



**Enbridge Gas Inc.**

**Application for leave to construct natural gas pipeline and associated facilities in  
the Town of Huntsville & District of Muskoka**

**PROCEDURAL ORDER NO. 3**

**June 28, 2023**

Enbridge Gas Inc. (Enbridge Gas) has applied to the Ontario Energy Board (OEB) under sections 90 and 97 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), for an order granting leave to construct approximately 4 kilometers of natural gas pipeline and associated facilities in the Town of Huntsville and District of Muskoka. The proposed natural gas pipeline consists of approximately 4 kilometers of Nominal Pipe Size 2-inch polyethylene distribution pipeline. According to Enbridge Gas the project is needed to supply natural gas to approximately 130 customers within the Town of Huntsville and District of Muskoka. Enbridge Gas has also applied to the OEB for approval of the form of land-use agreements it offers to landowners for the routing and construction of the project.

The project was selected to be eligible to receive funding assistance as part of Phase 2 of the Government of Ontario's Natural Gas Expansion Program (NGEP), which provides financial support to help utilities expand natural gas distribution into communities that are not currently connected to the natural gas system.

**Supplemental Interrogatories**

On April 17, 2023, in a Decision on Intervenor Evidence and Confidentiality the OEB denied Environmental Defence's request to file evidence comparing the costs, for an average customer, to convert their existing heating systems to electric heat pumps relative to the cost of converting to natural gas.<sup>1</sup>

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<sup>1</sup> Environmental Defence's proposed evidence relates to three applications for leave to construct currently before the OEB: Selwyn Pipeline Community Expansion Project, EB-2022-0156; Mohawks of the Bay of Quinte and Shannonville Community Expansion Project, EB-2022-0248; Hidden Valley Community Expansion Project, EB-2022-0249. All three projects are eligible for NGEP funding.

Among other reasons for its decision, the OEB stated that it “finds that the impact of cold climate heat pumps, and relevance to, the economics of the proposed natural gas expansion projects may be explored without the necessity of the Environmental Defence evidence, but rather through interrogatories or by further discovery or follow-up as the OEB may require.”<sup>2</sup>

Environmental Defence filed a letter on April 25, 2023, indicating its intent to file supplemental interrogatories pursuant to the OEB’s decision.

On April 28, 2023, Environmental Defence filed certain supplemental interrogatories.

On May 1, 2023, Enbridge Gas filed a letter stating that it should not be required to respond to Environmental Defence’s supplementary interrogatories until after the responses to the original interrogatories were filed and only if the OEB, after consideration of those responses, determined additional discovery was required.

Enbridge Gas filed its responses to the original interrogatories on May 2, 2023, indicating that it would file an update to its response to Environmental Defence’s original interrogatory I.ED.16 part (e) no later than May 31, 2023.

In Procedural Order No. 2, issued May 23, 2023, the OEB placed Enbridge Gas’s application in abeyance as of April 24, 2023, pending the filing of Enbridge Gas’s update to I.ED.16 part (e) and any updates to other interrogatory responses impacted by the update, in accordance with the OEB’s Protocol for Adjusting Adjudicative Timelines. The OEB resumed processing the application upon receipt of Enbridge Gas’s updated evidence on May 31, 2023.

In Procedural Order No. 2, the OEB also set a process for parties to file submissions on the need for supplemental interrogatories (including Environmental Defence with respect to its proposed supplemental interrogatories filed on April 28) by June 7, 2023. Parties filing a submission were also required to describe the purpose of their intended supplemental interrogatories. Environmental Defence and Pollution Probe filed submissions related to the need for supplemental interrogatories.<sup>3</sup>

On June 5, 2023, Pollution Probe filed supplemental interrogatories related to the cost-effectiveness of high efficiency electric cold climate air-source heat pumps. On June 6, 2023, Pollution Probe filed a letter clarifying that its supplemental interrogatories include

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<sup>2</sup> Decision on Intervenor Evidence and Confidentiality, April 14, 2023, p. 5

<sup>3</sup> Environmental Defence’ and Pollution Probe’s letters relate to three applications for leave to construct currently before the OEB: Selwyn Pipeline Community Expansion Project, EB-2022-0156; Mohawks of the Bay of Quinte and Shannonville Community Expansion Project, EB-2022-0248; Hidden Valley Community Expansion Project, EB-2022-0249.

questions specific to information gaps that will impact consumer energy choices now and over the asset recovery period for the affected communities.

