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March 11, 2021

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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DELIVERED BY EMAIL

Dear Ms. Long,

RE: Enbridge Gas Inc. EB-2020-0134 Enbridge Gas Inc. 2020 Rate Application Phase 2-ICM Funding Requests

Please find enclosed the submissions of the Ontario Greenhouse Vegetable Growers in the above noted proceeding.

Yours very truly,

Michael R. Buonaguro

CC: All Parties

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas Inc. pursuant to section 36(1) of the Ontario Energy Board Act, 1998 for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2021.

PHASE 2-ICM FUNDING REQUESTS

SUBMISSIONS ON BEHALF OF THE ONTARIO GREENHOUSE VEGETABLE GROWERS

OVERVIEW

These are the submissions of the Ontario Greenhouse Vegetable Growers ("OGVG") with respect to Enbridge Gas Inc.'s ("EGI's") request for Incremental Capital Module ("ICM") based relief for 3 identified projects it plans to put into service in 2020.

With respect to the St. Laurent Phase 3 Project EGI has withdrawn its request for 2020 ICM treatment.

With respect to the Sarnia Industrial Project (the "Sarnia Project") OGVG respectfully submits that the project does not qualify for ICM funding within the parameters of the Ontario Energy Board's (("the OEB's") ICM policy for the reasons set out in these submissions.

With respect to the London Line Replacement Project, OGVG has reviewed an early draft of the submissions of Energy Probe and generally supports those submissions to the effect that while the project qualifies for ICM funding the total capital spending on the project that should attract ICM funding should be materially reduced. Accordingly, OGVG's substantive submissions are limited to the request for ICM relief for the Sarnia Project.

The Sarnia Project

OGVG respectfully submits that the OEB should determine that the Sarnia Project does not qualify for ICM relief.

EGI's request for ICM relief is generally governed by the OEB's ICM and ACM policies originally intended for use by electricity distributors.[1]

The OEB's ICM and ACM policy generally requires that:

> *Distributors must also include a discussion on any offsets associated with each incremental project for which ACM or ICM treatment is proposed due to revenue to be generated through other means (e.g. customer contributions in aid of construction), at the time of the cost of service application, along with an estimate of the revenue requirement impact associated with those offsets. The final offset amounts, if any, would be confirmed at the time of the IR application.*[2]

The OEB's Filing Requirements with respect to ICM requests by distributors require as follows:

[1] Decision and Order EB-2017-0306 And EB-2017-0307 Union Gas Limited and Enbridge Gas Distribution Inc., August 30, 2018, amended on September 17, 2018, pages 30-34.
[2] EB-2014-0219 Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, page 18.

3.3.2.1 ICM Filing Requirements

The OEB requires that a distributor requesting relief for incremental capital during the IRM plan term include comprehensive evidence to support the need, which should include the following:

. . .

- *Evidence that the incremental revenue requested will not be recovered through other means (e.g., it is not, in full or in part, included in base rates or being funded by the expansion of service to include new customers and other load growth).*[3]

EGI forecasts the incremental revenue requirement over the 2021 to 2023 period for the Sarnia Project to be $3,922,000;[4] this is the revenue requirement that EGI is applying to recover through the OEB's ICM framework.

Despite the OEB's ICM policies and filing requirements compelling EGI to file evidence demonstrating that the requested ICM revenue will not be recovered through other means, EGI did not, in its application, file any evidence with respect to the incremental revenue that it forecasts will be generated by the Sarnia Project over the 2021 to 2023 period, the time frame put forward by EGI for ICM relief. In its application EGI only notes that:

The project is needed to supply the increased demand for reliable and safe delivery of natural gas and future growth in the Sarnia area, specifically to support a $2 billion expansion of Nova Chemicals existing Corunna site.[5]

While EGI goes on to detail the business case for the Sarnia Project in its application, that business case only notes that the project was economically justified; the business case does not include evidence about the revenue generated by the project during the relevant 2021 to 2023 period that led to the conclusion that the project was economically justified.[6]

