130 Queens Quay East, Suite 902
Toronto, Ontario M5A 0P6
T 416.926.1907 F 416.926.1601
www.pollutionprobe.org

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

February 3, 2025

EB-2023-0343 East Gwillimbury Community Expansion Project Leave to Construct
Pollution Probe Submission

Dear Ms. Marconi:

In accordance with OEB direction, please find attached Pollution Probe's Submission pertaining to the above noted proceeding.

Respectfully submitted on behalf of Pollution Probe.

Michael Brophy, P.Eng., M.Eng., MBA
Michael Brophy Consulting Inc.
Consultant to Pollution Probe
Phone: 647-330-1217
Email: Michael.brophy@rogers.com

Cc: Enbridge Regulatory (via email)
All Parties (via email)
Richard Carlson, Pollution Probe (via email)

EB-2023-0343

ONTARIO ENERGY BOARD

Enbridge Gas Inc.
East Gwillimbury Community Expansion
Leave to Construct

POLLUTION PROBE SUBMISSION

February 3, 2025

Submitted by: **Michael Brophy**

Michael.brophy@rogers.com

Phone: 647-330-1217

28 Macnaughton Road

Toronto, Ontario M4G 3H4

Consultant for Pollution Probe

Project Overview and Background

On November 28, 2023, Enbridge Gas Inc. (Enbridge) applied to the Ontario Energy Board (OEB) under sections 90 and 97 of the *Ontario Energy Board Act, 1998*, for an order granting leave to construct approximately 37.3 kilometres of natural gas pipelines in the Town of East Gwillimbury with multiple pipeline sections in the Township of King, Town of Georgina, and Town of Whitchurch-Stouffville (Application). The proposed pipeline sections (collectively defined as the Project) are forecasted by Enbridge to supply natural gas to approximately 369 new customers who currently do not have access to natural gas services. Enbridge also applied to the OEB for approval of the form of land-use agreements it offers to landowners affected by the project.

Enbridge filed a letter on April 3, 2024 requesting that the Application be placed in abeyance. Enbridge cited the need to update the pre-filed evidence due to the omission of a section of pipeline in the Environmental Report (ER). On April 4, 2024, the OEB issued Procedural Order No. 2, placing this proceeding into abeyance at the request of Enbridge. On June 14, 2024, Enbridge Gas filed a letter requesting that the proceeding remain in abeyance. In addition to preparing the ER Amendment for the evidence update, Enbridge Gas reviewed its customer forecast, design, cost estimates and economics for the Project. Updates to these inputs modified the projects estimate to increase the Portfolio Index of the Project from 0.99 to 1.0, which is required by the OEB EBO 188 requirements and Phase 2 of the Government of Ontario's Natural Gas Expansion Program (NGEP)[1].

On August 30, 2024 Enbridge filed an updated application replacing the previous application filed. The new application was significantly different in scope from the original application. Some of the differences were highlighted by Enbridge as outlined in the summary table below[2].

	LTC Application – Filed November 28, 2023	LTC Application – Updated as of August 30, 2024
Customer Forecast	369	263
Total Length of Pipeline (km)	37.3	36.5
Construction Start Date	August 2024	March 2025
In-Service Date for the Entire Project	March 2025	November 2025
Total Capital Cost	$14.7 million	$13.0 million
Profitability Index	0.99	1.0

[1] EB-2023-0343, Exhibit I.STAFF-1, Attachment 1, Page 9.
[2] EGI_APPL_East Gwillimbury_Updated_20240830, Page 2.

The updated Project cost estimate is lower than the amount estimated in the Company's original project proposal to the Government of Ontario (2019/2020) for funding under Phase 2 of the NGEP by approximately $2.6 million (EB-2019-0255)[3]. However, Enbridge has assumed that it will receive its original request of grant funding of $8,373,365[4]. The numbers of customers proposed to be served was decreased from the NGEP application value of 422[5] to 263 in this updated OEB application, a decrease of 38%. No written confirmation of the assumed grant amounts based on the new Project scope is available on the record at this time.

During the course of this proceeding several requests were made by Environmental Defence which are largely summarized in the OEB's Decision and Procedural Order No. 4 dated January 13, 2025. Environmental Defence's requests pertain to issue relevant to this proceeding including,

- Consumer energy alternatives (i.e. heat pumps) for members of the community targeted by the Project, which will have a material impact on the energy choices for consumers in this community over the Project period (40 years).
- A community survey to provide a more objective validation of interest and intent of community members to attach and use natural gas over the Project period.
- An opportunity to provide factual information pertaining to energy and consumer choice. As the OEB is aware, there has been ongoing concern with the factual accuracy and bias of consumer information developed and used by Enbridge, include the materials used for this application. Enbridge has agreed to suspend use of those materials until they are updated with current factual information, including the use of modern energy alternatives (such as a cold climate air source heat pump)[6].
- A technical conference or equivalent updated response to interrogatories related to information requests pertinent to the proposed Project.

The OEB determined that additional procedural steps or evidence is not required and set a path for submissions by all parties. It is important to recognize that the OEB's rejection of stakeholder requests does not mean that they are not relevant to the proposed Project, but it appears that the OEB does not believe that incremental information related to those requests is required or would materially impact the OEB's decision in this proceeding. The OEB has also collected issues pertinent to system expansion projects that bridge across applications and grouped them in a manner that

[3] Exhibit E Tab 1 Schedule 1, Page 2.
[4] Exhibit I.STAFF-1, Attachment 1, Page 8.
[5] Exhibit I.STAFF-1, Attachment 1, Page 17.
[6] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.

can be assessed in detail through other proceedings[7]. There is always a balance that the OEB must consider between ensuring a complete and accurate record, and what level of information is needed to support the OEB's deliberations when making a decision. The OEB has acknowledged the importance of issues that relate to projects like this one, including Project economics, survey results, modern consumer technology choices, financial analysis/consumer surveys and consumer information or marketing materials[8]. The OEB has noted that the onus is on the applicant (Enbridge) to prove its case. It is open to any party and OEB staff to argue that the application is deficient, and if the OEB agrees, then the application may be denied, adjourned, or approved subject to conditions[9].

