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March 31, 2021

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

Dear Ms. Long,

RE: EB-2020-0091-Enbridge Gas Inc. Integrated Resource Planning Proposal

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

Yours truly,

Michael R. Buonaguro
Encl.

Enbridge Gas Inc.
Ontario Energy Board File No.: EB-2020-0091

Integrated Resource Planning (IRP) Proposal

Interrogatories submitted by the Ontario Greenhouse Vegetable Growers (OGVG)

to Enbridge Gas Inc. (Enbridge Gas)

March 31, 2021

Overview

These are the submissions of OGVG with respect to Enbridge Gas' proposal for an Integrated Resource Planning (IRP) Framework. OGVG has followed the format of Enbridge Gas' argument in chief (AIC) for ease of reference.

OGVG's members are commercial greenhouse operators in Ontario, with many of them operating within the legacy Union Gas southern franchise area. Access to reliable, affordable natural gas is important to OGVG's members, particularly given the nature of greenhouse operations.

As a preliminary comment OGVG respectfully submits that it is not clear to it that Enbridge Gas, as a distributor of natural gas in Ontario, should be the sole or even primary entity in the province responsible for identifying and evaluating the energy needs of Ontario's consumers. Enbridge Gas, by its very nature as a natural gas distributor, confronts system constraints and needs from the perspective of demand for natural gas; its status quo prerogative is to identify natural gas related system constraints and needs and respond to those constraints and needs through solutions that maximize the efficient use of existing natural gas capacity or increasing that capacity.

The same is true for Ontario's electricity transmitters and distributors; they would, OGVG assume, approach system constraints and needs from the perspective of the demand for electricity, such that in OGVG's view it would be equally inappropriate to have an electricity transmitter or distributor, even one responsible for the majority of the province, be the sole or primary entity responsible for IRP in Ontario.

Having said that, Enbridge Gas requires the ability to move forward with its system planning in a way that allows it to continue to serve its customers in a safe and reliable manner while at the same time acknowledging that their status quo approach may not be appropriate in every circumstance; in the absence of an external entity responsible for planning energy infrastructure as a whole in the province, Enbridge Gas needs a framework for its own planning purposes.

OGVG believes that the framework used to evaluate IRP performed by Enbridge Gas as a gas distributor should do so in a way that appropriately reflects the overarching gas objectives of the Ontario Energy Board (OEB), with particular attention paid to the following two objectives:

> *2. To inform consumers and protect their interests with respect to prices and the reliability and quality of gas service.*
>
> . . .
>
> *5. To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.*[1]

[1] The *Ontario Energy Board Act, 1998,* S.O. 1998, c. 15, Sched. B, section 2.

Accordingly, with those objectives in mind, OGVG is generally supportive of Enbridge Gas' overall approach to IRP, insofar as it seeks to balance a desire to go beyond traditional facility-based solutions for meeting identified system constraints with the need to protect the interests of natural gas consumers and maintain the financial viability of the natural gas industry.

Throughout the course of the proceeding concerns have been raised, both implicitly and explicitly, about the long-term viability of the natural gas industry in Ontario. OGVG expects at least some of the other parties to raise these concerns in their arguments; although OGVG has not been privy to the details of such arguments OGVG can say that it does, at least to some extent, share those concerns, and believes that those concerns need to be addressed in a substantive way. Where OGVG believes it may disagree with other parties is the extent to which concerns about the future viability of the natural gas industry in Ontario should be addressed as part of this proceeding.

In OGVG's view the scope of this proceeding should be limited to the creation of a framework that will provide direction to Enbridge Gas when Enbridge Gas is confronted with system constraints for which, under the status quo planning parameters utilized by Enbridge Gas, new facilities (where the constraint relates to increased demand for firm capacity) or replacement facilities (where the constraint relates to the deteriorating reliability of existing facilities) would be proposed and constructed. OGVG does not believe that the framework approved in this proceeding should contain elements that either directly or indirectly purport to address the future of Enbridge Gas' natural gas system as a whole.

OGVG believes that the future of natural gas use in Ontario is a complex issue that needs to be dealt with at a provincial level. By way of specific example, at the same time that concerns are being raised in this proceeding about the viability of natural gas going forward, the provincial government has implemented legislation whose purpose is to subsidize the expansion of natural gas infrastructure to areas in the province where, absent a subsidy, the OEB would determine such expansion to be uneconomic.[2] OGVG believes that in the current climate the reasonable approach by the OEB in this proceeding should be to remain focussed, as Enbridge Gas has proposed, on Enbridge Gas' response to identified system constraints.

