March 4, 2022

Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Marconi,

RE: EB-2021-0148 Enbridge Gas Inc. 2021 Rates ICM Application
Energy Probe Argument

Attached is the argument of Energy Probe Research Foundation (Energy Probe) for the EB-2021-0148 proceeding, Phase 2 of the application by Enbridge Gas Inc. to the Ontario Energy Board for the approval of its 2022 rates.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi Digitally signed by Tom Ladanyi Date: 2022.03.04 11:53:02 -05'00'

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TL Energy Regulatory Consultants Inc.

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EB-2021-0148

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Enbridge Gas Inc., pursuant to section 36(1) of the *Ontario Energy Board Act*, *1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of January 1, 2022.

Enbridge Gas Inc. 2022 ICM Application

Energy Probe Argument Submission

March 4, 2022

Executive Summary

Enbridge Gas has applied for ICM funding for five capital projects. Energy Probe submits that the OEB should not approve ICM funding for four of these projects: the Dawn to Cuthbert Replacement and Retrofits Project, the Byron Transmission Station Project, the Kirkland Lake Lateral Replacement Project and the St. Laurent Ottawa North Replacement (Phase 3) Project. Energy Probe believes that Enbridge has not demonstrated that they meet all of the criteria for ICM funding. Energy Probe submits that the OEB should approve the ICM funding request for NPS 20 Replacement Cherry to Bathurst Project but at a reduced amount that excludes Indirect Overhead costs. Apart from considering the individual requests for ICM funding, Energy Probe submits that the OEB in making its decision should consider cumulative impact of successive ICM applications by Enbridge over the past four years.

The Application

Enbridge Gas filed an application with the Ontario Energy Board (OEB) on October 16, 2021, seeking approval for unit rates required for its 2022 Incremental Capital Module (ICM) funding for five capital projects. Two of the projects are in the Union Gas South Rate Zone: Dawn to Cuthbert Replacement and Retrofits Project, and Byron Transmission Station Project. One project, the Kirkland Lake Lateral Replacement Project is in the Union Gas North Rate Zone. Two projects are in the Enbridge Gas Distribution Rate Zone, the St. Laurent Ottawa North Replacement (Phase 3) Project and NPS 20 Replacement Cherry to Bathurst Project. This is the fourth application for ICM funding by Enbridge in the last four years.

Energy Probe Submission

The total funding requested over this four-year period is $634.3 million[1]. The largest request, $277.3 million is in this application. The cumulative impact of consecutive ICM rate riders is significant[2] and should be of concern to the OEB. The question is whether funding of over $600 million with ICM rate riders is appropriate. Energy Probe submits that excessive use by Enbridge of ICM funding is not appropriate. Incentive Regulation was brought in by the OEB to provide incentives for utilities to efficiently manage capital and operating costs in order to keep rate increases below the rate of inflation. It seems to Energy Probe that under the current Custom IR models that Enbridge uses to set rates for the Union Gas and EGD Rate Zones that allows applications for ICM funding, Enbridge has the incentive to maximize capital expenditures.

[1] Exhibit I.EP.1, page 2
[2] *Ibid.*

The Criteria for ICM Projects

Materiality Threshold

The EB-2014-0219 Report of the Board explained the concept of the Materiality Threshold.

The materiality threshold is in effect a capital expenditure threshold which serves to demonstrate the level of capital expenditures that a distributor should be able to manage with its current rates.[3]

The Threshold Value is determined by a formula[4]. The EB-2014-0219 Report of the Board explains how to use the materiality threshold.

A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the Board-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise, they should be dealt with at rebasing. Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget."[5]

Therefore, the key to obtaining approval for ICM funding is for a utility to have a capital in-service forecast for the year for which it is seeking approval that exceeds the materiality threshold. In the EB-2017-0306/EB-2017-0307 decision the OEB allowed Enbridge Gas to treat the EGD Rate Zone and the two Union Rate Zones as separate utilities for the purpose of calculating ICM Materiality Thresholds. Enbridge must also demonstrate that each of its projects proposed for ICM funding is not a minor expenditure in comparison to the overall capital budget for each Zone.

