)
[11] Exhibit.I.FRPO.4

Ratemaking Implications

EGI has proposed that the estimate of capital costs and customer attachment and volumetric forecast used in the initial evaluation of a Project be used for rate setting purposes. As noted above, we view this as shifting the risk from the utility to ratepayers without the benefit of better information or upside benefit for ratepayers. In our view, if consideration is given to the incorporation of capital costs, we respectfully submit that the actual capital costs and the actual customer attachment with updated reasonable forecasting should be evaluated to demonstrate reasonable performance. This evaluation provides the Board with the information to test the on-going balancing of interests with the potential to allow only a partial incorporation of capital until the investment is reasonably used and useful.

Conclusion

While EGI may be striving for efficiency and standardization, as outlined above, we believe components of the application create significant ratepayer risk and different inequities. FRPO has provided considered enhancements to the EGI proposals so as to seek better equity for future projects. We would respectfully submit that among the Board's alternatives is providing direction to the utility to re-apply incorporating some of FRPO's and potentially other ratepayer concerns to ensure a more balanced construct going forward.

All of Which is Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn

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