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March 17, 2021

BY RESS AND EMAIL

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

Dear Ms. Long:

Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2020-0091
Integrated Resource Planning Proposal
Argument-in-Chief

Consistent with the OEB's Procedural Order No. 9 (dated March 5, 2021), enclosed please find the Argument-in-Chief of Enbridge Gas in the above noted proceeding.

If you have any questions, please contact the undersigned.

Sincerely,

(Original Signed)

Adam Stiers
Technical Manager, Regulatory Applications

cc.: D. Stevens (Aird & Berlis)
M. Parkes (OEB Staff)
M. Millar (OEB Counsel)
EB-2020-0091 (Intervenors)

EB-2020-0091

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Integrated Resource Planning Proposal by Enbridge Gas Inc.

ENBRIDGE GAS INC.

ARGUMENT IN CHIEF

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A. OVERVIEW

1. For Enbridge Gas, Integrated Resource Planning or IRP is aimed at considering facility and non-facility alternatives to address long-term system constraints/needs in a way that allows for reliable, cost-effective solutions to be proposed, approved and implemented.

2. Enbridge Gas has prepared an IRP Proposal that will allow the Company to consider and include non-pipeline solutions or integrated resource planning alternatives (IRPAs) instead of facilities in appropriate circumstances. The IRP Proposal is informed by four Guiding Principles (Reliability and Safety, Cost Effectiveness, Public Policy and Optimized Scoping). The IRP Proposal is consistent with the OEB's statutory objectives, including protection of consumers with respect to prices and reliability of service, promotion of energy conservation and energy efficiency policies of the Government of Ontario (having regard to consumers' economic circumstances) and the maintenance of a financially viable gas industry.

3. In this Argument in Chief, Enbridge Gas explains the components of its IRP Proposal, including the specific relief or guidance that the Company would like to see included in the IRP Framework to be issued by the OEB. Key aspects of the Company's IRP Proposal include: (i) a request to consider a broad range of IRPAs and to treat IRPA investments as capital expenditures; (ii) a wide-ranging and ongoing stakeholder and Indigenous engagement process; (iii) a measured approach to determine what needs or constraints should be considered for IRP; (iv) a fit-for-purpose evaluation approach to compare and choose between IRP and facilities alternatives; (v) OEB approval of IRP Plans; (vi) the design and implementation of two IRP Pilot Projects; and (vii) ongoing reporting of relevant IRP activities.

4. Enbridge Gas has structured its Argument in Chief around the approvals sought from the OEB in the IRP Framework. The Table set out at Appendix A summarizes Enbridge Gas's position in relation to each of the Issues in the Issues List, and identifies where the Argument in Chief addresses each Issue.

B. PROCEDURAL BACKGROUND

5. Enbridge Gas Inc. (Enbridge Gas, or the Company) filed an Integrated Resource Planning (IRP) proposal with the Ontario Energy Board (OEB, or the Board) on November 1, 2019, as part of a Dawn-Parkway Expansion Leave to Construct (LTC) proceeding (EB-2019-0159).[1] The OEB determined that the IRP Proposal would be heard separately from the LTC proceeding.[2]

6. On April 28, 2020, the OEB issued a Notice of Hearing for this proceeding, initiating the review of Enbridge Gas's IRP Proposal. In the Notice of Hearing, the OEB indicated that "Integrated resource planning is a planning process that evaluates and compares realistic natural gas supply-side and demand-side options", and noted a range of potential demand-side options and IRP alternatives.[3] As part of the Notice of Hearing, the OEB indicated that Enbridge Gas's IRP Proposal from the Dawn-Parkway Expansion LTC proceeding would form the initial evidence for this proceeding.[4]

7. In Procedural Order No. 2, the OEB established the Issues List for this proceeding[5], and confirmed its intention for this proceeding "to establish a general framework for IRP for Enbridge Gas".[6] Within its Issues List Decision, the OEB included definitions for IRP Framework (guidance or requirements for IRP for Enbridge Gas established by the OEB), IRP Plan (a plan filed by Enbridge Gas in response to a system need) and IRP Alternative/IRPA (a potential solution considered under the IRP plan in response to a specific system need).[7]

[1] EB-2020-0159, Pre-filed Evidence of Enbridge Gas, Exhibit A, Tab 13.
[2] EB-2019-0159, Procedural Order No. 1, January 30, 2020, page 2.
[3] Notice of Hearing, April 28, 2020, page 1.
[4] Notice of Hearing, April 28, 2020, page 3.
[5] Decision on Issues List and Procedural Order No. 2, July 15, 2020, pages 6-15 and Schedule A.
[6] *Ibid*., page 5.
[7] *Ibid*., page 6.

8. In October 2020, Enbridge Gas filed Additional Evidence, describing an illustrative IRP process plan detailing how IRP will be integrated into system planning processes and activities at Enbridge Gas under an IRP Framework.[8]

9. Enbridge Gas has also filed two reports from ICF Canada. The first report, titled "Natural Gas Integrated Resource Planning: Initial Assessment of the Potential to Employ Targeted DSM to Influence Future Natural Gas Infrastructure Investment", was prepared in 2018 to be part of the filings of Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union) for the 2015-2020 DSM Plan process.[9] The second report, titled "IRP Jurisdictional Review Report", was filed on October 15, 2020. This second Report updates the jurisdictional review that was performed as part of the 2018 ICF Report, and assesses recent developments in the use of energy efficiency and other demand and supply-side solutions as alternatives to gas infrastructure.[10]

10. In November 2020, OEB Staff filed evidence from Guidehouse Canada titled "Natural Gas Integrated Resource Planning in New York State and Ontario".[11] The Guidehouse Report sets out information about IRP practices in New York State, and compares those practices to the Enbridge Gas IRP Proposal.[12] The Guidehouse Report describes "Industry Best Practices for IRP"[13] as well as "Recommendations" for the OEB to consider in reviewing Enbridge Gas's IRP Proposal and evaluating opportunities to implement natural gas IRP in Ontario.[14]

11. Also in November 2020, Green Energy Coalition (GEC) and Environmental Defence (ED) filed evidence from Chris Neme of Energy Futures Group (EFG) titled "Best Practices for Gas IRP and Consideration of "Non-Pipe" Alternatives to Traditional

[8] The Additional Evidence was filed as Exhibit B, on October 15, 2020.
[9] In accordance with Procedural Order No. 2, on July 22, 2021, Enbridge Gas filed this Report onto the record for this IRP Framework Proceeding.
[10] IRP Jurisdictional Review Report, October 14, 2020, page 1.
[11] "Natural Gas Integrated Resource Planning in New York State and Ontario", Final Report dated November 12, 2020 (Guidehouse Report).
[12] Guidehouse Report, pages 8-22.
[13] Guidehouse Report, pages 1-3.
[14] Guidehouse Report, pages 4-5.

Infrastructure Investments".[15] Among other things, the EFG Report set out recommendations for integrating IRP into planning processes, screening criteria, stakeholdering, evaluation methodology to compare IRPAs and facility solutions and pilot projects.

12. On December 11, 2020, Enbridge Gas filed its Reply Evidence, responding to the Guidehouse Report and the EFG Report.[16] As part of the Reply Evidence, Enbridge Gas included further details about its IRP Proposal, addressing key issues such as stakeholder and Indigenous engagement, economic evaluation of IRPAs and pilot projects.

13. Following the completion of written evidence, parties participated in an intensive discovery process. Enbridge Gas responded to more than 500 written interrogatories (including sub-parts).[17] Each of Guidehouse and EFG also responded to written interrogatories from many parties. The parties then participated in a three-day transcribed Technical Conference, where questions (and 43 undertakings) were answered by Enbridge Gas witnesses (two panels) as well as ICF, Guidehouse and EFG.[18]

14. On February 19, 2021 the OEB held a transcribed "Presentation Day", to allow parties to make presentations to the OEB Commissioners about their perspectives on IRP, including how those perspectives may differ from the Enbridge Gas IRP Proposal. Seven parties, including Enbridge Gas, made presentations and responded to questions from the OEB Commissioners.[19]

15. A four day Oral Hearing was held from March 1 to 4, 2021. During the course of the Oral Hearing, testimony was presented by two witness panels from Enbridge Gas

[15] "Best Practices for Gas IRP and Consideration of "Non-Pipe" Alternatives to Traditional Infrastructure Investments", November 23, 2020 (EFG Report).
[16] Filed as Exhibit C.
[17] The Interrogatory Responses were filed on February 2, 2021.
[18] The Technical Conference (TC) was held from February 10-12, 2021.
[19] The parties making Presentations at Presentation Day (PD) were Enbridge Gas, OEB Staff, GEC/ED (through EFG), School Energy Coalition (SEC), Federation of Rental-Housing Providers of Ontario (FRPO), Anwaatin and Pollution Probe.

(who also answered 27 additional undertakings), as well as representatives of ICF, Guidehouse and EFG.

16. At the conclusion of the Oral Hearing, the OEB issued Procedural Order No. 9 (PO#9), setting the schedule for written submissions. In PO#9, the OEB noted that Enbridge Gas's IRP Proposal has evolved through the course of this proceeding, and requested that Enbridge Gas's Argument in Chief "clearly describe exactly what the OEB is being asked to approve".[20]

17. Given the OEB's direction to focus on the approvals requested for the IRP Framework, Enbridge Gas has structured this Argument in Chief around those items, rather than following the Issues List. However, all items in the Issues List are addressed within the Argument in Chief. The Table set out at Appendix A to this Argument in Chief summarizes Enbridge Gas's position in relation to each of the Issues, and identifies where the Argument in Chief addresses each Issue.

18. In this Argument in Chief, Enbridge Gas has not attempted to anticipate all of the arguments and positions that may be advanced by the 22 other parties in this proceeding. Instead, Enbridge Gas will respond (as necessary) to such arguments in Reply Argument.

C. PURPOSE OF ENBRIDGE GAS'S IRP FRAMEWORK PROPOSAL

19. IRP is a multi-faceted planning process that includes the identification, evaluation and implementation of realistic natural gas supply-side and demand-side options (including the interplay of these options) to determine the solution to an identified future need or constraint that provides the best combination of cost and risk for Enbridge Gas customers.[21] Stated differently, IRP is aimed at considering facility and non-facility alternatives to address long-term system constraints/needs such that an

[20] Procedural Order No. 9, March 5, 2021, page 1.
[21] Exhibit A, page 4.

optimized and economic solution is proposed and implemented to meet the identified constraint or need.[22]

20. The determination of what potential solutions to an identified future system need or constraint are best is not a straightforward mechanical exercise. There are many factors to consider in assessing whether an IRPA or facilities solution (or a mix of either or both) is the best approach. The Company's IRP Proposal sets out a measured approach that will allow for IRP to be implemented, and for appropriate IRPA solutions to be identified, evaluated and implemented.

21. Enbridge Gas's IRP Proposal is underpinned by four Guiding Principles.[23]

i. Reliability and Safety - In considering IRPAs as part of system planning processes, Enbridge Gas's system design philosophy cannot be compromised, and the reliable and safe delivery of firm contracted peak period natural gas volumes to Enbridge Gas's customers must remain of paramount importance.

ii. Cost Effectiveness – IRPAs must be cost-effective (competitive) compared to other facility and non-facility alternatives, including taking into account impacts on Enbridge Gas ratepayers.

iii. Public Policy – IRP will be considered in a manner to ensure that it is supportive of and aligned with public policy, where appropriate.

iv. Optimized Scoping - Recognizing that reviewing IRPAs for every forecasted infrastructure project would be extremely time intensive, binary screening should be undertaken to confirm which forecast need(s) should undergo an IRP assessment and to ensure a focus at the outset on efficient and effective IRPA investment.

22. These Guiding Principles represent key factors and considerations that must be taken into account throughout the IRP process to identify, evaluate and implement the optimal mix of facilities and non-facilities projects to meet a future peak demand requirement.

[22] Exhibit B, para. 35. Guidehouse confirms that Enbridge Gas's definition of IRP is consistent with the approach taken in New York State: Guidehouse Report, page 25. EFG proposes a similar definition, but adds in the concept that IRP should also take into account "policy goals" relevant to the utility's service territory: EFG Report, page 11.
[23] Exhibit B, para. 22. See also PD Tr.12.

23. Of the four Guiding Principles, Reliability and Safety is paramount. Enbridge Gas's main obligation is to ensure the safe and reliable supply of natural gas to meet the needs of its customers. As stated by ICF in its Jurisdictional Review Report at Exhibit B, Appendix A, page 6:

> The gas industry has a particularly low risk tolerance for outages because of the amount of manpower, time and cost required to restart their systems. There are also health and safety risks associated with customers not having access to space heating during the extended period of an outage during the middle of winter. It remains to be proven that geo-targeted DSM can result in peak period reductions that are as reliable as traditional pipes.

