

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act 1998*,  
S.O.1998, c.15, (Schedule B);

**AND IN THE MATTER OF** a generic proceeding on natural  
gas expansion in communities that are not served.

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**MOTION RECORD**  
**Environmental Defence Motion for**  
**Further and Better Interrogatory Responses**

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**KLIPPENSTEINS**

Barristers and Solicitors  
160 John Street, Suite 300  
Toronto, ON M5V 2E5

**Murray Klippenstein, LSUC No. 26950G**

**Kent Elson, LSUC No. 57091I**

Tel.: (416) 598-0288

Fax: (416) 598-9520

**Lawyers for Environmental Defence**

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**Generic Proceeding on Natural Gas Expansion in  
Communities That Are Not Served**

**Environmental Defence Notice of Motion and Written Submissions  
Re Motion for Better Interrogatory Responses**

April 27, 2016

**Introduction**

1. Environmental Defence makes this motion to the Ontario Energy Board (“Board”) for an order that Union Gas Inc. (“Union”) provide full and adequate responses to Environmental Defence interrogatories 1, 4, and 5. This motion is made in writing pursuant to the direction of the Board made at the pre-hearing day on April 26, 2016. The grounds for this motion are outlined below.

**Interrogatory 1: Potential Criteria for Exemptions from EBO 188**

2. Environmental Defence’s first interrogatory asks Union to comment on a number of potential criteria for projects to be eligible for a subsidy from existing customers (and thus an exemption from EBO 188). For example, one such criterion is that proposed projects be compared to alternatives such as conservation or renewable energy investments. If a project will be subsidized, it is important to ask whether those funds could be spent better elsewhere. Environmental Defence believes it should be incumbent on proponents of uneconomic projects to justify the spending of ratepayer dollars in comparison to alternatives. It may well be that alternatives could provide comparatively more benefits to municipalities, with less risk, while also reducing greenhouse gas (“GHG”) emissions.
3. Another criterion could be that a project only receive a cross-subsidy if the project results in net GHG emission reductions, that justifies the provision of a subsidy. Since EBO 188, a large shift in the relative GHG emissions from gas versus electrical energy has occurred

due to the phase out of coal power. This warrants a revisiting of the GHG impacts of natural gas expansion projects in this generic proceeding.

4. There is no justification for Union's refusal to comment on the potential criteria set out in this interrogatory. The interrogatory is directly related to a number of issues, including 4(d) and 4(f), which read as follows:

4(d) What would be the criteria for the projects/communities that would be eligible for such exemptions [to the EBO 188 guidelines]? What, if any, other public interest factors should be included as part of this criteria? How are they to be determined?

4(f) Should the economic, environmental and public interest components in not expanding natural gas service to a specific community be considered? If so how?

5. The same interrogatory was put to Enbridge and five other intervenors, each of which provided a response. In contrast, Union completely refused to answer the interrogatory. It provided the following justification:

This question is outside the scope of the Board-approved Issues List for this proceeding. The Issues List relates to a generic proceeding that was initiated by the Board on its own Motion. Further, the Board in its Decision and Procedural Order No.2 (dated March 9, 2016) stated that, "*it does not expect this proceeding to deal with the broader issues around cap and trade and the resulting rate impact of the program on all customers.*" Rather, the Board is looking for "*directional impacts on how the cap and trade impact comparisons to alternative fuels and not a thorough quantitative analysis.*"

The impact of greenhouse gas emissions ("GHG") on overall throughput is out of scope.

6. It is unclear how Union's response relates to the interrogatory. The interrogatory is not about the "broader issues around cap and trade." It is about the potential eligibility criteria for uneconomic projects to be subsidized by existing customers. This is squarely within the scope of this proceeding and the issues list.

#### **Interrogatories 4 and 5: Impact of Declines in Natural Gas Consumptions**

7. Interrogatories 4 and 5 ask about the steps Union has taken to plan for, and estimate, the future reductions in natural gas consumption needed to meet Ontario's GHG emission reduction targets. This issue is very important. Enbridge has submitted evidence in this proceeding, based on analysis by ICF Consulting, indicating that natural gas consumption may need to shrink by **40%** by 2030 to meet Ontario's GHG emission reduction targets

(see tab 2 in this Motion Record for the evidence excerpt). This will surely impact the economics of community expansion projects.

