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

January 17, 2020

**Re: EB-2019-0187 Saugeen First Nation Community Expansion Project  
Pollution Probe Submission**

Dear Ms. Long:

Please find enclosed Pollution Probe's Submission regarding the above noted proceeding.

Respectfully submitted on behalf of Pollution Probe.

Original signed by

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cc: Ms. Asha Patel, Enbridge (email via [EGIRegulatoryProceedings@enbridge.com](mailto:EGIRegulatoryProceedings@enbridge.com))  
Mr. Guri Pannu Senior Legal Counsel, Enbridge Regulatory (via email)  
Richard Carlson, Pollution Probe (via e-mail)

**ONTARIO ENERGY BOARD**

**Saugeen First Nation Community Expansion Project**

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**POLLUTION PROBE SUBMISSION**

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**January 17, 2020**

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**Consultant for Pollution Probe**

## Background

Enbridge Gas Inc. (Enbridge Gas) applied to the Ontario Energy Board (OEB) under section 90 of the Ontario Energy Board Act, 1998 (OEB Act) for approval to construct 16 kilometres of natural gas pipelines and associated facilities to serve the community of Saugeen First Nation, in Bruce County. Enbridge Gas is also seeking approval pursuant to section 36 of the OEB Act, to charge a System Expansion Surcharge of \$0.23 per cubic metre (m<sup>3</sup>) for a term of 40 years, to all new customers taking natural gas distribution service from the proposed pipeline, and to any future extensions of the pipeline.

A Notice of Hearing was issued on November 13, 2019 and Pollution Probe applied for Intervenor status outlining a number of consumers, environmental, policy and financial issues related to the proposed project.

Procedural Order No. 1 was issued December 11, 2019 and Pollution Probe was granted Intervenor status in the proceeding.

Board Staff and Pollution Probe submitted Interrogatories to Enbridge Gas on or before December 20, 2019 and Enbridge Gas provided its Interrogatory responses on January 10, 2020.

This document is the written submission from Pollution Probe in relation to this proceeding.

## Overview

Pollution Probe works with consumers, communities, policy makers and is an active supporter of community energy planning that provides prudent cost-effective energy options to communities. Pollution Probe has supported access to natural gas when it reduces consumer energy costs, greenhouse gas emissions and aligns with the local community energy plan.

Enbridge's request for Leave to Construct approval to serve the community of Saugeen First Nation could provide an economical option to the community supported by grant funding under the Province of Ontario policy to expand access to natural gas to communities. At the core of the Provincial policy direction is the intent to provide clean cost-effective energy options to all Ontarians and to ensure that the grant funding and (Ratepayers funded) infrastructure is spent in a prudent cost-effective manner. In Pollution Probe's view, prudent expansion of natural gas to Saugeen First Nation must include:

- Taking all reasonable planning and outreach efforts to attach as many homes and businesses as possible (efficient use of Ratepayer funds)
- Minimizing or avoiding additional consumer costs such as the System Expansion Surcharge (SES).
- Effective integrated asset planning (i.e. capital funding request aligns with efficient broader system expansion and reinforcement planning to reduce stranded assets and additional future costs to Ratepayers).
- Applying all reasonable programs and tools to reduce costs (i.e. gas bills) to consumers, particularly in this low-income community, including:
  - Promotion and education of DSM opportunities while consumers are making fuel switching decision (i.e. during project planning and implementation).
  - Targeted DSM efforts for this community to support Provincial policy to pursue all costs effective DSM. Community expansion provides one of the most cost-effective opportunities to achieve this goal.
- Aligning infrastructure planning with the community energy plan and the specific goals of Saugeen First Nations to reduce energy use and greenhouse gas emissions.

## Process and Evidence Comments

There are a few gaps in the public record in this proceeding and Pollution Probe highlights them below to assist the OEB in determining whether they are large enough to require additional consideration. The magnitude of costs related to these issues are

significant for consumers, particularly in this community. Typically, the OEB considers two options for a facility proceeding, namely a written or oral process. A written process is usually less costly to Ratepayers and can be more efficient. However, it assumes that the issues are fairly straightforward and that the applicant is able to respond to all requests in an adequate manner. Each process has pros and cons. In this case, Enbridge requested a written proceeding and this was supported by the OEB, Board Staff and Pollution Probe. In hindsight, given the evidence filed by Enbridge it may have been more appropriate to leverage an oral hearing approach or add a supplemental process for interrogatories to resolve the gaps. Enbridge's responses to interrogatories left some significant holes as outlined below. The OEB will need to determine whether these gaps require resolution prior to making a decision.

Enbridge's response to Pollution Probe IR#1b indicated that customers in this community will have access to all Enbridge DSM programs and this is what would be reasonable and expected since they are Ratepayer funded programs. These programs align to customers in the residential, commercial and industrial sector and based on Enbridge's experience and knowledge of the community it should have been easy to estimate which programs would likely be taken up by those customers and the resulting bill savings. Pollution Probe IR#1c requested that Enbridge provide an estimate of what their DSM programs would mean to customers in the community from an energy savings and financial point of view. Customer counts and survey data are available for this community and DSM program assumptions and historical data is also available. Enbridge declined to provide estimates based their current DSM portfolio of program, likely because DSM potential has not been assessed for this community. The information is relevant to this proceeding in several ways. Firstly, it would demonstrate a sufficient understanding of the community and customer profile. It also has a direct impact on the volumes forecasted and the customer surcharge requested to be approved in this proceeding. Finally, it would have influenced the number of customers attaching to this project.