For these reasons OGVG's view of an appropriate IRP Proposal generally follows the model proposed by Enbridge Gas, with specific differences noted and explained. As a general comment OGVG submits that it would appropriate for the OEB to recognize its decision on an approved IRP Framework in this proceeding to be the first step in an iterative process that will likely produce adjustments and revisions as the framework is put into practice going forward. While the ultimate goal should be a framework that can, to the extent possible, be implemented mechanically without the need for direct OEB oversight over each step of the process, the current state of IRP in Ontario would suggest to OGVG that increased oversight and consultation in the early years of IRP implementation will be necessary in order to identify and address issues and concerns

[2] *Access to Natural Gas Act, 2018*, S.O. 2018, c. 15 - Bill 32.

arising from the OEB's initial framework as it is applied to real world system constraints and actual IRPAs are considered and implemented in lieu of traditional facility based solutions.

Procedural Background

Enbridge Gas' AIC provides an overview of the procedural background for the application; OGVG has nothing to add to Enbridge Gas' synopsis.

Purpose of Enbridge Gas's IRP Framework Proposal

Enbridge Gas provides the following summary of the purpose of its proposed IRP Framework Proposal:

> *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. Stated differently, IRP is aimed at considering facility and non-facility alternatives to address long-term system constraints/needs such that an optimized and economic solution is proposed and implemented to meet the identified constraint or need.*[3]

OGVG generally agrees with this stated scope of Enbridge Gas' proposed IRP Framework. In particular, OGVG agrees with the focus on identified future needs or constraints as forming the central consideration of the framework. This focus highlights the fact that the proposed IRP Framework does not attempt to address larger issues concerning the viability of Enbridge Gas' existing natural gas infrastructure in the context of the Ontario energy market; instead, the framework deals with instances where Enbridge Gas identifies a system constraint that may require incremental additions to (or replacement of) existing infrastructure.

Learnings from Other Jurisdictions

OGVG has nothing to add to Enbridge Gas' synopsis of learnings from other jurisdictions.

Approvals Sought by Enbridge Gas for the IRP Framework

i. Guiding Principles

Enbridge Gas proposes the approval of 4 guiding principles in respect of the IRP Framework:

[3] Enbridge Gas AIC, pp. 5-6, paragraph 19.

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.*[4]

OGVG generally agrees that Enbridge Gas' proposed guiding principles should govern the elements of the IRP Framework; to the extent that OGVG disagrees with Enbridge Gas on how these principles are best reflected in approved elements of the framework OGVG's submissions are set out within the relevant section of this argument.

ii. IRP Proposal Elements

a) Types of Available IRPAs

Summary

While OGVG believes it may be appropriate to have Enbridge Gas identify and evaluate non-gas IRPAs that may be preferable to gas based IRPAs, OGVG does not believe that it would appropriate to allow Enbridge Gas to deliver non-gas IRPAs as part of it regulated business. In OGVG's view it would contrary to the OEB's objectives under the OEB Act to allow a gas distributor to fund, by way of example, the electrification of proposed end-uses by consumers in an effort to disconnect or avoid connecting customers to the natural gas distribution system, and then recover the costs of doing so from its remaining natural gas customers. Put another way, when the best solution to an identified system constraint is to have consumers use electricity instead of natural gas, the solution should be delivered by entities, like electricity distributors, who benefit from the resulting increase in customers and load and can then recover the costs associated with the solution from the electricity customers that directly and indirectly benefit from the IRPA.

Gas related IRPAs

The effectiveness of gas related IRPAs depend on reducing gas use at the system peak (i.e., through demand reduction programs) increasing the effective capacity of the existing system at the peak (i.e., through supply side solutions) and/or delivering natural

[4] Enbridge Gas AIC, p. 6 paragraph 21.

gas using non-pipeline solutions (i.e., the delivery of compressed natural gas to strategic points on the system without using pipelines). In all these scenarios the goal of the gas related IRPA is to maximize the usage of existing natural gas infrastructure while either retaining the existing customer base or expanding the existing customer base; none of the gas related IRPA scenarios involve reducing the existing customer base or avoiding the connection of new customers. As a result, in OGVG's view, it is clearly appropriate for Enbridge Gas to implement gas related IRPAs, as they directly involve the efficient management of the existing distribution system while serving the objectives of the OEB Act with respect to natural gas. More specifically, gas related IRPAs:

a) serve to address identified system constraints without impacting customers either the near or long term through the elimination of the customer base; and

b) support the financial viability of the gas industry by providing solutions to system constraints that continue to utilize existing distribution assets while maintaining and expanding the customer base.

Additionally, the costs of implementing gas related IRPAs can be recovered by Enbridge Gas from the consumers that directly benefit from their implementation: natural gas customers. In all gas-related IRPA scenarios the beneficiaries of the IRPA, both direct (i.e. customers that may receive incentives that subsidy demand response equipment, or new customers that are able to connect as a result of increased capacity) or indirect (i.e. existing customers that, while not directly benefiting from the IRPA, benefit from the retention of existing and addition of new customers to the system) are subject to the various rate recovery mechanisms that Enbridge Gas has access to in order to recover associated IRPA costs. Put more simply, when Enbridge Gas implements gas related IRPAs the costs follow the benefits.