Enbridge has previously suggested that each project application be assessed as individual without consideration of facts or record impacting other similar applications. Pollution Probe has maintained that it is more effective and efficient to consider applications like this one in a grouping of like applications, or at the very least to consider common elements across these proceeding. Although a consolidated hearing approach has not been selected, Enbridge and the OEB regularly reference similar system expansion proceedings or Decisions and has continued to do so in this proceeding[10]. This is a compromise to leverage the record from those similar proceedings in a manner that gains some efficiencies from doing so.

The project was selected to be eligible to receive funding assistance as part of Phase 2 NGEP, which provides financial support to help utilities expand natural gas distribution into communities that are not currently connected to the natural gas system. Per NGEP requirements, this NGEP project requires OEB review and consideration through a Leave to Construct application process. This process is meant to ensure the review and consideration of relevant issues and consideration of current factual information, particularly when the Project details vary significantly from the information in the NGEP grant applications. The NGEP grant application for the Project was filed in response to an OEB Staff request[11]. It has been previously recommended that Enbridge included the NGEP application when it files its original evidence for an NGEP project. Given the essential link to that grant application document for an NGEP project, it is incomplete to make an application to the OEB without included that essential fundamental information.

[7] For example, EB-2024-0111.
[8] As outlined in other recent expansion proceedings and also other OEB direction for these issues (e.g. Phase 2 of EB-2022-0200), the OEB has confirmed the importance of the factual and objective project information and its impacts on the ability for Enbridge to undertake projects and recover costs in the future.
[9] EB-2023-0343 dec_PO4_EGI_East Gwillimbury NGEP_20250113, Page 18.
[10] Examples include EB-2023-0343 EGI_Ltr_Response_ED_20240315 and dec_PO4_EGI_East Gwillimbury NGEP_20250113_esigned.
[11] EB-2023-0343, Exhibit I.STAFF-1, Attachment 1.

Expansion projects submitted for grant consideration provide high level details available at the time and did not undergo the detailed project review or validation that is typically part of an OEB Leave to Construct process, including consideration of EBO 188 or other OEB requirements. The NGEP template includes wording that invalidates the grant funding when certain project details change, including projects that are not likely to achieve a Portfolio Index (PI) profitability of 1.0.

Since the Project as filed is a modification from Enbridge's NGEP project proposal in EB-2019-0255, it is unclear how the NGEP grant amount outlined in the application will be impacted compared to the Project details included in this OEB application. There is nothing on the record to confirm that the grant amount in the application is what will be actually paid or if modified, what the new amount would be. It is not a prudent assumption to assume that the previous NGEP application grant amount will remain valid even though significant Project details have changed.

This creates additional uncertainty for the ratepayer impacts related to this Project and the ability for the Project to deliver a PI=1.0. If there is a shortfall (i.e. reducing the PI), it is assumed that Enbridge would absorb those costs rather than ratepayers. The NGEP requirements indicate that a grant will only be provided under the condition that "The project must have a PI of 1.0. The PI is to be calculated based on an individual project (i.e., not a "portfolio" of projects)"[12]. If a project is above or below a PI=1, it appears that the grant funding is not available. The significant changes seen in Enbridge's forecast for this Project since it was originally filed further reinforces the high likelihood of variation in factors impacting the PI over the Project term. If estimates can change so much over a 1 year period, they are certainly likely to change over the 40 year forecast period.

The OEB has been alive to challenges and risks related to recent expansion projects and particularly those receiving additional ratepayer funded grants. Undertaking incremental objective analysis on these projects (e.g. consumer survey) could result in more accurate information leading to a rejection of the project from NGEP funding (e.g. not meeting requirements such as a PI=1.0). Similarly, using the information provided by Enbridge in this proceeding can result in over-estimation of project economics and ignore adverse ratepayer impacts, including a high potential for stranded assets. This is the balance the OEB must consider.

Recently, Enbridge committed to cease the use of consumer information materials by November 4, 2024, until a thorough review and update can be done to represent current factual information, including the use of modern cost-effective energy alternatives (such

[12] EB-2023-0343, Exhibit I.STAFF-1, Attachment 1, Page 9.

as a cold climate air source heat pump)[13]. These are the very materials that were used for the East Gwillimbury Expansion Project and even if the OEB were to approve this Project, Enbridge is restricted from its typical natural gas marketing campaign in this community until the updated information and materials are filed with the OEB and reviewed[14].

This Project is not a typical community expansion. It is essentially a set of separate infill pipeline projects that have been grouped together. The Project is comprised of nine individual and disconnected pipeline facility sections within and along the borders of the Town of East Gwillimbury that have been organized into two construction phases[15]. If the segments were done as individual projects, it appears that they would not require Leave to Construct approval. Enbridge has decided that the consolidated set of pipelines defines the Project and therefore the OEB assessment will need to include all elements related to the collective pipelines and ancillary facilities. The collective estimated costs of the Project is $12,999,254[16]. Pollution Probe recommends that the full scope of the Project be covered in the OEB Decision and Conditions of Approval.

Options and Recommendations

This section provides a high-level summary of the options for consideration and also recommendations for OEB consideration. Additional details and recommendations are included in this submission, but Pollution Probe thought it would be helpful to the OEB to provide this consolidated section first.

Similar to the previous expansion proceedings referenced by the OEB, there are options to mitigate the issues outlined in this submission. The options include declining Leave to Construct or approving Leave to Construct with certain condition and direction to Enbridge. Similar issues exist for this Project that have been flagged in similar expansion projects[17], including customer forecast, consumer information, survey results, design, cost estimates and economics for the Project. The OEB is well familiar with these issues. There are also incremental issues in this proceeding due to Project specifics. A significant overhaul of this Project was undertaken between the original application and the updated application. Adjustments include proposed pipeline route and related environmental impacts, a 27% decrease in forecasted customer attachment, a 12% change in estimated Capital costs, and a change in the overall project PI.

