

Ms. Rosemarie Leclair
Chair, **ONTARIO ENERGY BOARD**

IN THE MATTER OF the Ontario Energy Board Act, 1988,
S.O. c. 15 (Schedule B) s.36

AND IN THE MATTER OF an application by Enbridge Gas
Distribution Inc for an Order or Orders Pre-Approving the
Cost Consequences associated with a Long-Term Natural
Gas Transportation Contract

AND IN THE MATTER OF Procedural Order No. 2
for this application, issued September 25, 2015

This is an appeal under Section 7 of the Ontario Energy Board Act with respect to Procedural Order No. 2. The appeal is by Ron Tolmie (Sustainability-Journal.ca), September 29, 2015

The text of the Order:

1. Mr. Tolmie shall not file the evidence set out in his letter of September 22, 2015 with the OEB.

Procedural Order No. 1 listed the issues to be considered, as follows:

- 1. Has the applicant adequately demonstrated the need, costs and benefits of the proposed project?*
- 2. Has the applicant adequately demonstrated contract diversity in regards to how the contract fits into the applicant's overall transportation and natural gas supply portfolio in terms of contract length, volume and services?*
- 3. Has the applicant provided an adequate assessment of all risks associated with the proposed project as well as provided plans on how these risks are to be minimized and allocated between ratepayers, parties to the contract and/or the applicant's shareholders?*
- 4. Has the applicant provided an adequate assessment of other relevant considerations associated with the proposed project (for example, other conditions, rights or obligations among the parties to the contract and the applicant's parent company and/or affiliates, retail competition impacts, and potential impacts on existing transportation pipeline facilities in the market in terms of Ontario customers)?*

The evidence that I believe the Board should consider has a direct bearing on Issues 1, 3 and 4. It shows that Ontario will not need to import any shale gas if it utilizes the natural thermal energy resources that are abundantly available within Ontario, and it will not need any new gas pipelines while the use of natural gas is being phased out. The cost of a new pipeline would eventually be borne by

Union/Enbridge's customers but that cost will not be passed on if the pipeline is not built. The costs related to the safety of using natural gas (related to its combustibility, its by-product toxicity and its negative effects on the environment) can all be phased out if we utilize local energy sources. The cost of the imported natural gas can also be phased out and the local energy sources will provide a safer, cleaner and more sustainable alternative.

The applicants have not evaluated the risk (Issue 3) that the required quantity of natural gas will not be made available to Canada by the US government. That government is in the process of setting severe limits on the methane from gas production that will limit the supply of natural gas. At the same time the US is in the process of switching over its electricity production from coal to natural gas. The US will give priority to its domestic needs, which implies that there is a substantial risk that there will not be enough gas to also meet Ontario's substantial needs.

The applicants have not evaluated the risk (Issue 4) that the pipeline will not be approved by US authorities. The FERC application and data have not yet even been submitted. It will be opposed by US citizens and organizations that are concerned about both the need for the pipeline (which will primarily carry gas to Ontario) and the pipeline route. This appears to be a classic "chicken or the egg" choice. The pipeline advocates want the OEB approval in advance to demonstrate that Ontario "needs" this facility (which the evidence shows is not true). Others hold that if the Board gives its pre-approval it will be subjecting Ontario residents to a needless cost risk that has few (if any) offsetting benefits.

Context

- 1) Union Gas and Enbridge have requested OEB pre-approval for a long period (until at least 2032)
- 2) the objective is to replace most of the conventional gas that is presently coming from Alberta with shale gas that will be recovered in a very different way
- 3) the gas will be produced in a different jurisdiction (the United States) which has important implications with respect to the reliability of supply over the approval period
- 4) beyond the approval period (and possibly even earlier) the sustainability of this source of energy is highly questionable

The gas distribution companies are asking the Board for its approval of a fundamental change in Ontario's energy supply. This change, if it occurs, will have large cost consequences for the public. The evidence that is being blocked by Procedural Order No. 2 explains how Ontario residents will be obliged to spend billions of dollars to maintain a fossil fuel energy supply regime that is obsolescent now and that is likely to be terminated altogether by mid-century.

Procedural Order No. 2 states that "The OEB will not accept Mr. Tolmie's proposed evidence in this proceeding because it is out of scope in the context of the issues to be considered." The evidence is clearly germane to 3 of the 4 issues that were listed by the Board and it is certainly relevant to the broader context of the need to choose between two competing visions at this fork in the road. The Order does not explain what is meant by "out of scope". There was no definition of "scope" in the documentation or even an identification of the Ontario Energy Board Act provision that was relied on.

The Board's mandate

The Order comments on what they assumed will be my explanations of how Ontario's needs for heating and electricity could be sustainably and economically met by using local sources of energy and concludes that they "are policy matters beyond the OEB's mandate". If the Board's mandate does not cover the ability to choose between these two alternatives then surely the Board should decline the pipeline application on the grounds that it is not within their mandate to make such a choice. I would suggest that it would be inappropriate for the Board to refuse to hear evidence that shows how an inexpensive, permanently sustainable approach could provide the needed capabilities and then proceed to approve the applicant's much less capable alternative, which also takes Ontario down a new path.

Natural gas has two primary applications in Ontario, space heating and power generation. It also provides important services, such as the ability to handle energy supply and demand fluctuations and to provide domestic hot water. Local energy sources are equally capable of providing all of those services via the use of energy stores, even though they do not generate any electricity. At the present time nearly half of Ontario's nuclear station fleet is shut down because of low power demand. At night over two thirds of Ontario's hydro capacity is not utilized, again because there is currently insufficient demand for the power. Together with the waste of power that occurs every night because of excess generation the total unutilized power generation potential adds up to 15,000 MW. If we employ storage then most of that unutilized potential could be progressively put into service without having to spend a hundred billion dollars on new facilities (like the NEXUS pipeline). There are thousands of examples of local energy applications in Ontario, many of which incorporate storage. My contribution is largely the suggestion that the pump power should be turned ON when excess power is available rather than in response to the thermal demand. That enables such systems to store electricity (in the form of exergy) as well as heat at a very low cost per kWh.

All of the local energy sources are grossly underutilized at the present time. Thermal storage would progressively remove the summer and winter power demand peaks, reducing the required peak generation capacity by a further 10,000 MW. Does the OEB really want to turn a blind eye to such opportunities?

Ron Tolmie
Sustainability-Journal.ca