Shepherd Rubenstein

BY EMAIL and RESS

Jay Shepherd
jay@shepherdrubenstein.com
Direct: 416-804-2767

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Our File No. EB20180306

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2018-0306 – Enbridge Stratford Reinforcement – SEC Submissions

We are counsel for the School Energy Coalition ("SEC"). Pursuant to Procedural Order #1, this letter constitutes SEC's submissions with respect to this Application.

As previously noted, SEC has focused in this proceeding on the use of DSM to delay, modify, or replace pipeline reinforcement projects. The fact that our comments are limited to that subject does not imply that SEC supports or accepts any other aspect of the Application. We are simply leaving those issues to others to address.

Summary and Recommendation

SEC submits that the Applicant has put the Board in a position where it has no choice but to approve this project. Failure to approve it could, based on the unsubstantiated evidence of the Applicant, result in lack of gas supply next winter in areas of southwestern Ontario.

SEC further submits that the Applicant will not seriously consider DSM as an alternative to pipeline construction in the foreseeable future, and has essentially said as much in this Application. As long as there are no consequences to the Applicant for failure to consider DSM, and the route to increased profits is through increased rate base, the Applicant will in every case choose to build more pipe. In the process of doing so, the Applicant will continue to reject DSM as an alternative without any real analysis, and then present projects to the Board too late for

the Board to consider DSM as a viable alternative. By the time the Board sees the projects, the choice of pipe over efficiency will be a fait accompli.

While the Board has seen the first Utility System Plans of Enbridge and Union, and they do not include integrated resource planning, the first combined USP must be filed with the Applicant's application for 2021 rates. SEC submits that it is appropriate for the Board to put Enbridge on notice in its decision on this Application that the combined USP filed next year must treat IRP and geo-targeted DSM as a serious alternative to building new pipelines, and further delay will not be tolerated by the Board.

The remainder of these submissions deals with each of the above three points in turn.

Lack of Supply/Decision to Approve

Timing. The Applicant claims that the FHG Transmission System is already at capacity, with insufficient capacity to meet all winter demand in the winter of 2019/20[1]. Asked to explain why this Application is being filed so late in the day, when there is literally a capacity crisis, the Applicant responds[2] that it used a short-term fix – temporarily increased pressures using surplus Dawn-Parkway capacity – for 2017 to 2019. That is no longer available because Dawn-Parkway no longer will have that surplus.

This, of course, begs the question why the Applicant didn't seek this approval three years ago, when it knew it was going to have the need for the pipe. It could still implement the short-term fix, of course, but the Board would be able to consider alternatives (like DSM), instead of being forced to approve a new pipeline on short notice. The Application does not provide any information on that question.

Forecast Demand. The Applicant has provided the Board with its forecast of additional load over the 2019-2026 period, by rate class[3], and its forecast of customer attachments for M1 and M2[4]. The Applicant has filed no evidence in support of those forecasts, and has refused to do so.

What the utility has used is its Facilities Business Plan model and process, which to the best of our knowledge is not on the record in this or any other proceeding. Basically, the FBP assumes that load will grow organically at the same rate as the last ten years. The utility also has discussions with its Construction & Growth Team, Industrial Sales Team, and Community Expansion Team to add further amounts based on their anecdotal knowledge or direct forecasts. This allows the addition of more contract load, for example, and load from community expansions downstream of the reinforcement[5].

Details of none of that are provided in the evidence. Only the results of the Applicant's analysis are known to the Board. Asked to provide the FHG Transmission System FBP, the precise

[1] Application, p. 5 and Sched. 6.
[2] SEC.4.
[3] B.Staff.2, p. 2.
[4] IGUA.2, Table 1.
[5] B.Staff.2(a).

document and model on which this Application is based, the Applicant refused to do so, apparently on the basis that it contains confidential information[6]. Instead, the Applicant filed what they call an "Executive Summary" that includes no useful information for the Board to assess whether the forecast growth is realistic. It also provides no information that would allow the Board or parties to see whether there is scope to implement DSM to offset the capacity concern.

Approval. If a utility produced spending plans in a rate case that were nothing more than its own conclusions, without supporting data to back them up, the Board would quite rightly be critical of the application. Historically, however, in many facilities cases the Board has accepted the utility's conclusions on load growth. Often it is intuitive in any case, but as well the two (as they then were) gas utilities had a reasonable record of identifying need.

