

ONTARIO ENERGY BOARD

EB-2020-0136

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

AND IN THE MATTER OF an application for leave to replace a pipeline along Toronto's Lakeshore Boulevard from Cherry to Bathurst Streets.

Submissions of Environmental Defence

**Enbridge's Toronto Lakeshore
Cherry to Bathurst Replacement Project**

November 9, 2020

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Summary

Enbridge is proposing to replace a 4.5 km pipeline segment in downtown Toronto that runs between Cherry and Bathurst Streets along Lakeshore Boulevard. The project is estimated to cost \$133 million. This segment is part of a much longer 48 km NPS 20 pipeline that Enbridge Gas has identified as having similar integrity concerns. Enbridge did not conduct an Integrated Resource Planning (“IRP”) analysis to determine if the pipeline could be cost-effectively downsized through geographically targeted energy efficiency programs, demand response, or other forms of demand-side management (“DSM”).

Environmental Defence asks that Enbridge be directed to defer the project for at least a year to allow Enbridge to develop a holistic proposal with respect to the entire 48 km of pipeline with similar integrity concerns. This is necessary for accurate integrated resource planning because targeted DSM (e.g. in Toronto) could provide cost savings for upstream projects on the remaining 48 km of pipeline, which have not been quantified or considered. A holistic approach could also find other efficiencies. When examined holistically, the most cost-effective solution may involve a smaller and less expensive pipe coupled with targeted DSM.

A deferral period would also allow time to better address three important considerations:

- **Declining gas use:** Ontario’s Environment Plan calls for natural gas use to decline considerably over the next decade through DSM. Enbridge has not analyzed whether a smaller pipe would be sufficient in this context. Additional time would allow for that analysis to occur and provide better demand forecasts based on the forthcoming DSM Framework.
- **Local impacts:** Enbridge has yet to develop detailed plans to address conflicts with other infrastructure in this congested area or mitigate impacts on traffic and public lands. There are also concerns about residual liability resting with Toronto, including with respect to the abandoned pipeline. Additional time could ensure these issues are addressed appropriately.
- **Regulatory benefits:** There would be significant regulatory benefits to deferring this project until after Enbridge’s next rebasing application and until after the Board’s Integrated Resource Planning proceeding has completed.

This project is not urgent. Enbridge’s evidence confirms that safety can be maintained with localized integrity digs consistent with current practices. It is very much in the interest of consumers for this project to be paused so that a holistic analysis can be completed.

Holistic Approach and Integrated Resource Planning

The Board has directed Enbridge to practice integrated resource planning many times over the past 30 years.¹ In its 2014 decision on Enbridge's GTA pipeline case, the Board directed Enbridge "to provide a more rigorous examination of demand side alternatives, including rate options, in all gas leave to construct applications."² The Board added further detail later that year in its DSM Framework:

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.

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.³

In the 2019 Bathurst Reinforcement decision, the Board again directed 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."⁴

In this case, Enbridge's IRP analysis consisted of five sentences, only one of which explained its reasoning for ruling out an alternative involving DSM. Enbridge simply noted that "the Project is driven by integrity issues and is a like-for-like replacement of only part of a major pipeline (KOL) that serves much of Downtown Toronto and surrounding area."⁵ However, Enbridge did not consider IRP in relation to the entire 48 km of NPS 20 pipeline that faces similar integrity

¹ E.g. EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4; Ontario Energy Board, *Decision in EB-2012-0451/0433*, January 30, 2014, p. 46-47 (GTA Pipeline); ¹ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ¹ EB-2018-0097, *Decision and Order*, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).

² Ontario Energy Board, *Decision in EB-2012-0451/0433*, January 30, 2014, p. 46-47 (GTA Pipeline).

³ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36.

⁴ EB-2018-0097, *Decision and Order*, January 3, 2019, pp. 6-7.

