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Enbridge Gas Inc.
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VIA EMAIL and RESS

March 28, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (“Enbridge Gas” or the “Company”)
Ontario Energy Board (“OEB”) File Nos.
EB-2022-0156 – Selwyn Pipeline Project
EB-2022-0248 – Mohawks of the Bay of Quinte First Nation Pipeline Project
EB-2022-0249 – Hidden Valley Pipeline Project
Intervenor Evidence Proposal**

This letter is in response to the intervenor evidence proposal dated March 9, 2023, submitted by Environmental Defence (“ED”) in relation to the above noted leave to construct applications (collectively referred to as the “Applications”).

ED proposes to file evidence that is a cost comparison exercise, comparing the costs for an average customer in each of the relevant three communities to convert their heating to electric heat pumps instead of natural gas. ED asserts that this cost comparison is relevant to the Company’s natural gas attachment forecasts which drive the revenue forecasts for the Applications, and to the financial risks to existing customers.

Enbridge Gas submits that ED’s request to submit evidence should be denied since the proposed cost comparison exercise is a theoretical one that ignores and is inconsistent with the Government of Ontario’s policy basis underpinning the Applications (the *Access to Natural Gas Act, 2018*), as well as the OEB’s Integrated Resource Planning (“IRP”) Framework (EB-2020-0091) which precludes projects of this nature from IRP alternative assessment. Furthermore, ED’s proposal will provide the OEB with no insight into the energy interests expressed by actual residents and business-owners within the relevant three communities.

The Government of Ontario’s Natural Gas Expansion Program (“the Program”) was explicitly created under the *Access to Natural Gas Act, 2018*, to help expand access to natural gas to areas of Ontario that currently do not have access to the natural gas distribution system.¹ The above noted projects and their associated communities were

¹ <https://www.ontario.ca/page/natural-gas-expansion-program>

specifically assessed by the Government of Ontario and selected to receive funding via the Program on June 9, 2021, among hundreds of other project applications. The granting of Government of Ontario funding was rooted in extensive community consultation and support, together with local, geo-targeted market analysis to assess and substantiate customer interest in natural gas. For this reason, Government of Ontario endorsement through the Program's funding is fundamental to the need for the project Applications.²

Furthermore, the OEB determined within its IRP Framework for Enbridge Gas that:³

...given the goal of the Ontario Government's Access to Natural Gas legislation to extend gas service to designated communities, Enbridge Gas is not required to develop an IRP Plan or consider alternatives to the infrastructure facilities to meet this need.

As such, Enbridge Gas submits that analyses of non-natural gas alternatives (e.g., electric heat pumps) are not relevant to the above noted proceedings. ED's evidence proposal is an inappropriate effort to reconsider the Binary Screening Criteria set out within the OEB's IRP Framework decision.

Additionally, ED's evidence would provide the OEB with no insight into the energy interests expressed by actual residents and business-owners within each of the three communities associated with the Applications. Instead, ED's proposal indicates that its evidence would leverage previous electric heat pump evidence filed by ED in other OEB proceedings. The most recent instance of such evidence was filed in the Panhandle Regional Expansion Project proceeding (EB-2022-0157) wherein ED's evidence included assumptions and analysis of the cost-effectiveness of high-efficiency all-electric configurations from the customer's perspective.⁴ However, that analysis provided no substantiation of realistic market adoption rates by customers for high-efficiency all-electric configurations. Additionally, ED's evidence did not consider the availability of existing electricity generation/transmission/distribution capacity, nor the potential costs associated with incremental electricity capacity, required to serve the affected communities.

Notwithstanding ED's references to Federal government incentives and loans for electric heat pumps, ED's evidence proposal does not reference an assessment of expected customer responses to those incentive levels and/or loan opportunities, nor an assessment of the non-financial factors that affect customer decision making with respect to choosing all-electric configurations versus natural gas. ED's proposal makes no connection between the proposed evidence and actual customer energy interests within the relevant three communities. By contrast, the Company's Applications rely upon local, geo-targeted market analysis conducted to assess and substantiate the energy interests of actual residents and business-owners within each of the three communities.⁵

² EB-2022-0156/EB-2022-0248/EB-2022-0249, Exhibit B

³ EB-2020-0091, Decision and Order, Appendix A, p. 10

⁴ EB-2022-0157, ED Intervenor Evidence, "Evidence regarding stage 2 analysis and gas alternatives for greenhouses", submitted October 28, 2022, pp. 4-5

⁵ EB-2022-0156/EB-2022-0248/EB-2022-0249, Exhibit B

With respect to ED's reference to the financial risks to existing customers, ED's proposal fails to acknowledge that there exists a risk management regime established by the OEB with respect to funded community expansion projects. The OEB has previously determined how it will deal with circumstances where the parameters underlying a particular community expansion-related project have changed since funding was awarded, over the course of the 10-year rate stabilization periods ("RSP"), and beyond. Under that regime, Enbridge Gas accepts that the Company is at risk for potential revenue shortfalls during the 10-year RSP. Similarly, the OEB has expressly determined that actual capital costs and actual customer attachment and volumetric forecasts associated with all community expansion projects (including a revised DCF calculation and project PI) will be brought forward to be included in the determination of rates, subject to OEB review and approval, as part of the rate rebasing proceeding following the end of each project's respective RSP.⁶ Importantly, the OEB has also determined that it will consider any questions about the treatment of any revenue surplus or shortfall beyond the RSP at that same time.⁷ As a result, the financial impacts to existing customers caused by any revenue surplus or shortfall will be dealt with in a subsequent proceeding and not the above noted proceedings. Therefore, the evidence proposed by ED on the basis of existing customers risk will not further the OEB's consideration of whether to grant leave to construct.

Based on the foregoing, the OEB should deny ED's request to submit evidence in the above noted proceedings.

As a matter of procedural fairness, the Company asks that if the OEB makes provision for ED's proposed evidence it also make provision for discovery and for Enbridge Gas to file responding evidence, should the Company elect to do so. Regarding procedural timing, ED's proposal requests that the due date for ED's evidence be two or three weeks after the due date for Enbridge Gas's interrogatory responses regarding the Company's pre-filed evidence. Enbridge Gas does not object to ED's timeline request, and similarly requests that the due date for the Company's reply evidence be two or three weeks after the due date for ED's interrogatory responses regarding its intervenor evidence.

If you have any questions, please contact the undersigned.

Sincerely,

Haris Ginis
Technical Manager, Leave to Construct Applications

⁶ EB-2020-0094

⁷ EB-2019-0188, Decision and Order, May 7, 2020: pp 12-13

c.c. Charles Keizer (Torys)
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