

DR QUINN & ASSOCIATES LTD.

VIA RESS, EMAIL

January 16, 2023

Ontario Energy Board
Attn: Ms. N. Marconi, OEB Registrar
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

RE: EB-2022-0200 EGI 2024 Rates Rebasing - FRPO Issues List Submission

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) with respect to the Draft Issues List¹ as directed in Procedural Order No. 1 in the Enbridge Gas Inc. (EGI) 2024 Rates Proceeding.

Introduction

As has been described in the pre-filed evidence in this proceeding, this is the first full cost of service rebasing process for each of the respective legacy utilities, Enbridge Gas Distribution (EGD) and Union Gas Ltd (UGL), in over a decade. Further, the merger of these utilities in the middle of that period adds complexity to the determination and allocation of costs. In addition, the evolution of the market results in a different context surrounding utility service than the previous rebasing processes. The combination of these factors generates a significant challenge to analyze the interplay of assets and their costs in the determination of just and reasonable rates.

In respect of that challenge, we appreciate that the Ontario Energy Board (OEB or the Board) has requested parties' input to the Draft Issues List. FRPO participated in the Issues Conference. The following are FRPO's submissions focused on the matters associated with phasing and utility asset interplay.

Recognition of Issue Interplay Important in the Efficacy of Phasing

As prefaced above, FRPO respects that the scale and scope of the issues and the time frame associated with implementing natural gas rates for January 1, 2024 prompts the need for structuring the issues for the efficiency and effectiveness of the process. We view the proposed phasing as an appropriate balancing for the efficacy of the proceeding as long as the first phase of discovery is not limited inappropriately.

For example, while most of the issues dealing with storage are drafted as Phase 2 issues, it must be recognized that storage and other load balancing approaches are key items in the development of an appropriate gas supply plan. The need for establishing a gas supply plan as a base for some of the integrated utility's costs is understood. As a result, Phase 1 inquiry on methodologies, assumptions and source of costs for aspects of load balancing in the gas supply is crucial to the Board's comprehensive understanding for the purposes of determination. As such, in FRPO's respectful submission, the finalization of the Issues List,

¹ PO 1_EGI Rebasing_20221216, Schedule B

and any ordered phasing, should provide acknowledgement of the expectation of fulsome Phase 1 discovery of items that have impact on both phases to complete the record.

Determination of the Quantity of Utility Storage Must be Considered

The integration of the two utilities brought a number of changes to the delivery of energy services to Ontario. Not the least of these changes was an effective consolidation of practically all market-based storage assets in Ontario under one entity. The Board's Draft Issues list contained the issues:

Should the cap on cost-based storage service for in-franchise customers established in the NGEIR decision remain at 199.4 PJ?

Is the purchase of storage service at market-based rates by Enbridge Gas from Enbridge Gas for in-franchise customers appropriate

FRPO, among other parties, had submitted concerns about the implications of the merger on storage services in that proceeding.² The panel determined that these issues were outside of the scope of the proceeding.³

Without getting into argument of the issue, we respectfully question if the issue is not heard as a part of this proceeding, when would it logically be heard and what are the implications to the base costs of the utility (as we submit below). The establishment of utility storage and other aspects of the NGEIR decision were based upon the evidence available and the Board's expectations for the storage market. In our view, the merger of the two storage providing entities in Ontario is a material change to the market that warrants the Board's consideration.

Phase 1 Rates Must be Interim to Accommodate Storage Issues in Phase 2

A further example of the above described interplay is the recognition that determinations of storage issues and potentially other issues will have impact on the base rates established as an outcome of Phase 1. FRPO respects that the tools available to the Board including interim rates could allow for a further adjustment to base rates as a result of Phase 2. We respectfully encourage the Board to articulate its intent to establish interim rates in Phase 1 to increase the efficacy of phasing.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. V. Innis, EGIRegulatoryProceedings – EGI, EB-2022-0200 Interested Parties

² EB-2017-0306/0307 FRPO_ ARG_EGD UG MERGER_20180615, pages 4-6

³ EB-2017-0306/0307 Decision and Order, page 48