In this case, the Board is not even being given the option to ask for additional evidence that this load growth is real, and the pipe is needed. What is presented to the Board is an imminent lack of supply, with no other options available but to build this pipe. If the Board insisted that it have better evidence of the capacity requirements this pipe is supposed to be meeting, that insistence would be at the risk of leaving residents of Goderich without heat next winter.

SEC believes that this load forecast may be overstated, but there is no evidence on which it can argue in favour of that conclusion. Our belief is based on the resistance by the Applicant to load reduction strategies (IRP), and on the motivation of the Applicant to increase rate base. This, in our view, may bias the utility's planning and forecasting in favour of expecting higher peak demands[7]. That belief, however, cannot form the basis of a submission to the Board, and cannot form the basis of a decision by the Board. Without evidence, it is nothing.

Thus, SEC believes that the Board has no choice but to approve the Application as filed, despite the inability to determine on the evidence whether the pipeline is really required or is the lowest cost option. Any other decision would, in our view, risk consequences that would be unacceptable to the Board and the customers.

Refusal to Take Geo-Targeted DSM Seriously as an Alternative

In EB-2014-0134, the Board said this about geo-targeted DSM and IRP[8]:

> *"As part of all applications for leave to construct future infrastructure projects, the gas utilities must provide evidence of how DSM has been considered as an alternative at the preliminary stage of project development.*

[6] SEC.3.

[7] SEC notes that we are not suggesting the utility is fudging the numbers in any way. What we are suggesting is that a utility seeking to build more pipelines will naturally believe the highest reasonable growth figures it can identify and justify. All regulators know that this tendency exists (it is a widely-accepted overbuilding bias in rate of return regulation known as the "Averch-Johnson effect"), and the Board and others guard against it by reviewing the basis of forecasts objectively. The Applicant can propose those forecast figures to the Board in this case in part because the utility knows that the Board will not be in a position to assess whether the load forecast is reasonable.

[8] EB-2014-0134, Report of the Board, p. 35-6.

> *In order for the gas utilities to fully assess future distribution and transmission system needs, and to appropriately serve their customers in the most reliable and cost-effective manner, the Board is of the view that DSM should be considered when developing both regional and local infrastructure plans. This is consistent with the direction outlined in the LTEP and the Conservation Directive, which state that the Board shall take steps it considers appropriate towards implementing the government's policy of putting conservation first in electricity distributor and gas distributor infrastructure planning processes at the regional and local levels, where cost-effective and consistent with maintaining appropriate levels of reliability. The Board expects the gas utilities to consider the role of DSM in reducing and/or deferring future infrastructure investments far enough in advance of the infrastructure replacement or upgrade so that DSM can reasonably be considered as a possible alternative. If a gas utility identifies DSM as a practical alternative to a future infrastructure investment project, it may apply to the Board for incremental funds to administer a specific DSM program in that area where a system constraint has been identified." [emphasis added]*

This direction, and how it should be applied in utility planning, was recently considered by the Board in EB-2018-0097. In that Decision, the Board, faced with a similar situation to this Application (although with more consideration of IRP/DSM in that case than was evident here), said[9]:

> *"The OEB further finds that Enbridge's process for considering DSM as a viable alternative to the Project was not appropriate. Consideration of the DSM alternative should have been an ongoing process starting at the early stages of project identification and updated to reflect material changes in underlying assumptions such as demand forecasts. The assessment of the DSM alternative should have been completed before Enbridge sought internal approval of the Project."*

Also, as is the case here, the Board felt it was in a position where it still had to approve the project, in part due to supply uncertainty if it failed to do so. The Board did, however, go on to say[10]:

> *"In future applications, the OEB directs Enbridge to provide sufficient and timely evidence of how DSM has been considered as an alternative at the preliminary stage of project development. Otherwise, Enbridge faces the risk that future application will be deemed incomplete."*

Given that the EB-2018-0097 decision was on January 3, 2019, it is too soon, in our view, for the Board to consider treating the current Application as incomplete. In addition, as noted earlier the Board would have to be concerned with supply uncertainty if it did so.

[9] EB-2018-0097, Decision with Reasons, p. 6.
[10] EB-2018-0097, Decision with Reasons, p. 7.