⁵ EB-2020-0136, Exhibit B, Tab 1, Schedule 1, Page 25, para. 40.

concerns.⁶ It may be that geographically targeting energy efficiency or demand response in Toronto would be a cost-effective alternative when these related projects are considered in a combined fashion. Enbridge notes that the current project is a replacement “of only part of a major pipeline,” but that is only because Enbridge has decided to apply only for this small portion separately.

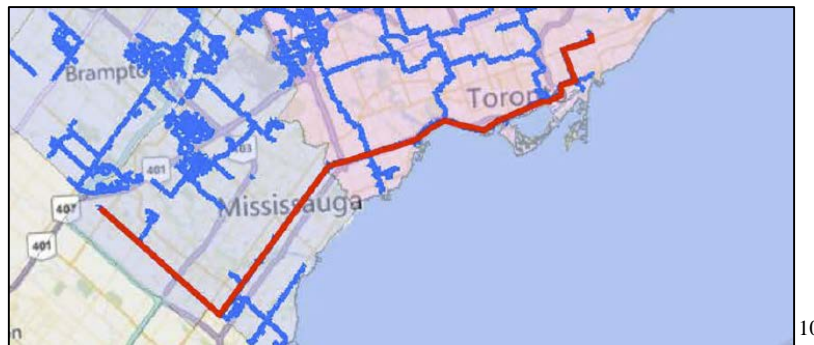
Geographically-targeted DSM programs would reduce the demand on the 4.5 km of segment at issue in this case *and also the upstream pipelines* that are part of the 48 km NPS 20 pipe on the KOL system. These programs may not be a cost-effective means to downsize 4.5 km of pipe but could very well become cost-effective when considered in relation to the entire 48 km.

Board Staff was alive to this issue and posed the following question to Enbridge:

“Please indicate when Enbridge Gas anticipates having to replace the KOL given the condition of the Project segment and the likelihood that the rest of the KOL is currently in the same condition. Does Enbridge Gas intend to file an omnibus LTC application for the other sections of the KOL that will need to be replaced? Please provide the cost estimate for replacing the rest of the KOL anticipated by Enbridge Gas. Will Enbridge Gas include the KOL replacements in its Integrated Resource Planning?”⁷

In response, Enbridge argued that projects designed to meet a safety or reliability should not be analyzed in its integrated resource planning. However, this ignores possibilities such as cost-effectively downsizing the pipe through integrated resource planning. It is also inconsistent with the Board’s directions to provide “a more rigorous examination of demand side alternatives, including rate options, in all gas leave to construct applications.”⁸

In response to a City of Toronto interrogatory, Enbridge provided the below map to show (in red) the much longer portion of the NPS 20 KOL pipeline that has “integrity concerns.”⁹



⁶ The NPS 20 portion of the KOL is 48, 686 m long. See EB-2020-0136, Exhibit I.Toronto.11, Page 4.

⁷ Exhibit I.STAFF.1 (f).

⁸ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline), (emphasis added); see also Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36 (“As part of all applications for leave to construct future infrastructure projects...”).

⁹ EB-2020-0136, Exhibit I.Toronto.11 (a).

¹⁰ EB-2020-0136, Exhibit I.Toronto.11 (a).

Enbridge recently filed a leave to construct application in relation to a segment to the east of Cherry Street (EB-2020-0198).¹¹ Other portions will be inspected and will likely need to be replaced as well.¹²

Any analysis of IRP for only 4.5 km of this wider pipeline is inherently flawed in a way that inaccurately undercuts the value of DSM. But Enbridge did not even conduct the most basic kind of IRP analysis for even this 4.5 km segment. For example, Enbridge filed this application without even examining the threshold demand level at which an NPS 16 pipeline would be sufficient.¹³ Although Enbridge conducted some analysis in response to an Environmental Defence interrogatory, it was not confident in its response and there was no opportunity to test this analysis because it was provided only late in the process. This is inconsistent with the Board's repeated directions to consider IRP at the "preliminary stage of project development" and to file "sufficient and timely evidence."¹⁴

Considering these projects holistically would allow for a proper IRP analysis. It would also provide other benefits, including potential efficiencies in carrying out these highly-related projects.

