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Ontario Energy Board
2300 Yonge Street
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Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2024-0200 – Enbridge St. Laurent Replacement Project – SEC Submission

We are counsel to the School Energy Coalition ("SEC"). Pursuant to Procedural Order No. 5, these are SEC's submissions on Enbridge's request for leave to construct approximately 17.6 km of pipeline, and various ancillary facilities, in the City of Ottawa (collectively referred to as the St. Laurent Pipeline Replacement Project or the "the Project") at a cost of more than $216 million. The St. Laurent Pipeline Replacement Project aims to address pipeline integrity issues by abandoning and replacing existing high-pressure segments of Enbridge's St. Laurent Pipeline on a largely like for like basis.

SEC's Position

SEC accepts that Enbridge has demonstrated the need for a comprehensive solution to address the safety and reliability concerns driven by the current condition of the St. Laurent Pipeline. In this regard, the condition and risk assessments conducted by Enbridge, although not without their shortcomings, appear to meet the requirements established by the OEB when it denied the initial application for leave to construct this Project in EB-2020-0293.

However, SEC cannot endorse the specific solution proposed, which involves a full replacement of most of the St. Laurent Pipeline (the "Full Replacement" option). As detailed further in these submissions, there is a strong likelihood that a superior alternative, involving comprehensive inspections and repairs beyond those currently being done (the "Extensive Inspections and Repair" option), exists. While this option has its own risks, it warrants further consideration, particularly in light of the energy transition and potential demand reductions likely arising in the decades ahead. This approach could well prove to be the more cost-effective solution in the long term.

In addition, Enbridge's assessment of conservation and IRP options is insufficient, and its stranded asset risk assessment, while a positive development, is still only a very small step in the right direction, given its shortcomings. The Extensive Inspections and Repair option could provide flexibility in order to evolve these assessments to a more sophisticated level over time. It deserves further consideration. The Full Replacement option, by contrast, means that the costs are sunk immediately, and better information on the future of gas use in Ottawa (and Gatineau) is not helpful in saving any of those costs.

EB-2020-0293 Context

In 2021, Enbridge filed an application for leave to construct an almost identical project to replace the St. Laurent Pipeline (EB-2020-0293). SEC intervened in that proceeding and argued that, based on evidence Enbridge filed in support of the need to replace portions of the St. Laurent Pipeline, there was no urgency to undertake the project due to the company's information on its condition. Enbridge's evidence indicated that the moderate leak history was under control through repairs, forecasted leaks were low, and the pipeline's Asset Health Index score was excellent.

SEC, in conjunction with other parties, filed evidence from the City of Ottawa regarding its plans to reduce GHG emissions by lowering reliance by the City and other major customers on fossil natural gas supplied by the St. Laurent Pipeline.[1] SEC argued before the Board that the OEB should deny approval, and require Enbridge to implement a repair approach.[2]

Furthermore, SEC contended that if Enbridge sought to revive the project in the future, it should: a) file a study showing a detailed forecast of average and peak demand on the pipeline for the full useful life of the proposed new assets, including consideration of gas reduction plans of all major customers, and b) demonstrate that it has conducted a comprehensive review of all actions, including IRP, that it can take to support gas reductions by its customers relying on this pipeline, and that it has implemented all those actions that are cost-effective.[3]

In the OEB's Decision ("EB-2020-0293 Decision"), it denied leave to construct, finding that Enbridge had "not demonstrated that the risk associated with the subject pipelines warrants complete replacement at this time."[4] It also concluded that Enbridge had "not provided sufficient evidence to demonstrate that the proposed Project (pipeline replacement) is the best available alternative."[5]

The OEB also made several important comments and suggestions.