Union Gas Rate Zones

Enbridge Gas has calculated the materiality threshold amount to be $455.5 million for the two combined Union Rate Zones.[6] To get ICM funding, Enbridge Gas needs to prove to the OEB that its 2022 in-service capital forecast for the Union Gas Rate Zones exceeds $455.5 million. According to Enbridge the in-service capital forecast for the combined Union Gas Rate Zones is

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[3] EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, section 4.1.5, page 17
[4] *Ibid*., section 6, page 19
[5] *Ibid*, section 4.1.5, page 17
[6] Exhibit B, Tab 2, Schedule 1, page 18, Table 7

$543.1 million[7]. The Maximum Eligible Incremental Capital for the combined Union Rate Zones of $87.6 million Enbridge obtained by subtracting the Threshold Amount of $455.5 million from the 2022 Capital in-service Forecast of $543.1 million.

The 2022 the capital in-service forecasts for the three projects in the combined Union Gas Rate Zones are $23.5 million for the Dawn to Cuthbert Replacement and Retrofits, $20.4 million for the Byron Transmission Station Replacement and $20.7 million for the Kirkland Lake Lateral Replacement. The total of these three projects is $64.6 million. This is less than the Maximum Eligible Incremental Capital of $87.6 million [8]. Accordingly, Enbridge is requesting OEB approval for ICM funding for the entire $64.6 million for the combined Union Rate Zones.

EGD Rate Zones

For the EGD Rate Zone Enbridge has calculated the materiality threshold amount to be $521.5 million[9]. To get ICM funding Enbridge needs to prove that its 2022 capital in-service forecast exceeds $521.5 million. According to Enbridge evidence its 2022 capital in-service forecast is $734.3 million[10]. The Maximum Eligible Incremental Capital for the EGD Rate Zone of $212.8 million Enbridge obtained by subtracting the Threshold Amount of $521.5 million from the 2022 Capital in-service Forecast of $734.3 million.

The 2022 the capital in-service forecasts for the two projects in the EGD Rate Zone are $86.0 million for the St. Laurent Ottawa North Replacement Project and $126.7 million for the NPS 20 Cherry to Bathurst Street Replacement Project. The total of these two projects is $212.7 million. This is less than the Maximum Eligible Incremental Capital of $212.8 million [11]. Accordingly, Enbridge is requesting OEB approval for ICM funding for the entire $212.8 million for the combined EGD Rate Zone.

<u>Energy Probe Submission</u>

To get ICM funding for the onus is on Enbridge to prove to the OEB that its forecasts of $543.1 million in service capital for the Union Rate Zones, and $734.3 million for the EGD Rate Zone for 2022 are both credible and reasonable and that the projects[12] that are included in these forecasts are of greater priority than the proposed ICM projects. Energy Probe submits that Enbridge has failed to do that. Enbridge claims that its Asset Management Plan including the

[7] *Ibid*, page 23, Table 10
[8] *Ibid*, page 24, Table 11
[9] *Ibid*, page 18, Table 7
[10] *Ibid*, page 23, Table 10
[11] *Ibid*, page 24, Table 11
[12] Exhibits I.EP.3(d), I.EP.4(d)

Asset Management Plan Addendum supports that claim. However, it is not seeking approval of the Asset Management Plan Addendum.[13]

Union Gas Rate Zones

In 2020, the last year for which actuals are available the 2020 actual capital expenditures for the Union Rate Zones were $452.1 million[14] whereas the 2020 Union Rate Zones forecast was $515.8 million[15] in the application for 2021 ICM funding, a difference of about $60 million. Energy Probe submits that the Union Rate Zones in-service forecast for 2022 could therefore be reduced because Enbridge demonstrated in 2020 that it could spend less that forecast without any significant impact on the operation of the Union Rate Zones.

To demonstrate its need for incremental funding for the Union Rate Zones, Enbridge needs to demonstrate that all of the projects included in its $543.1 million in-service capital forecast for 2022 are of greater priority than the three projects for which it is seeking ICM funding. If that were not the case, Enbridge could have accommodated the three projects within the $543.1 million and sought ICM funding for some projects that are now included in the $543.1 million, but Enbridge chose not to do that. Enbridge could have also deferred some of the projects within the $543.1 million forecast to a future year but did not do that because all of the projects are so urgent that none could be deferred. When one looks at the list of projects that make up the $543.1 million in-service capital forecast[16], it is difficult to believe that all of these projects are of higher priority than the three ICM projects. Enbridge claims to need ICM funding because it plans to spend all of its available capital funds on other projects. Energy Probe submits that Enbridge could easily defer some of the projects to make funds available for the three ICM projects.

EGD Rate Zone

In the EGD Rate Zone the 2020 Actual Capital Expenditures were $525.2 million[17]. In the 2021 ICM application, the 2020 forecast was $515.8 million.[18] Unlike in the Union Gas Rate Zones, Enbridge spent more than forecast. This demonstrates that Enbridge could find additional $9.4 million without the need for an ICM.

