

ONTARIO ENERGY BOARD

EB-2020-0094

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

AND IN THE MATTER OF an application for approval of surcharges relating to gas grid expansion.

Notice of Motion

Environmental Defence will make a motion to the Board on a date and time to be determined by the Board. The motion is to be heard in writing or orally as determined by the Board.

THE MOTION IS FOR AN ORDER:

1. That Enbridge provide full and adequate responses to interrogatories I.ED.2 and I.ED.3.

THE GROUNDS FOR THE MOTION ARE:

Overview

2. Enbridge has declined to answer important interrogatories regarding the number and cost of projects that would be subject to the surcharges it proposes in this application. It also declined to attempt to estimate a dollar value of the risks that would be borne by existing customers if the structures proposed by Enbridge were to be approved. An order for full and adequate interrogatory responses is required to ensure the Board and intervenors have the information they need to consider the issues in this proceeding.

Interrogatory #2 – Number and size of relevant projects

3. Interrogatory I.ED.2 requested details regarding the number and cost of the projects that would be impacted by the relief sought by Enbridge in this proceeding over time, as well as the associated forecast volumes. This information would assist intervenors and the Board in considering Enbridge's application and the potential risks for existing customers. For example, if the costs associated with the potential future projects are relatively small, the risks to existing customers arising from underutilized or stranded assets are small. Conversely, if the costs are high, the risks are high.
4. Environmental Defence wishes to make submissions on the degree to which Enbridge's proposals burden existing customers with the financial risks associated with underutilized and stranded assets. These risks and uncertainties are heightened for 40-year gas supply assets because consumers may increasingly move away from burning fossil fuels in buildings due to climate change. Environmental Defence believes Enbridge's proposals put too much of this risk on existing customers. In relation to that issue, it is relevant to assess the magnitude of the costs at issue.
5. At a more fundamental level, Enbridge should be advising the Board and parties the approximate cost of the projects that would be impacted by its proposals.
6. Enbridge's reasons for not providing the requested information are without merit.
 - a. First, Enbridge argued that community expansion project information is confidential. However, the OEB's *Practice Direction on Confidential Filings* requires that Enbridge file the interrogatory response along with a request for confidential treatment. It has not done so. It should do so, such that intervenors can access the information based on the standard confidentiality undertaking and make submissions as necessary regarding the appropriateness of confidential treatment.

- b. Second, Enbridge notes that gas expansion projects are based on a 10-year attachment forecast and therefore information cannot be provided beyond 2030. However, that is no reason to decline to provide any response at all whatsoever. Indeed, the interrogatory anticipated that issue and specifically noted as follows “if the length of the time period is impossible, please explain why and answer the question over as long a time period as possible.”
- c. Third, Enbridge declined to provide information on small main extensions or development projects as it says none are in development. However, this should not prevent Enbridge from estimating the total cost and volume for said projects going forward based on historical data. The interrogatory anticipated issues such as this and specifically noted as follows: “[i]f certain parts of the table or answer cannot be estimated, please explain why and complete as much of the table or answer as possible.” Section 27.02(b) of the OEB *Rules of Practice and Procedure* would also apply, which requires a party to provide alternative information when the specific information requested cannot be provided. This section reads as follows:

where the party contends that the information necessary to provide an answer is not available or cannot be provided with reasonable effort, setting out the reasons for the unavailability of such information, as well as any alternative available information in support of the response;

7. Environmental Defence therefore asks that Enbridge be directed to provide a full and adequate response to I.ED.2, which would provide concrete data on the magnitude of the costs and volumes that would be impact by the relief it seeks.

Interrogatory #3 – Dollar value of risk

8. Interrogatory I.ED.3 asked Enbridge to estimate the dollar value of the financial risks faced by existing customers associated with gas expansion projects, such as the risk of

lower-than-forecast revenue or stranded assets. We proposed two methods to estimate this. First, we ask that Enbridge explore the cost of procuring insurance to cover this risk. Enbridge declined to do so. It speculated that such insurance would not be available, but it did not make best efforts to seek the requested information.

9. Second, we asked that Enbridge estimate the premium that it would require to assume these risks faced by existing customers. Again, Enbridge declined to do so.
10. We acknowledge that the task of assigning a value to financial risk is challenging. However, that does not make this task irrelevant or not worth pursuing. Environmental Defence believes Enbridge is adding increasingly unacceptable amounts of risk on existing gas customers by rapidly expanding the gas system at the same time as climate change is creating large uncertainties around government policy and consumer behaviour, which could result in lower-than-expected volumes. This is an increasingly important issue.
11. Environmental Defence simply asks that Enbridge be directed to make best efforts to value the risk it is proposing to put on existing ratepayers through the structures proposed in this application.

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ENBRIDGE GAS INC.

Answer to Interrogatory from
Environmental Defence (ED)

Interrogatory

Reference:

Exhibit A, Tab 2, Schedule 1, Page 2

Preamble:

The following questions relate, among other things, to the size of the financial risks associated with the various projects that would be impacted by this proposal.

Question:

- a) Please complete the following table for all approved community expansion projects that involved a System Expansion Surcharge and all community expansion projects that are currently under consideration that would involve a surcharge (for 2030).

