

## ***Aiken & Associates***

578 McNaughton Ave. West  
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624

E-mail: [randy.aiken@sympatico.ca](mailto:randy.aiken@sympatico.ca)

March 31, 2021

Ms. Christine Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario, M4P 1E4

Dear Ms. Long,

**RE: EB-2020-0091 - London Property Management Association Submissions on  
Enbridge Gas Inc. Application – Integrated Resource Planning Proposal**

Please find attached the submissions of the London Property Management Association for Enbridge Gas Inc. in the above noted proceeding.

Yours very truly,

Randy Aiken  
Aiken & Associates

c.c. EGI Regulatory Proceedings (e-mail only)

**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.

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**SUBMISSIONS  
OF  
LONDON PROPERTY MANAGEMENT ASSOCIATION**

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**A. INTRODUCTION**

Enbridge Gas Inc. (“EGI”) filed an Integrated Resource Planning (“IRP”) application with the Ontario Energy Board (“Board” or “OEB”) on November 1, 2019 as part of a Dawn-Parkway Expansion Leave to Construct proceeding (EB-2019-0159).

On April 28, 2020, the Board issued a Notice of Hearing that initiated a review of the EGI IRP proposal as a separate proceeding. EGI filed updated evidence on October 15, 2020. Board staff and the Green Energy Coalition/Environmental Defence (“GEC/ED”) also filed evidence in November, 2020. EGI filed reply evidence on December 11, 2020 in response to the Board and GEC/ED evidence.

The filing of evidence was followed by a discovery process that included the filing of and response to interrogatories, followed by a virtual technical conference on February 10-12, 2021 and a virtual transcribed “Presentation Day” at which a number of parties, including EGI, made presentations on their perspectives on IRP. A virtual oral hearing was held on March 1-4, 2021.

The submissions of the London Property Management Association (“LPMA”) are provided below in Sections B and C. Section B provides an overview of the positions of the LPMA. Section C provides the specific submissions with respect to the ten issues identified in Decision on Issues List and Procedural Order No. 2 dated July 15, 2020.

## **B. OVERVIEW OF LPMA POSITIONS**

### **1. IRP Proposal is Too Narrow in Scope**

LPMA submits that the EGI proposal, an indeed the whole proceeding, has been too narrowly focused on defining IRP as a planning process with the goal of reducing natural gas in-franchise peak period demand growth to defer or avoid future natural gas transmission and distribution system facility expansion/reinforcement projects. In short, the only integration in this IRP proceeding is how to integrate options into the EGI planning process.

LPMA rejects this definition of integrated resource planning because it lacks full integration of the sector.

LPMA defines IRP as an energy sector wide planning process that evaluates and compares all available energy demand-side and supply-side options.

Demand-side options identify solutions that reduce energy peak period demand growth in order to defer or avoid future transmission and distribution system facility expansion/reinforcement projects. The range of demand-side alternatives includes demand response, enhanced targeted energy efficiency and fuel switching, to mention but some.

Supply-side options identify solutions that achieve the same goal as demand-side options. The range of supply-side alternatives include compressed natural gas, renewable natural gas, solar water heating, solar photovoltaics, wind generation, compressed air storage, battery storage, gas storage, hydrogen, propane injection and combinations of all of the above.

LPMA further defines IRP as a planning process that enhances the utilization of the existing transmission and distribution assets – both natural gas and electricity. Much of Ontario is blessed with having a summer peak for electricity usage and a winter peak for natural gas usage. Having separate peaks allows for the potential to increase the utilization of both systems. Why not use some of the excess electricity capacity in the winter to help reduce the natural gas peak? Why not use some of the excess natural gas capacity in the summer to help reduce the electricity peak? Why not use technologies such as air source heat pumps, geothermal systems and, in the future, natural gas (or propane) fired heat pumps to reduce peak demands on both systems? In other words, why not encourage integration of the energy systems in the province? Not only could this type of integration reduce both natural gas and electricity peak demands, it could also

increase the utilization of both systems. Increased utilization should lead to lower ratepayer costs. Everybody wins, except maybe utility shareholders, as they may not be able to increase rate base and profits at the pace they have become accustomed to.