24. By their nature, demand-side IRPAs are not as reliable as pipeline solutions.[24] Whereas a pipeline can always (absent *force majeure*) be counted on to deliver its designed capacity as required, there is less certainty that non-pipeline solutions (IRPAs) will always deliver their expected demand reductions.[25] Further, the uncertainties associated with IRPAs' forecasted potential peak demand reductions are additive to any existing uncertainties in natural gas load forecasting.[26] Enbridge Gas's first Guiding Principle recognizes, therefore, that given Enbridge Gas's obligation to deliver a reliable supply of energy to its customers, IRP solutions must take account of potential reliability risks. This may be done through early implementation (to monitor whether expected results are being achieved),[27] diversification (use of a variety of IRPAs) and over-subscription (procurement of more IRPA-driven demand reduction than required).[28]

25. Cost-effectiveness is an important Guiding Principle. Enbridge Gas has proposed an evaluation methodology that will compare the impacts of facility alternatives and IRPAs, in order to evaluate the best option from the perspective of the utility and its

[24] Guidehouse Report, page 2 and 4Tr.14.
[25] Exhibit C, para. 39.
[26] Exhibit C, para. 39.
[27] Though as stated in the Company's response at Exhibit I.GEC.7, "Outage risk is also not entirely mitigated by an extended forecast period. Even if Enbridge Gas acts immediately following the identification of a system constraint to assess IRPAs and seek OEB approval, it will still take considerable time to receive OEB approval to proceed with investment, to design, implement, potentially procure and monitor the performance of those investments…Each of these steps reduces the amount of remaining time before the underlying system constraint is realized."
[28] See also Guidehouse Report, page 2 and 4Tr.14-15; as well as Exhibit B, para. 79 and Exhibit I.EP.1.

ratepayers (taking into account societal impacts). This approach is premised on the EBO 134 test (a Discounted Cash Flow (DCF) approach), and will transparently demonstrate the relative impact of the options on gas ratepayers.[29]

26. Public policy is an important consideration for IRP. Enbridge Gas will ensure that its consideration and implementation of IRP is consistent with relevant current public policy at the time. Enbridge Gas agrees that emissions reductions goals and instruments (such as the Federal Carbon Charge) may be relevant in the evaluation of facilities and non-facilities alternatives. It is important to note, however, that public policy that is aimed at emissions reductions is not the main current driver of IRP. This stands in contrast to a jurisdiction like Vermont which has legislated objectives for IRP that include meeting greenhouse gas (GHG) emissions reductions.[30] As noted in the Guidehouse Report, while Ontario has established an Environment Plan targeting on reducing GHG emissions by 30% below 2005 levels by 2030, this is an economy-wide approach with no specific direction from the province for the OEB to require the natural gas utilities to implement GHG reductions targets.[31]

27. Individually and collectively, Enbridge Gas's proposed Guiding Principles are consistent with the OEB's statutory objectives in relation to gas.

28. As set out in section 2 of the *OEB Act*, the Board, in carrying out its responsibilities under the *OEB Act* or any other Act in relation to gas, is to be guided by the seven objectives:

    1. To facilitate competition in the sale of gas to users.
    2. <u>To inform consumers and protect their interests with respect to prices and the reliability and quality of gas service</u>.
    3. <u>To facilitate rational expansion of transmission and distribution systems</u>.
    4. To facilitate rational development and safe operation of gas storage.

[29] 3Tr. 91-92.
[30] The Vermont requirement is set out at pages 11-12 of the EFG Report.
[31] Guidehouse Report, page 8.

5. To promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.

5.1 To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.

6. To promote communication within the gas industry.[32]

29. Most of these statutory objectives appear to be relevant to the OEB's determination of an IRP Framework for Enbridge Gas.[33] It is instructive to note the emphasis within the statutory objectives on the protection of consumers' interests with respect to prices and quality of gas service. It is also instructive to note that the promotion of public policy (in this case energy conservation and energy efficiency) is to be done in accordance with the policies of the Government of Ontario[34], and that this must take account of the consumer's economic circumstances. Finally, the statutory objective of facilitating the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas seems relevant to this proceeding.

30. Taking the statutory objectives into account, Enbridge Gas submits that its proposed Guiding Principles are appropriate and reasonable factors for the OEB and parties to take into account in the approval and implementation of an IRP Framework for the Company.

D. LEARNINGS FROM OTHER JURISDICTIONS

31. Through the course of this proceeding, evidence and testimony has been offered to indicate how other jurisdictions in North America are addressing gas IRP. Much of the focus of that evidence has been on New York State[35], which is said to be the

[32] Section 2, *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B (OEB Act). (emphasis added)
[33] In testimony, the Guidehouse panel confirmed that it would be important for the OEB to take these objectives into account when determining the IRP Framework for Enbridge Gas: 4Tr.34-35.
[34] Note that there has been little attention paid in this proceeding to the policies of the Government of Ontario. Intervenor questions have instead focused on Federal policy (carbon charges) and municipal policies (municipal energy plans etc.).
[35] The experience with Gas IRP (Non Pipes Solutions or NPS) in New York State, and a comparison with the Enbridge Gas IRP Proposal, is addressed in the Guidehouse Report. ICF's 2020 IRP Jurisdictional Report describes the current experience with NPS in New York State.

leader in this area, but there has also been some discussion of developments in other jurisdictions.[36]

32. The evidence supports the conclusion that there has not been significant activity or progress in developing gas IRP frameworks or advancing gas IRP (or "Non Pipeline Alternatives") in other jurisdictions. As ICF indicated in testimony, "[o]verall we found that IRPA activity is still really limited, and where it is occurring it's small-scale … but it's still in pilot programs, and it's still not being effectively offered as an alternative [to] infrastructure project."[37]

33. At a summary level, there are several key learnings from the experience of other jurisdictions who have been addressing gas IRP.

i. Novel concept: It is not disputed that there is relatively little precedent to draw upon for gas IRP.[38] In evidence and testimony, ICF has explained some of the barriers that utilities are encountering to implementing IRP/NPS. These include: (a) reliability of IRPA forecasts to demonstrate that peak period demand is reduced; (b) lack of granular peak hour customer data; (c) long lead times to effectively implement IRPAs in place of facilities solutions; and (d) a lack of appropriate incentives for utilities to pursue IRP.[39]

ii. Difference between gas and electricity: While EFG urges the Board to consider the experience with electric IRP (Non Wires Alternatives, or NWA)[40], there are meaningful differences between gas and electricity systems that make the comparison somewhat challenging. Three of those differences were highlighted by ICF in testimony: (a) electric infrastructure is more expensive and the economic incentives are higher for NWAs than NPAs; (b) electric utilities have better metering data available to determine how demand is changing from instant to instant; and (c) the demand on the electric grid is driven by instantaneous demand, so reducing even a short period of coincident demand may have a positive impact on infrastructure needs.[41] Each of these items of difference underline why it is not

[36] ICF's 2020 IRP Jurisdictional Report describes the "relevant progress" with NPS/IRP in other jurisdictions, including Vermont, New Hampshire, Massachusetts, Oregon and British Columbia.
[37] This was confirmed in testimony by ICF (3Tr.151) and Guidehouse (4Tr.21-22).
[38] ICF indicated in testimony that there has not been much progress outside of New York in NPAs or IRPAs in recent years – there is a pilot project in Oregon and some utilities have started to collect data. See 3Tr.152-153.
[39] ICF IRP Jurisdictional Report, pages 6-7.
[40] EFG Report, pages 47-55.
[41] 3Tr.152-153.

appropriate to assume that gas IRP can be designed in the same way or achieve all the same results as electric IRP.

iii. Local rules and conditions drive IRP solutions: The fact that New York State is ahead of other jurisdictions in the consideration and implementation of gas IRP solutions is largely a result of local conditions and rules.[42] For example, there are pipeline constraints in New York State that have led to moratoriums on the connection of new customers, and that make facilities solutions for identified needs difficult or impossible in some circumstances.[43] Additionally, the very high cost of gas infrastructure additions in constrained parts of New York State make IRP solutions comparatively less expensive than may be the case in other locales.[44] Further, New York State (unlike Ontario) has "clear, consistent top-down policy direction from the New York State government related to transitioning to a decarbonized economy and prioritizing DSM and other demand-side options as alternatives to investments in new pipeline capacity."[45] Similarly, EFG points to Vermont as an example of a jurisdiction with experience with IRP on the electricity side, but also notes that the governing legislation relevant to IRP in Vermont includes an imperative to consider GHG reductions.[46]

iv. Pilot projects are important: It appears that most jurisdictions that are now considering gas IRP are starting with pilot projects.[47] As stated by EFG, "[m]ost jurisdictions that are seriously considering gas and electric IRPAs have started with pilot projects to actually field-test and gain experience with planning processes, deploying geotargeting efficiency and other IRPA resources, evaluating the impact such geotargeting is producing, and valuing such impacts and other key aspects of non-pipe solutions".[48]

v. No jurisdiction has implemented an overall gas IRP framework: None of the experts in this case have pointed to an example of a regulator-approved gas IRP framework that is similar in scope or content to what Enbridge Gas is proposing in this proceeding.[49] Even in New York State, the most advanced jurisdiction on NPS, the New York Public Service Commission has not yet completed its NPS framework type process "to establish a modernized and improved long-term gas

[42] See ICF IRP Jurisdictional Report, pages 5-10 and 26-55.
[43] 3Tr.152-153. Differences between New York State and Ontario relevant to gas IRP are discussed in section 6 of the Guidehouse report, and in Guidehouse testimony, at 4Tr.6-7.
[44] 3Tr.152.
[45] ICF IRP Jurisdictional Report, page 9.
[46] EFG Report, pages 11-12.
[47] In testimony, there was mention of pilot projects in New York and Oregon and Massachusetts (see, for example, Guidehouse testimony at 4Tr.81-83).
[48] EFG Report, page 27.
[49] ConEd in New York State has made a NPA proposal, but the regulator has not commented on the proposal: see 4Tr.7-9. The Enbridge Gas IRP Proposal is conceptually similar to the ConEd proposal: 4Tr.8-9.

system planning process for each gas utility.[50] That proceeding is still at a relatively early stage, with Staff having recently filed its proposal that will next be the subject of a stakeholder forum and written submissions.

vi. Limited direction from regulators: There is limited specific direction from utility regulators in other jurisdictions that can be used as a precedent or specific guidance to the OEB as it develops an IRP Framework for Enbridge Gas. While ICF confirmed that regulators in other jurisdictions (such as New York, Oregon and British Columbia) are aware of the progress of utilities implementing NPS pilot programs[51], none of the experts in this case have pointed to specific regulator direction and determinations that provide guidance on an IRP Framework.

34. Enbridge Gas believes that its IRP Proposal is consistent with the learnings and guidance that can be taken from other jurisdictions.[52]

35. The Guidehouse Report distills observations gleaned from review of the New York State experience with NPS into a number of "Industry Best Practices for Natural Gas IRP" and "Recommendations" for the OEB to consider when setting an IRP Framework for Enbridge Gas.[53] As described in more detail throughout this Argument in Chief, there appears to be symmetry between Guidehouse's recommendations and the Enbridge Gas IRP Proposal.

E. APPROVALS SOUGHT BY ENBRIDGE GAS FOR THE IRP FRAMEWORK

36. Enbridge Gas has prepared an IRP Proposal that will allow it to appropriately consider how best to respond to future identified system needs and constraints. The proposed IRP Framework balances the Company's proposed Guiding Principles and is consistent with the OEB's statutory objectives in relation to gas.

