

# Elson Advocacy

September 3, 2025

**Ritchie Murray**  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th floor  
P.O. Box 2319  
Toronto, Ontario M4P 1E4

Dear Mr. Murray

**Re: EB-2025-0073 – Enbridge Gas Inc. (EGI) Mississauga Reinforcement Project  
Leave to Construct**

I am writing on behalf of Environmental Defence Canada to provide submissions regarding Enbridge's proposed Mississauga Reinforcement Project. As outlined below, Environmental Defence acknowledges that the project meets the cost-effectiveness tests set out on EBO 188 and that preferred alternatives cannot be implemented in time to meet the increased customer demand. However, in approving the project, we ask that the OEB not expressly condone Enbridge declining to explore the following issues:

- Whether Integrated Resource Planning Alternatives (IRPAs) could have achieved ratepayer savings through downsizing or deferral; and
- Whether pipes that are compatible with 100% hydrogen should be utilized where the project serves hard-to-decarbonize industrial customers.

It is not in the interests of customers for this case to set a precedent on either of those two issues that might be followed in future cases with different circumstances.

## **Issue 2: Project Alternatives**

Enbridge has demonstrated that the identified gas demand is best addressed by the proposed project as there is not sufficient time to explore Integrated Resource Planning Alternatives (IRPA) or to explore alternatives pipelines materials before the identified demand materializes.

However, in approving the pipeline, the OEB should not explicitly condone Enbridge scoping-out IRPA's solely because the EBO 188 test has been met via forecast revenue from long-term contracts. Although the OEB has stated that an IRP evaluation need not be conducted where a project is funded through a customer-specific contribution in aid of construction (CIAC), that should not be extended further to always allow an IRP evaluation to be skipped where there is no CIAC but long-term contracts are relied on to achieve a profitability index of 1 or higher under the EBO 188 test. This could set a concerning precedent for several reasons:

- **Lost benefits:** There may be cases where a pipeline is underpinned by incremental revenue from long-term contracts, but costs could be reduced via an IRPA. If the IRPA can cost-effectively allow the pipe to be downsized or deferred, fewer costs will enter rate base, to the benefit of existing customers. Enbridge should explore whether such a possibility to reduce costs exists.
- **Likelihood of benefits:** It is more likely that a cost-effective IRPA will be available in a project like this versus a project funded by a CIAC from a single customer. Where multiple contracts underpin a project, the project area will likely be larger, bringing a greater likelihood that some customers on the relevant pipelines could cost-effectively reduce demand to allow for a deferral or downsizing. This could arise from an IRPA implemented by different customers than those driving the project in the first place, or a combination of a variety of customers.
- **Slippery slope:** There can be a variety of scenarios where long-term contracts underpin the EBO 188 cost-effectiveness calculations. Exempting all of these is a slippery slope that is not consistent with “customer-specific build” criterion set out in the IRP decision.

We are not asking the OEB to order Enbridge to conduct an IRP assessment at this stage as it is too late. We simply ask that the OEB’s decision not explicitly approve a practice of declining to conduct an IRP assessment whenever the project economics are underpinned by long-term contracts.

In approving the pipeline, the OEB should not explicitly condone Enbridge declining to examine whether pipes that are compatible with 100% hydrogen should be utilized where the project serves hard-to-decarbonize industrial customers. Enbridge states that “hydrogen is a critical tool to reduce emissions in hard-to-abate sectors where electrification is not technically or economically feasible with current technologies.”<sup>1</sup> Several customers served by this pipeline would fit that description.<sup>2</sup> In the future, Enbridge should consider whether to build pipelines to these kinds of customers that are 100% hydrogen compatible. This is important because the pipelines constructed today will have a lifetime until the 2080s, long past the date by which Canada must achieve net-zero greenhouse gas emissions. Although there is not sufficient time to consider hydrogen compatibility in this case, and this kind of assessment will be more efficient once Enbridge has made more progress in its hydrogen study, Enbridge should consider this issue in future pipeline projects of this nature.