Non-Gas related IRPAs

With respect to non-gas related IRPAs, OGVG respectfully submits that it would not be appropriate to allow Enbridge Gas to implement non-gas related IRPAs and recover the cost of those IRPAs from its distribution customers.

With respect to non-gas related IRPAs, the objective of the IRPA does not include the efficient use of existing natural gas assets, the retention of existing customers or the addition of new natural gas customers. Instead, non-gas related IRPAs by their nature involve disconnecting existing customers from the distribution system or avoiding the connection of new customers by providing them with non-gas solutions for their end use needs. In OGVG's respectful submission it would not be appropriate to allow Enbridge Gas to, in its role as a regulated gas distributor, implement IRP proposals that have the effect of disconnecting existing customers from their system or diverting consumers from connecting.

In OGVG's view where an IRPA involves the disconnection of existing customers or the diversion of consumers away from connecting to the natural gas system, to the extent such solutions are demonstrably more cost-effective under the IRP framework, it should

be an entity other than Enbridge Gas, likely the local electricity distributor (as most non-gas IRPAs will involve electrification to at least some degree) or possibly a 3rd party provider that implements the solution. In this way the local distributor or 3rd party provider can recover the costs of the solution from the appropriate customers, namely existing electricity customers that benefit from increased utilization of existing electricity infrastructure, including those that are the target of non-gas IRPA spending. Again, put simply, the costs of non-gas IRPAs should follow the benefits.

Were Enbridge Gas, through its distribution rates, permitted to implement and recover the costs of non-gas IRPAs, it would effectively force remaining gas customers to subsidize non-gas users' purchase of non-gas equipment, (i.e. electric air source heat pumps), at the same time that gas customers bear the impact of losing existing and/or potential gas customers from the system (reducing the sharing of common costs across the natural gas customer base), while direct participants of the IRPAs not only benefit directly from the subsidy, but also from the other aspects of the IRPA that led to its implementation, i.e. commodity cost savings, without having to contribute to the costs incurred by Enbridge Gas.

Enbridge Gas' Role in Evaluating non-Gas IRPAs

While OGVG specifically opposes a framework that permits Enbridge Gas to incur costs to implement non-gas IRPAs and pass those costs onto natural gas customers through regulated rates, OGVG believes it would remain appropriate for Enbridge Gas to include non-gas IRPAs in its assessment of alternatives. If a non-gas IRPA is identified as the preferred solution under the framework, OGVG would expect that a different entity, possibly a local electricity distribution company depending on the nature of the non-gas IRPA, would deliver the IRPA and recover the costs of doing so in through electricity rates.

OGVG asked Enbridge Gas about this scenario at the technical conference, and Enbridge Gas confirmed that even if it were not permitted to implement non-gas IRPAs, it would be supportive of having another party implement non-gas IRPAs that Enbridge Gas identified during the IRP Process as being viable:

> *MR. BUONAGURO: Okay, thank you. I am whipping along. So I had some questions on Staff 17(a), and I picked this because it refers to electrification, confirmation of non-gas solutions such as electric air source heat pumps and so on are considered within the range of possible.*
> *I assume that Enbridge wants that approved, correct? Or alternatively, you just want to know if it's in or out; those are the two options.*
> *MS. SIGURDSON: Yes, we want that clarification of knowing what's in scope and what's out of scope.*
> *MR. BUONAGURO: Right. And I guess philosophically, though, I was thinking about this. Doesn't that -- when you talk about the other sort of the gas alternatives, reducing gas use but still using gas or increasing capacity,*

but in the ways that aren't using pipes, I still see it very clearly within the scope of a gas distributor.

Here, you're no longer identifying customer needs and assisting them with those needs in terms of their gas needs. You are now taking a step back and (inaudible) onto energy, right? You're actually becoming sort of an energy facilitator as opposed to a gas distributor. Is that a fair characterization?

MS. VAN DER PAELT: I would agree.

MR. BUONAGURO: And I think it's possible -- I am not saying I am arguing for this, I am just thinking about it in terms of a philosophical point of view. But it's possible that the Board would say you were not the right person to be facilitating electricity applications, and that somebody else should do it, whether it's, you know, Hydro One as the transmitter or the local distribution company. That's a possibility, isn't it?

MS. VAN DER PAELT: Yes, and I think that's why we are seeking confirmation that those are considered to be a range of possibilities that we could provide.

MR. BUONAGURO: Thank you, okay, and let's go down that road. If that happens, does that mean that you're evaluation of IRPAs will eliminate solutions that you're not allowed to do? So if you can't do electrification, the Board doesn't give you a mechanism for it, for example, including those assets in rate base or recover the costs at all, but those options are still the preferable options, are you still evaluating them as per your IRPA and then telling somebody, whoever that somebody is -- and I understand it's theoretical, but telling the somebody we really shouldn't be doing this because the best solution is for somebody else to be doing this. Is that part of the process, or do you simply then put your blinders on and look specifically at gas-related solutions which are within your purview?