To demonstrate its need for 2022 ICM funding for the EGD Rate Zone, Enbridge needs to demonstrate that all of the projects included in its $734.3 million in-service capital forecast for 2022 are of greater priority than the three projects for which it is seeking ICM funding. If that were not the case, Enbridge could have accommodated the three projects within the $734.3

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[13] Exhibit I.CCC.1
[14] Exhibit B, Tab 2, Schedule 1, page 6, Table 2
[15] EB-2020-0181, Exhibit B, Tab 2, Schedule 1, page 5, table 2
[16] Exhibit I.EP.4(d)
[17] Exhibit B, Tab 2, Schedule 1, page 5, Table 1
[18] EB-2020-0181, Exhibit B, Tab 2, Schedule 1, page 4, table 1

million and sought ICM funding for some other projects that are now included in the $734.3 million, but Enbridge chose not to do that. Enbridge could have also deferred some of the projects within the $734.3 million forecast to a future year but did not do that because all of the projects are so urgent that none could be deferred. When one looks at the list of projects that make up the $734.3 million in-service capital forecast[19], it is difficult to believe that all of these projects are of higher priority than the two ICM projects. Enbridge claims to need ICM funding because it plans to spend all of its available capital funds on other projects. Energy Probe submits that Enbridge could easily defer some of the projects to make funds available for the two ICM projects in the EGD Rate Zone.

The Means Test

The OEB requires that a distributor seeking funding actually needs it.

"If the regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, the funding for any incremental capital project will not be allowed.[20]"

According to the evidence the 2020 regulated return of Enbridge Gas did not exceed 300 basis points above the Board-approved ROE. The 2020 actual ROE was calculated to be 8.717%, which was 19.7 bps above the 2020 OEB-approved ROE of 8.52%.[21]

<u>Energy Probe Submission</u>

The purpose of the Means Test is to show that applicant does not have the means to fund its entire capital program from its earnings and needs additional funds from ratepayers. The ROE calculation is designed to prove that. Energy Probe has no submission on the ROE of Enbridge Gas. However, Energy Probe believes that if Enbridge Gas deferred some of its capital projects[22], it would have the means to fund its capital program and would not need any additional funds from ratepayers.

[19] Exhibit I.EP.3(d)
[20] EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, section 4.1.4, page 15
[21] Exhibit B, Tab 2, Schedule 1, page 25
[22] Exhibits I.EP.3(d), I.EP.4(d)

Discrete Project Criteria

The OEB requires that ICM funding requests must be based on discrete, material projects.

"Amounts must be based on discrete projects and should be directly related to the claimed driver.[23]"

For Enbridge the OEB set a restriction that an individual project must exceed $10 million in service capital to be eligible for ICM funding.[24]

Energy Probe Submission

The onus is on Enbridge to prove to the OEB that its ICM funding requests are for discrete, material projects. Energy Probe submits that Enbridge has not provided adequate proof of that for three of the projects: Dawn to Cuthbert, Byron Station and St. Laurent Ottawa North as is explained later in this submission.

Incremental Revenue

The OEB Filing Requirements[25] state that the incremental revenue is relevant. The Filing Requirements specify that a distributor provide evidence regarding revenue generated by a proposed ICM project.

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

Calculation of each incremental project's revenue requirements that will be offset by revenue generated through other means (e.g., customer contributions in aid of construction)."

Energy Probe Submission

ICM approval is not only based on simple application of the threshold formula. It also depends on other considerations such as incremental revenue. Two of the five projects proposed by

[23] EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, section 4.1.5, page 17
[24] EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pages.32 and 33
[25] Filing Requirements for Electricity Distribution Rate Applications - 2020 Edition for 2021 Rate Applications - Chapter 3 Incentive Rate-Setting Applications May 14, 2020, pages 27 and 28

Enbridge for ICM funding generate incremental revenue: Kirkland Lake Replacement and Byron Station replacement.

Overall Eligibility for ICM Funding

In January 2019, the OEB explained overall eligibility for ICM Funding.