First, regarding how the company assesses pipeline integrity, it suggested "that Enbridge Gas take a proactive approach to inspecting and maintaining the subject pipeline until it can be demonstrated that pipeline replacement is necessary," which "may include development and implementation of an in-line inspection and maintenance program using available modern technology."[6]

Second, when assessing alternatives, "the OEB encourage[d] Enbridge Gas to undertake in-depth quantitative and qualitative analyses of alternatives that specifically include the impacts of IRP, DSM programs and de-carbonization efforts."[7]

[1] *Decision and Order* (EB-2020-0293), May 3, 2022, p. 4-5,19
[2] *Decision and Order* (EB-2020-0293), May 3, 2022, p.22
[3] *Decision and Order* (EB-2020-0293), May 3, 2022, p.22
[4] *Decision and Order* (EB-2020-0293), May 3, 2022, p.14
[5] *Decision and Order* (EB-2020-0293), May 3, 2022, p.23
[6] *Decision and Order* (EB-2020-0293), May 3, 2022, p.15, 3
[7] *Decision and Order* (EB-2020-0293), May 3, 2022, p.24

Demonstrating the Need For A Solution

As part of this application, Enbridge has filed evidence demonstrating that the company has undertaken a significantly more robust assessment of the condition and risk of the current St. Laurent Pipeline compared to what was done in support of its previous application. The Quantitative Risk Assessment ("QRA") and supporting evidence demonstrate that Enbridge needs to undertake work on certain portions of the St. Laurent Pipeline to address serious integrity issues.[8] Enbridge has also employed a more complex and thorough risk assessment methodology to evaluate the probability of pipeline failure and its consequences.[9]

To achieve a more accurate assessment of the pipeline's condition, Enbridge conducted in-line inspections of a significant portion of the St. Laurent Pipeline[10], as well as extensive materials testing on the pipe itself.[11] This approach represents a marked improvement over the previous application, where Enbridge relied on predictions of asset condition based on generic data from its entire network.[12] This effort was also responsive to the OEB's criticisms of Enbridge's assessment of pipeline condition in the EB-2020-0293 Decision.

This more robust analysis, which should have been conducted earlier, reveals that there are in fact integrity and reliability concerns with portions of the St. Laurent Pipeline. Based on the new information provided in support of the application, SEC's position has changed, and it now accepts that the condition of portions of the pipeline must be addressed in a comprehensive fashion.

At the same time, SEC believes there are certain aspects of the QRA that overstate the level of urgency. For example, Enbridge's reliability evaluation is primarily based on leak or rupture levels compared against the thresholds set out in the CSA Z662 standard, specifically its Annex O.[13] Unlike the main CSA Z662 standard, which has been adopted by the TSSA, Annex O is neither mandatory nor intended to be applied to distribution pipelines (as opposed to transmission pipelines).[14] In fact, this is the first pipeline for which Enbridge has proposed to apply Annex O.[15] Even CSA Z662, while a useful guide, says "it is not intended that such requirements be applied retrospectively to existing installations."[16]

Considering the total amount of distribution steel pipe with a similar vintage to much of the St. Laurent Pipeline (approximately 10,900 km[17]), adopting Annex O as the threshold for pipeline segment

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[8] B-1-1, Attachment 2
[9] SEC understands that some parties have questioned the independence and/or adequacy of the third-party review of Enbridge's risk assessment process undertaken by DNV (B-1-1, Attachment 3). SEC does not take a position on the third-party review, the appropriateness of every aspect of Enbridge's risk assessment methodology, or its application in other circumstances. SEC believes that the review is sufficient for the purpose of demonstrating the existing risk of the St. Laurent Pipeline, and it represents a clear improvement compared to what was presented in the EB-2020-0293 Application.
[10] B-1-1, p.8
[11] For example, see B-1-1, p.15; B-1-1, Attachment 2, p.4, 29, 63; Interrogatory Response 1-PP-6, Attachment 1
[12] Tr.2, p.42-43; Interrogatory Response 1-CAFES Ottawa-11; 1-PP-5(b)
[13] B-1-1, p.36; B-1-1, Attachment 2, p.6; Interrogatory Response 1-SEC-4
[14] Tr.2, p.11, 139-140
[15] Tr.2, p.13
[16] CSA Z662:23 Oil and Gas Pipeline Systems, section 1.5; In interrogatory 1-SEC-4, SEC requested a copy of the CSA Z662. Enbridge responded that it cannot provide a copy due to its terms of use and referred the reader to the CSA website. The document can be downloaded for free.
[17] Undertaking JT2.14

replacement would likely result in tens if not hundreds of billions of dollars in replacements. Clearly, that is neither feasible nor reflective of the true state of Enbridge's system. All of this is to say that Annex O should be, at most, only one part of the broader assessment process.