Community Expansion Projects – Volumes and Revenues by 2030				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Approved Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Approved Projects				
Projects Under Consideration or Development				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Projects Under Consideration or Development				
Totals – All Projects				

- b) Please complete the following table for all approved community expansion projects that involved a System Expansion Surcharge and all community expansion projects that are currently under consideration or development that would involve a surcharge (up to the end of the economic lives of the projects).

Community Expansion Projects – Volumes and Revenues				
By the End of the Economic Life of the Projects				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Approved Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Approved Projects				
Projects Under Consideration or Development				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Projects Under Consideration or Development				
Totals – All Projects				

- c) Please complete the following table for all small main extension projects, customer attachment projects, and development projects that are currently under consideration or development that would involve a surcharge with data (for 2030). If these projects are too small to itemize or identify individually, please provide estimates of the total volumes, demand, and cost for each type of project for the relevant time period. Please explain Enbridge's assumptions.

Small Main Extension, Customer Attachment, and Development Projects – Volumes and Revenues By 2030				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Small Main Extension Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Small Main Extensions				
Customer Attachment Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Customer Attachment				
Development Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Development Projects				
Totals – All Projects				

- d) Please complete the following table for all small main extension projects, customer attachment projects, and development projects that are currently under consideration or development that would involve a surcharge (up to the end of economic lives of the projects). If these projects are too small to itemize or identify individually, please provide estimates of the total volumes, demand, and cost for each type of project for the relevant time period. Please explain Enbridge's assumptions.

Small Main Extension, Customer Attachment, and Development Projects – Volumes and Revenues				
By the End of the Economic Life of the Projects				
	Forecast Volumes (m3/yr)	Annual Demand (GJ/yr)	Design Day Demand (GJ/day)	Total Cost / Revenue Requirement
Small Main Extension Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Small Main Extensions				
Customer Attachment Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Customer Attachment				
Development Projects				
Project 1 Name				
Project 2 Name				
...				
Project n Name				
Totals for Development Projects				
Totals – All Projects				

- e) Please estimate the total volume (m³/yr) of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.
- f) Please estimate the total design day demand (GJ/day) of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.
- g) Please estimate the capital costs of the small main extension projects, customer attachment projects, and development projects (separately and total) that Enbridge forecasts by (i) 2025, (ii) 2030, and (iii) 2035.

For the above questions, if forecasting is a challenge, please answer the question on a best-efforts basis and with any caveats as necessary. If the length of the time period is impossible, please explain why and answer the question over as long a time period as possible. If certain parts of the table or answer cannot be estimated, please explain why and complete as much of the table or answer as possible. Please make assumptions as necessary and state all assumptions. Please also provide all underlying calculations.

Response:

- a) Please see Exhibit.I.Staff.1 h) and Exhibit.I.PP.5.

Enbridge Gas is in the process of developing a considerable number of community expansion project proposals to be submitted to the OEB as part of the Ontario government's Natural Gas Expansion Program. At this time, the details of these project proposals remain confidential.

- b) Total forecast volume and annual demand for all approved Community Expansion projects are based on a 10-year attachment forecast. The 10-year attachment forecast for the current projects does not extend beyond 2030.
- c) through g) Enbridge Gas does not have any approved or in- development small main extension projects.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Environmental Defence (ED)

Interrogatory

Reference:

Exhibit B, Tab 1, Schedule 1, Plus Appendix, Page 7

Question:

- a) Please approach insurers and ask for the cost of insurance to cover the risks faced by current customers from various gas expansion projects, such as the risk of lower-than-forecast revenue or stranded assets.
- b) Please discuss the possibility of insuring against the risk of lower-than-forecast revenue from expansion projects.
- c) What would Enbridge require as a premium to assume all of the risks from lower-than-forecast revenue from expansion projects? Please provide both a general answer and an example in relation to one specific project that is under consideration.
- d) Please list and discuss all the insurance held by Enbridge in relation to its regulated businesses.
- e) Does Enbridge hold any insurance premiums that provide a hedge against (i) gas price changes or (ii) carbon price changes? If yes, please describe.

Response:

- a) To the best of its knowledge, Enbridge Gas does not believe this type insurance would be available in the commercial insurance market.
- b) Please see Enbridge Gas's response to part a) of this question.
- c) As a regulated energy distributor operating in the Province of Ontario, Enbridge Gas operates under an incentive rate setting model that is meant to be designed to provide Enbridge Gas with the opportunity to recover its reasonable capital and operating costs in rates. If Enbridge Gas were subjected to an increased amount of

risk not contemplated within its existing incentive rate model, Enbridge Gas would have to assess the magnitude of this risk and determine a proposal to address the increased risk in its rate model, such as by seeking a greater level of equity thickness, higher rate of return on equity or recovery of other increased costs in rates.

- d) While this question is far outside of the scope of the current proceeding, Enbridge Gas notes that it participates in the consolidated insurance programs maintained by Enbridge Inc. for its subsidiaries and affiliates with coverage types that are consistent with customary industry practices and limits that it believes are appropriate for its operations. The programs are subject to certain deductibles, terms, exclusions and conditions that are generally consistent with coverage considered customary for our industry and size.
- e) No.