

# Motion for Full and Adequate Interrogatory Responses

Enbridge Gas Rebasing Phase II – EB-2024-0111

Environmental Defence

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**Elson**  
Advocacy

# Overview

- Enbridge's IRM proposals heavily incentivize customer growth spending and opposition to beneficial electrification
- This is contrary to consumer interests
- Should “decouple” revenue from customer counts to reduce the incentive
- ED's evidence: supports the need for decoupling and outlines 2 implementation options
- Also seeking additional implementation options and analysis from EG
- Requested order:
  - Describe a number of options whereby it would be made indifferent to the number of customer connections and customer exits during the IRM term from a revenue perspective, and indicate which option it believes would be the most appropriate should the OEB decide to implement revenue decoupling with respect to customer counts.
- The rule 27 test: relevance and whether unreasonable efforts required

# Context

- Enbridge incented to:
  - Connect as many buildings as possible
  - Dissuade existing customers from electrifying their homes
- Two source of incentives:
  - Return on growth capital (NOT addressed by decoupling proposal)
  - In-term incremental revenue from new customers (addressed by decoupling)
- In-term revenue incentive is major
  - Earn \$600/yr from new customers
  - Lose \$600/yr from electrifying customers
  - Worth \$280 million in revenue over rate term from net new customers
- Windfall: \$280 million is far more than the incremental costs

# Contrary to customer interests

- Promotes financial risk-taking
  - >\$1 billion in customer connections capital over rate term
  - [Phase 1 Decision](#): Enbridge has not accounted appropriately for ET risks (p. 19-20)
  - Risks highest for new assets b/c of higher remaining asset life ([CCI report, p. 45](#))
- Discourages beneficial electrification (e.g. heat pumps)
  - Customers can lower energy bills by switching from gas to all-electric heat pumps
  - Savings higher if compare cost of low-carbon gas to carbon-free electricity system
- Discourages cost-effective decarbonization pathway
  - [EFG Evidence](#) p. 11 & 49; [Transcript Vol 6](#). p. 68, ln 25 to p. 69
  - Canadian Climate Institute decarbonization cost optimization study:
    - *“Electrifying almost all building heat is the most cost-effective path to net zero”* ([p. 10](#))
    - *“Continued growth of the gas network is inconsistent with cost-effectively reaching net zero”* ([p. 36](#))
- Windfall: far exceeds incremental costs not included in base rates

# Avenues to grow customer counts

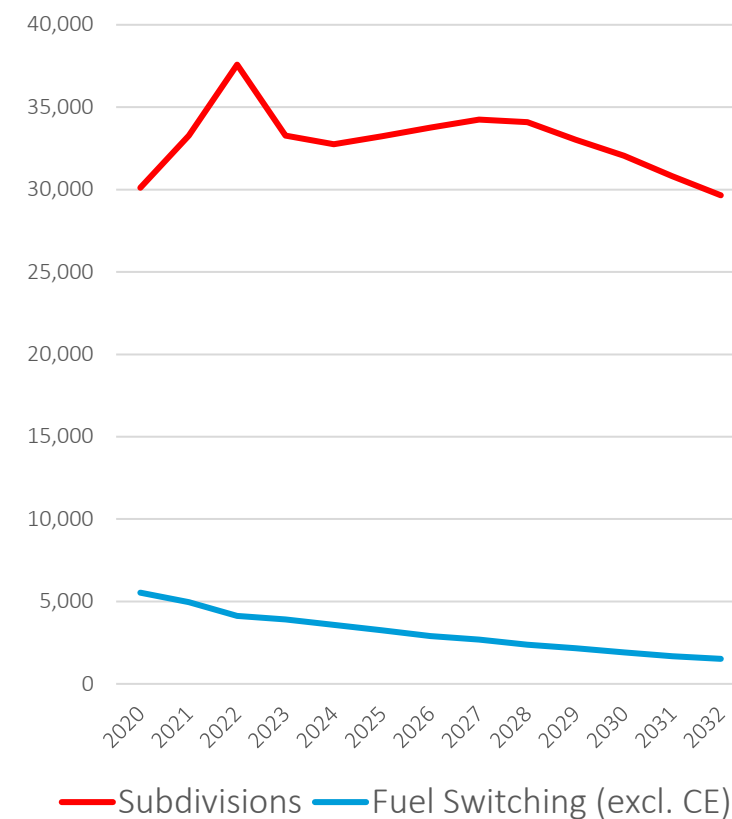
Incentive for Enbridge to push for:

- Developers to install gas,
- HVAC contractors to discourage fuel switching,
- Municipalities to ask for gas service,
- Customers to connect to gas (even with deceptive marketing),
- Customers to miss beneficial electrification opportunities, and
- Governments & OEB to implement pro-gas policies, even where that is contrary to customer interests.

