EB-2020-0091

ONTARIO ENERGY BOARD

IN THE MATTER OF an Integrated Resource Planning ("IRP") Proposal submitted to the OEB by Enbridge Gas Inc.

SUBMISSIONS OF THE BUILDING OWNERS AND MANAGERS ASSOCIATION ("BOMA")

March 31, 2021

Albert M. Engel
Fogler, Rubinoff LLP
77 King Street West, Suite 3000
P.O. Box 95, TD Centre North Tower
Toronto, ON M5K 1G8

Counsel for BOMA

SUBMISSIONS OF BOMA

BOMA is pleased to submit its Reply to Enbridge's Argument-in-chief with respect to Integrated Resource Planning (IRP) on two specific items:

1. Risk
2. Economic Evaluation

Our understanding of Integrated Resource Planning, whether for electricity or natural gas is to provide a level playing field for investment decisions in a manner that accounts not only the profitability/financial integrity of the utilities but to ensure that decisions consider and incorporate the broader impacts on society, the environment, and its customers including but not restricted to rate impacts. [i]

These matters are of high importance to BOMA.

- Its members and many of their buildings have participated in demand side management since Ontario Hydro launched programs in 1989.
- BOMA was a major stakeholder and we have continued that relationship with the successive institutions delivering electricity DSM programs.
- BOMA developed and delivered a successful program when the creation of new institutions left a market gap which is always a problem with our members as they take a medium- and long-term approach to managing their expensive and valuable assets.
- When Ontario's gas utilities also developed DSM plans and programs, BOMA and its members, many of whom have facilities outside of Toronto were also engaged and participated.

SUMMARY OF BOMA'S POSITION

We contend that Enbridge's current proposal is biased toward the profitability/financial integrity of the utility while ignoring the other elements that are key to IRP.

We have addressed specific excerpts from Enbridge's Argument in Chief to support our views.

1. **RISK**

Reference: EB-2020-0091, Enbridge Gas Argument in Chief, Page 18/19 of 50

> *Issue List Item: "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. 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.

Reference: EB-2020-0091, Enbridge Gas Argument in Chief, Page 20 of 50

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). 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. 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.

Reference: EB-2020-0091, Enbridge Gas Argument in Chief, Page 21 of 50

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. 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.

BOMA contends that these statements clearly illustrate the "utility first" bias in the proposed IRP Framework. If the utility does not bear risk, what is the guarantee that the projects will be properly implemented? The utility will have added to its rate base and still earn its rate of return?

2. ECONOMIC EVALUATION

Reference: EB-2020-0091, Enbridge Gas Argument in Chief, Page 31 of 50

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.

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.*
>
> *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.*

BOMA contends that using different economic evaluations for items that are called IRPAs than for DSM destroys the fundamental tenet of Integrated Resource Planning – a level playing field between supply and demand. On the demand side, economic evaluations are completed from various perspectives: Societal, Participating Customers, Non-Participating Customers, etc. Perhaps one way to address this inconsistency would be to use the full range of economic evaluations and include a justification for the selected driver for the decision.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF BOMA ON MARCH 31, 2021

Albert M. Engel, Counsel for BOMA

[i] BOMA understands that IRP was developed in California in response to environmental organizations concern about the proliferation of increasingly expensive nuclear generation. BOMA's consultant on these matters, Marion Fraser, was involved in Ontario Hydro's Demand/Supply Plan- an actual Integrated Resource Plan and its development and delivery of DSM programs for the commercial sector. A few years later, Ms. Fraser consulted with Union Gas and Enbridge on DSM and subsequently joined Enbridge to streamline the organizations within Enbridge (Marketing, DSM, Sales, Utilization Consultants and Metering. She subsequently negotiated the DSM Shareholder Incentives with intervenors.

With the termination of the Environmental Review of Ontario Hydro's Demand/Supply Plan, it is also our understanding that the Board took the lead in developing guidelines for natural gas DSM. EBO-169 provided these guidelines and the natural gas utilities were invited to develop plans and programs in accordance with what was an excellent translation of the DSM regime in California, it failed to adjust for the fact that the electricity sector and understanding the utilization of electricity needs more detailed data and analysis than required for natural gas. One only need to look at the massive data set and evaluation reports which are saddled with much more detail than necessary and is often based on data from US utilities many of whom are combined, but the data is usually based on electricity end uses creating a bias against gas savings.