During the interrogatory phase of the application for ICM relief, in response to questions from OEB Staff and OGVG, EGI confirmed that it forecasts the incremental revenue from the Sarnia Project over the relevant 2021 to 2023 period to be $5,813,000.[7]

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[3] Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications-Chapter 3 Incentive Rate-Setting Applications May 14, 2020, pages 27-28.
[4] Exhibit B Tab 2 Schedule 1 page 29.
[5] Exhibit B, Tab 2, Schedule 1, page 18.
[6] Exhibit B, Tab 2, Schedule 1, pages 25-27.
[7] Exhibit I, Staff-4 c), OGVG-1.

Accordingly, EGI is requesting ICM relief over the 2021 to 2023 period in the amount of $3,992,000 for a project that will generate $5,813,000; in other words, EGI is claiming a need for incremental funding for a project that is not only self-funding, but is forecast to generate $1,891,000 in excess revenue.

OGVG asked EGI through the interrogatory process why it believes it is appropriate to seek to recover an incremental revenue requirement in the amount of $3,922,000 through ICM relief over the 2021 to 2023 period for a capital investment that is projected to generate $5,813,000 of incremental revenue over that same period as a result of new customers and load.[8]

EGI's response at OGVG-1 was as follows:

> *In its Decision and Order for Enbridge Gas's Application for 2019 Rates the OEB states:*
>
>> *LPMA argued that Enbridge Gas should be required to take into account the incremental revenue generated from the increase in volumes delivered and growth in customers. The OEB notes that the ICM policy does not require utilities to record possible incremental revenues in a deferral account or include it in the rate rider. As discussed under section 4.3.2, the ICM policy is being applied to the current framework, and the policy should apply in its entirety. The materiality threshold calculation for determining the maximum eligible incremental capital includes a growth factor that accounts for incremental revenues and growth in customers that may arise due to the implementation of an ICM eligible project. The OEB further notes that Enbridge Gas is under a Price Cap IR wherein revenues and costs are decoupled.*
>
> *Since the materiality threshold calculation accounts for incremental revenues it is appropriate for it not to be included in the determination of project revenue requirement as previously decided by the OEB.*[9]

OGVG respectfully submits that EGI's reliance on the OEB's decision in EB-2018-0305 misconstrues the nature of the arguments that were placed before the OEB by LPMA,

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[8] Exhibit I, OGVG-1; OGVG notes that EGI corrected some minor errors (perpetrated by OGVG) in the forecast revenue requirement for and the forecast incremental revenue generated by the Sarnia Project over the 2021 to 2023 period, with the result that the excess net revenue generated by the Sarnia Project over the 2021 to 2023 period changed from the incorrect figure of $1,899,000 to the corrected figure $1,891,000, a change that OGVG expects is immaterial in the context of EGI's answers and submissions on this issue.

[9] Exhibit I OGVG-1; in its answer EGI quotes EB-2018-0305, Decision and Order, September 12, 2019, page 26.

particularly given the very different facts underpinning the project under consideration in that decision, the Kingsville Transmission Reinforcement.

In its submission in EB-2018-0305 LPMA references the incremental revenue generated by the Kingsville Transmission Reinforcement in two separate and distinct arguments.

First, LPMA notes EGI's failure to file required information with respect to the incremental revenue that will be generated by the Kingsville Transmission Reinforcement, asserts that that there will be incremental revenue, and concludes that as a result that EGI has failed to establish the need for ICM relief for the Kingsville Transmission Reinforcement:

> *LPMA submits that given this increase in revenues, which do not appear to have been taken into account in the calculation of the net incremental revenue requirement, EGI has failed to establish the need for the ICM.*[10]

The requested (and ultimately approved) revenue requirement over the relevant ICM period for the Kingsville Transmission Reinforcement (2019-2023) was $36,908,000.[11]

The forecast incremental revenue that EGI expects to recover as a result of the Kingsville Transmission Reinforcement over that same period is $6,990,000.[12]

Accordingly, even accounting for incremental revenue generated by the project over the ICM period, EGI was facing a shortfall of $29,918,000 as a result of the Kingsville Transmission Reinforcement; it is within this context, OGVG respectfully submits, that the OEB determined that the need for ICM relief had been established by EGI despite the fact that there was some incremental revenue being generated by the newly created capacity. This is fundamentally different than in the present case, where instead of a $29,918,000 shortfall in funding, the Sarnia Project is forecast to generate $1,891,000 in surplus revenue for EGI.

