Introduction

At the outset of the initial stakeholder meeting, stakeholders engaged in significant discussions with EGI in trying to understand their views on where the Board and stakeholders have opportunity for discovery and testing on the costs associated with the gas supply plan[1].

A summary of the discussion from our perspective was[2]:

> MR. QUINN: Again, we're getting into nomenclature on how we refer to these things. But ultimately, at some point costs will be brought forward to the Board for approval.
>
> The costs that are anticipated or forecasted by the company, will they be reviewed and tested in the rates case, or in the annual update of the gas supply plan?
>
> MR. STEVENS: I'm not -- it's not clear to me, Dwayne, the way that the OEB processes are currently described that this forward-looking approval happens in either of those processes.

FRPO was amongst many stakeholders who shared this concern and provided their perspectives in submissions. In Board staff's response to Stakeholder's comments in their final report, the following was offered[3]:

> "*This review is, by necessity, prospective as the existing cost consequences of the gas supply plans were reviewed by the OEB in recent proceedings.*[32] *The Annual Updates including the scorecard will ensure on-going monitoring over the Plan term.*"

In participating in the evidence, questions and stakeholder meeting in the current proceeding, in our view, the Annual review has not providing more understanding on the issue of costs of choices and options available at the time as, beyond Landed Costs for Union South, the cost information is not provided. This is in spite of the fact that the Report that established the Gas Supply Framework stated that "the Plan should focus on

[1] EB-2019-0137 Transcript_Consultation_Volume 1_20190923, pg. 13-19 and 22-27
[2] Ibid, pg. 22
[3] OEB Staff Report_Review of EGI 5-year Gas Supply Plan_20200326, Section 4.2, pg.24

both risk and impact to customers....This will include, but not be limited to, the following"[4]:

• A description of the **costs** associated with the various options considered and how the final option(s) was/were chosen.

• Analysis of the **bill impact** of options considered and how these compare to the chosen option(s), including a description of the considerations used to determining the final solution.

• A description of how the options considered (and chosen) impact **price volatility and predictability** and how the distributor determined **what level of volatility** was deemed acceptable for customers.

• A description of the various options considered to deliver reliable supply to customers and why the final option(s) was/were chosen.

• Analysis of the **cost and bill impact** of options considered and how these reliability options compare to the chosen option(s), including a description of the considerations used to determining the final solution.

• A description of the distributor's approach to balancing reliability and flexibility within a plan and what the **cost** and risk trade-offs are associated with their approach.

(partial list with **emphasis added)**

Instead of the above data, the Gas Supply plan provides the utility's qualitative assessment of how alternatives meet the guiding principles. Absent requiring the utility to provide the deliverables directed in the original design of the Gas Supply Framework, the Board and stakeholders do not have any assurance on the costs of risk management and the impacts on customers. We respectfully submit that Board staff and ultimately, the Board recognize these omissions in the designed Framework and enhance the information available to demonstrate that the utility is providing cost-effective risk management for end use customers.

Throughout our remaining submissions, FRPO provides its perspectives and specific concerns on the Annual update while recommending improvements in process and discovery. We address factors such informed choices in supply sourcing and load

[4] Report of the Board_Gas Supply Plan Framework_20181025, Section 1.2, pg. 18

balancing which impact customers' bills. In recommending improvements, often the current key deficiency is the quality of information provided in the Gas Supply Framework process and we provide some examples of the type of information we submit would be helpful to enhance the current process.

Nexus Pipeline Rate Increases Lack Evidentiary Basis

In 2015, the two legacy utilities approached the Board requesting the pre-approval of the cost consequences of entering a long-term transportation contract with the Nexus Pipeline. While the two utilities chose different paths in the routing of the gas to Dawn and even entering into the contract, both companies agreed to limits on the exposure to cost over-runs of the project using a capital tracker. We respect that this protection was prudent given the increasingly challenging environment of social resistance to building carbon carrying pipelines. The Board approved the cost consequences for the respective utilities including the potential for rates of the pipeline to increase up to a potential 15% increase using the capital tracker. The result was two contractual agreements for shipping gas to Dawn with yet to be specified rates awaiting the costs incurred in completing the project.

