



Haris Ginis
Technical Manager
Leave to Construct Applications
Regulatory Affairs

tel 416-495-5827
haris.ginis@enbridge.com
EGIRegulatoryProceedings@enbridge.com

Enbridge Gas Inc.
500 Consumers Road
North York, Ontario
M2J 1P8

VIA EMAIL and RESS

September 26, 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 No. EB-2022-0111
Bobcaygeon Community Expansion Project (“Project”)
Reply Submission Regarding Need for Technical Conference**

Pursuant to the OEB’s Procedural Order No. 1 dated August 14, 2023, this is Enbridge Gas’s response to the correspondence of each of Environmental Defence (“ED”), Pollution Probe (“PP”) and the Federation of Rental-housing Providers of Ontario (“FRPO”) wherein requests for a technical conference were made. PP also made submissions regarding the submission of evidence by ED.

Enbridge Gas submits that a technical conference is not required since the record is complete and no party raised a substantive area that requires further inquiry or clarification. With respect to ED’s request to file evidence, Enbridge Gas submits that the OEB should deny ED’s request.

In support of its request for a technical conference, ED refers to various interrogatory responses and potential areas of inquiry. However, a closer examination of each of these interrogatory responses shows that the interrogatories were responded to fully and completely:

- *Exhibit I.ED.9* – Regarding this interrogatory, ED has only indicated that it requires details related to Enbridge Gas’s customer survey. However, extensive detail was provided in response to ED’s questions.
 - In response to Exhibit I.ED.9(a) requesting particulars related to survey respondents that have various space heating equipment, Enbridge Gas directed ED to where that information can be found within the pre-filed evidence.
 - The size of the household and income for those using oil heating were provided as requested in Exhibit I.ED.9(b). The granular survey results

and materials requested in Exhibit I.ED.9(c) and (d) were provided as attachments together with documentation to aid in understanding the survey output data in Exhibit I.ED.9(e).

- In response to the request that Enbridge Gas provide the number of respondents with air conditioning, Enbridge Gas responded in Exhibit I.ED.9(f) that the survey did not collect information on air conditioning as summer cooling was not relevant to the survey. But to provide assistance, the response provided the proportion of air conditioning across Enbridge Gas's franchise area as a whole.
- In Exhibit I.ED.9(g), ED requested the average age of propane furnaces for respondents with propane who are likely to connect to the natural gas system. Enbridge Gas was directly responsive to the question indicating that the average age of propane systems used as the primary heating source was 8.02 years in total and 8.55 years among those likely to connect to natural gas.
- *Exhibit I.ED.12* – In Exhibit I.ED.12, ED requested that Enbridge Gas complete a table showing the typical or average costs for a home to convert to natural gas space heating from different existing heating systems, including all costs. Enbridge Gas indicated that it did not have the requested information with respect to actual homes in the Project area. But to provide assistance, Enbridge Gas provided information regarding general/illustrative estimates relevant to the question. Enbridge Gas cautioned in Exhibit I.ED.12 that it was not appropriate to draw conclusions regarding actual homes in the Project area using general or theoretical estimates/averages, as conversion costs for actual homes can vary. As indicated by the OEB, it is the information related to the customers in the Project area that is the best evidence.¹
- *Exhibit I.ED.22* – Regarding Exhibit I.ED.22, ED raised a concern in its letter about the supposed exclusion of costs for mains that will be required for new developments. However, this information was not excluded in Enbridge Gas's calculation. Exhibit I.ED.22(c)(iii) asked Enbridge Gas to indicate whether the full cost of mains that are required in new developments that form part of the connection/revenue forecast are included in the incremental capital costs shown in the DCF table. Contrary to the statement made in ED's letter, Enbridge Gas indicated that they were included.

Also, in respect of Exhibit I.ED.22, ED raised in its letter a question related to the basis for excluding normalized reinforcement costs in the calculation of the profitability index and in the DCF tables. Enbridge Gas responded in Exhibit I.ED.22(c)(vi) that normalized system reinforcement costs ("NSRC") are not applicable to community expansion projects and that all reinforcement costs associated with the Project are directly applied in the DCF analysis for the Project. The cost of reinforcement required for community expansion projects are

¹ OEB Decision and Order (September 21, 2023), EB-2022-0249, p. 19; EB-2022-0248, p. 20; EB-2022-0156, p. 20.

separate to, and not included within, calculations of NSRC. Therefore it would not be appropriate to apply NSRC.

