

15 January 2018

Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto, ON, M4P 1E4

Attn: Ms Kirsten Walli, Board Secretary

By electronic filing and e-mail

Dear Ms Walli:

Re: EB-2017-0224/0255 - Gas LDC Cap and Trade Compliance – Intervenor Evidence Request

I write on behalf of GEC in response to Mr. O’Leary’s letter of January 12th.

On behalf of Enbridge, Mr. O’Leary, recasts the ED/GEC request in a manner that assumes the most extreme interpretation of the request and of its potential impact while at the same time brushing over the fact that Enbridge is asking for approval to embark on a long-term supply-side RNG procurement response that will require massive subsidization and will compete directly with incremental conservation for resources and space within the C&T compliance plan.

Enbridge suggests that the DSM Mid-Term Review will likely deal with the issues we wish to advance by way of evidence herein. In suggesting this, Enbridge both ignores the intent of our request within the context of the current proceeding and misrepresents the facts in regard to the DSM proceeding. In the current proceeding GEC requests the opportunity to test the optimality of EGD’s proposed C&T compliance approach. As part of its request, Enbridge is asking for the Board’s blessing of a subsidized RNG procurement approach at a total cost that is multiples of what a DSM strategy would cost¹:

Table 2: Renewable Natural Gas Procurement Funding Model

	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Year 6 2023	Year 7 2024	Year 8 2025	Year 9 2026	Year 10 2027
(a) Forecast Cost of Traditional Gas Supplies (\$/GJ) ¹	\$ 3.69	\$ 3.45	\$ 3.42	\$ 3.43	\$ 3.46	\$ 3.59	\$ 3.65	\$ 3.73	\$ 3.82	\$ 3.86
(b) Forecast Cost of Carbon: Mid-Range LTCPF (\$/GJ) ²	\$ 0.85	\$ 0.90	\$ 0.90	\$ 0.95	\$ 1.00	\$ 1.05	\$ 1.56	\$ 1.81	\$ 2.16	\$ 2.51
(c) Required Provincial Subsidy (\$/GJ) ³ (c) = (d) - (a) - (b)	\$ 11.46	\$ 11.65	\$ 11.68	\$ 11.61	\$ 11.53	\$ 11.35	\$ 10.79	\$ 10.46	\$ 10.02	\$ 9.63
(d) Assumed Cost of RNG (\$ / GJ)	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00

Notes:

- 1) Long term natural gas price forecast; Enbridge CDA.
- 2) Assumed Cost of Carbon = OEB Mid-Range LTCPF.
- 3) Required Provincial subsidy must be secured by contract based on life of RNG procurement contracts.

¹ EB-2017-0224, Exhibit C, Tab 5, Schedule 2, Page 10 of 29

The asymmetry with which Enbridge advocates for RNG subsidies while dismissing consideration of (and even comparison to) *societally cost effective* incremental DSM, apparently because it would require increased customer incentives (incentives that would pale compared to those it proposes for RNG), is simply stunning. Enbridge is proposing investment in an RNG strategy that is nearly four times the forecast cost of traditional gas supply while rejecting one (more efficiency) that actually costs less than the forecast cost of traditional gas. Second, they are asking for a subsidy for RNG that could be an order of magnitude greater than significantly increased efficiency incentives that could dramatically improve non-free-rider participation.

ED/GEC have made clear that our evidence would not embark on “a detailed inquiry into the extent and cost effectiveness of substantially increasing ratepayer spending on natural gas DSM...” as Enbridge suggests. Rather we have stated that Mr. Neme would rely on previous studies to illustrate the competing alternative of energy efficiency. GEC’s intent is to compare energy efficiency to supply options like RNG and to allowance purchases on an apples-to-apples basis. We submit that such a comparison is a vital component to any meaningful consideration of the optimality of the C&T compliance plan including the RNG proposal.

Enbridge suggests that this comparison can be advanced in the DSM Mid-Term Review. However, as Enbridge will be well aware, the Board has explicitly limited the substantive and procedural scope of that process. The Board’s letter of June 20th, 2017 states that the Mid-Term Review will be limited to a single meeting with the opportunity for written comments.² Certainly, the Board has made it abundantly clear that the Mid-Term Review will not deal changes to the DSM framework that flow from the advent of the C&T obligations apart from the two topics that the Board sought comment on³. Even if the Mid-Term Review were to encompass this issue adequately, that does not obviate the need to assess the approvals sought by the utilities herein in the context of alternatives.

