

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

**AND IN THE MATTER OF** a proceeding on the motion of the Ontario Energy Board to consider amendments to the framework for expansion of natural gas service into new communities

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**SECOND ROUND SUBMISSIONS  
OF THE  
ONTARIO GEOTHERMAL ASSOCIATION**

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## 1 GENERAL COMMENTS and SUMMARY

### 1.1 Introduction

1.1.1 The Board initiated this generic proceeding to consider natural gas community expansions in Ontario. The Board described its intent as follows<sup>1</sup>:

*“A generic proceeding will allow the OEB to establish a common framework and provide guidance to all entities that wish to provide gas distribution services in communities across Ontario.”*

1.1.2 As OGA has previously noted in our First Round Submissions, this proceeding is basically about whether new customers should be subsidized by existing customers (a simple transfer of wealth), and in that context whether the Board should be intervening in the marketplace to choose natural gas over other energy supply options. This question is set against the backdrop of significant debate over the Board’s jurisdiction and appropriate role, and much of the first round submissions were focused on that debate. Of perhaps more importance, the question of “more natural gas” is set against a changing policy landscape, in which the Ontario government’s leadership on climate change will necessarily have a significant impact on all fossil fuel use in this province.

1.1.3 These are the Second Round (Reply) Submissions of the Ontario Geothermal Association.

1.1.4 OGA has not responded to every submission by every party. There are more than 700 pages of first round submissions from 23 parties. Those parties include four utilities or prospective utilities, three representatives of competing energy options, two environmental groups, four representatives of unserved customers or communities, eight groups representing existing customers, one gas industry association, and OEB staff. The Board has the benefit of a broad range of perspectives on the issues. In OGA’s view, it is not helpful to the Board if we try to comment on every argument by everyone. Some of the issues are not central to the concerns of OGA. Some of them are important to OGA, but will be well-argued, from all points of view, by others. These Reply Submissions don’t need to deal with those items.

1.1.5 Instead, we have organized these Reply Submissions by the major questions, raised by the parties, that are of specific concern to the OGA and its members, and on which we feel we can assist the Board. In our view, those major questions are fundamental to the policy challenges the Board faces in establishing a framework for natural gas community expansion going forward. Once those questions are answered, the basic structure of the appropriate policy should become clear.

1.1.6 In this introductory section, we will first detail some concerns that OGA has with the

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<sup>1</sup> Board’s Letter of January 20, 2016, p. 2.

first round submissions of Union Gas. Then, we will provide a summary of the fundamental questions we believe have been raised, and the answers we recommend to the Board. The remainder of our Reply Submissions provide the details on those questions and proposed answers.

## 1.2 The Union Gas Submissions

- 1.2.1 OGA has two specific concerns with the first round submissions of Union Gas Limited.
- 1.2.2 **Failure to Abide by Intent of Board's Procedural Requirements.** The Board ordered all parties who want to make submissions to make their full submissions in the initial round, and then use the second round to reply to the submissions of others. The intent of two rounds of submissions is to ensure that every party has an opportunity to respond to the submissions of every other party.
- 1.2.3 Of course, the difficulty with two rounds of submissions is that parties can game the process, making no submissions on key issues in the first round, and then making their initial submissions by way of reply in the second round. That way, no-one gets to reply to their positions. The tactic is unfortunate, and perhaps somewhat disrespectful of the Board, but it nonetheless has been known to happen.
- 1.2.4 OGA is concerned that the first round submissions of Union Gas do not address their positions on important issues in the proceeding. This is particularly problematic with respect to climate change. There are no references in the Union Gas submissions – none at all – to greenhouse gasses, climate change, or cap and trade. It is as if these things are not relevant, or are not issues in this proceeding.
- 1.2.5 This could be because Union Gas didn't agree with the Board adding these issues in the first place. Or, this could be simply an example of lemmings thinking the upcoming cliff is not really going to be so bad after all. Or, it could be that Union Gas at this point has no position on how climate change should be factored into future gas expansions, either because it is too early, or because it looks too much like the end of the world, or because they just don't know what to say. Any of these would be a legitimate – or at least understandable - reason for their lack of submissions, although given the Issues List one would think Union Gas had an obligation to at least explain why they were not commenting on these issues.
- 1.2.6 Whatever the reason for their silence, OGA is concerned that they don't leave their real submissions until their reply, so that they can take new positions which other parties cannot comment upon, or rebut. This would not be helpful to the Board.
- 1.2.7 **Misleading Statements.** Of even more concern is two bald statements in the Union Gas submissions that appear to OGA to be, at best, misleading.

1.2.8 The first tries to re-characterize the question to be addressed by the Board as follows:

*“[T]he issue before the Board in this generic proceeding is not whether regulatory changes should be implemented to facilitate the expansion of natural gas distribution services, but rather how those changes are to be implemented.” [emphasis in original]<sup>2</sup>*

1.2.9 With respect, no amount of Union Gas telling the Board that it is not allowed to stay with the status quo will make that true. As many parties have pointed out in their first round submissions, the government was asked to place that limitation on the Board, and specifically declined to do so. Union Gas themselves asked the government to explicitly order the Board to make changes to the expansion guidelines<sup>3</sup>. The government rejected that request, and instead made a point of reinforcing the actual wording of the Act, i.e. “rational expansion”, which is already the basis for EBO 188.

1.2.10 What Union Gas posits in their submissions as the central question in this proceeding, is just plain wrong.

1.2.11 The other misleading statement is also related to the status quo. Union Gas says:

*“To the extent that parties express support for maintaining the status quo, such parties are doing so solely in their commercial self-interest and with little regard for provincial policy objectives, the cost impacts for Ontario’s energy customers, the economic impacts on communities that are currently without access to natural gas service, and the broader environmental implications of forestalling conversions to natural gas.” [emphasis added]<sup>4</sup>*

1.2.12 Union Gas would like the status quo position to be supported only by the evil propane people, and the presumably even more evil geothermal people, both of whom, unlike the always-altruistic Union Gas, are only in it for the money. (Although, to be fair, geothermal is another thing that is not mentioned in any way in the Union Gas submissions. They didn’t even cross-examine the OGA witness panel.)

1.2.13 Sadly for Union Gas, the status quo position, in the sense of avoidance of ratepayer subsidies, or support of the existing spirit of EBO 188, is supported by both of the environmental groups (who presumably have “little regard for...broader environmental implications”). It is also supported fully by six of the eight ratepayer groups, with the other two supporting it in principle, with some limited flexibility. And, it is supported by OEB Staff.