37. Enbridge Gas acknowledges that its IRP Proposal has evolved over the course of this proceeding. Enbridge Gas has taken note of learnings from the jurisdictional review

[50] 4Tr.12. New York Public Service Commission, Case 20-G-0131 - Proceeding on Motion of the Commission in Regard to Gas Planning Procedures – Staff Gas System Planning Process Proposal, February 12, 2021, found as Tab 19 of Exhibit K3.3.2 (OEB Staff Compendium).
[51] 3Tr.174-175.
[52] On the specific point of the evaluation methodology to be used to compare IRPAs and facilities solutions, Enbridge Gas acknowledges that EFG cites examples from other jurisdictions where a total resource cost type test has been used to evaluate IRPAs. The question of the appropriate evaluation test to be used is discussed later in the Argument in Chief.
[53] Guidehouse Report, pages 1-3 and 4-5. See also 4Tr.11-12.

work completed, and has been attentive and responsive to comments received from stakeholders, Indigenous groups and the OEB.[54]

38. Enbridge Gas agrees with the comment in PO#9 that it is important for this Argument in Chief to describe exactly what the OEB is being asked to approve.[55]

39. As part of the IRP Framework that will be issued by the OEB, Enbridge Gas is requesting that the Board consider and approve each of the elements or items listed below. Details for each are found on the following pages.

i. Guiding Principles: *Approval of Reliability and Safety, Cost Effectiveness, Public Policy and Optimized Scoping as appropriate Guiding Principles to inform and influence how Enbridge Gas implements IRP.*

ii. IRP Proposal Elements

a) Types of available IRPAs: *Approval for Enbridge Gas to use a wide variety of demand side alternatives (gas and non-gas, including electricity-based solutions), along with appropriate supply side alternatives, to meet an identified need/constraint (including allowing for consideration of a variety of ownership, operation and/or procurement scenarios for each).*

b) IRP Assessment Process*: Approval of a prescribed process, consisting of the four steps described below, to determine whether to pursue IRP solutions for an identified need/constraint.*

1. Identification of Constraints: *The Company's asset management process will identify potential system needs/constraints up to ten years in the future, and describe these in annual updates to the Asset Management Plan (AMP).*

2. Binary Screening Criteria*: Enbridge Gas will apply five binary screening criteria to identified system needs/constraints in the AMP to determine whether further IRP evaluation is appropriate.*

3. Two-Stage Evaluation Process: *Where a project progresses past the initial binary screening, Enbridge Gas will determine whether to proceed with an IRP Plan through two steps. First, the Company will determine whether potential IRPAs could meet the identified*

[54] To cite two examples, Enbridge Gas adopted EFG's proposal to include two pilot projects (as noted in Exhibit C, para. 14), and Enbridge Gas expanded the scope of its screening criteria to take account of the OEB's comments in the London Line Replacement Project LTC Decision (EB-2020-0192) as discussed at 1Tr.10-11.
[55] Procedural Order No. 9, March 5, 2021, page 1.

constraint need. If yes, then the Company will develop one or more IRP Plans and compare those to the baseline facility alternative, using a DCF+ test, to determine the optimum alternative.

4. Periodic Review: *Where circumstances change (for example, the nature or timing of an identified need/constraint alters materially , or significant policy changes are announced by government or the Board), then the Company will review its IRP determinations related to identified needs/constraints (reflecting changes through the annual update to the AMP) and will report to the OEB, stakeholders and potentially affected Indigenous groups as appropriate (either through the AMP, the IRP Report or via IRPA application).*

c) Stakeholder Outreach and Engagement Process: *Approval of the proposed three-component stakeholdering process, including a purpose-specific stakeholder technical working group to support IRPA development and to identify and discuss new IRP solutions and IRP avoided costs and benefits.*

d) IRPA Cost Recovery and Accounting Treatment Fundamentals: *Approval of like-for-like treatment[56] of IRPA investments, such that longer term investments in IRPA Plans will be capitalized as rate base, with cost recovery similar to the facilities investments that they are replacing at the time of in-service (with IRPA costs amortized over their useful lives).*

e) Future IRP Plan Applications: *Approval of a LTC-like process to review and approve a proposed IRP Plan designed to meet an identified need/constraint, with Enbridge Gas being given flexibility to adjust the IRP Plan without further OEB review except where the costs being adjusted are 25% or greater of the total approved cost.[57]*

f) Monitoring and Reporting: *Approval of the proposed annual IRP reporting from Enbridge Gas that will address IRP integration into existing planning processes, IRPA effectiveness, IRP pilot projects planned or underway, IRP stakeholdering and IRPA implementation.*

[56] Also referred to by the Company as "Like Treatment for Like Results".
[57] Importantly, Enbridge Gas has proposed to make IRP Plan applications to the Board in the future in instances where the total cost of IRP Plans exceeds the LTC materiality threshold (currently $2 million, proposed to increase to $10 million) and expects that if the IRP Plan did not initially trigger an IRPA application then there would not be any need to seek approval of the Board to adjust associated investments, regardless of their scale. Further and under the same auspices, aside from outright cessation of IRPA investments which the Company has previously clarified would require OEB approval, Enbridge Gas does not intend to seek Board approval to spend less than previously approved amounts on an IRP Plan/IRPAs.

iii. IRP Costs Deferral Account: *Approval of an IRP Costs Deferral Account which will track all incremental IRP-related costs not included in base rates (capital, operating and administrative costs) during the current deferred rebasing term.*[58]

iv. IRP Pilot Project Proposal: *Approval for Enbridge Gas to develop two pilot projects to be developed and initiated by the end of 2022 – one of which will apply the new IRP Framework through development and implementation of an IRP Plan to meet an identified need/constraint and the other of which will test a promising IRPA such as Demand Response (DR), along with Automated Metering Infrastructure (AMI), if possible.*

v. AMI Acknowledgement: *An indication of the OEB's support for the role of AMI as an important enabler of successful IRP and IRPAs.*

40. Enbridge Gas notes that there are a number of areas where intervenors have asked questions, but where the Company is not seeking OEB approval. Many of these are items that would more appropriately be addressed in the Company's rebasing case, or other proceedings (such as the Annual Gas Supply Plan Review and/or the Post-2021 DSM Plan proceeding).[59] Rather than speculatively and preemptively responding to potential additional matters that parties may choose to advance, Enbridge Gas will instead wait and review the submissions received and provide its specific responses in Reply Argument.

41. One other area where Enbridge Gas is not seeking approvals is in relation to OEB review process(es) of the steps and decisions leading up to the Company's ultimate request for approval of either an IRP Plan or a LTC application.[60] This is the current practice for LTC applications. As explained in evidence, Enbridge Gas believes that its stakeholdering plans (described below) will provide interested parties with meaningful opportunity to provide input on IRP decisions with sufficient time for

[58] Enbridge Gas expects that the deferral account may still be needed beyond 2023 to track IRP program costs not included in base rates in 2024 and through the next deferred rebasing term.
[59] Examples of items that have been discussed but are more appropriate for other proceedings are interruptible rates, depreciation rates and asset lives, demand forecasting methodology, DSM budget and plans and availability and specifics of supply side options.
[60] Some intervenors appear to disagree with this position – see, for example, 1 TC Tr. 83.

Enbridge Gas to consider and (where appropriate) reflect comments, alternatives and proposals into those decisions before they are finalized and implemented.[61]

42. Enbridge Gas is concerned that including multiple points of OEB review and approval into the IRP Framework will add substantial regulatory and administrative burden.[62] This is evident by looking at the number of decision points in the IRP process that could be subject to review and approval. If the OEB were to consider decisions made at the binary screening, secondary screening (IRP potential to meet the need), IRP Plan development and IRP Plan/facilities alternative evaluation stages, then the number of potential applications or review processes could be quite large. That is clear when one considers that Enbridge Gas expects that a hundred or more constraints/needs may be subject to binary screening each year, and that a meaningful proportion of those will likely proceed past binary screening to the next stages in the IRP process.[63]

43. Enbridge Gas acknowledges that it bears the risk that the OEB might not approve an as-filed LTC application in the circumstance where it is determined that an IRP Plan would be a better approach.[64] The Company believes, though, that this risk will be low where Enbridge Gas follows the steps of the IRP Proposal, and listens to stakeholders and Indigenous groups and considers their feedback.[65]

(i) Guiding Principles

44. Enbridge Gas is requesting approval of Reliability and Safety, Cost Effectiveness, Public Policy and Optimized Scoping as appropriate Guiding Principles to inform and influence how it implements IRP.

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[61] 2Tr.91-92 and 94-99. A summary of Enbridge Gas's position is found at Exhibit J1.3. See also Exhibit JT 1.7.
[62] 2Tr.135. As stated by Ms. Giridhar in testimony, it is not appropriate to conclude that the best outcomes are driven purely by adjudication, and anything less than adjudication of every issue is a sub-optimal outcome.
[63] Exhibit JT2.11 shows that there are more than 2000 projects in the current 5 year AMP, and that almost 200 of these initially appear to be projects that could pass the binary screening (assuming that there was no timing issue).
[64] 3Tr.115-117. See also Exhibit I.STAFF.25.
[65] 2Tr.98.

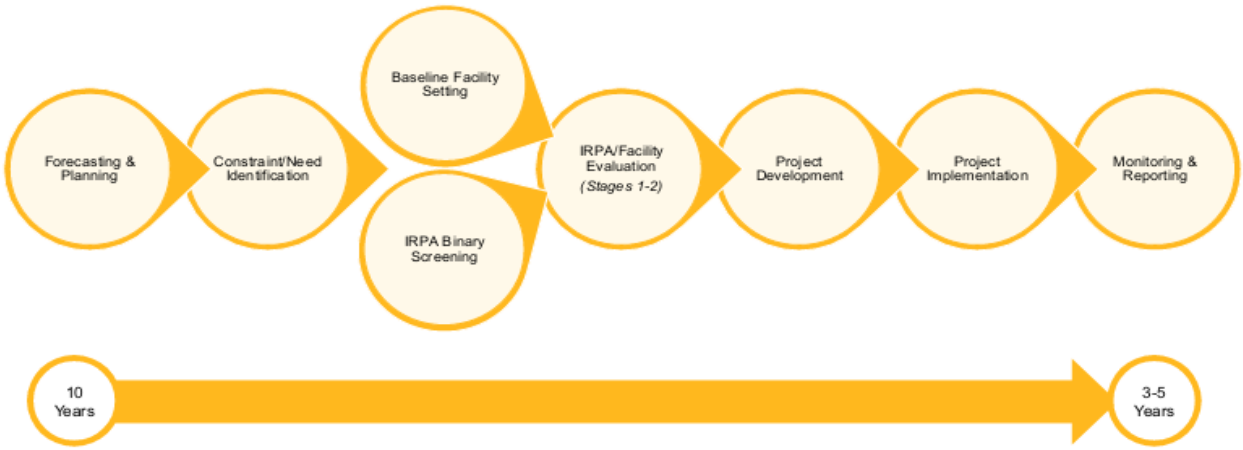
45. Details of the Guiding Principles are discussed above, under the heading "Purpose of Enbridge Gas's IRP Framework Proposal".

46. Enbridge Gas submits that it is appropriate and helpful for the OEB to consider and approve the Guiding Principles, because they will provide direction and guidance to Enbridge Gas, as well as the OEB and interested parties, in the implementation of the IRP Plan, and in the determination of how to deal with unforeseen items. This is similar in concept to the Company's Gas Supply Plan, which is underpinned by guiding principles that inform the creation and assessment of the Plan.[66]

(ii) IRP Proposal Elements

47. Enbridge Gas's IRP Proposal includes all of the steps necessary to identify, evaluate, compare and implement IRP solutions for future system constraints or needs. Figure 1 below, illustrates the Company's proposed IRP process.[67]

Figure 1 – Enbridge Gas proposed IRP process



48. One item that is relevant to the IRP Proposal, but which is not part of any specific element, is the treatment of risk associated with IRP Plans. Issue #8 from the Issues

[66] EB-2019-0137 5 Year Gas Supply Plan, May 1, 2019, pages 5-6.
[67] Enbridge Gas Integrated Resource Planning (IRP) Presentation for Presentation Day (February 19, 2021), slide 4. This is discussed in the Presentation Day Transcript at pages 15-18.

List in this proceeding asks: "Who should bear the risk of an IRP Plan that does not accomplish its planned expectations and should there be consequences for not achieving planned expectations?".

49. Enbridge Gas's view is that the Company should not bear the risk that an approved IRP Plan may not succeed in creating the forecast peak demand reduction.[68] IRP is a new activity, and it is being pursued for the benefit of the Company's ratepayers. Enbridge Gas's position is that where an IRP Plan does not meet expectations, and therefore it needs to be expanded, or where facilities need to be built notwithstanding the IRP Plan, then the costs of the additional activities should be paid by ratepayers.[69]

50. In the subsections of Argument in Chief that follow, Enbridge Gas provides details about each of the elements of the IRP Proposal for which it is seeking OEB approval, including supporting elements such as the scope of available IRPAs and the cost treatment for IRPAs.

(a) Types of IRPAs

51. Enbridge Gas is seeking OEB approval to use a wide variety of demand side alternatives (gas and non-gas, including electricity-based solutions), along with appropriate supply side alternatives, to meet an identified need/constraint (including allowing for consideration of a variety of ownership, operation and/or procurement scenarios for each).

52. In its pre-filed evidence, Enbridge Gas described a number of potential demand-side IRPAs, including geo-targeted energy efficiency programs, DR, natural gas air source heat pumps, electric air source heat pumps, geothermal systems and district energy.[70] Some of these potential IRPAs involve activities typically conducted by Enbridge Gas in its role as a gas distributor, but others would be new activities that go beyond gas distribution.