[13] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.
[14] Forecast for Phase 3 of the Enbridge Rebasing proceeding unless Enbridge needs additional time.
[15] Exhibit B, Tab 1, Schedule 1.
[16] Exhibit E, Tab 1, Schedule 1, Table 1.
[17] For example, EB-2022-0156/EB-2022-0248/EB-2022-0249.

The OEB is aware of the challenges associated with the survey and related marketing materials used for this and other recent expansion projects. Even if the financial Project risk remains with Enbridge shareholders, there are long term stranded assets risks that will impact Ontario energy consumers. There is a need for Enbridge to increase the reliability of the estimate for which customers will actually connect to natural gas in order to support an actual PI=1.0 or greater over the asset time horizon (e.g. 40 years under current EBO 188 requirements unless otherwise updated by the OEB). A more informed approach would allow the OEB to more efficiently target potential customers, rather than using a broad brush approach, thereby reducing ratepayers costs and risk of stranded assets. This would also more effectively align with Provincial policy which is focused on more cost-effective integrated planning that avoid duplicating gas infrastructure costs where they are not needed.

Similarly, additional information analyzing stranded asset and volume revenue risks is an area that the OEB has already requested that Enbridge undertake. No such information or analysis was included in this application by Enbridge and no consideration of those potential impacts have been accounted for in the PI calculation. Ignoring these factors in Enbridge's forecast is unrealistic and does not align with customer loss evidence put forward by Enbridge[18]. The OEB has repeatedly commented on Enbridge's lack of consideration of Energy Transition risks including loss of forecasted customers, declining loads and related stranded assets[19]. This application does not meet a modern bar of reasonableness as set out by the OEB, in alignment with current Energy Transition assumptions.

Similar to other recent and similar projects, Enbridge should retain the risk should the Project PI be less than 1.0 (i.e. project costs exceed those placed in evidence by Enbridge and/or revenues are less than those indicated in Enbridge's evidence)[20]. This should apply to the entire Project-related capital costs (including Supply Laterals, Reinforcement and Ancillary Facilities). If Ancillary Facility costs are not all treated within the scope of the Project for OEB approval, the actual costs would automatically be collected from ratepayers, regardless of what the actual Project PI ends up being. General Ancillary costs not otherwise identified are recovered through general rates buried in with all the other capital recovery in the annual rate recovery process. Treating them as one package of Project costs would ensure equitable treatment for all costs being driven by this Project.

[18] Recent evidence and testimony in EB-2022-0200 supported the logical assumption that customers will continue to leave the gas system when they change equipment.
[19] Examples include EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221, Page 2.
[20] This condition is necessary in this proceeding since Enbridge will not be coming back for any additional OEB project approvals if Leave to Construct approval is granted in this proceeding.

Enbridge is the only stakeholder that can ensure that the estimates it includes in its evidence are objectively realistic and Enbridge is the only stakeholder that can implement required mitigation measures during Project planning and delivery as required (e.g. greater customer outreach and engagement, mitigate cost overruns, etc.).

Enbridge has not provided information (via handouts, electronic communication and/or community education sessions) to consumers in the community on the full range of incentives and options available including DSM[21], Save on Energy program incentives, and the IESO programs (which include cold climate air source heat pumps)[22]. It is important to note that 7% of consumers in the Enbridge survey identified as electric heating, which rises to 82% when combined with oil and propane[23]. These customer have full access to the IESO programs, including electric heat pumps[24].

Recommendations

Pollution Probe makes the following recommendations for the OEB to consider.

- Include reference in the Decision that Enbridge should include all relevant information in its application, including NGEP application details. It has been previously recommended that Enbridge include the NGEP details (e.g. EB-2019-0255) when it files its evidence for Leave to Construct approval of an NGEP project. Given the essential link to that document for an NGEP project, it is incomplete to make an application to the OEB without included that essential information.
- Include reference in the Decision that Enbridge should include written confirmation of the confirmed NGEP grant amount when the proposed Project information varies from that in the original NGEP application details.
- The OEB's Rebasing Phase 2 Decision required Enbridge to cease consumer outreach using current marketing materials[25]. That Decision is clear in its implementation for this community. However, the OEB could determine what additional language is needed in this Decision, if any, given the connection between those OEB decisions.

[21] In its EB-2021-0002 Decision the OEB clarified that program information and incentives are valid either for existing customers or future customers. However, Enbridge continues to fail to promote these to expansion communities since it would decrease project economics (i.e. profitability for Enbridge over energy savings benefits for consumers in the community).
[22] An up to date summary of the 12 year programs is available here - Ontario Launches New Energy Efficiency Programs to Save You Money | Ontario Newsroom
[23] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 3, Table 1 total for oil, propane and electricity.
[24] The government's *Affordable Energy Act*, which came into force on December 4, 2024, ensures the new Home Renovation Savings Program, and other program offerings, will be expanded to homeowners who heat their homes by propane and oil, instead of being restricted to those who heat with electricity - Ontario Launches New Energy Efficiency Programs to Save You Money | Ontario Newsroom
[25] [25] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.