MS. VAN DER PAELT: No, I --

MR. STIERS: I don't think that -- sorry, go ahead.

MS. VAN DER PAELT: I was just going to build on an answer that Ravi provided earlier.

<u>If we think that an electric air-source heat pump -- we will use that as an example here -- is a viable solution and there is a third party who can deliver that solution and reduce the need for pipes, we would still be supportive of that. So we would still be evaluating that as an option. So we wouldn't be eliminating them just on the basis that they're electric options under that consideration.</u>

MR. BUONAGURO: <u>So you're not eliminating options that make sense, but you're not allowed to do?</u>

MS. VAN DER PAELT: <u>Yes, exactly.</u> Now, if there's nobody who can deliver that, I would say then that would be a question of if it's even practical to evaluate it. (emphasis added)[5]

Accordingly, to the extent that non-gas IRPAs may be more cost effective than gas-IRPAs, Enbridge Gas appears committed to evaluating the full spectrum of options

[5] Technical Conference Transcript, Volume 2, pages 101-103.

whether or not Enbridge Gas is the entity that can deliver the best alternative. If the most suitable alternative involves the electrification of end uses by customers, for example, OGVG expects that a local electricity distributor or similar entity can deliver the IRPA and appropriately recover the costs from electricity customers. In this way the IRPA framework can operate to identify the most cost-effective solutions without eliminating non-gas alternatives *ab initio*, with the costs of selected solutions appropriately recovered from the customers benefiting from the IRPA, with natural gas customers paying for gas-based IRPAs and electricity customers paying for electricity-based IRPAs.

b) IRP Assessment Process

STEP ONE: Identification of Constraints

In its AIC Enbridge Gas identifies the process by which it expects to identify system constraints that may be suitably resolved with IRPAs. Enbridge Gas describes how it intends to forecast system constraints as far out as 10 years where possible as part of its Asset Management Plan (AMP), with the AMP being updated and filed on an annual basis with Enbridge Gas' annual rate setting application.[6]

OGVG has no fundamental issues with Enbridge Gas' proposed process and timeline for identifying system constraints that may be suitably resolved with IRPAs. OGVG expects that to the extent the OEB approves Enbridge Gas' proposed process and incorporates specific adjustments brought forward by other parties, the OEB and intervenors will be in a position to raise issues of concern as the approved process is tested through Enbridge Gas' pilot process and through the review of the updated AMP in Enbridge Gas' annual rate filing application.

STEP TWO: Binary Screening Criteria

What follows with respect to Enbridge Gas' proposed screening criteria are OGVG's comments largely in support of the types of system constraints that Enbridge Gas has suggested should not be subjected to the full IRPA assessment process. Having endorsed these screening criteria at a high level, however, OGVG is concerned that in practice it is possible that the approved screening criteria may be overly broad, excluding more system constraints from IRPA consideration than is appropriate. Accordingly, OGVG repeats its suggestion that the OEB confirm that the IRP Framework is intended to be iterative from the outset, with OEB oversight over its application, particularly in the early years, to be focussed on the practical outcomes of its application.

Emergent Safety Issues

Enbridge Gas describes the scope of "emergent safety issues" as including, by way of example, unanticipated damage to an existing pipeline that needs immediate replacement;[7] accordingly, OGVG believes that the proposed criterion appears to be

[6] Enbridge Gas AIC, pp. 22-23 paragraphs 65-71.
[7] Enbridge Gas AIC, p. 25 paragraph 78.

sufficiently narrow to be included as a binary screening criterion. OGVG expects that if and when discrete projects are screened as having been related to emergent safety issues the OEB will be able to test whether Enbridge Gas is applying the criteria appropriately.

Timing

Enbridge Gas' proposed "timing" screen captures system constraints that must be met in under three years;[8] given Enbridge Gas' commitment to 10-year forecasts for the purposes of planning and given that "emergent safety issues" and "customer-specific builds", the two other screens that are likely to exhibit short timelines, are to be separately considered, OGVG expects that the incidents of material projects fitting under this criterion should be extremely narrow. Accordingly, OGVG would suggest that in applying this screening criteria Enbridge Gas should be under a specific obligation to explain why its planning process could not have reasonably anticipated any such projects in time to at least consider IRPAs, with a view to reducing the incidence of projects falling within the scope of this screen over time.

