INTRODUCTION

As part of its 2021 Rates Application, Enbridge Gas Inc. ("EGI") filed its Application for ICM Treatment for the London Lines Replacement Project, the Sarnia Industrial Reinforcement Project and the St. Laurent Phase 3 Project (later withdrawn).

The following are the submissions of the Federation of Rental-housing Providers of Ontario ("FRPO") on the remaining two Projects. We benefited from the collaboration of intervening parties in this proceeding and will confine our submissions to those that have not been addressed by others. We will specifically support and adopt other parties' positions as opposed to repeating the arguments. For the reasons outlined below, we respectfully submit that the applications for ICM funding be rejected and measures should be taken to ensure that there is not a systemic double recovery of overheads.

Pacing of Projects is Opportunistic not Optimized

<u>Step Increase in System Renewal Forecasted Expenditures</u>
EGI's application states: *System renewal investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of Enbridge Gas's system to provide customers with natural gas services.*

The decisions surrounding what assets' conditions have reached a point of consideration for enhancing or replacing are complex. They need to be informed by an extensive system of data accumulation, analysis and rigorous methodologies to ensure that ratepayer investments are warranted to provide continuous service in a safe and secure manner. The Board's understanding of the importance of this process is recognized in the direction to utilities to produce a Utility System Plan (USP) to justify the value proposition of these investments.

Among the Board's considerations in reviewing a USP is the pacing of projects. Our primary concern in reviewing the forecast spend was increase for System Renewal in both service territories shown in Tables 1 and 2[1]. From the data shown for System Renewal, the average of the five-year forecast spend is an almost tripling of the average of the displayed four years of actual spend. In response to our inquiry to this concern, EGI noted the impact of its change incorporating overheads in the projects and that the systems were aging[2]. In trying to compare actual to forecast on an apples-to-apples basis, FRPO was encouraged by EGI to view the charts in the referenced SEC IRR[3].

From the figures in the Tables under graphs in the SEC IRR , we compiled the following tables:

[1] Exhibit B, Tab 2, pages 4-5
[2] Exhibit.I.FRPO.2
[3] Exhibit.I.SEC.13

RATE ZONE	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2016-19 Average
EGD	157	153	138	211	164.8
Union	115	120	128	104	116.8
TOTAL	272	273	266	315	281.5

RATE ZONE	2021 Budget	2022 Budget	2023 Budget	2024 Budget	2025 Budget	2021-25 Average	**Increase Budget over Actual**
EGD	320	333	237	466	243	319.8	194%
Union	324	218	281	227	137	237.4	203%
TOTAL	644	551	518	693	380	557.2	198%

Incorporating the overheads into the projects to allow a comparison of historical versus forecast demonstrates a veritable doubling of spending for the periods shown. In our respectful submission, systems do not get twice as old or in need of twice the renewal rate in one year.

Neither Code, Regulation nor Technical Changes Justify Doubling System Renewal
Given this dramatic step change, we had asked about condition rating changes that could contribute to this change but were provided that there were none.[4] Understanding the importance of justifying the need to spend an incremental billion dollars over the next 5 years, we asked for a technical conference to provide the company with an opportunity to explain better this need[5].

Through a series of questions and dialogue in the technical conference[6], we would simply summarize the company's response as there were no specific code or regulation changes that altered the technical assessment of assets but upon amalgamation, the company took a more detailed assessment. The resulting undertaking speaks to the merging of information improving its ability to project the end of an asset's useful life and some pending use of statistical condition analysis tools.[7] We respectfully submit that the justification provided by the company does not meet its onus to provide technical reasons that justify a doubling of expenditures for system renewal.

Impetus for Step Change Comes from Opportunity for Increased Funding
If the technical code or regulation changes do not support the step increase in forecasted expenditures, we asked if there were any other economic assessment changes that

[4] Exhibit.I.FRPO.2 a)
[5] FRPO_EGI ICM_REQ TECH CONF_20210128
[6] Final Transcript EB-2020-0181 Enbridge TC Feb 17 2021, pages 14-17 and pages 45-50
[7] Exhibit JT1.5

contributed. Having received an initial response stating there was not[8], we followed up further at the Technical Conference. We asked if increased funding from the ICM was an economic factor that contributed to the step increase in forecast spending and the initial answer was negative[9]. However, later, when asking about the process of optimization of projects, EGI confirmed that their iterative approach extracts large projects requiring significant funding so that more smaller projects can be performed[10]. The practical effect is clearly increased funding that is expanding the scale of System Renewal spending. This fact is further confirmed in answer to the inquiry of VECC regarding pacing[11]:

> *Enbridge Gas does include a consideration of pacing for certain proactive programs such as MOP Verification and AMP fittings (Exhibit C, Tab 2, Schedule 1, Page 97 and 123), in order to mitigate the need for ICM projects. However, for some significant investments, there is no ability to mitigate the need for ICM projects through pacing. Capital investments are driven by asset class strategies, which include program work that has sufficient risk and/or history to warrant continuation that is supported by base rate, and* ***projects that are of significant scope that cannot be constructed economically without an ICM rate adjustment.*** (emphasis added)

In our view, it is clear that EGI's optimization process is an iterative process that is facilitated by removing large, ICM-eligible projects to allow the inclusion of smaller, ICM-ineligible projects in the base spending, which, nonetheless, ensure that ICM projects "require" additional funding resulting in more System Renewal spending.

