

Elson Advocacy

December 9, 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 the letter sent by IGUA yesterday. We share IGUA's concerns and wish to provide some brief additional comments.

The proposed in-service date is November 1, 2023, which Enbridge argues is necessary to meet growing demand. An abeyance until mid-February, plus the filing of new evidence, could push a decision in this case to May of 2023 or even later. We are concerned that Enbridge will argue against contributions in aid of construction (CIAC's) by saying that they do not have time to propose and secure CIACs while maintaining the in-service date.

In addition to fairness considerations, Environmental Defence believes CIAC's are important to avoid skewed incentives. A cross-subsidy for gas infrastructure skews the incentives facing customers who are deciding between gas and electricity (or biomass) to meet their needs. This is not economically rational or efficient. This is particularly concerning to Environmental Defence because the skewed incentives favour fossil fuels over low-carbon alternatives.

The actual wording of EBO 134 contemplates the possibility of CIACs for transmission projects.¹ In addition, unlike previously approved transmission projects, there are no stage 2 benefits in this case, let alone sufficient stage 2 benefits to justify the major cross-subsidy that is required. Although the project need is justified by large contract customers, the purported stage 2 benefits are justified by Enbridge based mainly on savings to future new residential customers. But these customers can heat more cost-effectively with electric heat pumps due to recent advances in efficiency, improved cold-climate performance, and increasing carbon prices and gas prices. Without stage 2 benefits, the only beneficiaries are the large contract customers, making it even clearer that CIACs are needed.

Environmental Defence is not asking the OEB to make any determinations at this stage and is not opposing the abeyance or requesting any conditions be put on the abeyance. We only raise this issue now so we can refer back to this letter should Enbridge argue three months from now that it

¹ EBO 134, Report of the Board, June 1, 1987, s. 7.29 & 7.31 ([link](#)).

is too late to put together a proposal based on CIACs. We believe this project fails the EBO 134 test for a number of reasons that will be fully detailed in final submissions. But we note in relation to the present issue that the only way the project could possibly pass the purely economic tests is for CIACs to be secured to bring the profitability index above 1. The onus, in our view, is on Enbridge to put forward a proposal that meets the economic tests.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', written in a cursive style.

Kent Elson

cc: Parties in the above proceeding