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November 24, 2017

Kirsten Walli
Board Secretary, Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli,

Re: Letter of Comment - Board File No. EB-2017-0147

The Canadian Propane Association is an approved intervenor in EB-2017-0147. In the interests of efficiency, the CPA currently plans to limit its participation to the within Letter of Comment, and to refrain from active participation in the interrogatory and argument phases. Accordingly, please find below our Letter of Comment for the Board's consideration. The CPA continues to reserve the right to participate more actively as an intervenor in further phases of the hearing if it deems it appropriate.

The Canadian Propane Association (CPA) is the national association for Canada's propane industry, representing over 400 member companies in every region of the country. Members include propane producers, wholesalers, transporters, equipment and appliance retailers, manufacturers, and distributors, and associated industries.

CPA works with governments and regulators on policy issues that affect the energy sector, such as providing cost efficient energy to consumers. CPA provides key services such as industry training through the Propane Training Institute and emergency response for propane and flammable liquids through Emergency Response Assistance Canada. CPA also provides industry members with a forum to collaborate on best practices.

CPA has participated in developing the current expansion framework, through involvement in Generic Hearing EB-2016-0004 and Union Expansion Hearing EB-2015-0179. We have done so in the best interests of our members, their customers and the communities that they serve. The propane industry in Ontario provides heat and energy to hundreds of thousands of homes and businesses, creates more than 3,000 jobs, and every year contributes approximately \$1.95 billion in annual economic value. Its activities and offerings contribute to the public interest.

CPA represents propane industry members who currently serve the communities that Enbridge seeks to supply with natural gas through this application. The CPA submits that the Ontario Energy Board should consider the following issues when deliberating on this expansion proposal:

1. Cross-Subsidization

The OEB's Generic Community Expansion Decision in EB-2016-0004 prohibited regulated entities from charging existing customers to cross-subsidize community expansion projects. The Board determined that expansion costs must be borne by the same expansion customers and communities who are reaping the benefits.

In this hearing, the OEB must test whether Enbridge's proposal is consistent with the principles enumerated in the Generic Hearing, as it did in the recent Union hearing. If the proposal indirectly allows for or could result in an eventual cross-subsidy charge – whether as a result of forecast errors or through rebasing mechanisms or otherwise, Enbridge should be compelled to amend its proposal to include a mechanism that

ensures – not just forecasts – that actual costs will be paid by actual expansion customers and communities, and not just deferred to be collected by way of a future cross-subsidy after a certain number of years.

2. Market Fairness

If natural gas becomes available in the proposed communities as an alternative to propane, the CPA members serving those communities will be directly impacted, through possible loss of customers and jobs. The propane industry does not object to natural gas expansion and is entirely willing to compete, but it must be on a level playing field with other energy sources.

As such, hearings on this expansion application should consider whether the capital and rate-setting mechanisms proposed will unfairly skew the marketplace in favour of natural gas.

3. Economic Viability

In Ontario, propane usage is at its highest in remote and rural areas. The reason for this is that propane can be supplied to those communities in an economic manner, while typically natural gas cannot. A fundamental principle of the Ontario Energy Board is to promote the most efficient use of capital and assets, and not to approve the use of capital on projects that are not economically viable and sustainable, because those uneconomic costs will eventually have to be paid by customers. The Board should continue to resist any invitation to become a tool of social policy rather than a fair economic regulator.

Consistent with its decision in EB-2016-0004, the Board should continue to demand that any natural gas expansion be proven to be economically viable and sustainable. Such submissions should be considered by the Board in the context of rapidly changing technologies and climate change initiatives which could significantly impact the demand for fossil fuels over the proposed cost-recovery and rate stability periods. Any submissions that implicitly rely on a fairly static demand for fossil fuels over the next 40 years, or even the next 10 years, should be probed with a healthy dose of skepticism.

4. Long-Term Environmental Considerations

The Ontario Climate Change Action Plan is focused on decreasing the utilization of greenhouse gas (GHG) producing, carbon-based fuels over the coming decades. Propane and natural gas have similar GHG emission profiles.

While propane distribution requires no government subsidy or large-scale infrastructure investment, natural gas expansion such as that proposed does. Natural gas infrastructure also typically has a payback period measured in decades. We ask that the OEB take into account Ontario's medium- to long-term energy and environmental requirements in deciding on this expansion, and not permit the construction of infrastructure that may have a limited practical lifespan.

On behalf of the CPA, we appreciate the Board's consideration of this submission and are at your service to assist on this file.

Yours truly,



Nathalie St-Pierre

President & CEO

Canadian Propane Association

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cc: all applicants and intervenors in EB-2017-0147