Executive Summary

FRPO submits that the incremental contracting of the Vector pipeline in 2021 was not prudent and may have been influenced by other factors than the needs of ratepayers. Over the course of multiple proceedings in the last 18 months, EGI has not met its onus of proof through evidence of the process undertaken that led to the contracting on behalf of ratepayers.

The following submissions will be used to supplement our submissions in the Gas Supply Review[1] which were the basis for our request to have the Board consider the prudency of the Vector transactions. To enhance our submissions, we will address the Framework more generically to reply to EGI comments made in Reply in the Review proceeding. Further we will identify and describe a more suitable pipeline alternative, the Bluewater pipeline, that was not chosen nor even evaluated in EGI's updates to the Gas Supply Plan.[2] By applying the test of the process followed and the choice made without the presumption of prudence as argued by EGI, we respectfully submit that the 2021 Vector contracting transactions would be deemed to be imprudent. By multiplying the contract quantities by the premium that was calculated at the time of $0.09/GJ results in a relief request of $14,454,000.

In addition, FRPO will respond to the Board's request to provide its views on how the Incremental Transportation Contracting Analysis contributes to the assessment of prudency including its limitations in this proceeding.

Introduction

The Board developed the Gas Supply Framework through consultation with utilities and ratepayer representatives in recognition of the importance that Gas Supply has to ratepayers' outcomes.[3] From the first year of Framework, FRPO has expressed concern over the ability to receive quantifiable data to assist the Board in the examination of utility choices on behalf of ratepayers.[4] From our experience, from the outset and in each subsequent update, EGI has justified its choices in gas supply based upon their own subjective assessment of the choice in regard to the qualitative factors under the guiding principles and the Incremental Transport Contract Analysis.

While we have strived to obtain more quantifiable data in order, to understand these choices in past Gas Supply Plan reviews, it was only when EGI attempted to justify the incremental purchase of a Vector contract and the simultaneous extension of another that we believed that EGI had not met their onus to justify these transactions. However,

[1] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814
[2] EGI_SUB_5 Year Gas Supply Plan_20190501
[3] EB-2017-0129 Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans, October 25, 2018
[4] EB-2019-0137 FRPO_Comments_20200118 and Transcript_Consultation_Volume 1_20190923, pg. 23-26.

providing the Board with evidence to understand our concern took requesting information across multiple proceedings to put the pieces of the puzzle together with evidence to substantiate our concerns.[5]

FRPO appreciated the direction for a limited review of the Vector contracting issue in this year's Gas Supply Plan review.[6] With data and evidence garnered through the multiple proceedings in the last year, coupled with additional information from discovery in the limited review proceeding, we submitted our concerns over the prudence of the Vector transactions.[7] We acknowledge the Board's willingness to consider this issue in the instant case and will be respectful of the scope of the review captured in the Notice of Hearing:[8]

> *The sole issue and scope of this proceeding is whether Enbridge Gas's 2021 Vector Pipeline contracting decision was prudent. In that context, and without limiting the scope of submissions, the OEB is particularly interested in the following questions:*
>
> *• In addition to the OEB's Guiding Principles for the Assessment of Gas Supply Plans, is the Incremental Transportation Contracting Analysis approved in EB-2005-0520 informative in the assessment of the prudence of Enbridge Gas's 2021 Vector contracting decision, and if so, how?*
>
> *• If the 2021 Vector contracting decision is found to be imprudent, how should any cost consequences be determined and addressed?*

Structure of Submissions

Upon receipt of the notice that directed a written hearing with no further discovery, we considered how we would improve or evolve our submissions filed in the limited Gas Supply Plan review. After some consideration, we recognized that due to the staff-led nature of the Gas Supply Plan review, the Board panel who will determine the issues in this proceeding would have not had the opportunity to evaluate the FRPO concerns presented in those submissions.[9] We considered reformatting our presentation of our concerns but believed that there would be diminishing value in that exercise. As a result, FRPO is attaching our submissions from the review as filed in August as the basis for our concerns over the prudency of the Vector transactions from a technical perspective.

[5] EB-2022-0072 GAS SUPPLY PLAN UPDATE FRPO_SUB_EGI GS UPDATE_20220527, EB-2022-0150 QRAM FRPO_SUB_EGI_ QRAM 2022Q3_20220613 & EB-2022-0110 Exhibit I.FRPO.9 & FRPO.14, FRPO_REQ EGI COMP RESP_20220906 and resulting Settlement Proposal EGI_SettlementP_20221011
[6] OEB Ltr_Initiation_EGI 2023 GSP Update_20230412_eSigned
[7] FRPO_SUB_EGI 2023 GS UPDATE_20230814
[8] NoH_PO1_EGI_20231115_eSigned, pg. 2
[9] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814

In addition, we will provide some context on the Supply Option Analysis while addressing assertions made by Enbridge in its Reply submissions in the review proceeding[10] and in their argument submitted in this proceeding.[11] We will also address a glaring and notable omission by EGI in its Gas Supply Plan reviews to this point, the Bluewater pipeline, which brings into question the efficacy of the Vector transactions in meeting the goal of an Integrated Resource Planning Alternative (IRPA).[12] In addition, we will address the questions posed by the panel in the Notice initiating this assessment of the Board.

EGI's Supply Option Analysis Does Not Value Characteristics Differentially

FRPO respects that the Supply Option Analysis section of Framework provided characteristics intended to provide some components of description and analysis that would contribute to the distributor's demonstration of choices made in the Gas Supply Plan.[13] This section reinforces the characteristics of reliability, flexibility and diversity in the assessment of supply options. However, depending on the specific need that is being met, some characteristics are more important than others. Also, choices for incremental transportation contracts or extension of existing contracts must be considered given existing gas supply choices in the portfolio that are not expiring.

Diversity

FRPO agrees that, when managing risk, diversity is important. However, if one were to create a diverse portfolio of any set of investments, one would consider the relative strength of each of the respective investment alternatives. In striving for optimal performance, investors will weigh expected performance and risk thus increasing the amount of the more valuable alternatives and thus foregoing equal amounts for optimized amounts.

It is in this context that FRPO stated:

> "*Comparing EGI's 14% of supplies purchased at Chicago as being less than their 25% at Dawn is a simple approach, which is, at best, unsophisticated and at worst misleading.*"[14]

Delivering gas through a contracted pipeline versus buying gas delivered by a third party has different key attributes which seasoned buyers understand. When considering the

[10] EGI_ReplySUB_20230828
[11] EGI_Argument_20231207
[12] Ibid, pg 2
[13] EB-2017-0129 Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans, October 25, 2018, pg. 9
[14] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814, pg. 5 and EGI_ReplySUB_20230828, pg. 4

differentiating factors as applied to the choice between a Vector contract with gas sourced in Chicago versus gas sourced at Dawn, the inherent relative value of these characteristics as applied to the need to be addressed and existing portfolio must be considered. A pure comparison of percentages in the portfolio does not offer much discriminating value.

As it is our expressed view that Dawn supplied gas would be superior to contracting for Vector pipeline from Chicago, we will use this comparison in responding to EGI's assertions through the lens of the respective features.

One point in this area is a utilities bias to sourcing the gas in the supply basin. This is done through pipeline rights back to the field or supply zone. However, another aspect of diversity in sourcing gas is the choice between the supply zone or the market zone. FRPO has consistently sought diversity as a tool to manage risk in a right-sized portfolio.[15] An aspect of diversity not emphasized by EGI is diversity amongst sources of gas between the supply zone and the market zone (in this case, Dawn or perhaps, Niagara). Of course, while purchasing gas in the supply zone provides diversity and flexibility as detailed later, it limits the utility's ability to optimize assets which are under-utilized at different times of the year which has been exploited in the past.[16] In our respectful submission, the Gas Supply Plan should also create diversity between sources of gas in the supply zone and in the market zone.

Reliability

Dawn represents the nexus of several upstream pipes that feed the Dawn (and Corunna[17]) storage fields making it one of the most significant storage hubs in North America. Given the convergence of so many sources of supply including storage withdrawals, Dawn is the most reliable location to buy gas due to the other alternatives available for long-term planning and short-term contingency.

EGI speaks to the reliability of Vector. In our recall, there is little to no evidence in the years of Gas Supply Review of reliable or unreliable pipelines, but any single pipeline cannot be as reliable as several pipelines, in addition to the availability of storage withdrawals as a contingency. Design day demands at Dawn are needed to ensure that there is enough gas above ground at Dawn at sufficient pressures to feed the Dawn-Parkway system's design day requirements. Contracting gas to be delivered at Dawn provides maximum reliability since alternatives exist in the event of a pipeline failure to deliver. From a pure Gas Supply Plan point of view, assessed on the reliability of receiving gas at Dawn, deliveries at Dawn are more reliable because the gas is where the

[15] EB-2010-0210 Transcript_Volume 14_ August 23_20120824, pg. 146-158 and pg.163-168
[16] EB-2010-0210 Dec_Order_Union 2012 CoS_20121025, pg.35-41
[17] For the purpose of these submissions, Dawn and Corunna are considered together to be the Dawn hub (unless referred to separately for the purposes of system design considerations).

utility needs it, which is what we were trying to describe when we referred to evaluating reliability at the receipt point proximate to the demand.[18]

In our respectful submission, as we are striving to assist the Board in concluding, purchasing the required quantities at Dawn is more economical and prudent than the Vector contracts at issue. However, we must address a false assertion made by EGI in its Reply in the Gas Supply Review.

> *Finally, FRPO asserts that "the most reliable approach to contracting in meeting Annual Gas Supply needs is through contracting for firm deliveries to Dawn without creating the risk and sunk cost of pipeline contracts." In making this assertion, it appears FRPO is advocating for Enbridge Gas to procure all of its gas supply requirements at Dawn, foregoing all diversity in its gas supply portfolio.*[19]

After making this assertion, out of its own hyperbole, EGI goes on to state why this approach would not be appropriate. To be crystal clear and to reinforce a point that EGI knows from communications with FRPO in the Gas Supply Reviews and other forums, FRPO has NOT and does NOT advocate for EGI *to procure all of its gas supply requirements at Dawn*. FRPO has consistently advocated for a holistic and balanced approach as best serving the interests of ratepayers. While EGI did not include this attribution of an inappropriate approach to FRPO in its AIC, we are concerned that similar accusations may appear in its Reply as we have experienced in the past. We would respectfully ask the Board to consider the veracity of this type of argument.

In its Reply submissions in the Gas Supply Plan review, EGI goes on to extend the attribute of reliability to its infrastructure system planning for the Sarnia Industrial Line ("SIL"). EGI goes on to state, in its AIC, that the Vector contracting "*could be looked at as a supply-side IRPA that reduces the need for facilities that would otherwise be required between Sarnia and Dawn on Enbridge Gas's system.*[20] Two important points need to be made here.