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<sup>2</sup> Union Gas First Round Submissions, p. 2.

<sup>3</sup> See EB-2015-0179, JT1.10. As IGUA notes, at p. 12 of their Submissions, the gas utilities, and Union Gas in particular, have been proposing greater cross-subsidization to the government for years, always without success.

<sup>4</sup> Union Gas Submissions, p. 24. See also p. 4, where Union Gas says: “At the other extreme is the status quo approach, which is premised on the self-interest of competing fuel providers..”, and so on. It is a theme.

**1.2.14** In fact, the only parties that are arguing for subsidies from existing ratepayers – the main proposed change in the status quo – are a) the utilities, who will profit from the proposed expansions, and b) the unserved customers who want gas, but don't want to have to pay for it<sup>5</sup>.

**1.2.15** *OGA Recommendation to the Board.* OGA is not asking the Board to take any specific action with respect to these concerns. While the Union Gas submissions are not, in our view, appropriate, it is sufficient to flag the issues. It would obviously not be suitable to simply let these things pass without comment, but we are confident that the Board will consider these false statements and questionable tactics by Union Gas in light of the evidence the Board has actually heard, and the submissions of the other parties.

### **1.3** *Summary of Submissions*

**1.3.1** The remainder of these Submissions set out certain of the key issues that have been raised or debated in the first round, and OGA's responses.

**1.3.2** *What does the term "rational expansion" mean?* In order to make any decision with respect to a community expansion framework, the Board must first interpret the direction given to it on this precise subject by the Legislature, in the Act. That direction is to encourage rational expansion of gas infrastructure.

**1.3.3** The interpretation that has stood for many years is the EBO 188 economic expansion (or "no harm") test. Some parties now want to change that, but no-one has offered a new, principled interpretation of "rational expansion" as it is set out in the Act.

**1.3.4** OGA agrees with IGUA, and others, that an expansion is rational if the value of the expansion exceeds its cost. Value, in this context, is best tested by the willingness to pay of the prospective new customers. In this way, alternatives that have a better value/cost ratio will be preferred, and gas expansion will in almost every case only go ahead when it is the least cost option, and it generates sufficient value that no subsidy from existing ratepayers is required.

**1.3.5** *What barriers are preventing expansion of natural gas infrastructure into unserved communities?* There was much talk of "energy poverty" in this proceeding, but there is nothing the Board can do, within its gas regulation mandate, to make a serious impact on energy poverty. For many, perhaps most, unserved communities in Ontario, natural gas is simply too expensive to be a rational energy option for the community.

**1.3.6** The barrier to rational expansion is that the costs (CIAC and conversion) are up-front, and the benefits to the new customers are spread over many decades. This arises

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<sup>5</sup> To be fair, VECC also supports some form of limited expansion fund, but only to be set up after the government's loan and grant program has been fully developed.

because postage stamp rates have to date prevented recovery of the incremental cost to serve over time. This can be solved by surcharges and standalone rates.

- 1.3.7** OGA therefore agrees with most of the customer groups that the Board should focus on enabling more community expansion by allowing new customers to match their payment of the costs of their expansion to the benefits they are receiving. This will allow rational expansions to proceed, since customers will save money from the outset, but still will pay the entire cost to serve them.
- 1.3.8** *What is the responsibility of the Board with respect to protection of existing gas customers, and/or protecting potential gas customers?* The Board has a responsibility to protect existing gas customers with respect to price, as set out in the Act. It also has a separate responsibility to protect potential gas customers, not as to price (because they have no gas prices yet), but by enabling rational expansion of the gas infrastructure. In both functions, the Board exercises its role as an economic regulator and market proxy.
- 1.3.9** *What do the customers want?* There is no evidence that the existing customers want to subsidize prospective customers that are unwilling to pay the cost to serve their communities. All evidence suggests that existing customers do not want to provide subsidies at all. The Board should be reluctant to force existing customers to provide a subsidy without evidence that they want to provide it. In a competitive market, existing customers will generally not pay more so that new customers get a permanent price break. They will change suppliers when that happens. For the Board to break with that paradigm, there should be a compelling reason, and none has been offered in this proceeding.
- 1.3.10** *Is a “transfer of wealth”, or intervention in competitive markets, an appropriate role for the Board?* The proposals by Union Gas and Enbridge boil down to two things:
- (a) A permanent, net transfer of wealth of at least several hundred million dollars from existing customers to prospective customers.
  - (b) An intervention in the competitive market to choose natural gas as the preferred energy source over other energy options.
- 1.3.11** These would generally be new roles for the Board. OGA agrees with most of the customer and environmental groups that the Board should not be going into the transfer of wealth business, nor the winners and losers business.
- 1.3.12** *How can expansion be designed to be consistent with a low carbon future?* The Climate Change Action Plan will drive fundamental and far-reaching changes to the natural gas business in Ontario. OGA agrees with the customer groups, and OEB Staff, that this creates a significant risk of lower attachments and revenues, decreased retention of customers, and probability of stranded assets.

**1.3.13** The utilities know – even admit - that expansion of their systems, and a lower carbon future, are fundamentally inconsistent policies, but they don’t want to face it. It is not acceptable for the utilities to plunge forward as if nothing has happened, ignoring this new reality. The Board must require the utilities to develop and implement strategies to deal with this. Proceeding with expansions without having first done their homework is not prudent.

**1.3.14 *Appropriate Policy Framework for the Future.*** OGA continues to propose that any new or modified framework should start with comprehensive utility climate change strategies. Once those have been developed and approved, applications for new expansions should focus on:

- (a)* Compliance with the “rational expansion” standard, i.e. value (willingness to pay of the new customers) exceeds cost.
- (b)* Least cost planning, i.e. comparison of alternatives to serve the community.
- (c)* Adherence to the CCAP strategy, i.e. the expansion is consistent with Ontario’s low carbon future.



## 2 RATIONAL EXPANSION

### 2.1 Introduction

- 2.1.1** The Board doesn't have to theorize what its primary objective is with respect to expansion of gas distribution infrastructure. The Legislature has set it out right in the Act, as one of the Board's objectives with respect to natural gas: *"To facilitate rational expansion of transmission and distribution systems."*<sup>6</sup>
- 2.1.2** As OGA has discussed in its First Round Submissions, for many years the term "rational expansion" has been interpreted by the Board in economic terms, and has meant expansion where the benefits outweigh the costs, in both cases driven primarily by internal economics. Now, it appears that the utilities, and some potential customers in unserved communities, would like the Board to adopt a new and quite different interpretation of that objective.
- 2.1.3** It is not clear, however, what that new interpretation would be. It is therefore a central issue in this proceeding that the Board answer the question: "What does the term "rational expansion" in the Act actually mean?"

