

January 15, 2020

VIA RESS AND COURIER

Ms. Christine Long
Registrar & Board Secretary
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Dear Ms. Long:

Re: EB-2019-0255: Potential Projects to Expand Access to Natural Gas Distribution.

Industrial Gas Users Association (IGUA) Comments on Draft Guidelines.

Further to the Board's invitation dated December 19th, this letter provides brief comment on behalf of IGUA on the Board's *Draft Guidelines for Potential Projects to Expand Access to Natural Gas Distribution (Draft Guidelines)*. IGUA's brief comments are informed by its recent active intervention in the EPCOR South Bruce gas expansion proceedings, and in particular EPCOR's application to establish rates for its gas expansion system (EB-2018-0264).

Rates

IGUA's overall concern with the Draft Guidelines is that they don't seem to contemplate, or at least to expressly consider, specific and supported rate proposals. In the EPCOR South Bruce proceedings the lack of information regarding specific rates was an issue for the two IGUA members intending to take service from EPCOR's expansion system.

Section 6.1 of the *Draft Guidelines* requires that the proponent provide "*the estimated amount*" that it proposes to recover from customers on an annual basis "*in the form of an estimated annual distribution charge inclusive of fixed and variable charges over the rate stability period to be applied to all new customers*". It is not clear whether the Board intends that the proponent identify an average charge, or charges applicable to individual rate classes (i.e. rates). In IGUA's view the former – some sort of average charge - would be of limited value in considering the viability and underpinning connection forecasts and volume of a proposed gas expansion project.

The *Draft Guidelines* clearly do not contemplate provision of the cost allocation information that would conventionally be relied upon in identifying and approving rates by rate class. Further, while section 8.1 of the *Draft Guidelines* requires the proponent to identify approvals that will be required for the project, and enumerates a number of these, the enumerations do not reference rate approvals.

The recent EPCOR South Bruce rates proceeding included debate about how rates were to be set given representations made and risk allocations proposed when EPCOR sought approval for its expansion project. The uncertainty in the *Draft Guidelines* noted above regarding the presentation of “charges” and the lack of reference to information supporting those “charges” begs a question about whether the Board is effectively adopting a new “market based” rate policy for expansion projects, under which rates are set based on ability or willingness to pay rather than cost to serve.

The approach to be adopted for setting rates in turn impacts both project evaluation and project risk allocation. IGUA respectfully suggests that if the Board is intending to apply a new and different approach to setting rates for gas expansion projects it should expressly so indicate, both for the sake of potential project proponent, and in order to inform project viability evaluation.

Schedule

Section 3.5 of the *Draft Guidelines* requires the proponent to provide the proposed schedule for construction, including the start date and the projected in service date.

Another issue that arose in the recent EPCOR South Bruce rate proceeding was the extent to which the expansion system proponent takes the risk on the schedule for project construction and customer attachment. IGUA respectfully suggests that the Board consider clarifying the extent to which the proponent or ratepayers are intended to bear scheduling risk.

Yours truly,



Ian A. Mondrow

- c. S. Rahbar (IGUA)
- L. Klein (OEB Staff)
- Intervenors of Record