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August 27, 2020

VIA RESS and EMAIL

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

Dear Ms. Long:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (Board) File No.: EB-2020-0094
Harmonized System Expansion Surcharge, Temporary Connection Surcharge
and Hourly Allocation Factor
Written Submission of Enbridge Gas on Environmental Defence's Motion**

In accordance with Procedural Order No. 3 dated August 20, 2020, enclosed is Enbridge Gas' Written Submission on Environmental Defence's motion in the above noted proceeding.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Digitally Signed)

Rakesh Torul
Technical Manager,
Regulatory Applications

cc: Tania Persad, Sr. Legal Counsel
EB-2020-0094 Intervenors

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas
Inc. for approval of a System Expansion Surcharge, a
Temporary Connection Surcharge and an Hourly Allocation
Factor

**ENBRIDGE GAS INC. REPLY SUBMISSIONS
TO ENVIRONMENTAL DEFENCE MOTION**

1. In accordance with Procedural Order No. 3, these are the reply submissions of Enbridge Gas Inc. ("Enbridge Gas") to the motion ("Motion") of Environmental Defence ("ED") requesting that the Board order Enbridge Gas to provide full and adequate responses to Interrogatories I.ED.2 and I.ED.3.

Interrogatory I.ED.2

2. In Procedural Order No. 2, the Board stated its findings regarding ED's request for further information from Enbridge Gas arising from I.ED.2 set out in an exchange of emails dated July 31, 2020 that, "The OEB finds that the additional project level details requested by ED would not assist the OEB in making its decision on the Application." Enbridge Gas fully agrees with and supports these Board findings and ED has filed no additional information that should lead the Board to reach a different conclusion. Rather, ED has simply restated its request for the same information.
3. In any event, Enbridge Gas has already provided the information it has related to these requests. For I.ED.2a), ED requested certain volume, demand and revenue information 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)."

Enbridge Gas compiled the information contained in the attachment to Interrogatory I.Staff.1 for all of its approved projects with a System Expansion Surcharge (“SES”) on a best efforts basis and for the parameters requested by Board Staff. Further, Enbridge Gas provided several other data points for approved SES projects in Interrogatory I.PP.5, also on a best efforts basis. This information represents all of the information that Enbridge Gas has currently been able to develop for these projects given they are in very early stages.

4. The only other community expansion projects that Enbridge Gas has “under consideration or development” are those it has submitted as part of the Ontario government’s Natural Gas Expansion Program (“NGEP”). As Enbridge Gas noted in its email response to ED on July 31, 2020, Enbridge Gas declines to provide information about prospective projects that it has submitted to the Board to be considered for the NGEP for two reasons:
 - i. Enbridge Gas considers this information to be proprietary and confidential for the reasons set out in its submissions in that proceeding (attached as Appendix I) that will not be repeated here. However, Enbridge Gas has agreed to provide the Board with certain project data as suggested by Board Staff that “could be put on the public record at some point during the process in a summary document format based on the Minister’s needs to determine Section 36 funding assistance”.¹ This issue of how the proposed NGEP project information will be treated remains with the Board to determine and Enbridge Gas does not wish to preempt either the Board’s process or the Ontario government’s process for the NGEP in this regard.
 - ii. More importantly, the vast majority of the projects that Enbridge Gas has submitted for consideration as part of the NGEP will not, as a result of the limitation in available funding, be selected to receive funding and therefore

¹ See page 3 of NGEP Submissions.

will not proceed. As noted in its submissions, attached, Enbridge Gas has submitted over 200 project proposals that account for approximately \$2.5 billion in funding requests, over \$3 billion in proposed total capital expenditures and the proposed addition of more than 40,000 customers. Yet, there is only \$130 million in NGEF funding available. Enbridge Gas has no way of predicting what projects may proceed at this time.

Any information about prospective projects as part of the NGEF should remain with the Board to decide as part of that process and any future consideration about these projects is far too speculative at this time to be of any value to the Board in this proceeding.

5. In I.ED.2b), ED asked for the same information as in a) for the economic lives of the projects. The response above applies this question. In addition, Enbridge Gas explained that its 10-year attachment forecast does not extend beyond 2030, so Enbridge Gas does not have the requested information. Enbridge Gas strictly follows the Board's EBO 188 Guidelines in how it develops its project forecasts and it does not have forecasting tools to extrapolate forecasts beyond this period.
6. In I.ED.2c) to g), ED asked for forecast data on small main extension projects, customer attachments projects and development projects (separately and total). Enbridge Gas simply does not have any forecast data of this type. Aside from the process Enbridge Gas followed for the NGEF project proposals, system expansion projects are normally initiated through an application process from customers, developers or some other customer representatives. Until Enbridge Gas receives those applications, it cannot predict whether a system expansion project will proceed. Further, it cannot predict without performing a feasibility analysis on each project whether one of the proposed surcharges may apply or whether a HAF may be suitable.