### 2.2 Positions of the Parties

- 2.2.1** *Customers Support the Economic Interpretation.* With characteristic clarity, IGUA proposes a straightforward definition of rational expansion<sup>7</sup>:

*"To be rational, gas distribution system expansion must be economic. ...[E]conomic distribution system expansion is expansion the value of which exceeds its cost."*

- 2.2.2** This traditional approach to the Board's objective, in keeping with the underlying principle behind EBO 188<sup>8</sup>, appears to be supported by all of the ratepayer groups, either explicitly or by implication. CCC, for example, says of the Enbridge projects<sup>9</sup>:

*"A review of the 39 projects contemplated by EGD suggests, the Council respectfully submits, that many of them simply do not meet any reasonable definition of a rational expansion."*

- 2.2.3** In general, the ratepayer groups can be characterized as interpreting rational expansion to mean that the prospective new customers would be getting sufficient value that they

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<sup>6</sup> Ontario Energy Board Act, 1998, S.O. 1998, C-15, Sched. B (the "Act"), s. 2, #3.

<sup>7</sup> IGUA First Round Submissions, p. 1.

<sup>8</sup> Although not identical to it in the details. See below.

<sup>9</sup> CCC First Round Submissions, p. 10.

would be willing to pay for it<sup>10</sup>.

**2.2.4** Even OEB Staff appears to agree that rational, in this context, means value exceeding costs<sup>11</sup>, and that “no need for subsidies” is a good barometer of value.

**2.2.5** *Must Be Better Than the Alternatives.* Most parties also agree that, for expansion to be rational, it must be better than the alternatives available to the unserved community. While this is implicit in the willingness to pay of the prospective new customers (they will in theory only be willing to pay for their least cost option), it is still a theme in the submissions of a number of the parties<sup>12</sup>.

**2.2.6** *Alternative Interpretations.* Only one party supporting changes to the underlying concept of EBO 188 – i.e. asking for subsidies – attempted to redefine “rational expansion”. The eventual result of the analysis is the following:

*“Based on the above definitions, “rational expansion” of natural gas into remote and rural communities should be expansion that is well thought-out and reasoned, is not arbitrary, and is based on assumptions, which, logically applied, further the objective.”<sup>13</sup>*

**2.2.7** NOACC makes no attempt to relate this proposed interpretation to any applicable law or policy, for example principles in energy regulation elsewhere, or in other regulated industries. It is based on nothing more than a dictionary analysis.

**2.2.8** The bigger problem with this interpretation, however, is that it is circular. It starts with the premise that the Board’s real objective is universal access to natural gas, and defines “rational” by reference to the method of getting there. The possibility that it may not be rational for some communities to have natural gas infrastructure is not part of the analysis.

**2.2.9** As noted below, this is not realistic. It is also not the law. If the objective in the Act was universal service, it would say so. It doesn’t. As a result, the attempt by NOACC to propose another interpretation of the phrase is not helpful to the Board.

**2.2.10** None of the other parties or commenters seeking subsidized natural gas service to their communities makes any attempt to identify how their proposals come within the “rational expansion” objective in the Act. No parties seek to give the Board any guidance on a principled way to interpret this objective.

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<sup>10</sup> Including at least BOMA (p.18), CCC (p.15), Energy Probe (p. 3), FRPO (p. 7), IGUA (p. 9), LPMA (p. 2), and SEC (p. 3). CPA (p. 2) and Parkland (p. 5) also agree.

<sup>11</sup> OEB Staff Submissions, p. 18.

<sup>12</sup> For example, BOMA (p. 19-23), CCC (p. 10), Env. Defence (p. 7), NOACC (p. 10), Northern Cross (Attach., p. 8), SEC (p. 5, 31). VECC notes that the Enbridge projects generally are not rational, because at \$25,000 per attachment, conservation and renewables are better options (p. 33).

<sup>13</sup> NOACC Submissions, p. 7.

**2.2.11 Position of the Utilities.** Quite surprisingly, neither Union Gas nor Enbridge, the two primary beneficiaries of the new proposals, sought to propose a new interpretation of the Board’s “rational expansion” objective.

**2.2.12** Union Gas does nothing more than refer to its own proposals as “rational” (several times), as if somehow the label is proof of the characterization. There is no analysis of what the objective in the Act means, and there is no attempt to look at how their proposal would change the interpretation from that represented by the EBO 188 principle.

**2.2.13** Enbridge, on the other hand, doesn’t refer to “rational expansion” at all in their submissions, implying that the objective in the Act is not relevant to their proposals<sup>14</sup>.

**2.2.14** OGA is of the view that analysis of this key issue by the utilities proposing the expansions would have been assistance to the Board, and would have helped the parties to engage the fundamental issues here more effectively.

### **2.3 OGA Position**

**2.3.1 Slippery Slope.** A number of parties have indirectly raised the question of the “slippery slope”<sup>15</sup>. That is, once you jettison the existing “rational expansion” principle, how far does this go?

**2.3.2** It appears to be common ground among the parties that there are about 1.4 million potential customers in Ontario not currently served by natural gas infrastructure<sup>16</sup>. At most, the proposals of Union Gas and Enbridge would serve about 34,000 of those customers, at an aggregate capital cost of about \$535 million. The investment per customer in these, the most cost effective uneconomic expansions, is about \$15,000 each, although the NPV of the lifecycle loss on these customers would be much more than that (as evidenced by the value of the CIAC payments requested). Additional expansions would be even more expensive.

**2.3.3** NOACC says:

*“The Ontario Energy Board (the “OEB” or the “Board”) has the ability and the obligation to ensure that all rural and remote businesses and individuals in Ontario have the ability to obtain and benefit from the expansion and use of*

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<sup>14</sup> EGD does make the curious argument, at p. 6/7 of their Submissions, that we, as a society, want more people on gas. The evidence does not support this. The evidence before the Board, in fact, shows that the unserved communities want subsidized gas, or they don’t want it at all. Only the utilities appear to want more people on gas, and of course they don’t want to pay for it either.

<sup>15</sup> For example, BOMA, p. 12, Energy Probe, p. 11, and Parkland, p. 5, among others.

<sup>16</sup> See OGA First Round Submissions, fn. 7.