Customer-Specific Builds

Many of OGVG's members obtain their firm capacity for natural gas service as a result of what Enbridge Gas describes as customer-specific builds. In OGVG's submission this screening criteria exists as an important exception where potential new customers seeking natural gas service are willing to underpin the expansion project either through capital contributions or through contracting for service over a number of years. OGVG's main concern with respect to customer specific builds is that the customers underpinning such projects are properly informed by Enbridge Gas about the prevailing economics of natural gas prior to committing to such projects, notwithstanding the fact that there is likely an expectation that most commercial entities operating at the level of a contract customer for natural gas will possess the sophistication to evaluate the economics of the proposal on their own.[9]

As part of this application process Enbridge Gas confirmed that its expertise is available to customers that may potentially underpin customer-specific builds through its contract customer specific account managers.[10] Enbridge Gas further confirmed that the scope of the proposed exception included projects underpinned by multiple customers attaching over a forecast horizon of several years and in combination with smaller customer growth

[8] Enbridge Gas AIC, p. 25 paragraph 78.
[9] OGVG notes that the economics underpinning customer specific builds from a customer perspective are at least sometimes justified as a result of very customer specific considerations; by way of example, greenhouse operators qualify for relief from 80% of the federal fuel charge when the fuel is used exclusively for heating or producing carbon dioxide for the operation of a commercial greenhouse for growing any plants, including vegetables, fruits, bedding plants, cut flowers, ornamental plants, tree seedlings and medicinal plants. https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/l404/l404-12-19e.pdf
[10] Exhibit J3.5B

where appropriate, preserving the efficiencies endorsed by the OEB in its decision in EB-2020-0094 with respect to the use of the Hourly Allocation Factor for such builds.[11] Accordingly, OGVG is supportive of the proposed screen, although it expects that the OEB will want to review its application by Enbridge Gas to ensure that such builds are appropriately underpinned by new customers and load.

Community Expansion & Economic Development

OGVG generally agrees with Enbridge Gas that where provincial policy and public funding have dictated that certain community expansion and economic development projects that are intended to deliver natural gas to unserved areas of the province then it would ostensibly be inappropriate to circumvent those policy decisions by attempting to replace those projects with IRPAs. To the extent that such projects would benefit, partially or entirely, from IRPAs, including, by way of extreme example, the complete electrification of the end use needs of the customers to be connected as opposed to subsidized expansion of natural gas infrastructure, OGVG expects that that possibility will be raised at the provincial level with respect to the appropriateness of the policy and related funding.

Pipeline Replacement and Relocation Projects

Enbridge Gas proposes that for pipeline replacement and relocation projects that projects with a forecast cost of under $10 million be screened out for IRP consideration.[12] While OGVG agrees in principle that there is a likely a threshold level of pipeline replacement or relocation cost below which the IRP process is simply not cost effective, OGVG expects that prior to the implementation of a comprehensive IRP Framework that any suggested threshold, including the proposed $10 million level, should be considered subject to review. OGVG would respectfully suggest that it would be appropriate for the OEB to monitor the effect of Enbridge Gas' proposed threshold, and evaluate whether the costs of the IRP process, once known as a result of its actual application, make projects below a threshold cost of $10 million impractical for IRP consideration, or whether a different threshold may be appropriate.

STEP THREE: Two-Stage Evaluation Process

Stage One

Enbridge Gas proposes that at Stage One a spectrum of IRPAs will be evaluated to determine whether they are viable alternatives to the status quo facilities based solution. OGVG has no specific issues with Enbridge Gas' overview of the proposed evaluation process. In OGVG's view, however, it would be appropriate for the OEB to provide specific oversight into the evaluation process early on during the implementation of the IRP Framework to ensure that IRPAs that the OEB would consider viable are not being dismissed at Stage One by Enbridge Gas. OGVG expects that the proposed pilot project

[11] Technical Conference Transcript Volume 2, pp. 96-101.
[12] Enbridge Gas AIC, p. 26 paragraph 78.

involving the application of the IRP Framework to the selection of an IRPA (as opposed to selecting an IRPA outside of the IRP Framework process with an aim to testing the viability of specific technology) will provide an opportunity for the OEB to examine the Stage One analysis to ensure that it is capturing all viable IRPAs.

Stage Two

Enbridge Gas proposes that at Stage Two of its analysis it will compare viable IRPAs against the proposed facilities project using a cost effectiveness test, and using the results from that test it will determine which solution best meets the following requirements:

a) Meeting the demands of future system capacity (including, presumably, by reducing or eliminating demand);
b) Is cost-effective from both a gas payer and overall perspective; and
c) Is aligned with public policy.[13]

Specific to the determination of cost-effectiveness Enbridge Gas proposes a DCF+ test, which is notionally based on the three-stage test enshrined in E.B.O. 134 with respect to cost-effectiveness of transmission level facility investments. In proposing the DCF+ test Enbridge Gas specifically opposes the primary alternative put forward in this application, the TRC+ test.[14]

OGVG expects other parties to provide detailed critiques of the DCF+ test, and Enbridge Gas has provided its preliminary objects to the TRC+ test and will reply to the specific TRC+ based proposals that other parties put forward. Accordingly, OGVG does not intend to provide a detailed analysis of either measure in these submissions.