On June 7, 2023, Environmental Defence requested that the OEB allow supplemental interrogatories on the cost-effectiveness of cold climate heat pumps. Environmental Defence cited a number of issues it had identified with Enbridge Gas's May 31 interrogatory response update that it noted needed to be explored through supplemental interrogatories. Environmental Defence stated that exploring those issues would clarify the financial factors customers would face over the 40-year revenue horizon as they decide whether to attach to the gas system, and for those that do attach, whether to stay with the gas system when their heating equipment reaches end of life.

On June 13, 2023, Enbridge Gas filed a letter responding to Environmental Defence's and Pollution Probe's submissions. Enbridge Gas stated that there is no need for supplemental interrogatories. Enbridge Gas stated that it does not have additional information on the topic of cost-effectiveness of conversions to high-efficiency electric cold climate air source heat pumps when compared to natural gas furnaces for space heating beyond what it included in the updated interrogatory response dated May 31, 2023. Enbridge Gas also addressed Pollution Probe's request for supplemental interrogatories on air conditioning analysis and federal grants for electric heat pumps by confirming that it has no information to add to what it already filed in the May 31 updated interrogatory response.

In response to Pollution Probe's supplemental interrogatory regarding the Demand Side Management (DSM) Total Resource Cost-Plus (TRC+) test, Enbridge Gas stated that the test has not been established by the OEB as an applicable cost-effectiveness test for leave to construct applications. Enbridge Gas's view is that the interests expressed by the actual prospective customers in a project area directly reflect consumers' preferences based on financial and non-financial considerations.

On June 14, 2023, Environmental Defence filed a response to Enbridge Gas's June 13, 2023 letter. Environmental Defence restated its position that further discovery is required. Environmental Defence supported its position by addressing each of the statements set out in Enbridge Gas's June 13 letter.

Environmental Defence submitted that the analysis of the cost-effectiveness of heat pumps provided by Enbridge Gas in its May 31st interrogatory response update is not sufficient and leaves questions unanswered and therefore further evidence on these issues is needed.

## Direction with respect to additional information requests

The OEB recognizes that Environmental Defence seeks to evaluate the cost and efficiency of other methods of heating such as electric heat pumps for comparison with the costs of connection to Enbridge Gas's natural gas system.

The OEB understands that the underlying reason for the request is to assess the reasonableness of Enbridge Gas's customer attachment forecast, which is a key component of the economic analysis supporting the application. If the costs of natural gas heating and alternate heating methods are comparable, or if the alternate methods are less costly, depending upon the future price of electricity and other factors, the risk is that fewer customers may sign up for natural gas service once the project is completed.

Environmental Defence in its letters dated June 7th and June 14th provided a general critique of the quality of the heat pump cost analysis provided by Enbridge Gas and its consultant Guidehouse. Environmental Defence noted that, in its view, the analysis of both Guidehouse and Enbridge Gas was disjointed and unhelpful, and also pointed to a lack of transparency of the models.

Environmental Defence stated that it would be beneficial for Enbridge Gas to further explain the rationale for not including certain factors in the analyses and/or rerun the models to include certain factors.

Environmental Defence considered the following to be the deficiencies of Guidehouse's and Enbridge Gas's analyses:

1. Environmental Defence's position is that certain formulas and assumptions are missing and/or not clearly described in Enbridge Gas's spreadsheets. Environmental Defence stated that the figures in the spreadsheets are "static" and do not include the formulas used to calculate the outputs. Environmental Defence requested that the assumptions and formulas for Enbridge Gas's calculations be provided.
2. The monthly customer charge is referenced by Guidehouse but not included in its formula in the model. The monthly customer charge appears to be included in Enbridge Gas's analysis. However, this is not entirely clear as Enbridge Gas's spreadsheets are "static" without access to the formulas used. Environmental Defence asked that Enbridge Gas advise whether the monthly customer charge is properly applied and, if necessary, to adjust the calculations, showing the formulas.

3. The new Extra Line Charge (ELC) is not included in either Guidehouse's or Enbridge Gas's analyses. Environmental Defence requested that the analysis by Guidehouse and Enbridge Gas be updated to include the ELC.
4. Increases in the Federal carbon charge are not included in the Guidehouse formula. It is not clear whether the increases in the Federal carbon charge are included as part of Enbridge Gas's calculations because the formula is not shown. Environmental Defence requested that the analysis by Guidehouse and Enbridge Gas be redone to incorporate carbon charge increases.
5. Enbridge Gas stated that it included the System Expansion Surcharge (SES) in the calculations. Environmental Defence stated that this is not verifiable as the formula is not shown and the numbers are "static." Environmental Defence noted that none of Guidehouse's formulas include SES as an input.

Environmental Defence asked that the formulas showing that the SES was included be provided by Enbridge Gas, and confirmation that Guidehouse did not account for SES in its analysis.