*natural gas.*<sup>17</sup>

- 2.3.4** Assuming they could all be attached for that low \$15,000 per customer cost, the cost of supplying gas to everyone in Ontario not currently served would be \$21 billion. However, this is not realistic, because attaching many of the potential customers would cost a lot more than that. A figure of \$50-\$100 billion is more likely<sup>18</sup>. At the low end, this would more than quadruple current rate base, and would increase rates, on average, by more than 150% to 2.5 times their current levels (assuming OM&A increases only pro rata with the number of customers, likely a low estimate).
- 2.3.5** None of these numbers really matter, though, because, as CCC says, no-one would suggest that anything close to this result would be “rational expansion”<sup>19</sup>. Natural gas distribution infrastructure is not the solution to energy poverty in Ontario’s Northern and remote areas, including First Nations. Despite NOACC’s broad statement, no-one in this proceeding is seriously proposing a \$50 billion spending plan on fossil fuel infrastructure, whether natural gas or anything else. No-one has that kind of money to spend, and the price increases would quickly make natural gas uncompetitive everywhere in the province.
- 2.3.6** *What’s the Principle?* This creates a dilemma, however. If the Board – in this proposed *parens patriae* role – is not providing natural gas service to everyone, what is the principled basis on which it is going to draw the line? The Board has no proposals to that effect in front of it. There are pragmatic suggestions from the two utilities, but those proposals have no principled basis.
- 2.3.7** OGA believes that the Board must adopt a principled interpretation of its governing statute, and specifically the “rational expansion” objective. The Board currently has such a principle, established in EBO 188: expansion is rational if it is economic.
- 2.3.8** IGUA and other customer groups propose a modification of that approach, but applying the same basic concept. The existing customers all appear to be proposing that EBO 188 be re-cast to say: expansion is rational if the value exceeds the cost. Further, they would say that the expression of value is value to the customers. Thus, the value of the expansion is the amount the new customers would be willing to pay to get natural gas service.
- 2.3.9** OGA agrees with that formulation. Expansion is rational if the amount the new customers are willing to pay for the service is sufficient to cover the cost of the service.

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<sup>17</sup> NOACC First Round Submissions, p. 2.

<sup>18</sup> NOACC, for example, brings up the town of Neebing, whose 249 customers should in their view be attached at a net cost of \$307,000 each, a total of more than \$76 million (p. 14).

<sup>19</sup> As BOMA (p. 17) notes, universal service is not a goal. CCC (p. 16) agrees, pointing out that the evidence of London Economics seems to proceed from that incorrect premise.

**2.3.10** This is broadly consistent with EBO 188, and conceptually consistent with the interpretation used by the Board for all of the existing customers. The only difference is in the implementation. Under this formulation, it is not essential that the new customers pay all of the capital cost shortfall up front, as long as they are willing to pay for it in their rates over time, the same as everyone else. The change is not to the concept of rational expansion; it is to the concept of postage stamp rates.

**2.3.11** This interpretation has three added advantages:

- (a) The Board, with this formulation, is not interfering in the competitive markets<sup>20</sup>. If the customers want natural gas instead of propane, or electric, or geothermal, they can have it. If the government determines that there are societal values at play, and wants to change the customer's choice to drive an environmental, social, or other goal, it can do so. From the point of view of the regulator, the customers are empowered.
- (b) This interpretation is flexible enough to adapt to a changing environmental policy reality, such as the implementation of aggressive climate change policies in this province<sup>21</sup>. The prospective new customers will assess whether they want to take the risk of future carbon costs. The utilities will assess whether they want to take the risk that their new assets will be stranded, with no-one to pay for them.
- (c) The utilities have maximum flexibility to respond to the needs of the new customers. They can, for example, accept more of the risks of the project, so that more customers choose to sign on. They can reduce or defer their proposed ROE for these projects to make them more attractive to customers. In effect, the regulator is empowering the utilities as well.

**2.3.12 OGA Recommendation.** OGA therefore submits that the Board should expressly interpret "rational expansion" in the Act to mean expansion in which the value of the service to the new customers (being the amount they are actually willing to pay for it) exceeds the cost to provide it.

**2.3.13** It is also submitted that, in formulating the interpretation, the Board should confirm that value to the new customers must reflect the fact that the expansion is the alternative they would choose, relative to the other alternatives available to them. Thus, if the net benefit to a new customer is positive, and logically they should be willing to pay for natural gas, but they have another alternative that they believe is better for them (because the net benefits are greater, or because there are non-financial reasons to prefer it, such as environmental concerns), then natural gas expansion is not rational.

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<sup>20</sup> As IGUA (p. 21) points out.

<sup>21</sup> On this we agree with CCC (p. 23) and IGUA (p. 23).

### 3 BARRIERS TO EXPANSION

#### 3.1 The Issue

- 3.1.1 Energy Poverty.** There was much talk in this proceeding about “energy poverty”, and that is certainly a serious social policy issue in Ontario. However, none of the proposed expansions by the utilities is seeking to deal with that issue. In every case, the net benefits to the new customers far exceed the full cost to supply gas to the community.
- 3.1.2** As noted in para. 2.3.3 to 2.3.5 above, no change to EBO 188, and no subsidy system, is going to address energy poverty in any meaningful way. There is no reasonable definition of “rational expansion” that would allow for this. Further, if anyone sought to propose such a direction, it would immediately be obvious that there are better ways to spend the money it would cost, and provide even greater benefits to the very same people you are seeking to help.
- 3.1.3** The sad truth is that no action by the Board can reasonably be expected to result in the 249 potential customers in Neebing, Ontario getting gas at a cost of \$307,000 each<sup>22</sup>. Nor is there any chance that the Board will be able to fashion a policy that will get gas to the communities represented by Anwaatin<sup>23</sup>. It is simply too expensive.
- 3.1.4 Timing Issue.** For the communities where it is arguable that projects are economic and rational, in the sense discussed in Section 2, IGUA and SEC both note<sup>24</sup> that the real problem is not the cost of gas, but the timing of the payments. SEC describes it this way:
- “The benefits to the communities and the customers may take years to be realized, primarily through lower heating bills, but these costs are all upfront. This includes not just CIAC costs but customer’s individual conversion costs. This timing mismatch is a significant impediment.”*<sup>25</sup>
- 3.1.5** SEC goes on to note the Union economics - \$7,500 per customer up front, for \$34,000 of benefits over time – and quote Union’s witness as agreeing that timing mismatch is the key issue.

