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BY EMAIL

August 27, 2020

Ms. Christine Long
Board Secretary and Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission on Environmental Defence
Motion
Enbridge Gas Inc. – Application for Harmonized System Expansion
Surcharge, Temporary Connection Surcharge and Hourly Allocation Factor
OEB File Number: EB-2020-0094**

In accordance with Procedural Order No. 3, please find attached the OEB staff submission on Environmental Defence's motion filed in the above proceeding. The attached document has been forwarded to Environmental Defence, Enbridge Gas Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Azalyn Manzano
Advisor, Natural Gas Applications

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission on Environmental Defence Motion

**Enbridge Gas Inc.
Application for Harmonized System Expansion
Surcharge, Temporary Connection Surcharge and
Hourly Allocation Factor**

EB-2020-0094

August 27, 2020

Introduction

On May 8, 2020, Enbridge Gas Inc. (Enbridge Gas) applied to the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, 1998* for approval of a harmonized System Expansion Surcharge (SES), a Temporary Connection Surcharge (TCS) and an Hourly Allocation Factor (HAF) for the former Enbridge Gas Distribution Inc. and Union Gas Limited rate zones.

Process

The OEB issued Procedural Order No. 1 on June 15, 2020, which approved the intervention request of 16 participants and made provision for the filing of interrogatories and interrogatory responses.

Interrogatories on Enbridge Gas's evidence were filed by OEB staff and intervenors on July 6, 2020. Enbridge Gas filed its responses to interrogatories on July 27, 2020.

Environmental Defence asked interrogatories¹ requesting information on the projects that Enbridge Gas is currently considering applying the proposed surcharges to, as well as interrogatories² regarding the possibility of using insurance to address the risks associated with the expansion projects to existing ratepayers. Enbridge Gas responded that it was in the process of developing a large number of community expansion project proposals as part of the Natural Gas Expansion Program (NGEP). Enbridge Gas indicated, as of the time of its response, that the details of these project proposals remained confidential.

On July 31, 2020, Environmental Defence sent an email to Enbridge Gas requesting that the utility file the projects being considered that would be impacted by this application and seek confidential treatment. On the same day, Enbridge Gas replied stating that it had filed a confidentiality request related to these projects with the OEB as part of the OEB's process for the Natural Gas Expansion program³. Enbridge Gas further explained that out of the potentially hundreds of project proposals, only a small number may be selected by the Ontario government to proceed given the limited amount of available funding. Enbridge Gas indicated that it could not predict which projects it would be given approval to pursue.

On August 13, 2020, the OEB issued Procedural Order No. 2, which provided for a technical conference to clarify interrogatories to Enbridge Gas related to the HAF, and also included the OEB's opinion that the additional project level details requested by ED

¹ Environmental Defence Interrogatory #2

² Environmental Defence Interrogatory #3

³ EB-2019-0255

would not assist the OEB in making its decision on the application.

On August 17, 2020, Environmental Defence filed a motion requesting that the OEB order Enbridge Gas to provide full and adequate responses to Interrogatories I.ED.2 and I.ED.3.

On August 20, 2020, the OEB issued Procedural Order No. 3, making provision for any additional submissions or materials to be filed by Environmental Defence, written submissions by parties on the merits of Environmental Defence's motion and reply submissions by Environmental Defence. Environmental Defence filed a letter on August 24, 2020 stating that it had no additional submissions or materials to add at the time.

Submission

Environmental Defence states that information about the number and the costs of projects, as well as associated forecast volumes, would assist intervenors and the OEB in assessing the magnitude of the risks associated with the potential projects to existing customers, with greater costs resulting in greater risks arising from underutilized or stranded assets. Environmental Defence states its belief that Enbridge Gas is adding increasingly unacceptable amounts of risk on existing gas customers by rapidly expanding the natural gas distribution 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.

In OEB staff's view, any projects filed by Enbridge Gas as part of the NGEP would, by necessity, not be economically feasible (and as such, cannot be constructed) unless funding is provided under the NGEP in addition to the SES and TCS as applicable. Absent NGEP funding, therefore, these projects would not be eligible for SES or TCS. Even if Enbridge Gas provided a list of its proposed NGEP projects at this time, the number of projects and the magnitude of the costs and volumes associated with the projects cannot be determined until the specific projects eligible for NGEP are confirmed by the Ontario government. As Enbridge Gas has stated, there is a limited amount of NGEP funding available, and many of the projects they have submitted will not get funding. As such OEB staff submits that additional details on the projects submitted by Enbridge Gas under the NGEP would not assist the OEB in making its decision on the application. Put simply, the information requested does not provide a list of the projects that would be subject to the SES.

OEB staff submits that the issues raised by Environmental Defence around the risks of underutilized or stranded assets of potential projects on existing customers would best be

addressed in leave to construct applications where the specifics around forecast costs and customer attachments for projects that would have become economically feasible would be disclosed. While OEB staff recognizes that not all capital projects will trigger leave to construct, the costs associated with these projects (that are not economically feasible without SES/TCS and government funding) would likely trigger the need for leave to construct as the prescribed amount is currently set at \$2 million. In OEB staff's view, the mere blanket approval, if so granted, of SES and TCS does not mean that any projects are given the "green light" to proceed. Enbridge Gas may also be at risk for costs related to any stranded assets through its rates cases.

Environmental Defence also argued that if the information requested is confidential, then Enbridge Gas should file the information in accordance with the OEB's *Practice Direction on Confidential Filings*. OEB staff notes that there is currently an ongoing parallel process to determine whether Enbridge Gas's confidentiality request for the proposals submitted under the NGEF should be granted. OEB staff notes that in a letter dated July 29, 2020, the OEB stated that until such time as the OEB has made a determination on Enbridge Gas's request for confidential treatment, the OEB will not be posting project information on its website or otherwise making that information available to third parties as part of that process.

OEB staff submits that Environmental Defence's motion should be denied.

All of which is respectfully submitted.