While participating in the initial 5 Year Gas Supply review, we became aware of EGI's approach to costs as described in our introduction. As a result, FRPO participated in the next QRAM late in 2019. Through examining the evidence in the application for the respective rate zones, we requested information to reconcile the applied for Nexus costs with past QRAM submissions[5]. We asked about the specifics and supporting evidence for the increase in costs between when transportation from Nexus went into rates and the upcoming quarter at the start of 2020. The limitations of the QRAM process were demonstrated when EGI's response[6] did not aid much in our understanding and did not provide evidence submitted to the Board in support of the rate increase. Considering the lack of evidentiary support, FRPO recommended that the requested rates be

[5] EB-2019-0273 FRPO_IR_EGI_QRAM_20191212
[6] EB-2019-0273 EGI_ReplySUB_20191216

approved on an interim basis[7]. EGI submitted the following, as summarized by the decision:

> " *Enbridge Gas further indicated that should FRPO believe that further discussion of the Nexus transportation costs are needed, the appropriate venue should be the OEB's review of Enbridge Gas' five-year Gas Supply Plan and associated annual updates, not Phase 2 of Enbridge Gas' 2020 distribution rates proceeding.*"

The rates were approved as final under the premise that the Nexus rates were regulated by the FERC[8]. However, the majority of the rates for the greenfield pipeline was actually a matter of contract between the utility and pipeline. In our view, the onus ought to be on the utility to demonstrate specifics in applying for a rate change especially regarding contracts for which its parent company has an interest in the counter-party. The decision went on to direct EGI to address the issue in the next Annual update.

Given the lack of information in the original Annual Update[9] which was deferred and in this year's Gas Supply evidence, we continued to request the details including the costs of the particular segments and when and how the Board was informed of the changes[10]. While we eventually received an email with a breakdown of the costs that could be reconciled to the Board's approval of the cost consequences, we did not receive any information regarding when and how the company(s) advised the Board. Ironically, what EGI did provide in email form was Nexus' filing of information regarding the cost overruns on the project to its regulator[11].

[7] EB-2019-0273 FRPO_SUB_EGI QRAM_Q1 2020_20191217
[8] EB-2019-0273 Dec Interim Rate Order_Enbridge_Q1 2020 QRAM_20191219
[9] EB-2020-0135 EGI_Annual Gas Supply Plan_20200501
[10] FRPO.25, EGI 2021 Annual Update to 5 Year Gas Supply Plan_Stakeholder Conference Compendium_20210427.msg and Enbridge Stakeholder Conference April 26 2021, pg. 160-164
[11] We are unable to specifically reference the email communications from EGI that were provided after the Stakeholder meeting as they have not been posted in this proceeding on the Board's website. We encourage EGI to file those emails and the Board to post them in this proceeding.

Our point in documenting this chronology is to emphasize that EGI continues to maintain that the Gas Supply Framework evidence does provide costs or cost consequences and that inquiring stakeholders should ask questions regarding costs in other rate proceedings. This is in spite of the fact that the Framework Report stated otherwise. However, when FRPO did ask cost questions in the QRAM process, EGI submitted that we should be asking our questions in the Framework proceeding as outlined above. In our view, stakeholders and ultimately ratepayers would be better informed and confidence in the Framework as an effective process would be increased if EGI were directed to provide the information contained in the Framework Report[12].

One further point on costs in this matter, part of our initial and ongoing struggle with costs of Nexus bears consideration. In attempting to understand the cost basis of the Nexus project in rates, we reviewed several QRAM applications. For the Enbridge rate zone, EGI provides one piece of quantitative evidence for the cost of Nexus transportation. That evidence being the total annual Nexus transportation cost[13]. In that same application, we cannot find any quantitative evidence for the Union rate zones. Given that the primary source of Nexus cost is a contractual matter between the utility and a company which its parent Enbridge Inc. holds co-ownership, it is remarkable that no specifics on the Nexus costs are provided in the approval application. We respectfully submit that if the Board is to rely on the QRAM proceeding for the formal approval of the gas supply rates, more specific support should be directed in the application to provide a more informative starting point for review.