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<sup>22</sup> NOACC Submissions, p. 14. In fact, if you are going to spend \$76.5 million on those 249 customers, do they even want you to spend it on gas pipes? They may have other priorities, once the money is being made available.

<sup>23</sup> Interestingly, the Anwaatin proposal for a universal service fund, at p. 7 et seq of their Submissions, would likely mean that no, or few, First Nations qualify, unless they are deliberately put to the head of the queue ahead of other communities with better cost/benefit ratios.

<sup>24</sup> As do CCC (p. 5), Parkland (p. 2) and others.

<sup>25</sup> SEC Submissions, p. 12.

**3.1.6** IGUA has a similar analysis<sup>26</sup>, and points out that this is a problem of postage stamp rates, not actual cost. IGUA emphasizes that, if the Board wants to allow additional expansions to proceed, it should focus on that timing issue.

### **3.2 OGA Position**

**3.2.1** There seems to be a general agreement amongst most parties that the real issue for at least the next batch of expansion projects – including those on the table now – is that the customers have an up-front cost, in CIAC and equipment conversion, that is too much of a barrier. The solution to the CIAC component has been proposed by many: local surcharges and/or standalone rates. The solution to the equipment conversion has also been proposed by many: apply the government loan/grant money to this category of costs.

**3.2.2** OGA agrees. If natural gas is truly the best option for a community, then matching the incremental cost of getting natural gas to the considerably higher benefits of receiving it should produce immediate, and long-term, benefits to the customers. If you have to pay \$7,500 over 40 years (perhaps \$40 a month) to get benefits of \$34,000 over 40 years (perhaps \$190 a month), this is not a difficult choice.

**3.2.3** This has a number of advantages:

- (a)* Those who get the benefits, pay the costs. There is no transfer of wealth from one group in society to another.
- (b)* There is an immediate and continuing inflow of cash into the local communities through lower net energy costs.
- (c)* There is no interference in the market for energy by the Board.
- (d)* The prospective customers will price in the cost of environmental, economic, and other risks in deciding whether to sign on to get natural gas.
- (e)* The most cost-effective energy option for the community will be the one implemented.

**3.2.4** This all seems very easy, but it is not what the utilities have proposed. The reason is that, in this scenario, the utilities take more risks. If they are not going to be allowed to roll the new rate base into their existing rate base, and get full protection on their costs and revenue forecasts from the existing ratepayers (who are then effectively guarantors), then those forecasts had better be pretty accurate.

**3.2.5** On the other hand, if the primary reason that communities don't get gas service is that

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<sup>26</sup> IGUA Submissions, p. 2, 15.

the incumbent utilities are unwilling to take any risks, the likely result, as we have seen with Southern Bruce, is that new entrants will step up.

- 3.2.6** For these reasons, OGA agrees with many other parties that the Board should focus first on technical adjustments to the EBO 188 calculations, and the addition of surcharges and/or standalone rates, rather than moving towards subsidies that are opposed by most of the customers.
- 3.2.7** The barrier to most gas expansion in Ontario is that, in fact, gas is simply too expensive for most of the 1.4 million unserved customers. Expansion to those communities would not be rational, and it is unrealistic to think that it is ever going to happen. Energy poverty in those communities desperately needs solutions, but they are unlikely to include natural gas piped in from hundreds of kilometers away.
- 3.2.8** But, for those customers where the value of the service exceeds the cost – i.e. rational expansions - the barriers are postage stamp rates, and the timing of CIAC and conversion costs. The Board can unleash those community expansions by solving those barriers. There are solutions readily available.



## 4 PROTECTING THE CUSTOMERS

### 4.1 Introduction

- 4.1.1 These submissions contain extensive discussion of “rational expansion”, but as some parties<sup>27</sup> have pointed out, there is another objective in the Act that comes into play here, the objective “*protecting the interests of consumers with respect to prices*”,<sup>28</sup>. For a regulated monopoly, this is the central role of the regulator, acting as a market proxy to ensure that prices are just and reasonable.
- 4.1.2 This implies two questions.
- 4.1.3 First, which “consumers” are the consumers the Board is charged to protect? Is this existing customers of the gas distribution utilities, or is it all potential customers in the province?
- 4.1.4 Second, what do those consumers want? This is the customer engagement/acceptable outcomes part of the problem.

### 4.2 Positions of the Parties

- 4.2.1 There was not a lot of discussion of these issues in the submissions of the parties.
- 4.2.2 In their submissions, CPA have an analysis of the first question, i.e. which consumers are the ones referred to in the Act. Their conclusion is that the Board’s objective is to protect the customers of the regulated gas utilities with respect to prices, and that objective does not extend to protecting in any way persons who are not customers of regulated utilities.
- 4.2.3 OGA did not find any other analysis of this issue.
- 4.2.4 Some parties discussed the second part. CCC, for example, noted<sup>29</sup> that there had been no customer engagement to determine if the existing customers were prepared to subsidize uneconomic expansions. LPMA pointed out<sup>30</sup> that, under the subsidy proposals, the utilities have a choice whether to proceed with a project, and the new customers have a choice whether to attach. Existing customers, on the other hand, would have no choice, but would simply be forced to subsidize the new customers.
- 4.2.5 There was also extensive discussion about what the unserved communities want, but

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<sup>27</sup> E.g., CPA Submissions, at p. 4.

<sup>28</sup> Act, s. 2.

<sup>29</sup> CCC Submissions, p. 13/14.

<sup>30</sup> LPMA Submissions, p. 5.

that was less controversial. There seems to be general agreement that the unserved communities want lower cost energy, and they see natural gas as a route to get to that result<sup>31</sup>.