"As set out in the OEB's ICM policy, the ICM is a funding mechanism available to electricity distributors whose rates are established under the Price Cap IR regime, as described in Section 3.3.2 of the Filing Requirements.10 The OEB's ICM policy does not make ICM funding available for typical annual capital programs. It is also not available for projects that do not have a significant influence on the operations of the distributor. The ICM is intended to address the treatment of a distributor's capital investment needs that arise during the Price Cap IR rate-setting plan which are incremental to a materiality threshold. The ICM is available for discretionary and non-discretionary projects, as well as for capital projects not included in the distributor's previously filed Distribution Supply Plan. It is not limited to extraordinary or unanticipated investments.

In order to qualify for ICM funding, a request must satisfy the eligibility criteria of materiality, need and prudence, as set out in section 4.1.5 of the ACM Report. Changes to the materiality threshold were made in the Supplemental Report."[26]

Energy Probe Submission

Energy Probe believes that some of the projects that Enbridge is proposing for ICM funding consists of groupings of typical annual capital projects for a gas distribution utility such as replacement of corroded pipe, old gas heaters, piping modifications including the installation of minor piping components such as launchers and receivers for in-line inspection tools.

The Requests for ICM Funding

$23.5 million for the Dawn to Cuthbert Replacement and Retrofits

Enbridge is requesting approval for ICM funding from ratepayers for $23.5 million to replace approximately 650 m of the existing NPS 42 Dawn to Cuthbert pipeline to mitigate pipeline integrity concerns due to potential Stress Corrosion Cracking (SCC)[27]. In addition to the pipeline replacement, modifications are required in order to allow the passage of in-line inspection (ILI)

[26] EB-2018-0016, Decision and Order, Alectra Utilities Corporation, January 31, 2019, pages 4 and 5
[27] Exhibit B, Tab 2, Schedule 1 page 28

tools for future integrity management activities.[28] The modifications are launcher and receiver facilities for ILI tools at a location remote from the replacement. The Total Project cost including Indirect Overheads of $4,390,00 is $24,160,000[29].

Energy Probe Submission

The OEB requires that an application for ICM funding must be for a single project and not for a grouping of projects. This project consists of two discrete projects, the pipe replacement at one location and the installation of ILI launcher and receiver facilities at different locations. Even though individual costs of the two discrete projects can not be determined from the evidence, it is likely that the cost of at least one of the two projects is below the $10 million restriction for ICM funding. The onus is on Enbridge to prove that this Dawn to Cuthbert Replacement and Retrofits is a single discrete project and not a grouping of projects aggregated to qualify for ICM funding. Energy Probe submits that Enbridge has failed to prove that.

Moreover, if indirect overheads are excluded, it is likely that both projects are below $10 million. Indirect overheads are corporate department costs such as Regulatory Affairs, Finance, Law, and Human Resources allocated to the project. They are not incremental costs and should not be recovered by a rider that is supposed to recover incremental capital costs. Energy Probe also has concerns with the timing of this project. Evidence shows that integrity issues were known as early as 2001.[30] Enbridge has not explained why it is now urgent to proceed with this project.

ICM policy does not make ICM funding available for typical annual capital programs. It is also not available for projects that do not have a significant influence on the operations of the distributor. Replacement of corroded pipe is a typical annual capital program for a gas distribution utility. Enbridge and its predecessor gas distributors have been replacing corroded pipe since gas service started in Ontario more than 170 years ago.

OEB policy is that minor expenditures in comparison to the overall capital budget should be considered ineligible for ICM funding. The cost of this project is only 1.8% of the overall capital budget[31]. Energy Probe believes that this is a minor expenditure.

For all of the above reasons, Energy Probe submits that the OEB should not approve ICM funding for the Dawn to Cuthbert Replacement and Retrofits.

[28] Exhibit B, Tab 2, Schedule 2, page 8
[29] Exhibit B, Tab 2, Schedule 2, Appendix A, Table 1, page 471
[30] Exhibit B, Tab 2, Schedule 2, Appendix A, pages 31-43
[31] Exhibit I.APPrO.10, page 2

$20.4 million for the Byron Transmission Station Replacement

Enbridge is seeking approval for ICM funding of $20.4 million to replace the existing Byron Transmission Station. Enbridge claims that there are issues with the gas heaters, and concerns with integrity, noise, maintenance, and operations with the existing Byron Station. The new Byron Station will provide adequate capacity to support future growth[32] and attachment of new customers[33]. Total Project Costs, including Indirect Overheads of $3,648,311, are $20,380,828.[34]

Energy Probe Submission

Energy Probe has several concerns with this project. The first is that this is not a single project but actually consists of two discrete projects: the replacement of gas heaters and the replacement of station piping. If indirect overheads are excluded, it is likely that neither project would exceed $10 million. Indirect overheads are corporate department costs allocated to the project. They are not incremental costs and should not be recovered by a rider that is supposed to recover incremental capital costs.

