

EB-2022-0200
Enbridge Gas Rebasing Application

**Interrogatories of Environmental Defence re OEB Staff Evidence on
Capital Structure (London Economics International)**

Interrogatory # M2-ED-1

Reference: Report, p. 20

Preamble:

“The transition is expected to play out over multiple decades, which provides Enbridge Gas some time and predictability to prepare and mitigate the risks, while opening up new opportunities”

Question(s):

- (a) Please comment on measures to mitigate the risk that demand continues to rise in the short-term (e.g. five years), triggering pipeline growth spending, but then declines shortly after the initial short-term period, undermining the need for the incremental capacity from the recent pipeline project long before the end of the economic life of the assets.
- (b) Please comment on the following potential measures to mitigate energy transition risks:
 - (i) Collect more of the capital costs of new connections from new customers to mitigate the risk that they leave the system before paying down the connection costs covered by rates and to reduce the system access costs borne by existing customers (e.g. reducing the 40-year revenue horizon used to calculate customer capital contributions);
 - (ii) Collect more of the capital costs of growth projects from customers driving the needs ensure the beneficiary pays, reduce rate base, and mitigate the risk that the incremental capacity is not needed before the end of the assets economic life;
 - (iii) In pipeline capital spending decisions (including LTC and sub-LTC cases), expressly accounting for the *potential likelihood* of future demand declines that would result in the incremental asset being underutilized or no longer useful in the economic cost-effectiveness test;
 - (iv) Accelerated depreciation for (A) all assets, (B) only new assets, and/or (C) assets facing the greatest stranded asset risks (e.g. “small pipes” serving residential customers that can easily switch to more cost-effective heat pumps, pipes that are incompatible with hydrogen, etc.).

Interrogatory # M2-ED-2

Reference: Report, p. 20

Preamble:

“Based on LEI’s assessment, there are uncertainties about viable alternatives to natural gas from an investor’s perspective, particularly with regards to trajectory of fuel costs for hydrogen and RNG over the next decade. As discussed earlier, there are also significant price pressures in the market from heat pumps as alternatives to natural gas. Heat pumps are expected to be cheaper and more efficient than hydrogen based space heating.^{42, 43}”

Question(s):

- (a) Please elaborate on the basis for LEI’s above assessment.
- (b) Please file a copy of the papers cited in footnote 42 and 43.