EGI appears to recognize that their proposal is only a step in the direction of the energy transition they foresee coming. Ms. Giridhar stated *“All we can look at is where are we today, where do we need to go, and how do we plan for an energy transition that we know is coming for sure, and our IRP proposal is a step in that direction.”* (Tr. Vol. 2, pg. 61). Further Ms. Giridhar stated that *“... we understand there is an energy transition that’s occurring and needs to occur, and we truly don’t know all the pathways that it will take.”* (Tr. Vol. 2, pg. 73) and that *“... the IRP framework is in response to energy transition”* (Tr. Vol. 2, pg. 84).

LPMA submits that the Board needs to recognize that all forms of energy and all energy service provides, whether regulated or not, need to be involved in this energy transition. The EGI proposal is focused, as Ms. Giridhar noted above, on where they want to go. This may not be where other participants in an integrated market, or ratepayers, want to go.

## **2. Major Components of Framework are Premature at this Time**

As evidenced throughout the proceeding, IRPAs are not well defined or well understood at this time. This is the fault of no one. There are simply too many unknown components associated with potential IRPAs. They can be demand-side, supply-side and bridging. They can include renewable energy, less energy, combined energy and energy storage. They can involve utility ownership, customer ownership and third-party ownership. Moreover, a realistic IRPA is likely to contain multiple aspects of all of the above.

LPMA believes that it is not practical or realistic for the Board to determine a comprehensive framework at this time, given the number of variables that are not known. Other than providing a framework for pilot projects and requiring EGI to include IRP analysis in its distribution system planning process, LPMA submits that the Board should refrain from unnecessarily constraining IRP within a framework.

The Board, along with EGI and all energy stakeholders (including but not limited to ratepayers, natural gas distributors, electricity distributors and transmitters, energy service providers, renewable energy providers, district heating providers, equipment providers and installers) need to gain experience with potential IRPAs and gain a level of confidence with respect to what will work, what will not work, and what might work.

In other words, all parties need to be educated on the potential for benefits and costs, the magnitude of these potential benefits and costs and the risks associated with these benefits and costs.

It is the view of LPMA that the Board needs to proceed with caution at this time. More information needs to be gathered from pilot projects and analysis by EGI before anyone can say if the various forms and types of IRP is a waste of time for natural gas utilities or whether they can provide significant reductions and/or deferrals in facility requirements. The parties and the Board simply do not have all the information needed to determine some of the major components of a framework for IRP.

### **3. IRP Should be Required in Distribution System Plan**

Regardless of whether the Board approves an IRPA framework, or a partial framework, LPMA submits that the Board should direct EGI to incorporate IRPA analysis into its distribution system planning (“DSP”) process. IRPA cannot become an alternative to facilities until it is fully considered within the DSP and since the planning horizon can be up to ten years in length for some projects, there is an urgent need to identify projects where an IRPA may be an alternative to facilities. Failure to start now may result in long-lived facilities being placed into service when more economic alternatives are available. Failure to start now also increases the risk of stranded assets.

LPMA believes that the strongest incentive for EGI to immediately incorporate IRP into its DSP is for EGI to be at risk for facility projects that are approved in the future. EGI and the Board have always assumed that a facility placed into service today will be used and useful through its entire economic and physical life. This may no longer be the case in an environment of energy transition and the movement away from fossil fuels.

The increased risk for EGI could be mitigated through higher depreciation rates on these new assets. For example, instead of assuming a 40-year life for a pipeline that results in a 2.5% depreciation rate, the life the pipeline could be reduced to 20 years through the use of a 5.0% depreciation rate.

Another option would be to move away from straight line depreciation to another methodology that would increase depreciation in the first half of the expected pipeline life and decrease it in the second half of the pipeline life. This would reduce the net asset value of the pipeline that remains in rate base over the period where the probability of the asset becoming stranded increases.