8. The potential need to make massive reductions in Ontario's natural gas consumption is directly relevant to this *generic* hearing. The utilities are seeking special exemptions from EBO 188 so that they can receive a subsidy from existing customers to fund uneconomic expansion projects. Why should a subsidy be provided to *expand* natural gas consumption when the province will need to make massive efforts to *reduce* natural gas expansion in the near future? This would be highly inconsistent and likely a waste of the ratepayer funds entrusted the Board's jurisdiction.
9. The inevitable reduction in future gas consumption also increases the risk of stranded assets, lower than expected conversion rates, and rising per-unit transmission and distribution costs. In our submission, subsidizing uneconomic projects in this risky environment is not prudent. Therefore, these interrogatories directly relate to whether uneconomic projects should be considered (issue 4(a)) and other related issues.
10. Union completely refused to answer these two interrogatories. It provided the same justification as it did for interrogatory 1:

This question is outside the scope of the Board-approved Issues List for this proceeding. The Issues List relates to a generic proceeding that was initiated by the Board on its own Motion. Further, the Board in its Decision and Procedural Order No.2 (dated March 9, 2016) stated that, "*it does not expect this proceeding to deal with the broader issues around cap and trade and the resulting rate impact of the program on all customers.*" Rather, the Board is looking for "*directional impacts on how the cap and trade impact comparisons to alternative fuels and not a thorough quantitative analysis.*"

The impact of greenhouse gas emissions ("GHG") on overall throughput is out of scope.

11. However, the interrogatory is not limited in its relevance to the impact of cap and trade. It relates to the overall impacts of Ontario's GHG emission reduction targets and whether it is prudent to subsidize natural gas expansion when a large efforts will be needed in the future to lower natural gas consumption. The interrogatories relate to issue 4(a) (regarding uneconomic projects requiring subsidies), not just the cap and trade issues (issues 10 and 11). Furthermore, the interrogatories are sufficiently high-level, and do not

seek details more appropriate for a leave to construct application, such as specific numbers relating to specific community expansion projects.

12. Interrogatory 4 asks for a description of Union's contingency planning regarding natural gas consumption declines. Interrogatory 5 asks for Union's estimates of the overall gas reductions that will likely be necessary. These interrogatories do not require Union to undertake any new analysis or calculations – they simply ask that Union disclose internal documents on this important issue. Seeing as ratepayers bear the costs and risks associated with declining gas consumption, stranded assets, and lower than expected conversion rates, it is only fair that they be afforded to opportunity to view Union's internal estimates and contingency planning documents relating to these important risks so that they can assess how this might impact the economic tests and regulatory requirements regarding gas expansion.
13. For the reasons outlined above, Environmental Defence requests an order that Union provide full and adequate responses to Environmental Defence interrogatories 1, 4, and 5

All of which is respectfully submitted this 27<sup>th</sup> day of April, 2016.



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Kent Elson

**KLIPPENSTEINS**  
Barristers and Solicitors

**Lawyers for Environmental Defence**

# Natural Gas & Ontario's Energy Mix

EB-2015-0237

Natural Gas Market Review, January 2016



Norm Ryckman



## Initial Thoughts From ICF

### Potential Implications for Enbridge and Customers

1. Energy Efficiency / Demand Side Management
  - Rate of energy efficiency needs increase dramatically with GHG reductions as the key objective
2. EGD will need to acquire \$300M–\$500M of allowance per year
  - Current settlement price of \$17/t results requires roughly \$350M of allowance (depending on inclusion of unbundled customers)
3. EGD will need to build allowance acquisition infrastructure
  - Accounting, finance, trading, analytics, offset/allowance sourcing, brokerage, MM&V, billing, customer relations, DSM, IT, etc.
4. EGD will need to re-imagine infrastructure and business model
  - Residential, commercial, institutional NG consumption could need to decline by ~40% by 2030
  - Even if protection afforded industrial emitters consumption will need to decline by 20 – 30%
  - No net increase in NG consumption for electricity generation
  - Electrification of transport and buildings