- *Exhibit I.ED.27* – Regarding Exhibit I.ED.27, ED raised a concern regarding the basis for the average use assumptions underlying the revenue forecast. In Enbridge Gas’s response to the interrogatory, the Company provided the underlying assumptions used in its DCF analysis including the average use assumptions. The assumptions used are Enbridge Gas’s best available information based on Company data for homes within the broader area relevant to the Project area.

Also, in respect to Exhibit I.ED.27, in ED’s letter the question is raised of how Enbridge Gas will track and report on variances in average use, and potential revenue shortfalls arising therefrom over time, and who will bear those risks between the shareholder and ratepayer. As per the OEB’s Decision in EB-2020-0094, the variance between the actual and forecast capital, revenue and customer additions will be reported to the OEB at the end of the Rate Stabilization Period (“RSP”). As the OEB concluded in EB-2022-0156/0248/0249, in the first rebasing following the expiration of the RSP the OEB will review the actual project costs and revenues and determine what amount should be recognized in rates.

- *Exhibit I.ED.28* – In its letter, ED indicated that further inquiry was needed related to the details and appropriateness of Enbridge Gas’s analysis of the potential for heat pumps to impact customer attachments after Project commencement. The questions posed in Exhibit I.ED.28 were similar to the interrogatory posed by ED at Exhibit I.ED.16 in EB-2022-0156/0248/0249 related to community expansion projects. As in those cases, Enbridge Gas provided a detailed response as to what it could and could not calculate related to the use of heat pumps in the Project area. However, it is important to note the OEB’s ruling on this. The OEB stated:

The OEB notes that the evidence and submissions in this proceeding have dealt extensively with the potential installation of electric heat pumps in terms of potential customer cost savings and their possible adoption by the communities to be served by Enbridge Gas. Such take-up might occur either before or after the extension of natural gas service to the communities. In turn, the effect of such take-up is addressed as a potential risk to project viability.² ...

The approval of the Leave to Construct requested in this application does not restrict customers in these communities from obtaining heat pumps either before or after an extension of natural gas service to these communities. Nor does it remove Enbridge Gas’s DSM program responsibilities in these communities.

² Ibid, p. 18; p. 19; p. 21.

Enbridge Gas's evidence supporting the economic viability of the Project was largely the positive response to its outreach and solicitation provided by the market survey results. The extrapolation of such results to the financial metrics of the proposed expansion is a key factor in that requisite economic assessment.

The OEB agrees with Enbridge Gas that the decision of individual consumers to opt for natural gas service is based on "all relevant factors including financial and non-financial considerations relevant to their geographic location, heating need, housing and electrical standard."

In the result, notwithstanding the potential benefits that heat pumps may afford to customers in general, the OEB finds that the best evidence in this proceeding that addresses those factors for the Project is provided by the willingness of potential customers to obtain natural gas service demonstrated by the market surveys submitted.³

Based on the OEB's ruling in EB-2022-0156/0248/0249, the information provided in Exhibit I.ED.28 and any potential further inquiry is not of assistance to the determination of the public interest.

- *Exhibit I.ED.1 and Exhibit I.ED.36* – ED stated it wanted clarifications regarding questions that Enbridge Gas appears to have misinterpreted in Exhibit I.ED.1 and Exhibit I.ED.36. However, ED provided no justification for its view that Enbridge Gas misinterpreted the questions posed and thereby provided no justification for a technical conference. In fact, Enbridge Gas did not misinterpret the questions posed.

In Exhibit I.ED.1, ED sought certain calculations regarding the relative cost-effectiveness between natural gas and electric heat pumps. Enbridge Gas indicated that the question required complex and burdensome analysis involving information that the Company did not currently have with respect to actual homes in the Project area, and that the evidence to which the interrogatory was directed was not intended to provide information regarding or insight into consumer conversions from natural gas to non-natural gas energy solutions. In this regard, Enbridge Gas also relies on the OEB's ruling noted above.