This approach is further reinforced by the determination of Maximum Eligible Incremental Capital[12]. Using the Union Rate Zone in the determination of this value, the Maximum Eligible Incremental Capital is very close to the applied for capital needed for the Sarnia Project and London Lines. The corollary is that the total capital required by the forecasted portfolio of ICM-ineligible projects is very close to the ICM Materiality Threshold.

These determinations confirm that it is the expected availability of ratepayer funding that has created the step increase in System Renewal spending. Given that the long-term utilization of these assets is in question and the Integrated Resource Planning (IRP) initiatives have not yet been directed, we submit the Board should not approve this funding approach and that ICM funding be denied.

[8] Exhibit.I.FRPO.2 b)
[9] Final Transcript EB-2020-0181 Enbridge TC Feb 17 2021, pages 17-18
[10] Final Transcript EB-2020-0181 Enbridge TC Feb 17 2021, pages 32-33
[11] Exhibit.I.VECC.15
[12] Exhibit B, Tab 2, page

Portfolio Optimization is a Work in Process

Section 6 of the Application provides the company's process for optimizing the portfolio of projects in the capital plan. FRPO attempted to create enhanced understanding through questions in the Technical conference[13]. While enhancing our understanding to some degree, we asked for some undertakings to try to understand the 2021 implications of this process. From EGI's provision of a list of pre-optimized projects that were moved from 2021, we understood that some base projects were deferred to later years[14]. However, in focusing on what was in 2021 projects to understand how the Value metric was used in this process by examining highest and lowest values, we received tables that did not include the London Lines (valued at **negative $94M[15])** nor Byron Transmission (valued at **negative $7.95M[16])** for the Union Rate Zone[17]. While the tables did not advance our understanding the prefaces to the Table confirmed our concerns:

> *"In addition to this (again noted in AMP, Interrogatory Responses and Technical Conference) Enbridge Gas experienced difficulties in completing all of the Value Assessments as a result of the pandemic. This was particularly true in the Union Gas Rate Zone.*
> *Further, because the C55 tool was new, and practices in the legacy Union Gas and Enbridge Gas Distribution companies had differed, there were some cases where Value Assessments were completed for Investments where they were not mandated because they met one of the criteria above."*

Clearly, the process for determining the prioritization of base and ICM projects is a work in process which, in our view, makes the Board's ability to rely on its output questionable and not sufficient as foundation to build ICM funding.

Priority of the London Lines Project Lacks Justification

Our concerns about the Board's ability to rely on the process involved with projects included in Phase 2 of the 2021 Rates Application extends to the London Lines project. The project appeared in list of projects recommended by staff to the Asset Management Steering Committee[18]. In that list, the driver of the London Lines was provided as condition. However, in the pages that follow, where staff provided justification including risk assessment to the steering committee, there is no justification for the London Lines[19].

[13] Final Transcript EB-2020-0181 Enbridge TC Feb 17 2021, pages 24-28, 100-102 and 106-109.
[14] Exhibit JT1.4
[15] Exhibit.I.FRPO.28
[16] Exhibit C, Asset Management Plan, **PDF** page 543 of 652
[17] Exhibit JT1.8
[18] Exhibit.I.SEC.1, Attachment 1, page 23
[19] Exhibit.I.SEC.1, Attachment 1, pages 27-29

FRPO attempted to follow-up on this omission in the Technical Conference[20]. So, while the London Lines project was recommended, its condition was still being assessed as of the June 8, 2020 meeting. In referring to the Heat Map which rates the relative risk of projects using the likelihood and consequence of risk[21], we noted the absence of the London Lines:

> MR. QUINN: But are these the highest-priority risk projects that Enbridge has in either the asset or integrity management programs?
>
> MS. McCOWAN: So I would say, yes, with one caveat, and that is, as we are working through our integration projects that have been on one of the two company's legacy registers are getting added. And I think, you know, if I can anticipate your next question, you will probably see that London Lines is not there, and that's because the risk assessment work was still underway at the time of this presentation, which would have been, I believe, early June, and so we -- it's a fairly structured process to add something to our risk register and start reporting it up through management review, so if we were in the middle of doing the risk assessment work at the time, it would not yet have been reported up through management review.
>
> But the goal of this list is so that when our senior management reviews the asset plan, they can look at the various risks that have been reported up through the integrated management system and confirm that, yes, we have got mapping from all of these risks that we're concerned about to the asset plan, and that we are going to be addressing those risks within the five years of the asset plan.
>
> MR. QUINN: Okay. That's helpful to a degree. If I heard what you said, the London Lines wasn't prepared at that point when this was presented but has subsequently been ranked or --
>
> MS. McCOWAN: That's correct, and -- yeah, it was on the legacy Union Gas risk register. What we report through this process is as projects -- or as assets have a, I'll say a validated risk assessment across the two companies to review everything, and then they get added into the risks for reporting up through management review.
>
> MR. QUINN: So where did it end up once that process was completed --
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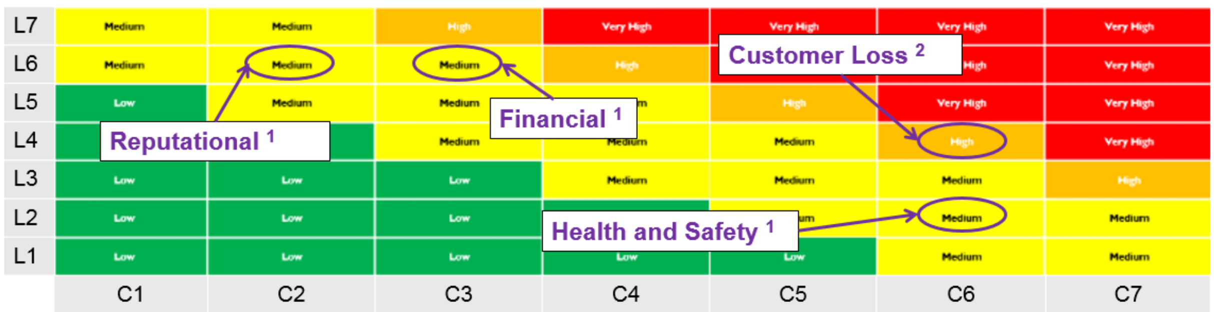
> MS. McCOWAN: I believe it would be recorded as a high, because we typically will record the highest of the risks that are identified through the risk assessment

[20] Final Transcript EB-2020-0181 Enbridge TC Feb 17 2021, pages 112-116
[21] Exhibit.I.SEC.1, Attachment 1, page 27

> process. So in the case, I believe the operational reliability of high risk would have been the one that was recorded for the London Lines. I would need to validate that to be sure.

In requesting validation, we were referred to an interrogatory filed in the Leave-to-Construct Case[22]. Drawing from the interrogatory to which we referred by the witnesses, we have extracted the Heat Map for the London Lines shown below[23]:



1 – Fairly consistent and systemic throughout majority of pipeline.
2 – Confined to section between Dawn and Oakdale header, i.e. section, 1 for a high risk. Remaining sections are Medium and Low risk for customer loss.

Upon review and read in conjunction with the footnotes, it is clear that the entire pipeline was rated as only medium risk (or low risk) with the exception of one section pipe defined as between Dawn and Oakdale header. This evaluation would result in the risk categorization of the entire project as medium not high as inferred by EGI.

A further read of the condition assessment in that interrogatory reveals the high risk is that the Dawn-Oakdale section is the first section that, at this time, is the only feed to the rest of the line so customer loss would be higher if that section were compromised. It is sole feed only because the previous backfeed from Byron was recently disconnected. FRPO learned of this disconnection in the argument phase of that proceeding due to an error in evidence and sought to understand the reasoning for removing a second feed which reduces customer loss but were refused[24]. Our concern is that eliminating the second feed raised the risk profile of the project as if to increase the need for replacement.

Customer Survey does NOT Justify Step Increase in Spending

In several references in the Application, EGI referred to surveying its customers for their input on the pacing of infrastructure spending. However, nowhere did it ask customers

[22] EB-2020-0192
[23] EB-2020-0192 Exhibit.I.FRPO.1, page 8
[24] EB-2020-0192 Exchange of Letters FRPO and EGI 20201214 and 20201215

"would you be in favour of EGI doubling its expenditures on pipe replacement over the next 5 years from what it was in the previous five years". That type of question would likely have resulted in a more negative customer response especially with the level of environmental sensitivity. But same proposition is a question for the Board. Is there sufficient evidence that supports doubling of the budget for system renewal? We believe the lack of change beyond availability of ICM does not support this step change in the budget.

London Lines Summary

In our respectful submission, the London Lines project does not have the justification as a high-risk priority project. In our view, it has been prioritized as approval by the Board would maximize the company's ability to increase its asset base with funding provided by ICM funding. We respectfully submit that the project is not prudent in light of the evidence provided.

Sarnia Industrial Reinforcement Project Does Not Require ICM Funding

For reasons provided by LPMA, OGVG and Energy Probe, we submit that the Sarnia Industrial Reinforcement Project has sufficient funding and should not get access to ICM funding.

Overhead Recovery through Capital Projects Neglects Rebasing Recovery

As with other intervenors, we are concerned that the underlying issue of double recovery of overheads has not been appropriately in front of the Board. To highlight this issue, we attempted to inquire about revenue requirement generated by overheads in base rates prior and subsequent to the merger. EGI refused requested information[25]. While we do not have the data, we support IGUA's submission on positioning the issue to the Board and adopt SEC's submissions on how the Board may deal with the issue.

All of Which is Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

[25] Exhibit.I.FRPO.1