

VIA E-MAIL

February 17, 2022

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

RE: EB-2022-0081 – Draft Natural Gas Facilities Handbook – FRPO Comments

Introduction

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) in response to the letter from the Board of February 3, 2022.

FRPO believes that the compilation of criteria for the Handbook will be a helpful resource for applicants, stakeholders and most importantly, the Board. We recognize that the draft document is drawn from past decisions and legislative mandates. At the same time, we understand that the Handbook would become a living document, so we provide our comments to assist the Board with the initial publishing and consideration for future enhancements.

FRPO has benefited from receiving a draft of the comments of the School Energy Coalition. We agree and support their comments and will not repeat them in our submissions.

FRPO Comments

Enhanced Information on Alternatives Analysis in Applications Assists Process

While we look forward to the development of processes to incorporate Integrated Resource Planning Alternatives into facilities applications, we recognize that there will still be a need to address meeting energy demands through transported and distributed natural gas. In these situations where a pipeline solution is the most effective method of overcoming a constraint, we respectfully submit that substantial procedural improvement can be made in requiring enhanced evidence regarding the review and assessment of alternatives and the reasons behind the proposed, preferred solution.

In recent LTC cases,¹ significant gaps in prefiled evidence resulted in ratepayer representatives petitioning the Board for enhanced discovery. Even with some additional

¹ EB-2019-0172 Windsor Line Replacement and EB-2020-0192 London Lines Replacement

discovery afforded by the Board, significant unknowns remained even at the time of argument, thus reducing ratepayers' ability to provide concrete evidence-based alternatives for the Board's consideration. In our view, the resulting information asymmetry could be avoided with enhanced evidentiary requirements as part of the application.

To be able to design a pipeline system that meets existing and potentially future demands, the utility must ensure that, upon completion of the applied for project, the customer demands can be met. Using the pressure available in the upstream system and properly sized pipelines, these customer demands can be met at a minimum system design pressure and/or customer delivery pressure. These system pressures tend to be standardized by utilities to allow utilization of pre-qualified equipment at crucial pressure change stations and customer delivery stations. The process to select the proper size involves analyzing the available inlet pressure to the proposed facilities and, through what can be an iterative process, trying more than one size to provide the desired pressure delivery pressures while meeting system load.

Given the somewhat complex nature of multiple demands, pipe sizes and, sometimes, sources of gas, utilities use simulations to analyze pipe sizes to meet the design criteria. These simulations must be completed and their results recorded in order to inform senior management of the efficacy of the alternatives. Then, management will be able to choose the optimum sizing of pipe to meet the expected requirements. These simulations are very powerful in that multiple scenarios and sizes can be evaluated in a matter of hours to determine the capabilities of multiple alternatives. However, the results of these simulations are generally not provided. These simulations and their results cannot be re-created by Board staff or ratepayer representatives. This leaves stakeholders with the responsibility to strive to ask precise questions that are not always answered, and to try to get evidence on considered and rejected alternatives.

To better inform the process, we respectfully submit that the applications should provide data on the alternatives pipe sizes that were considered and the results of the simulations. To be clear, not every system pressure determined by the simulations is needed. However, fundamentally, to optimize the size of the pipe, a few specific attributes would be extremely informative.

As an example, the application could provide data on pressure available upstream under design conditions, the minimum pressure required in the evaluated system and the capacity that each of the alternatives provides. Those capacities can then be assessed relative to current and foreseeable future demands for the Board to understand the value of the alternatives relative to each alternatives' respective costs. This is the same information the senior management of the utility would use to select their proposed sizing, but that information is not provided in the application. We recommend that applications include inlet and outlet pressure assumptions and capacity created for all of the alternatives considered.

Integration Complexity of Storage Projects Warrants Additional Information

As a result of the NGEIR decision, Enbridge Gas and Union Gas were approved to provide both utility and non-utility services from their respective storage operations. Given the excess storage space above utility needs operated by Union at the time of the decision, each utility developed its own approach to cost allocation for capital invested in storage operations after the Board decision. While each utility received Board approval for the respective approaches, in our view, insufficient evidence is provided to distinguish between replacement, betterment, enhancement or upgrade that provides a clear distinguishment for the allocation of costs stemming from capital investments.

This lack of distinguishment starts with the original ownership of the storage pools. A scan of recent storage applications that required Board approval did not provide clear delineation of original ownership (i.e., Union Gas vs. Enbridge Gas Distribution). Given different cost allocation methodologies approved for the respective legacy companies, it is important to start with the original ownership. However, one needs to do a forensic assessment of the application to determine the original ownership and the cost allocation principles that ought to be applied.

As an example, in the drilling of a vertical well in the Payne pool,² EGI does not provide the original ownership. However, by reading that the Pool is connected to Dawn and provides service to the “regulated and unregulated operations,”³ one can surmise that it was originally owned by Union. What is more difficult to understand is what the impact will be to the respective utility and non-utility operations as the capital work is deemed to be “like for like.”⁴ Given the response to Board staff’s inquiry on allocation factors does not provide any specifics on how much deliverability was removed in 2005 and 2007 and how much would be replaced by this project in 2020/2021,⁵ the potential for anyone to determine the appropriate allocation factors in subsequent rebasing proceedings would be either very limited or non-existent.

In our view, engineering assessments of before and after deliverability of either previous well removals or new additions are much more specific metrics to create understanding of the impact on operations. This information will assist the Board in its determinations of what capital costs ought to be funded by ratepayers. These assessments coupled with the original ownership of the storage pool and impact on respective operations are much more helpful and appropriate for the purpose of allocating cost.

² EB-2020-0105 EGI_APPL_20200409 REDACTED

³ Ibid, Exhibit D, Tab 1, Schedule 1, page 1

⁴ Ibid, Exhibit B, Tab 1, Schedule 1, page 2: FRPO notes that “like for like” is an unhelpful categorization in its use by utilities as facility work rarely can provide the exact same amount of capacity .

⁵ EB-2020-0105, EGI_IRR_20200629_REDACTED, Exhibit I.STAFF.3

Conclusion

FRPO appreciates the opportunity to submit comments on the draft Handbook. We believe by adding the requirement to provide the capacity available from existing facilities, which may be abandoned in the application, to the capacity available from the proposed project along with alternatives considered will assist the Board in ensuring that ratepayers investments are appropriate and in the public interest.

All of Which is Respectfully Submitted on Behalf of FRPO,

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- c. R. Murray – OEB Staff
Interested Parties – EB-2022-0081