Bill Impacts are More Informative than Landed Costs

For years Union Gas, and now EGI for Union rate zones, have relied upon Landed Cost Analysis for Incremental Transportation Contracting Analysis. However, this approach provides only the estimated cost of supply and transportation to commonly measured location like Dawn. Further, it measures the cost to deliver the same amount of gas each day of the year to that location. The approach neglects the fact that the impact to the

[12] Report of the Board_Gas Supply Plan Framework_20181025, Section 1.2, pg. 18
[13] EB-2019-0273 EGI_APPL_QRAM_Jan 1 2020_20191210 Exhibit C, Tab 1, Schedule 1, page 1.

customer includes the cost to re-deliver the gas in seasonal varying amounts to the customer. The bill impact analysis for this wholistic delivery would need to include the cost of load balancing.

As a generic example of the differences in approach, as Union Gas increased gas deliveries to Dawn to serve Union North over the last 10 years, it often used the Landed Cost Analysis to justify the cost. However, what was not highlighted was the additional cost of Dawn-Parkway capacity and Parkway to Union North capacity that needed to be added to provide firm deliveries to Union North in the winter. These additional costs along with additional storage were not included in the contract decision-making analysis nor were they provided to the Board during the justification of the increased reliance on Dawn-delivered gas to serve the North. Without the annualized bill impact to the end use customers, contracting decisions could be made without the most important factor, the impact to the customer.

Gas Supply Contributes to Efficient System Design

In the last number of years, the importance of Environmental, Social and Governance (ESG) factors have come to prominence in the business world. This Annual Review raised the topic of ESG as it pertains to certification of natural gas producers or supply for sustainable natural gas. We believe there may be a place for these standards for consideration in the utility's gas supply procurement. However, we agree with other stakeholders[14] that more information regarding the program, the merits and proposed recovery of the premium would allow more enlightened consideration.

We find it interesting that EGI is advancing the opportunity of sustainable natural gas when opportunities to be sustainable are being overlooked in the design of its main delivery business. We respect that the IRP proceeding has been completed and is awaiting the Board's determinations on matters heard. However, FRPO has advanced the consideration of the use of the Gas Supply program as a tool to achieve optimized

[14] Transcript, Enbridge Stakeholder Conference April 26 2021, pg. 120-121 and IGUA_LtrComment_20210511

system design for years[15]. These initiatives have usually been met with the utility's response that Gas Supply is addressing annual supply requirements and Facilities Planning addresses system design to meet peak day supply requirements[16].

The company's documented acceptance of the need to consider how these areas of the company are inter-related was only recently displayed in evidence in the IRP proceeding[17]. However, the company has been using its knowledge of Gas Supply and gas flow operationally to reduce costs and in some cases enhance its existing facilities.

In reviewing the Union South Design Day position[18] with the company panelists, the company acknowledged that they were relying on peak day supply from the receipt points of Parkway, Ojibway, and Sarnia (Vector)[19]. The deliveries to these locations have contributed to diversity in the Gas Supply portfolio and that has been evidenced. However, what has not been estimated or included is the cost-effectiveness benefit of supply sourced to that point on the Enbridge system which reduces the need for facilities.

In our respectful submission, this avoided cost benefit ought to be integrated into the economics for consideration in the choice of supply location. The outcome of the IRP proceeding may provide guidance on the use of supply-side IRP alternatives to reduce or eliminate a future facility build. At the same time, integrated planning ought to extend to Gas Supply planning to harvest the potential benefit of meeting system supply needs through strategic deliveries at potential supply points. We respectfully request that the Board direct that consideration of these opportunities be included in choice of supply alternatives as a driver of cost-effectiveness.

[15] EB-2014-0182, EB-2015-0200 and EB-2016-0186 amongst others.
[16] EB-2014-0182 Transcript_Oral Hearing_Volume 1_20150924, pg. 128-129
[17] EB-2020-0091, Exhibit I.STAFF.2
[18] EGI_StakeholderConference_Compendium_20210422eSigned, pdf pg. 41, slide pg. 34
[19] Transcript, Enbridge Stakeholder Conference April 26 2021, pg. 165-168

Load Balancing Means More than Just Storage

Ontario is fortunate to hold some significant geological formations which serve as important reservoirs for storing natural gas demand which fluctuates widely on a seasonal basis. The respective storage operations of Tecumseh and Dawn have provided each of the legacy utility with the capability to provide cost-effective load balancing for decades. We respect that these storage operations are a great foundation to the load balancing plans for the rate zones. We further support EGI's evolution of its blind RFP process recommend by Scott Madden and refined by the company.

In our view, Gas Supply plan diversity should not stop at transportation path alternatives. While physical storage is a great foundation, the provision of supply to meet seasonal demand can and should consider other alternatives. For several years, FRPO has advocated for the utilities to consider the purchase of gas at Dawn at a fixed price in the winter months as a substitute for storage. While this is especially true for the Enbridge rate zone who must rely on market-based storage for 20-25% of its estimated load-balancing needs, the opportunity arises for the Union rate zone as its estimated need approaches the Board-determined allocation of cost-based storage.

For several years, FRPO has been requesting that EGDI/EGI evaluate the potential of buying delivered gas to Dawn at a fixed price well in advance of the winter to meet part of its load balancing needs[20]. The company has refused to provide this analysis but instead relies upon a study of its study prepared as a deliverable from its settlement of its 2017 rates[21]. In that study[22], ICF tested various scenarios with various levels of storage but did not test the idea of the forward purchase of fixed price gas at Dawn as had been advocated by FRPO[23]. We continued to ask for this analysis in this proceeding and once again, EGI referenced the previous study without accepting the opportunity to evaluate the potential of forward purchases[24].

[20] EB-2016-0215 Exhibit I.D1.EGDI.FRPO.5
[21] EB-2016-0215 EGDI_Settlement P_20161128
[22] EB-2016-0215 EGDI_ICF Study_20170331
[23] EB-2017-0086 Exhibit I.D1.EGDI.FRPO.17
[24] Transcript, Enbridge Stakeholder Conference April 26 2021, pg.184-188

The latest resistance to an analysis of this approach was offered by EGI stating that they cannot purchase commodity outside of a three-month term[25]. In our view, the company has resisted the notion that diversifying its load-balancing through forward purchases could be beneficial. At the same time, EGI is purchasing storage services two and three years out. Forward purchases of commodity at a fixed price at Dawn are a substitute for storage services and an economical one at that. If EGI can purchase a storage service that flows into customers' load balancing rates years in advance, why can the utility not purchase commodity, charging customers with the appropriate gas commodity rate at the time with the residual cost being allocated to load balancing. The difference in price between summer and winter varies year to year and even throughout the year but is well known to be lower than the market price of storage because it can bring optionality especially to a marketer who can cycle the storage to derive more value.

To try to demonstrate the economic value potential, FRPO requested monthly volumes to attempt to provide the analysis to EGI and ultimately the Board[26]. However, EGI refused to provide the data that would allow stakeholders to consider how there may be a better way of reducing the load balancing costs[27]. We emphasize that this is data that underpins EGI's development and execution of its Gas Supply plan, but the company has deemed it to be out of scope. From our attempts over the last 5 years, EGI does not seem to want to consider that there may be a more cost-effective and diversified approach than buying storage at market price. One can only speculate on why that the company would resist such an opportunity. However, EGI recommended that we put this request to the Board[28]. Therefore, we respectfully request that the Board order EGI to release the monthly data for each of delivery areas to be of assistance to stakeholders who would want to give consideration to more cost-effective alternatives to the EGI approaches.

[25] Ibid, pg. 184, lines 25-27
[26] FRPO_IRQ_QUEST_RAU GSP EGI_20210330 and Transcript, Enbridge Stakeholder Conference April 26 2021, pg. 168-172
[27] Transcript, Enbridge Stakeholder Conference April 27, pg. 1-2
[28] Transcript, Enbridge Stakeholder Conference April 27, pg. 25-26

Performance Metrics Could Provide Opportunity for Quantitative Assessment

We understand that the Framework directed a reporting of Performance Metrics. While we respect that what is filed is some data on factors and EGI's self-assessment of its performance, we believe the value of this deliverable may be seen over time as trends are identified and additional criteria report on improvements.