### Issue 3: Project Economics

The project economics meet the OEB’s economic test outlined in EBO 188.<sup>3</sup>

However, this project highlights one of the many reasons why a review of EBO 188 is warranted. The decision in EBO 188 was issued more than 27 years ago.<sup>4</sup> Since that time there have been significant changes that warrant consideration. One important change is the incentive regulatory

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<sup>1</sup> Exhibit I.ED-3, (g).

<sup>2</sup> Exhibit I.ED-3, (h).

<sup>3</sup> Exhibit I.ED-4.

<sup>4</sup> EBO 188, January 30, 1998.

mechanism (IRM) that is now in place, which does not appear to be accounted for in the EBO 188 test and likely should be. Due to the current IRM framework, ratepayers do not benefit from incremental revenue accrued during a rate term, subject to the earnings sharing mechanism.<sup>5</sup> Instead, ratepayers need to wait until the next rebasing period for the incremental demand and revenue to have a downward impact on their rates. However, full amount of the incremental capital will be added to rate base and paid off by customers over time.

In this specific proceeding, over \$10 million of the forecast revenue that is intended to offset the project capital costs will be accrued during the current rate term. This amounts to roughly half of the forecast revenue (NPV). This is shown in the DCF table pasted below.<sup>6</sup>

Mississauga Reinforcement  
In-service Date: Nov-01-2026

| Project Year            | (\$000's) | Project Total | Nov 1 2026 - | Nov 1 2027 - | Nov 1 2028 - | Nov 1 2029 - | Nov 1 2030 - | Nov 1 2031 - | Nov 1 2032 - | Nov 1 2033 - | Nov 1 2034 - | Nov 1 2035 - |
|-------------------------|-----------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                         |           |               | Oct 30 2027  | Oct 30 2028  | Oct 30 2029  | Oct 30 2030  | Oct 30 2031  | Oct 30 2032  | Oct 30 2033  | Oct 30 2034  | Oct 30 2035  | Oct 30 2036  |
| Operating Cash Flow     |           |               |              |              |              |              |              |              |              |              |              |              |
| Revenue:                |           |               |              |              |              |              |              |              |              |              |              |              |
| Distribution Revenue    | 26,514    | 5,367         | 5,367        | 4,962        | 1,803        | 1,803        | 1,803        | 1,803        | 1,803        | 1,803        | 1,803        | -            |
| Expenses:               |           |               |              |              |              |              |              |              |              |              |              |              |
| O & M Expense           | (1,547)   | (77)          | (77)         | (77)         | (77)         | (77)         | (77)         | (77)         | (77)         | (77)         | (77)         | (77)         |
| Municipal Tax           | (200)     | (10)          | (10)         | (10)         | (10)         | (10)         | (10)         | (10)         | (10)         | (10)         | (10)         | (10)         |
| Income Tax              | (6,494)   | (1,330)       | (1,399)      | (1,292)      | (455)        | (455)        | (455)        | (455)        | (455)        | (455)        | (455)        | 23           |
| Net Operating Cash Flow | 18,273    | 3,950         | 3,880        | 3,583        | 1,261        | 1,261        | 1,261        | 1,261        | 1,261        | 1,261        | 1,261        | (64)         |

A review of EBO 188 could consider, among other things, whether it is appropriate to account for all the incremental revenue accrued during an initial rate term as benefiting existing ratepayers and as offsetting project costs. Environmental Defence is not asking the OEB to decide this issue now. We also understand that a panel hearing a leave to construct application does not have the jurisdiction to order that a generic hearing or consultation take place on EBO 188. We simply raise this for the OEB's consideration as this particular project illustrates the issue well.

## Conclusion

We thank the OEB for the opportunity to make submissions in this proceeding.

Yours truly,



Kent Elson

cc: Parties in the above proceeding

<sup>5</sup> Exhibit I.ED-5.

<sup>6</sup> Exhibit I.ED-5, Attachment 1.