### **4.3 OGA Position**

- 4.3.1** *Which Consumers Does the Board Protect?* OGA agrees with the CPA that the objective of protecting consumers with respect to prices is a reference to the existing customers of the regulated utilities.
- 4.3.2** This does not appear to us to be particularly controversial. The tools available to the Board with respect to prices relate to the prices charged by regulated entities. Those prices impact the customers of those entities. The Board is not really in a position to protect non-customers with respect to prices. Which prices? How would the Board do that?
- 4.3.3** A step back makes this abundantly clear. The Board is an economic regulator, charged with the responsibility to oversee the regulated part of the energy market. The Board does not, for example, have the responsibility to oversee the propane industry, so even though non-customers pay prices charged by the propane companies, the Board has no responsibility to deal with that. Similarly, some of the electricity commodity is not regulated by the Board. Even though electricity customers pay the prices for that part of the commodity, the Board has no responsibility to protect them from increases in those prices.
- 4.3.4** That does not, however, mean that the Board has no mandate relating to non-customers. It does, and in our submission, that is what the objective of “rational expansion” is about.
- 4.3.5** In one respect, this is different from the price objective. It is not about keeping prices down.
- 4.3.6** However, in another respect it may be very similar to the price objective, and that is the market proxy concept.
- 4.3.7** When protecting consumers with respect to price, the Board acts as a market proxy. The utility has a monopoly, so someone has to step in and play the role the market would play in controlling prices.
- 4.3.8** In much the same way, the rational expansion objective is not a problem in a non-

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<sup>31</sup> Although they don’t always have the numbers right. NOACC, for example, at p. 13 says that geothermal is nine times the cost of natural gas, clearly confusing the capital and operating costs, and probably getting both of them wrong. The uncontroverted evidence before the Board is that, in most cases, geothermal is less costly than natural gas for rural and remote communities, but suffers from the same issue as natural gas: high up-front costs. Even the thoroughly discredited letter from the Canadian Geothermal Exchange admits that reality.

monopoly environment. Companies expand their services into new areas where the customers in the new areas are willing, over time, to pay the cost of the expansion. If the expansion is not cost-effective in the long term, both for the company and for the new customers, it will not happen. Existing customers are not asked to pay more, permanently, because the company wants to expand into a new area. They will sometimes pay more, temporarily, if in the long term they will be better off. They will not accept higher prices because the company wants to take steps that lose money. They will simply change suppliers.

- 4.3.9** But, in the case of a monopoly, the existing customers don't have the option of choosing a different supplier because of price increases they don't accept.
- 4.3.10** The Board, in its market proxy role, has a responsibility to take the same actions to control the monopoly utility that the market would take. The definition of rational expansion discussed earlier – where the value the new customers are willing to pay is greater over time than the cost to serve them – is precisely congruent with how the market would respond in a non-monopoly situation.
- 4.3.11** Therefore, OGA believes that the Board does have an objective that relates to the interests of prospective, as opposed to existing, customers. That mandate – rational expansion – is met by the same market proxy approach that the Board applies to monopoly prices.
- 4.3.12** *What Do the Customers Want?* With respect to the existing customers, OGA has canvassed in its First Round Submissions<sup>32</sup> the issue of customer engagement and customer preferences. In general, we concluded that there is no evidence on the record that the existing customers wish to provide a subsidy to the prospective customers in unserved communities, and that is likely because they don't want to provide a subsidy.
- 4.3.13** OGA's conclusion appears to be borne out by the positions of the eight ratepayer groups represented in this proceeding. In every case, their basic position opposes subsidies. Only two, SEC and VECC, suggest that any subsidy is acceptable, and in both cases their proposals contain tight limits. The other six, representing a broad range of customer groups, oppose subsidies for community expansions.
- 4.3.14** As LPMA correctly points out, what is being proposed is an involuntary subsidy by the existing customers of the new ones. This is not, in our submission, consistent with the Board's statutory objectives, or an appropriate policy choice.

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<sup>32</sup> OGA Submissions, Section 2.3.

## 5 THE BOARD'S ROLE IN ORDERING SUBSIDIES

### 5.1 Introduction

- 5.1.1** The most controversial issue in this proceeding has been whether the Board should order the existing customers to subsidize, on a permanent basis, uneconomic expansions into unserved communities. On the one side, the Board sees the utilities and the prospective customers, who both stand to benefit from the proposed subsidies. On the other side, the Board sees the existing customers, and the existing energy suppliers, who both stand to lose from the proposed subsidies. The positions are relentlessly predictable.
- 5.1.2** *Jurisdiction vs. Appropriateness.* There are two levels at which the question of the Board's role can be discussed.
- 5.1.3** Many parties have discussed at length whether the Board has the legal jurisdiction to order subsidies, and if so whether they can only be intra-utility, or can be inter-utility as well, such as an expansion or universal service fund. OGA has reviewed the submissions of the other parties, and believes those issues of legal jurisdiction are being well canvassed by others. We make no submissions on those points.
- 5.1.4** The question of appropriateness is quite different. It is, even if the Board has the legal right to order subsidies, should it do so? This involves considering the two elements of subsidies:
- (a) the transfer of wealth from one group to another; and
  - (b) picking winners and losers in the competitive marketplace.

### 5.2 Positions of the Parties

- 5.2.1** This section considers the positions of the parties with respect to the two elements of subsidies, as they relate to the Board's proposed role.
- 5.2.2** *Transfer of Wealth.* LPMA sets out<sup>33</sup> a useful discussion of the costs and benefits to different stakeholders in the Union Gas side of the analysis: existing customers, new customers, and shareholders. To this, OGA adds the existing energy service providers (and their employees and shareholders)<sup>34</sup>, to produce the following table:

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<sup>33</sup> LPMA Submissions, p. 6.

<sup>34</sup> Whose costs must, logically, be at least equal to the benefits to the new customers (since the customer benefits are no longer paying the existing energy service providers), and whose benefits are, by definition, zero.

Stakeholders	Pay	Receive
<b>New Customers</b>	\$19 million	\$277 million
<b>Existing Customers</b>	\$75 million	\$12 million
<b>Shareholders</b>	zero	\$45 million
<b>Incumbent Energy Service Providers</b>	\$277 million	Zero

- 5.2.3** Of course, these are all on a net present value basis. The actual dollars that will be paid, and received, by the various parties are much higher on an as-paid, as-received, basis.
- 5.2.4** As LPMA points out in their analysis, the numbers for Enbridge will be a similar pattern, although presumably two or three times as high, because their projects cost a lot more.
- 5.2.5** The ratepayer groups generally<sup>35</sup> take the position that payments by existing customers (which probably total half a billion dollars over time, and over both utilities, for the projects currently before the Board), in order to provide a transfer of wealth to new customers (likely a billion and a half dollars over time, and over both utilities) are not something the Board should order, and not within the reasonable mandate of the Board.
- 5.2.6** Energy Probe, for example, notes<sup>36</sup> that the government has already determined the amount that should be provided to assist with gas community expansion - \$230 million – and how much should be grants vs. loans<sup>37</sup>.
- 5.2.7** IGUA, on the other hand, is categorical in its statement that a transfer of wealth from one group to another is not something the Board should be doing:
- “An economic regulator has no legitimate role in determining or directing the transfer of wealth from one set of regulated service customers to another. To the extent socially desirable, to facilitate economic development in the community or otherwise subsidize energy services to particularly vulnerable communities, wealth transfers from one group of Ontarians to another is a role for government.”<sup>38</sup>*
- 5.2.8** Even OEB Staff agrees<sup>39</sup> that, at some point, a transfer of wealth from one group of ratepayers to another is not just and reasonable (which is a legal jurisdiction

<sup>35</sup> See, e.g., Energy Probe (p. 8), IGUA (p. 2, 7), and LPMA (p. 5). CPA (p. 4) takes the same position.