This highlights another related issue. The estimates and granularity of customer information in the application suggested that Enbridge had not done a sufficient job of surveying and understanding the customer profile of this community. The responses to some interrogatories are vague and do not adequately provide the information requested. It is only through detailed analysis and outreach that the benefits to consumers will be identified. DSM marketing opportunities within this community are local and indicating that "Enbridge will utilize the same marketing efforts for its DSM programs undertaken across all of its franchise in order to inform potential customers

about energy efficiency opportunities<sup>1</sup>” is not adequate to meet the specific needs of this community or align with its specific community energy plan.

### Feasibility and Consumer Costs

Enbridge confirmed in its response to Pollution Probe IR#3a that it is able to complete this project in compliance with the EBO 188 Guideline at a PI=0.8. However, Enbridge notes that if all future projects were completed at a PI=0.8 that eventually the portfolio would decrease below a PI=1.0. Aside from special cases (e.g. Customer Surcharge), Ratepayers costs (i.e. annual rates) are derived from Enbridge’s portfolio and a portfolio approach as considered in EBO 188 is an appropriate perspective to optimize infrastructure and costs/benefits for Ratepayers. Using a project PI=1.0 when a PI=0.8 is sufficient increases consumers costs and does not meet the policy goal of maximizing consumer access. A higher PI generates more revenue for Enbridge than required to support the capital investment at a portfolio level. From a portfolio level, it would be most efficiency (for Ratepayers and Provincial policy) to approve projects at a PI=0.8 and increase the PI for future individual projects (if needed) to maintain the portfolio PI requirements under EBO 188. Enbridge confirmed in its response to Pollution Probe IR#3c that Ratepayer costs for this project would be lower at a PI=0.8, either through a lower SES or decreased grant requirements (also funded by Ratepayers).

Pollution Probe recommends that the OEB consider a PI=0.8 for this project and that any surplus funds resulting be applied to reduce the SES. Since rates are calculated at a portfolio level there would be no cross-subsidy due to this approach as long as the portfolio remains above 1.0.

In Enbridge’s response to Pollution Probe IR#4c (Enbridge response listed it as 4d) it indicated that it would pursue recovery of capital costs overruns from Ratepayers. Enbridge has accountability for its construction costs and has included a contingency as a safety factor. Pollution Probe recommends that the OEB request a detailed accounting of any variances in the final post-construction report and Enbridge’s intent for recovery of any project overruns. Any underspending (including contingency) should also be used to decrease that SES amount required for this community.

### DSM and Community Energy Planning

Community energy planning is leveraged by local communities to ensure that policy and infrastructure issues are considered in an integrated manner. This also aligns with

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<sup>1</sup> Enbridge response to Pollution Probe IR#1d part i

Provincial policy where support is provided to communities across Ontario and Provincial policy guidelines have been created to promote efficient resource planning. Saugeen First Nation has developed a community energy plan and is pursuing energy efficiency in alignment with Ontario Regulation 397/11. DSM is a Ratepayer funded portfolio available to all new and existing customers that support energy efficiency, reduces consumer energy bills and aligns with Provincial policy. Neither of these considerations were included in the project as outlined in the evidence filed by Enbridge. New community expansion provides one of the most cost-effective opportunities to achieve energy efficiency and this was confirmed by Enbridge in response to Pollution Probe IR#1a. Enbridge also confirmed that all DSM programs would be applicable to customers in this community. In Pollution Probe's view, these issues are critical to this system expansion application.

The proposed ten-year attachment rate for this project is very low (i.e. less than 50%) and the low rate has impacted project financials and costs to Ratepayers (via the project grant and contribution surcharge). Better public outreach, alignment with the community energy plan and DSM program education could have significantly increased community engagement and attachment rates.

Not including these considerations during project planning and implementation results in higher costs to consumers than is reasonable. It also does not align with the Province's Environment Plan which calls for increased DSM results beyond status quo levels. The policy directive to pursue all cost-effective DSM is particularly relevant to this project since consumers will need to hire contractors and change equipment as part of the fuel switching process. A dedicated and specific effort for this community would yield higher than average DSM results. In Pollution Probe's view it is not prudent to plan and execute a new community expansion project without maximising all DSM programs. The evidence and response to IR's indicate that DSM and community energy planning were not included in project planning and are not being adequately considered during community outreach and project implementation. Pollution Probe requests that the OEB require Enbridge to maximise the benefit of all DSM programs during consultation and implementation of this project and that Enbridge report back on those results as part of its final post-construction report.

### Enhancing Community Outreach

Enbridge Gas indicated that it is planning to hold an Open House for the Saugeen First Nation Expansion Project. During the Open House residents impacted by the Project will have an opportunity to learn more about the Project and natural gas in general through presentations and Q&A. It is typical to engage local HVAC contractors to be present for these types of meetings. Providing training to those contractors on the Enbridge programs and providing materials to attendees will educate them on wise energy efficient options to reduce energy bills and related emissions.

### Conditions of Approval

To address some of the issues outlined above, Pollution Probe request that the OEB include the following in addition to the draft Conditions of Approval prepared by Board Staff

6 (b) A final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:

vi. include a summary of all customers connected and those expected to be connected by customer type, including a variance explanation if these differ from the forecast included in the application.

vii. provide a summary of all Demand Side Management marketing activities provided to consumers in this community and a summary of uptake on those programs.

viii. Provide a detailed accounting of any variance from approved budget and impact to Ratepayers.

ix. Provide a copy of the completed report to all parties of this proceeding.