



BY EMAIL and RESS

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Our File No. 20180097

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2018-0097 – Enbridge Bathurst Reinforcement LTC

We are counsel for the School Energy Coalition (“SEC”). Pursuant to Procedural Order #1, this letter constitutes SEC’s submissions on this Application.

SEC has only intervened to review the potential for integrated resource planning (“IRP”) to defer or displace the need for the Project. Our submissions are limited to that issue.

Overview and Background

Enbridge is seeking approval to spend just under \$10 million to lay 3.2 km of pipe south along Bathurst Street from about Steeles to south of Finch (north of the West Don Parklands). The area being served is within the City of Toronto, and is fully developed, primarily with single family homes and other low density residential. There are extensive parklands due to the Don River bisecting the service territory, and the places zoned for commercial uses already have retail and other commercial development in place. There are several schools, both elementary and secondary, serving the residential customers in this area.

In their original planning for this project, Enbridge estimated that peak demand would increase by 153 m³/h annually over the period 2020-2029, driven primarily by an average of 147 new residential attachments and 2 new commercial attachments per year over that period¹.

In part because the peak demand growth was expected to be low (0.5% per year²), this project was selected by Enbridge to be part of a study by ICF on whether geo-targeted DSM could defer or displace infrastructure investments.

The ICF Study, discussed below, was mandated by the Board in its approval of the current DSM Plans for Enbridge and Union. As SEC notes below, the ICF Study shows the very strong utility resistance to IRP. Despite this apparent bias in the report, ICF reviewed the Bathurst Reinforcement Project and in January 2018 concluded that it could likely be deferred or displaced by DSM.

Enbridge responded in May 2018 by increasing the load growth estimates for the ten year study period from 153 m³/h annually to 590 m³/h annually, i.e. almost four times as much growth in peak demand³, shifting it from a low growth area to a high growth area. On the basis of that increase, Enbridge has concluded that DSM cannot be used to defer or displace this project.

No evidence has been filed to support the increase in the peak demand forecast.

The ICF Report

In EB-2014-0134, the Board made clear that DSM should be an integral part of future infrastructure planning by the gas utilities. It said⁴:

“As part of all applications for leave to construct future infrastructure projects, the gas utilities must provide evidence of how DSM has been considered as an alternative at the preliminary stage of project development.”

In order for the gas utilities to fully assess future distribution and transmission system needs, and to appropriately serve their customers in the most reliable and cost-effective manner, the Board is of the view that DSM should be considered when developing both regional and local infrastructure plans. This is consistent with the direction outlined in the LTEP and the Conservation Directive, which state that the Board shall take steps it considers appropriate towards implementing the government’s policy of putting conservation first in electricity distributor and gas distributor infrastructure planning processes at

¹ Ex. I.EGDI.SEC.1, Attach 2, p. 3.

² Ex. I.EGDI.SEC.1, Attach 1, p. 33.

³ Ex. I.EGDI.SEC.1, Attach 2, p. 3.

⁴ EB-2014-0134, Report of the Board, pp. 35-6.

the regional and local levels, where cost-effective and consistent with maintaining appropriate levels of reliability. The Board expects the gas utilities to consider the role of DSM in reducing and/or deferring future infrastructure investments far enough in advance of the infrastructure replacement or upgrade so that DSM can reasonably be considered as a possible alternative. If a gas utility identifies DSM as a practical alternative to a future infrastructure investment project, it may apply to the Board for incremental funds to administer a specific DSM program in that area where a system constraint has been identified.” [emphasis added]

The Board went on to direct the (then) two gas utilities to engage experts to do a study “to determine the appropriate role that DSM may serve in future system planning efforts”. The utilities were also supposed to file a preliminary transition plan with their 2015-2020 DSM Plans, although that transition plan has actually been filed in the Mid-Term Review. To the best of SEC’s knowledge, the utilities have not actively engaged IRP principles as an alternative to putting pipe in the ground.

The utilities engaged ICF Canada to carry out the study ordered by the Board.

