

Elson Advocacy

October 4, 2022

BY RESS

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0157 – Enbridge Gas Inc. – Panhandle Regional Expansion Project

I am writing on behalf of Environmental Defence in response to your letter of October 3, 2022, which posed questions regarding the evidence that Environmental Defence is seeking to produce for this proceeding.

Question 1 asked us to clarify what new work is required for Dr. McDiarmid's proposed review, and how the previously filed evidence has been taken into account in the proposed budget. The new work would include the following:

1. **Customer-facing costs:** Dr. McDiarmid will base her report on customer-facing energy prices as Enbridge did in its evidence in this proceeding. In contrast, the report prepared by Dr. McDiarmid for the Demand Side Management ("DSM") proceeding in EB-2021-0002 was based on avoided cost figures consistent with the Total Resource Cost Test (TRC). Adjustments are required when using customer-facing costs instead of TRC avoided costs.
2. **Location-specific energy prices:** Dr. McDiarmid will base her work on the gas and electricity costs specific to the panhandle area. The report for the DSM proceeding was based on Ontario-wide averages.
3. **Updated assumptions:** Dr. McDiarmid will review assumptions and update them if there is new information available and/or if the analysis for this case calls for a different approach than the DSM case.
4. **New vs. existing customers:** Dr. McDiarmid may need to account for whether the customers included in Enbridge's analysis in this specific case are expected to be added as part of new residential developments, as these entail different costs.

5. **Analyze Enbridge model and assumptions:** Dr. McDiarmid will analyze Enbridge’s model and assumptions for calculating stage 2 savings/costs to assess whether it captures the variables needed to reasonably assess the impacts on customer energy costs.¹
6. **Adjust and re-run the Enbridge model:** If Dr. McDiarmid finds that the Enbridge model requires adjustments, she may make those adjustments and re-run the Enbridge model. It may be helpful for the OEB to have the results of the two different models. In addition, Enbridge may argue that its model is superior and should be the one used. Indeed, it has already stated that its “methodology has been accepted by the OEB in numerous past applications.”² In the event that there is a dispute about which methodology is best, it will be necessary for Dr. McDiarmid to also work with Enbridge’s model.

As illustrated above, the proposed report would provide significant value to this case by focusing on factors specific to this geographical area and Enbridge’s application. This would require a considerable amount of work even after leveraging the work completed in EB-2021-0002 and otherwise.

The previously filed evidence has been fully taken into account in the proposed budget. Although it goes without saying, Dr. McDiarmid would only seek payment for time spent specifically on this case – not for past time incurred in creating her model.

Question 2 asks how evidence on costs and savings to residential customers will assist the OEB when the project is being proposed to meet projected gas demand coming almost exclusively from contract customers. Although the need for the project is based mostly on contract customers (see Exhibit B), the project economics depend to a large degree on the impacts on residential customers (see Exhibit E). In particular, 62% of the purported \$214 to \$335 million in stage 2 savings come from residential customers.³ If heat pumps are cheaper than gas furnaces in this area, those purported benefits disappear, impacting the project economics on the scale of hundreds of millions of dollars. This is clearly relevant.

The evidence relating to residential customers would also be relevant, albeit in a less dramatic way, to need and alternatives. For instance, if residential heat pumps are cheaper than gas furnaces, and customers increasingly switch, this could free up pipeline capacity for other uses (i.e. reduce the need for incremental capacity). This could happen, for instance, as a result of the federal program that is subsidizing heat pumps. In addition, declining residential demand could deepen the forecast negative \$95 million stage 1 net present value by reducing forecast distribution revenues. All the impacts to the project economics could affect the weighing of alternatives.

Question 3 asked us to clarify Dr. McDiarmid’s qualifications to provide expert evidence on electric ground source heat pumps for greenhouses. Although Dr. McDiarmid does have considerable experience and qualifications in relation to heat pump technologies, Environmental

¹ Enbridge’s model is a single excel spreadsheet that can be found at EB-2022-0157, Exhibit I.ED.14, Attachment 1.

² Exhibit I.ED.14(i).

³ Exhibit I.ED.14 (Attachment 1); Another 24% comes from small commercial customers, which likely face similar heat pump costs in many cases as residential customers.

Defence expects that Dr. McDiarmid will only be providing factual evidence with respect to greenhouse heat pumps, not evidence that would properly be characterized as expert opinion.⁴ This evidence will be based on third party information, which will be clearly identified. We therefore do not anticipate needing to qualify Dr. McDiarmid as an expert specifically in relation to heat pumps for greenhouses. This would consistent with OEB practice, which does not require that a witness be qualified as an expert to give factual evidence based on clearly-identified third party information.⁵

We have described Dr. McDiarmid's potential evidence relating to greenhouses as "high-level comments on electric ground source heat pumps as an alternative option for new construction greenhouses." For instance, Dr. McDiarmid may point to the commercially available electric geothermal systems for heating and cooling greenhouses.⁶ However, Dr. McDiarmid would not be undertaking the kind of detailed cost-effectiveness calculations for greenhouses as she would for residential heat pumps.

Please let us know if any further information would be of assistance to the OEB in considering this request.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', written over a horizontal line.

Kent Elson

CC: Parties in the above proceeding

⁴ For details on the distinction between factual and opinion evidence, see: *White Burgess Langille Inman v. Abbott and Haliburton Co.*, 2015 SCC 23 (CanLII), [2015] 2 SCR 182, at para 14 ([link](#)).

⁵ See e.g. EB-2016-0160, *Decision and Procedural Order No. 4*, p. 6 ([link](#)).

⁶ See e.g. Ceres, *How To Mitigate Rising Gas Prices With Electric Greenhouses*, ([link](#)) and the Ceres EcoLoop ([link](#)).