

DR QUINN & ASSOCIATES LTD.

VIA RESS

January 16, 2023

Ontario Energy Board

Attn: Ms. Nancy Marconi, OEB Registrar

27th Floor, 2300 Yonge Street, Toronto ON M4P 1E4

RE: EB-2022-0200 EGI 2024 Rates & Rebasing – Submission of Evidence

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) in response to the OEB's Procedural Order No. 1 with respect to Intervenor Evidence.

FRPO has assisted the Board in many natural gas proceedings over the last 14 years often providing perspectives on technical and gas supply matters. Given the scale, scope and complexity of this case and to ensure a thorough examination of the technical and gas supply matters, FRPO has sought the services of North Side Energy LLC and its principal, Mr. John Rosenkranz.

Beyond assisting with discovery on distinct items pertaining to gas supply and cost allocation, FRPO has requested that North Side Energy provide evidence on the issue of turnback risk of the Dawn-Parkway system. Mr. Rosenkranz has assisted the OEB in the past in a variety of capacities¹, most notably assessing the turnback risk of the Dawn-Parkway at the outset of the Dawn-Parkway system expansions undertaken by Union Gas from 2015 through 2017. In FRPO's commissioning of this evidence, we believe North Side Energy experience in other jurisdictions in the Northeast United States will provide the OEB with a helpful perspective in these matters.

As directed by PO #1, North Side has provided a summary of the scope and purpose of the evidence which we have attached to this cover letter. In addition, it is FRPO's estimate that our representative, Mr. Quinn, would invest an incremental 15-18 hours in assisting North Side Energy with Ontario context and support.

We trust that this cover and the attached specifics from North Side Energy is responsive to the OEB's order and would be of assistance to the OEB in the public interest.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn

Principal

DR QUINN & ASSOCIATES LTD.

c. V. Innis, EGIRegulatoryProceedings-EGI; K. Viraney, M. Millar – Staff; Interested Parties

¹ Mr. Rosenkranz was engaged by the Board as its consultant in developing the Storage and Transportation Access Rule, EB-2008-0052 and submitted evidence in EB-2011-0038 and EB-2014-0261

**Enbridge Gas application to change its natural gas rates beginning January 1, 2024
Ontario Energy Board Case No. EB-2022-0200**

PROPOSAL FOR EXPERT EVIDENCE ON DAWN-PARKWAY CAPACITY TURNBACK RISK

North Side Energy, LLC

January 11, 2023

In the Settlement Agreement for the Union Gas 2016 Dawn Parkway System Expansion Project (EB-2014-0261), the parties agreed that the need for cost allocation measures to address potential rate impacts from Dawn-Parkway system capacity turnback would be dealt with in the next rate rebasing case:

“CME, FRPO and OGVG submitted evidence relating to concerns regarding potential capacity turnback and resulting rate impacts. To address these concerns, the intervenor evidence called for conditions of approval that would extend the terms of existing transportation contracts and set a floor on the ex-franchise demand factors used for allocating Dawn to Parkway costs for a period of ten years.”

“Parties agree that this issue will be dealt with in Union’s next cost of service proceeding. For greater certainty, intervenors are in no way restricted or precluded from making any argument before the Board in that proceeding that it is appropriate that certain cost allocation measure be put in place to insulate ratepayers from the effect of unutilized and underutilized capacity on the Dawn-Parkway system due to potential turnback risk.”

ISSUES LIST

The Draft Issues List that was issued on December 16, 2022 includes two items that are related to the issue of capacity turnback risk:

- Issue #4 Has Enbridge Gas identified and responded to all relevant OEB directions from previous proceedings?
- Issue #20 Is the 2024 Cost Allocation Study including the methodologies and judgements used and the proposed application of that study to the current rate class design, appropriate?

In addition, the participants in the January 9, 2023 Issues Conference agreed to include a specific issue to address this matter for the Board’s consideration in the Other Issue section:

- Issue #43 How should Dawn Parkway turnback risk be dealt with?

ENBRIDGE GAS EVIDENCE

Enbridge Gas addresses the Dawn-Parkway capacity turnback issue at Exhibit 1, Tab 11, Schedule 1. Enbridge Gas expects that the Dawn-Parkway system will remain fully contracted through 2028, and includes a market study by ICF International Inc. to support this conclusion. ICF states that “the Enbridge Gas Dawn to Parkway system likely will remain contracted through 2028 at levels similar to today’s levels”.