OGVG does note, however, that at a high level the DCF+ test at least attempts to address a critical aspect of cost-effectiveness that the TRC+ test ignores; the cost-effectiveness of a proposed IRPA from the specific perspective of existing ratepayers, otherwise referred to as the rate impact.

Stage one of the DCF+ test specifically gauges the impact of a proposed solution on Enbridge Gas' existing ratepayers, a critical perspective, in OGVG's view, when evaluating the appropriateness of any proposed spending by a regulated gas distributor that is intending to recover its costs entirely from its ratepayers.[15]

Stage one of the DCF+ test forms the basis of the OEB's policy with respect to proposed distribution expansions under E.B.O. 188, within which gas distributors are essentially prohibited from undertaking a portfolio of expansion projects unless existing ratepayers are protected from subsidizing the costs of those projects.

[13] Enbridge Gas AIC, p. 29 paragraph 90.
[14] Enbridge Gas AIC, p. 31 paragraph 96.
[15] Enbridge Gas AIC, p. 28 paragraph 86.

In OGVG's submission the protection against subsidizing new customers was emphasized in the OEB's decision in EB-2016-0004 when the OEB rejected Enbridge Gas Distribution Inc. and Union Gas Ltd.'s proposals for an explicit exemption from E.B.O. 188 in order to allow subsidies from existing customers to new customers.[16] In its decision the solution offered by the OEB was to allow Enbridge and Union to implement system expansion surcharges (SES), so that customers benefiting from expansion in the form of reduced commodity costs could more easily contribute to the cost of expansion without requiring subsidies from existing customers; in implementing the SES the OEB was, in OGVG's view, ensuring that the costs of expansion project were borne by the customers benefiting from the expansion.

EFG's TRC+ test, as Enbridge Gas points out, does not attempt to quantify the rate impact of a proposed solution on existing customers; the TRC+ test is completely agnostic with respect to the impact of a solution on ratepayers. By way of extreme example, the TRC+ test could determine that a particular non-gas solution was the most cost-effective solution even when:

a) existing customers would experience a rate increase as a result of the elimination of natural gas customers from Enbridge Gas' customer base;
b) existing customers would experience a rate increase as a result of having to fund Enbridge Gas' costs to implement the non-gas solution, including incentives paid to non-gas customers;
c) Non-gas customers (including customers disconnecting from gas as a result of the program) that participated in the non-gas program would benefit from incentives paid for by natural gas customers;
d) Non-gas customers participating in the non-gas program would benefit from any commodity cost or other savings associated with the program;
e) Non-gas customers, both those participating in the program and those not participating in the program, would benefit from increased customers and demand on the electricity system; and
f) Non-gas customers would be protected against all of the costs of the non-gas solution, as those costs would be paid for by natural gas customers.

Put more simply, under an extreme example the TRC+ test is indifferent to the fact that gas customers may be paying all of the costs and experiencing all of the negative impacts of a proposed non-gas solution, while non-gas customers will, to varying degrees, enjoy all the benefits of a proposed non-gas solution without bearing any of the costs.

In fairness EFG identifies this weakness in the TRC+ test, noting that a "rate impact assessment" should be a secondary consideration if the OEB were to adopt the TRC+ test.[17] In OGVG's view, however, a rate impact assessment is a primary concern, without which the implementation of solutions based on a purportedly "pure" cost effectiveness test such as the TRC+ test could trigger a death spiral for natural gas infrastructure as costs for electrification are added the natural gas system while the electricity system

[16] EB-2016-0004, Decision dated November 17, 2016, p. 18.
[17] EFG Presentation Slide Deck, February 19, 2021, p. 9.

experiences the related benefits cost free. Such a framework would be, in OGVG's view, directly contrary to the OEB's statutory objectives under the OEB Act with respect to natural gas.

In addition, OGVG questions whether there is a rate impact test that can rectify the most extreme example, wherein natural gas customers bear all the costs of a solution and electricity consumers experience all the benefits. In OGVG's view that is an issue that can only be adequately addressed by ensuring that the costs of a proposed solution follow its benefits, which can most effectively be done by ensuring that the proper regulated entity is responsible for implementing solutions related to their regulated energy source and recovering costs from their customers, as proposed by OGVG under its submissions with respect to the type of IRPAs Enbridge Gas should be permitted to implement.

STEP FOUR: Periodic Review

Enbridge Gas acknowledges that certain changes, i.e., if the nature or timing of an identified need/constraint alters materially or if significant policy changes are announced by government or the OEB, that its previously made IRP related determinations may need to be revisited.[18]

Enbridge Gas' description of the review process seems to suggest that it is only when changes trigger potentially system wide impacts that Enbridge Gas may "choose" to consult with its proposed technical working group. Short of such system wide impacts, it is implied, Enbridge Gas will only be obligated to "report" to the OEB, stakeholders and potentially affected Indigenous groups with respect to Enbridge Gas' review of the impact of such changes on Enbridge Gas' IRP determinations.