[68] Exhibit B, paras 76-81.
[69] Exhibit I.EP.6 and Exhibit I.EP.14.
[70] Exhibit A, pages 8-9 and Exhibit B, paras. 39-63.

53. Enbridge Gas has also acknowledged the potential role for supply-side IRPAs in appropriate scenarios. These supply-side options may involve injection of compressed natural gas (CNG) or renewable natural gas (RNG) at targeted locations, to relieve upstream system constraints.[71] The supply-side options may also involve gas supply type solutions, such as commercial or market-based alternatives (for example, peaking supply, third-party assignments or exchanges) or arrangements similar in effect to the Parkway Delivery Obligation.[72]

54. Enbridge Gas submits that the scope of available IRPAs will influence the Company's ability to identify and implement reliable, cost-effective IRP Plans. Where the IRPA options available are limited, then this will reduce IRP potential to replace facility options to meet identified future needs/constraints.

55. Enbridge Gas is permitted to undertake a broad range of activities within the utility corporation, where such activities are related to energy conservation, promotion of cleaner energy sources and ground source heat pumps.[73] While such activities may heretofore not have been considered as a distribution activity, Enbridge Gas submits that should not be the conclusion in the context of IRP. To the contrary, activities conducted within an IRP Plan are directed at providing an alternative to distribution (or transmission or storage) facilities, and should be treated in the same manner as the infrastructure being delayed or avoided.

56. As described below, Enbridge Gas will tailor its role in relation to demand-side IRPAs to fit the relevant circumstances.

57. The Company recognizes that some of the potential demand-side IRPAs involve equipment or activities that are already provided by the competitive market. Examples include geothermal systems, air source heat pumps and home energy retrofits. Where an IRPA involves the use of already-available appliances or resources, then Enbridge

[71] Exhibit A, page 9 and Exhibit B, paras. 42-43.
[72] Exhibit B, paras. 64-65 and 1Tr.77, 85-87.
[73] See Order in Council No. 1537/2006 and Order in Council No. 1540/2009, which are described in the EB-2017-0319 RNG Enabling Program Decision (October 18, 2018), at page 7.

Gas will look to the competitive market to provide targeted solutions that would reduce peak demand in identified areas.[74] This could be done through an RFP process, with Enbridge Gas making some amount of enabling payment to successful bidders to recognize the difference between what the customers pay to the bidder (for example, the amount customers pay for their geothermal system or air source heat pump) and what the bidder requires to provide its service (which will drive the required overall peak demand reduction).[75]

58. There will be other demand-side IRPAs that are likely to be offered directly by Enbridge Gas. These will be activities where there is no current competitive market. Examples include DR and nascent technologies, such as gas air source heat pumps. In those cases, Enbridge Gas will incur the entire cost of the activity (net of amounts paid by benefitting customers).

59. Enbridge Gas's role in relation to supply-side IRPAs will depend on the nature of the supply-side solution. In many cases, the Company's role will be as the procurer, taking care to ensure that the market-based solution provides sufficient reliability to meet an identified need/constraint for a sufficient period of time.[76] In other cases, the Company may be more involved throughout the time when the IRPA is operative, as would be the case for localized injection of RNG/CNG or PDO-type arrangements.

60. At times during the oral hearing, parties suggested that it would be appropriate for Enbridge Gas to develop a "menu" or list of available IRPAs.[77] Enbridge Gas agrees that it will be useful to keep track of what IRPAs appear to be feasible items for consideration[78], but does not agree that there is particular value in creating an exhaustive or OEB-approved "list" at this time. In terms of demand-side options, technology is evolving and the range of potential IRPAs to reduce peak demand is

[74] See Exhibit I.STAFF.17(b).
[75] 3Tr.98-101 and 106-107.
[76] 1TC Tr.43 and 45-46.
[77] This concept was suggested several times by FRPO, in relation to supply-side options – see, for example, 1Tr.76-80 and 3Tr.10-11. Commissioner Frank also asked about this idea in questions to Enbridge Gas's first witness panel: 1Tr.195.
[78] 1Tr.78-79.

likely to evolve as a result.[79] In terms of supply-side options, the market-based solutions that might be available and suitable to meet an identified constraint will be dependent on the timing and location of the constraint.[80] There would be limited benefit to creating a list in advance of the time when the constraint must be met.

61. Instead, what Enbridge Gas is seeking in the OEB's IRP Framework is an indication of what types of IRPAs are (or are not) appropriate for the Company to consider within an IRP Plan. Enbridge Gas can then apply that guidance as it considers whether and how an identified need/constraint can be met through an IRP Plan. As stated by Mr. Stiers in testimony, "… to sum it up, one of the priorities is that we ask that the framework not overly restrict consideration of IRPAs, or their ownership, their operation, or their procurement at this early stage."[81]

62. As a final point on this topic, it should be noted that OEB endorsement of the potential role for a broad range of IRPAs does not amount to "pre-approval" of any particular IRPA. Enbridge Gas will not proceed with an IRP Plan (the implementation of IRPAs) until after specific OEB approval is obtained for that IRP Plan.[82] That will allow the OEB to determine the appropriateness of specific IRPAs (with appropriate details) in the context of a particular proposal.

(b) IRP Assessment Process

63. Enbridge Gas is seeking OEB approval of a prescribed process, consisting of the four steps described below, to determine whether to pursue IRP solutions for an identified need/constraint.

64. As shown in Figure 1 above, the proposed IRP Assessment Process begins with the identification of system constraints or needs, then proceeds through binary screening to determine if further IRP evaluation is appropriate, and then moves to the

[79] 2Tr.119-120.
[80] 1Tr.100-102.
[81] 3Tr.97.
[82] As discussed below, Enbridge Gas will seek OEB approval of any IRP Plan with costs above the LTC threshold, and in the immediate term Enbridge Gas expects to seek OEB approval of every IRP Plan, regardless of its costs.

determination of available IRPAs and the creation of an IRP Plan and comparison to facilities alternatives. Additionally, the determinations made at each stage may be revisited in the event that there are material changes in circumstances.

STEP ONE: Identification of Constraints

65. As a first step, the Company's asset management process will identify potential system needs/constraints up to ten years in the future, and describe these in annual updates to the Asset Management Plan (AMP).

66. Enbridge Gas regularly completes a long-term demand forecast and planning process that identifies specific needs across its system. The objective of demand forecasting and planning processes is to amass input to develop insights into the future system constraints/needs that the Company expects to materialize, both in terms of their magnitude and timing, in order to ensure that it has sufficient capacity to serve those needs and fulfil its obligation to serve the firm contracted peak period demands of its customers.[83]

67. At the same time, as part of its asset management process, the Company assesses the condition of its assets (including gas-carrying assets) to determine whether replacement actions will be required in the near to medium term.[84] The Company will also make plans to relocate its pipelines where required for municipal planning purposes.

[83] Exhibit B, para. 24. Through cross-examination questions asked, it appears that some parties will be taking issue with the Company's demand forecasts, because these do not reflect the Federal Government's announced (but not legislated) increases in the cost of carbon. Enbridge Gas does not know how parties may choose to pursue this item in their submissions, but does wish to highlight two items from the witnesses' testimony at the hearing that seems relevant. First, it is not as easy as some might assume to re-run demand forecasts based on different assumptions – as Ms. Giridhar explained, the Company will not be able to undertake sensitivity or scenario analysis on its demand forecasts, because "the demand forecasting and asset planning processes are very, very involved processes. They don't lend themselves to multiple scenarios." (2Tr.116). Second, issues around how the demand forecast might change with different assumptions are better addressed in the rebasing proceeding. As explained in testimony, the Company will be presenting some scenario planning around what the future might look like and around energy transition as part of its upcoming rebasing application. (2Tr.116).
[84] 1Tr.185-186.

68. When Enbridge Gas determines that its current facilities cannot balance the peak demand forecast with existing system facilities that can deliver the forecasted volumes safely and reliably, a system need or constraint is identified.[85] Similarly, where a safety or operational or similar issue is affecting an asset and indicating a requirement for replacement, then this is also identified as a system need.

69. When a need or constraint is identified, it will be included and described in the AMP.[86] The AMP is updated each year, and is currently filed as part of the Company's rate adjustment proceedings (in "Phase 2", where ICM requests are considered).

70. Additionally, when a need or constraint is identified then Enbridge Gas will develop a "baseline" facility solution that would meet or solve the need. In the case of a need or constraint related to a shortfall in future capacity, the baseline facility solution would be a reinforcement project. In the case of a need or constraint related to asset condition, the baseline facility solution would be a replacement project. It is necessary to know the baseline facilities solution, so that any IRP solution can be compared against the facilities solution and as a contingency should IRPA investments underperform relative to forecast.[87]

71. In future years, the identification of a need or constraint within the AMP may be as much as 10 years away from the date that the need or constraint must be addressed.[88] This will permit time to consider whether IRPAs could meet the identified needs and, if so, to develop and evaluate and implement an IRP Plan in time to determine whether it is likely to meet the need or constraint.

[85] Exhibit B, para. 25.
[86] 1 TC Tr.33.
[87] Exhibit B, para. 26.
[88] Exhibit I.STAFF.6(a) and (c).

STEP TWO: Binary Screening Criteria

72. As a second step, Enbridge Gas will apply five binary screening criteria to identified system needs/constraints in the AMP to determine whether further IRP evaluation is appropriate.

73. IRPA analysis, which includes a more specific review of alternatives that could be reasonably considered to meet a system constraint/need, is anticipated to involve a detailed and iterative process. If this full IRP planning process was undertaken for every forecasted system constraint/need it would be exceedingly time and resource intensive, resulting in substantial incremental administrative cost burden to ratepayers. To avoid incurring such costs where limited potential value to ratepayers exists, and so that all existing resources are optimized, the first step in assessing the appropriateness of IRPAs to defer, avoid or reduce the need for new facilities is to establish the appropriate scope and scale of system constraints/needs that should qualify for IRPA assessment.[89]

74. This is consistent with the approach taken to IRP in other jurisdictions. As noted in the EFG Report[90], and in another EFG study cited in the EFG Report[91], other jurisdictions have used initial screening for IRP (non-wires) suitability to determine what projects merit detailed IRP review, taking into account items such as minimum lead time required and minimum project costs.

75. In Enbridge Gas's view, the OEB should proceed cautiously with regard to establishing its expectations around project screening in order to avoid committing ratepayers to significantly increased cost at the outset of natural gas IRP in Ontario, especially as the relative value or return on investment for such cost burden remains uncertain and

[89] Exhibit B, para. 36.
[90] EFG Report, page 15. The EFG Report includes general support for the Company's main binary screening criteria (Safety and 3-Year Lead Time) – see EFG Report, page 30.
[91] Energy Efficiency as a T&D Resource: Lessons from Recent U.S. Efforts to Use Geographically Targeted Efficiency Programs to Defer T&D Investments, January 9, 2015, Chris Neme & Jim Grevatt, Energy Futures Group, page 64. Cited at footnote 10 of the EFG Report. Included at Tab 6 of Exhibit K4.3.

unproven at this time.[92] The approach proposed by Enbridge Gas, as detailed below, fits with the Company's proposed "Optimized Scoping" Guiding Principle (as well as the Cost-Effectiveness Guiding Principle).

76. As an initial step (before the binary screening), Enbridge Gas will exclude identified needs in the AMP that do not pertain to gas-carrying assets (buildings, IT, fleet etc.) or where the nature of the assets are not suitable to IRP (meter exchanges, "blanket" maintenance and replacement projects etc.).[93]

77. As a next step, Enbridge Gas has identified that some basic attributes of reinforcement (growth) and replacement projects support a binary screening of the relevance of IRPAs, with other attributes being informative (e.g., the estimated project cost), but not providing certainty as to the likely outcome of an IRPA assessment.

78. The following are Enbridge Gas's proposed updated criteria[94] for completing a binary screening for whether an IRP analysis should be considered:

i. Emergent Safety Issues – If an identified system constraint/need is determined to require a facility project in order for Enbridge Gas to ensure its continued ability to offer safe and reliable service or to meet an applicable law, it would not be a candidate for IRP analysis. An example of such a system constraint/need, and an emergent safety issue, would be if an existing pipeline sustained unanticipated damage and needed to be replaced as quickly as possible to ensure the safety of local communities and the Company's broader transmission and distribution systems.