7. Regarding development projects and application of the HAF, the Enbridge Gas witnesses explained the difficulty with any forecasting effort in the August 20th technical conference, wherein Mr. Gillett made the following comments:

MR. GILLETTE: I think the key is that the process isn't that we try to create these projects out of thin air. What's happened in all the cases so far is a customer, or a group of large-volume customers come to us with a need. And before we finalize design of that project, we try to get as much intelligence as possible about that system to make sure that we're accommodating not just those customers that came to us with a need, but any immediate future needs on a system for efficient design.

It all starts with customers coming to us. We may canvas the market. We may talk to the customers' expressions of interest, and we may not come up with future growth that we would include.

So if we have three customers come to us with needs, we could canvas the market, find that there's nothing beyond those three, and that project proceeds with those three.

It's only in cases where we get solid intelligence that there's future need and have 50 percent of that capacity committed, only under those two conditions would we proceed with a HAF project.

So until we do that exercise we don't know -- we can only tell you exactly when it would be applied; we can't tell you how many.²

8. Notably, the generic use of the SES is already approved for community expansion projects and small main extensions in the EGD Rate Zone. However, the existence of the SES surcharge in its current form is still relatively new and to date, has not been applied by Enbridge Gas to small main extensions. This is another limitation to providing forecast data for these types of projects. Unless and until the Board approves the SES and the Temporary Connection Surcharge ("TCS") surcharges in the form proposed, Enbridge Gas will not be able to gain experience with how the surcharges may influence customer attachment

² Transcript, p. 71.

decisions. To make a prediction about these prospective customer attachments at this time would seem to be putting the cart before the horse.

9. Enbridge Gas did not offer to provide historical data as is now requested by ED in its motion as that was not what the ED asked in I.ED.2. Even if Enbridge Gas were to attempt to extract data about historical small main extensions that required a contribution in aid of construction (“CIAC”), which would be a feat of several weeks work for questionable value, such data would not reveal projects that were considered and did not proceed for a variety of reasons. Such data would also not reflect how paying a TCS rather than a CIAC would influence a prospective customer’s decision of whether to take gas service. With several days or in some cases weeks, depending upon the data required by the Board, it may be possible for Enbridge Gas to gather aggregate data about the number of projects that required a CIAC in 2019 and a high-level estimate of customer numbers. However, volume and demand information would be very difficult and tedious to determine for these projects, even for one year. Enbridge Gas questions the usefulness to the Board of this information relative to the significant amount of work required to gather it.

Interrogatory I.ED.3

10. In I.ED.3a), ED asks Enbridge Gas to “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”. In order to provide a response to this question, Enbridge Gas consulted with its Insurance group that has specialized knowledge and expertise about insurance products purchased by and available to Enbridge Inc.’s businesses, including Enbridge Gas. The Insurance group advised Enbridge Gas that this type of insurance is not available in the commercial insurance market and that is how Enbridge Gas responded.

11. However, in order to confirm this information for the purposes of responding to this motion, Enbridge Gas asked its Insurance group to make this same express inquiry of one of its insurance brokers and it received the following response, a copy of which is attached as Appendix II: "...In our experience as insurance broker, insurance is not typically available for the risk of lower-than-forecast revenue or stranded assets, unless resulting from a hazard event, which causes physical loss or damage to the asset or political risk perils..."
12. The unavailability of this type of insurance in the commercial insurance market is the response to I.ED.3b).
13. In I.ED.3c), ED asks what premium Enbridge would require to assume all of the risks from lower-than-forecast revenue from expansion projects. As noted in its original response, the risks that Enbridge Gas assumes in operating its regulated business are meant to be reflected in its incentive rate model that is designed to provide Enbridge Gas with the opportunity to recover its reasonable capital and operating costs in rates. In this application, Enbridge Gas is not proposing or contemplating any change in that incentive rate model and its risk parameters. To use the words of ED, Enbridge Gas is not seeking any premium to assume the forecast revenue risks from expansion projects. Enbridge Gas is simply proposing to follow the guidelines and rules currently in place and established by the Board.
14. Regarding financial risks inherent in expansion projects in particular, the Board's EBO 188 Guidelines and related reporting processes serve to mitigate these risks by requiring:
 - i. grouping of the costs and revenues of expansion projects into an investment portfolio [to include a forecast of normalized system reinforcement costs] designed to achieve a profitability index ("PI") greater than 1.0;

