

December 8, 2022

VIA RESS

Ms. Nancy Marconi
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Dear Ms. Marconi:

Re: EB-2022-0157 – Enbridge Gas Inc. (EGI) Panhandle Regional Expansion Project.
EGI Request for Abeyance.

We write as counsel for IGUA in connection with EGI's request for abeyance of the captioned matter.

The abeyance, if granted, will push the timing for determination of the application closer to the currently targeted in-service date for the planned Panhandle System expansion. In light of the resulting compressed time line between a decision on the matter and the currently targeted in-service date, we feel it appropriate to alert EGI now to IGUA's position that customer contributions in aid of construction (CIACs) should be required for this project. We do not want to be faced later with an argument from EGI that there is insufficient time to fulfill such a condition, should it be ordered.

EGI has indicated that a potentially material increase to certain components of the estimated project cost indicate a likely need to file new information and/or amendments to the evidentiary record prior to argument. While EGI is reworking the project, we respectfully suggest that it may wish to engage with the customers for whom the project is to be built regarding the potential for CIACs.

Without engaging in a full argument of the matter at this time, IGUA's current basic position on the application, on the basis of the facts as we understand them, can be summarized as follows:

1. The project is clearly uneconomic, with a PI well below 1.0. In the result, without CIACs, all customers whose rates include an allocation of Panhandle system costs will be subsidizing the project.
2. The project is being proposed to enable the provision of gas delivery service to specifically identified, and as we understand it largely committed, contract customers, within a specifically identified "Area of Benefit" (as that term is used in connection with the Hourly Allocation Factor, or HAF, methodology for allocation of project costs approved by the OEB in November 5, 2020 EB-2020-0094 *Decision and Order*).

3. In light of these circumstances, if the identified and committed contract customers driving the project are not required to provide CIACs to bring the project PI to 1.0, other customers will be subsidizing the project unduly. That is, the basic rate-making principle that costs should follow benefits will be unnecessarily, and thus unduly, violated. In the result, the rates of those customers who would, absent CIACs, be called upon to pay for the project would be unjust and unreasonable.
4. There are both legal and policy bases upon which CIACs can and should be required from the customers for whom the project is being advanced (which we will argue in due course).

While the principles summarized above are not dependant on historical circumstances regarding recent Panhandle System expansion, IGUA is particularly sensitive to the application of those principles in this case as a result of those circumstances. As matters currently stand, IGUA's Sarnia area members, who derive no benefit from the operation of the Panhandle System, are paying a significant portion of the costs of that system as recently expanded. Panhandle System and Sarnia Line costs are currently aggregated and allocated to customers on both lines, though the two lines operate separately from one another. While initially the costs of the two systems were roughly equal and so the aggregated allocation of these costs worked, as a result of the last [EB-2016-0186] Panhandle System expansion, also undertaken primarily to serve the growing agricultural sector in the Windsor-Essex corridor, the costs of the Panhandle System are now significantly greater than the costs of the Sarnia Line. Subject to a new approach to allocation of Panhandle System costs for 2024 and beyond (which we acknowledge will be reviewed along with overall cost allocation as part of EGI's now filed rebasing application [EB-2022-0200]), the current rate inequity would be exacerbated should the costs of the currently proposed Panhandle expansion not be apportioned in accord with the benefits of the project.

So as to ensure a substantive determination of the foregoing issues, and not a consideration deferred as a result of an avoidable timing crunch, IGUA respectfully suggests that as EGI is revisiting the economics of the current Panhandle expansion project, it concurrently revisit with the identified and committed customers who are driving the project the potential for CIACs, and confirm with those customers that their own economics continue to support commitment to the project should CIACs be required.

Yours truly,



Ian A. Mondrow

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Intervenors of Record