OGVG respectfully submits that it would, at a minimum, be appropriate to require Enbridge Gas to report to the OEB, stakeholders and potentially affected Indigenous groups at the time such changes are identified, as opposed to after Enbridge Gas has reviewed the impact of such changes on its determinations, so that the OEB or interested parties can take steps to provide their input before any changes are considered and implemented.

c) Stakeholder Outreach and Engagement Process

Enbridge Gas has proposed and described the following Stakeholder Outreach and Engagement Process for its IRP framework:

Component 1: Gathering of Stakeholder Engagement Data and Insight

Component 2: Stakeholder Days

Component 3: Targeted Engagement

[18] Enbridge Gas AIC, pp. 31-32 paragraphs 98-100.

Purpose-specific Technical Working Group

OGVG has no particular objection to the form of stakeholder outreach and engagement process proposed by Enbridge Gas. Having said that, OGVG is mindful that whether the proposal is sufficient will be tested when put into practice, and that accordingly OGVG would suggest that it may be appropriate for the OEB to consider adjustments to the proposal put forward by other intervenors, and that the OEB should review the approved engagement process once it has been in place and tested in practice.

d) IRPA Cost Recovery and Accounting Treatment Fundamentals

Enbridge Gas summarizes it proposed cost recovery for IRPAs in its AIC:

> *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 replacing at the time of in-service (with IRPA costs amortized over their useful lives).*[19]

OGVG generally supports Enbridge Gas' proposal, including its comments to the effect that the details of this treatment can be determined when Enbridge Gas comes forward with specific IRPA proposals for approval.[20]

OGVG does note, however, that Enbridge Gas' proposal includes rate base treatment for certain OMA expenditures. It is OGVG's expectation that when Enbridge Gas comes forward for approval of an IRPA and the recovery of its costs that there will be a clear delineation between the costs to implement the IRPA for which Enbridge Gas will be permitted rate base treatment, and ongoing OMA costs to maintain an already implemented IRPA in the same way Enbridge Gas incurs OMA costs to maintain its pipeline assets. It should not be the case that every expenditure incurred on an IRPA over the course of the IRPA will qualify for rate base treatment.

OGVG notes that Enbridge Gas mentions possible further incentives in addition to rate base treatment of IRPA expenditures but does not actually request further incentives in this application. It is OGVG's respectful submission that no such further incentives should be necessary; however, as there is no proposal from Enbridge Gas in this application for such incentives within an approved IRPA Framework, it is OGVG's understanding that argument with respect to further incentives in this proceeding are unnecessary and will be addressed in a future proceeding if and when Enbridge Gas makes such a proposal.

[19] Enbridge Gas AIC, pp. 136-137 paragraph 114.
[20] Enbridge Gas AIC, pp. 138, paragraph 121.

e) Future IRP Plan Applications

Enbridge Gas sets out its expectations with respect to an IRP approval process that mirrors the current LTC application process, with the expectation that in the early days it will seek approval of all IRP related activity, with the goal that, once it (and presumably the OEB) becomes more comfortable with the parameters and operation of the IRP framework, the threshold above which Enbridge Gas would be required to seek pre-approval of IRP proposals would be established at the same $10 million threshold anticipated for traditional LTC applications.[21]

OGVG believes it is appropriate to begin, as suggested by Enbridge Gas, with the assumption that all IRP proposals will be subject to OEB approval through an LTC type process, with the possibility that a threshold below which Enbridge Gas can operate without pre-approval may be established once the OEB has had a chance to experience the approved framework in operation for a sufficient time period and has made any adjustments or changes that it deems necessary.

Cost Allocation Issues

During the course of the interrogatory and technical conference phases of the application OGVG briefly explored alternate cost allocations for IRPAs, proposing a broader allocation of the incremental costs of IRPAs relative to the status quo pipeline solution.[22] While Enbridge Gas has said that it will be proposing "like for like" cost allocation of IRPA costs, Enbridge Gas goes on to suggest 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.*[23]

OGVG supports the notion of addressing the appropriate cost allocation for IRPAs during the IRP Plan approval process, in particular because it will be in the IRP Plan approval process where the OEB will have access to the forecast costs of particular IRPAs relative to the avoided or reduced facility costs they are replacing.

f) Monitoring and Reporting

Enbridge Gas provides the following summary of its proposed annual reporting under the IRP Framework:

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.

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[21] Enbridge Gas AIC, pp. 40-42, paragraphs 127-124.
[22] Exhibit I.OGVG.7, Technical Conference Transcript Volume 2, pages 103-109.
[23] Enbridge Gas AIC, pp. 41, paragraph 131.

The annual IRP Report would include the following items:

- *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.*[24]

In OGVG's view the key components of the reporting proposal are that:

a) reporting is proposed on an annual basis, and
b) reporting is proposed to be filed in conjunction with an existing application process within which the substance of the reporting will be subject to review by the OEB and interested stakeholders.