However, the evidence taken as a whole as it relates to the St. Laurent Pipeline demonstrates that there are actionable issues with the current condition of the pipeline, and that the current mitigation strategy is insufficient to ensure both reliability and public safety.

Extensive Inspection and Repair Option

While Enbridge has satisfied the onus of demonstrating the need for a solution to address the current condition of portions of the St. Laurent Pipeline, the more challenging question is identifying the most appropriate solution.

Enbridge's view is that the proposed Project, which opts for the Full Replacement option for the St. Laurent Pipeline, as well as some ancillary laterals, is both the most cost-effective option and the one that would result in the greatest reduction in risk.[18] SEC submits, however, that a review of the evidence indicates the issue is not so clear-cut, and one of the alternatives, Extensive Inspection and Repair[19], may ultimately be the more cost-effective option, particularly considering the risks associated with the energy transition.

Nevertheless, the SEC acknowledges that the Extensive Inspection and Repair option carries its own risks, which the OEB must evaluate carefully. By its very nature, assessing an option that includes a forecast of costs over as much as a 63-year period involves a high degree of uncertainty.

Enbridge's evidence shows that it considered six alternatives to addressing the needs of the St. Laurent Pipeline.[20] In addition to the Full Replacement option, Enbridge identified two alternatives as sufficiently distinct to warrant further investigation, both involving variations of extensive inspection and repair.[21] Enbridge ultimately focused on a variation using crawler in-line inspection ("ILI") as the more cost-effective alternative.[22] The Extensive Inspection and Repair option with the crawler ILI would involve more comprehensive inspections, ongoing repairs, a more targeted pipeline replacement, and the erection of third-party damage mitigation barriers, all both in the short term and throughout the remainder of the pipeline's lifecycle.[23] Enbridge's analysis indicates that while the reduction in risk under this option would be considerably lower than that achieved through the Full Replacement option, it could meet the risk threshold.[24]

Enbridge provided a financial assessment of the two final options, Full Replacement and Extensive Inspection and Repair, using nominal cost (total expenditures over time) and net present value (NPV) over a 63-year period, meant to reflect the 61-year depreciable asset life measured from 2024.[25] Both analyses demonstrated that the proposed Project based on the Full Replacement option is significantly

[18] C-1-1, p.9-11
[19] C-1-1, p.4
[20] C-1-1, p.3-5
[21] C-1-1, p.7
[22] C-1-1, p.7-8
[23] C-1-1, p.4; C-1-1, p.8, Table 2
[24] Tr.2, p.134
[25] C-1-1, p.19, Table 7

more cost-effective than the Extensive Inspection and Repair option. On an NPV basis, the proposed project is $119 million more cost-effective than the Extensive Inspection and Repair alternative.[26]

However, this cost gap is highly sensitive to the time horizon assumed for the purpose of the analysis. As is so often the case, a longer time horizon favours capital intensive options, while a shorter time horizon favours less capital intensive, but more flexible, options.

Based on Enbridge's pre-filed evidence, if a time horizon of 31 years is used, matching the useful life of the assets ending in 2055 under the company's most aggressive electrification scenario, the Full Replacement option is only $6 million less expensive than the Extensive Inspection and Repair option.[27]

There is a compelling case to be made that this shorter time horizon is more reflective of the true economic useful life of the asset. The OEB, as part of its Phase 1 decision on Enbridge's 2024-2028 rebasing application ("Phase 1 Decision"), ordered Enbridge to study options for addressing the risk of stranded asset costs in its depreciation policy.[28] More broadly, the OEB has required Enbridge to consider changes to its depreciation policy to account for the impact of the energy transition.[29] It is likely that any approach Enbridge proposes, and a future panel accepts, will involve a much shorter depreciation life for natural gas assets, including work completed on the St. Laurent Pipeline.