   Enbridge Gas has acknowledged that longer-term safety related system constraints/needs may be appropriate for an IRPA solution and would be considered on a case by case basis.

ii. Timing[95] – If an identified system constraint/need must be met in under 3 years, an IRPA cannot be implemented and its ability to resolve the identified system

[92] Exhibit C, para. 37.
[93] Exhibit J1.1.
[94] As described in Exhibit J1.4.
[95] Enbridge Gas has reflected upon the feedback received through the Technical Conference and Oral Hearing and agrees that its previous Project Specific Considerations criterion can be subsumed within the Timing and Pipeline Replacement and Relocation Project criteria. The Company believes that where pipeline relocation is required and/or where municipal infrastructure development can be leveraged, the cost savings that would result from downsizing pipeline size will not be significant enough to support consideration of IRPAs.

constraint/need cannot be verified in time. Therefore, an IRP analysis is not prudent.

Exceptions to this criterion could include supply-side solutions like CNG and bridging or market-based alternatives in combination with other IRPAs where such exceptions/IRPAs can address a more imminent constraint/need.

iii. Customer-Specific Builds[96] – If an identified system constraint/need has been underpinned by a specific customer's (or group of customers') clear determination for a facility option and either the choice to pay a Contribution in Aid of Construction (CIAC), to contract for long-term firm services delivered by such facilities (including new subdivision or small main extensions) then it is not appropriate to conduct IRP analysis for those projects.

iv. Community Expansion & Economic Development – If a facility project has been driven by policy and related funding explicitly aimed at delivering natural gas into communities to help bring heating costs down, then it is not appropriate to conduct an IRP analysis.

Where Government grants are not identified for the specific purpose of growing natural gas access, then IRP could be considered for community expansion provided IRPAs such as district energy systems were included in scope.[97]

v. Pipeline Replacement and Relocation Projects - If a facility project is being advanced for replacement or relocation of a pipeline and the cost is less than $10 million, then that project is not a candidate for IRP analysis.

Enbridge Gas acknowledges that for large pipeline replacement and relocation projects, there may be opportunities to reduce their size through consideration of IRPAs in the future. Accordingly, the Company would investigate such opportunities in the future on a case-by-case basis, taking into account the broader impacts of downsizing (e.g. creation of system bottlenecks or integrity and inspection concerns). The Company does not believe that IRP will be appropriate for smaller scale pipeline replacement projects (less than $10 million cost), as the cost savings that would result from downsizing pipeline size will not be significant enough to support consideration of IRPAs.

79. Enbridge Gas proposes to apply the foregoing binary screening criteria to determine which identified needs/constraints should proceed to a more detailed IRP review.

[96] Enbridge Gas has reflected upon the feedback received through the Technical Conference and Oral Hearing and believes that its previous Economic Development criterion can be subsumed within the Customer-Specific Builds criterion.
[97] Further discussion of this criterion is set out at Exhibit J1.4.

Enbridge Gas will report on the outcome of the binary screening process in its annual updates to the AMP, in relation to each identified need/constraint.[98]

STEP THREE: Two-Stage Evaluation Process

80. Where a project progresses past the initial binary screening, Enbridge Gas will determine whether to proceed with an IRP Plan through two steps. First, the Company will determine whether potential IRPAs could meet the identified constraint need. If yes, then the Company will develop one or more IRP Plans and compare those to the baseline facility alternative, using a DCF+ test, to determine the optimum alternative.

81. Enbridge Gas expects that the two-stage evaluation process will commence sufficiently far in advance of the date that the constraint/need must be met in order to allow for time for an IRP Plan to be developed, approved, implemented and monitored for effectiveness in advance of the date when a facilities solution would be required. The required "lead-time" will depend to some extent on the amount of peak demand reduction required to address the identified system constraint/need and its nature (e.g. geographic location, customer mix). Having adequate lead-time to consider, implement and monitor any IRP solution fits with the Company's key Guiding Principle of Reliability and Safety.

82. The first stage of the evaluation process is to determine whether IRPA(s) could meet the identified need/constraint. This will be done by reviewing potential IRPAs, using the best available information about their potential to reduce peak demand, and then determining whether one or more IRPAs will be a viable option.[99] Part of the assessment of IRPAs will be to consider how reliable the savings are from various IRPAs, recognizing that this is important for appropriate costing and planning. Enbridge Gas expects that it will employ a "derating factor" to take account of the "oversubscription" of IRPAs that will be required to have adequate assurance of expected results. Enbridge Gas anticipates that derating factors will be refined as

[98] Exhibit JT1.11.
[99] Exhibit B, para. 28.

experience with various alternatives in Ontario grows, technologies and solutions are tested and when AMI is in place to provide more certain data.[100]

83. Where a project passes the first stage of the evaluation process, there will be one or more IRP Plans established (comprised of IRPAs or combinations of IRPAs with facilities that can together meet the identified need/constraint) and these will be compared to the baseline facility alternative.

84. Ultimately, cost/economic evaluation together with consideration of system reliability, safety and sustainability and broadly protecting the interests of customers will enable Enbridge Gas and the Board to determine whether it is preferable to proceed with investment in an IRPA.[101]

85. Taking this into account, the second stage of the evaluation process is to perform a Discounted Cash Flow (DCF) evaluation to compare the IRP Plan(s) to the baseline facility alternative. Enbridge Gas proposes to base this test on the three-stage approach used for transmission system expansions under the parameters established by EBO 134.[102] Enbridge Gas believes that it is valuable and appropriate to prepare and present the results from each stage of the analysis separately, so that the OEB has a transparent view of the different impacts of the alternatives.[103]

86. Stage 1 calculates the NPV of the incremental benefits and costs incurred by Enbridge Gas, and evaluates the proposal from an economic perspective. An NPV greater than $0 indicates that the pipeline project is economic based on current approved rates (with a profitability index, or PI, of 1.0 or greater). An NPV less than $0 indicates that the pipeline project would result in future rate increases to all customers.

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[100] Exhibit B, para. 28. For further discussion of derating factors and oversubscription, and their role with IRP Plans, see 4Tr.13-15. For further discussion of the potential role of AMI in reducing uncertainty and costs, see Exhibit B, para. 96. See also Guidehouse Report, page 2 and Guidehouse testimony: 4Tr.14-16.
[101] Exhibit B, para. 67.
[102] An example of the approach proposed by Enbridge Gas is included at Exhibit JT2.15.
[103] 3Tr.91-92.

87. Stage 2 calculates the NPV of the incremental benefits and costs incurred by customers from the IRPA or facilities solution.[104]

88. Stage 3 calculates the NPV of the incremental societal benefits and costs.[105]

89. The NPVs from each Stage will be summed together. Enbridge Gas will compare the overall results from the DCF+ analysis for both the IRP Plan and facilities alternative, and use that information to determine which alternative is optimal.[106]

90. Ultimately, if an IRP Plan can meet the demands of the future system capacity, is more cost-effective from a gas ratepayer and overall perspective than facility alternatives and is consistent with public policy, then Enbridge Gas will include the IRPA in the AMP as a future potential project.[107]

91. Enbridge Gas acknowledges that there is more work to do in order to determine all the appropriate inputs into a DCF+ evaluation. As Guidehouse indicated in testimony, "our finding is that the existing tests leave a lot of gaps and uncertainties about how they would be applied to IRP".[108] On this point, Enbridge Gas accepts the Guidehouse recommendation that parties should work to complete a Benefit Cost Analysis (BCA) Handbook that would be used as a key input for economic evaluations.[109] However, Enbridge Gas also notes and highlights Guidehouse's comments that the EBO 134 approach could be repurposed to compare NPV between IRP and facilities options, and that a BCA Handbook for gas IRP in Ontario could be used as an input into the Company's proposed EBO 134/DCF+ evaluation approach.[110]

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[104] Examples of the inputs that would be included for Phase 2 are set out at Exhibit JT2.2 and JT2.15.
[105] Examples of the inputs that would be included for Phase 3 are set out at Exhibit JT2.2 and JT2.15.
[106] Enbridge Gas witnesses confirmed in testimony that they could, if necessary, prepare different scenarios for the DCF+ analysis, taking different inputs into account (for example, using different assumptions for the cost of carbon). See 2Tr.116-117.
[107] Exhibit B, para. 72.
[108] 4Tr.17-18.
[109] Guidehouse Report, page 4 (Recommendation 1). EFG also agrees that there is work to be done to determine how costs and benefits get evaluated and factored into the evaluation process: 4Tr.109.
[110] Guidehouse response to BOMA Interrogatory #13.

92. EFG does not support Enbridge Gas's proposed DCF+ approach. Among other things, EFG argues that this approach is not used for evaluation of IRP alternatives in other jurisdictions, and that in any event it is not the proper test to use to evaluate cost-effectiveness.[111] Instead, EFG argues for the use of a Total Resource Cost (TRC+) type evaluation, similar to what is used for evaluating DSM programs.[112]

93. Enbridge Gas will respond to the specific submissions to be made by EFG's sponsoring parties (ED and GEC) in Reply Argument.[113] At this time, though, Enbridge Gas has three high-level responses to the positions advocated by EFG in relation to the evaluation test to be used.

94. First, while it may be true that no other jurisdiction uses a DCF+-type evaluation test, that is not particularly meaningful. As discussed earlier, there is little precedent for gas IRP, and no established gas IRP Framework exists. Moreover, one of the gas utilities that is most advanced with gas IRP (ConEd) considers most of the same items in its Benefit Cost Analysis approach as what is proposed by Enbridge Gas. The difference is that ConEd considers all costs and benefits together in one single stage.[114]

95. Second, Enbridge Gas does not agree that the TRC+ test is appropriate for evaluation of both IRP Plan alternatives and facility alternatives. The TRC+ test is used in Ontario to measure the cost-effectiveness of energy efficiency type programs. It is not and has not been used to evaluate facility projects.[115] Therefore,

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[111] EFG Report, pages 43-44.
[112] EFG Report, pages 33-34
[113] In a letter dated March 7, 2021, ED's counsel requested that Enbridge Gas respond to the points in the GEC/ED Presentation (which has 32 slides, along with 49 pages of transcript) and ED compendium (which has 26 tabs and 80 pages) in this Argument in Chief. This would be impossible to complete within a 50 page Argument in Chief that is primarily directed at explaining the Enbridge Gas IRP proposal. Moreover, Enbridge Gas does not know precisely how ED will advance its position in submissions, nor what areas of focus from the EFG materials (which are voluminous) or compendium materials will be chosen in a 50 page submission. Therefore, even if Enbridge Gas was to try to "pre-reply" to ED, it is not clear that this would be helpful.
[114] Exhibit C. paras. 24-26.
[115] 4Tr.111-112. The example that EFG has provided to apply the TRC+ test to a facilities alternative does not include any inputs except for the cost of the infrastructure, and gives no value to the longer effective life of the infrastructure option versus an IRPA: see Exhibit JT3.10 and 4Tr.113 and 116-117.

the same mis-match that EFG complains about between a DCF+ test and IRPAs exists between the TRC+ test and facilities alternatives. Where a TRC+ type of test is used in other jurisdictions to evaluate IRP, it is used in combination with other tests like a rate impact measure test (RIM).[116]

96. Third, Enbridge Gas does not support the use of the TRC+ test because it does not provide any indication of the rate impact of the IRP and facilities options considered. The TRC+ test also provides no indication as to whether an alternative considered will cause cross-subsidies, which is what occurs for a targeted project with PI of less than 1.0.[117] Enbridge Gas believes that its proposed DCF+ evaluation approach will provide more useful information to parties and the Board about the impacts on ratepayers. That is consistent with the OEB's statutory objective to protect consumers with respect to prices and to promote energy efficiency in accordance with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.

97. Returning to Enbridge Gas's proposal, in the circumstance where the two-stage evaluation process reveals that an IRP Plan is the best alternative to meet an identified need/constraint, then the Company will proceed with the next steps as shown in Figure 1 above. This will include finalizing the IRP Plan, making application to the OEB for approval of the IRP Plan as appropriate, and then implementing and monitoring the IRP Plan and making adjustments as appropriate.

STEP FOUR: Periodic Review

98. Where circumstances change (for example, the nature or timing of an identified need/constraint alters materially, or significant policy changes are announced by government or the Board), then the Company will review its IRP determinations related to identified needs/constraints and will report to the OEB, stakeholders and potentially affected Indigenous groups.[118]

[116] 4Tr.119.
[117] 4Tr.118-119.
[118] Exhibit I.CCC.18.

99. Essentially, this step recognizes that IRP planning, like other system planning, is not static. Where new information becomes available that would be expected to impact IRP and asset planning decisions already made, then those decisions may have to be revisited.