By virtue of these two components OGVG supports Enbridge Gas' proposed reporting, subject to the addition of reporting elements that other stakeholders may propose and the OEB determines may be useful, on the understanding that as Enbridge Gas begins fulfilling its reporting obligations the OEB will have the opportunity to adjust and amend the reporting requirements as practical experience with the IRP framework is gained.

iii. IRP Costs Deferral Account

OGVG has no objection to Enbridge Gas' proposal for an IRP Costs Deferral Account that covers the remainder of the deferred rebasing term. OGVG notes, however, that because IRPA projects are replacing what would have been pipeline projects those IRPA project costs should be treated in the same manner as Enbridge Gas' normal capital spending during an IRM term. So, for example, in the event Enbridge seeks to close to rate base an amount relating to an implemented IRPA during the deferral period and seek incremental funding for that spending, OGVG believes Enbridge Gas should seek ICM eligibility for that funding. Put another way, if incremental funding for the pipeline project during the deferred rebasing period would only be available if it qualified for ICM funding, the same limitation should apply to the replacement IRPA project.

[24] Enbridge Gas AIC, pp. 42-43, paragraphs 136-137.

Based on OGVG's understanding of Enbridge Gas' request, on rebasing IRP costs will become embedded in Enbridge Gas' base rates and a deferral account will no longer be necessary; in the event Enbridge Gas is proposing to continue the account beyond 2023 OGVG expects that Enbridge Gas will formally request continuance on rebasing and that the OEB can determine the issue at that point.

iv. IRP Pilot Project Proposal

OGVG generally supports Enbridge Gas' proposal with respect to undertaking two pilot projects in the near term; in particular OGVG supports Enbridge Gas' proposal to submit one of the pilot projects to the "new IRP Framework through development and implementation of an IRP Plan to meet an identified need/constraint"[25] as a reasonable way to provide an early test of the OEB approved Framework.

With respect to the second proposed pilot project wherein Enbridge Gas proposes to "test a promising IRPA, for example Demand Response (DR), along with Automated Metering Infrastructure (AMI), if possible",[26] OGVG has no fundamental objections. However, OGVG would suggest that if the intent of the second pilot is to, as a material component of its design, test the combination of a proposed IRPA with AMI, that the project specifically look to quantify the benefit of AMI to the effectiveness of the proposed IRPA as compared to the effectiveness of the same IRPA without AMI, which OGVG would expect will require a control group where the IRPA is implemented without access to AMI. OGVG respectfully submits that without such a comparison performing the IRPA with access to AMI will not provide the necessary information for the OEB to determine at some future proceeding whether the business case for AMI implementation is materially supported by its impact on IRPA implementation.

v. AMI Acknowledgement

OGVG respectfully submits that it would be unnecessary and inappropriate for the OEB to comment in the context of this proceeding on Enbridge Gas' future possible application for approval of AMI spending. The current reality is that Enbridge Gas does not have an AMI in place as part of its distribution system, such that at least in the near-term IRP related activity will be proceeding without access to an AMI; to that end Enbridge Gas has confirmed that an AMI is not a condition precedent to its proposed IRP activities.[27] There is no proposal for an AMI project before the OEB in this proceeding for the OEB to consider and approve; to the extent that Enbridge Gas believes that its IRP activities in the future can benefit from AMI implementation OGVG expects that Enbridge Gas will include the related benefit analysis within the business case in support of AMI spending that it has said it intends to bring forward in the coming years. OGVG respectfully submits that it is within an actual application for approval of AMI related spending that the OEB will be properly engaged with all of the benefits and costs associated with an AMI proposal.

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[25] Enbridge Gas AIC, p. 45, paragraph 146.
[26] Enbridge Gas AIC, p. 45, paragraph 146.
[27] Enbridge Gas AIC, p. 138 paragraph 121.

Next Steps After Issuance of IRP Framework

Enbridge Gas describes its implementation of the various aspects of the approved IRP framework, culminating in the proposal that a review of the IRP framework occur no earlier than 5 years after the IRP framework has been in operation.[28]

In its overview comments OGVG suggested that the OEB make clear that the development of an IRP framework is expected to be an iterative process, and that in the early years of its operation the OEB should maintain increased oversight and consultation over the IRP frameworks operation. With that in mind OGVG generally agrees that a 5-year period prior to a substantive review of the framework is reasonable, subject to the proviso that that initial 5-year period accommodate more oversight and consultation as part of the ongoing development of the framework than what may be seen as necessary in the end state of the framework. In OGVG's respectful submission the OEB should establish a framework in its initial form that is as receptive and responsive as possible to stakeholder input and OEB oversight in recognition of the novelty of the undertaking and the possible ramifications of the framework for Enbridge Gas and its customers.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 31ST DAY OF MARCH, 2021

[28] Enbridge Gas AIC, p. 50, paragraph 160.