It also does not appear that Enbridge fairly compared the two options regarding the future regular inspection and repair work required in each case. As SEC understands Enbridge's approach, the company excluded regular inspection and repair costs from both the Full Replacement and the Extensive Inspection and Repair options, including only costs specific to the alternative.[30] This approach almost certainly overstates the costs of the Extensive Inspection and Repair option, which should account only for *incrementa*l inspection and repair costs compared to the Full Replacement option. Some of the planned inspection and repair work, specifically the ILI crawler inspections and integrity digs included in the forecast[31], would likely have been required under either scenario. Even if the amount was minimal, there would also be a cost-efficiency benefit to undertaking certain routine inspection work simultaneously with the more extensive inspection and repair work. None of this was reflected in the cost comparison.

Additionally, there are reasons to question the accuracy of the forecast costs for the Extensive Inspection and Repair option. For example, Enbridge uses higher than reasonable escalation rates in estimating the costs of that option. Enbridge's projected escalation rate for integrity digs, a significant component of the Extensive Inspection and Repair costs, was 6%[32], three times the overall 2% escalation rate used in its 2023-2032 Asset Management Plan ("AMP").[33] Similarly, the pipeline replacement costs used in the alternative analysis were also higher than the 2% escalation rate applied in the AMP.[34] If Enbridge had used a 2% escalation rate, the Extensive Inspection and Repair option

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[26] C-1-1, p.19, Table 7
[27] C-1-1, p.18, Table 6
[28] *Decision and Order* (EB-2022-0200), December 21, 2023, p.92
[29] *Decision and Order* (EB-2022-0200), December 21, 2023, p.92
[30] Tr.2, p.113
[31] See Undertaking JT1.6, Attach 1, Tab 'Scenario B'
[32] Tr.1, p.11; Interrogatory Response Board Staff 17,a,b,d
[33] Undertaking JT 2.4; The 2023-2032 AMP was the most recent AMP at the time of the Technical Conference.
[34] Undertaking JT 1.3

would become cheaper over a 42-year horizon by $7 million, over a 31-year horizon by $17 million, and only slightly more expensive ($4 million) over a 63-year horizon.[35]

SEC recognizes that Enbridge's options analysis has attempted to determine a more granular escalation rate than the one used in the AMP. However, this analysis demonstrates that the claim of Full Replacement being the more cost-effective option is predicated entirely on forecasted inflation over a lengthy period. It is entirely possible that the higher-level estimates used in the AMP may prove to be more accurate, making the Extensive Inspection and Repair option more cost-effective.

Finally, the cost comparison does not distinguish between committed costs and forecast costs (i.e. the value of future flexibility). Money spent on a full capital-based alternative is spent at the outset, which means it is an immediate sunk cost. If circumstances change, for example due to the energy transition, that cost is still sunk and cannot be recovered.[36] A less front-loaded capital-intensive option, like Extensive Inspection and Repair, involves spending money over time. That includes the ability to reduce spending if circumstances change and it is no longer necessary to incur those costs. Flexibility has a value, which should have been considered. This is why the Phase 1 Decision was so direct that "Enbridge Gas needs to put more emphasis on monitoring, repairing and life extension of its system so that replacement projects are only implemented where absolutely necessary in order to address the stranded asset risk in that context."[emphasis added][37]

IRPA

The Extensive Inspection and Repair option, as well as other potential alternatives that were screened out, could have been preferred over the proposed Full Replacement option for reasons other than a straight NPV analysis of forecast costs. This is because, as noted above, some of those future costs associated with these alternatives may not need to be incurred, and they also have the added benefit of reducing (or avoiding) stranded asset risk. Such benefits could result from a material decrease in demand in the future, likely driven by the energy transition.