Against that background, however, it is notable that, aside from an ICF Report filed in EB-2017-0127, the only action the Applicant has taken since the EB-2014-0134 decision, or plans to take in the future, to actually consider geo-targeted DSM as an alternative to a pipeline, is a pilot to be implemented "later this year"[11]. Currently, for example, design day demand (which is the basis on which capacity requirements are determined) includes only historical DSM, and no future DSM at all[12].

The reason for this appears to be the belief by the Applicant that geo-targeted DSM is simply not capable of delaying, modifying, or replacing infrastructure (pipeline) spending. This is demonstrated many places in the Application and the interrogatories. In one good example, OEB Staff asked what timelines would be required to implement geo-targeted DSM to displace infrastructure spending. The Applicant's response is revealing[13]:

> *"The length of time that the DSM program will need to be in place in order to reduce peak demand by enough to delay or avoid a specific infrastructure project will always depend on the specific customer characteristics, the DSM program and the specific infrastructure project. The current lack of information on the ability of natural gas DSM programs to impact peak demand makes it currently impossible to know with certainty when a DSM program needs to be implemented and how long the program needs to be in operation to successfully delay or avoid the infrastructure project. However, the Gas Utilities anticipate that most geo-targeted projects will require two to four years of fully effective implementation to reduce demand growth sufficient to allow the facilities investment to be reduced. For a geo-targeted DSM program to reduce an infrastructure project, the results of the geo-targeted program would need to be in place with sufficient reliability to ensure that the new facility will not be required to meet demand. Generally, this would require a successful evaluation of DSM program results prior to the time of the leave to construct filing. Given the need to evaluate the impacts of the DSM program, the DSM program would need to be completed or demonstrating measurable results, at least 2 years prior to the date at which the additional capacity provided by the infrastructure project was initially projected to be required. Hence, a successful geo-targeted DSM program would need to be approved and put into motion about 4 - 5 years prior to the expected in-service date of the targeted facility investment. However, the need for new facilities is generally uncertain at four to five years prior to the in-service date. As a result, geo-targeted DSM programs may need to be implemented before the Gas Utilities have a high degree of certainty that the facility investment will actually be required, potentially leading to an expenditure that may not produce the full value as intended." [emphasis added]*

These views are consistent with statements by both Enbridge and Union in many past proceedings emphasizing the substantial barriers to IRP that they believe exist. In this

[11] SEC.5.
[12] SEC.6.
[13] B.Staff.3, p. 2-3.

particular case, the Applicant reaches the conclusion that the lead time for geo-targeted DSM is longer than the planning time horizon.

SEC submits that, with this approach, the Applicant will not implement any IRP solutions – even ones that would save the customers a lot of money in both the short and long term - unless the Board takes a firmer hand in forcing the issue.

IRP As Part of Combined Utility System Plan

SEC was hopeful that the Utility System Plans filed for the Applicant's two predecessors in the combined 2019 rate case[14] would start to identify places where geo-targeted DSM could be used to delay, modify or replace pipeline expansion and reinforcement proposals. That was not the case. Attached to these submissions is the sum total of everything that the Union USP says about IRP[15]. The Enbridge USP has similar language[16].

To paraphrase it, the Applicant plans to go slowly on IRP, because it is concerned that DSM cannot meet load growth with sufficient certainty, and so has not included IRP as an option for any of its capital projects. No implementation of IRP is likely in the foreseeable future. In fact, the document continues to refer to a Joint Transition Plan filed by the Applicant in 2015 as the basis for IRP going forward. Notable for its absence is any reference to the Board direction in the very same proceeding with respect to IRP.

SEC believes this is not acceptable, and is in direct defiance of the Board's guidance.

It may be that the combined Utility System Plan that the Applicant is required to file next year with its application for 2021 rates[17] will include a more complete analysis of IRP, and will actually consider it as part of long term capital planning. However, given the statements by the Applicant in the current proceeding, essentially calling IRP impossible to implement, SEC is not confident that the combined USP will move IRP or geo-targeted DSM forward in any way. It would appear to us that the Applicant will continue to have reasons why its capital planning ignores IRP.