#### **4. Any Framework Should Not be a Box**

Any framework approved by the Board, or components of a framework approved by the Board at this time should not constrain or limit IRPAs. The framework should not be a box where everything fits nicely into it. IRPAs, by their very nature, demand thinking and planning outside of the box.

LPMA believes that any framework approved by the Board should be more like a wire basket. It provides some support for what is in the basket, but allows for items to flow through the wire and ultimately end up outside of the basket.

As with any new concept or way of thinking, the devil is in the details. As part of this proceeding, we have had glimpses of what may constitute an IRPA. No details have been provided on any IRPA. This is not a criticism of the EGI proposal; it is simply a reflection of the current state of affairs. Very few jurisdictions in North America have contemplated natural gas IRP. Those that have are only at an exploratory stage, with a few pilot projects being considered.

LPMA agrees with Ms. Giridhar when she stated that we don't know all of the pathways that energy transition will take. Indeed, nobody knows if these pathways will even take us to the same place.

LPMA is concerned that if the Board approves a specific framework at this time, some pathways will have signs that say 'DO NOT ENTER' or 'PROCEED AT YOUR OWN RISK' or "BUMPS AHEAD" while others may not provide any warnings at all. The Board should not be providing guidance on which path to take, when nobody knows where, or what, the destination is.

#### **5. Framework for Pilot Projects is Most Immediate Need**

LPMA believes that a number of pilot projects should be undertaken and evaluated as soon as possible. These pilots should include, at some level, the use of automated metering infrastructure ("AMI") in order to properly and adequately measure the impact of certain IRPA plans including demand response. Ideally the AMI assets would be in place for a year before the IRPA plan is introduced in order to provide a baseline of demand that can be compared to the actual demand following implementation of an IRPA.

Pilot projects, in the view of LPMA, are the first step in successfully implementing IRPAs. Without the information that pilot projects can provide, there is a potential for

results to vary significantly from the theoretical values expected. Consumer behaviour is often a more significant influence on use, including peak demand, than are the technical aspects of a plan.

Pilot projects are likely to identify what IRPAs hold potential and perhaps even more importantly, which IRPAs fail to deliver the reductions expected. Learning this before these failed options are widely considered for use in IRP planning could save the utilities and ultimately ratepayers considerable amounts of money by not investing in them to only find out down the road that they fail to deliver expected reductions.

LPMA further submits that the Board should empower the advisory group (discussed below) to provide options for the pilot projects. LPMA believes that the first pilot project should involve a diverse set of potential IRPA options with a relatively small number of participants involved in each option. The options with the most promising results from this small sample size could then be expanded into a larger pilot project, while the options that show the least promising results could be curtailed, or modified to provide better results.

All results from the pilot projects should be made available to all stakeholders, possibly on a page on the Board's website.

## **6. Advisory Group**

LPMA submits that the Board should authorize the creation of an advisory group to support the development of IRPA including identifying and evaluating new IRP solutions along with avoided costs and benefits. LPMA further submits that this advisory group should be under Board supervision, similar to the Evaluation Advisory Committee related to demand side management.

The advisory group may require a number of technical working groups to identify and review potential new IRP solutions and provide input on avoided costs and benefits. LPMA submits that the advisor group and/or any technical working groups should be made up of a wide variety of stakeholders, including but not limited to, gas distributors, electricity distributors and transmitters, electric air source heat pump providers, geothermal system providers, compressed natural gas and liquified natural gas providers, renewable generation providers (solar, wind, etc.), renewable natural gas providers, propane providers, Ontario local gas producers, storage providers (natural gas, battery, compressed air, etc.), financial service providers, equipment rental providers, district energy providers, environmental groups and ratepayers. The need for a large number of

participants in the group recognizes the diversity and complexity that true integration requires to operate efficiently and effectively.