ICM policy does not make ICM funding available for typical annual capital programs. It is also not available for projects that do not have a significant influence on the operations of the distributor. Replacement of gas heaters and station piping to reduce noise and improve maintenance are parts of a typical annual capital program for a gas distribution utility. Enbridge and its predecessor gas distributors have been doing this type of work since gas service started in Ontario. While Byron Transmission Station has significant influence on operations of Enbridge Gas, its replacement will not increase its significance. The reasons for the replacement are noise, maintenance difficulties and problems with gas heaters. When these are addressed the significance of the Byron Transmission Station will not increase but will remain the same.

ICM approval also depends on incremental revenue. According to Enbridge, Byron Transmission Station replacement will support future growth in the London area[35] which will generate incremental revenue that should be sufficient to fund the project.

OEB policy is that minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. This the cost of this project is only 1.6% of the overall capital budget[36]. Energy Probe believes that this is a minor expenditure.

Energy Probe submits that Enbridge has not proven that it should have ICM funding for the Byron Transmission Station Replacement project.

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[32] Exhibit B, Tab 2, Schedule 1, page 29
[33] Exhibit I.Staff.10
[34] Exhibit B, Tab 2, Schedule 2, Appendix B, Table 1, Page 31
[35] Exhibit B, Tab 2, Schedule 1, Page 11
[36] Exhibit I.APPrO.10, page 2

$20.7 million for the Kirkland Lake Lateral Replacement

Enbridge Gas has identified the need to replace the existing NPS 4 Kirkland Lake Lateral running through the Municipality of Kirkland Lake in District of Timiskaming with 8 km of NPS 4 pipeline. The project is a like-for-like replacement of pipeline and does not require a Leave to Construct approval. The current system includes two lines, the existing Kirkland Lake Lateral in scope for replacement and the NPS 8 Kirkland Lake Loop. The pipelines primarily serve approximately 3,126 customers in the towns of Kirkland Lake, Chaput Hughes, Swastika and the Macassa Mines. Based on the results of the Integrity and Risk Assessment, Enbridge Gas concluded that the existing lines are an operational risk and should be replaced in order to maintain the safety and reliability of natural gas distribution to the Municipality of Kirkland Lake.[37] Total Project Costs, including $3,750,059 in indirect overheads, are $20,666,340. The project cost estimate also includes 25% Contingency of $3,360,000.[38]

Energy Probe Submission

Energy Probe has several concerns with the funding request for this project. The 25% contingency for this project is greater than Dawn Cuthbert at 11.4% and Byron at 12% contingency. Enbridge has not used its contingency amount in a number of recent projects[39]. Energy Probe submits that the contingency for this project should be reduced to 12%.

The request for funding includes $3.8 million in indirect overheads. Indirect overheads are corporate department costs allocated to the project. They are not incremental costs and should not be recovered by a rider that is supposed to recover incremental capital costs.

The final concern is that Kirkland Lake Lateral Replacement will generate incremental revenue from Macassa Mines.[40] If the total requested amount is reduced by removing indirect overheads and excessive contingency, the incremental revenue should be sufficient to fund this project.

OEB policy is that minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. This the cost of this project is only 1.6% of the overall capital budget[41]. Energy Probe believes that this is a minor expenditure.

Energy Probe submits that Enbridge Gas does not need additional funding from ratepayers through the ICM rider.

[37] Exhibit B, Tab 2, Schedule 1, page 29
[38] Exhibit B, Tab 2, Schedule 2, Appendix C, page 147
[39] Exhibit I.EP.8, page 2
[40] Exhibit I.ADR Request.1
[41] Exhibit I.APPrO.10, page 2

$86.0 million for the St. Laurent Ottawa North Replacement Project

Enbridge Gas filed a Leave to Construct application with the OEB for the St. Laurent Ottawa North Replacement Phase 3 Project on March 2nd, 2021, under docket number EB-2020-0293. A revised Leave to Construct application was filed on September 10th, 2021. This project is needed to replace approximately 16 km of NPS 12 extra high pressure (XHP) steel gas main and approximately 400 m of NPS 16 XHP steel gas main in the city of Ottawa. Phase 2 of the project was approved as part of the Decision and Order in EB-2019-0006 and was placed into service in September 2020. In this application, Enbridge Gas is seeking ICM funding for Phase 3 of the project. Enbridge Gas has determined that the replacement of the St. Laurent Pipeline is needed to ensure the safe and reliable supply of natural gas to customers in Ottawa and Gatineau.[42] Total Project Costs including $22,544,094 of Indirect Overheads are $123,629,522 million[43]. That total includes both costs for IP PE (intermediate pressure polyethylene) pipe and XHP ST (extra high-pressure steel) pipeline. Enbridge is only applying for ICM funding for the XHP ST pipeline. The Total Project Costs for the XHP ST pipeline are $89,813,044 which includes $16,340,923 of Indirect Overheads.