- Include in this Decision a requirement for Enbridge to file a copy of the updated consumer information and related marketing materials under this docket (and provide a copy to all participants) prior to resuming community outreach for the community proposed to be served by this Project.
- If Leave to Construct approval is granted, include the same wording the OEB has included in other recent community expansion Leave to Construct projects to protect ratepayers from additional excess costs related to this Project. More specifically, "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 subsidy or contribution to the expansion of service provided in O. Reg. 24/19 is specific and limited and does not abrogate the general principles of utility cost allocation going forward. All options will be available to the OEB in the rebasing following the conclusion of the RSP with respect to the appropriate rate treatment of potential capital cost overruns and/or lower than forecast customer attachments/volumes (and associated revenues). Enbridge Gas is not guaranteed total cost recovery if actual capital costs and revenues result in an actual PI below 1.0. The OEB cannot bind a future panel determining that application to be made by Enbridge Gas post-RSP. However, the OEB notes that if Enbridge Gas's estimate of customers likely to take up natural gas service is correct, existing natural gas customers will have already contributed approximately $22,300 (note: update for this application to $49,427) per customer served by the Project to assist in the expansion of gas in this community. There is a clear and reasonable expectation that such customers will not be called upon to provide a further subsidy to compensate for post-RSP revenue shortfalls.[26]"
- If Leave to Construct approval is granted, include the same wording the OEB has included in other recent community expansion Leave to Construct projects to ensure that energy choice remains available to Ontario energy consumers and that Enbridge retains the responsibility to provide DSM programs to prospective customers in this community (this was not done during the community outreach done to this point). More specifically, include "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.[27]"

[26] Wording is found in recent OEB system expansion decisions, and this example is from EB-2023-0261 dec_ord_ EGI Neustadt NGEP_20240523, pages 20-21.
[27] Wording is found in recent OEB system expansion decisions, and an example is EB-2023-0261 dec_ord_ EGI Neustadt NGEP_20240523, page 19.

- Furthermore, if Leave to Construct approval is granted, require Enbridge to provide information (via handouts, electronic communication and/or community education sessions) to consumers in the community on the full range of energy incentives[28] and options available including DSM[29] and eDSM[30].
- If Leave to Construct approval is granted, include in the Conditions of Approval a requirement for Enbridge to include details in the Project post-construction report on the specific DSM, eDSM and consumer marketing provided during the Project, plus analysis of the results of providing those materials (e.g. uptake results).
- If Leave to Construct is approved, include a requirement to file the completed Environmental Protection Plan (EPP) prior to the commencement of construction. The EPP was not filed in this application and has been added to the Conditions of Approval when it was omitted[31].
- It is recommended that the OEB consider a transparent annual approach for Enbridge to report on all expansion projects, including reporting on actual costs and profitability compared to estimates filed with the OEB for project approval. This will enable the OEB to understand the real attachment statistics and economics of expansion projects over time. It could be appropriate to add this to Phase 3 of Enbridge's Rebasing proceeding since it applies to the broad suite of expansion projects.

[28] Including the current 12 year programs launched by IESO - Ontario Launches New Energy Efficiency Programs to Save You Money | Ontario Newsroom

[29] In its EB-2021-0002 Decision the OEB clarified that program information and incentives are valid either for existing customers or future customers. However, Enbridge continues to fail to promote these to expansion communities since it would decrease project economics (i.e. profitability for Enbridge over energy savings benefits for consumers in the community).

[30] Per IESO Save on Energy programs for electricity, oil and propane consumers - Ontario Launches New Energy Efficiency Programs to Save You Money | Ontario Newsroom

[31] EB-2019-0006 OEB Decision Page 8.

Additional Issues for OEB Consideration

Pollution Probe submits that the application and evidence provided in this proceeding are not of sufficient detail, quality or objectivity to support approval of the Project as filed, including a lack of evidence to validate that that the project will actually meet the OEB's EBO 188 required Profitability Index (PI) = 1.0 or greater[32]. The planning for this Project has been underway for many years and particularly given the issues raised with Enbridge's recent system expansion approach (including consumer marketing and survey), it is reasonable to expect that the level of information to support this Leave to Construct application would be more objective, comprehensive and complete.

Enbridge has left it in the OEB hands to make a decision based on the limited information on the public record and consider options to mitigate the risks associated with the incomplete and biased information in the Enbridge evidence. It is highly unlikely that a PI =1.0 will be achieved by this Project. Enbridge's attachment forecast is over-optimistic and appears to be designed to simply achieve a PI=1.0 on paper. Details on the mathematical challenges associated with the forecast are included further in this submission. Attachment is also likely to be decreased even further by the current mandatory freeze on Enbridge system expansion marketing and requirement to undertake a more thorough review and update to represent more current factual information, including the use of modern energy alternatives (such as a cold climate air source heat pump)[33]. Once more factual, objective and balances marketing materials are filed with the OEB, it should hopefully provide a better basis for real customer choice.

OEB approval of this Project without specific conditions and related language could be interpreted by Enbridge that the 'low bar' set by this application is an acceptable standard for the future. Enbridge often interprets selective parts of individual OEB decisions as a basis to support future applications. It is understandable why Enbridge may want to 'cherry pick' only the elements of OEB Decisions or guidance that favours Enbridge and its shareholders. However, Enbridge must also raise the bar in its applications to close the gaps previously highlighted (including reducing stranded asset risk and integrating more meaningful IRP and DSM activity in its project planning).

Another factor that can in-part mitigate Project risks is the fact that Enbridge (instead of ratepayers) is at financial risk for over-estimating project economics. Enbridge has the responsibility to ensure prudent planning and only Enbridge can mitigate risks of stranded assets through more conservative and thorough analysis. It is correct that if Enbridge does a poor job (intentionally or unintentionally) of providing objective

[32] The initial NGEP application was to support a project to meet a PI=1.0 to avoid additional cross subsidization.
[33] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.

information on modern alternatives and/or biased surveys, it creates a problem for Enbridge when the project does not perform in line with the inflated economics. This risk parity partially removes some of the incentive for Enbridge to construct pipeline capital projects that are uneconomic and likely to become stranded assets. This does not remove the impact to Ontario consumers that could have made better informed analysis if Enbridge had included the relevant modern options and related incentives in its communication materials. This issue has been acknowledged by the OEB and has been included in the scope of the Rebasing proceeding[34].