The advisory group would also oversee the stakeholder engagement process. LPMA includes indigenous groups as a stakeholder group. This process should include gathering of information from interested stakeholders both on a provincial and regional basis, as well as on a project specific basis. The advisory group should also be responsible for ensuring that all information, including the identification of needs or constraints, the evaluation of IRPAs, and the analysis supporting costs and benefits of specific IRP solutions and all learnings from pilot projects is made available to the broader group of stakeholders and potential participants in the provision of IRP solutions.

## **7. The Need to Enhance and Encourage Competition, Not Hinder It**

As noted immediately above, there is an abundance of potential participants in an IRPA market that include regulated and non-regulated companies. These companies can range from large corporations to small organizations. They will represent many different, but related, industries such as regulated gas and electricity distributors, heating and air conditioning contractors, solar and wind generators, renewable natural gas producers, geothermal contractors, rental companies, financing companies (including banks) and many more.

LPMA submits that for the IRPA industry to succeed and thrive, there must be a level playing field. Regulated companies should face the same risks and rewards as non-regulated companies. Large provincial or nationwide companies should not have an advantage over regional or local companies. The cost and the viability of an IRPA market is dependent on all parties being given the opportunity to participate. If the playing field is tilted in any manner, competition will suffer, and ultimately both ratepayers as a group and individual customers will suffer. The Board needs to ensure that any framework that is approved for EGI avoids this outcome. The framework needs to ensure that competition is enhanced, not hindered.

## **C. LPMA POSITION ON ISSUES**

In this section, LPMA provides a summary of its position on each of the issues as set out in the Board's Decision on Issues List and Procedural Order No. 2 dated July 15, 2020.



## **1. What is Integrated Resource Planning and what should the comprehensive goals of IRP be?**

LPMA submits that IRP should be a multi-faceted, multi-energy process, underpinned by the energy requirements of customers (not just natural gas customers), that includes the identification, evaluation and implementation of realistic energy 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 energy types, costs and risks to energy consumers in Ontario.

LPMA also submits that a goal of IRP should be to reduce the risk of stranded assets. The reduction in the risk of stranded assets should not be limited to natural gas assets, but should include all regulated assets, including electricity distribution and transmission assets.

LPMA further submits that a goal of IRP should be true integration across all forms of energy. A natural gas IRP alternative may well involve other forms of energy or other forms of delivery. Some of these alternatives will be regulated activities, while others will not be. An electricity IRP alternative may well involve the use of natural gas as a distributed energy resource. Similarly, the use of unregulated solutions like air source heat pumps, geothermal systems and solar water heating, to name but a few, need to be integrated into the planning by both natural gas and electricity distributors.

Another goal of IRP should be to increase the utilization of the regulated assets of natural gas distributors and transmitters and electricity distributors and transmitters. In most of Ontario, electricity systems have summer peaks related to air conditioning, while natural gas distributors have winter peaks related to space heating. IRP should be used to not only reduce or minimize the increase of the winter peak on a natural gas system, but it should also provide potential to utilize some of the excess electricity capacity that exists in the winter. Similarly, if natural gas can be used to reduce the summer peak on the electricity system by using some of the excess natural gas capacity that exists in the summer, all energy consuming customers will benefit through utilization of assets and the resulting lower delivered cost per unit of energy.

Heat pumps (both electric and natural gas fired) along with geothermal systems, solar power systems (both water heating and electricity producing), storage (gas and electricity) and hydrogen are only some of the technologies known today that could help improve the utilization of both the natural gas and electricity assets. An IRP that lacks integration across all forms of energy is just an RP, i.e. a Resource Plan that limits the potential of thinking outside of the box.

## **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?**

The Board should direct EGI to include IRP considerations in its system planning process starting immediately at the time that a need or constraint is first identified. A staged evaluation process should be used by EGI to determine whether an IRP is an effective alternative to a facilities solution, or an effective solution to deferring a facilities solution.