First, FRPO is encouraged by a more wholistic approach of integrating gas supply options with system planning. We have been advocating the use of gas supply in mitigating the risk of over-builds for the last decade.[21] As the Board may consider evolution of the Gas Supply Framework, we would be pleased to share our thoughts on how the benefits of how supply-side IRP could be included in the Gas Supply Review

[18] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814, pg. 3 and EGI_ReplySUB_20230828, pg. 10
[19] EGI_ReplySUB_20230828, pg. 13
[20] EGI AIC, pg. 2
[21] EB-2014-0182, EB-2016-0186 and EB-2020-0091 as examples

AND how the allocation of the delivered costs of gas could be streamed to ensure cost causality in an equitable manner.

Second, EGI is mixing reliability of its system planning with Gas Supply Plan reliability. While we support the use of a supply-side IRPA, we view this recent justification of its Gas Supply Plan decision as opportunistic and not consistent with the Framework, which EGI often asserts that FRPO is doing. Moreover, if the consideration of the value of the contract were being made for system planning benefits, EGI would have made a different choice of contracting by renewing the Bluewater capacity that has a far superior system benefit which would likely be more cost-effective than Vector while improving reliability and flexibility. We will provide more detail on this option later in these submissions.

Flexibility

In our view, one of the most important aspects of flexibility in meeting annual needs means deferring the incurrence of cost as late as possible to determine if needed - simply put, optionality. Contracting for pipeline space results in the incurrence of fixed costs that do not change even if it is determined later that the deliveries of gas are not needed in the quantities that were forecasted, thus creating Unabsorbed Demand Charges ("UDC") that ratepayers must bear. The best way for EGI to avoid UDC is not to buy fixed cost pipe from one hub to another (e.g., Chicago to Dawn) incurring those fixed costs but to buy where the gas is determined to be needed in the quantities determined closer to the time of need.

While EGI may argue that this approach to achieve maximum flexibility will come at the risk of escalated costs, as outlined in our Review submissions, through planned purchases in December transacted months in advance of the winter, price escalation is mitigated.[22] Further, if the start of the winter is warm, like this year, the utility can forgo some further purchases and those purchases that they do make will likely be at a lower cost due to supply and demand.

EGI Does NOT Require the 2021 Transacted Contracts to Support the SIL

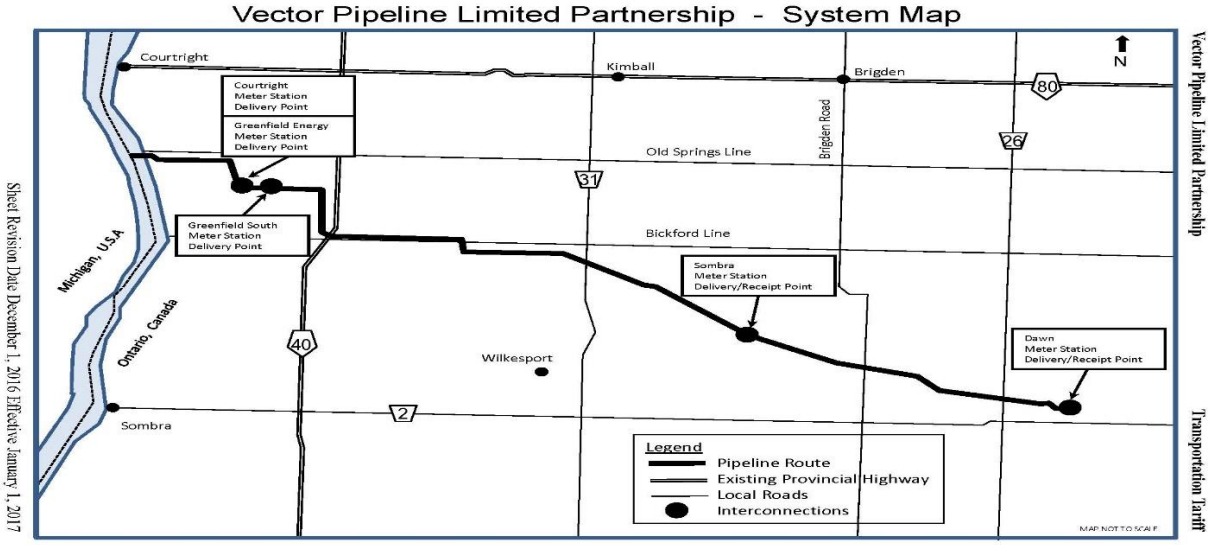
As noted above, EGI has added the contribution of Vector to the design demand needs of the SIL to its rationalization of the choice of Vector contracting. FRPO supports the use of Gas Supply as part of infrastructure planning as an IRPA. What is at issue is the need for 2021 transacted Vector volumes to meet the needs of the SIL. EGI's Reply Argument asserts:

[22] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814, pg. 4-5 under Flexibility

> *As outlined above, the Vector capacity contracted also provides firm and reliable transportation capacity that is integral to meet design requirements for Enbridge Gas' SIL. Without this Vector capacity, Enbridge Gas would require incremental facilities to meet the needs of this system. Given this fact, there is no better demonstration of a gas supply contract improving the reliability of the Company's Gas Supply Plan.* [23]

This reliance on the contracted capacity to meet peak day was not in the 2022 Update nor the 2023 Update, but appeared in EGI's Reply in the 2023 limited review proceeding. At that juncture, we did not have the opportunity for discovery on this point. However, our understanding of the pipelines in that area made us question the veracity of that statement. Outlined below is what we have found.

EGI already has multiple deliveries of gas on Vector to St. Clair which is the international point of delivery on Vector as it enters Ontario and continues on to the Dawn area under Vector Canada (see map below).[24]



Vector Canada provides the alternate in-path delivery point of Courtright meter station. This is confirmed by the original Nexus applications for both the Legacy Union Gas and Legacy Enbridge Gas Distribution.[25] [26] The importance of that point is its connection through pipelines owned by Enbridge Inc. (either St. Clair Pipelines or EGI) to the Sarnia Industrial Line.

[23] EGI_ReplySUB_20230828, pg.10
[24] https://www.vector-pipeline.com/~/media/EepEeqMep/Site-Documents/Vector/Informational-Postings/Tariff/CurrentVectorCERTariff.pdf?rev=59c1cac8cf6140bd8ba2abec9fa238a3
[25] EB-2015-0166, Exhibit A, pg. 42-43
[26] EB-2015-0175, Exhibit A, Tab 3, Schedule 1, Page 17

The Sarnia Industrial Line (SIL) is a very complex delivery system due to its reliance on a combination of pipeline deliveries from third party pipelines and EGI assets including some pipelines coming from the storage fields of Dawn and Corunna. As it pertains to the Gas Supply Plan, we will focus on evidence about the SIL's reliance on upstream pipelines to meet design day needs.

EGI holds a number of contracts that result in delivery by Vector Canada to Ontario.[27]

		LEGACY UNION GAS			
Vector Pipelines L.P.					
Vector US FT1	Chicago	Cdn/US Interconnect	80,000	DTH	2025-10-31
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	84,404	GJ	2025-10-31
Vector US FT1	Chicago	Cdn/US Interconnect	20,000	DTH	2026-10-31
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	21,101	GJ	2026-10-31
Vector - Total			105,505	GJ	
NEXUS	Kensington	St. Clair (Union)	150,000	DTH	2033-10-31
NEXUS - FT(1)(2)			158,258	GJ	
		LEGACY EGD			
Vector Pipeline					
Vector US FT1	Milford Junction	St. Clair	110,000	DTH	2033-10-31
Vector Canada FT1	St. Clair	Dawn	116,056	GJ	2033-10-31
Vector US FT1	Alliance	St. Clair	20,000	DTH	2024-10-31
Vector US FT1	Northern Border	St. Clair	45,000	DTH	2024-10-31
Vector Canada FT1	St. Clair	Dawn	68,579	GJ	2024-10-31
Vector US FT1	Chicago	Cdn/US Interconnect	20,000	DTH	2026-10-31
Vector Canada FT1	Cdn/US Interconnect	Dawn (Union)	21,101	GJ	2026-10-31
Vector - Total			205,736	GJ	
NEXUS					
NEXUS - FT	Kensington	Milford Junction	55,000	DTH	2033-10-31
NEXUS - FT	Clarington	Milford Junction	55,000	DTH	2033-10-31
NEXUS - Total			116,056	GJ	

NOTE: The Nexus deliveries for EGD terminate at Milford Junction so only the Vector deliveries are counted toward deliveries to St. Clair

When the total of Vector deliveries is added to the Nexus deliveries for Legacy Union, the total deliveries to St. Clair are 469,499 GJ/day. If the Legacy Union Vector deliveries of 105,505 GJ/day and the Legacy EGD deliveries of 21,101 GJ/day (expiry 2026-10-31) are removed (as they are the contracts at issue in the 2021 transactions, we believe), the remaining Vector deliveries are 342,893 GJ/day.

Accordingly, what is not easily understood is how much is needed at St. Clair to meet the SIL design requirements. EGI asserts that:[28]

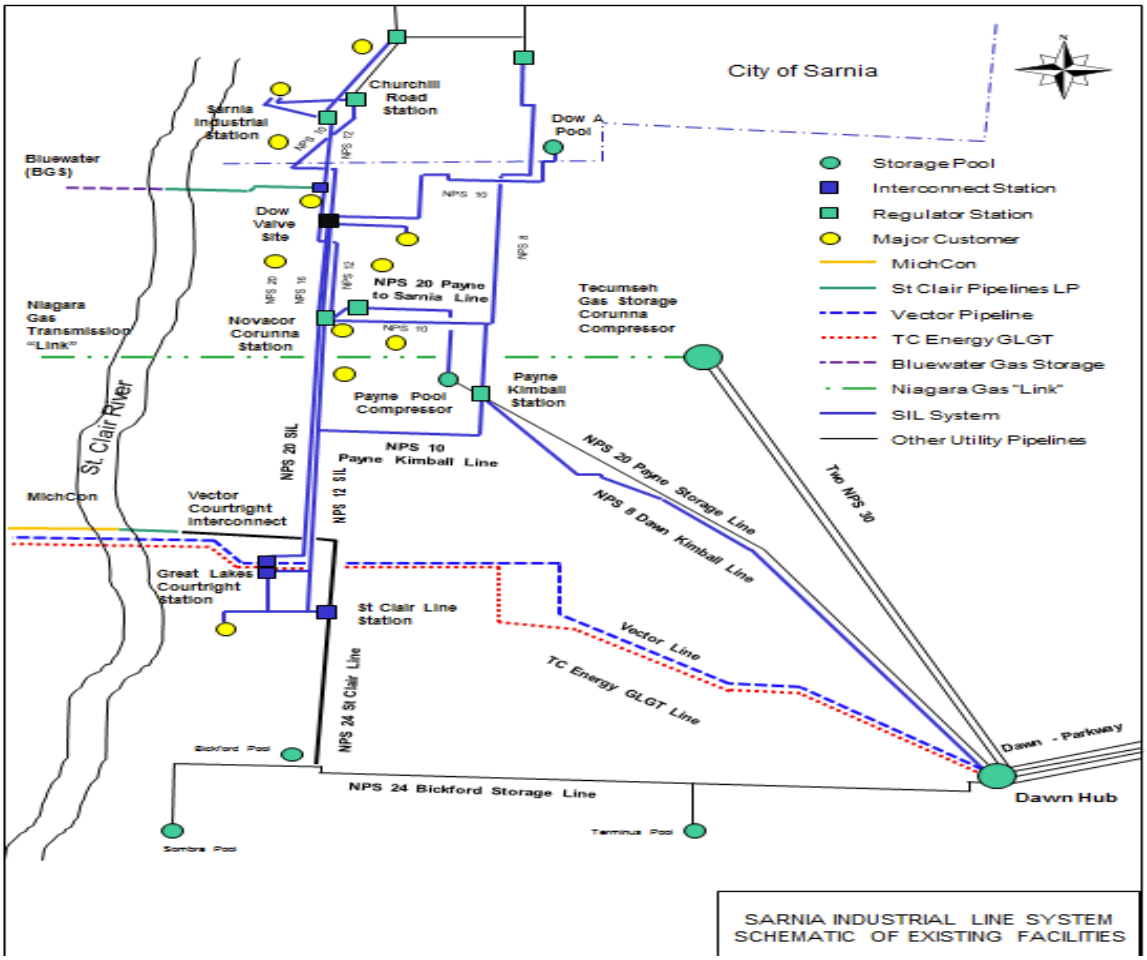
As outlined above, the Vector capacity contracted also provides firm and reliable transportation capacity that is integral to meet design requirements for Enbridge Gas'