One of the strengths of the OEB process is to ensure that there is sufficient relevant and objective information available on the public record to support consideration and analysis of the issues for each proceeding. In Pollution Probe's view it is appropriate, prudent and in the public interest for the OEB to encourage and consider all relevant, objective and current information needed to objectively inform OEB Decisions.

Pollution Probe is aware that the OEB weighs the validity and impact of low quality, biased or unreliable information/evidence for a specific project/application with the broader regulatory picture and in some cases has used other opportunities (e.g. larger or generic proceedings[35]) to ensure modern requirements are reflected and as an opportunity to update the public record on what the most correct, objective and relevant information is[36]. Pollution Probe understands why the OEB may take a more limited approach in specific expansion applications and leverage short term opportunities to mitigate project risks while waiting for the right opportunity to assess systematic issues. Pollution Probe encourages the OEB to not dilute the level of rigour required in Leave to Construct applications (in perception or reality) and continue to hold the standard high today and in the future. Ontario energy consumers are counting on it.

An inadequate level of planning, stakeholder engagement and use of objective assumption support for projects is a reason why recent performance of Enbridge's expansion projects have not actually performed in alignment with expectations[37]. The economic risks for the OEB and ratepayers related to an expansion project are particularly elevated when a project barely meets a PI=1.0[38] leaving no safety factor should the costs be higher or the revenue be lower (including attachments, volumes and SES collection from real customers over 40 years). When there is no safety factor and

[34] Phase 2 is EB-2024-0111 and Phase 3 is pending.
[35] Including the recent Rebasing proceedings via EB-2022-0200 and EB-2024-0111.
[36] For example, correcting the record on incorrect assumptions for non-gas alternatives like highlighted in Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 74 lines 16-28.
[37] Actual Project PI's have been as low as 0.47 when forecasted by Enbridge in evidence to meet or exceed 1.0 – See EB-2022-0200 Exhibit JT3.16 Table 1 for a short summary.
[38] Enbridge's application and receiving NGEP funding is predicated on meeting this economic threshold. The recent portfolio results have dipped as low as 0.47 per EB-2022-0200 Exhibit JT3.16 Table 1.

the risks are high, it is prudent to ensure that project assumptions are supported by robust (community specific) information, comprehensive stakeholder engagement and objective, reliable survey data that ensures consumers have the information needed to make an informed decision on their likelihood to attach to natural gas and stay on natural gas over the duration of the project (i.e. 40 years). The more specific and targeted the survey results, the more Enbridge can ensure that real customers will attach to the pipeline segments built (in this project there are many). High level extrapolations for potential customers does not support real ratepayer costs for pipelines being place into Capital rate base. Enbridge has confirmed that when Energy Transition elements and declining average use are properly included in a project analysis, it further reduces actual project PI below 1.0[39]. This is logical and pertinent to this Project. The NGEP was specifically designed to subsidize the specific expansion projects selected to meet EBO 188 requirements, but additional cross-subsidization should not occur.

Under NGEP, maximum grant amounts are identified in order to provide maximum incremental subsidies for natural gas expansion projects, but the access to grant funding does not guarantee that the project will actually be feasible or meet other OEB requirements. A safeguard included in the process is that a gas utility must submit projects for OEB review and consideration such as Leave to Construct, if applicable. It is unclear if NGEP grant amounts will be adjusted when the current project submitted to the OEB does not match the project information submitted in the NGEP application[40]. Pollution Probe suggests that gap could be closed with simple addition of a validation check on actual NGEP funding based on actual project scope, customers forecast and project cost estimate. This is particularly important when the updated Project information varies significantly from the NGEP application, like in the case of this Project.

There is insufficient evidence in this application to accurately estimate reasonably expected gas customer attachments over the forecast period (i.e. 40 years) or which customers are likely to remain on the system in the future until the Project is fully depreciated in 40 years. As outlined in this submission, the estimates in the application are over-estimates of what is really likely to occur. The over-estimation of attachments and economics in excess of reality has become a trend for Enbridge lately as demonstrated by actual PI results. Forecasted spreadsheet results can be gamed, but actual results cannot.

The Enbridge survey result was a passive survey based on poor, incomplete and biased consumer education and without information on efficient energy options available and

[39] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 10, Page 182 lines 13 - 21 and Page 183 lines 16-21
[40] EB-2023-0343, Exhibit I.STAFF-1, Attachment 1.

the incentives that support them. The percentage of customers choosing a different energy option than natural gas will logically increase once the consumers decide to make an equipment change and actively explore current energy options after educating themselves on option available and the incentives available (particularly relevant for the 82%[41] currently using electricity, oil and propane given the new suite of Provincial incentives available). This follows the fundamental principle Enbridge suggests, that customers will choose the best option once they have adequate information. This of course actually occurs after a consumer has investigated those options adequately (at the time of informed choice rather than completing a passive survey that is not linked to any commitment). A passive survey that does not ensure that consumers are adequately informed, will always have a skewed and unreliable outcome.

Enbridge identified that there is a total population of 422 total potential customers in this community that could be considered for natural gas[42]. A total of 161 surveys were completed from a list of 460 home owners[43]. This represents only a 35% response rate from those surveyed, which is a very low response rate. The Forum survey indicated that 32%[44] of those surveyed are likely to replace their heating system and 78% of respondents would consider using natural gas for some application in the future[45]. The survey was non-binding and did not guarantee that gas would be available or used. No information was provided on the incentives related to alternative options such as electric air source heat pumps. Applying these survey results to the full population and assuming that those that did not complete the survey were not willing to support a commitment to connecting, the resulting conversion rate to natural gas over the next 40 years would be approximately 26%[46] or 110[47] customers at best and likely much lower if customer choose the IESO offers available. This is significantly lower than the 268 customers that Enbridge is hoping for, which is the minimum number of customers that will need to attach to the proposed pipeline for the Project to achieve PI of 1.0, with the proposed SES and full NGEP grant included.