SEC believes that the Board can influence this in a positive direction if, in its decision in this proceeding, the Board makes clear that it expects longer term plans to take IRP seriously. If the Board, while approving the Stratford Reinforcement because of the short time frame until the capacity is required, makes clear that short time frames will not be an excuse in the ten year USP, this may push the Applicant closer to real consideration of this alternative.

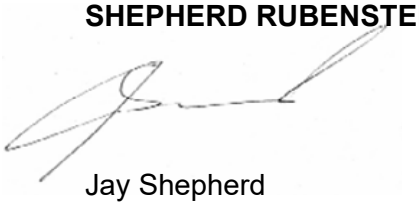
Further, if the Applicant continues to defy the Board by filing a combined USP that once more excludes IRP, the Board panel in that proceeding will be able to say that the Applicant had already been warned. Therefore, refusal by the Board to accept the combined USP, or a decision to send it back for improvement, will be viable options available to the Board at that time. Enbridge will not be able to say they were taken by surprise with those expectations.

[14] EB-2018-0305, Exhibit C.
[15] EB-2018-0305, Ex. C1-3-1, p. 59.
[16] EB-2018-0305, Ex. C1-2-1, p. 61.
[17] EB-2017-0306/307, Decision and Order, p. 33.

Therefore, SEC submits that the Board should, in this proceeding, make clear that longer term system planning must fully consider IRP, and that the Board's direction in EB-2014-0134, and repeated since, must be implemented in the Enbridge planning process.

All of which is respectfully submitted.

Yours very truly,
SHEPHERD RUBENSTEIN PROFESSIONAL CORPORATION



Jay Shepherd

cc: Wayne McNally, SEC (email)
Board Members
Interested Parties

4.2.1.2.1 **Integrated Resource Planning**

Consumers have the right to safe and reliable service, as well as the right to access available energy conservation programs. In response to the Ontario Energy Board's (OEB) case EB-2015-0029, Union has filed a Joint Transition Plan on how it anticipates integrating the supply and demand side processes. The Transition Plan lays the groundwork for a pathway to consider Integrated Resource Planning (IRP) over the coming years. This plan will aid in the coordination between distribution planning processes and analysis, and low carbon alternatives, including energy efficiency. IRP at Union refers to a multi-faceted planning process that includes the identification, preparation, and evaluation of all realistic supply-side and demand-side options to determine the least cost and lowest risk approach in addressing transmission and distribution infrastructure requirements. The IRP process could include:

 A review of a variety of different low carbon options such as energy efficiency to defer existing regional and local infrastructure.
 The impact of net-zero ready subdivisions and behind-the-meter solutions.
 Distributed energy resources (e.g., renewable natural gas).
 The interplay of these various energy options and the subsequent impact on infrastructure to meet system demand.

Although the supply and demand side options considered within IRP can be quite broad,
in recent years, much of the discussion has focused on the impacts of Demand Side Management (DSM) and energy efficiency. At Union, DSM focuses on broad-based annual savings across the franchise areas that drive maximum bill reduction, versus a jurisdictionally-bound, peak-hour load reduction to influence supply planning. Currently, DSM plans account for potential savings in system-wide infrastructure (created by DSM savings through avoided distribution costs). On the other hand, infrastructure planning is based on a long-term load forecast intended to:

 Identify potential system constraints leading to incremental infrastructure requirements.
 Develop plans prior to the need for new infrastructure.

The primary goal of infrastructure planning is to ensure that the utility's infrastructure is sufficiently robust to provide reliable and safe natural gas service that meets the design condition peak hour requirement forecast. The impact of broad-based DSM programs on
infrastructure investment is inherently captured in the infrastructure planning process. Historical gas throughput is used as a base to predict future consumption and is updated
each year. These historical forecasts include changes in gas usage resulting from implementation of historical DSM measures, as well as other natural conservation factors such as improved building codes and higher energy efficiency standards for natural gas equipment. The infrastructure plans do not explicitly factor in future

projections of DSM program effects on peak day or peak hour demand as they are not known and therefore not certain.

As Union's IRP and DSM programs evolve, there will be increased clarity around any subsequent impacts of these initiatives on peak period demand, further informing infrastructure planning and forecasting processes. IRP will continue to be monitored as part of Union's Asset Management Plan to ensure advancements made are acknowledged and incorporated during asset investment planning.