UNION GAS LIMITED

Answer to Interrogatory from  
Environmental Defence

Reference: Exhibit A, Tab 1, pp. 5-22

Does Union agree that existing gas consumers should be required to subsidize expansions of Ontario's natural gas distribution system only if all of the following criteria are met:

- a) The expansion will lead to a net reduction in Ontario's greenhouse gas emissions [e.g., this could occur if the new customers' previous energy source (e.g., heating oil) had higher greenhouse gas emissions];
- b) Expanding the gas system is the most cost-effective, feasible option to achieve the greenhouse gas emission reductions [i.e., do not expand the gas distribution system using existing customer subsidies if the emission reductions could be achieved at a lower cost by energy efficiency or renewable energy investments (e.g., home energy retrofits, heat pumps)]; and
- c) The subsidy is necessary to make the project happen [e.g., do not require existing customers to subsidize an expansion of the gas system if the cost could be recovered from the new customers via a surcharge on their gas rates]?

If "no", please fully justify your response. Please specifically address each of the three criteria in your response. Note that the above three criteria would not be to the exclusion of other criteria required for community expansion.

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**Response:**

This question is outside the scope of the Board-approved Issues List for this proceeding. The Issues List relates to a generic proceeding that was initiated by the Board on its own Motion. Further, the Board in its Decision and Procedural Order No.2 (dated March 9, 2016) stated that, "*it does not expect this proceeding to deal with the broader issues around cap and trade and the resulting rate impact of the program on all customers.*" Rather, the Board is looking for "*directional impacts on how the cap and trade impact comparisons to alternative fuels and not a thorough quantitative analysis.*"

The impact of greenhouse gas emissions ("GHG") on overall throughput is out of scope.

Filed: 2016-04-22  
EB-2016-0004  
Exhibit S15.Union.Environmental Defence.4  
Page 1 of 1

UNION GAS LIMITED

Answer to Interrogatory from  
Environmental Defence

Reference: Exhibit A, Tab 1, pp. 35-38

Please describe the contingency planning that has been undertaken by Union to assess the possibility that substantial reductions in natural gas consumption (e.g. 40%) will be required in Ontario in the medium term (e.g. by 2030).

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**Response:**

This question is outside the scope of the Board-approved Issues List for this proceeding. The Issues List relates to a generic proceeding that was initiated by the Board on its own Motion. Further, the Board in its Decision and Procedural Order No.2 (dated March 9, 2016) stated that, *“it does not expect this proceeding to deal with the broader issues around cap and trade and the resulting rate impact of the program on all customers.”* Rather, the Board is looking for *“directional impacts on how the cap and trade impact comparisons to alternative fuels and not a thorough quantitative analysis.”*

The impact of greenhouse gas emissions (“GHG”) on overall throughput is out of scope.

UNION GAS LIMITED

Answer to Interrogatory from  
Environmental Defence

Reference: Exhibit A, Tab 1, pp. 35-38

- a) Please provide a list of all documents that have been prepared by Union to estimate the overall reductions in natural gas consumption that may be needed to meet Ontario's GHG emission reduction targets.
- b) Please provide a list of all documents possessed by Union prepared by third parties to estimate the overall reductions in natural gas consumption that may be needed to meet Ontario's GHG emission reduction targets.
- c) Please provide a copy of all documents listed in (a) and (b) above. If a document is not provided, please provide a justification. A document need not be provided if it simply repeats the estimates and analysis contained in a document already provided.

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**Response:**

This question is outside the scope of the Board-approved Issues List for this proceeding. The Issues List relates to a generic proceeding that was initiated by the Board on its own Motion. Further, the Board in its Decision and Procedural Order No.2 (dated March 9, 2016) stated that, *"it does not expect this proceeding to deal with the broader issues around cap and trade and the resulting rate impact of the program on all customers."* Rather, the Board is looking for *"directional impacts on how the cap and trade impact comparisons to alternative fuels and not a thorough quantitative analysis."*

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