Enbridge goes on to argue that the current C&T Compliance proceeding is for a one year plan and it is too late to consider incremental conservation for the 2018 period. That is neither

² “The OEB will hold a Stakeholder Meeting in Spring/Summer of 2018 for Enbridge and Union to provide an overview of the various studies and reports that were submitted, and answer any questions that interested parties may have. Interested parties will also have an opportunity to submit written comments following the Stakeholder Meeting.” *EB-2015-0029 and EB-2015-0049, Letter from the Board, June 20, 2017.*

³ “The OEB will undertake a limited review of the overall 2015-2020 DSM Framework in the context of the C&T program. The OEB has identified two specific issues that relate to the OEB-approved ratepayer-funded DSM plans and the C&T program where the OEB seeks comments from interested parties, namely:

- Consideration of the relationship between the current suite of DSM programs and actual C&T activities of customers with their own compliance obligations
- Consideration of the attribution of costs and savings to ratepayer-funded DSM programs where natural gas utilities offer carbon abatement programs in the market (*ibid*)

accurate as a matter of fact, nor particularly relevant to the issue Enbridge has placed before the Board -- whether to bless a long-term RNG procurement model as an optimal approach. Apparently, Enbridge feels that multi-year supply approaches that preserve or add to rate base are fine but even comparison to more cost-effective and environmentally preferable alternatives, alternatives that are explicitly prioritized by government policy but that don't increase rate base, is a no-no.

Enbridge also points to the fact that other entities, such as GreenOn, are offering energy efficiency programs. We frankly do not understand the point Enbridge is making. Presumably, Enbridge will have considered these initiatives in determining its volume forecast and abatement requirement. Enbridge then asks the Board to approve purchase of allowances and to approve an RNG procurement strategy as a further portion of overall compliance and abatement. Surely, the fact that GreenOn or Enbridge have energy efficiency programs underway does not obviate the need to compare the optimality of *further* efficiency versus RNG versus future allowance purchases.

Finally, Enbridge complains that the ED/GEC request comes late in the day and would unduly burden the utilities. Both GEC and ED explicitly alerted the Board and the companies of their intent to file evidence in their respective intervention requests (on December 15th in GEC's case). The Board's Procedural Order was issued on December 28th. During the week of January 8th, after counsel and our proposed witness returned from holidays, GEC, ED and Mr. Neme conferred and our request was filed at the end of that week.

Enbridge and Union have filed evidence in this proceeding, presumably supported by their DSM staff, that addresses (however inadequately) the availability of incremental energy efficiency as an abatement strategy. However, that evidence appears to treat cost effective and achievable energy efficiency as ineligible for external support in the manner that EGD is suggesting should be acceptable for RNG. As a matter of procedural fairness parties should be allowed to offer evidence that considers the optimality of the LDC plans, including both their inclusion of RNG and their dismissal of incremental efficiency, on a level playing field.

Enbridge suggests that should the Board allow ED/GEC to file evidence it should be filed by the end of February as Enbridge asserts that Mr. Neme's evidence should be well underway already. Apparently Enbridge expects intervenors and witnesses to invest time and money on evidence production in the face of a Board procedural order that precludes the filing of such evidence. This is an unreasonable proposition. Enbridge also suggests that Mr. Neme should not need to ask IRs. Yet in the following paragraph Mr. O'Leary asks "as a matter of fairness" that Enbridge be able to ask Mr. Neme interrogatories.

LDC IRRs will not be available before February 16th. The eight working days Enbridge suggests for the filing of our evidence is not sufficient for the digestion of IRRs and production of evidence of the quality that the Board should expect.

In the alternative, if the Board is persuaded that the current proceeding is not the forum for this discussion, than we would ask the Board to exclude consideration of long-term supply-side alternatives in this proceeding, and to expand the scope of the Mid-Term Review to allow for a full consideration of the issues including an evidentiary hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "David Poch". The signature is written in a cursive style with a large, stylized "P" and "Q".

David Poch

Cc: all parties