The survey results indicated that 7% of local consumers currently use electricity for heating[48], which rises to 82% when combined with oil and propane[49]. IESO offers a free cold climate air source heat pump to customers that use electricity for heating and are low income (i.e. the target consumers for Ministry retrofit programs like NGEP). IESO

[41] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 3, Table 1 total for oil, propane and electricity.
[42] EB-2023-0343, Exhibit I.STAFF-1, Attachment 1, Page 17.
[43] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 2.
[44] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 3, Table 1, note 1.
[45] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 2.
[46] 35% response rate x 75% interest = approximately 26%
[47] 422 potential customers in the community x 0.26 = 110 customers
[48] Exhibit B, Tab 1, Schedule 1, Page 4.
[49] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 3, Table 1 total for oil, propane and electricity.

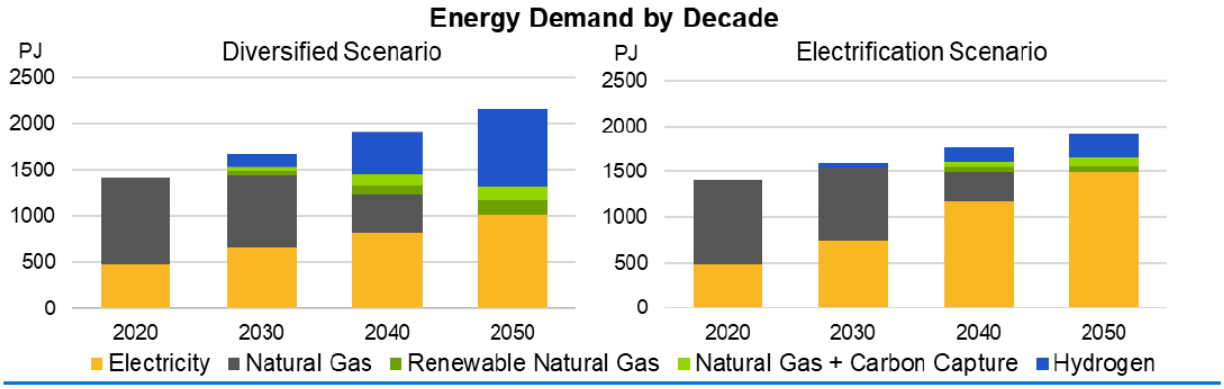
has also expanded its program for the next 12 years and incentives apply to not just electrically heated homes, but are extended to oil and propane[50] which represent 82%[51] of the customers Enbridge hopes to convert to natural gas. This program avoids the significant costs related to incremental gas infrastructure, retrofits, avoids a commitment to an ongoing natural gas surcharge. It is not just the capital costs that are decreased, but annual operating costs for alternatives like heat pumps are significantly lower.

As noted earlier, Enbridge should retain the risk if the actual project is less economic than provided in its evidence (i.e. project costs exceed those placed in evidence by Enbridge and/or revenues are less than those indicated in Enbridge's evidence). There is no requirement for the OEB to transfer that risk to ratepayers. Enbridge is the only stakeholder that can ensure that the estimates it included in its evidence are realistic or implement mitigation measures (e.g. greater customer outreach, engagement and better surveys) should Enbridge evidence not adequately represent reality. The responsibility is solely on Enbridge to undertake sufficient Project planning and analysis to ensure that the project forecast and evidence aligns with what will occur if the project is approved and constructed. If Enbridge is not confident in the forecast, only Enbridge has the ability to enhance attachment activities or mitigate uneconomic portions of the Project. Ensuring that Enbridge carry all risks related to poor forecasting helps protect ratepayers from the negative impact of stranded assets.

Enbridge recently commissions a study to identify a Diversified Scenario to provide a best-case scenario for natural gas infrastructure between now and 2050 given the Energy Transition to Net Zero emissions pathway in Ontario. Enbridge is still considering its Pathways to Net Zero Report developed by Guidehouse to be its best available information[52]. If this Project is commissioned in 2025, it would require collection from ratepayers out to 2065 based on a 40 year amortization period, and also including the proposed System Expansion Surcharge proposed for this Project. Even under Enbridge's most optimistic Diversified Scenario all customers except potentially the largest industrial customer (if they can install carbon capture and sequestration or CCS) will no longer be using natural gas before the project is fully recovered. Enbridge has confirmed that this project has not been designed or approved for hydrogen[53].

[50] Ontario Launches New Energy Efficiency Programs to Save You Money | Ontario Newsroom
[51] Exhibit B, Tab 1, Schedule 1, Attachment 4, Page 3, Table 1 total for oil, propane and electricity.
[52] Final Transcript for EB-2024-0111 TC1 July 22 2024, Page 151, lines 18-25.
[53] EB-2023-0343 Exhibit I.PP-21.

Figure 1: Pathways to Net Zero Emissions for Ontario [54]



Project Costs and Economics

The total cost for the proposed Project is estimated to be $12,999,254[55], of which approximately $1.9 million is attributed to Ancillary Facilities. A summary table of Project-related costs is below[56].

Item No.	Description	Pipeline Costs – Phase 1	Pipeline Costs – Phase 2	Ancillary Costs[1]	Total Project costs
1.0	Material	45,213	276,596	176,033	497,842
2.0	Labour and Construction	1,511,859	4,187,564	1,455,526	7,154,949
3.0	Outside Services	1,932,810	1,059,298	67,183	3,059,290
4.0	Land, Permits, Approvals and Consultations	107,975	17,032	0	125,007
5.0	Direct Overheads	437,773	222,486	44,497	704,270
6.0	Contingency	395,363	563,952	176,200	1,135,515
7.0	Sub-Total	4,430,994	6,326,927	1,918,952	12,676,874
8.0	Interest During Construction	97,888	217,337	7,155	322,380
9.0	Total Project Costs	4,528,882	6,544,265	1,926,107	12,999,254

[54] EB-2023-0343 Exhibit I.PP-21 and EB-2022-0200 Exhibit 1.10.5.2_Pathways to Net-Zero Emissions for Ontario_BLACKLINE_20230421
[55] Exhibit E, Tab 1, Schedule 1, Table 1.
[56] Exhibit E, Tab 1, Schedule 1, Table 1.