6. Annual cooling costs are not included in either Enbridge Gas's or Guidehouse's models. Environmental Defence maintained that the cooling costs saving are relevant and should be incorporated into the analysis provided by Guidehouse and Enbridge Gas to provide for meaningful cost comparison.
7. Environmental Defence asked that the models use the rate design proposed in Enbridge Gas's rebasing proceeding.<sup>4</sup> Guidehouse used the existing rate design. Environmental Defence's view is that the proposed rate design should be used for residential customers and be incorporated in the calculations.
8. Federal rebates are not included in the Guidehouse model. It is not clear to Environmental Defence which rebates were included in Enbridge Gas's analyses. Environmental Defence asked that the analysis of Guidehouse and Enbridge Gas should be updated to account for Federal rebates. Environmental Defence is looking for Enbridge Gas to confirm which Federal rebates it included or excluded from its analysis and to provide justification for why any rebates were excluded.
9. Heat pump cost estimates (i.e. upfront heat pump costs) provided by Enbridge Gas are, in Environmental Defence's view, not reliable or accurate.

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<sup>4</sup> Enbridge Gas Inc. Rebasing Application, EB-2022-0200

Environmental Defence asked that Enbridge Gas revise its analysis “based on reputable third-party cost figures”.

The OEB requests that Enbridge Gas respond to the above noted questions advanced by Environmental Defence in its argument-in-chief on a best-efforts basis with the exception of questions 3 and 7.

Questions 3 and 7 relate to matters that are presently before the OEB in a separate proceeding<sup>5</sup> and as such, Enbridge Gas is not required to consider them in its response.

Further, and in addition to submissions on any other issues that are within the scope of the proceeding, the OEB would like all parties to address the following in their submissions:

- In light of section 36.2 of the OEB Act and O. Reg 24/19, what factors must the OEB consider in determining the public interest pursuant to section 96(1)?
- What is the expected impact of take up of other forms of energy delivery to the customers that will be provided access to natural gas through the completion of the project?
- What is the appropriate treatment of the Project after the rate stability period has concluded? Please include treatment if a shortfall of expected Project revenue has occurred.

Further supplemental interrogatories will not be required by the OEB and Enbridge Gas is not required to respond to the supplemental interrogatories already on the record, with the exception of its response to the Environmental Defence correspondence described above.

### **Next Steps**

At this time, provision is being made for Enbridge Gas’s argument-in-chief (including responses to the matters identified in Environmental Defence’s correspondence as set out above), written submissions by OEB staff and intervenors and written reply by Enbridge Gas.

By letter dated May 9, 2023, Pollution Probe submitted that Integrated Resource Planning and non-natural gas project alternatives should be included in the assessment of NGEF projects regardless of the funding and support provided by the Government of Ontario through the NGEF. In a letter dated May 16, 2023, Enbridge Gas submitted that

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<sup>5</sup> Enbridge Gas Inc. Rebasing Application, EB-2022-0200

this argument would be more appropriately addressed in submissions. The OEB agrees with Enbridge Gas that this issue would be more appropriately addressed in submissions.

In its letter, Enbridge Gas also suggested filing a single written reply submission addressing all three community expansion projects<sup>6</sup> to enable an effective and efficient review by the OEB and parties. Enbridge Gas suggested that the single submission would address both common and unique issues with respect to the three applications. The OEB accepts Enbridge Gas's approach to file a single written reply submission addressing all three community expansion projects.

The OEB will also allow Enbridge Gas the option to file a single argument-in-chief for all three community expansion projects. Similarly, if OEB staff or intervenors wish to file a single written submission for all three community expansion projects they may do so.

#### **THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. Enbridge Gas shall file an argument-in-chief with the OEB and serve it on all parties by **July 14, 2023**.
2. Any written submissions from OEB staff and intervenors shall be filed with the OEB and served on all parties by **July 28, 2023**.
3. Any written reply submission from Enbridge Gas shall be filed with the OEB and served on intervenors by **August 11, 2023**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2022-0249** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\)](#)

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<sup>6</sup> Selwyn Pipeline Community Expansion Project, EB-2022-0156; Mohawks of the Bay of Quinte and Shannonville Community Expansion Project, EB-2022-0248; Hidden Valley Community Expansion Project, EB-2022-0249

[Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.

- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact [registrar@oeb.ca](mailto:registrar@oeb.ca) for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Petar Prazic at [petar.prazic@oeb.ca](mailto:petar.prazic@oeb.ca) and OEB Counsel, Michael Millar at [Michael.Millar@oeb.ca](mailto:Michael.Millar@oeb.ca).

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**DATED** at Toronto, **June 28, 2023**

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar