

March 24, 2022

VIA RESS

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Dear Ms. Marconi:

Re: EB-2020-0293: Enbridge Gas Inc. (EGI) St. Laurent Ottawa North Replacement Project Application.

Industrial Gas Users Association (IGUA) Final Argument.

We write to provide brief submissions in the captioned matter on behalf of IGUA.

IGUA's Position

We have had the advantage of considering an early draft of SEC's argument herein, and FRPO's argument as recently filed. These two, and other, parties will be addressing the various details of the case advanced by EGI regarding the need for, and alternatives to, the proposed "integrity" driven pipeline replacement advanced herein. IGUA has chosen to defer in respect of these details to the submissions of others.

The potential for a mismatch between the physical useful life and the economic useful life of the new natural gas infrastructure proposed herein has been squarely raised in this proceeding. This is a topic of increasing concern to IGUA. Large industrial customers face significant barriers to "getting off gas", even in the face of significant future underutilization of the gas system and potential resulting significant increases in the delivered costs of gas. Large industrial demand for natural gas is relatively inelastic, and IGUA's members are increasingly concerned about the risk of underutilization of (in particular new) natural gas infrastructure and the manifestation of that risk in higher delivered natural gas costs for remaining captive customers

In this context, the OEB should carefully consider whether EGI has established that the integrity of the existing pipeline is compromised and full replacement is required at this time.

Large Industrial Customer Inelasticity

In residential and commercial applications natural gas is used primarily for space and water heating. In large industrial applications the methane molecule delivered as natural gas is often used as an input to the industrial process. Natural gas is the main feedstock for industrial operations such as fertilizer and hydrogen production, and a constituent element in the production of many other industrial products such as steel and chemicals. Unlike space heating or steam production, this input requirement cannot be met by electrification. In a decarbonized world large industrial processes will need to capture, transform, or reuse carbon resulting from natural gas consumption, rather than eliminate natural gas consumption *per se*.

Even those industrial operations that use natural gas for process heat and steam have a major challenge in replacing that natural gas use. For some types of industrial operations, the technology needed for heat or steam injection at the scale and in the manner required for the process is simply not commercially available. Even where such technology is commercially available, access to alternative, carbon neutral energy supply input to run that technology, at the quantity required to replace the energy content of the natural gas currently used, is not economically available. Even when the technology and alternative energy input supply are economically available, a number of significant barriers to conversion away from natural gas remain. These include:

1. Long investment cycles (i.e. time before the next recapitalization of the operation is to occur).
2. The very large magnitude of the investment required to convert the process from natural gas use; amounts ranging from several hundreds of millions to in excess of a billion dollars. (Consider the recently announced government supported Ontario steel plant conversion projects.)
3. Even if the time is right for investment, and the capital is available and economically justifiable, the conversion projects are complex and require multiple years for planning, design, permitting and construction.

Further, all of these factors need to be considered by large industrial gas customers in a hyper-competitive international market for their products, characterized by capital (internal and external) that is very mobile and input cost responsive.

It should also be considered that de-carbonization may in fact require increased, not decreased, use of natural gas. While coal and heavier oils are no longer part of Ontario's power supply mix, they are still significant sources of energy and molecular inputs into Ontario's heavy industrial processes. IGUA has had inquiries from a number of large industrial operations about obtaining or increasing their access to natural gas as part of their decarbonization strategy. For example:

1. A lubricant manufacturing plant currently using oil as a process feedstock can significantly reduce its carbon footprint by switching from oil to natural gas as an input.
2. A cement plant currently using coal for its kiln can reduce its carbon footprint by switching to natural gas.

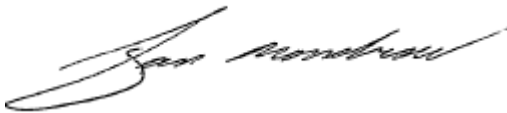
Relevance to EGI's St. Laurent LTC

In respect of the matters before the OEB for consideration in this proceeding, the potential for a significant future reduction in overall gas use in the areas served by the proposed replacement has been squarely raised. Material underutilization of the replacement pipeline in the future would result in upward pressure on unit rates for remaining customers. For the reasons outlined above, large industrial gas demand is more inelastic than residential and commercial demand. For residential and commercial applications where natural gas is used primarily for space and water heating, there are commercially available alternative technology options, much shorter investment cycles and a significantly lower magnitude of investment relative to overall customer input costs.

IGUA members are increasingly concerned about exposure to stranded "small pipe" assets and assumptions by natural gas distribution utilities that their business model in the next few decades can and will be like their business model during the past few decades. Utility business operations and asset management approaches to support a much smaller base of captive industrial customers should be much different than current utility business operations and asset management practices supporting a 3.8 million, and growing, customer base with a much peakier overall load profile.

It is for these reasons that IGUA commends careful consideration by the OEB of the evidence in this proceeding regarding the need for, and alternatives to, the replacement project advanced by EGI, and the detailed submissions of other parties in respect of the viability of a "monitor and repair" alternative.

Yours truly,



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- A. Stiers (EGI)
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- Intervenors of Record