- ii. maintaining a rolling project portfolio as an ongoing management tool for estimating future impacts of capital expenditures associated with expansion projects;
- iii. using a discounted cash flow analysis prescribed by the Board as the standard test for determining financial feasibility at both the project and portfolio level, with specific parameters for forecast horizons, discount rates and gas costs; and
- iv. several reporting requirements to allow the Board to monitor portfolio performance and short-term rate impacts related to expansion projects.

The EBO 188 Guidelines are also clear that, “In the event that the actual results of the Investment Portfolio do not produce a positive NPV or a PI of at least 1.0, the following will occur:

- (a) the utility will be required to provide a complete variance explanation in its rates case and the Board will determine whether or not an acceptable explanation has been provided; and
- (b) the implications of a negative NPV or PI less than 1.0 will be determined by the Board on a case by case basis.”³

- 15. For expansion projects that will cost more than \$2 million, Enbridge Gas must receive the Board’s leave to construct before the project can proceed and interested parties may intervene in those applications to review and test the project costs and forecasts, amongst other things. As \$2 million is a very low capital cost threshold, the majority of expansion projects will require leave to construct before proceeding.

³ EBO 188 Guidelines, section 3.3.

16. It is also noteworthy that system expansion projects and adding more customers to the gas distribution system are a benefit to rates over the long term. Because project feasibility for system expansion projects is based upon attachment forecasts only for the initial ten years of the project in accordance with the EBO 188 Guidelines, longer term customer attachments are not accounted for explicitly and the result is a conservative forecasting method. On a single project basis, any short-term revenue deficiency in the initial years of the project is invariably offset by a revenue sufficiency in later years due to customer and load growth on the system during the remaining project life cycle as long as the project PI is 1.0 or greater . As noted in the evidence, Enbridge Gas will require a project PI of 1.0 or greater for all projects for which an SES, TCS and HAF are applied.⁴ Similarly, completed projects included in Enbridge Gas' system expansion portfolios that have revenue sufficiencies will more than offset project revenue deficiencies in any given test year. Overall, system expansion activities create a positive rate impact in the long term and are in the best interest of ratepayers.
17. In conclusion, Enbridge Gas submits that it has provided full and adequate responses to the ED interrogatories in accordance with section 27 of the Board's *Rules of Practice and Procedure*, as further explained in its reply submissions above.

All of which is respectfully submitted, this 27th day of August, 2020.

ENBRIDGE GAS INC.

[original digitally signed by]

Tania Persad, Senior Legal Counsel

⁴ See Exhibit B, Tab 1, Schedule 1, pages 5, 11 and 15.

Appendix I

August 13, 2020

Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Potential Projects to Expand Access to Natural Gas Distribution
Request for Confidential Treatment
Ontario Energy Board File No. EB-2019-0255**

Further to the Ontario Energy Board's ("OEB") letter dated July 29, 2020 inviting interested participants to comment on Enbridge Gas Inc.'s ("Enbridge Gas") request for confidential treatment of proposed project information submitted in this process, these are the reply submissions of Enbridge Gas.

Personal Customer Information

With respect to the privacy of potential new customers, OEB Staff agrees that, to the extent the project proposals include personal information within the meaning of the *Freedom of Information and Protection of Privacy Act* (FIPPA), the personal information generally cannot form part of the public record and must be redacted.¹

As was noted in Enbridge Gas' July 17, 2020 submission, supporting material provided by municipalities and submitted by Enbridge Gas includes names and addresses of residents that have expressed an interest in receiving gas distribution services - in particular, Schedule LL5(c), Attachments 1, 2 and 3. Parts of the project proposals containing information of this nature must be kept confidential due to the personal information contained throughout these schedules.

Furthermore, customer information can be determined indirectly from project related information. Enbridge Gas's proposed projects include those that are intended to serve a discrete number of customers on specific streets. In these circumstances, making public details of the location of existing and/or proposed gas distribution and transmission facilities can indirectly reveal customer information which would normally be protected from public disclosure by the OEB.

EPCOR notes that any project that is proposed through a leave to construct application faces the same issues regarding privacy and disclosure of facilities location. EPCOR is incorrect in this regard. Leave to construct applications do not normally deal with facilities of the size contemplated in the project proposals or in respect of street mains delivering gas to individual customers.