This evaluation process should include stakeholder consultations. For stakeholder consultations to be meaningful and useful, the stakeholders should be a broad based group that includes ratepayer groups, local ratepayers impacted by the IRP Plan/facilities option, environmental groups, local municipalities, electric utilities, competitive service providers (such as but not limited to RNG producers, local Ontario natural gas producers, electric distributors and transmitters, propane providers, CNG and LNG providers, air source and ground source heat pump providers and installers, solar and solar water providers, energy storage providers, district energy providers, etc.).

The need for a broad and inclusive group of stakeholders was implicitly acknowledged by Ms. Giridhar when she stated that it was *“fair to say that because we’re in energy transition we should be looking at what technology developments are occurring, how they might apply to the particular energy situation in Ontario, and how our energy infrastructure works today, so all of these are fair points to make, and we are monitoring them.”* (Tr. Vol. 2, page 79-80). LPMA submits that all parties need to be at the table when discussions about energy transition and how the energy infrastructure works today take place and even more importantly, how the energy infrastructure needs to transition to meet future demands.

More importantly, as soon as a need or constraint is identified, all the relevant information should be provided to all stakeholders. This would ensure that potential providers of services that could be utilized in an IRP Plan have adequate time to consider what they could do (individually or in combination with other providers) to eliminate or defer a facilities solution. There should be enough time between the provision of this information to the stakeholders and a stakeholder meeting to allow adequate time for potential service providers to evaluate their options.

LPMA also submits that the Board and/or EGI should maintain a list of stakeholders (including potential service providers) and ensure that this list, which can be updated when needed) is distributed to all stakeholders. This should be required, because it could well be the case that an individual service provider may not be able to provide enough

services by themselves to compete with a facilities solution, but a combination of service providers that provide the same service or a range of complementary services, may well result in a competitive IRP Plan. This can only be accomplished if potential partners are known to everyone.

### **3. What, if any, OEB approvals are required under the IRP Framework, including for IRP Plans?**

LPMA submits that OEB approval should be required under any IRP framework where EGI files an application for approval of an IRP Plan that has been prepared to meet an identified need or constraint. Initially, LPMA submits that any IRP Plan with a cost of more than \$2 million should require OEB approval. As stakeholders gain experience with the IRP Plans this limit could gradually be increased to \$10 million.

LPMA further submits that, at least initially, any identified need or constraint for which EGI determines that there is not a suitable IRP Plan, should be filed with the Board and stakeholders for review. Rather than individual applications, which would be overly burdensome on the regulatory process, the Board should direct EGI to provide an annual filing of all such projects along with the analysis as to why an IRP Plan was not considered or why any plan considered was rejected. This list of projects would be limited to those costing \$2 million or more and for which a detailed IRP review is required based on whatever criteria is approved by the Board, whether this be the binary screening process proposed by EGI or some other criteria that is determined to be appropriate. Again, as stakeholders gain experience with IRP, the limit could gradually be increased to \$10 million or the need for such an application may be determined that it is no longer required.

For this annual filing, there should be stakeholder consultation following the annual filing which would include discovery and a technical conference that would allow stakeholders the opportunity to review EGI's decisions to not consider or proceed with an IRP Plan. Any individual projects where stakeholders do not agree with the EGI decision would proceed to the Board for review.

### **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?**

LPMA does not believe that there is adequate knowledge in the industry at this time to determine which, if any, OEB policies, rules or guideline might need to be altered, eliminated or strengthened.

As Ms. Giridhar testified on behalf of EGI, “...*we understand there is an energy transition that’s occurring and needs to occur, and we truly don’t know all the pathways that it will take.*” (Tr. Vol. 2, page 73).

Given that we currently do not know exactly where we are going or how we may get there, LPMA submits it would premature try and determine what, if any, consequential changes to any other OEB policies, rules or guidelines may be needed in the future.

LPMA submits that if any such changes need to be reviewed, it should be done as part of a future IRP application where EGI can identify any impediments it sees with the existing policies, rules or guidelines. These potential impediments can then be reviewed by the Board and stakeholders.