One such criteria is the cost of load-balancing. As described above, we firmly believe that adding delivery of fixed-price gas at Dawn will provide economic value and diversity over time. EGI believes that their approach to storage is cost-effective but there is nothing on the record beyond past challenges and a dated study that said that the EGD rate zone could improve with more storage[29]. The proposed load balancing criterion could be tracked using the annualized cost of load balancing for the rate zone(s) over time. In our view, this type of criteria provides quantitative assessments of performance in an area like cost-effectiveness.

Another criterion is the reduction of Utilized Demand Charge over time. With the evolution of the gas market, historic flows have been reversed creating value for utilities that consider the opportunities to use the changes to reduce risk in its portfolio. In addition, with the integration of the two utilities, legacy contracting can be considered in a manner that considers a synergy in contract rights. The best example of these opportunities is in the Eastern Delivery Area (EDA) where proximity of the legacy franchise areas and flexibility of STS rights could be optimized. We understand that this evolution would involve TransCanada but the starting place is customer need and demand viewed differently. We understand SENDOUT is a tool which can assist but it is not essential to identify opportunities and explore integration of the customer needs. This process need not wait re-basing as these are fundamentally Gas Supply issues[30].

[29] Transcript, Enbridge Stakeholder Conference April 27, pg. 36-38
[30] Transcript, Enbridge Stakeholder Conference April 26 2021, pg. 69-72

Encourage EGI to Maintain Supply Options for the Market

While not a specific Gas Supply item, EGI provided information that the pool of direct purchase customers delivering to EGI through the Western Transportation Service (WTS) has declined significantly since the inception of the Dawn Transportation Service (DTS). In the consultation held by EGDI to develop the DTS[31], direct purchase customers were seeking delivery point alternatives (e.g. Niagara). In the package of agreed to items, while EGDI offered to create additional delivery points if interest exceeded a 50,000 GJ/day threshold but would consider the removal of alternatives if the daily demand decrease below 25,000 GJ/day[32].

It became apparent in the course of the Stakeholder Days that the quantity of WTS had decreased to approximately 20,000 GJ/day[33]. Out of concern for the effectiveness of the Ontario market, FRPO requested that prior to EGI propose to eliminate the WTS, EGI should consider recent continued evolutions[34]. Our view is that with EGI continuing to purchase in Empress and, in fact, entering into a long-term contract, the company would seem to have the capability to sustain that service[35].

Conclusion

In our view, the Gas Supply information available and Board's knowledge of these matters has increased over the last decade. The Framework was intended to "*ensure that there is transparency, accountability and measurability regarding the distributors' gas supply plans to assure they deliver value to consumers*[36].

FRPO's above submissions are intended to assist the Board in increasing the value of the Framework in the pursuit of the stated goals.

[31] EB-2014-0323 Dawn Access
[32] EB-2014-0323 EGDI_Dawn Access_APPL_20141027
[33] Transcript, Enbridge Stakeholder Conference April 27, pg. 2
[34] Ibid, pg.3-4
[35] Ibid, pg.3-4
[36] EB-2017-0129 Report-of-the-Board-Gas-Supply-Plan-Framework-20181025, pg.1

We respectfully request, the Board direct EGI to:

- Provide the Board with the evidentiary basis for the change in rate of costs such as Nexus especially when these are a matter of contract with Enbridge owned companies
- Provide the deliverables as outlined in the original Framework Report to allow an understanding of the costs associated with transportation choice and alternatives considered at the time; further that those costs should be translated into bill impacts to understand implications to the load balancing associated with those alternatives.
- Analyze the system benefit associated with firm deliveries to locations on the EGI system where these firm deliveries can provide a system benefit including meeting demand growth.
- Provide an analysis that shows the relative value of the forward purchase of Dawn delivered gas at a fixed price in the winter months of December to March as opposed to buying market based storage; further to file the monthly consumption and weather normalized data that underpins the Gas Supply plan being reviewed.
- Enhance the Performance Metrics to include UDC and Load-balancing costs.
- Consider the value of maintaining the WTS service for direct purchase customers given EGI's commitment to western purchases.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

Dwayne R

Digitally signed by R. Dwayne Quinn
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