This Project requires the Ancillary Facilities and they were included in the EBO 188 financial analysis, so it is recommended that all Project costs be included in the scope of the Leave to Construct review and Decision.

Based on real performance there has been a wide variation in more recent expansion project actual results compared to what was put in evidence before the OEB to support the expansion project. For example, the Profitability Index of most recent expansion projects significantly varies from the EBO 188 requirement of 1.0 minimum to as low as 0.47[57]. Enbridge also confirmed that Energy Transition, declining average use and other factors affecting customers decreases the economics of a project below what is expected[58]. Based on the issues identified in recent applications including this one, it is not surprising that expansion project results are varying significantly from the results that were initially forecasted. Assessing project design and customer choice in a more appropriate and robust manner would better support the fundamental goal of the NGEP intent. The opportunity to promote real customer choice has never been better now that the IESO Province-wide programs enable a wide range of options (including electric cold climate air source heats pumps) for homes heated with electricity, oil and propane. Old assumptions that people will automatically switch to natural gas if given the chance are no longer valid. As noted earlier, the risks related to expansion projects that only meet a PI=1.0 is significantly greater than decades ago when many projects typically had a PI of 2 or greater, helping to mitigate some of these risks. Times have changed. In fact, 14% of those surveyed indicated that they have already made the move to ground/air heat pumps[59].

[57] EB-2022-0200 Exhibit JT3.16 Table 1.
[58] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 10, Page 182 lines 13 - 21 and Page 183 lines 16-21
[59] Exhibit B, Tab 1, Schedule 1, Attachment 4.

Enbridge Project Proposal Costs to Consumers

Below is a summary of the project cost per customer based on the Enbridge information. The summary table includes:

- Assumes that costs and attachments are per Enbridge forecast
- Does not include Enbridge return on capital or end of life abandonment costs
- Not including customer renovation or equipment costs
- Does not include annual energy operational costs

Project Initial Capital Cost[60] per customer	$49,427[61]
NPV of O&M Cost (gas) per customer	$ 3,129[62]
NPV of other expenses per customer	$16,194[63]
Initial Project Cost per customer	**$68,750**

A quick estimate of annual incremental costs for natural gas compared to a heat pump alternative is summarized below.

Cost element	Estimated Annual Incremental Costs
Average ASHP Savings over Natural Gas in Ontario[64]	$840
Avoided Enbridge Customer Charge (estimated at $564/year[65] plus including HST)	$564
Total Annual Savings	$1,404

The figures above are very close to available industry and IESO information for comparing heating costs of a cold climate ASHP against a natural gas furnace. Annual savings are even greater when considering the cooling saving. The higher cost effectiveness of electric air source heat pumps is one of the reasons that the IESO incentives are expanded to Ontario home also heated with oil or propane.

The application filed provided energy comparisons, but the information used by Enbridge for comparison and illustration does not include modern options and

[60] Excludes future capital costs and annual operating costs
[61] $ 12,999,254 / 263 customers = $49,427 per customer. Higher if estimated attachments are not achieved.
[62] $823,000 / 263 = $3,129 per E/1/1 Attachment 2.
[63] (961,000 +3,298,000) /263 = $16,194 per E/1/1 Attachment 2
[64] Objective third part calculator estimate of ASHP savings compared to natural gas in Ontario – EB-2022-0200 K2.2, Page 251.
[65] EB-2022-0111 Exhibit I.PP.14 and EB-2022-0200, Exhibit 8, Tab 2, Schedule 9, Attachment 10, p. 1, line 1, column (c), Updated March 8, 2023.

incorrectly assumes that if a consumer is replacing heating equipment over the next 40 years, its baseline options would only be electric baseboard, oil or propane[66]. Clearly not the case. If a customer makes a decision today or in the future to install a heating system, the most relevant and best options were not included in the marketing materials provided by Enbridge. The OEB has repeatedly highlighted the need for Enbridge to provide accurate and complete information to Ontario consumers. This includes recent expansion projects where the OEB indicated that "the OEB requires and expects Enbridge Gas to provide fair and accurate information concerning its services to its current and potential customers. This includes any representations to customers concerning products and opportunities associated with competitors or the OEB-approved DSM programs"[67].

The persistent issues related to the marketing materials used by Enbridge for these types of system expansion projects resulted in inclusion of the issue on the Enbridge Rebasing issues list[68]. The OEB approved settlement agreement required Enbridge to cease the use of these consumer information and marketing materials by November 4, 2024, until a thorough review and update can be done to represent current factual information, including the use of modern energy alternatives (such as a cold climate air source heat pump)[69]

Energy Efficiency Consideration

Enbridge did not provide any specific DSM, IESO (Save on Energy or eDSM) or other energy efficiency or equipment incentive information to the community as part of the survey or communication package[70]. Enbridge relies on a mass market approach for consumers to find this information rather than providing it for consumers impacted by a project[71].

DSM is the OEB approved portfolio of programs available to all existing and future natural gas customers in Ontario. New gas burning equipment can only function after a service is installed, so therefore any consumer that becomes a customer of Enbridge is entitled to take full advantage of the OEB approved DSM programs before installing equipment. Now is the logical time to ensure all potential customers get full information on incentives available, before they install any equipment. A key principle for DSM is to minimize "lost opportunities", particularly at the time when a customer is considering a

[66] Exhibit B Tab 1 Schedule 1, Table 1.
[67] EB-2023-0261 dec_ord_ EGI Neustadt NGEP_20240523 (Clean), Page 19.
[68] EB-2024-0111 and will also carry over to Phase 3 or when Enbridge files updates materials for review.
[69] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.
[70] Exhibit I.PP-16
[71] EB-2022-0111 Exhibit I.PP.20

renovation or change of heating equipment[72]. This situation applies directly to this community expansion project.