100. Where a change in circumstances leads Enbridge Gas to re-evaluate IRP-related decisions, then the Company will report on the outcome of its re-evaluation within the AMP and/or annual reporting. Where the change in circumstances has system-wide implications and importance, then Enbridge Gas may also choose to engage with its IRP technical working group (discussed below) to review and consider the implications for IRP.

(c) Stakeholder Outreach and Engagement Process

101. Enbridge Gas is seeking OEB approval of the proposed three-component stakeholdering process, including a purpose-specific stakeholder technical working group to support IRPA development and to identify and discuss new IRP solutions and IRP avoided costs and benefits.

102. Enbridge Gas acknowledges the importance of obtaining stakeholder input ahead of developing IRPAs to address identified system needs/constraints and of establishing a feedback loop to keep stakeholders (including municipal and government representatives, Indigenous groups, end use customers from all sectors, customer and business associations) informed of its investments in and the impact of their respective input into the development of IRPAs.[119]

103. The objectives of Enbridge Gas's proposed IRP Stakeholder Engagement process include: (i) ensure planned resources will meet Enbridge Gas's obligation to safely and reliably deliver firm contracted demands; (ii) gather ample geographically-specific information such that IRPAs can be adequately reviewed planned for and monitored; (iii) help inform the development of new or enhanced energy efficiency

[119] Exhibit C, para. 29.

programming; and (iv) broadly inform Enbridge Gas's long-term strategic planning.[120]

104. Enbridge Gas acknowledges the importance of stakeholder and Indigenous engagement in effective planning processes and is committed to an open and transparent engagement process.[121] In developing a Stakeholder Engagement process for IRP, Enbridge Gas has considered its current stakeholder engagement activities and processes used for other purposes, as well as models and ideas from the IESO's stakeholder engagement processes.[122]

105. These considerations have led to the current proposal, which includes three components and meaningful opportunity for interested stakeholders and Indigenous groups to engage with Enbridge Gas on the important steps within IRP processes. Many parts of this process are new, and are specific to IRP.

106. There are three main components to Enbridge Gas's proposed IRP Stakeholder Engagement Process. Each is described below.

i. Component 1: Gathering of Stakeholder Engagement Data and Insight - Enbridge Gas will seek insights from stakeholders and various market participants by working within existing stakeholder engagement channels to mitigate incremental expenses and leverage existing relationships. These existing channels to stakeholders include: municipal and Indigenous engagement, DSM, market surveys, LTC stakeholder outreach, utility regional directors, outreach to customer associations and formal/informal dialogue with customers of all types (e.g., through sales representatives).[123]

   Gathering of stakeholder data and insight will ideally occur on an ongoing basis. Enbridge Gas will seek ongoing opportunities to improve existing initiatives to elicit new information required to enable IRPA assessment and investments.

ii. Component 2: Stakeholder Days – Enbridge Gas proposes to hold annual regional stakeholder events focused on IRP, to discuss plans and progress with IRP, including specific discussion of needs/constraints identified in the AMP and the plans to address such items through IRP. The Company proposes to separate the projects identified in its annual update to the AMP (including IRPAs) into similar

[120] *Ibid*.
[121] Exhibit B. para. 86-87.
[122] Exhibit C. para. 33, Exhibit I.STAFF.9(b) and Exhibit I.GEC.5(b).
[123] Exhibit B. para. 90.

regional areas in support of conducting multiple targeted annual Stakeholder Days (one in each region annually where projects have been identified and with consideration of appropriate locations to accommodate any interested Indigenous groups). In establishing regions for these purposes, Enbridge Gas will attempt to mimic the regional breakdown of the IESO Regional Electricity Networks wherever appropriate.[124] These Stakeholder Days would be held shortly after the Company files its AMP update within Phase 2 of the annual rates proceeding.

iii. Component 3: Targeted Engagement - The final component of stakeholder engagement related to the IRP planning process will involve consultation dealing with specific IRPAs or IRP Plans (identified for a specific need in a specific geographic region). The purpose of this component of stakeholder and Indigenous engagement is to share information about an identified IRPA or IRP Plan with stakeholders and potentially affected Indigenous groups from the specific geographic area relevant to the IRPA. Feedback from this consultation work will inform and help shape any IRPA implementation proposal that might ultimately be filed with the OEB for approval.[125]

Component 3 will allow opportunities for stakeholders and Indigenous groups to review the IRPAs and facility alternatives under consideration and to provide feedback. This geographically and project specific stakeholder and Indigenous engagement provides an opportunity to further consider specific initiatives happening at the local level that may have a bearing on possible IRPAs such as confirmation of growth projections or Community Energy Planning. Enbridge Gas recognizes that as part of these activities, participating stakeholders and Indigenous groups could provide additional insight into IRPAs that the Company did not consider or was unaware of.[126]

107. To ensure that there is a full and transparent record of stakeholdering activities, Enbridge Gas expects that it would ask stakeholders and Indigenous groups participating in Components 2 and 3 to bring forward their ideas and submissions in a written format. Enbridge Gas would respond to those written submissions at the relevant stakeholder forum (or after), and would keep a record of such interactions.[127] Enbridge Gas's annual reporting would summarize stakeholdering and Indigenous activities for the relevant year, as appropriate, and any future IRP

[124] Exhibit JT1.3. See also 2Tr.4.
[125] Exhibit B, paras. 92-93. For clarity, this consultation would certainly include municipalities in the area of impact for the IRPA, local Indigenous groups, local customers, builders and developers and other relevant stakeholders in that geographic area.
[126] Exhibit I.STAFF.9(a).
[127] 3Tr.113-114 and 2Tr.95-97.

Plan or LTC application that was the subject of discussions or comments would include a summary of relevant interactions.

108. In addition to the three Components described above, Enbridge Gas also supports the creation of a "purpose-specific technical working group" comprised of interested parties (including OEB Staff and Indigenous representation, as appropriate) to have discussions regarding IRP issues of more general impact and interest. Topics that might be addressed include potential IRPAs, determination of the best approach to consider avoided costs and benefits for IRPAs and facility alternatives, and the relevant development of natural gas IRP in other jurisdictions.[128]

109. After the scope, membership and terms of reference for the technical working group are established,[129] Enbridge Gas expects that a good first area of focus for the technical working group would be to provide input on the consideration and implementation of IRP Pilot Projects.

110. Enbridge Gas would lead the technical working group, and would maintain a written record of discussions and recommendations.[130] This record could also be part of the annual IRP reporting from Enbridge Gas.

111. As indicated in evidence and testimony, Enbridge Gas does not support the recommendation from EFG that the OEB direct the creation of an IRP stakeholder committee modeled on the Vermont System Planning Committee (VSPC).[131] The VSPC model, which includes coordination among 16 different distribution and transmission utilities, and which includes voting rights to determine positions on issues being discussed, does not seem applicable for the Enbridge Gas IRP Framework.[132] The Company does not support giving stakeholders a "vote" in

[128] 3Tr.4, 107-111.
[129] 3Tr.109-112.
[130] 3Tr.111-112.
[131] Exhibit C, para. 32.
[132] Details about the VSPC are found at Tab 12 of Exhibit K4.3, and these were discussed at 4Tr.103-109.

system planning decisions, and the need for coordination among the various utilities who together supply electricity to Vermont does not exist here (because Enbridge Gas is the system operator, transmitter and distributor).[133] Enbridge Gas believes that its proposed Stakeholder Engagement Process, modeled on the IESO's practices and including a technical working group for certain issues, is a better solution.

112. Finally, in interrogatories and cross-examination, Anwaatin has noted concerns around a lack of Indigenous consultation in relation to the IRP Proposal. In response, Enbridge Gas wishes to emphasize that it intends to consult with any impacted Indigenous group in relation to proposed IRP Plans, IRPAs and LTC applications. For both facilities and non-facilities alternatives, Enbridge Gas will follow the existing processes as set out in the OEB's 2016 Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario and consult with potentially affected Indigenous groups as appropriate at the early stages of project development.[134]

113. Additionally, Indigenous groups are welcome to attend the public consultation sessions contemplated under Components 2 and 3 of the Stakeholder Engagement Process, and Enbridge Gas will make efforts to accommodate their participation.[135] If, through such processes, Indigenous groups raise concerns about IRP or an IRPA, Enbridge Gas will work with them to address their concerns as appropriate.[136]

(d) IRPA Cost Recovery and Accounting Treatment Fundamentals

114. Enbridge Gas is seeking OEB approval of like-for-like treatment of IRPA investments, such that longer term investments in IRPA Plans will be capitalized as rate base, with cost recovery similar to the facilities investments that they are

[133] 3Tr.3-4 and 2Tr.100-101.
[134] See Exhibit I.ANWAATIN.1; Exhibit JT3.1 and 2Tr.173-174 and 180-181
[135] 2Tr.166 and 183-184.
[136] Exhibit JT3.1.

replacing at the time of in-service (with IRPA costs amortized over their useful lives).

115. The nature of the benefits associated with investments in IRPAs is like the facility expansion/reinforcement projects that they serve to defer, avoid or reduce in that they resolve forecast system constraints/needs. Accordingly, Enbridge Gas submits that treating the costs (either or both capital and O&M) associated with planning, implementing, administering, measuring and verifying the effectiveness of its investments in IRPAs in the same manner as the costs for facility expansion/reinforcement projects (capitalized to rate base) that IRP will defer, avoid or reduce, is reasonable and appropriate.[137] Said differently, to the extent that IRP becomes mandated to be part of the utility's regulated obligations, then it is appropriate to treat the costs of non-pipeline alternatives the same as the pipelines they defer or replace.

116. Similarly, and assuming that Enbridge Gas is approved to capitalize the costs of investments in IRPAs to its rate base, allocating the costs of IRPA investments in the same manner as the capital investments they serve to defer, avoid or reduce is also appropriate since the resulting benefits of system efficiency, reliability and resiliency will be shared amongst ratepayers.[138]

117. As explained above under the subheading "Types of IRPAs", Enbridge Gas expects that its ownership and contribution role will vary depending on the type of IRPA.

118. There will be some IRPAs where Enbridge Gas makes an investment in assets that it will own and operate, or programs that it will deliver. In those cases, the costs of the investment would be treated as capital costs, and added to rate base.

[137] Exhibit B, para. 74. Note that allocating costs in this manner will also ensure that ratepayers avoid rate volatility that could otherwise be caused by immediately expensing significant investment in geo-targeted IRPAs.
[138] Exhibit B, para. 74.

119. There will be other IRPAs, for example equipment or services available from the competitive market, where Enbridge Gas will make an enabling payment to a service provider but will not own or operate any tangible asset. In those cases, Enbridge Gas would treat the cost of the payments made as a regulatory asset that would be added to rate base.[139]

120. In all cases, Enbridge Gas would propose a depreciation period for the IRPA assets that aligns with the time over which the underlying IRPA is expected to provide peak load reduction.[140] In many cases, this depreciation period would be shorter than for a pipeline investment, in recognition of the fact that IRPAs might need to be procured several times to provide the same length of "service" as a pipeline.

121. Enbridge Gas does not believe that every detail about how IRPA costs will be treated needs to be determined in the IRP Framework. For example, issues such as IRPA asset life and cost treatment for short term supply side solutions will be difficult to determine in the abstract. For the purpose of the IRP Framework, Enbridge Gas is requesting simply that the OEB approve the general principle of like-for-like treatment of IRPA investments, with such investments to be capitalized as rate base, with cost recovery similar to the facilities investments that they are replacing. Details about how that principle gets applied to specific IRPAs and IRP Plans will be determined in the IRPA Plan applications.