This was not, however, the aspect of LPMA's argument that the OEB was addressing in the reasons cited by EGI. In addition to arguing that the existence of some incremental revenue supported a determination that the need for ICM funding for the project had not been established, LPMA also, in the alternative, argued that if the OEB determined that need had been established, any incremental revenue from the project should be accounted for when calculating the precise level of ICM relief EGI should receive:

> *If the OEB does approve the use of an ICM for this project, LPMA submits that the OEB should direct EGI to take into account the incremental revenue that will be generated through the ability to serve this increasing demand for natural gas and the growth in customers that the project will enable. This should be done either through a reduction in the net revenue*

[10] EB-2018-0305, Submission of LPMA filed July 4, 2019, page 12.
[11] EB-2018-0305, Exhibit M1, Tab 1, Appendix B, page 1.
[12] EB-2018-0013, Exhibit A, Tab 9, Schedule 3.

> *requirement to be recovered through the ICM rate riders or through separate tracking of the incremental revenue generated by the project for refund to ratepayers upon the next cost of service application review of the actual costs associated with the project.*[13]

It is this argument that the OEB is addressing in the part of the decision in EB-2018-0305 quoted by EGI in OGVG-1, an argument that OGVG is not asserting in the present case.

OGVG is not asserting that EGI should track incremental revenue from the Sarnia Project in a deferral account for future disposition as an offset against ICM rider revenue or adjust an approved ICM rider up front to account for forecast revenue from the project. OGVG's objection is based on the more fundamental assertion that the ICM policy is not intended to provide relief in connection with discrete capital projects that are self-funding as is clearly the case for the Sarnia Project.

In OGVG's view the OEB's comments with respect to the inclusion of revenue growth in the materiality threshold are in support of the OEB's decision not to micromanage the calculation of the ICM rate rider or require tracking of incremental revenue associated with a particular ICM project for future reconciliation against ICM rider revenue; those comments do not impact on the assessment as to whether a particular project should be approved under the OEB's ICM framework in the first instance.

The OEB's filing requirements with respect to requests for ICM relief are clear and unambiguous; as part of the requirement that the applicant demonstrate that incremental revenue through an ICM rate rider is needed, the applicant has to demonstrate that revenue in support of the project will not be recovered through other means, including specifically the expansion of service to include new customers and other load growth. In the present case, the Sarnia Project is specifically expanding service to accommodate new customers and load growth that is forecast to generate not only enough revenue to support the revenue requirement for the project during the relevant 2021 to 2023 period, but excess revenue estimated at $1,891,000 which will, presumably, contribute to possible overearning by EGI during its current IRM period. It is, in OGVG's view, an extreme example of why the OEB requires applicants to demonstrate that the applied for ICM revenue is not being funded by the expansion of service to include new customers and other load growth.

For all these reasons OGVG respectfully submits that the OEB should reject EGI's request for ICM funding in relation to the Sarnia Project. The OEB's ICM and ACM policy, which is applicable to EGI, screens out projects that, while material in scope, discrete in nature and "needed", do not require incremental funding during an IRM period because they are self-funding. In OGVG's view it would be a gross distortion of the rationale underpinning the ICM and ACM framework if the OEB were to permit incremental funding for the Sarnia Project, essentially gutting the protections included in

[13] EB-2018-0305, Submission of LPMA filed July 4, 2019, page 12.

the framework that are intended to identify and disqualify precisely these types of ICM requests.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 11th DAY OF MARCH, 2021