LPMA further submits that when EGI identifies any potential issues related to the Board’s current policies, rules or guidelines, it should bring these issues to the stakeholder consultations well in advance to filing an application with the Board that would include any proposed changes to these current policies, rules or guidelines.

On the specific position of EGI that the OEB approve “like for like” treatment of IRPAs as capital assets, LPMA submits that the OEB should refrain from doing this as part of the framework. Every IRPA is most likely to be unique because the need or constraint will be different and the makeup of customers that will be impacted will be different. In addition, IRPAs will be unique and distinct from one another. LPMA does not believe that one approach – set in advance in a framework based on little to no details on IRPAs - will be acceptable in these unique circumstances. The treatment of IRPAs, including whether some or all costs should be treated as capital costs should be determined within an individual IRP application, at least initially. Again, stakeholders and the Board need to gain a better understanding of an IRPA could look like and who could provide it most economically.

As an example, throughout the hearing there was much discussion about reducing gas peak demand by moving to electric air source heat pumps or geothermal systems. LPMA submits that in this simple example, determining the extent of the decrease in the natural gas peak demand is only part of what needs to be known. What is the impact on the local electricity distributor and/or transmitter and or on their peak demand? If there is no local competitive market for the heat pumps or geothermal systems, who should be able to rate base the cost of the equipment – EGI or the local electricity distributor? Should ratepayers of regulated utilities (gas or electric) be responsible for paying anything for these assets or should the asset related costs (including OM&A, etc.) be recovered from the customers using these assets through rental rates and if so, should these rental rates be

regulated or not? The list of questions and possible answers may well be specific to the IRPA and who is involved in the provision of the IRPA other than EGI.

## **5. What are industry best practices for IRP, and how are they applicable to the Ontario context?**

Most IRP plans being developed are electricity related and the difference between electricity and gas are such that many of the lessons learned in other jurisdictions related to electricity systems cannot be easily transferred to the gas sector. The evidence in this proceeding is that no jurisdiction has implemented an overall natural gas IRP framework and that there is limited direction from utility regulators for the OEB to draw upon.

LPMA submits that since there has been no significant activity or progress in developing gas IRP frameworks in other North American jurisdictions at this time, the Board should refrain from approving any framework that is either rigid or comprehensive.

Commissioner Frank asked “... *it sounds then in terms of this treatment of capital and period of amortization, the framework can’t go too far on this, because it sounds like each opportunity may require different considerations; is that fair?*” (Tr. Vol. 3, page 144). Mr. Stiers, the EGI witness, stated that he thought that was fair.

LPMA agrees with this statement but believes it is also relevant to more than just the treatment of capital and the period of amortization. Specifically, LPMA submits that the framework cannot go too far on any components of an IRPA. Each IRPA may require different considerations because they may consist of different approaches, different parties (some of which may also be regulated and some which may not be regulated), different issues (for example demand side vs. supply side), different magnitudes, different combinations of plans, etc.

A framework that goes too far or is too rigid may impede IRP by making the conditions to proceed too onerous for EGI to actively pursue IRPAs or by making the participation by competitive service providers unworkable through an uneven playing field with the regulated entities. Any framework approved by the Board needs to be flexible and adaptable to knowledge gained through individual applications. If lessons learned are not used to alter the framework as experience is gained, the framework will become a drag on IRP activity.

## **6. What screening criteria and methodology should be adopted to evaluate and compare IRP Alternatives with one another and with facility projects?**

LPMA agrees with EGI on the need for the initial IRP binary screening stage. These criteria are discussed in some detail in Exhibit J1.4. LPMA accepts these criteria, with the exception of the Community Expansion & Economic Development. It is EGI's proposal that if a facility project has been driven by government policy and related funding explicitly aimed at delivering natural gas into communities to help bring heating costs down, then it would not be appropriate to conduct an IRP analysis.