122. Both Guidehouse and EFG support the principle of like-for-like treatment of IRPA investments. Guidehouse indicates that regulators should design proper incentives for utilities to pursue IRP solutions, including cost recovery and risk sharing similar to a traditional infrastructure investment.[141] EFG indicates that this

[139] 3Tr.106-107; As explained at Exhibit J3.7, US GAAP allows regulatory assets to be recognized as capital assets, where there is a reasonable assurance of cost recovery, such as a Rate Order specifying the nature of the costs and the timing and manner of their recovery in rates.
[140] Exhibit I.STAFF.23 and 3Tr.141.
[141] Guidehouse Report, page 3.

may be the best incentive mechanism for utilities to prompt them to undertake IRP.[142]

123. Enbridge Gas acknowledges that its proposal to capitalize IRPA costs is different than the treatment of energy efficiency costs for DSM purposes.[143] In Enbridge Gas's view, this difference is appropriate because of the different purposes of DSM and IRP. DSM is aimed broadly at reducing overall annual demand, in part to reduce overall infrastructure requirements and to reduce customers' annual energy costs. In contrast, IRP is aimed at reducing peak demand in specific areas with identified constraints, in order to reduce or avoid specific infrastructure requirements. In other words, replacing an infrastructure investment with an IRPA investment. Therefore, in the case of IRP, the Company is foregoing specific infrastructure projects and it is appropriate that its IRP investments to accomplish this be treated in the same way as the infrastructure project.[144]

124. Over the course of this proceeding, questions have been asked about whether additional incentives for Enbridge Gas would be appropriate to drive intended results from IRP.[145]

125. In Enbridge Gas's view, the simplest and most effective means of creating a level playing field from which to consider and compare IRPAs and new facility infrastructure is by ensuring that Enbridge Gas is equally incented between the two types of investments.[146]

126. That said, Enbridge Gas is open to considering additional incentives. Should the Board wish to encourage Enbridge Gas to prioritize investments in IRPAs, then it could consider adding an incentive for such successful investments, over-and-above the regulated rate of return earned (e.g., an incentive based on the net

[142] EFG Report, pages 44-47.
[143] 3Tr.139-141.
[144] See 3Tr.141.
[145] See, for example, Exhibit I.STAFF.25(b).
[146] Exhibit B, para. 75. Exhibit I.STAFF.25(a).

benefits achieved, similar to the incentives proposed in other jurisdictions). The topic of incentives might be appropriately examined in a study completed by the Company and brought forward at the time of rebasing, or as otherwise directed by the Board for determination in due course.[147]

(e) Future IRP Plan Applications

127. Enbridge Gas is seeking OEB approval of a LTC-like process to review and approve a proposed IRP Plan designed to meet an identified need/constraint[148], with Enbridge Gas being given flexibility to adjust the IRP Plan without further OEB review as long as any costs being added are less than 25% of the total approved cost.

128. Enbridge Gas expects that where the cost of a proposed IRP Plan is forecast to be above the threshold level for LTC applications for facilities (currently $2 million, but likely increasing to $10 million), then the Company will seek OEB approval for the IRP Plan.[149] The costs to be included in the IRP Plan application would include costs for design, administration, implementation and monitoring of the IRP Plan.[150]

129. In the near term, while IRP is a nascent activity, Enbridge Gas expects that it would likely seek OEB approval for any IRP Plan (including Pilot Projects) regardless of whether the forecast cost exceeds the LTC threshold.[151] This will allow the Company to gain comfort that its IRP proposals are consistent with the OEB's expectations and will provide clarity regarding appropriate accounting treatment and eligibility of IRPAs.

130. Enbridge Gas expects that its IRP Plan approval application will include information similar to what is found in a facilities LTC application.[152] Examples include purpose, need and timing type evidence (such as the forecast

[147] Exhibit B, para. 75. See also Exhibit JT2.5.
[148] Exhibit B, para. 73.
[149] Exhibit I.STAFF.10 and 1Tr.50-52.
[150] Exhibit B, para. 30.
[151] 1Tr.50-52 and 56.
[152] Exhibit I.STAFF.10(a).

need/constraint being addressed, description of the IRPAs, forecast impacts from the IRPAs, costs of the IRPAs, and implementation timing), discussion of alternatives (why the IRP Plan was selected), land and environmental issues (where relevant), Indigenous consultation (as appropriate) and conditions of approval.

131. Through the OEB approval process, Enbridge Gas is seeking to establish similar assurances for investments in natural gas IRPA(s) as the *OEB Act* (under sections 90 and 91) affords natural gas utilities through LTC applications for facilities, assuming associated costs of investment in IRPA(s) have been incurred prudently.[153] Any approvals granted for the IRP Plan application could presumably be made under section 36 of the *OEB Act*, on the premise that the investments being made are in place of natural gas infrastructure and are aimed at ensuring that the Company continues to provide safe, reliable gas delivery service to its customers.[154] While the Company plans to record and recover IRP Plan costs through the IRP Costs Deferral Account (see below), Enbridge Gas notes that it might also be appropriate for the OEB to invite submissions on the Company's proposed cost allocation treatment (which is like-for-like with the facility being avoided or reduced) within the IRP Plan approval process, because that could influence the positions that parties take on the IRP Plan request.[155]

132. Enbridge Gas notes that it is quite likely that it will be appropriate to make adjustments to an IRP Plan (and the constituent IRPAs) as it is being implemented, particularly where the IRP Plan does not appear to be sufficiently resolving identified system constraints or customer needs as planned.[156] It would create regulatory burden, extra cost and time delays if Enbridge Gas was required to apply to the OEB for every adjustment to an approved IRP Plan. The Company acknowledges, though, that the value of OEB approval would be lost if Enbridge

[153] Exhibit I.STAFF.10(a).
[154] Exhibit JT1.17 and 1Tr.182-183.
[155] 3Tr.62-65.
[156] Exhibit I.GEC.30.

Gas had free rein to completely discontinue or reconfigure an IRP Plan without further notice to and permission from the OEB.

133. To balance these points, Enbridge Gas proposes that whenever adjustments to an IRP Plan are expected to lead to cost differences of 25% or more of the total OEB-approved costs for individual IRPA investments, then Enbridge Gas would apply to the OEB for approval to make the adjustments, at which time the Board and intervenors would have the opportunity to review and ensure that the adjustments proposed by the Company are prudent.[157] This flexibility is consistent with the recommendations of Guidehouse as well as its observations of flexibility afforded to utilities in New York.[158]

134. For all amendments to an IRP Plan, the OEB, stakeholders and affected Indigenous groups would remain informed through the proposed Monitoring and Reporting function described below.

(f) Monitoring and Reporting

135. Enbridge Gas is seeking OEB approval of its proposed annual IRP reporting that will address IRP integration into existing planning processes, IRPA effectiveness, IRP pilot projects planned or underway, IRP stakeholdering and IRPA implementation.

136. Enbridge Gas proposes to file an annual IRP Report with the OEB, as part of either its annual Rates application or Non-Commodity Deferral Account Clearance and Earnings Sharing Mechanism application, or as otherwise directed by the Board.[159]

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[157] Exhibit I.STAFF.10(b). See also 1Tr.178-179. Importantly, Enbridge Gas has proposed to make IRP Plan applications to the Board in the future in instances where the total cost of IRP Plans exceeds the LTC materiality threshold (currently $2 million, proposed to increase to $10 million) and expects that if the IRP Plan did not initially trigger an IRPA application then there would not be any need to seek approval of the Board to adjust associated investments, regardless of their scale. Further and under the same auspices, aside from outright cessation of IRPA investments which the Company has previously clarified would require OEB approval, Enbridge Gas does not intend to seek Board approval to spend less than previously approved amounts on an IRP Plan/IRPAs.
[158] Guidehouse Report, pages 5 and 16.
[159] Exhibit A, pages 16-17; Exhibit B, paras. 31 and 82-85.

137. The annual IRP Report would include the following items[160]:

i. A summary of IRP stakeholdering activities from the past year, including Components 1 to 3 described above, as well as reporting from the IRP technical working group;

ii. Updates on IRP Pilot Projects underway;

iii. Updates on incorporating IRP into AMP planning;

iv. Updates on status of potential IRP Plans;

v. Updates on status of approved IRP Plans, including details of adjustments made by the Company;

vi. Annual and cumulative summaries of actual peak demand reductions/energy savings generated by each IRPA to-date, including annual and cumulative summaries of actual peak period demand reductions/energy savings generated by each IRPA compared to the initial forecasted reduction/energy savings and the actual amount of expenditure on each IRPA to-date; and

vii. Other IRP related matters that are required by the Board or that Enbridge Gas feels are necessary to bring to the Board's attention.

138. As can be seen, one of the areas of focus in the annual IRP Report will be on the evaluation of in-flight IRPAs and IRP Plans. To provide some certainty of the effectiveness of IRPAs as early as possible, Enbridge Gas will build off its existing evaluation, measurement and verification (EM&V) expertise to determine how the IRPA or IRPA portfolio is progressing in relation to targets.[161]

139. As explained above, Enbridge Gas proposes that it be permitted flexibility to adjust investments in IRPAs should it be determined that they are not sufficiently resolving identified system constraints or customer needs as planned.[162] Where the adjustments will result in cost changes equal to 25% or less of the OEB-approved IRP Plan costs, then Enbridge Gas will proceed with the adjustments

[160] Exhibit I.STAFF.26(a) and (b) and Exhibit B, paras. 84-85.
[161] Exhibit B, para. 73.
[162] This proposal is consistent with Guidehouse's Recommendation #6 (Guidehouse Report, page 5, and 4Tr.19-20).

without any application to the OEB, and will report on the updates in the next annual IRP Report.[163]

(iii) IRP Costs Deferral Account

140. Enbridge Gas is seeking OEB approval of an IRP Costs Deferral Account which will track all incremental IRP-related costs not included in base rates (capital, operating and administrative costs) for future recovery during the current deferred rebasing term.

141. The costs of assessing, planning, stakeholdering, procuring, implementing, and evaluating the performance of IRPAs and IRP Pilot Projects are incremental costs not included in Enbridge Gas's base rates during the current deferred rebasing term.[164] These costs will be incurred by the Company as a result of the Board's direction to consider IRP as an alternative to traditional facilities.[165]

142. Enbridge Gas notes that there may be substantial incremental costs associated with evaluating multiple potential IRPAs prior to selecting the best solution. The additional IRP work, resources (FTEs) and resulting additional cost is incremental to the traditional facility-based work that also must be completed in order to compare facility and non-facility alternatives.[166]

143. The implementation costs for IRP Plans and IRP Pilot Projects, including capital, procurement and administration costs, can also be expected to be substantial.[167] These IRP Plan and IRP Pilot Project costs will be incurred up to several years in advance of when a facility solution would be required, and may be higher than the corresponding facilities solution.

[163] Exhibit I.STAFF.10(b) and Exhibit I.GEC.30.
[164] 1TC Tr.168; 3Tr. 61-62 and Exhibit I.APPrO.6.
[165] Exhibit I.APPrO.6; Exhibit I.GEC.6.
[166] Exhibit I.APPrO.6; Exhibit I.GEC.6 and Exhibit I.STAFF.22.
[167] Note that the IRP Pilot Project costs may be reduced or avoided if the OEB approves Enbridge Gas's proposal in the EB-2020-0134 proceeding to apply the proceeds of the Tax Variance Deferral Account towards the costs of approved IRP Pilot Projects.

144. The deferral account would be operative for 2021, 2022 and 2023[168], and would allow Enbridge Gas to track IRP-related costs during the deferred rebasing term. Costs to be recorded would include incremental IRP administration costs (based on incremental staffing and administration requirements), IRPA project costs for implemented IRP Plans and Pilot Projects (capital costs expressed on a revenue requirement basis[169]) and ongoing evaluation, operating and maintenance (O&M) costs for IRPAs after an IRP Plan is in service.[170]

145. Enbridge Gas proposes that it will seek clearance of the IRP Costs Deferral Account on an annual basis as part of its Non-Commodity Deferral Account Clearance and Earnings Sharing Mechanism application.[171]

(iv) IRP Pilot Project Proposal

146. Enbridge Gas requests that the OEB approve the Company's plan to develop two IRP pilot projects to be initiated in the next year – one of which will apply the new IRP Framework through development and implementation of an IRP Plan to meet an identified need/constraint and the other of which will test a promising IRPA, for example Demand Response (DR), along with Automated Metering Infrastructure (AMI), if possible.

147. In its Reply Evidence, Enbridge Gas agreed with EFG's proposal that the Company should develop and implement two IRP Pilot Projects to field test and gain experience with IRP planning, deployment and monitoring and to determine the value of IRPA solutions.[172]

148. Enbridge Gas proposes that the IRP Pilot Projects be selected and implemented following the development and issuance of an IRP Framework for Enbridge Gas.

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[168] Enbridge Gas expects that the deferral account may still be needed beyond 2023 to track IRP program costs not included in base rates in 2024 and the subsequent deferred rebasing term.
[169] Recording and tracking of capital costs in a deferral account on a revenue requirement basis has been approved in the past – for example with the EGD Rate Zone Gas Distribution Access Rule Impact Deferral Account.
[170] Exhibit I.STAFF.22(a) and (b). See also 1 TC Tr.168 and 2TC Tr.188.
[171] 3Tr.61-62.
[172] Exhibit C, paras. 49-50 and EFG Report, page 27.

