

November 19, 2024

VIA EMAIL and RESS

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-2023-0343
East Gwillimbury Community Expansion Project (the Project)
Comments Regarding Need for Technical Conference**

Pursuant to the OEB's Procedural Order No. 3 dated September 20, 2024, this is Enbridge Gas's response to the correspondence of Environmental Defence (ED), dated November 5, 2024, wherein ED requested a technical conference or in the alternative that Enbridge Gas be ordered to answer the interrogatories set out in ED's letter.

Enbridge Gas is also in receipt of OEB staff's correspondence, dated November 5, 2024, which stated that OEB staff does not require further discovery through a technical conference.

Enbridge Gas submits that a technical conference regarding the Company's evidence for the above-noted proceeding is not required since the record is complete and no party raised any substantive issues that would warrant further inquiry, clarification or examination through a technical conference.

In support of its request for a technical conference for the above-noted proceeding, ED seeks more information regarding the treatment of normalized system reinforcement costs (NSRC) and refers to various interrogatory responses and potential areas of inquiry. However, a closer examination of each of these interrogatory responses shows that Enbridge Gas responded to the interrogatories fully and appropriately:

1. *Exhibit I.ED-22 and Exhibit I.ED-54*: In Exhibit I.ED-22 and Exhibit I.ED.54, ED asked questions regarding NSRC applied to the Project. Enbridge Gas's response to Exhibit I.ED.22 is consistent with its responses to the same question for previous NGEP proceedings (for example, Exhibit I.ED.22 in Eganville¹). Enbridge Gas stated that "...NSRC are not applicable to community expansion projects and 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 separate to, and not included

¹ <https://www.rds.oeb.ca/CMWebDrawer/Record/829888/File/document>

within, calculations of NSRC. Therefore, it would not be appropriate to apply NSRC.” Enbridge Gas maintains the same position in its response to Exhibit I.ED.54.

In ED’s letter, ED requests further information on the following: (1) the justification for excluding NSRC in community expansion feasibility evaluations, (2) specific references to OEB/Ministry guidance documents, and (3) when and how NSRC are used in expansion projects. Enbridge Gas addresses the request in full through the explanation below, with references to EBO 188, Enbridge Gas’s Customer Connections Policy, and the OEB’s Decision in the Generic Proceeding on Community Expansion (EB-2016-0004).

EBO 188 and the Customer Connections Policy provide the over-arching principles and policies which govern how normal system expansion is carried out in response to capacity growth. NSRC are recognized as a component of capital costs. The relevant sections are highlighted below.

EBO 188 includes the following guidelines with respect to system reinforcement:

For capital costs, the common elements will be as follows:

- (a) an estimate of all costs directly associated with the attachment of the forecast customer additions, including costs of distribution mains, services, customer stations, distribution stations, land and land rights;
- (b) an estimate of incremental overheads applicable to distribution expansion at the portfolio level; and
- (c) an estimate of the normalized system reinforcement costs.

The Customer Connections Policy builds on that with the following:

4.4 Normalized System Reinforcement Cost Estimates

18. Enbridge Gas includes an allowance for NSRC in the feasibility assessment of individual projects and the system expansion portfolio.

19. NSRC is determined using the procedure described in E.B.O. 188 Section 2.3.7 and is applied to individual project feasibilities, the Investment Portfolio and the RPP.

Enbridge Gas has provided a description of its calculation of normalized system reinforcement in various proceedings, most recently in the oral hearing for Phase 1 Rebasing (EB-2022-0200, July 27, 2023).

EBO 188 and the Customer Connections Policy do not explicitly address community expansion. For such projects, Enbridge Gas leans on the OEB Decision from the Generic Proceeding on Community Expansion (EB-2016-0004) from November 17, 2016. Community expansion is viewed as customer growth beyond the edge of a service area into regions that are non-contiguous, more rural, and remote. It is recognized that geographic location makes these projects uneconomic to serve and as such presents barriers to attachment

which require separate consideration. The “benefit follows cost” principle continues to apply as it does in EBO 188 so as to reduce the extent of cross-subsidization between existing and new customers.

The EB-2016-0004 Decision (page 18) acknowledges that “EBO 188 guidelines function in the natural growth driven expansion of the distribution system at the edge of the serviced areas. ... The guidelines function less effectively when applied to expansions to discrete new areas which are not contiguous to the existing distribution system.” Further, on page 20 of the Decision, “[a]ny leave to construct application for community expansion projects should provide **separate** costs for the transmission and distribution segments of the project as well as any **upstream reinforcement costs** [emphasis added].”

Enbridge Gas has applied EBO 188 guidelines consistently, augmented with the direction provided specifically for community expansion. For system reinforcement costs, Enbridge Gas has separated normalized system reinforcement for the contiguous service areas from community expansion feasibility as directed by the OEB, as that would constitute an over-burdening of costs onto the non-contiguous system. Instead, Enbridge Gas has included project-specific upstream reinforcement costs as part of the direct project costs of the community expansion project which appropriately assigns costs to the customers who receive the most benefit. EBO 188 is similarly adjusted to account for the surcharges (SES/TCS) that apply to community expansion in the determination of the revenue stream.

In its responses to Exhibit I.ED-22 and Exhibit I.ED-54, Enbridge Gas declined to provide information on NSRC as they were not applicable to the Project. These responses remain factual and responsive to the interrogatories posed.

2. *Exhibit I.ED-10*: In Exhibit I.ED.10, ED asked questions regarding the cost to convert to natural gas and the figures provided to customers in the Forum surveys. Enbridge Gas’s response to ED’s question (Exhibit I.ED-10) is consistent with its responses to the same question for previous NGEP proceedings (for example, Exhibit I.ED.10 in Eganville² and Exhibit I.ED.10 in Sanford³). Enbridge Gas has consistently stated that it does not have the requested information with respect to actual homes in the Project area, and that it has not established “best estimates” delineated in the manner sought by ED (i.e., by specific existing non-natural gas configuration to natural gas). Rather, in response to ED’s question for each proceeding (East Gwillimbury, Eganville, Sanford, etc.) Enbridge Gas has directed ED to its response at Exhibit I.ED-28, part a) for an estimated range of potential all-in conversion costs to natural gas configurations, encompassing a variety of existing non-natural gas configurations.

The distinction between East Gwillimbury and previous NGEP proceedings (such as Eganville and Sanford) is that the Forum survey for the previous proceedings included illustrative, generic (i.e. non-community-specific)

² <https://www.rds.oeb.ca/CMWebDrawer/Record/829888/File/document>

³ <https://www.rds.oeb.ca/CMWebDrawer/Record/839076/File/document>

examples of the requested information, whereas the Forum survey for East Gwillimbury did not. As a result, Enbridge Gas's responses to Exhibit I.ED-10 for Eganville and Sanford provided the illustrative figures used in the Forum survey for those proceedings and the Company's response to Exhibit I.ED-10 in East Gwillimbury did not.

Enbridge Gas noted in the Eganville and Sanford IR responses that these illustrative figures do not rely on formal sources and cautioned against drawing conclusions regarding actual homes in the Project area using general or theoretical estimates/averages, as conversion costs for actual homes can vary. In any event, these costs were not updated for inclusion in the East Gwillimbury Forum survey and therefore the Company cannot verify if the estimates would have been suitable and appropriate for the Project. Therefore, the conversion cost data provided in the Eganville and Sanford proceedings are not appropriate to include in the East Gwillimbury proceeding and Enbridge Gas has no additional community-specific conversion cost information to provide.

3. *Exhibit I.ED-11*: In Exhibit I.ED.11, ED requested a forecast of the customer connections based on the fuel type extrapolated from the customer connection survey. While Enbridge Gas has market research information that indicates customer likelihood to connect to natural gas based on incumbent primary heating fuel source (and the Company directed ED to this information in its response to Exhibit I.ED.11), as stated in the Company's response to Exhibit I.ED-11, "Enbridge Gas does not forecast attachments by existing fuel type". ED's request seeks to have Enbridge Gas create a forecast that is delineated in a manner that is not necessary or appropriate. The purpose of Enbridge Gas's customer forecast is to determine a reasonable estimate of the total number of customers likely to convert so that the Company can properly assess the feasibility of the project. A breakdown of that forecast by incumbent fuel type does not advance that objective and is therefore unnecessary. Further, a forecast breakdown applied to already small numbers in these communities would introduce additional risk of forecast error. For these reasons, the Company does not agree with producing such a breakdown and declines to provide the requested information.
4. *Exhibit I.ED-8 and Exhibit I.ED-52*: In ED's letter, ED indicates that it has a follow-up question on Exhibit I.ED-8 and Exhibit I.ED-52, which is to request that Enbridge Gas provide a copy of all cost estimate communications with customers in the Project area to determine whether the information could have impacted the customer attachment forecast. Enbridge Gas filed cost estimate or cost comparison information that has been provided to customers in the Project area at Exhibit I.ED-45, Exhibit I.ED.52 and Exhibit I.PP-8 (including attachments). The customer attachment forecast provided at Exhibit B, Tab 1, Schedule 1, page 7, Table 2 is based on the market research information collected in the 2023 survey as described in the response to Exhibit I.STAFF-3 parts a) and e), and Exhibit I.STAFF-10 part b). The individual customer fuel cost comparison information from 2024, as requested by ED in its letter, is not

relevant to, and has no impact on the 2023 market research results⁴ and the customer attachment forecast for the Project. For this reason, the Company does not agree with producing the individual fuel cost comparisons and therefore declines to provide the requested information.

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

If you have any questions, please contact the undersigned.

Sincerely,

Eric VanRuymbeke
Sr. Advisor – Leave to Construct Applications

c.c. Henry Ren (Enbridge Gas Counsel)
Arturo Lau (OEB staff)
EB-2023-0343 Intervenors

⁴ Exhibit B, Tab 1, Schedule 1, Attachment 4.