The OEB recognized this possibility in the EB-2020-0293 Decision, when it required the company to undertake a more comprehensive analysis of alternatives that consider IRP, DSM, and de-carbonization.[38] In the Phase 1 Decision, referencing the EB-2020-0293 Decision, the OEB noted that the company's asset management approach "continues to favour asset age over asset condition for replacement decisions and does not satisfactorily address the OEB's concerns as identified in the St. Laurent decision."[39] It directed that "Enbridge Gas needs to implement an approach that assesses asset condition and has as its objective the maximization of asset life."[40]

As part of this application, Enbridge filed evidence demonstrating that it considered non-pipe alternatives, either alone or in combination with other physical alternatives. Ultimately, it concluded that none were feasible to address the specific issues driving the need underpinning the Application.

[35] Undertaking JT 1.7
[36] See discussion in Enbridge Phase 1 Decision (*Decision and Order* (EB-2022-0200), December 21, 2023, p.57)
[37] *Decision and Order* (EB-2022-0200), December 21, 2023, p.2
[38] *Decision and Order* (EB-2020-0293), May 3, 2022, p.24
[39] *Decision and Order* (EB-2022-0200), December 21, 2023, p.57
[40] Phase 1 Decision, p.57

SEC generally accepts most of Enbridge's analysis. However, we disagree that it has adequately considered the potential for reduced demand from all customer classes.

Enbridge undertook a non-binding expression of interest ("EOI") to contract customers in the project service area, providing them with the opportunity to de-contract or convert to interruptible service.[41] They received no bids and, therefore, concluded that contract customer peak demand would not decrease. Enbridge also considered Enhanced Targeted Energy Efficiency ("ETEE").[42] It retained Posterity Group to evaluate the viability of an ETEE, which ultimately determined that the required peak hourly reduction to downsize the pipe was not technically feasible.[43]

The problem is that Enbridge instructed Posterity Group to exclude contract customers from its consideration of a potential ETEE solution.[44] It did so, based on the results of its EOI.[45] The fact that contract customers were not interested in reducing demand by de-contracting does not mean they are unwilling to reduce demand through a DSM program (which may include financial incentives). When asked at the Technical Conference to undertake a "rough and ready analysis" so that parties and the OEB could determine if including contract customers in the consideration of an ETEE could be feasible, the company refused.[46]

By excluding contract customers from the ETEE feasibility analysis, Enbridge has not met the OEB's direction to undertake an in-depth analysis of IRP and DSM alternatives. Contract customers could potentially make an ETEE option feasible for further analysis.

Enbridge's evidence indicates that a peak-hour reduction as low as 13,300 m^3/hr would be required to downsize the pipe. Posterity Group's analysis of general service customers identified a potential reduction of 11,250 m^3/hr (9.4%), leading to the option being ruled out.[47] Contract customers account for 18,900 m^3/hr of peak hourly demand.[48] Compared to general service customers, contract customers often offer greater potential for demand reductions through DSM. Achieving only a slightly greater reduction in demand from contract customers, beyond the 9.4% peak hourly reduction identified by Posterity Group for general service customers, could make the total reduction of 13,300 m^3/hr feasible for further exploration as a cost-effective alternative to downsize the pipe.

It may ultimately prove that this alternative is not cost-effective, even if technically feasible. It may even be unlikely[49], but Enbridge must properly undertake a more fulsome analysis. Moreover, reduced demand could allow for the consideration of alternatives that extend the life of the existing pipeline, delaying the Full Replacement option until a later time, during which the impacts of the energy transition would continue to evolve.