Having an approved IRP Framework will allow Enbridge Gas to better determine what projects are eligible for an IRPA assessment and how those projects will be treated from both planning and cost recovery perspectives.[173] The stakeholder engagement process to inform these IRPA Pilot Projects would be aligned with Enbridge Gas's proposed multi-component Stakeholder Engagement plan and would allow for meaningful stakeholder participation from a multitude of parties impacted by the pilot projects.[174]

149. Contingent on the outcomes from this proceeding, Enbridge Gas's current plan is to develop two different IRP Pilot Projects. The first of these could be a comprehensive IRP Plan that seeks to address an identified system need/constraint through IRPAs. This would allow Enbridge Gas to test all or most of the components of the IRP Proposal, from needs identification to binary screening to IRPA evaluation to project development and OEB approval to implementation and monitoring.[175] The second IRP Pilot Project would be aimed at testing one or more promising IRPAs that have not been properly evaluated in the context of Enbridge Gas's system. One possibility for this is a DR program.[176] Enbridge Gas plans to engage with stakeholders and Indigenous groups before making a determination about what IRP Pilot Projects to pursue.[177]

150. Enbridge Gas believes that a reasonable timeline to identify, design, and deploy the IRP Pilot Projects will see initial steps beginning within three months of the issuance of the OEB's IRP Framework, with deployment by the end of 2022.[178] Particularly in relation to the comprehensive IRP Pilot Project, there will be considerable work to be done, so even that timeline may be challenging to meet.

[173] In Exhibit I.STAFF.12, Enbridge Gas indicates what elements of the IRP Framework should be in place to support proceeding with IRP Pilot Projects.
[174] Exhibit C, para. 51.
[175] PD Tr.23-24. This is consistent with EFG's recommendation – see EFG Presentation from Presentation Day, slide 29.
[176] 3Tr.43-44.
[177] 3Tr.44-45.
[178] PD Tr.23-24.

151. Enbridge Gas believes that there will be valuable learnings from these IRP Pilot Projects. Following the completion of any IRP Pilot Project, Enbridge Gas intends to document and share key learnings internally and through reporting to the OEB and stakeholders.[179] Enbridge Gas submits that it may be appropriate to wait until information is gained through these Pilot Projects before proceeding to implement further IRP Plans.[180]

152. Enbridge Gas notes that the costs associated with the IRP Pilot Projects may be meaningful, depending on the scope of the projects. The Company proposes to record the associated costs in the IRP Costs Deferral Account. Of course, to the extent that the OEB permits Enbridge Gas to access funds from the TVDA to fund the IRP Pilot Projects, then the amounts recoverable from ratepayers will be reduced or even avoided.

(v) Advanced Metering Infrastructure Acknowledgement

153. Enbridge Gas is seeking an indication of the OEB's support for the role of AMI as an important enabler of successful IRP and IRPAs. Alternately, or additionally, the Company is asking for acknowledgement from the OEB that without AMI – which is not being requested at this time - the Company will need to rely on system modelling around less certain or less well tested solutions to meet demand versus actuals.[181]

154. Without the more granular consumption data that would be available from AMI implementation, more conservative derating factors (or IRPA oversubscription) will need to be applied towards consideration of a given alternative and, incremental evaluation policy and/or protocols may need to be designed and implemented.[182]

[179] Exhibit I.STAFF.12.
[180] Exhibit B, Appendix A, page 7.
[181] Exhibit I.EP.1(c). See also TC 1Tr.114-115.
[182] Exhibit B, para. 79.

All of this will add to the cost of IRP, and make IRPAs relatively less cost-effective.[183]

155. AMI is an integrated system of meters, end points, communications networks, and data management systems that enable two-way communication between utilities and customer meters. The deployment of an AMI system, including ultrasonic meters, allows for the collection of frequent interval data that Enbridge Gas requires to effectively target IRPAs and to monitor and verify their effectiveness to ensure that the IRPAs are performing as expected and to ensure peak period demand reductions are materializing.[184]

156. Currently in Canada, the ultrasonic meters that would support AMI are being reviewed by Measurement Canada. Once approved, these meters would also need to undergo testing by Enbridge Gas's measurement experts before they can be proposed for deployment.[185]

157. By investing in AMI, Enbridge Gas can vastly improve the granularity of customer consumption data that it gathers, allowing for more precise IRPA design, more accurate forecasts of associated energy savings, and higher quality monitoring and reporting on the effectiveness of IRPAs. This improved information will allow for more informed decisions regarding whether to continue, adjust, increase or cease IRPA activities. AMI is expected to also enable DR program impacts to be reliably included in system demand forecasts.[186]

158. Enbridge Gas is considering broad deployment of AMI in the future. Before proceeding, the Company would bring forward a proposal, likely as part of its 2024 rebasing application.[187] At that time, Enbridge Gas would make the case for why AMI investment is prudent and appropriate.

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[183] Exhibit B, para. 96. See also Guidehouse Report, page 2 and Guidehouse testimony: 4Tr.14-17.
[184] Exhibit B, para. 97.
[185] Exhibit B, para. 99. Further details about ultrasonic meters are set out at Exhibit I.OSEA.5.
[186] Exhibit I.STAFF.4(f).
[187] Exhibit I.VECC.11(a). See also 3Tr.42.

159. In this proceeding, Enbridge Gas is seeking OEB acknowledgement that AMI is an enabler of IRP and IRPAs such as DR. This indication of support will give Enbridge Gas confidence to consider and potentially request approval for targeting key geographic areas for AMI deployment where future constraints are identified and where AMI might be useful in evaluating IRPAs' effectiveness.[188]

F. NEXT STEPS AFTER ISSUANCE OF IRP FRAMEWORK

160. Assuming that the OEB issues an IRP Framework for Enbridge Gas that is broadly similar to the Company's proposal, there are a number of "next steps" for Enbridge Gas.[189]

161. An immediate next step for Enbridge Gas is to start integrating IRP into the Company's existing asset planning process and other related forecast and planning processes.[190]

162. Enbridge Gas will also start to engage with stakeholders, even in advance of the first AMP showing IRP analyses, in order to discuss and formulate appropriate IRP Pilot Projects. A near-term goal will be to develop and design the IRP Pilot Projects and bring them to a point where they can be presented to the OEB for approval through an IRP Plan application. This may be done through the technical working group structure described above, after the scope, membership and terms of reference of the technical working group are established.

163. Depending upon the ultimate timing of issuance of an IRP Framework, Enbridge Gas expects to prepare and file its first AMP including initial IRP analysis as part of its 2024 Rebasing evidence to be filed in Q4 2022. The same AMP would also be filed as part of the Company's Phase 2 evidence for the 2023 Rate Case.[191] The Company expects to prepare and file an updated AMP reflecting

[188] Exhibit I.OSEA.4(c).
[189] Enbridge Gas outlined next steps at the Presentation Day – see Enbridge Gas Presentation, slide 7 and PD Tr.23-24.
[190] Exhibit I.OSEA.1(c).
[191] These filings will be followed by stakeholder and Indigenous engagement to discuss the IRP eligible projects and steps being taken to investigate and determine IRP options.

comprehensive IRP analysis the following year, as part of its 2024 Rates evidence.

164. Once IRP Pilot Projects are in development, Enbridge Gas expects to turn its attention to details that will not be included in the initial IRP Framework, such as a Benefit Cost Handbook and potential incentive structures.

165. Enbridge Gas will report on the IRP Pilot Projects as they are implemented and completed. The Company expects that the learnings from the IRP Pilot Projects will be very useful to inform the development and implementation of IRP Plans in the future. As noted earlier, Enbridge Gas's preference is to complete the IRP Pilot Projects before implementing further IRP Plans, but that will not stand in the way of evaluating and planning and developing the next IRP Plans.

166. Finally, the Company believes that it may be appropriate to designate a time for review and revisiting of the IRP Framework, once there has been several years of experience. Given that new processes take time to implement, and given that it will take some time to develop and implement and run the IRP Pilot Projects, and then to consider and develop and implement further IRP Plans, Enbridge Gas proposes that any review of the IRP Framework not take place until at least five years have passed.

G. RELIEF REQUESTED

167. Enbridge Gas respectfully requests that the OEB approve an IRP Framework for Enbridge Gas that includes each of the items described in the "Approvals Sought by Enbridge Gas for the IRP Framework" section of this Argument in Chief.

All of which is respectfully submitted this 17th day of March 2021.

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David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

Appendix – OEB Issues List, and Enbridge Gas's position on each issue

	Issue	Summary of Enbridge Gas Position	Where Discussed in the Argument in Chief
1.	What is Integrated Resource Planning (IRP) and what should the comprehensive goals of IRP be?	IRP is a multi-faceted planning process, underpinned by the Company's proposed Guiding Principles, that includes the identification, evaluation and implementation of realistic natural gas supply-side and demand-side options (including the interplay of these options) to determine the solution to an identified future need or constraint that provides the best combination of cost and risk for Enbridge Gas customers.	Section C
2.	What is the appropriate process and approach for incorporating IRP into Enbridge Gas's system planning process, including scope, timing, stakeholder consultation, approval process and evaluation?	Enbridge Gas will include IRP consideration in its system planning processes, starting from when a need or constraint is first identified. The Company will consider whether IRP is an appropriate alternative to a facilities solution through a staged evaluation process. The Company will engage with stakeholders, and will provide opportunities for feedback well in advance of any final determinations on the appropriate solution to meet an identified need. The Company's asset decisions, including in relation to IRPAs, will be documented in the Asset Management Plan.	Section E(ii)(b) and (c)
3.	What, if any, OEB approvals are required under the IRP Framework, including for IRP Plans?	Enbridge Gas believes that the only OEB approval required under an IRP Framework is at the stage where Enbridge Gas files an application for approval of an IRP Plan that has been prepared to meet an identified need/constraint.	Section E
4.	Will the IRP Framework necessitate consequential changes to any other OEB policies, rules, or guidelines? If so, which policies, rules, or guidelines might be affected, and how should these changes be addressed?	Enbridge Gas requests that the OEB establish an approval application process for IRP Plans. Enbridge Gas believes that "like for like" treatment of IRPAs as capital assets can be accommodated under existing legal and regulatory structures (including section 36 of the *OEB Act* and the Minister's Directives expanding the Company's permitted business activities).	Section E(ii)(d) and (e)
5.	What are industry best practices for IRP, and how are they applicable to the Ontario context?	There has not been significant activity or progress in developing gas IRP frameworks or advancing gas IRP in other jurisdictions to date. Enbridge Gas believes that its IRP Proposal is consistent with the learnings and guidance that can be taken from other jurisdictions, including: it is difficult to compare gas and electric IRP; local rules and conditions drive IRP; IRP pilot projects are important; no jurisdiction has implemented an overall natural gas IRP framework; and there is limited specific direction from utility regulators in other jurisdictions to draw from.	Section D
6.	What screening criteria and methodology should be adopted to evaluate and compare IRP Alternatives (IRPAs) with one another and with facility projects?	Enbridge Gas proposes a two-stage evaluation process to consider IRPAs where the need/constraint has passed the initial IRP binary screening stage. The first stage of the evaluation process is to determine whether IRPA(s) could meet the identified need/constraint. The second stage of the evaluation process is to perform a Discounted Cash Flow (DCF) evaluation to compare the IRP Plan(s) that could meet the need/constraint to the baseline facility alternative. Enbridge Gas proposes to base this evaluation/test on the three-stage approach used for transmission system expansions under the EBO 134 parameters.	Section E(ii)(b)
7.	What is the appropriate approach to the recovery of the costs resulting from an approved IRP Plan and the costs for additional investments to support IRP?	Enbridge Gas proposes "like for like" treatment of IRPA costs, such that they are treated and recovered in the same manner as the facilities investments that are being avoided. Enbridge Gas proposes that where additional IRP or facilities investments are required because of IRP under-performance, then the associated additional costs should be recovered in the same manner as the initial investments.	Section E(i) and E(ii)(d)
8.	Who should bear the risk of an IRP Plan that does not accomplish its planned expectations and should there be consequences for not achieving planned expectations?	Enbridge Gas's view is that the Company should not bear the risk that an approved IRP Plan may not succeed in creating the forecast peak demand reduction. Enbridge Gas's position is that where an IRP Plan does not meet expectations, and therefore it needs to be expanded, or where facilities need to be built notwithstanding the IRP Plan, then the costs of the additional activities should be paid by ratepayers.	Section E(ii)
9.	What incentives are appropriate to ensure effective IRP outcomes?	Enbridge Gas proposes that, at least initially, like for like cost treatment of IRPAs (consistent with cost treatment for facilities investments) may be a sufficient inventive to create a "level playing field" and drive effective outcomes.	Section E(ii)(d)
10.	What is the appropriate approach for monitoring and reporting on the progress of IRP Plans, including consideration of metrics and a scorecard?	Enbridge Gas proposes detailed annual reporting on IRP activities, including planning, stakeholdering and implementation. This will provide the OEB and interested parties with regular information. Where Enbridge Gas makes modifications to an in-progress IRP Plan, details will be provided in the Annual Reporting.	Section E(ii)(f)