<sup>36</sup> Energy Probe Submissions, p. 5.

<sup>37</sup> Both Union Gas and Enbridge make clear that their proposed subsidies are in addition to the government program.

<sup>38</sup> IGUA Submissions, p. 2, also p. 7.

<sup>39</sup> OEB Staff Submissions, p. 14, 18.

argument), but also is clear that it is generally opposed to subsidies because they end up being a transfer of wealth.

**5.2.9 *Picking Winners and Losers.*** If the “transfer of wealth” question is about transfers between customers (or prospective customers), the “winners and losers” question is about interference in the functioning of a competitive market, and granting natural gas a market advantage over other energy sources.

**5.2.10** There appears to be even more opposition to the Board picking winners and losers<sup>40</sup>. Of course, the competitors – CPA, Parkland, and OGA – have all opposed the Board’s proposed new role picking natural gas in preference to alternatives.

**5.2.11** In addition, most of the ratepayer groups have also opposed this new role for the Board, either by express discussion, or by necessary implication from their other positions.

**5.2.12** The exception appears to be VECC, which takes the other view:

*“While it is at least unclear whether natural gas and other alternatives such as propane are in the same product market from a competition economics standpoint, it is also apparent that any subsidized entry may have an effect on existing and potential energy providers. Natural gas expansion should create economic value in a community not just eliminate an alternative and potential economic value.”<sup>41</sup>*

**5.2.13** However, VECC goes on to point out that it is not clear the communities selected by Union Gas and Enbridge are the ones for which subsidized expansions should be allowed. There is no evidence they are the most worthy. VECC therefore says:

*“If subsidies are to be paid out based upon societal or other public interest benefits then it is incumbent on the Board, if it means to compel subsidies from existing ratepayers, to determine the optimal use of those expropriated funds.”<sup>42</sup>*

**5.2.14** VECC also notes, immediately following, that in those circumstances optimization of subsidies would not just be choosing between expansion projects:

*However, if the long standing principle of the public interest is to trump cost causality, why could societal and economic benefits to individual customers not be optimized by providing subsidies to low-income customers in*

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<sup>40</sup> See, e.g. LPMA (p. 16), SEC (p. 32), Energy Probe (p. 4), CPA (p. 19), among others.

<sup>41</sup> VECC Submissions, p. 25.

<sup>42</sup> Ibid.

*currently served areas who cannot afford to convert to natural gas?*<sup>43</sup>

**5.2.15** Thus, even the VECC position, supporting a universal service fund, is far from supporting the proposal that the Board simply pick natural gas as the preferred energy source in expansion communities selected by the utilities. Once the Board gets into the social policy business, it has a broader set of criteria to consider, and it cannot just respond to utility proposals. It must, according to VECC, be proactive in spending the money taking from the existing ratepayers wisely.

### **5.3 OGA Position**

**5.3.1** Neither the transfer of wealth between customer groups, nor picking winners and losers in the marketplace, are roles that the Board has exercised in any significant way in the past. Neither role is one that is within the expertise of the Board and its members, and in both cases the mandate of the Board – gas distribution, in this case – is not broad enough to deal with the entire policy issue.

**5.3.2** A case in point is the scope of any subsidies. Some parties propose, for example, that if there is a subsidy at all, it should be through the mechanism of an expansion fund set up by the Board, covering not just the two incumbents, but new entrants as well<sup>44</sup>. Both Union Gas and Enbridge oppose that mechanism, but support intra-utility subsidies.

**5.3.3** Once you start down the path of a fund, though, the obvious question is why it would be limited to natural gas expansions. Why wouldn't it apply to all energy solutions suitable for the community, whether the solution is natural gas, conservation, renewables, or anything else?<sup>45</sup>

**5.3.4** In fact, why would there be any line drawn limiting the available solutions? If it is appropriate for the Board to be solving the problem, surely it must have the mandate to deal with the problem, not just a small part of it. Further, if the best solution to the problem is not natural gas, surely it is not appropriate for the Board to impose a natural gas solution, because that is the solution that is in its mandate, or because that is the solution that it has the expertise to address.

**5.3.5** There is a reason why policy decisions like these are generally engaged by governments, and not by economic regulators. Governments have the mandate, the expertise, and the tools to implement good, durable solutions to problems such as these.

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<sup>43</sup> VECC Submissions, p. 26.

<sup>44</sup> See, e.g. Anwaatin (p. 7), NOACC (p. 3), Northern Cross (p. 8), Ontario Petroleum Institute (Attach. P. 1), SEC (p. 5, 37), Southern Bruce (p. 3), and VECC (p. 22)

<sup>45</sup> NOACC's proposed fund would, in fact, be technology neutral, applying to any energy solution, including conservation and renewables.

- 5.3.6** OGA therefore agrees with IGUA that it is not an appropriate role for the Board, either to forcibly transfer wealth from one group of ratepayers to another for social policy reasons, or to pick one energy source over another as a preferred energy source, skewing the results of market competition.
- 5.3.7** In this regard, we see the submissions of VECC, supporting limited subsidies, as being a further demonstration of what this role would mean for the Board. Once the Board decides to take money from one group, and use it to influence the competitive markets, and/or deliver social policy goals, the Board cannot just say yes or no to utility expansion proposals any more. It becomes a spender of a fund of ratepayer dollars and, just as would be the case if the Board were collecting and spending tax dollars, the Board has the responsibility to consider all possible ways of optimizing the spending of those dollars. This may not be part of the core competencies of the Board, and is likely not an appropriate expansion of the role of the Board.



## 6 EXPANSION AND CLIMATE CHANGE

### 6.1 The Issue

#### 6.1.1 Union Gas says:

*“The Ontario government’s desire to expand natural gas distribution systems, which will increase natural gas use, is inconsistent with their recently announced intent to implement a cap and trade program whose objective is to significantly reduce the use of natural gas. While Union supports its Community Expansion proposals as filed in this application, the ultimate degree to which any approved regulatory flexibility is used will depend on reconciling these two opposing government policy positions.”<sup>46</sup>  
[emphasis added]*

6.1.2 While Union is correct that the policies are inconsistent, its statement about the impact is a substantial understatement. As we now know, the government’s Climate Change Action Plan, which includes cap and trade as its key price signal component, but also includes extensive spending programs, will result in fundamental and far-reaching changes to the use of natural gas in Ontario.