SEC is concerned that the ICF Study does not provide the Board with an unbiased analysis. That concern arises out of three main observations:

- The ICF Study is composed primarily of a list of barriers to using DSM to defer or displace infrastructure investment. Rather than make any attempt to look at how the utilities could most effectively implement geo-targeted DSM, the ICF Study instead goes on at length about how
 - a) DSM is fundamentally ill-suited to displace the risks associated with system planning (i.e. insufficient certainly that DSM will deliver the results forecast),
 - b) the Board’s policies and approaches would have to be altered in many material ways for DSM to be used in the IRP context⁵,
 - c) geo-targeted DSM would be more costly and less effective than broad-based DSM programs, and
 - d) gas utilities don’t know enough about the effects of DSM on peak demand to implement DSM in place of increasing system capacity.

The ICF Study is not dissimilar in form or content from the utilities’ own submissions on the problems with IRP in past proceedings, such as the GTA Reinforcement case.

⁵ Which Enbridge reiterates as their, in effect, last line of defence. See, e.g. I.EGDI.SEC.11.

- Some parts of the ICF Study appear to have been written by Enbridge or Union, in that they set out (expressly) the utility's view rather than the consultant's view, or they describe actions the utility will commit to for the future⁶.
- The study was carried out with the guidance of a committee called SAG (Study Advisory Group). That committee was dominated by gas utility representatives, and had no representatives of environmental or customer groups, despite their expertise and interest in this subject area.

The problem with IRP, of course, is that gas distributors can only grow by adding to their rate base, i.e. new pipelines. Broad-based DSM programs don't have a significant impact on system expansion, and generate separate profits. Geo-targeted DSM programs, on the other hand, generate no ability to make money, but impose a direct barrier to corporate growth. It would be surprising if gas distributors took a pro-IRP approach, as it is contrary to their financial interest.

A study that focuses on the utility arguments against IRP, without looking at how it can actually be accomplished in Ontario, would not appear to be what the Board had in mind in EB-2014-0134. Further, it does not overall appear to provide much value to the Board in considering IRP, except perhaps to set out the utilities' views more clearly. The ICF Study does not, in general, advance the Board's knowledge.

ICF also looked at some examples, selected and provided by Enbridge and Union, of real projects. In considering whether DSM could defer or displace those projects, ICF assumed that DSM would require long lead times, and administrative costs would be 150-200% of the costs for normal DSM programs. ICF also assumed that only the peak load displacement had value for these specialized programs. These and other assumptions made DSM less cost-effective, so most projects failed the IRP test as formulated by ICF⁷.

Against that backdrop, however, ICF Canada did conclude that in one narrow class of cases – community reinforcements in more mature distribution areas with slow growth – geo-targeted DSM can be an effective way of deferring or displacing infrastructure investments.

Further, ICF looked specifically at the Bathurst Reinforcement Project, using the project assumptions (cost, future growth, etc.) provided by Enbridge. Even with the negative assumptions about the cost and timelines for DSM, ICF concluded that “it may be more cost-effective to launch [a] geo-targeted DSM program than to install the reinforcement project”⁸.

⁶ See, e.g., p. 40-1. There are several other examples like this.

⁷ See Sections 6.4.2-6.4.4 of the ICF Study.

⁸ ICF Study, p. 30. I.EGDI.SEC.1, Attach. 1, p. 33.

At the DSM Mid-Term Review Stakeholder Conference, Enbridge representatives referred to this as a “high-level review”⁹. Notwithstanding the Board’s direction in EB-2014-0134 that gas distributors must include DSM as one of the options for reinforcement projects, no details of this “high-level review” were provided to the Board in the original Application for leave to construct. This evidence only became part of the record in this Application because of interrogatories asked by SEC.

The Utility Response

Although the ICF Canada analysis of the Bathurst Reinforcement Project was only a “high-level review”, it might have caused Enbridge management and/or the Board to reconsider whether incurring this \$10 million capital cost was really necessary.

However, what Enbridge did, between the time of the ICF Study (January 2018) and the time management approval was sought for the project (May 2018), was to dramatically increase the forecast of new attachments, and new peak load requirements, for the area served by this proposed pipe.

This was the result of two changes. First, Enbridge assumed higher attachments in the area directly served by the pipe. Second, Enbridge assumed higher growth upstream of this pipe, leading to lower inlet pressures for this downstream area¹⁰.

The result of these changes was that the average annual incremental peak load went from 153 m³/h to 590 m³/h, a 386% increase. The main driver for this (two-thirds of the increase) was an increase in the number of new apartment buildings from 6 to 42. In fact, the new forecast has more new apartment buildings in the first year, 2020, than in all of the ten years in the previous forecast¹¹.

