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March 4, 2022

VIA RESS

Ms. Nancy Marconi
Registrar
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Marconi:

Re: EB-2021-0148 – Enbridge Gas Inc. (EGI) 2022 Rates (Phase 2) Application.

Industrial Gas Users Association (IGUA) Written Submissions.

We write pursuant to Procedural Order No. 2 herein to provide brief submissions on EGI's request for ICM treatment in 2022 and 2023 for certain capital expenditures.

As context for these submissions, we note that EGI's forecast annual average capital expenditures for the period from 2022 through 2026 relative to the period from 2017 through 2021 are ~49% higher for the legacy EGD service territory[1] and more than 30% higher for the Union legacy service territory[2]. While this context should be fully explored in the EGI rate rebasing application expected to be filed later this year, the escalation in forecast capital spend leading up to the next rate plan period is already manifesting, including in 2022. There has been limited opportunity to test and understand the drivers for this trend, and that should inform the Board's consideration for what remains, even under an ICM framework, a request for extraordinary relief from the principle of decoupling of rates from costs that is said to underlie the incentive ratemaking framework under which EGI currently operates.

In this context, we submit that EGI's request for extraordinary capital expenditure recovery relief to allow recovery of an average annual revenue requirement of $5.4 million[3] for the projects included in this ICM application should be denied. EGI has not made out a case that it requires this relief to continue to operate, and invest prudently in, its system. We note in particular that the Dawn to Cuthbert project, the Byron Transmission Station and the Kirkland Lake Lateral Replacement represent 1.8%, 1.6% and 1.6%, respectively, of EGI's 2022 capital budget of $1.277 billion.[4] We

[1] ExB/T2/S1/p5/Table 1.
[2] ExB/T2/S1/p6/Table 2.
[3] ExB/T2/S1/pp.30 and 31.
[4] EBI.APPrO.10, part b.

further note that EGI's 2022 capital budget is, in turn more than 17% higher than the average capital budget for the 3 years ending in 2021.[5]

More than 26% of the annual average revenue requirement associated with the projects advanced in this ICM application (that annual average revenue requirement being $1.423 million[6]) is associated with the St. Laurent Ottawa North Replacement Phase 3 project which will not go into service in 2022 as asserted by EGI at the time that its application herein was filed. The Leave to Construct (LTC) application for the St. Laurent Phase 3 project is ongoing[7], with the record scheduled to close with EGI's reply submissions on or about April 4, 2022.[8] In the original prefiled evidence in respect of the St. Laurent Phase 3 project EGI indicated that construction of Phase 3 of that project was expected to take approximately 12 months, and at the time of filing it was expected to commence in August, 2021.[9] In its refiled application EGI's construction schedule for this project has been shortened to 9 months, commencing this month (March, 2022) and completed by December, 2022.[10] Neither of these schedules is now possible.

The matter was addressed this afternoon in the Technical Conference in that LTC proceeding, and we commend review of this afternoon's transcript on the matter by the Hearing Panel. In our view it seems highly unlikely that the St. Laurent Phase 3 project can be placed into service in 2022 without significant budget escalation. We further note that project is put forward as an integrity project, which means that even if the Board accepts the need for the project on that basis (which is a highly contested issue in that proceeding at the moment), there is no particular customer service driven deadline requirement for the project to be placed into service in 2022, in particular should doing so require access to the 30% project budget contingency as discussed by EGI's witnesses in the LTC application Technical Conference this afternoon.

The simple point in respect of EGI's request for ICM treatment for the planned St. Laurent integrity project is that EGI's request is premature, pending the demonstration of need, and the granting of leave to construct, for the project.

In conclusion:

1. The incremental 2022 and 2023 revenue requirement associated with the ICM projects put forward in this application does not warrant exceptional pass through treatment in the context of EGI's capital budget in 2022, in particular given the relatively untested and unvalidated escalating trend in that budget, and in particular in respect of the Dawn to Cuthbert, Byron Transmission and Kirkland Lake projects given their relatively immaterial incremental capital requirements in 2022.

2. EGI's request for ICM treatment, and recovery in rates of incremental revenues on account of, the St. Laurent Phase 3 project is premature. The need for that project has not been established, the Board has not granted leave to construct that project, and it is at best

[5] ExI.APPrO.10, part a.
[6] ExB/T2/S1/p31/Table 12, line 1.
[7] EB-2020-0293.
[8] EB-2020-0293, P.O. No. 5.
[9] EB-2020-0293, ExD/T1/S1/p9, Filed 2021-03-02, paragraph 13.
[10] EB-2020-0293, ExD/T1/S1/p9, Filed 2021-09-10, paragraph 12.

uncertain that this project can be placed into service in 2022, and whether that is necessary and warrants incremental capital expenditure to effect.

Yours truly,

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Intervenors of Record

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