

September 15, 2020

VIA RESS

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Dear Ms. Long:

Re: EB-2019-0294 – Enbridge Gas Inc. (EGI) Low Carbon Energy Project (LCEP).

Industrial Gas Users Association (IGUA) Submissions.

IGUA supports EGI's request for approvals related to the LCEP. We have reviewed SEC's submissions in this matter, and on behalf of IGUA generally support those as well.

IGUA has, and continues to, support innovation in energy services, including by regulated utilities, with modest ratepayer funding for prudent innovation initiatives that are within the reasonable scope of regulated activities. The proposed LCEP clearly fits within EGI's regulated gas distribution activities, and the scope and cost of the initiative is appropriately modest.

Additional positive innovative aspects of the LCEP proposal include;

1. The engagement of and co-ordination with the Ontario Technical Standards and Safety Authority (TSSA) by EGI and the OEB. Enhanced regulatory co-ordination, interaction, and leveraging of regulatory agency subject matter expertise supports energy services innovation.
2. The integration of power and gas systems in Ontario through the EGI/Hydrogenics/IESO pilot "power to gas" project being leveraged by EGI in proposing the LCEP. The existing "power to gas" project is already providing regulation services to Ontario's electricity system, and with approval of EGI's LCEP proposal would link to Ontario's gas system and "pancake" benefits to be realized from the pre-existing facilities through better integration of power and gas systems in the province.

Regulatory co-ordination and power and gas system integration are two aspects of the current proposal that will become increasingly important as energy services continue to evolve.

IGUA also appreciates EGI's proactive approach to planning for expected implementation of the Federal government's clean fuel standard (though we also note Environmental Defence's (ED) concerns which we understand to be that the LCEP is a well-intentioned but economically misguided initiative).

In supporting the LCEP as proposed IGUA has considered that, despite EGI's assertions otherwise, the project will impact all ratepayers – both those in the Blended Gas Distribution Area (BGDA) and those not in the BGDA – even in the near term pending rebasing. This is true in at least two ways. First, EGI proposes to pay a rate rider to compensate Blended Gas Distribution Area gas customers for the incremental gas volume costs that they will incur as a result of the hydrogen blended gas supply which they will consume. Second, EGI proposes to invest \$5.75 million in LCEP facilities which investment will be included in EGI's annual financial results. While EGI asserts that these incremental costs will be absorbed by EGI during the balance of the current incentive rate plan term, that is true only to the extent that EGI would not otherwise be in an earnings sharing position. If EGI would otherwise be in an earnings sharing position, then EGI's customers will share in these costs as well, even pending rebasing. While IGUA does not object to this, given the appropriately modest costs of what IGUA views as a legitimate utility innovation initiative, it does not accept EGI's categorical assertion that there will be no impact on non-participating customers during the balance of the current incentive rate plan term.

IGUA continues to advocate that neither governments nor regulators should be picking technology winners or losers. Given the modest costs and risks of the LCEP proposal, and its alignment with EGI's regulated activities, IGUA supports its approval, and the modest ratepayer support which it entails (as noted above). In respect of the future considerations regarding expansion and/or formal integration of the proposed LCEP into rate base and rates, we generally endorse SEC's submissions in respect of;

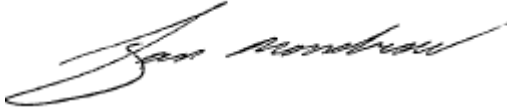
1. the importance of comprehensive and timely reporting by EGI on learnings as the proposed project proceeds, to inform all interested stakeholders, including ratepayers; and
2. the scope of considerations that the OEB should entertain upon review of the regulatory treatment of the costs of the initiative at the time of rebasing.

In respect the latter point, SEC has suggested that it should be open to the Board panel on rebasing to determine the extent, if any, to which the LCEP investment is included in rate base. IGUA should not be taken to be endorsing a proposition that the prudence of the investment (i.e. whether or not it should have been made) should be second guessed at the time of rebasing. We are assuming that the prudence of the proposed investment is a determination that EGI is seeking now, and once made such a determination should not be subject to revisiting in hindsight.¹ While it is true that during the current incentive rate plan period the investment is not added to rate base, we are not endorsing a proposition that despite LCEP approval EGI should be at risk for the initial investment on the basis

¹ SEC's submissions also refer to the concept of "used and useful", which is a pre-condition for continued inclusion of an asset in regulated rate base. This is a matter distinct from the appropriate regulatory treatment of the cost of assets to be removed from rate base because they are no longer "used and useful". These are not issues for debate now, but we do wish to note the position that they are distinct issues.

of prudence. The wisdom of additional investment, however, is a matter legitimately considered at the time of rebasing.

Yours truly,



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