LPMA submits that an IRP analysis should be conducted on such projects with a goal of reducing the facilities required. This could include the size of some or all of the distribution mains needed to serve the new community and/or upstream reinforcements needed to get the gas to the community. IRP should not be considered as an all or nothing analysis. LPMA further submits that if an IRPA is less expensive than the reduction in the facilities cost reduction, then this would bring heating costs down even more and further support the government policy.

After passing the initial binary screening process, EGI proposes a two-stage evaluation process to consider IRPAs. The first stage of the evaluation process would determine whether an IRPA could meet the identified need or constraint. LPMA supports this first stage, assuming it is transparent and includes input from stakeholders and potential service providers.

The second stage of the evaluation process proposed by EGI is perform a discounted cash flow evaluation to compare an IRPA or IRPAs that could satisfy the identified need or constraint to the baseline facilities option. EGI proposes to use the EBO-134 three-stage approach used for transmission system expansions. Other parties have proposed other tests that appear to be more comprehensive in nature.

The pros and cons of the various tests were discussed at the hearing. Based on the evidence in this proceeding, LPMA is unable to indicate which approach is best suited for evaluating and IRPA relative to the baseline facilities. Without concrete examples that would show, for example, that the results from different tests would result in different conclusions, LPMA submits that the Board should not choose one test over another at this time for inclusion in the framework. Again, LPMA submits that we simply do not have the level of details and knowledge to determine which, if any, of the proposed calculations is the most appropriate.

LPMA submits that the Board should direct EGI to file each of the tests and calculations that have been discussed in this proceeding for the first few IRPA applications. As the Board and stakeholders gain a better understanding of each of the tests and what is and

what is not included in each of them, parties will be in a much better position to determine which test or tests should be included in the framework going forward.

## **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?**

LPMA submits that it is too early to determine an appropriate approach to the recovery of the costs resulting from an approved IRP Plan and/or costs for additional investments to support IRP. IRPAs are most likely to be unique and will vary depending on the location and need/constraint they are designed to meet. They will also vary in the makeup of assets versus OM&A expenses, and by ownership. This is the reason why there has been a lack of details on IRPAs in this proceeding. They simply are not known at this time.

LPMA submits that the recovery of costs should be determined as part of a specific IRPA application. This would include not only how the costs would be recovered, but from whom they would be recovered.

LPMA is concerned with the EGI “like for like” treatment of IRPA costs that would see costs treated and recovered in the same manner as the facilities investments that are being avoided. LPMA sees this as nothing but an attempt to increase the revenues accruing to the shareholder by protecting rate base growth. This may not be in the best interest of ratepayers or competitive third-party IRPA providers that do not have the benefit of a built-in return on equity on rate base.

LPMA is also concerned that capitalizing costs that would otherwise be expensed under USGAAP in the absence of regulatory approval to do could cause intergeneration equity issues. While the costs to ratepayers would be higher in the year that a cost is incurred if it is not capitalized, it is ultimately higher if the cost is capitalized. It is also unclear how the income tax would be calculated on an expense that is capitalized under USGAAP with regulatory approval. For income tax purposes, the amount capitalized may have to be expensed. This would provide a benefit to ratepayers in the current year at the expense to ratepayers in future years. Perhaps this reduction in income taxes should also be capitalized to reduce rate base.

In summary, LPMA submits that there are just too many unknowns at this time for the Board to include any specific rules with respect to the appropriate approach to the recovery of the costs resulting from an IRPA and/or the costs for additional investments to support IRP in the framework.

## **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?**

LPMA submits that EGI should bear the risk of an IRP Plan that does not accomplish its planned expectations. EGI is making the decision to proceed with an IRPA, not ratepayers. EGI is responsible for ensuring that an IRP Plan accomplishes its planned expectations, not ratepayers. EGI is responsible for accurately forecasting and planning its needs, not ratepayers. Ratepayers should not be stuck with picking up any additional costs for EGI's failure to deliver.

If an IRPA does not accomplish its planned expectations and EGI has to revert to the original facilities option to serve the need or constraint, then LPMA submits that the Board would have to look long and hard at the IRPA related costs and assets included in rate base with an eye to determining whether they were, in fact, used or useful any longer.