This might come as a surprise to the residents of the area. The new forecast has 14 new apartment buildings in 2020 and 2021, which would of course have to be approved and probably under construction in order to be ready for occupancy in that time frame. The only apartment buildings approved or under construction, and not slated for occupancy before 2020, are one at Wilson and Wilson Heights, one at Wilmington and Overbrook (which is more likely to be 2022, since it is still in presales), and two low-rises on Sheppard Avenue west of Bathurst. There do not appear to be any other locations in the service area that could be developed as high-rises in the short and medium term. The places zoned or slated for higher density development are already built up.

⁹ I.EGDI.SEC.2.

¹⁰ I.EGDI.SEC.1, Attach. 2, p. 3.

¹¹ I.EGDI.SEC.3.

Enbridge has provided no evidence as to why the forecast was increased so dramatically, except for one phrase (“information (i.e. additional data points) around possible high rise development”). Those additional data points have not been provided to the Board. Further, the substantial loss of load due to the closure and demolition in 2011/2 of one of the biggest gas loads in the service area, the North Jewish Community Centre immediately south of the proposed new pipe, has not been provided because of customer (or, in this case, former customer) confidentiality¹².

The result of the change in the forecast is that this mostly residential area in a mature and stable part of the City of Toronto, where most of the residential and commercial buildings were built 30-60 years ago, and where there is little undeveloped land, has been shifted from a low-growth area suitable for geo-targeted DSM, to a high-growth area (5.3% per year measured by total delivered volume¹³) where DSM has less ability to defer or displace infrastructure investment.

No evidence was filed to support the high-growth conclusion reached by Enbridge, and ICF was not asked to review their findings on the Bathurst Reinforcement Project in light of the new growth assumptions.

SEC further notes that Enbridge is now emphasizing that this project has to be done by December 2019 or risk being shut out by a moratorium on road allowance work from the City of Toronto¹⁴. This is curious because the May 2018 report to Enbridge management seeking a go-ahead on the project makes no reference to this external factor. The only reason stated for going ahead in 2019 is “already in 2018 approved [capital projects] portfolio”.

What Can the Board Conclude?

SEC is concerned that the evidence before the Board does not support proceeding with this project on the timeline proposed by the Applicant. The only evidence in support is bald assertions by Enbridge, unsupported by any backup documentation or evidence, and materially inconsistent with previous (and recent) information from Enbridge provided voluntarily to a third party expert.

SEC is also concerned that Enbridge does not appear to have made any concerted effort to see how, if at all, it could defer or displace this project. The more realistic conclusion, from the evidence before the Board, is that this project was already approved for 2018, but then was sidetracked by an unexpected conclusion from ICF. Enbridge responded by changing the assumptions to ones that are less realistic but

¹² I.EDGI.SEC.4

¹³ I.EDGI.SEC.9. The growth in peak demand, comparable to the 0.5% noted by ICF, is not on the record.

¹⁴ I.EDGI.SEC.6. This is also referred to in other places, and will likely have a prominent place in their Reply Argument.

produce a better capital approvals result, then overriding the ICF conclusion without talking to them at all.

Further, SEC is concerned that, just in case the Board wants to send this project back for further study, Enbridge is now saying that “it’s now or never”, in effect. Again, there is no supporting evidence for this claim.

SEC is acutely aware that saying no to a reinforcement is a risk for the Board, and certainly the schools we represent in the area do not want to find that, due to a lack of a \$10 million project, they are without heat on the coldest day of the year.

On the other hand, if a project in a low-growth, mature area of the City like this one cannot support DSM, despite the contrary opinion of the only expert to look at it, the inevitable result is that IRP solutions will never be considered by Enbridge. It is easy to increase forecasts, and there will never be a time when Enbridge is called to account for laying pipe instead of reducing peak load.

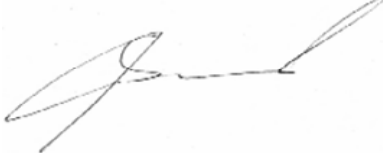
Conclusion

SEC therefore submits that the Board should consider whether to require either further backup of the new assumptions, or a more rigorous plan for how to defer or displace this project with DSM, or both, before a leave to construct can issue.

All of which is respectfully submitted.

Yours very truly,

SHEPHERD RUBENSTEIN PROFESSIONAL CORPORATION



Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties