VIA E-MAIL

June 13, 2022

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

RE: EB-2022-0150 – EGI QRAM Q3 2022 - FRPO Submissions

Introduction

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) regarding issues that arose during the review of Gas Supply costs and the company's proposed approach for the third quarter of 2022. FRPO has participated in recent QRAM applications given the evolution of Gas Supply discovery associated with the new Gas Supply Review framework and our expressed concerns about the Board being provided the full picture. In these submissions, we address three issues: QRAM costs with the proposed mitigation, the costs associated with Vector transport and Load Balancing costs.

Proposed Mitigation Strikes Reasonable Balance between Market Prices & Ratepayer Impact

EGI has documented the major reasons why the cost of the commodity continues to climb. FRPO understands these reasons and does not dispute the need to increase the commodity rates for all the EGI territories. Further, we believe that the EGI's proposed mitigation approach provides for a reasonable balance in respect of the Board's expectation of market sensitive pricing while minimizing rate shock for system gas customers. Therefore, we support the prime mitigation approach proposed by EGI.

EGI's Choice of the Vector Transportation Path does not Represent Ratepayer Value

As submitted to the Board in the Gas Supply proceeding[1], FRPO is very concerned about the appropriateness of EGI's decisions to increase its contracting with the Vector pipeline while simultaneously, extending the term of an existing capacity contract. Without repeating our more comprehensive submissions in the annual review proceeding, FRPO, along with other ratepayer representatives, have struggled to be able to achieve a complete picture of the impact of decisions made by EGI in choices for supply sources in the Gas Supply plan and

[1] EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527

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their ultimate impact on ratepayers. In highlighting the selection of increased contracting on Vector in multiple proceedings, we hope to provide the Board with a concrete example of the challenge to piece together evidence from the various proceedings into full and clear insight into the cost consequences of EGI's gas supply choices. However, while we will provide some insight here, we will need to await discovery in the EGI's upcoming deferral disposition proceeding to complete the process.

Vector pipeline, whose majority owner is Enbridge Inc., provides transportation service between Chicago and Dawn. The pipeline's contracting and movement of gas has evolved significantly from its original purpose when built[2] and market participants that understand this evolution contract accordingly. However, EGI increased its contracting for the full Chicago to Dawn path by 42,202 GJ/day[3] while extending an existing contract for twice that amount for an additional three years.[4] These transactions occurred at a time that the forward market was pricing the cost of gas at Chicago higher than the cost of gas at Dawn making the transportation toll from Chicago to Dawn uneconomic.[5]

To establish the ratepayer impact of contracting approach, FRPO asked EGI for costs of gas sourced in Chicago and transported to Dawn versus gas sourced at Dawn. The reply provided that the cost of Chicago sourced gas is higher than that sourced at Dawn in every month of the last nine evidenced in this QRAM application.[6] In fact, from that same response, in the five months since the new Vector contracts started flowing Nov. 1/21, the average landed cost was more than $0.75/GJ higher from Chicago resulting in an average of close to $1M/month of increased ratepayer cost. This is a quantification that we could not establish in the Gas Supply proceeding.

In the Gas Supply Stakeholder conference, we asked about the choice to increase reliance on deliveries from Vector when there seemingly was limited economic benefit. EGI stated that the company opted for pipeline contracting because of renewal rights and their control of the delivery.[7] As these were the initial and primary reasons provided, we asked in this proceeding about the amount of Chicago gas actually delivered by the transport under control of EGI vs. how much was delivered by third-parties who now control the transport and choose how to deliver the gas to Dawn. As provided in part d) of Exhibit I. FRPO.4, only 5% of the Chicago sourced gas was delivered by the transport contract still held by EGI with 95% being assigned to third parties (100% in the winter months when reliability is more crucial). This evidence makes it clear that reliability stemming from control of the pipeline rights is not the priority for this transport.

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[2] EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527, pg. 3
[3] EGI_2022 Annual Update Gas Supply Plan_20220301_eSigned, pg. 38
[4] EGI_2022 Annual Update Gas Supply Plan_20220301_eSigned, pg. 63
[5] EB-2022-0072 FRPO_SUB_EGI GS UPDATE_20220527, pg. 5-8
[6] Exhibit I.FRPO.4
[7] Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 2, pg. 27, lines 24 to 25

To complete the picture, FRPO will need to provide the Board with an understanding the impact of the significant assignment of these contracts which we will attempt to obtain in the upcoming deferral account proceeding. We asked for this information in the Gas Supply proceeding but were told that it could be provided in the deferral proceeding.[8]

For the purposes of this proceeding, FRPO recognizes that a significant amount of commodity cost is being deferred for collection at a later period. As a result, we are not seeking specific relief at this time and respect that the Board will want to proceed with the required rate changes in a timely fashion. However, we want to highlight to the Board our concerns over EGI's gas supply choice and the challenge in achieving full discovery across three proceedings. We reserve our opportunity to make future submissions about the appropriateness of these decisions when the evidentiary record is completed.

Load Balancing Costs

In our comments to EGI's second quarter 2022 QRAM, we had asked for an enhanced understanding of the allocation of load balancing costs. FRPO inquired of EGI how it handled the incremental volume and costs associated with volumes purchased for Union South.[9] In its reply submission, EGI stated:[10]

> *During the month of February, Enbridge Gas did purchase spot gas for the Union Rate Zones, however due to timing the costs and volumes of these purchases will not be included for cost recovery until the July 2022 QRAM. In the July QRAM, Enbridge Gas will provide a reconciliation of the drivers of those purchases and allocate costs to the appropriate accounts.*

We appreciated that the spot gas costs for Union South were not included in the Q2 QRAM and EGI would be providing this information in the Q3 2022 QRAM. However, FRPO respectfully asked that in the committed reconciliation and allocation, EGI provides evidence that provides a comparison and differentiation of the handling of these costs relative to how those costs are handled in EGD territory. While EGI provided some additional information, the allocation of load balancing costs in the respective rate zones is still unclear. Further, the lack of transparency is evidenced in the following excerpt from the evidence.[11]

> *Once winter was over, Enbridge Gas performed its reconciliation process in order to allocate its winter purchases. During this process, it was found that supply assumptions were incorrectly calculated which resulted in the winter planned system inventory requirement being understated by a small amount. After the correction was made, the purchase at Dawn was determined to be part of the planned system*

[8] Transcript EB-2022-0072 Enbridge GSP Stakeholder Conference Day 2, pg. 68, lines 1 to 18
[9] FRPO_QUEST_EGI_QRAM 2022Q2_20220314
[10] EGI_REPLYSUB_20220318_signed, Exhibit I.FRPO.1
[11] Exhibit D, Tab 1, Schedule 1, p. 1

supply and therefore, is not a spot gas purchase. The purchase at Dawn was made later in the winter season at a lower price than the seasonal average.

While appreciate EGI acknowledging this error that has been corrected, there is little in this answer that provides the understanding we are seeking. FRPO still seeks to understand the principles and processes that EGI uses to allocate load balancing costs in their respective rate zones. We respectfully ask again, that the company provide a descriptive comparison of the allocation approaches across the respective rate zones.

Costs

FRPO has outlined the reasons for our involvement in the above introduction. We trust our observations will be of benefit assistance to the Board and, as such, request a cost award of our reasonably incurred costs in the proceeding.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn

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Interested Parties - EB-2022-0089