Providing DSM information and options to potential community expansion customers has been a chronic challenge for Enbridge and the gap remains[73]. Enbridge previously indicated that it believes that it needs to do better when expanding to new communities and committed to “ensuring that when we [Enbridge] go out to communities, as part of trying to attract them as new customers, that they understand the conservation service that we offer and that that would be available to them at that point in time. So when they do their conversion we don't lose that opportunity”[74]. Unfortunately, Enbridge has not effectively marketed DSM or other energy efficiency opportunities to potential customers of NGEP Community Expansion projects including this one[75]. Enbridge has repeatedly committed to the OEB and stakeholders to fix this gap[76]. Nothing has been done to remedy the ongoing problem and direct OEB intervention for expansion projects is needed.

Enbridge recently suggested that it does not have a responsibility to provide relevant information to new customers and communities and that "Enbridge Gas served new or upgraded natural gas service requests from customers on the understanding that these customers are sufficiently informed about the available energy and technology solutions and that they have chosen the alternative that best suits their needs"[77]. This is clearly not the case when Enbridge is only providing information biased in favour of natural gas. This is a monopolistic approach that is counter to the public interest. Customers depend on their regulated utility to provide objective information and also that the OEB will protect consumers from such monopolistic behaviors.

The OEB has indicated previously and consistently that it expects DSM analysis and opportunities to be applied more effectively, particularly for Leave to Construct projects[78]. These lost opportunities reduce DSM results at a time when the OEB’s recent DSM Decision stated that more DSM results are expected[79]. DSM information and program materials are supposed to be made available to all potential customers in the community and local contractors should be requested to also share information on the full range of options including reducing energy costs and related emissions through

[72] Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 84, lines 26-27.
[73] Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 86 line 23 to page 87 lines 2-5.
[74] Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 87 line 25 to page 88 line 2.
[75] Exhibit I.PP.16
[76] Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 85 line 20 to Page 88 line 12.
[77] EB-2022-0200 2.6-Staff-81, part (c)
[78] E.g. EB-2020-0192 Decision Page 13 and EB-2023-0261 dec_ord_ EGI Neustadt NGEP_20240523, Page 19.
[79] EB-2021-0002 Decision

undertaking energy efficient decisions during the renovation or major equipment change.

Environmental and Socio-economic Impacts

Enbridge indicates that the Project will be conducted in accordance with recommendations in the Environmental Report (ER). An Environmental Protection Plan ("EPP") was recommended to be developed for the Project prior to construction. In accordance with the ER, an EPP should incorporate recommended mitigation measures contained in the ER and those mitigation measures obtained from agency consultation for the environmental issues associated with the proposed works. Enbridge should complete the EPP and file a copy with the OEB prior to commencing construction.

Highly Vulnerable Aquifer (HVA) areas are considered particularly susceptible to contamination due to shallow, near-surface groundwater, or a permeable soil layer above the aquifer. The majority of the Study Area lies within HVA areas within the Black River and East Holland River catchments. Significant Groundwater Recharge Areas (SGRA) are areas that are desirable to regulate or monitor drinking water threats that may affect the recharge of an aquifer. Some segments of the PPR overlap with SGRAs. The operation of a natural gas pipeline is not identified as a drinking water threat under the *Ontario Clean Water Act* (SO 2006, c. 22); however, construction activities, such as excavation, have the potential to interact with groundwater quality and quantity[80]. Impacts to these local aquifers have the ability to affect waterways, dependent biology (e.g. fish) and water wells.

There is a total of 435 unique well IDs located within 100 m of the proposed route[81]. Depending on the proximity to wells, the depth of the well installation and the groundwater levels encountered during excavation, trench dewatering may impact water well quality or quantity at some of the overburden supply wells[82]. Contamination and vibration from construction activities has the potential to impact local well. A monitoring program should be offered to all owners of wells within 100 m of the proposed route.

The Project is located within the Black River, East Holland River, and Maskinonge River subwatersheds, all of which empty into Lake Simcoe. The Town of East Gwillimbury's Storm Management Master Plan (2012) has identified 'Erosion Sites' within the boundaries of East Gwillimbury[83]. There are 26 watercourse crossing along the proposed route and several of these are cold water with specific timing restrictions.

[80] Exhibit F, Tab 1, Schedule 1, Attachment 1, Page 52.
[81] Exhibit F, Tab 1, Schedule 1, Attachment 1, Page 52.
[82] EGI_F-1-1_Attachment 1, Page 83.
[83] Exhibit F, Tab 1, Schedule 1, Attachment 1, Page 57.

There are four Provincially Sensitive Wetland Complexes surrounding the proposed route, including:

- Holland Marsh Wetland Complex
- Black River Wetland Complex #1
- Black River Wetland Complex #2
- Black River Headwater Wetland Complex

The Environmental Report only assessed impacts within 30 m of the wetland boundaries, but the Provincial Policy Statement uses a zone of 120 m for impact assessment.

A total of 14 provincial Species At Risk (SAR) have been identified as having historic and/or recent records in the general vicinity of the propose Project.

The ER specifically indicates that an Environmental Inspector (EI) should be on-site[84] , including during sensitive watercourse and wetland crossings to monitor adherence to specifications, site plans, and the DFO-Enbridge Agreement. In particular, the EI should monitor that pre-construction preparation is complete prior to commencement of any work. The EI should be responsible for monitoring weather forecasts prior to the crossing to check that conditions are appropriate for the crossing technique. The OEB has previously included conditions for an Environmental Inspector to be onsite in its Conditions of Approval. If the OEB indicates that Enbridge must follow the recommendations in the Project's Environmental Report and EPP, that requirement would automatically be included.

[84] Exhibit F, Tab 1, Schedule 1, Attachment 1, Pages 156, 174, 178, 173, 109, 110, 115, 125, 138, 165, 166 and 170