Enbridge Gas does not address whether it would be reasonable to implement cost allocation measures to protect ratepayers from capacity turnback.

TURNBACK RISK

The ex-franchise contracts for Dawn-to-Parkway transportation service that are currently in effect will expire before the costs of existing pipeline, metering, and compression facilities are fully recovered in rates. Because Dawn-Parkway system costs are allocated to ex-franchise services based on contract quantities, there is a risk that costs will be shifted to in-franchise customers in future rebasing proceedings if ex-franchise contracts are not renewed or replaced.

The potential for cost shifting is significant. The 2024 Cost Allocation Study shows that Enbridge Gas expects to recover about one-third of the total Dawn-Parkway system revenue requirement of just over \$300 million per year from ex-franchise customers.

Exposure to contract turnback is likely to increase if Enbridge Gas continues to expand the Dawn-Parkway system. The 2023-2032 Asset Management Plan includes two Dawn-Parkway system expansion projects.¹ These are the Kirkwall-Hamilton NPS 48 Project, with an estimated cost of \$192 million and a planned in-service date in 2026, and the Parkway-Enniskillen NPS 48 Project, with an estimated cost of \$247 million and an expected in-service date in 2029 or 2030.

SCOPE OF EXPERT EVIDENCE

The expert evidence would have two main purposes. The first is to provide a more detailed assessment of the Dawn-Parkway capacity turnback risk, and the potential impact on Enbridge Gas ratepayers. The second purpose is to recommend specific cost allocation measures that Enbridge Gas could implement to avoid undue cost shifting if capacity turnback does occur in the future. This would include an examination of the 2024 Cost Allocation Study, and how physical Dawn-Parkway facilities costs, and costs related to the Parkway Delivery Obligation, have been, and would be, recovered.

Long-term contracts for Dawn-to-Parkway transportation service are held by three main customer groups: (1) New York and New England gas distribution companies (LDCs), (2) Ontario

¹ Exhibit 2, Tab 6, Schedule 2, Appendix A, pages 54-55.

gas-fired power generators, and (3) gas utilities in Ontario, Quebec, and Eastern Canada. Of the three groups, the risk of turnback appears to be highest for the U.S. LDCs. These companies currently hold contracts for 736,434 GJ/day of Dawn-Parkway system capacity, which is about 40 percent of the total Dawn-to-Parkway service under contract to ex-franchise customers.

Enbridge Gas and ICF consider Dawn-Parkway system turnback risk based mainly on past contracting practices and ICF's high-level forecasts of natural gas market growth. The expert evidence will add to the information available to the Board by examining individual LDC resource plans to assess: (a) how Dawn-Parkway transportation services fit into U.S. LDC supply portfolios, (b) how the future need for upstream pipeline capacity will be affected by state energy policies and greenhouse gas reduction goals, and (c) whether other gas supply options or non-pipeline alternatives could replace Enbridge Gas transportation services when LDCs' current contracts expire.

QUALIFICATIONS

All work for this project will be done by John Rosenkranz, Principal with North Side Energy, LLC. Mr. Rosenkranz has over thirty years of natural gas industry experience, and has appeared before the Board in previous Union Gas rate rebasing and leave to construct proceedings, including EB-2011-0038 and EB-2014-0261. Mr. Rosenkranz was consultant to Board Staff in the Storage and Transportation Access Rule case (EB-2008-0052) and the Guidelines for Pre-Approval of Long-Term Gas Supply Contracts case (EB-2008-0280). In the United States, Mr. Rosenkranz has submitted expert testimony on LDC cost of gas and resource planning issues on behalf of the Maine Public Advocate, and New Jersey Division of Rate Counsel, and other intervenors.

COST ESTIMATE

This assignment will include an examination of the applicable sections of the Enbridge Gas Application and Evidence, assistance with discovery, and the submission and support of written testimony. This is expected to involve up to 100 hours of consulting services over the course of the proceeding, which includes preparation of interrogatories, written evidence, interrogatory responses, and oral testimony. Consulting expenses and travel costs, if applicable, will be billed in accordance with Board requirements.