

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

December 3, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Walli:

**Re: OEB Staff Supplemental Submission
Enbridge Gas Distribution Inc.
Application for leave to construct a natural gas pipeline in North York
OEB File No. EB-2018-0097**

In accordance with Procedural Order No.2, please find attached the OEB staff Supplemental Submission in the above proceeding. This document has been sent to Enbridge Gas Distribution Inc. and to all other registered parties to this proceeding.

Enbridge Gas Distribution Inc. is reminded that its Reply Submission is due by December 10, 2018, should it choose to file one.

Yours truly,

Original signed by

Ritchie Murray
Project Advisor, Supply & Infrastructure

Encl.

Cc (by email):
All parties to the proceeding

Introduction

On August 1, 2018, Enbridge Gas Distribution Inc. (Enbridge) filed an application seeking leave to construct approximately 3.2 kilometres of nominal pipe size (NPS) 12 inch high pressure steel gas pipeline, approximately 20 metres of NPS 8 inch steel intermediate pressure pipeline, and a district station in the City of Toronto (the Project).

On September 21, 2018, the OEB issued Procedural Order No. 1, which provided for interrogatories and written submissions. In their submissions, OEB staff and the School Energy Coalition (SEC) both expressed concerns about the lack of evidence to support Enbridge's assertion that demand side management (DSM) is not a viable alternative to the Project, particularly considering that only a few months before the application was filed, Enbridge's own consultant, ICF, had reached the opposite conclusion.¹ OEB staff and SEC requested that the OEB require Enbridge to provide further information before making a decision on the application. In its reply submission, Enbridge objected to this request. However, the reply submission did include some more detailed information regarding the need for the Project and the alternatives considered.

On November 12, 2018, the OEB issued Procedural Order No. 2 which provided for an additional round of interrogatories specifically focusing on two items:

- a) The extent to which Enbridge considered the feasibility of using DSM to defer or reduce the need for the Project
- b) The basis for updating the 2016 annual load growth forecast of 153 m³/h to the 2017 forecast of 590 m³/h

On November 26, 2018, Enbridge filed responses to the additional interrogatories.

As explained below, in light of the new information provided by Enbridge, OEB staff is satisfied that DSM is not a viable alternative to the Project. As the only other substantive concern expressed by OEB staff in its initial submission – regarding the uncertainty surrounding the Project costs at this stage in the planning process – has been addressed through Enbridge's agreement to the same condition of approval that the

¹ ICF Canada was engaged by both Enbridge and Union Gas Limited and prepared a report entitled "Natural Gas Integrated Resource Planning: Initial Assessment of the Potential to Employ Targeted DSM to Influence Future Natural Gas Infrastructure Investment" (IRP Report) dated January 2018.

OEB imposed on the Liberty Village project,² OEB staff has no objections to the OEB granting leave to construct the Project.

Additional Information Provided by Enbridge

Enbridge says it recognized several years ago that low inlet pressures could in the future cause pressure concerns for the network in question.³ Through a supplemental interrogatory response, Enbridge provided forecasted minimum inlet pressures for the winter of 2017/2018 for each station on the network at design day.⁴ These results suggest that, even without any future growth, the forecast inlet pressure for at least one of the stations serving the network was operating below an acceptable level. As a result of this finding, Enbridge began considering a reinforcement project to resolve the issue.⁵

Notwithstanding Enbridge's consideration of a reinforcement project, ICF examined the area as a DSM case study. For the purposes of the case study, Enbridge provided ICF with 2016 growth forecasts that were "best estimates" at the time. ICF concluded that geo-targeted DSM might be a viable alternative to a reinforcement project.⁶

Enbridge explains that system planning is "an iterative process that involves the continual updating of data and information to generate increasingly more refined forecasts."⁷ As the reinforcement project planning advanced, Enbridge realized that the 2016 growth forecasts "did not reflect the entire geographic area that Enbridge now knows both necessitates the Project and will benefit from it."⁸ Enbridge also refined its growth forecasts for the larger area, using its updated Long Range Plan methodology.⁹

As the May 2018 internal Enbridge memo notes, the updated growth forecasts undermined ICF's conclusion that geo-targeted DSM might be a viable alternative to the Project: applying the same cost-curve analysis to the updated forecasts revealed that DSM was not cost-effective.¹⁰ With its responses to the supplemental interrogatories,

² In the Liberty Village proceeding (EB-2018-0096), the OEB found there was insufficient evidence to support the assumed contingency level. In addition to the standard conditions for pipeline projects, the OEB imposed a condition requiring Enbridge to file detailed cost information at the time it seeks to have the project costs reflected in rates.