[27] The table below was extracted directly from EGI_2023 Annual Update Gas Supply Plan_20230301, Appendix C
[28] EGI_ReplySUB_20230828, pg. 10

SIL. Without this Vector capacity, Enbridge Gas would require incremental facilities to meet the needs of this system.

But this asserted insufficiency does not tell the reader how much in total is needed.

To try to understand the needs of the Sarnia Industrial Line, we viewed recent regulatory proceedings and found most of the answers in the Sarnia Industrial Line Reinforcement Project proceeding ("Reinforcement"). We have included the Figure below that was copied from the Reinforcement project[29] to provide a visual on this complex system. It is clear from the picture that there are multiple lines that connect to the Courtright and St. Clair stations.



As FRPO was not aware nor involved in the Reinforcement proceeding, we pieced together portions of evidence, of which we offer the following important pieces of evidence.

[29] EB-2019-0218 EGI_APPL_20191007, Exhibit B, Tab 1, Schedule 2, pg. 4, Figure 2-1

The total SIL design day demand is 0.686 PJ/d (685.6 TJ/d) as taken from the design day schematics for the 2021/22 Winter.[30]

> *The four third-party pipelines that flow gas from Michigan into Ontario and interconnect with the SIL system are:*
> *1) Great Lakes Canada Pipeline Ltd. ("GLC")/Great Lakes Gas Transmission ("GLGT");*
> *2) Vector Pipeline L.P. ("Vector");*
> *3) DTE Energy ("DTE")/St. Clair Pipelines (St. Clair Pipelines L.P.); and*
> *4) Bluewater Gas Storage, LLC ("BGS")/Bluewater Pipeline (St. Clair Pipelines L.P.).* [31]

2) *The Vector pipeline has the ability to deliver approximately 2.3 PJ/d of natural gas to the Dawn Hub. Enbridge Gas has the ability to direct up to 0.6 PJ/d from the Vector pipeline system into the SIL system at Vector Courtright.* [32]

It is clear from the above reference detailing the Vector pipeline capabilities that even if all of 469,499 GJ/day (0.469 PJ/d) that EGI has under contract, including the 2021 Vector transactions, were diverted to the SIL system, this would not meet the 0.6PJ/d ability to divert. At the same time, those EGI Vector contracted rights would not meet the design day demand of 0.686 PJ/d. This difference leaves a gap which must be filled. By using evidence from that application, we will explain the ways in which the gap can and is filled.

1) *Enbridge Gas has the ability to direct up to 0.4 PJ/d of supply from the GLC system into the SIL system at Great Lakes Courtright.*[33] *Enbridge Gas contracts for firm transportation (21 TJ/d starting November 1, 2019) on the GLGT/GLC system to deliver natural gas to the Union South West Delivery Area (SWDA) which includes the SIL system at Great Lakes Courtright.* [34]

3) *Enbridge Gas has the ability to direct up to 0.23 PJ/d of natural gas flowing from DTE into the SIL system at the St. Clair Pipeline Station.* [35]

4) *The Bluewater Interconnect has the ability to flow 0.2 PJ/d to 0.3 PJ/d of BGS supply into the SIL system dependent upon operating conditions.* [36]

[30] EB-2019-0218, Exhibit B, Tab 1, Schedule 3, pg.4, Figure 3-1 and pg. 13, Figure 3-2
[31] Ibid, pg. 9-10, para. 25
[32] Ibid, pg. 11, para. 31
[33] Ibid, pg.10, para. 27
[34] Ibid, pg.10, para. 28
[35] Ibid, pg.13, para. 35
[36] Ibid, pg. 13, para. 38

In addition, EGI can feed 0.310 PJ/d from storage into the SIL.[37]

Tabulating this evidence produces a picture of the infrastructure capabilities:

Pipeline/Asset	Flow Capability into SIL	EGI Contracts or Storage Available into SIL
(PJ/day)	(PJ/day)	(PJ/day)
Vector	0.6	0.469
Great Lakes Canada	0.4	0.021
DTE/St. Clair	0.23	-
Bluewater	0.2-0.3	-
EGI Storage	0.31	0.310
TOTAL	1.74-1.84	0.800
SIL Design Day	0.686	0.686
Surplus	1.054-1.154	0.114

First, to explain this table, the flow capability is the amount that EGI evidenced in the Reinforcement proceeding that they, as pipeline operator, can divert from the pipeline into the SIL system at the same time replacing that amount of gas at Dawn. This process is known as displacement.[38] By using displacement, EGI can easily fill the SIL at Courtright to meet the demands of the SIL system and fill the gap between Vector contracting and diversion capability between Vector and SIL.

In that same Schedule of evidence, EGI cautions that under reverse flow conditions, this ability can be limited.[39] We trust that on those days of system reversal, the system operator can call interruptions on the SIL and invoke flow from storage to meet the remaining demands. We recognize that this proceeding is not about the operation of the SIL system. However, for the purposes of the Vector capacity, EGI's position as system operator provides the utility with much more contingency than simply contracted flow which EGI asserts it needs from the 2021 Vector contracts.

More specifically, the contracted flow has a surplus of 0.114 PJ/day versus the 2021 transacted Vector contracts capacity of 0.126 PJ/day. Given the contingency afforded by displacement, it is evident that the system could and has operated without the need for the 2021 Vector capacity.

On the other hand, if one were to argue that eliminating the 0.126 PJ/d leaves the SIL system with a 0.012 PJ/d shortfall, what options did EGI consider to fill that very small deficiency? In our experienced opinion, the first path to consider would be the Bluewater path. As can be seen in the figure above that displays the SIL system, the

[37] Ibid, pg. 14-15
[38] Ibid, pg. 10, footnote 17
[39] In reviewing, EGI's Gas Day Summary Report (https://www.enbridgegas.com/en/storage-transportation/operational-information/gas-day-summary) for the last 3 years, it appears there were only 3 days where both Vector and Great Lakes Canada had negative flow (Dec.24-26/2022) but on that day DTE/St. Clair was positive

Bluewater connection enters the SIL much further north and closer to the location of major demands on the system. Contracted deliveries from Bluewater would certainly be worthy of consideration in the supply analysis. But the 2021-2026 Transportation Contracting Analysis does not include the Bluewater pipeline.[40]

We were puzzled by this omission, so we looked back over the Gas Supply Plan updates since the 5 yr Gas Supply Plan and we found no analysis or commentary on the consideration of the Bluewater pipeline. In the 5 yr Gas Supply Plan, EGI explains its thinking on options to replace Vector capacity and concludes with:

> *At this time, EGI's preferred planning strategy is to exercise the right to renew capacity on Vector, St. Clair, and Bluewater.* [41]

That is the last consideration or supply analysis that we could find on the Bluewater pipeline. It is especially disconcerting that EGI is silent on the option of the Bluewater pipeline in any updates including when it decides to increase the Vector pipeline capacity and extend the existing Vector contract from Chicago.

Looking back over the Union Gas history, the company had held the 123,000 GJ from the Bluewater interconnect at the border to the Bluewater connection to the SIL at least as far back as at least 2006.[42] If EGI wanted to leverage the facilities benefit using an IRPA, they would have renewed their Bluewater contract which provides gas closer to the market demand and thus reduces the need for facilities now and in the future. It is possible that to get this strategically located pipeline capacity, they may have had to consider buying storage, but that truly is what Integrated Resource Planning is all about. Given their mammoth storage reservoirs congregated south and east of Sarnia, contracting for storage and pipeline capability from Bluewater would have provided diversity, flexibility and most importantly reliability in this important market.

While we cannot speculate on why the Bluewater pipeline was not contracted nor even evaluated, in our view, the Gas Supply Framework was developed to provide rigour to the review of the planning of assets and contracting to ensure that the choices made by the utility were in the best interests of ratepayers and in the public interest. Silence and omission do not provide evidence in support of EGI's choices in the consideration of replacing Vector capacity.

One last point that we would like to make addresses another assertion that EGI made in its Reply in the Review proceeding regarding availability of Vector capacity:

> *FRPO states that Enbridge Gas benefits from the Vector contracting "on multiple levels" and then proceeds to explain only one presumed potential benefit. FRPO provides a statement that Vector Pipeline, which is 60% owned by Enbridge Inc., "has not been able to sell that Chicago to Milford Junction*

[40] EGI_2022 Annual Update Gas Supply Plan_20220301_eSigned, Appendix D
[41] EB-2019-0137 EGI_SUB_5 Year Gas Supply Plan_20190501, pg. 94
[42] NEB DAWN LTFP PROCEEDING A85378-4_Union_Gas_Limited_-__Responses_to_TransCanada_IRs_-_A5S9Z4, PG 301-325

capacity for years." FRPO provides no evidentiary basis to support this statement beyond an August 13, 2023 daily unsubscribed capacity report from Vector Pipelines website.