Declining Gas Demand per Ontario's Environment Plan

Ontario's Environment Plan calls for natural gas use to decline considerably over the next decade through DSM. Enbridge has not analyzed whether a smaller pipe would be sufficient in this context. Environmental Defence specifically asked Enbridge to analyze whether a smaller pipe could be used if the Environment Plan targets were met.¹⁵ Enbridge declined to provide a response because the requested information "cannot be produced within a reasonable timeframe."¹⁶ This response was inconsistent with the Board's repeated directions to consider IRP at the "preliminary stage of project development."¹⁷

On October 23, 2020, Enbridge provided a late interrogatory response indicating that a smaller pipeline may be possible with an 18% reduction in demand.¹⁸ However, Environmental Defence and other intervenors have not had a chance to test this evidence because it was provided so late in the process. For example, we have not had an opportunity to explore whether a lesser reduction may be possible by seeking out interruptible contracts or otherwise. More

¹¹ EB-2020-0198, Exhibit B, Tab 1, Schedule 1, pp. 5-11 (This project was initially motivated by integrity concerns. It was initially part of the Don River Replacement Project and then the NPS 20 Natural Gas Pipeline Replacement Project. Due to conflicts with other uses, it is now a relocation project.)

¹² EB-2020-0136, Exhibit I.Toronto.17; Exhibit I.STAFF.1 (f).

¹³ Exhibit I.ED.5.

¹⁴ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline); ¹⁴ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ¹⁴ EB-2018-0097, Decision and Order, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).

¹⁵ EB-2020-0136, Exhibit I.ED.4; Exhibit I.ED.2 (e).

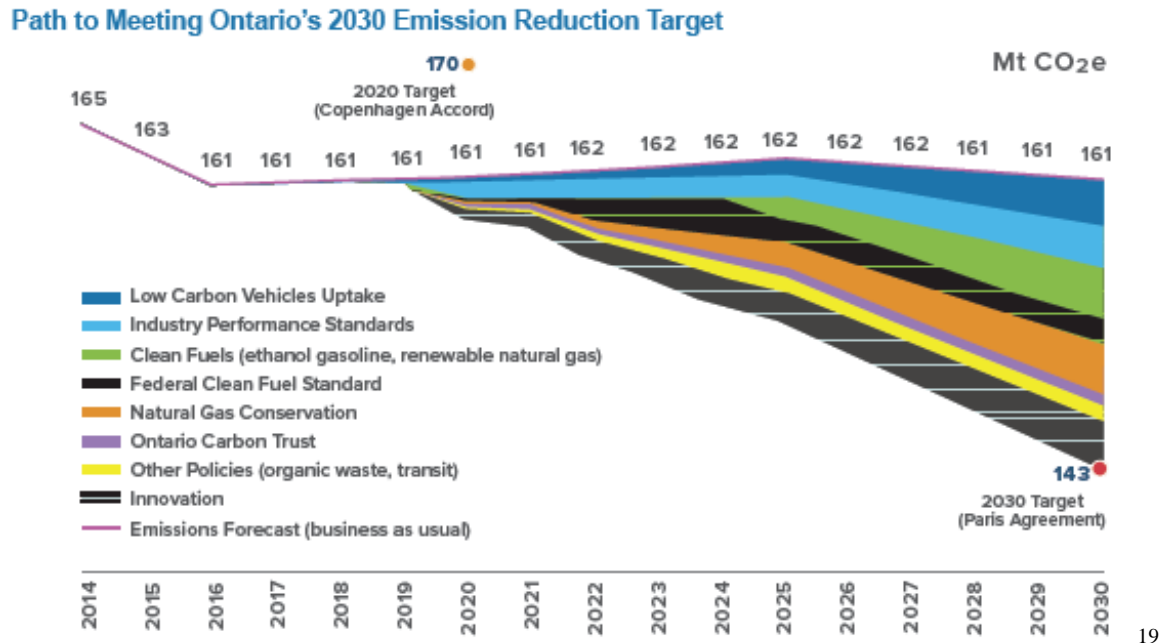
¹⁶ EB-2020-0136, Exhibit I.ED.4; Exhibit I.ED.2 (e).