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[41] C-1-1, p.24-25
[42] C-1-1, p.24-25
[43] C-1-1, p.23-24
[44] Tr.3, p.3
[45] Tr.3, p.4
[46] Tr.3, p.9
[47] C-1-1, p.24; C-1-1, Attachment, p.1
[48] Undertaking JT 3.1
[49] Enbridge's response to 1.2-SEC-12 seems to indicate that the savings of the downsized pipe would be approximately $1.3M, which would almost certainly not make an ETEE option cost-effective considering the Posterity estimated the cost to achieve 11,250 m^3/hr, which would be $77M (see C-1-1, p.24).

Energy Transition and Stranded Risk

The OEB also directed Enbridge in EB-2020-0243 to consider the impact of de-carbonization. Similarly, in the Phase 1 Decision, there was significant focus on stranded asset risk, and the company was required to file, as part of its next rebasing application, an AMP that would "address scenarios associated with the risk of under-utilized or stranded assets".[50]

Enbridge has taken some positive steps in this application to respond to these directives. It retained Integral Engineering to develop a probabilistic model of various general service customer disconnection scenarios, based on the rate of residential customers adopting electric heat pumps.[51] It then used that analysis to model different useful lives of the project as part of the options NPV calculation.[52] The result of the analysis indicates that, even under the most aggressive electrification scenarios, the St. Laurent Pipeline will most likely need to remain in service until 2055 (comparable with the 31-year time horizon used in the options analysis).[53]

SEC believes that the stranded asset risk analysis is incomplete in four significant respects:

- ***Peak Demand Reductions Not Assessed.*** Enbridge did not analyze the potential reductions in peak demand on the St. Laurent Pipeline resulting from the modeled customer disconnections. By omitting this, it overlooks many of the same considerations discussed earlier regarding its flawed ETEE assessment. Reduced demand on the system is a critical factor when evaluating the benefits of alternatives, and in particular the value of future flexibility.

- ***Analysis Focuses Solely on Full Disconnections.*** Enbridge's analysis only considers scenarios where customers fully disconnect from the natural gas system.[54] It does not account for the more likely scenario where many customers, particularly large general service customers like schools, gradually reduce their natural gas consumption over time without fully disconnecting. These reductions in consumption, including peak demand, are key to the more probable risk of an under-utilized asset rather than a fully stranded one. SEC notes that with respect to residential customers, Enbridge (and its affiliate) are currently actively promoting hybrid heating, which is a heat pump transition without a gas disconnection.[55]

- ***Failure to Account for the "Death Spiral" Effect***. The modeling does not account for the "death spiral" effect, where increasing customer disconnections lead to higher rates, which in turn accelerate further disconnections. While Integral Engineering used the standard "S-curve" method for modeling technological adoption, this does not fully capture the feedback loop unique to rate-regulated industries, which is more likely to follow an exponential curve.[56] In such industries, reduced billing determinants from disconnections and declining demand lead

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[50] *Decision and Order* (EB-2022-0200), December 21, 2023, p.58. See also Interrogatory Response 2-ED-5(a) which provides a table outlining all the key determinations in the Phase 1 Decision relevant to the Application.
[51] B-3-1, p.11; B-3-1, Attachment 1
[52] Interrogatory Response 2-SEC-11
[53] B-3-1, p.17
[54] Interrogatory Response 2-SEC-13
[55] See for example, EB-2024-0111, 1-10-7, p.3; EB-2024-0111, Interrogatory Response 1.18-HRAI-5, Attachment 2, p.4, Attachment 3, p.2
[56] Tr.3, p.25

to rate increases, which further reduce billing determinants, creating a compounding effect that accelerates disconnections. Whether a full death spiral or not, this price feedback loop is an inevitable result of a move by customers to a different energy source.

- ***Unrealistic End-of-Life Scenario.*** Enbridge links the results of its probabilistic analysis to the consideration of alternatives by factoring the useful life of the pipeline into its NPV calculations. However, it defines the pipeline's useful life as ending when there are zero customers connected to the St. Laurent Pipeline system. This is not a realistic scenario. The S-curve modeling used inherently has a long tail, meaning it would take years before every customer disconnects on their own. In practice, the company would likely undertake system pruning, as contemplated in the Phase 1 Decision[57], or implement other more cost-effective solutions to serve remaining customers rather than continuing to operate a near-empty pipeline.