³ Exhibit B, Tab 1, Schedule 1, p. 1; OEB staff supplemental IR #18.

⁴ OEB staff supplemental IR #16.

⁵ OEB staff supplemental IR #18.

⁶ SEC IR #1, Attachment 1, page 33.

⁷ Enbridge reply submission, p. 3.

⁸ Enbridge reply submission, p. 4.

⁹ Enbridge says the updated Long Range Plan methodology "layers on development proposal data to inform short term system needs while still relying on third party data to inform long term customer growth": OEB staff supplemental IR #15.

¹⁰ OEB staff supplemental IR #11.

Enbridge filed a revised analysis by ICF, based on Enbridge's latest growth and cost assumptions, which confirms that DSM is not a cost-effective alternative to the Project.¹¹

In OEB staff's view, the additional information provided by Enbridge in its reply submission and supplemental interrogatory responses reasonably demonstrates that geo-targeted DSM is not a viable alternative to the Project.

Nevertheless, OEB staff is concerned that Enbridge appears to have approved the Project internally before it considered the viability of the DSM alternative. The Project was approved for inclusion in Enbridge's capital portfolio for 2018 in August 2017.¹² At that time, ICF had not prepared its report: the Executive Summary of the Report filed with SEC interrogatory #1 is dated January 2018, while the Final Report filed with OEB staff supplemental interrogatory #13 is dated May 18, 2018. Enbridge has not provided evidence of any other studies or assessments of the suitability of DSM as an alternative to the Project that were completed before the ICF report. In OEB staff's view, system planning would benefit from earlier integration of DSM principles. As the OEB noted in its December 22, 2014, report on the DSM Framework, DSM should be "considered as an alternative at the preliminary stage of project development" [emphasis added] and "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."¹³

Given the lead time required to fully implement a geo-targeted DSM program (ICF says a minimum of five years is required),¹⁴ it is doubtful whether DSM could have been implemented in this case in time to accommodate Enbridge's projected new attachments even if the updated information had ultimately confirmed ICF's initial conclusion that DSM is cost-effective. In other words, even if ICF's initial conclusion had withstood the change in assumptions, it may have been too late to implement DSM in this case.

Broader Policy Issues Raised by Enbridge

In an interrogatory response, Enbridge indicated that it is looking to the OEB for direction regarding the barriers and policy issues identified in the IRP Report.¹⁵ Enbridge further indicated that, "[t]o the degree that the Board and interested parties

¹¹ OEB staff supplemental IR #20.

¹² OEB staff supplemental IR #18.

¹³ SEC IR #1, Attachment 1, p. 7

¹⁴ IRP Report by ICF Canada, Executive Summary, p. 10.

¹⁵ Ibid.

wish to engage in a comprehensive review and discussion of the ICF Report in its entirety [...] the Company is hopeful that such discussions can be facilitated in a more appropriate venue such as the standalone consultation regarding IRP proposed by Enbridge in its Reply Submission.”¹⁶

OEB staff agrees that the current proceeding is not the best venue to address the broader policy issue of DSM as an alternative to infrastructure builds. OEB staff notes that the recently released DSM Mid-Term Review Report indicated that case studies and data analysis should continue in order to better understand how DSM can be included within the natural gas utilities’ infrastructure planning processes.¹⁷ While it is not known at this time to what degree this matter may be part of the post-2020 DSM framework, the OEB indicated that it will begin development of the new framework in early 2019.¹⁸ In the meantime, as has been noted by the OEB¹⁹ Enbridge must include an assessment of whether DSM is an alternative to construction in all leave to construct applications.

Conclusion

OEB staff submits that Enbridge has reasonably demonstrated the need for the Project. The additional information provided in Enbridge’s November 6, 2018 reply submission and in its responses to the supplemental interrogatories demonstrate that it considered DSM as a means to defer or reduce the need for the Project, and that DSM is not a viable option. OEB staff has no objections to the OEB granting leave to construct the Project.

All of which is respectfully submitted.

¹⁶ OEB staff supplemental IR #13.

¹⁷ EB-2017-0127/EB-2017-0128, Report of the Ontario Energy Board: Mid-Term Review of the Demand Side Management Framework for Natural Gas Distributors (2015-2020), November 29, 2018, p. 6

¹⁸ Ibid, p. 32 and pp. 20-21.