¹⁷ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; EB-2018-0097, Decision and Order, January 3, 2019, p. 6.

¹⁸ EB-2020-0136, Exhibit I.ED.5

fundamentally, this analysis should have been completed long ago, at the preliminary stage of project development, not at the eleventh hour.

Even an 18% reduction could be consistent with the Environment Plan. The following figure illustrates the targeted reductions in gas consumption in orange:



If the Environment Plan is implemented, an NPS 16 pipeline may be sufficient or could become so with modest incremental efforts. We cannot say for sure whether that is the case because Enbridge did not conduct or file the necessary analysis despite our requests that it do so.²⁰

When asked how the Ontario's Environment Plan might impact the future need for an NPS 20 pipe, Enbridge declined to answer and mischaracterized the Environment Plan as a "draft."²¹ It is clear from the face of the Environment Plan and the Auditor General's report on the plan that it is not a draft and indeed represents government policy.²² Furthermore, Enbridge expressly relied on the Environment Plan in its hydrogen injection application and described it as a provincial policy, not a draft.²³ In its renewable natural gas application, Enbridge described the Environment Plan as a binding government document that created requirements for natural gas utilities.²⁴

Enbridge will note that downsizing the pipe would save only 5% to 10% of the cost. This information was also provided in a late interrogatory response on October 23, 2020 and has not

¹⁹ EB-2020-0136, Exhibit I.ED.4, Attachment 1, p. 23 (Environment Plan)

²⁰ EB-2020-0136, Exhibit I.ED.4; Exhibit I.ED.2 (e) & Exhibit I.ED.3.

²¹ EB-2020-0136, Exhibit I.ED.3, p. 3

²² EB-2020-0136, Exhibit I.ED.4, Attachment 1 (Environment Plan); EB-2020-0136, Exhibit I.ED.4, Attachment 1 (Auditor General Report re Environment Plan).

²³ EB-2019-0294, Exhibit B, Tab 1, Schedule 1, pp. 6-7, para. 18;

²⁴ EB-2020-0066, Exhibit A, Tab 2, Schedule 1, p. 1, para. 3.

been tested. Furthermore, a 10% reduction is \$13 million savings, which may be attainable at no incremental cost if the Environmental Plan is implemented. Furthermore, the \$13 million in savings could grow ten-fold if a holistic analysis is done of all the work required on the 48 km pipeline.

We do not know today whether downsizing is possible from broad-based DSM implemented pursuant to the Environment Plan or geographically targeted DSM aimed at reducing the cost of integrity projects along the relevant 48 km. Enbridge will likely cast doubt on this in its reply. However, these rebuttals are occurring too late, without evidentiary support, and without proper testing in this proceeding. According to Board directions, the IRP analysis should be considered “at the preliminary stage of project development” and included in leave to construct applications with “sufficient and timely evidence.”²⁵ That has not occurred. A modest deferral would allow that to happen.

Local Impacts and Liability

This project will be very disruptive to traffic and public spaces in downtown Toronto. The pandemic is putting additional pressure on these spaces as Torontonians socialize outside and use their cars to avoid public transit. There would be considerable benefit in delaying work until after the pandemic has subsided.

Furthermore, Environmental Defence and the City of Toronto have both asked Enbridge for detailed plans on how it would minimize local impacts and a map of what those local impacts will be.²⁶ Unfortunately, Enbridge has not yet completed those plans and could not produce a map of the impacts.²⁷ Toronto has also expressed concerns about potential conflicts with infrastructure work and projects in this congested area. Additional time would allow Enbridge to work with Toronto on these plans to ensure disruption is minimized and work is coordinated with other infrastructure.