# Customer choice

- Decoupling achieves neutrality, NOT an end to connections or the obligation to serve
- More choice if Enbridge is neutral re connections/disconnections
  - Remove incentive to push for gas and discourage electrification
- More choice if risks/costs are reduced
  - Safeguards a viable gas system in the future
- Incenting EG to push developers to use gas does NOT promote customer choice
  - >90% of connections are by developers
  - Customer-driven connections are plummeting
  - (See right, Exhibit I.2.6-ED-94)

Customer Connections:  
Subdivisions vs. Fuel Switching



# Provincial policy

- Affordability supports neutrality, not pro-gas incentive
- [Ontario's Affordable Energy Future: The Pressing Case for More Power](#)
  - Focus on electrification
  - “largest competitive energy procurement in the country’s history”; “the largest battery storage procurement in Canada’s history”; “largest expansion of nuclear energy on the continent”; “expanding our transmission network with new lines in all corners of the province”
- Viable gas network: Only possible if costs and risks are reduced
- New name: Ministry of Energy and Electrification
- The province plans to incentivize beneficial electrification, incl. fuel switching to heat pumps (See [ERO Posting 019-9373](#))

# Electrification and Energy Transition Panel

- Expert panel appointed by Ontario
- Highlighted risk of stranded gas assets & need for changes to regulatory mechanisms
  - “[E]merging evidence shows that it is unlikely the natural gas system can be fully decarbonized and continue to deliver cost-effective building heat.”
  - “[T]here is a real risk of stranding assets in home heating and the gas distribution grid over the medium to long-term, with significant risk to customers, investors and public finances.”
  - “[I]t is in the interest of the province, for the purpose of customer protection, to ensure that the regulatory mechanisms for the governance of the natural gas grid are aligned with a range of plausible outcomes, notably those that pose the greatest risks to customers.”
- See <https://www.ontario.ca/document/ontarios-clean-energy-opportunity-report-electrification-and-energy-transition-panel-8#section-5>



# RRF & decarbonization

Enbridge says ED's proposal is at odds with the RRF & competitive markets

- RRF is meant to encourage efficiency and cost cutting, not incent behaviour that conflicts with customer interests
- Expansion incentive is inconsistent with a competitive market signals
  - *"In a less regulated sector, market signals would reduce the incentive that companies would have to pursue a strategy of continued network expansion in the face of potential demand declines. But gas utilities are partially insulated from these kinds of signals. They therefore have a strong incentive to advocate for pathways that require ongoing system maintenance or expansion..."* [CCI, p. 58](#)

Enbridge says adding customers "is not in contradiction to an affordable energy transition at least cost to ratepayers"

- Contrary to the evidence, e.g. [EFG Evidence](#) & CCI report:
  - *"Electrifying almost all building heat is the most cost-effective path to net zero"* ([p. 10](#))
  - *"Continued growth of the gas network is inconsistent with cost-effectively reaching net zero"* ([p. 36](#))
  - *"...low-carbon gases like hydrogen and biomethane will not serve as replacement fuels on a scale that can justify continued gas network expansion. Our modelling and numerous other studies find that these gases are either too scarce or too costly to heat more than a small fraction of Canada's buildings, and are instead taken up by other sectors such as heavy industry. Even under lower-cost assumptions for these fuels, electrification of building heat still dominates."* ([p. III](#))

# Relevance

- Issue: appropriateness of Enbridge's incentive rate setting mechanism
  - Enbridge should not have a revenue incentive to fight for developers to install gas and for homeowners to refrain from beneficial electrification
- ED is largely agnostic between implementation options
- CEG proposed two implementation options with two hypothetical examples
  - Revenue Decoupling per Customer Class
  - Customer Count Variance Account
- But still relevant to ask Enbridge to outline implementation options
  - OEB should have full range of options to consider
  - Enbridge is well placed to put forward additional options
  - Implementation details could impact whether customer count decoupling is adopted

# Reasonable effort

- Request is not burdensome
- Akin to examining design of a new variance account, which occurs frequently
- A jurisdictional review is not needed
- Question posed over 4 months ago (July 5<sup>th</sup>)
- Environmental Defence does not oppose Enbridge being provided more time and
- Environmental Defence takes no position on when the issue is heard

# Onus

- Enbridge says: “ED is asking Enbridge Gas to do ED’s work”
  - ED has already done its work
  - Merely seeking EG’s
- [OEB Handbook for Utility Rate Applications](#)
  - *“For all regulated utilities, the onus is on the utility to demonstrate that its rate (or payment amount) proposals are just and reasonable.”* (p. 5)
- [OEB Filing Requirements](#)
  - *“Utilities are reminded that the onus is on the applicant to make its case and ensure that the OEB has the information it needs to adequately assess and deliberate on the application.”* (p. 2 & 7)
- [OEB Phase I Decision](#)
  - *“In the face of the energy transition, Enbridge Gas bears the onus to demonstrate that its proposed capital spending plan, reflected in its Asset Management Plan, is prudent, having accounted appropriately for the risk arising from the energy transition.”* (p. 21)
    - Same reasoning applies to Enbridge’s onus to demonstrate that its IRM proposals are prudent and have appropriately accounted for the risk arising from the energy transition

# Rule 27

27.01 Subject to Rule 27.02, where interrogatories have been directed and served on a party, that party shall:

(a) provide a full and adequate response to each interrogatory;...

27.02 A party who is unable or unwilling to provide a full and adequate response to an interrogatory shall file and serve a response:

(a) where the party contends that the interrogatory seeks information that is not relevant, setting out specific reasons in support of that contention;

(b) where the party contends that the information necessary to provide an answer is not available or cannot be provided with reasonable effort, setting out the reasons for the unavailability of such information, as well as any alternative available information in support of the response; or

(c) otherwise explaining why such a response cannot be given....