The OEB should require Enbridge to address the deficiencies in its stranded asset risk analysis. When Enbridge was asked to undertake an analysis to show the impact on peak demand, it stated that it would be a complex endeavor, involving assumptions that need to be vetted against real-world data and would require potentially months to undertake.[58] SEC accepts this explanation, which is why the company should begin the work of introducing and incorporating advanced stranded and underutilized risk modeling into its operations immediately.

An additional risk factor for the Project is that Gazifère, an Enbridge affiliate distributor that serves the Gatineau area in Quebec, makes up 28.1% of the peak-hour design day demand on the St. Laurent Pipeline.[59] A single customer based in another jurisdiction, one who may have a more aggressive energy transition policy[60], only increases the stranded asset risk of the Project. Enbridge did not consider this specific risk either directly or as part of its stranded asset risk analysis. SEC submits that the risk is likely significant, as not only could Gazifère in the future decide to stop being served, in part, through the St. Laurent Pipeline, but its required volume of natural gas to service its customers is likely to drop at a faster rate than Enbridge's due to differing provincial policies towards natural gas.[61]

Project Costs

As part of this Application, Enbridge is not seeking approval of the specific forecast costs of the project for inclusion in rates. Its evidence suggests that it is evaluating whether ICM treatment is appropriate in light of the approved Phase 2 Settlement Proposal.[62] At the same time, the OEB has previously relied on leave to construct applications to assess both the need and prudence criteria for an ICM.[63] SEC believes the project cost forecasts are sufficient to support leave to construct approval but are not adequate to justify rate recovery.

The reason for this is that Enbridge has included in its project budget certain items (or categories of items) that are directly attributable to the OEB's denial of the EB-2020-0243 application and should have been written off. This includes costs the company incurred to cancel contracts and leases that it

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[57] *Decision and Order* (EB-2022-0200), December 21, 2023, p.52
[58] Interrogatory Response 2-PP-46
[59] Undertaking JT3.6
[60] See for example, CBC News: *Quebec to ban fossil fuel natural gas heating in homes by 2040* (November 19, 2024)
[61] This also raises a cost allocation question, however SEC recognizes that this is more appropriately an issue for Phase 3 of the company's rebasing application to be filed shortly.
[62] Undertaking JT 2.10
[63] See EB-2021-0148, OEB Letter, 2022 Rate Application on ICM Funding Request, (December 10, 2021)

had entered into expecting the OEB would approve the application[64], regulatory costs[65], costs for designs that are no longer relevant, and costs to update those designs.[66] The denial of a leave to construct application is akin to a finding of imprudence or unreasonableness for the project (and its associated costs). Therefore, these costs should not have been carried forward to this application.

The inclusion of these costs in the project budget was only confirmed at the Technical Conference and through undertakings.[67] SEC submits that further discovery is required regarding the specific quantum of these costs. SEC is not asking the OEB to make a determination on the prudence of these costs as part of this application. However, SEC requests that the OEB identify this issue and require Enbridge to file further evidence when it seeks rate recovery, either as part of an ICM application or its next rebasing application, both identifying in greater details these costs and explain why recovery would be appropriate.

Summary

Enbridge has demonstrated the need for a comprehensive solution to address the safety and reliability concerns of the St. Laurent Pipeline. However, Enbridge has not sufficiently demonstrated that the Project is superior from the perspective of customers to the Extensive Inspection and Repair option when considering both the short and long-term risks. On that basis, SEC is not able to endorse the request for leave to construct at this time and further consideration of the Extensive Inspections and Repair option as a solution is appropriate.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Applicant and intervenors (by email)

[64] Undertaking JT 2.6
[65] Undertaking JT 2.8
[66] Undertaking JT 2.8
[67] Tr.2, p.22; Undertaking JT 2.7