¹ OEB Staff Submission, August 6, 2020, page 3

Enbridge Gas submits that the project descriptions submitted to the OEB (i.e., Section 3.1 in Schedules A through 8V) contain specific detail down to street level and should not be put on the public record.

Information Related to the Safe Operation of the Distribution System

OEB Staff agrees that if there is any information in the project proposals that could negatively impact the safe operation of the proponent's distribution system (or potential future distribution system), then it would be appropriate for this information to be accorded confidential treatment.²

The concern that the public disclosure of specific locations of existing and proposed gas distribution and transmission facilities poses both a safety and a security risk is not unique to the current process. In EB-2017-0159, relating to the approval of a franchise agreement with the Town of Collingwood, in response to a request to provide a map of the Town of Collingwood showing the density and location of customers served, Enbridge Gas submitted a map identifying all of Enbridge Gas's existing gas mains in the municipality. Enbridge Gas requested confidential treatment for the submitted map on the basis that the information contained therein was proprietary and subject to periodic change and that it contained highly sensitive information from public safety, system security and customer personal information perspectives. As an alternative, Enbridge Gas proposed filing a Density Map to show areas with gas service and coloured indicators of relative population density. The OEB accepted the proposed Density Map to accurately delineate a distributor's service boundaries, as well as the general location and density of customers served.³

All of the project descriptions (i.e., Section 3.1 in Schedules A through 8V) and maps (i.e., Schedules A1 through 8V-1) submitted with Enbridge Gas' project proposals that provide detail on the location of existing and proposed facilities should remain confidential.

Prejudice in Future Expansion Efforts

OEB Staff accepts that some of the project information could, if publicly disclosed, potentially affect a proponent's competitive position. OEB Staff notes, however, that based on the Section 35 letter from the Minister and Associate Minister dated December 12, 2019, if a project is in an area where a Certificate of Public Convenience and Necessity (CPCN) exists, the proponent must be the CPCN holder unless the CPCN holder does not propose a project for the area. As a result, OEB Staff suggests that any potential adverse effect on Enbridge Gas' competitive position would be largely diminished as it holds the vast majority of Certificates in Ontario.⁴

As noted below, Enbridge Gas, in response to municipal interests, has submitted a significant number of projects for the Minister's consideration. Although many of the projects may not be selected under the current program initiative, the opportunity may be available in the future. It is Enbridge Gas' understanding that the CPCN qualification identified by OEB Staff only applies to the current process and not any future process to identify potential areas for natural gas expansion. As the OEB has determined previously, CPCNs are not exclusive and any party could apply to serve any currently unserved area within Ontario no matter if anyone holds the CPCN rights. As a result, it would be a significant disadvantage to Enbridge Gas in any future process for any other party to have access to any project specific information prepared by Enbridge Gas related to any currently unserved area within Ontario, regardless of whether Enbridge Gas holds the CPCN rights.

² OEB Staff Submission, August 6, 2020, page 3

³ EB-2017-0159 - Decision on Confidentiality and Procedural Order No. 2, July 4, 2017

⁴ OEB Staff Submission, August 6, 2020, page 4

Northern Cross Energy disagrees with Enbridge Gas' proposal on the confidential treatment of project proposals because this process should be open, transparent and public, especially when competing proposals for the same geographic territory are being considered. Enbridge Gas submits that because the future service of municipalities is subject to a competitive process, releasing competitive bids in advance of any other party submitting or making public project proposals for specific service areas puts the initial project proponent at a distinct disadvantage and creates an unfair process. SEC has endorsed the use of an unfair process in the future incorrectly asserting that a competitor's use of Enbridge's information will be to the ratepayers' advantage in a future competitive process. However, conducting a process where the price to beat is known is not a competitive process and competitors have little incentive to do more than marginally better. This is not in the ratepayers' interest.

OEB Staff is of the view that the following information could be made public without impacting the competitive position of the proponent:

- the identity of the communities to be connected, including whether the project could serve any on-reserve Indigenous communities;
- expressions of support for the project;
- the number of customers projected to be connected at the end of the rate stability period;
- the funding required including the funding per customer, the funding per volume and the funding per greenhouse gas emissions (GHG) reductions;
- the profitability index without the funding;
- the annual savings from converting to natural gas;
- the avoided GHG emissions;
- the construction start date.

Enbridge Gas agrees that some of the information outlined above could be put on the public record at some point during the process in a summary document format based on the Minister's needs to determine Section 36 funding assistance. This would include information such as the name of the municipality, construction and in-service dates, expressions of support and number of forecasted customers. Information made public should not extend to detailed data or economic measures related to the viability of the project but could include funding required to achieve the profitability threshold, the annual savings from converting to natural gas and avoided GHG emissions.

With respect to identifying areas impacted by proposed projects, consistent with the submissions above, this information would not include details of locations within these municipalities and First Nations reserves. Instead, it would be limited to the names of the municipalities and First Nations reserves involved. Likewise, for letters and resolutions of support, original signatures on these documents should be redacted to protect the individuals involved and specifics of project locations within the municipalities should be redacted. Enbridge Gas can prepare a summary schedule and redacted documents associated with its project proposals for the OEB's use.

The OEB Report

As a practical matter, OEB Staff have submitted that the OEB may wish to consider an approach whereby the project proposals are not posted on the OEB's website but the information listed above is included in the OEB's report to the Ministry, which OEB Staff assumes is intended to be made public.⁵

The Minister's Section 35 request is silent as to the degree of public disclosure and it is incorrect to speculate as to the intentions of the Minister as SEC has done in its submissions. In Enbridge Gas' view, it is not known how much information the Ministry will want to put on the public record with respect to project proposals. As a result, the OEB should consider the appropriate context related to the dissemination of that information, the clarity of that information and the Minister's intentions in respect of that information.

In this regard, as part of the current process, Enbridge Gas sought expression of interests from municipalities. In response to expressions of interest received, Enbridge Gas has submitted 204 project proposals to the OEB that account for \$2.49 billion in Section 36 funding requests, \$3.01 billion in proposed total capital expenditures and the proposed addition of 40,162 customers. Given that there is only \$130 million in Section 36 funding available, many of Enbridge Gas' project proposals will not be selected by the Ontario government for Section 36 funding assistance. Public identification of all municipalities for which project proposals have been submitted could create confusion and potentially create expectations by municipalities that natural gas service is imminent. The OEB's process is not to rank or award projects. That is the Minister's prerogative. Public disclosure of project details may be prejudicial to the Ontario government's discretion in assessing the project information and any future amendment to the regulations to advance the access to natural gas under the Natural Gas Expansion Program.

Since the current OEB process is an information gathering exercise only and is undertaken for the sole benefit of the Minister for his use in the exercise of his discretion in assessing the project information, it should be left to the Ontario government to decide if and how much of the information of the proposed projects should be publicly available. Since the OEB's report is being used as one of many pieces of information that will inform the Minister's decisions about projects suitable for Section 36 funding assistance, the OEB should refrain from making any information related to proposed projects publicly available and leave it with the Ontario government to make that determination.

Reply to Other Submissions

EPCOR and other parties do not support Enbridge Gas's request for confidentiality submitting that the OEB has already provided proponents with ample opportunity to raise concerns regarding the confidentiality of project information.

Enbridge Gas acknowledges that the OEB had sought submissions regarding confidentiality as part of its consideration of the Guidelines. However, there is no prejudice to any party to the making of these submissions at this time as it relates to the post-submission treatment of the project information and not the project information itself. The project proposals submitted in this process were not developed until after the Final Guidelines were issued and expressions of interest were received from municipalities, so the actual extent and detail of project proposals were unknown until later in the process. Furthermore, no party making the procedural argument as to the timing of Enbridge Gas' submissions have shown any prejudice.

⁵ OEB Staff Submission, August 6, 2020, page 4

Should you have any questions on this submission, please do not hesitate to contact me.

Yours truly,

Patrick McMahon
Technical Manager, Regulatory Research and Records
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Appendix II



Joanne Silberberg
Senior Vice President /
Renewable Energy Leader - Canada

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Alex Hews
Insurance Manager
Enbridge Gas Inc.
425 1 St SW
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26 August 2020

Dear Alex

Subject: Insurance Availability

Enbridge Gas Inc. has requested Marsh confirm whether insurance is available for the risk of lower-than-forecast revenue or stranded assets which may result as consumers may increasingly move away from burning fossil fuels in buildings due to climate change.

In our experience as insurance broker, insurance is not typically available for the risk of lower-than-forecast revenue or stranded assets, unless resulting from a hazard event, which causes physical loss or damage to the asset or political risk perils.

Trust the above clarifies the current position; however, please advise should you require any further information.

Sincerely,

Joanne Silberberg
Senior Vice President

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