This is another area where ratepayers appear to be worse off when EGI fails to deliver on an IRPA compared to when a third party that is under contract with EGI fails to deliver on its IRPA commitments. If a third party under contract to EGI fails to deliver an IRPA that meets planned expectations, a properly structured contract would include penalties or a reduction in payments to the provider. In such a case, the third-party provider pays the price for failure. On the other hand, if EGI fails to meet its planned expectations, EGI ratepayers pay the price and EGI gets off at no cost. Again, this illustrates a lack of a level playing field when it comes to providing IRP alternatives between a regulated utility and third-party providers.

LPMA submits that there should be consequences to EGI if it fails to achieve the planned expectations, just as a third-party would be held accountable. Perhaps the simplest approach would be to remove the return on equity for the IRPA assets included in rate base. If EGI fails to deliver, it does not make a profit on those assets.

## **9. What incentives are appropriate to ensure effective IRP outcomes?**

LPMA does not support any type of financial incentives at this time. The major reason for this is that it may create an uneven playing field for other parties that can provide IRPA solutions. Few of these other parties would be able to, for example, capitalize operation and/or maintenance costs. Unlike EGI, these parties do not operate under USGAAP.



If the Board wants to ensure that IRPAs are front and center when EGI does its system planning, then it should assign some risk to EGI in terms of stranded assets that could be replaced by IRPAs. This would incent EGI to change its focus from pipe solutions to non-pipe solutions. EGI should also assume some risk for IRPAs that fail to achieve planned expectations. This would incent EGI to make sure that IRPAs work.

Given that even if all of the costs related to IRPAs are capitalized and included in rate base, this amount is almost certain to be less than the cost of the facilities replaced that would be in rate base. If the amount under an IRPA is more, the question would then arise as to why the more expensive option is being pursued.

In other words, in almost all circumstances, the amount included in rate base will be less for an IRPA than for a facility investment. This means that the amount of rate base that EGI will earn a return on equity will be lower under the IRPA, which is a disincentive for EGI to pursue an IRP alternative. This difference will be even more significant when one considers that many of the IRPAs are likely to involve assets and costs that will be incurred by providers other than EGI.

To offset this continuing incentive for EGI to prefer the facility build option, LPMA submits that EGI should be at risk of not recovering all of the costs associated with the facilities option. This would remove, or at least reduce, the disincentive to pursue an IRP alternative.

**10. What is the appropriate approach for monitoring and reporting on the progress of IRP Plans, including consideration of metrics and a scorecard?**

LPMA submits that the Board should direct EGI to provide detailed annual reporting on its IRP activities, including planning, stakeholdering and implementation once an IRPA has been approved by the Board and implemented.

LPMA submits that it is too early to establish metrics and/or a scorecard for IRP activities. Rather, the Board should direct EGI to bring forward potential metrics and scorecards as part of its stakeholder consultation that will deal with proposed IRP pilot projects. Stakeholders should be able to have input into not only what the proposed pilot projects are, but on what metrics and scorecards should be used to report on the pilot projects.

LPMA further submits that with respect to the pilot projects, EGI should be directed to provide a webpage on which all of the details associated with the pilot projects is provided in an up-to-date manner on an ongoing basis. Stakeholders, including the

Board, should have ready access to the costs incurred, the results to date, lessons learned, changes to the projects, etc. on a real time basis and not only as part of an annual report. Only by being informed on a real time basis, can stakeholders provide suggestions, comments and other feedback in a timely and effective manner.

### **C. COSTS**

LPMA requests that it be awarded 100% of its reasonably incurred costs. LPMA co-operated with other stakeholders in the proceeding and eliminated any unnecessary duplication while continuing to ensure that its concerns were covered in the interrogatory process, technical conference and oral hearing.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**  
**March 31, 2021**

**Randy Aiken, Aiken & Associates**  
**Consultant to London Property Management Association**