6.1.3 OGA has made thorough submissions already about the relationship between Ontario’s low carbon future and gas community expansion, and those continue to be relevant and important.

### 6.2 Positions of the Parties

6.2.1 As noted earlier, Union Gas simply does not deal with climate change or GHG at all in their submissions. Whatever the reason, this is not helpful to the Board. Refusing to engage the issue will not make it go away.

6.2.2 Enbridge, on the other hand, does deal with it, but bases their futile defence of increased fossil fuel combustion on the curious argument that the government doesn’t see a connection between its climate change policies and its community expansion policies<sup>47</sup>.

6.2.3 This does not appear to describe with the same Ontario we are seeing. In that Ontario, the government is going to spend at least ten times as much, just over the next five years, to reduce the use of natural gas for space and water heating as it does for the

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<sup>46</sup> EB-2015-0179, Ex. A/1, p. 1. VECC appears to agree, calling the two policy directions “difficult to reconcile” (p. 42). CCC says that government policy may now call for a reduction, not expansion, of natural gas (p. 17).

<sup>47</sup> Enbridge Submissions, p. 10.

much-delayed community expansion program<sup>48</sup>. In that Ontario, say the utilities' own consultants, natural gas use has to decline by 40% by 2030. In that Ontario, the government cannot meet its GHG reduction targets unless it somehow reduces the use of natural gas in buildings<sup>49</sup>.

**6.2.4** Most of the other parties appear to recognize this. The ratepayer groups, for the most part, agree that the Climate Change Action Plan means that the economics of natural gas will change, uncertainty will be created in forecasts of attachments and revenues, and there is a significant risk of stranded assets<sup>50</sup>.

**6.2.5** Only the environmental groups go beyond that, saying that proactive steps are needed to align gas management, strategy, and policies with Ontario's low carbon future<sup>51</sup>.

**6.2.6** OEB Staff appear to agree with both the ratepayer groups, on the issue of uncertainties and changes that are coming<sup>52</sup>, and the environmental groups, on the need for impact analysis before moving ahead with community expansion projects<sup>53</sup>.

### **6.3 OGA Position**

**6.3.1** OGA believes that any new community expansion framework – whether modifications of EBO 188, or an entirely new system like the *laissez-faire* approach advocated by the utilities – will be a complete failure if the Board, and the utilities, do not tackle the reconciliation of community expansion and climate change head-on.

**6.3.2** It is not enough to say we'll figure this out later. Union and Enbridge are proposing to build assets that will be in rates, for forty years or more. There is a high probability those assets will be stranded. It is irresponsible to build assets, and incur future obligations on behalf of customers, knowing that major changes to the industry will undermine the long-term viability of those assets, and having no plan to address that.

**6.3.3** OGA therefore agrees with Environmental Defence, and OSEA, that Step 1 in moving to any new community expansion framework is to develop a robust and sensible strategy that reconciles community expansion with Ontario's low carbon future. In effect, they say let's do our homework first, before rushing ahead to spend hundreds of millions of dollars on new gas infrastructure. OGA agrees. That is just common sense.

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<sup>48</sup> OGA First Round Submissions, p. 28.

<sup>49</sup> And, as an aside, 29% of our electricity does not come from natural gas, as Enbridge erroneously claims (p. 11). In 2015, according to IESO, gas and oil together generated 10% of Ontario's electricity. That figure continues to decline as Ontario continues to decarbonize. The misleading use of the capacity figure, rather than the generation figure, is not helpful.

<sup>50</sup> See, e.g. CCC (p. 23), LPMA (p. 28/29), SEC (p. 15 et seq.).

<sup>51</sup> Env. Defence (p. 2), OSEA (p. 2, 11).

<sup>52</sup> OEB Staff Submissions, p. 27, 34.

<sup>53</sup> OEB Staff Submissions, p. 36.

## 7 OGA PROPOSED FRAMEWORK

### 7.1 Summary

- 7.1.1 In its First Round Submissions, OGA proposed a two-part approach to a new community expansion framework<sup>54</sup>.
- 7.1.2 First, any utility that will be serving Ontario communities should be required to develop a comprehensive strategy for dealing with the Climate Change Action Plan. Union, Enbridge, and any other utility that wants to distribute gas in the province of Ontario, should figure out how their business will be affected by the CCAP, and how they can survive and prosper in that new reality. That plan should be filed with, and approved by, the Board.
- 7.1.3 No utility that has failed to do their climate change homework should be allowed to proceed with expansion projects. It should be a precondition of spending approval. You can't spend the ratepayers' money if you don't have a strategy to make sure the spending is, and will continue to be, prudent. How could anyone – the utilities or anyone else – argue against that?
- 7.1.4 Second, each individual project application should focus on the “rational expansion” concept, with the utility accepting the onus that the project meets the rational expansion test in the Act. This is fundamentally about value vs cost, but also about least cost planning.
- 7.1.5 While OGA has not categorically opposed subsidies, we agree with the customer groups that subsidies should, in principle, not be required for projects that meet the test of “rational expansion”. There may be exceptions, but they should be rare and unusual<sup>55</sup>. In most cases, and a structure to match costs and benefits is made available, the willingness to pay of the prospective customers will be the best test that the expansion is rational.
- 7.1.6 In the project application, OGA has proposed that it include a full analysis of the costs and benefits of the project, including a comparison to alternatives, and a demonstration that the expansion is consistent with the utility's CCAP strategy. Further details are found in the OGA First Round Submissions.
- 7.1.7 OGA continues to believe that this two-step, comprehensive approach is the best way to ensure that natural gas community expansions meet the Board's objectives and are in the public interest.

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<sup>54</sup> OGA First Round Submissions, Section 4.

<sup>55</sup> “Never say never”, in other words.

## **8 OTHER MATTERS**

### **8.1 Costs**

- 8.1.1* The Ontario Geothermal Association hereby requests that the Board order payment of our reasonably incurred costs in connection with our participation in this proceeding. It is submitted that the Ontario Geothermal Association has participated responsibly in all aspects of the process, in a manner designed to assist the Board as efficiently as possible

All of which is respectfully submitted.

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Jay Shepherd  
Counsel for the Ontario Geothermal Association