This report was not discussed or placed into evidence in this or any other Enbridge Gas proceeding prior to FRPO's submission. Based on Enbridge Gas' review of this new evidence as part of developing its reply submission, it appears that FRPO has modified the report to exclude the following introductory message provided by Vector Pipelines on their website:

> *Unsubscribed capacity by location is based on design capacity available for the location, not the entire system capacity. This report is updated each Gas Day and reported data is posted for 90 days from the original posting date.* [43]

We are very concerned about how EGI has portrayed our submission of these facts when the company should know the market conditions as a shipper on Vector. Our mistake was just providing a recent report from the Vector website to demonstrate efficiently the current situation.[44] However, we would not have been able to have made the statement about Vector's ability to *sell the Chicago to Milford Junction capacity for years* unless we had viewed the information on a public website – Vector's website.[45] That website contains customer presentations from previous years which document the above statement. Now, with the passage of time, the 2023 Presentation is now available from which we extract the information relied upon in providing the facts about available capacity.[46]

Vector Pipeline

Potential East Bound Capacity
(MDth/d)

	Nov23	Apr24	Nov24	Apr25	Nov25
From Joliet:					
Zone 1 Delivery	335	399	335	399	335
Milford Delivery	229	203	261	203	278
Dawn Delivery (LH) *	0	0	65	110	190

Note: * Potential capacity subject to negotiations with incumbent shippers

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[43] EGI_ReplySUB_20230828, pg. 22, para. 60-61
[44] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814,Tab 4
[45] https://www.vector-pipeline.com/Presentations
[46] https://www.vector-pipeline.com/~/media/EepEeqMep/Site-Documents/Vector/News-Releases/Vector-2023-Customer-Meeting.pdf?rev=18c4a4a5d1ba4847bdb172846244a9d6&hash=882BEFAEF4508B3D261D538CF7F3A226, pg. 46

Considering our above responses to qualitative characteristics argued by EGI combined with our more technical analysis included and attached to this submission, we respectfully submit that EGI has not met its onus in demonstrating. through evidence. the process it took to establish that the 2021 Vector contracting transactions were prudent.

FPRO Collaboration with Other Intervenors

A number of times, between the EGI Reply in the Review proceeding and in its AIC in this proceeding, EGI raises the issue that "No other party/stakeholder submitted or raised concern."[47] We believe it is important to convey that we advanced these issues with the support of and in collaboration with other intervenors. We identified this fact in our cost claim reply.

> *…the review was being conducted in parallel with the EGI rebasing proceeding[48] which constrained parties' availability to participate. As the lead intervenor proponent on Gas Supply matters, FRPO committed to informing other parties by circulating communication on issues and, in fact, draft submissions to allow other intervenors to focus on the rebasing issues. We received feedback and incorporated feedback from intervenors which contributed to our final submission. We believed that this was the most effective approach to ratepayer representatives' shared concerns during a busy summer dominated by the rebasing proceeding. This collaboration contributed to limited submissions and reduced number of hours invested by ratepayer representatives in total for the proceeding.* [49]

While EGI may depict FRPO as the only concerned party, that is factually not the case.

EGI Has Not Met its Onus to Demonstrate Prudency in the 2021 Contracting

EGI's AIC proffers their submission on the issue of prudence:

> *In the utility context, prudence of expenditures has been equated with reasonableness. Essentially, the prudence analysis for a committed expense is to ask whether the decision was reasonable under the circumstances that were known or ought to have been known by the utility at the time the decision was made.* [50]

[47] EGI_ReplySUB_20230828, pg. 2, para,4 and EGI AIC, pg. 9, para. 26 and pg. 10, para. 28
[48] EB-2022-0200
[49] FRPO_Reply_EGI Cost Obj_GSP Update_20231204
[50] EGI AIC, pg.3, para. 5 ultimately relying on Enbridge Gas Distribution v. Ontario Energy Board, 2006, CanlII 10734 (ON. CA), paras. 10-11

In our view, this approach leads to giving the utility the presumption of prudence. Further that decision relies on a different test of just-and-reasonable analysis which the Supreme Court of Canada differentiated in a later case:

> *However, the question of whether the prudence test was a required feature of just-and-reasonable analysis in this context was not squarely before the Court of Appeal in Enbridge. Rather, the parties in that case "were in substantial agreement on the general approach the Board should take to reviewing the prudence of a utility's decision" (para. 10), and the question at issue was whether the Board had reasonably applied that agreed-upon approach. In this sense, Enbridge is similar to Nova Scotia Power 2012: both cases involved the application of prudence analysis in contexts where there was no dispute over whether an alternative methodology could reasonably have been applied.* [51]

As applied to this case, given the affiliation of interests between the seller and purchaser and the gaping omission in following the Framework to assess what could be clearly superior options, in our view there should be no presumption of prudence. As articulated by the Supreme Court:

> *To summarize, it is not necessarily unreasonable, in light of the particular regulatory structure established by the Ontario Energy Board Act, 1998, for the Board to evaluate committed costs using a method other than a no-hindsight prudence review. As noted above, applying a presumption of prudence would have conflicted with the burden of proof in the Ontario Energy Board Act, 1998 and would therefore not have been reasonable. The question of whether it was reasonable to assess a particular cost using hindsight should turn instead on the circumstances of that cost. I emphasize, however, that this decision should not be read to give regulators carte blanche to disallow a utility's committed costs at will. Prudence review of committed costs may in many cases be a sound way of ensuring that utilities are treated fairly and remain able to secure required levels of investment capital. As will be explained, particularly with regard to committed capital costs, prudence review will often provide a reasonable means of striking the balance of fairness between consumers and utilities.* [52]

In our respectful submission, EGI is not owed the presumption of prudence and the Board is free to consider the evidence and the process used by the applicant to make the contracting decision in this matter. As such, FRPO respectfully submits that EGI did not meet its onus to establish the prudency of the 2021 Vector contracting decisions.

[51] Ontario (Energy Board) *v.* Ontario Power Generation Inc., 2015 SCC 44, [2015] 2 S.C.R. 147, para 101
[52] Ibid, para. 104

Incremental Transportation Contracting Analysis has Limitations as a Tool

In our view, in general, the Incremental Transportation Contracting Analysis can provide comparison information to a certain degree for Long-term Contracting Decisions. As has been noted, EGI and FRPO have disagreed on the utilization of forward market data as a component of the analysis or a test for reasonableness.[53] FRPO understands and respects that for longer term contracts (i.e., greater than 5 years), there is a limitation to the value of forward market data. However, in our view, forward market data is an aggregated sense of where market sentiment is at for locational pricing. And we are not alone in that view.

As an example, in the development of its Integrated Resource Plan, Dominion Energy utilized forward market prices to contribute to forecasting commodity price in the early years of its plan.[54]

> *The Company utilizes a single source to provide multiple scenarios for the commodity price forecast to ensure consistency in methodologies and assumptions. The Company performed the analysis in this 2018 Plan using energy and commodity price forecasts provided by ICF in all periods except the first 36 months of the Study Period. The forecasts used for natural gas, coal, and power prices rely on forward market prices as of December 29, 2017, for the first 18 months of the Study Period and then blended forward prices with ICF estimates for the next 18 months. Beyond the first 36 months, the Company used the ICF commodity price forecast exclusively. The forecast used for capacity prices are provided by ICF for all years forecasted within this 2018 Plan. The capacity prices are provided on a calendar year basis and reflect the results of the PJM RPM Base Residual Auction through the 2020/2021 delivery year, thereafter transitioning to the ICF capacity forecast beginning with the 2021/2022 delivery year.*

In our respectful submission, the Dominion Energy approach is much more balanced and we will encourage consideration of such an approach by the Board if the Board contemplates changes moving forward. This blended approach is more effective especially when the sole forecast relied upon is producing numbers that are contrary to the pricing at which the market is trading. This utilization reduces the risk of a type of bias that can be created by one erroneous assumption in the modelling which cannot be discerned by ratepayers or even regulators due to opacity of the black box from which the numbers are generated.

The difference between using forward market prices or single-sourced forecast in the evaluation of contracts whose terms are complete in the range of 4-5 years is seen in the differences calculated by EGI using ICF's forecast, $0.09/GJ and the forward markets'

[53] EB-2023-0072 FRPO_SUB_EGI 2023 GS UPDATE_20230814
[54] https://www.dominionenergy.com/-/media/pdfs/global/projects-and-facilities/electric-projects/power-line-projects/skiffes-creek/2018-irp.pdf

forecast of $0.23/GJ.[55] Extrapolating the differences over the quantities and contract terms results in material differences in the order of tens of millions of dollars which, taken in context of other factors, could change the choice of path being contracted. As described in detail above, we believe other characteristics coupled with the premiums associated with fixed price transport would weigh heavier in the consideration and adoption of other alternatives, specifically Dawn purchases or, if IRP was considered, the Bluewater pipeline.

Determination of Cost Consequences

As addressed above, we believe that there is an opportunity to evolve and improve the supply option analysis using IRP and specific to this matter, forward market prices in shorter term assessments for Incremental Transportation Contracting Analysis. However, FRPO accepts that EGI was following a Board-approved approach in quantifying the premium associated with the 2021 Vector contracting. We believe this determination of the $0.09/GJ becomes foundational to the quantification of cost consequences.

Given that this premium will be visited upon customers through gas supply rates, FRPO submits that the premium should be multiplied on a unit cost basis across both the new contract and the extended contract. The calculation of the cost consequences is depicted in the table below.

		2021 Vector Contracting Cost Consequences			
2021 Contracts	Quantity	Term	Total Delivered	Unit Premium	Cost Consequences
Transacted	(GJ/day)	(Years)	(GJ)	($/GJ)	($)
New Contract	40,000	5	73,000,000	$ 0.09	$ 6,570,000
Extended	80,000	3	87,600,000	$ 0.09	$ 7,884,000
					$ 14,454,000

In our view, these costs ought to be returned to ratepayers as gas costs over the remaining period for which these contracts are in place. The allocation of the refund would follow how these transportation costs are recovered from customers who are and have been paying for these services. To maximize equity for those who have been paying and may not finish the term of these contracts as EGI gas customers, the recovery in the first year implemented would contain all of the premiums paid up until the time of the initial refund. To reduce confusion, the refund could be implemented as a rate rider implemented through the QRAM process.

[55] EGI_2023 Annual Update Gas Supply Plan_20230301, Appendix F, pg. 4. The forward market price was updated to $0.26/GJ with the provision of IRR on June 2, 2023

Conclusion

In FRPO's respectful submission, EGI has not provided evidence that the company followed the Board's Gas Supply Framework and has entered into contracts of questionable value at a premium to its ratepayers. EGI has not discharged its onus to demonstrate that it followed the Framework and has, in fact, neglected alternatives that we would argue hold greater ratepayer value. As such, we believe that EGI should refund $14.454M to ratepayers who have been and will be exposed to this premium over the life of the Vector contracts transacted in 2021.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

Digitally signed by R. Dwayne Quinn
DN: cn=R. Dwayne Quinn, o=DR QUINN & ASSOCIATES LTD., ou=PRINCIPAL, email=drquinn@rogers.com, c=CA
Date: 2024.01.11 16:50:18 -05'00'

Dwayne Quinn

Principal

DR QUINN & ASSOCIATES LTD.

ATTACHMENT

TO

FRPO SUBMISSIONS ON EGI 2021 VECTOR CONTRACTING

EB-2023-0326

2024-01-11

EB-2023-0072

FRPO Submissions on Vector Contracting

&

Gas Supply Framework

August 14, 2023

Summary

Through a series of proceedings, FRPO and other ratepayer groups have been trying to get clarity on Enbridge Gas Inc.'s (EGI) incremental contracting of the full Vector path from Chicago to Dawn undertaken in March 0f 2021. The culmination of the discovery efforts is EGI's determination that these gas supply contracts have cost a premium of $6.2M over the 2021-22 gas year and are forecast to cost a premium of $44.9M over a five-year period. These cost premiums do not improve reliability or flexibility as described in the Board's Gas Supply Framework.

These contracts are being purchased for a path and direction that is not in demand by the market due to its economics. EGI's contractual commitment provides benefit to Vector (which is 60% owned by Enbridge Inc.) through demand charges and flow. Moreover, upon committing ratepayers to these contracts, EGI has been assigning the contracts to third parties who provide some revenue to EGI. The revenue pales in comparison to the cost. The company has deemed a considerable amount of these assignments as Upstream Transportation Optimization even though the assignments are contracted for 6 months to 24 months. This assignment term does not meet the criteria of "temporarily surplus" and clearly does not constitute "unplanned". As such, in our respectful submission, these revenues are reductions to gas costs and not optimizations.

FRPO respectfully requests that OEB staff recommend that a proceeding be initiated to review the prudence of these transactions and the allocation of costs and benefits derived from the contracting. Further, the discovery on these issues has taken 16 months across now 2 consultations (the Gas Supply Update reviews) and 2 hearings (QRAM and Deferral dispositions). We would respectfully request that the Board consider revisions to the Update process to direct the provision of appropriate quantifiable evidence to ensure that the original intent of the Framework is met.

Introduction

FRPO has been very engaged in the evolution of how the Board oversees Gas Supply over the last 15 years. Included in that engagement was involvement in the development of the Board's Gas Supply Framework ("Framework") culminating in the issuance of the Report of the Board[1] ("Framework Report") providing direction in these matters. That report outlined Guiding Principles along with process matters that were intended to allow an appropriate opportunity for discovery and oversight to ensure that the utilities' Gas Supply plans were in the public interest.

While the Gas Supply Framework process has allowed for a focus on how the utility develops its plan, much of what is provided by the utility is qualitative. In fact, from the initial Gas Supply plan review, the utility has resisted the provision of actual costs to

[1] Report of the Board_Gas Supply Plan Framework_20181025

allow an understanding of the bill impacts of their choices[2] [3]. As a result, when we recognized that EGI had increased its contracting on Enbridge Inc.'s Vector pipeline for an uneconomic path, we set out through multiple proceedings[4] to try to put the pieces of the puzzle together. Our goal is to inform the Board regarding our concerns about this uneconomic choice and the challenges inherent in the Framework. This submission required discovery in four separate proceedings to obtain information regarding costs.

FRPO is appreciative of the Board's provision of a limited review of this year's Gas Supply update focused on the Vector contracting issue. In the following submissions, we will describe our concerns using evidence and data collected over the past 16 months on this issue and the guidance in the Framework Report. Through this effort, we hope to assist the Board in understanding the limitations of the current Framework process and the lack of accountability EGI is showing with regard to the stewardship of ratepayer interests in the area of gas supply.

Vector Contracting Adds Little to the Value Equation of Guiding Principles

Section 3.1 of the Framework Report provides that "*a principle-based approach to gas supply planning is an effective means of guiding the distributors' approach to developing a gas supply plan that is consistent with the outcomes customers desire.*" These guiding principles were summarized as follows:

> 1) Cost-effectiveness – The gas supply plans will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.
> 2) Reliability and security of supply – The gas supply plans will ensure the reliable and secure supply of gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.
> 3) Public policy – The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate.

We view the Vector contracting through the attributes included in principle 2) and come back to principle 1) to consider the value of the premium paid. Our submissions do not elaborate on principle 3) as our concerns do not impact that principle.

[2] EB-2019-0137 - Stakeholder Conference Presentation - Day One Transcript, pg. 22, line 25 to pg. 29, line 9 (included in Tab 5 of our Appendix for the convenience of the reader)
[3] EB-2019-0137 FRPO Comments 20191021, Section 2 Gas Supply Review Process, pg. 6-8, CME Comments 20191023, pg. 2
[4] EB-2022-0072 GAS SUPPLY PLAN UPDATE FRPO_SUB_EGI GS UPDATE_20220527, EB-2022-0150 QRAM FRPO_SUB_EGI_ QRAM 2022Q3_20220613 & EB-2022-0110 Exhibit I.FRPO.9 & FRPO.14, FRPO_REQ EGI COMP RESP_20220906 and resulting Settlement Proposal EGI_SettlementP_20221011

Incremental Vector Contracting from Chicago does **Not** Increase Reliability

It is important to note that the description of Reliability in the Framework Report pertains to ensuring gas supply to various receipt points. This matter has been confused in the past with the utilities noting a desire to have a diversity of transportation contracts emanating from the production zones.[5] However, a better test of reliability is at the receipt point proximate to the market demand, especially as it pertains to peak day requirements. This reliability is especially important where there is only one source of supply (likely a sole feed from a pipeline) but that is clearly not the case at Dawn.

Chicago is a market hub, not unlike Dawn, where pipelines converge and where there is a multitude of buyers and sellers, but it is not a supply basin. Therefore, the differentiating factor between Chicago and Dawn is that Dawn is in the market where EGI needs the gas. However, when comparing reliability, it is no contest as EGI controls and operates the hub at Dawn where the gas is needed. In a worst case scenario of a failure to deliver by a supplier, EGI can turn to the numerous pipelines and suppliers of gas at Dawn or, potentially its own supplies in storage at Dawn.

Another aspect of reliability and security of supply is the control of the assets. Even here, EGI demonstrates its lack of focus on this attribute by assigning most of the capacity to third parties. As provided in response to our inquiry [6], from July 2021 through the winter of 2021/22, 95% of the gas that EGI purchased in Chicago was facilitated by third parties who were assigned the Vector capacity. Moreover, no volume was transported by the Vector contracts held solely by EGI (i.e., not assigned) for the entire winter period.

Further, in that same response, EGI states that it has arranged for deliveries in the Sarnia area using these assignment arrangements. That approach does not add value for two reasons:

1) If EGI maintained the transport rights, it could provide the gas itself as an alternate delivery point in its contract.
2) Even if these Sarnia deliveries were helpful in minimizing distribution costs to meet Sarnia area demands, EGI could provide those deliveries with the existing Vector rights it already held prior to increasing its position on the Vector pipeline.[7]

EGI asserts that this practice of assigning all of the contracted capacity has no impact on security of supply [8] pointing to its ability to recall. However, recall provisions require notice and time and EGI provides no evidence that these recall rights would be able to

[5] EB-2015-0238 OEB_Distributor Gas Supply Planning Comparison Document (includes comments)_20160316
[6] EB-2022-0150 EGI_Reply_20220610_esigned, Exhibit I.FRPO.4
[7] In addition to existing capacity from Chicago, EGI receives its Nexus deliveries via the eastern leg of the Vector pipeline that crosses into Ontario near St. Clair that may be available to deliver to Sarnia
[8] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, pg. 5

be implemented when time is of the essence on a peak day and the assignee fails to deliver. In fact, these types of failure to deliver occurrences tend to occur in extreme winter conditions and so, if these deliveries did not get nominated on the day, EGI would likely not be able to get gas delivered with an intraday nomination. Instead, if the gas is truly needed at Dawn, EGI would likely rely on other sources including its storage integrity space.

An additional point which we want to emphasize is this aspect of reliability for a location such as Dawn. Dawn is likely the most secure location for gas on the Enbridge system given the pipeline network around Dawn enhanced greatly by the storage capability that surrounds it. Given these characteristics, the most reliable approach to contracting in meeting Annual Gas Supply needs is through contracting for firm deliveries to Dawn without creating the risk and sunk cost of pipeline contracts.

Incremental Vector Contracting From Chicago does **Not** Increase Flexibility

The Framework report states that "*An expected outcome for the gas supply plan is that it provides the flexibility to respond to changing market conditions while balancing cost-effectiveness and maintaining reliability of supply.*" [9] EGI includes the flexibility of the Vector pipeline as a point in support of its contracting decision. [10] FRPO agrees that the Vector pipeline has evolved into a bi-directional pipeline with the completion of connections with Rover and Nexus. [11] However, to exercise the flexibility of the bi-directional nature of the pipeline, a shipper must hold capacity that provides for delivery in each direction which EGI does not hold.[12] Instead, EGI has committed ratepayers to a fixed, one way path from Chicago to Dawn which carries a fixed demand charge whether the gas is needed or not.

As the Framework report articulates: "*Gas supply planning strategies should be flexible so that they can adapt to changing market conditions and customer demand in both the short-term and long-term.*" [13] If EGI was seeking true flexibility, the company's best option would have been to contract at Dawn for deliveries. Through sensitivity analysis, EGI could contract for firm delivery at Dawn for the minimum amounts expected to be needed for winter demand. These deliveries could be front-loaded in the early part of the winter (e.g., December). Then as the amount of cold becomes predictable through advanced weather information throughout the winter, EGI could supplement those early winter deliveries throughout the winter to meet actual realized winter demands. Not only would this approach be more flexible, but these

[9] Report of the Board_Gas Supply Plan Framework_20181025, pg. 9
[10] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, pg. 1
[11] FRPO provided a brief history of the evolution of the pipeline in our submissions in last year's Gas Supply Plan Update Review, EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527, pg. 3-4
[12] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, pg. 1
[13] Report of the Board_Gas Supply Plan Framework_20181025, pg. 10

deliveries can be secured at less than the cost of buying summer gas and storing it for winter utilization.

We want to clarify that FRPO will be advancing more on the efficacy of this Dawn delivered winter gas approach in phase 2 of the rebasing proceeding. For the purpose of these submissions, to substantiate the above claim about the economy of buying winter gas at Dawn, we have provided market pricing of summer and winter gas in Tab 1 of our Appendix. As one can observe from these tables, the difference in cost between contracting for summer and winter gas provided through interrogatory response compares very favourably with the average cost of $0.87-0.96/GJ of storage provided by ICF in their report to EGI filed in the rebasing proceeding. [14]

EGI tries to argue that it already holds a "significant position at Dawn (25% in 2022) ". However, as we submitted in the Nexus proceeding, [15] one of the criteria that ought to be considered is gas sourced in the market versus in the production zone (and the Chicago Hub is neither). When the attributes of Dawn are considered as detailed above, a prudent approach would be to leverage the reliability and flexibility of deliveries at Dawn and allow third parties to manage and/or optimize the transportation demand costs at their risk. Comparing EGI's 14% of its supplies purchased at Chicago as being less than their 25% at Dawn is a simple approach which is, at best, unsophisticated and, at worst, misleading.

Incremental Vector Contracting From Chicago is **Not** Cost Effective **Nor** Prudent

In the Framework's principles, cost effective is described as being economically efficient while balancing supply attributes like reliability and flexibility. However, in our views outlined above, the incremental Vector contracting does not increase reliability nor flexibility. In this circumstance the test of cost effectiveness would be whether the cost is the same or less than other comparable options.

Even by EGI's own Transport Contracting Analysis produced at the time of the decision to increase its reliance on the Vector Pipeline, Vector deliveries to Dawn were at a $0.09/GJ premium relative to simply buying at Dawn.[16] However, this analysis started with the flawed premise that Chicago would be trading at a discount to Dawn for the entire 5 years of the analysis. That premise was flawed due to the fact that during the time period of the analysis, it was the consensus of forward commodity markets that the prices at Chicago and Dawn would be comparable with Dawn being slightly lower.

[14] EB-2022-0200 Exhibit 4, Tab 2, Schedule 1, Attachment 6, p 35, footnote 19
[15] EB-2015-0169/0175
[16] EB-2022-0072 2022 Annual Gas Supply Plan Update, Appendix D

In the 2022 Gas Supply Plan Update Stakeholder conference, we asked a number of questions about the reliance on only one forecast. [17] When we first asked for this information to be provided by EGI on the record, our request was refused.[18] However, our concerns were noted by Staff in their report [19] and through additional discovery and negotiation in the EGI 2021 Deferral and Variance Disposition proceeding, ratepayers were able to secure a commitment from EGI to provide the requested information.[20] Part of those committed deliverables from EGI was incorporation of forward market pricing available at the time to compare with the ICF forecast. [21]

As is provided in the EGI Update, using forward market pricing that was available at the time of contracting, the premium paid relative to purchasing gas at Dawn is forecast at $0.23/GJ.[22] However, in its answers to interrogatories of the parties, EGI increased that premium to $0.26/GJ without explanation of the revised premium. [23] While we cannot substantiate the source of the change in the second estimate, from the analysis, we note that the significant contributor to the premium is the fixed cost of the transport of approximately C$0.20/GJ. In any event, either of these premiums are significantly higher than the original estimate of a premium of $0.09/GJ calculated using ICF's forecast.

Now, the company has asserted its concerns over any reliance on forward market information citing concerns in its evidence.[24] FRPO understands that forward market prices are not a precise forecast, but they are an accumulation of market sentiment of locational pricing. Our intent is not to get into a debate of the inherent value of these forecasts, but we make two observations:

1) EGI attempts to dismiss the value of longer-term forward market prices by depicting exchanges of monthly basis at Dawn. This comparison is inappropriate given the annual pricing that is available and traded as indicated in our second point.
2) When asked in the generic DSM proceeding for gas price forecasts, EGI responded that "for rate setting purposes, Enbridge Gas uses natural gas forward strip prices" and provided a table with 6 years of pricing for an extensive list of liquid and illiquid hubs (see Pricing from Chicago to Dawn Basis).[25] Notably, the provided pricing in that same interrogatory response showed Chicago pricing higher than Dawn for each and every year of the six years provided starting in

[17] Our submission in last year's Gas Supply Update provided our test of the expectation of arbitrage between Chicago and Dawn keeping the prices comparable as confirmed by Enbridge Gas Distribution expert witness, EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527, pg. 3-4
[18] Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 2, pg. 20, line 3 to pg. 27, line 11
[19] OEB Staff Report Enbridge 2022 GSP_20220907, pg. 39
[20] EB-2022-0110 EGI_SettlementP_20221011, pg. 12
[21] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, Attachments 1 and 2
[22] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, pg. 4
[23] EGI_IRR_20230602, Cover letter.
[24] 2023 Annual Gas Supply Plan Update, EB-2023-0072, Appendix F, pgs. 3-4
[25] EB-2021-0002 Exhibit I.5.EGI.ED.12, pg. 8-9

> 2022. By comparison, they also provided the ICF forecast for the same time period which forecasted the opposite differential with Chicago lower than Dawn for each year of that same period (we have attached the two pages of interrogatory response in Tab 2 of our Appendix for the convenience of the reader).

There is always risk associated with the lack of certainty of any forecast. The issue is how much and in which direction. Since the utility is striving for low risk, economic purchases, using only one forecast and not seeking tests for reasonableness, exposes ratepayers to unnecessary risk. However, if a utility sought other benefits, a single, non-transparent forecast provides non-testable support.

EGI tries to diminish the impact of its choice to contract for Vector capacity by comparing the calculated premium of $6.2M in the first year of the new contract with the overall cost of its gas supply portfolio of $3.5B to create the illusion of a small ratepayer impact. A better approach to understanding the premium paid is to compare the incremental contracting with the base case alternative of Dawn purchases. Using FRPO. 14_Attachment 4_20230602.XSLX, the premium is 7.9% for actual costs in the first year of the new contract. When the incremental costs of the renewed contract are added and the term of each contract is used, [26] the premium relative to simply purchasing the same amount at Dawn grows to $44.9M[27] or 9.5% over the entire terms of the respective contracts.

As noted earlier, this premium is incurred without any benefit of additional reliability and, to the contrary, by the very nature of the fixed transportation demand charges decreases flexibility.

Assignments **Do Not** Provide Value to Ratepayers, Just Shareholders

In developing a sound gas supply plan, utilities must consider both the peak day and annual demands of the system. In trying to meet both objectives, there are times when transport is excess to the demands of the system and the utility can mitigate the cost through releasing the transport to the market. Depending on over what period of time that the capacity is deemed not to be needed, the utility can release an entire month to mitigate UDC or temporarily available capacity can be used to optimize using transactional services including capacity releases. The criteria used to establish whether capacity can be used for transactional services was approved by the Board in EB-2013-0046 and relied on the following definition:

[26] Exhibit_I.FRPO.14_ Attachment 1_20230602
[27] EB-2022-0110 Exhibit I.FRPO.14 Attachment 3

> *In defining the nature of a Transactional Services ("TS") transaction, Enbridge submitted that three (3) elements must be present for a transaction to qualify as a TS transaction.*
>
> *These were characterized as follows:*
>
> *1. Unplanned: The transaction opportunity must be unplanned in the sense that it is not and cannot be forecast or known at the time that the Company prepares its gas supply plan for the coming year, which is during the spring of the preceding year.*
>
> *2. Third Party Service Request: The transaction opportunity must involve a third party.*
>
> *3. Temporarily Surplus Capacity: The transaction opportunity must relate to transportation or storage capacity that is temporarily surplus to meeting customer demand during the period when the transaction takes place.*

In the 2021 Deferral Disposition proceeding, FRPO sought information on the utilization of transport.[28] In the initial response, EGI only provided the UDC assignments requiring a follow-up request that provided information on capacity assignments for Supply Purchase Relocations[29] and Upstream Transportation Optimization.[30] Included in the last category of Optimization, were monthly Chicago to Dawn transactions that included every month of 2021. A review of those transactions reveals that the Term of Assignment was for 6 months to 2 years. In our view, this term could hardly be considered Temporarily Surplus. In our view, these assignment transactions are a planned part of the Gas Supply as detailed in Appendix F and thus should at least be allocated, in full, back to gas costs and not provide a shareholder allocation of 10%. Our ability to quantify the amount attributable to shareholders is encumbered by confidentiality but could be quantified in a subsequent proceeding.

EGI attempts to portray the benefits of their approach by comparing the demand charges of empty pipe (no direct or indirect supply to EGI) with the revenues generated from assignments. [31] But that is a misconceived comparison when ratepayers are paying the full demand cost for the Vector capacity in the first place, which would be close to $15M annually for Chicago supply capacity starting on Vector. The fact that third party assignees can receive supply that EGI has purchased at Chicago and manage in some fashion to have the same amount of supply delivered to EGI at Dawn or Vector - St. Clair while still generating revenue to EGI through the Asset Management - on top of profit for these parties - means additional economic value is being extracted and ratepayers are paying for that.

[28] EB-2022-0110 Exhibit I.FRPO.14 Attachment 1
[29] EB-2022-0110 Exhibit I.FRPO.14 Attachment 2
[30] EB-2022-0110 Exhibit I.FRPO.14 Attachment 3
[31] Exhibit I.FRPO.11, pg. 3

Enbridge Inc. Benefits from the Vector Contracting on Multiple Levels

So, why did EGI choose to increase their contracting of Vector capacity? EGI lays out some if its arguments for monetary and non-monetary benefits of the capacity [32] which simply replicate arguments submitted in the 2022 Gas Supply Update. We have addressed a number of those so-called benefits in the content above. But, in all these purported rationalizations of the benefits listed in Staff.2, what EGI does not discuss is the availability of pipe created by changes to Vector.

In our submissions in last year's review, FRPO submitted background regarding the evolution of the utilization and contracting of the Vector pipeline. [33] The predominant flow on the Vector pipeline is from the storage in Michigan and the connections of Rover and DTE carrying Nexus capacity near Milford Junction back to Chicago (see Vector Pipeline System Map in Appendix, Tab 3). For at least the past 3 years, Vector has had over 200,000 GJ/d of surplus capacity from Chicago to Milford Junction (see Unsubscribed Vector Capacity in Appendix, Tab 4). While EGI speaks to its reduction in tolls as a success, no astute buyer would pay anywhere near full toll for a path that is not in demand. EGI's willingness to pay close to their historic rate for the capacity enriches Vector at the margin since Vector has not been able to sell that Chicago to Milford Junction capacity for years. Calculating that value to Vector is nearly impossible but we know it is not zero. Moreover, it bears restating that Vector is 60% owned by Enbridge Inc.

The Gas Supply Framework Process Has Not Generated Quantitative Evidence

FRPO was encouraged with the Board's focus on gas supply that through a series of processes produced the Framework. One of the key outcomes that we believed would be enhanced by the process is:

> *The OEB requires the distributors to submit a five-year gas supply plan for review every five years. The OEB believes that five years is an appropriate period for a robust review of the gas supply plans because it allows for an efficient use of resources for all stakeholders. This review will provide the main OEB assessment of the* ***cost consequences*** *using the criteria set out in the Framework. (emphasis added)*[34]

As noted above, it is EGI's view that the review does not include a provision of cost comparisons. [35] As a result, FRPO has pursued discovery of cost implications and provision

[32] Exhibit I.Staff.2
[33] EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527, pg. 3-4
[34] EB-2017-0129 Report of the Board. Framework for the Assessment of Distributor Gas Supply Plans. Section 4.1
[35] EB-2019-0137 - Stakeholder Conference Presentation - Day One Transcript, pg. 22, line 25 to pg. 29, line 9 (included in Tab 5 of our Appendix for the convenience of the reader)

of submissions through QRAM initially.[36] Our efforts, driven by EGI's direction to seek costs in QRAM, created confusion with the Board. [37] In an attempt to get better insight and quantifiable cost information, we worked with other ratepayers in the Deferrals proceeding[38] to seek a commitment from EGI to provide this data in the 2023 Gas Supply Update. [39] In our view, if EGI were required to provide specific quantifiable evidence as part of the consultation, the company could provide evidence in support of its choices. Moreover, the inefficiency of ratepayer representatives being bounced from one proceeding to another for discovery could be eliminated. This change would improve regulatory efficiency.