Energy Probe Submission

Energy Probe has several concerns with the request for approval for ICM funding for this project. The first is that Phase 3 of what Enbridge calls St. Laurent Ottawa North Replacement Project is not one project but two discrete projects: the 16 km of NPS 12 and the 400m of NPS 16. The two projects are at different locations. It is likely that the smaller project does not meet the $10 million restriction and has only been included for the purpose of ICM funding which Enbridge inadvertently confirms in its evidence.[44]

The second concern is that the funding request includes $16.3 million in Indirect Overheads. Indirect overheads are corporate department costs such as Regulatory Affairs, Finance, Law, and Human Resources allocated to the project. They are not incremental costs and should not be recovered by a rider that is supposed to recover incremental capital costs.

The third concern is that the Phase 3 of St. Laurent Ottawa North is currently before the OEB in the EB-2020-0293 LTC proceeding. Energy Probe submits that the OEB should not approve ICM funding for a project that it may not approve in its LTC decision.

[42] Exhibit B, Tab 2, Schedule 1, pages 26 and 27.
[43] Exhibit I.EP.10, page 2
[44] Exhibit B, Tab 2, Schedule 1, page 27

$126.7 million for the NPS 20 Cherry to Bathurst Street Replacement Project

Enbridge Gas filed a Leave to Construct application with the OEB for the NPS 20 Replacement Cherry to Bathurst on July 31st, 2020, under docket number EB-2020-0136. The OEB approved the Leave to Construct application on December 17, 2020. This project is needed to replace approximately 4.5 km of steel gas distribution main on Lake Shore Boulevard from Cherry Street to Bathurst Street and a 260 m section on Parliament Street from Mill Street to Lake Shore Boulevard East (C2B) in the City of Toronto. The project is required to address integrity issues identified through the Enbridge Gas Distribution Integrity Management Program.[45] Total Project Costs including Indirect Overheads of $23,013,270 are $129,962,284.[46]

<u>Energy Probe Submission</u>

Energy Probe has no concerns regarding the need for the NPS 20 Replacement Cherry to Bathurst project since the OEB has previously approved the need in its EB-2020-0136 LTC decision. Energy Probe's only concern is the amount that Enbridge is seeking for ICM funding. The funding request includes $23 million for Indirect Overheads. Indirect Overheads are corporate department costs such as Regulatory Affairs, Finance, Law, and Human Resources allocated to the project. They are not incremental costs and should not be recovered by a rider that is supposed to recover incremental capital costs. Energy Probe submits that the OEB should only approve $106.9 million for ICM funding, which excludes money for Incremental Overheads.

Conclusion

Enbridge Gas has applied for ICM funding for five capital projects, three for the Union Gas Rate Zones and two in the EGD Rate Zone. This is the fourth application by Enbridge in four years. Energy Probe submits that the OEB should consider in its decision the cumulative impact of successive ICM funding applications by Enbridge.

Energy Probe submits that the OEB should not approve ICM funding for the three projects in the Union Gas Rate Zones: the Dawn to Cuthbert Replacement and Retrofits Project, the Byron Transmission Station Project, and the Kirkland Lake Lateral Replacement Project. It should also not approve ICM funding for the St. Laurent Ottawa North Replacement (Phase 3) Project in the EGD Rate Zone. The onus is on the applicant, Enbridge Gas, to prove that each of these projects met every one of the criteria for ICM funding. Energy Probe believes that Enbridge has not provided adequate proof.

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[45] *Ibid.*
[46] Exhibit I.EP.10, page 2

Energy Probe submits that the OEB should approve the ICM funding request for the NPS 20 Replacement Cherry to Bathurst Project in the EGD Rate Zone but at a reduced amount that excludes Indirect Overhead costs.

Energy Probe believes that it has participated efficiently and responsibly in this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

Respectfully submitted on behalf of Energy Probe by,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.