In Exhibit I.ED.36, ED asked a series of questions related to emissions such as "the lifetime volumes of gas (m3) and carbon emissions", "the best estimate of upstream emissions" and "unburned methane emissions from customer equipment". Enbridge Gas indicated that Project-related lifetime gas volumes and greenhouse gas emissions related to end-use combustion, upstream emissions and un-burned methane emissions cannot reasonably be estimated at this time. Further, the carbon emissions sought by ED bear no relevance to the current Application, as the current Application is underpinned by interests expressed by residents and business owners within the relevant community, substantiated by the market research. The Project-specific attachment/revenue forecast is based

³ Ibid, pp. 18-19; p. 20; pp. 19-20.

on the current known energy preferences expressed by actual residents and business-owners within the Project area, which intrinsically incorporate all factors including financial and non-financial considerations. This is also consistent with the OEB's above ruling.

- *Exhibit I.ED.1 and I.ED.3* – In regard to these two interrogatories ED merely alluded to the broad statement that it required the justification for Enbridge Gas's contention that natural gas is the most affordable heating fuel, and the appropriateness of communicating that conclusion to municipalities and customers.

As noted, Exhibit I.ED.1 relates to Enbridge Gas's evidence showing a cost comparison between natural gas and other relevant heating fuel alternatives (i.e., electricity (resistance), oil, and propane). Enbridge Gas provided a detailed basis for its calculation in its response, noting the limitation it has in providing a comparison with electric heat pumps. Exhibit I.ED.3 related to the communications with a particular Township and Enbridge Gas was responsive to the questions posed.

The general commentary that ED provides as justification for the technical conference is more consistent with final submissions than information clarification suitable for a technical conference. In any event, the issue with respect to both aspects were previously considered with the OEB finding that the decision of individual consumers to opt for natural gas service is based on "all relevant factors including financial and non-financial considerations relevant to their geographic location, heating need, housing and electrical standard." It does not relate to the relative cost-effectiveness between natural gas and electric heat pumps in the general or abstract sense. And regarding communications regarding electric heat pumps, after extensive submissions on this aspect by both ED and PP in EB-2022-0156/0248/0249, the OEB concluded that no additional conditions of approval relating to such communications were required.

As a result of the foregoing, ED has provided no substantive basis to require the need for a technical conference.

The same conclusion applies to the submissions of PP. PP expressed no basis for a technical conference. Other than a general request, there was no reference to the completeness of the evidentiary record submitted by Enbridge Gas. PP seemed to tie its request for a technical conference to the unrelated issue of whether ED should be granted its request to file evidence. In this regard, Enbridge Gas restates its submissions within its correspondence dated August 8, 2023 filed in this proceeding. Furthermore, since that letter, the OEB has ruled in EB-2022-0156/0248/0249 that notwithstanding submissions raised regarding the relative economics of natural gas and electric heat pumps, the public interest is informed by individual consumer survey responses and that the OEB's conclusion that the Government of Ontario has identified a public need and, provided that a project is shown to be economic within the financial parameters set out in the legislation, the OEB must conclude that it meets the requirements of the public interest criterion in section 96(1) of the OEB Act.

In its correspondence FRPO indicated a concern regarding the OEB's Natural Gas Facilities Handbook and the comprehensiveness of responses. FRPO made reference to its intervention letter where its concern was originally raised, but it provided no justification for a technical conference related to the actual evidentiary record. With respect to the issue raised by FRPO in its intervention letter, Enbridge Gas relies on its correspondence filed in this matter on August 8, 2023 and the OEB's Procedural Order No. 1.⁴ Also, FRPO made reference to some concerns regarding project economics and resulting risk to ratepayers at the end of the initial ten-year period. As noted, beyond this vague reference there was no particular reference made to the evidentiary record. Furthermore, with respect to risk, as the OEB concluded in EB-2022-0156/0248/0249 that, in the first rebasing following the expiration of the RSP, the OEB will review the actual project costs and revenues and determine what amount should be recognized in rates. The concerns raised by FRPO are more appropriately dealt with in submissions.

Based on the foregoing, Enbridge Gas submits that there is no basis for a technical conference and the most regulatory efficient next step is the filing of submissions.

If you have any questions, please contact the undersigned.

Sincerely,

Haris Ginis
Technical Manager, Leave to Construct Applications

c.c. Charles Keizer (Torys)
Tania Persad (Enbridge Gas Counsel)
Judith Fernandes (OEB Staff)
Intervenors (EB-2022-0111)

⁴ OEB Procedural Order No. 1 (August 14, 2023), p. 3.