Enbridge plans to abandon the existing pipeline in place. This is concerning because the location in question is highly congested with utility and other infrastructure demands. Enbridge confirmed that it would not be liable for the cost or coordination of a future pipeline removal should a conflict arise between the abandoned pipe and a future need for that space.²⁸ This would be the responsibility of the future project proponent.²⁹

For many kinds of projects, such as sewer or road works, it would be the City of Toronto’s responsibility to pay for and coordinate the removal of any pipe. This is unfair to Toronto taxpayers. If removal is not cost-effective, Enbridge should at least enter into an agreement with

²⁵ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline); ²⁵ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ²⁵ EB-2018-0097, Decision and Order, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).

²⁶ EB-2020-0136; Exhibit I.ED.11; Exhibit I.Toronto.22.

²⁷ *Ibid.*

²⁸ EB-2020-0136, Exhibit I.ED.10 (j).

²⁹ *Ibid.*

Toronto to pay for any incremental costs arising from any removals that may be needed in the future.

In the Windsor Reinforcement Project case, Enbridge had to file a s. 101 Application subsequent to its leave to construct approval to force the Country of Essex to accept its proposed depth of cover and abandonment method.³⁰ More time would help to ensure that similar disputes do not arise between the City of Toronto and Enbridge about project details.

Regulatory Benefits

There would be significant regulatory benefits to deferring this project until after Enbridge's next rebasing application and until after the Board's integrated resource planning proceeding has completed. This would provide better planning and consistency. Most importantly, the Board would benefit from the ability to test Enbridge's application against the integrated resource planning framework that will be finalized in 2021.

Safety and Cost of a Deferral

This project is not urgent. Enbridge's evidence confirms that safety can be maintained with localized integrity digs. Enbridge argues that a deferral of 40 years would be unreasonable because it would require 72 integrity digs over that period.³¹ However, a deferral of only one or a few years would require only a few repairs at a modest cost.³² Enbridge is currently maintaining this pipe and the entire 48 km NPS 20 portion of the KOL with integrity digs. Continuing to do so for one or a few more years is not a problem and is well worth it.

Conclusion

The Board mandated integrated resource planning almost 30 years ago in its 1993 *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*.³³ The Board has consistently and repeatedly directed Enbridge to conduct integrated resource planning at the preliminary planning stages and to file robust evidence on this.³⁴ The Board has done this in part because IRP reduces costs and energy bills. It would also achieve low-cost carbon emissions and further Ontario's Environment Plan.

In this case, Enbridge declined to conduct any analysis because this is a replacement project. This is unreasonable because it fails to consider potential cost savings from downsizing the 4.5 km at issue or the remaining 48 km. Enbridge conducted further analysis in response to interrogatory responses, but this is all too late and too cursory. Enbridge should be directed to

³⁰ See EB-2020-0160.

³¹ EB-2020-0136, Argument in Chief of Enbridge Gas, November 2, 2020, p. 7.

³² EB-2020-0136, Exhibit I.ED.6; Exhibit I.STAFF.3 b).

³³ EBO 169-III, *Report of the Board on the Demand-Side Management Aspects of Gas Integrated Resource Planning*, July 23, 1993, pp. 1-4.

³⁴ Ontario Energy Board, *Decision in EB-2012-0451/0433, January 30, 2014*, p. 46-47 (GTA Pipeline); ³⁴ Ontario Energy Board, *DSM Framework*, December 22, 2014, p. 35-36; ³⁴ EB-2018-0097, Decision and Order, January 3, 2019, pp. 6-7 (Bathurst Reinforcement).

defer the project so it can remedy this omission as part of a holistic proposal with respect to the entire 48 km. A brief pause is well worth it for the sake of good planning and the prospect of a lower-cost solution that saves money, lowers carbon emissions, and helps to fulfill Ontario's Environment Plan.