Given that the next major update of the Gas Supply Plan has been deferred to accommodate the insight to be garnered from decisions in the rebasing proceeding, we believe this period would be an excellent opportunity for the Board to consider enhancements to the Framework process in a proceeding where a review of the Vector contracting could be considered.

Conclusion

FRPO appreciates the complexity of these matters and respects the Board's interest in ensuring just and reasonable rates. As we have detailed above, we do not see the contracting of Vector capacity from Chicago to Dawn as in the interest of ratepayers. Our efforts, enjoined by other ratepayer representatives, have reached the point that we respectfully request that Staff bring these matters to the Board's attention with a recommendation to initiate a proceeding on the prudency of EGI's Vector contracting. In addition, we request that staff recommend a review of the Framework pertaining to the utility's provision of costs that allow for consideration of the cost consequences of their gas supply planning approach.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

Dwayne R. Quinn

Principal

DR QUINN & ASSOCIATES LTD.

[36] FRPO_QUEST_EGI_QRAM 2022Q3_20220606, EGI_Reply_20220610_eSigned, FRPO_SUB_EGI_QRAM 2022Q3_20220613
[37] dec_order_EGI_July 2022 QRAM_20220616, pg. 10-11
[38] EB-2022-0110
[39] EB-2022-0110 Exhibit I.FRPO.9 & FRPO.14, FRPO_REQ EGI COMP RESP_20220906 and resulting Settlement Proposal EGI_SettlementP_20221011

APPENDIX

EB-2023-0072

FRPO Submissions on Vector Contracting

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Gas Supply Framework

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APPENDIX

Tab 1 – Summer/Winter Pricing at Dawn

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ENBRIDGE GAS INC.

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (FRPO)

Interrogatory

Reference:

Ex. 4, Tab 2, Schedule 1, pg. 7-8

Preamble:

We are interested in understanding the load balancing option to purchase delivered gas at Dawn during the winter period that has its price fixed 9 months or longer ahead of the start of those deliveries. To do this, we are asking for data on the spread between summer (Apr.-Oct.) and winter (Nov.- Mar.) strips of gas as a measure.

Question(s):

For each of the last 5 gas winters, starting with 2018/19 going to 2022/23, using forward market prices at Dawn (providing reference to published source) on the dates provided , complete the following table using 2018/19 as an example:

DATE	APR-OCT PRICE	NOV-MAR PRICE	DIFFERENCE
FEB. 1/18			
NOV. 1/17			
MAY 1/17			
NOV. 1/16			

For clarity, for each year used, please start the provision of data with Feb. 1st of that year and prior dates, 12, 18 and 24 months prior to Nov. 1st.

Response:

Please see the requested information in Table 1. Also, please see response at Exhibit I.4.2-FRPO-100 part e), which addresses the stated interest in the preamble above.

Table 1
Forward Summer & Winter Prices at Dawn (US$/mmbtu)

Line No.	Date	Apr – Oct (a)	Nov – Mar (b)	Difference (c)
	2018/2019			
1	Feb. 1/18	2.637	2.964	0.327
2	Nov. 1/17	2.678	3.040	0.362
3	May. 1/17	2.677	2.979	0.302
4	Nov. 1/16	2.741	3.259	0.518
	2019/2020			
5	Feb. 1/19	2.533	3.002	0.469
6	Nov. 1/18	2.472	2.915	0.443
7	May. 1/18	2.275	2.749	0.474
8	Nov. 1/17	2.521	2.937	0.416
	2020/21			
9	Feb. 1/20	1.780	2.427	0.647
10	Nov. 1/19	2.211	2.757	0.546
11	May. 1/19	2.403	2.868	0.465
12	Nov. 1/18	2.346	2.801	0.455
	2021/2022			
13	Feb. 1/21	2.693	2.999	0.306
14	Nov. 1/20	2.824	3.237	0.413
15	May. 1/20	2.436	2.840	0.404
16	Nov. 1/19	2.197	2.723	0.526
	2022/2023			
17	Feb. 1/22	4.385	4.708	0.323
18	Nov. 1/21	3.684	4.019	0.335
19	May. 1/21	2.417	2.755	0.338
20	Nov. 1/20	2.446	2.933	0.487

Source: NYMEX Futures settlements (CME Group), Dawn forward basis settlements (Kiodex)

APPENDIX

Tab 2
Forecast of Chicago and Dawn Pricing

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Gas Supply Framework

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e) Please see response to Exhibit I.5.EGI.EP.1a.

f) Please see Attachment 1. Please note, Attachment 1 was completed based on the rates approved with the January QRAM for the years 2015 to 2021, and the 2022 Rate Application for 2022.[9] Enbridge Gas does not forecast typical customer bill amounts for future years.

g) Please see Attachment 2.

h) Please see Attachment 3.

i) Please see response to part g above.

j) Enbridge Gas's gas supply planning group does not develop its own gas price forecast. For rate setting purposes, Enbridge Gas uses natural gas forward strip prices. The table below provides the October natural gas forward strip prices for various trading points, converted to C$/m^3.

October Natural Gas Forward Strip						
(C$/m3)*						
	2022F	2023F	2024F	2025F	2026F	2027F
AECO	0.1287	0.1082	0.1020	0.1041	0.1063	n/a
Empress	0.1355	0.1134	0.1089	0.1090	0.1113	n/a
Henry Hub	0.1743	0.1498	0.1401	0.1385	0.1386	n/a
Dawn	0.1590	0.1369	0.1288	0.1296	0.1303	n/a
Niagara	0.1446	0.1226	0.1153	0.1159	0.1162	n/a
Chicago	0.1664	0.1421	0.1341	0.1344	0.1354	n/a
MichCon	0.1570	0.1334	0.1253	0.1271	0.1292	n/a
Dominion South	0.1294	0.1087	0.0985	0.0963	0.0964	n/a
PEPL	0.1549	0.1264	0.1168	0.1164	0.1167	n/a
Iroquois	0.2742	0.2351	0.2240	0.2223	0.2224	n/a
**Conversion factors: GJ/MMBtu = 1.055056; C$/US$ = 1.26; MJ/m3 = 38.96*						

ICF International is Enbridge Gas's primary third-party that provides natural gas price forecasts. The table below shows ICF International's 2021 Q3 Natural Gas Supply Price Forecast, converted to C$/m^3.

[9] EB-2021-0147, EGI 2022 Rates Phase 1 Application (June 30, 2021).

ICF International 2021 Q3 - Natural Gas Supply Price Forecast						
	C$/m3*					
	2022F	2023F	2024F	2025F	2026F	2027F
AECO	0.1302	0.1160	0.1134	0.1397	0.1292	0.1182
Empress	0.1367	0.1225	0.1194	0.1456	0.1352	0.1242
Henry Hub	0.1584	0.1387	0.1340	0.1512	0.1404	0.1311
Dawn	0.1602	0.1439	0.1390	0.1588	0.1504	0.1399
Niagara	0.1505	0.1344	0.1293	0.1466	0.1368	0.1265
Chicago	0.1548	0.1388	0.1348	0.1555	0.1465	0.1358
MichCon	0.1551	0.1389	0.1348	0.1547	0.1454	0.1353
Dominion South	0.1263	0.1096	0.1048	0.1163	0.1019	0.0924
PEPL	0.1478	0.1308	0.1267	0.1447	0.1357	0.1253
Iroquois	0.1856	0.1669	0.1602	0.1814	0.1742	0.1627
**Conversion factors: GJ/MMBtu = 1.055056; C$/US$ = 1.26; MJ/m3 = 38.96*						

k) Enbridge Gas is a price taker and procures gas supply through competitive bidding processes with creditworthy suppliers at natural gas supply hubs in Canada and the United States. The price paid by any market participant for gas supply will reflect each market participant's procurement process and the market environment at the time the supply arrangements are set. As a result, Enbridge Gas is not privy to natural gas prices paid by other market participants, including direct purchase customers of Enbridge Gas.

APPENDIX

Tab 3
Vector Pipeline System Map

EB-2023-0072

FRPO Submissions on Vector Contracting

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Gas Supply Framework

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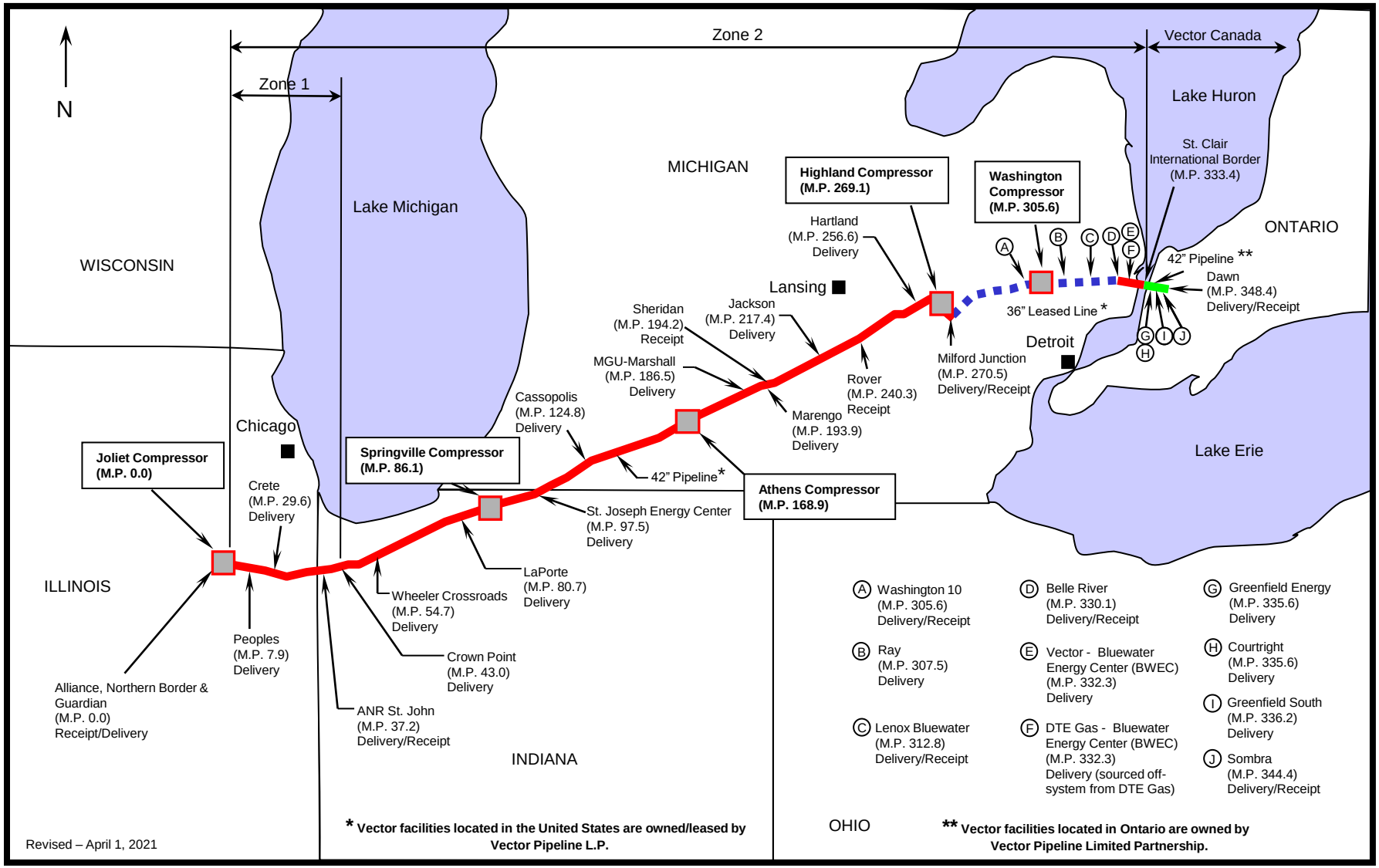
Vector Pipeline System Map

Vector Pipeline™



APPENDIX

Tab 4
Unsubscribed Vector Capacity
EB-2023-0072

FRPO Submissions on Vector Contracting

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Gas Supply Framework

August 14, 2023

INFORMATIONAL POSTINGS

SF151	ANR	Receipt Location/RPQ	202,000	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
SF151	ANR	Delivery Location/DPQ	202,000	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
BR101	Belle River Mills	Delivery Location/DPQ	505,000	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
BR101	Belle River Mills	Receipt Location/RPQ	239,900	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
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VX091	Bluewater Energy Center	Delivery Location/DPQ	100,000	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
CAS151	Cassopolis	Delivery Location/DPQ	9,200	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
CM151	Crete	Delivery Location/DPQ	1,080	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
CP151	Crown Point	Delivery Location/DPQ	573,385	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
GU151	Guardian	Receipt Location/RPQ	806,828	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
GU151	Guardian	Delivery Location/DPQ	673,156	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
HD151	Hartland	Delivery Location/DPQ	182,000	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
JM151	Jackson	Delivery Location/DPQ	93,120	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
LP151	La Porte	Delivery Location/DPQ	151,500	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
MG101	Marengo	Delivery Location/DPQ	18,300	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
VX040	MGU-Marshall	Delivery Location/DPQ	21,350	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
MJ151	Milford Junction	Delivery Location/DPQ	-33,300	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
MJ151	Milford Junction	Receipt Location/RPQ	796,280	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
NB101	Northern Border	Receipt Location/RPQ	743,500	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
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RO101	Washington 10	Delivery Location/DPQ	1,370,428	08/12/2023	08/13/2023	08/12/2023 12:15:00 AM
AL101	Alliance	Receipt Location/RPQ	1,253,700	08/11/2023	08/12/2023	08/11/2023 12:15:00 AM
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Chicago to Milford
MJ151 Receipt Location/
RPQ 796,280

APPENDIX

Tab 5
Testing of Gas Supply Decisions From Day 1 of First Gas Supply Stakeholder Conference

EB-2023-0072

FRPO Submissions on Vector Contracting

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Gas Supply Framework

August 14, 2023

MR. BROPHY: Mike Brophy with Pollution Probe. So I just had two questions. One, I think I heard the company indicate that we won't be getting a Board approval out of this review, and that the issues that are on the agenda, some you will answer and some you may defer as well.

So I just wanted to confirm, or if you can confirm for me that it wouldn't restrict the ability to ask questions related to any of these issues and have the company respond to them in future proceedings.

What I am worried about is that you point back to this and look like there was some clarity or a decision made on some issues that we will be talking about, and it might constrain the ability to have a more fulsome discussion on those in other proceedings.

Can you confirm that?

MR. LeBLANC: I guess I won't give you maybe carte blanche confirmation. But I would say generally yes, I agree with what you are saying.

MR. BROPHY: And then just secondly, it would be helpful if the Board report coming out of this just to give that clarity around the issues that were discussed and the answers. But it doesn't actually give a fulsome answer that can't be re-examined in those future cases, that would be helpful. Thank you.

MR. MILLAR: Dwayne, can did you have a question?

MR. QUINN: I have a couple of questions, thank you, Mr. Millar, first I guess to Mr. Stevens.

I want to understand -- I respect this is Enbridge's

views of what the framework is presenting, but what you said, Mr. Stevens, was along the lines of when these are brought into the rate adjustment process -- I think is the phrase you used -- the costs are brought into the rate adjustment process, I was trying to understand.

Are you talking about the delivery rates, or the annual update of the gas supply plan?

MR. STEVENS: So in a discussion with Ms. Innis, clearly I misunderstood what is coming next in the rate adjustment cases.

There is in fact no annual examination of the demand forecast for each rate zone during the rebasing period. I misspoke; I apologize for that. But that will be dealt with at rebasing also.

I am not sure if that is actually the question you asked, Dwayne, but I wonder if that is the source of the confusion.

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.

MR. QUINN: That is part of our challenge, Mr. Stevens, so thanks for clarifying that.

Now to Mr. LeBlanc, thank you, Jamie, for the overview. But I think this is kind of where the rubber hits the road.

Again, we don't have the benefit of the transcript, but you had said here's our five-year plan, and if EGI varies from that, it goes into a deferral account which would be subject to review.

However, if Enbridge stays on track with its current plan, and we have a concern or a challenge to the costs that were borne by customers as a result of executing the plan, how do we have the evidence of what was analyzed at the time as alternatives?

In other words, if you say here's our plan and we say, okay, have you looked at this alternative? I heard you say earlier we're not going to give you new tables, we are not going to give you new analyses.

So what did you do, what alternatives were considered and how were they evaluated to ensure that the Board can be assured that the company balanced those principles, if that information isn't part of the record?

So if you come with your plan and follow the plan, and we say, hey, why didn't you do this. You say, well, we followed our plan. But we said why didn't you check out this alternative. Well, it was part of the gas supply plan and we don't do costs in the gas supply plan.

That is the conundrum we face. How do we test, on a

gas supply plan, a decision that may be undertaken in a contract entered into for gas costs two or three years down the road? Where do we get to help the company look at alternatives to ensure that those Board principles are adequately balanced?

[Mr. LeBlanc and Ms. Liberty confer]

MR. LeBLANC: So we're going to answer as a team. The first part, I think what I would like to throw out there is what this -- what I believe and what the company believes this conference is about.

It is about bringing more transparency to how the plan is created, how decisions are made, how the plans are executed. It is not about approving the specific costs of the plan.

And I think what we're trying to get across in this process is a broader understanding and more transparency about how we make decisions to provide confidence to stakeholders that we are following a good, strong and detailed process, and we are making good decisions on behalf of ratepayers.

So this process is not about, in my view, not about dealing with specific costs of specific decisions.

It is about providing details on how we make decisions, and to give you insight into what the outcomes of those decisions have been.

But I will let Erin talk a bit more about where the costs show up.

MS. LIBERTY: I will look to my regulatory friends

here if I mis-speak.

But in terms of my understanding of the deferral application process, as well as the QRAM process, there are opportunities there where we do speak to differences between actuals and plan.

I know that through those processes, significant differences or changes are talked about. So in addition to the opportunities through this process and the stakeholder session and the annual update, there will also be opportunities to speak to significant differences with actual versus plan in those proceedings.

MR. MILLAR: Can I interject? Maybe I approach this from a position of ignorance, because you both know a lot more about this than I do. But there is a gas supply plan which includes -- you know, Enbridge has decided this is kind of how we want to get our gas, these are the type of contracts we want to use, this is whether it comes from east, west, south, wherever. Can't you ask about that here.

Quite right, the cost consequences of that aren't even known specifically at this point, and the actual costs will go into rates for the QRAMs. But can't you ask here about why they chose X supply route instead of Y supply route?

MR. QUINN: Well, we asked for information on the analyses for them to look at another alternative to the analyses.

Maybe I am presuming, but I am hearing Jamie saying we are not going to do redo the analysis, and we're not going

to provide different tables.

MR. MILLAR: Maybe we are getting a little ahead of ourselves, and again I want to keep us on track. I actually think these are all good questions and it is important.

I want to keep us on track and it may be when we get to those sections of the presentation, maybe they will answer your question; I don't know. But maybe we can wait until we get there and see.

MR. QUINN: I respect that, Michael, and I will try to do that specifically. I just want to address Ms. Liberty's comments about if there's changes, we can test them.

But my question is, and maybe it was convoluted in the way I ask it, is what if you stay on plan, but we still disagree with the plan, but we didn't have any evidence to test whether the plan looked at other alternatives which may have opinion more effective?

MR. LeBLANC: I think your input will be -- my view is you are going to write a report after this day based on what you see, and that will be your opportunity, at least one opportunity to provide your input and views on whether or not the plan is, in your opinion, the right plan.

And I'd understand after that process, the Board Staff are going to write a report based on all of the input given, and the Board will ultimately see all of that and decide whether or not additional process is required.

So presumably if you provide information that the Board feels needs to be delved into further, then they will

do something at that time. Or if they decide that what you are saying does not have -- there's no need to further go into it, then I guess that is to some extent an answer from the Board.

MR. MILLAR: Go ahead, Mark.

MR. RUBENSTEIN: I agree with Dwayne's comments, but this is not really a critique of Enbridge. The process is a flawed process. I think so many parties made submissions on that during the consultation, setting up the process. So I agree with Dwayne's comments and I will write them in my comments to Board -- blame -- through Board Staff. But I accept that Enbridge is not a fair critique of Enbridge. They're following the process that has been laid out by the Board.

MR. QUINN: I take a similar view, Jamie. I think staff attempted to provide a framework that would balance these issues, but sometimes, as we said for years, the devil can be in the details, and we are just trying to make sure there is due process because, frankly, we don't want to have a prudency test on alternatives that weren't considered or there wasn't evidence of them or due consideration of the alternatives on the record such that puts the company at risk.

You and I sat together some five years ago and we talked some of these things through. The Board is trying to address those matters.

If we work together to learn about how we can proactively address these issues so the company can have

comfort, then we're not testing prudence, we are just trying to ensure that the costs are reasonably borne, because we're paying for those costs.

So I think -- I will try to heed Mr. Millar's advice and try to give you specifics when it comes to the analysis we asked for, and possibly a lightbulb will go on for either of us --

MR. MILLAR: Or for Board Staff, for that matter.

MR. QUINN: Okay.

MR. MILLAR: I really do want to keep us moving here. Do we have anyone on the phone with some burning questions on this initial set of slides?

MR. WHARTON: We have a couple of questions here. Sorry.

MR. MILLAR: Oh, yes. Go ahead, please.

MR. WHARTON: Okay. Thank you. Just a few quick ones. Just for the deferral account proceedings where the cost prudence will be determined, does Enbridge anticipate filing any gas supply information or any decision analysis on your gas supply decisions in those deferral account proceedings?

MR. STEVENS: I think we can answer that sort of from the regulatory perspective. It really depends, I suppose, what's being asked to be cleared and if there's a requirement for extra evidence to be provided, and similarly, it depends what questions are asked as to whether there is information that needs to be filed in a responsive manner.