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BY EMAIL

December 23, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Submission
Enbridge Leave to Construct - Alliston Reinforcement Project
Board File No. EB-2011-0323**

Please see attached the Board staff submission for the above proceeding. Please forward the attached submission to Enbridge and all registered intervenors in this proceeding.

Yours truly,

Original Signed By

Colin Schuch
Case Manager

attach.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Enbridge Gas Distribution Inc.

ALLISTON REINFORCEMENT PIPELINE PROJECT

EB-2011-0323

December 23, 2011

Introduction

Enbridge Gas Distribution Inc. ("Enbridge") filed an application dated September 29, 2011 for an order granting leave to construct approximately 9.0 kilometres of 203 millimetre diameter (8 inch) extra high pressure steel pipeline to reinforce the existing natural gas delivery system in the Alliston Ontario area. The project is located in Simcoe County. The Application included supporting written evidence.

These submissions of Board staff are being filed in support of Enbridge's application.

The Proceeding

The Board issued a Notice of Application and Hearing on October 13, 2011 and Enbridge served the Notice as directed by the Board. No parties intervened or registered as observers and there were no letters of comment. The Board set a written proceeding schedule in Procedural Order No. 1 which was issued on November 9, 2011. In accordance with the procedural schedule, Board staff filed interrogatories on November 25, 2011. Enbridge filed interrogatory responses on December 14, 2011.

The Need for the Project

The main driver for the project is expected high growth in the Alliston service region. The proposed pipeline addresses a need identified by Enbridge to increase the capacity of the Alliston System to meet residential and commercial growth in the area beyond October 2012. The Alliston System supplies gas to a number of district stations throughout various communities including the Town of Alliston, Cookstown, Nottawasaga, Everett, Beeton and the Town of Tottenham.

Alliston and the surrounding communities are experiencing continuing economic and population growth. Enbridge stated that the maximum peak hour load is forecasted to grow from 28,790 cubic meters per hour in the winter of 2011-2012 to 52,000 cubic meters per hour in the winter of 2019-2020. Enbridge's response to Board staff interrogatory number 2 (IR2) shows year-over-year customer growth in the range of 7.4% to 9.9% for the residential customer segment over the next 5 years. With respect to commercial and industrial customer growth, the range is between 2% to 4.2% annually over the next 5 years.

In addition to the 9 km reinforcement, which is the subject of this application, Enbridge said there are three other subsequent phases of construction that need to be completed in order to reliably meet the gas demand in the Alliston area over the next ten years. These projects are not part of this leave to construct but form part of the overall economic analysis. The other three planned phases consist of the construction of 1.8 km of NPS 8 in 2014, 2.8 km of NPS 8 XHP (including an XHP station) in 2015, and 3 km of NPS 6 XHP in 2019.

Project Economics

The estimated upfront capital cost of the project is \$5.3 million. There are no contributions being requested from customers. The project feasibility analysis indicates that it meets and exceeds the Board's economic threshold for feasibility which is a Profitability Index (PI) = 1. The project, including the future phases and the associated customer attachment revenues, has a PI index of 1.37. The initial phase, assessed on a stand-alone basis, shows a PI=0.78.

In its interrogatory number 1, Board staff inquired how the multiple phases of the project factor into the economic feasibility assessment. Enbridge's responded that the future phases are related and need to be included in the analysis even though they are not the subject of this specific LTC application. The project's Net Present Value (NPV) is assessed over a 40-year time horizon and includes the revenues and costs associated with the future phases, including revenues from new customer attachments. The future phases contribute positively to the profitability of the project and raise the PI to the Board's acceptable feasibility levels. In IR1 Board staff inquired about the history of Enbridge's assessment practice. Enbridge responded that other LTC projects have been assessed using related future capital spending plans (e.g. Scarborough Phase II in Board proceeding EB-2007-0913) and that the practice is consistent with the Board's EBO 188 guidelines, *Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario, January 1998*. Board staff agrees that the approach taken by Enbridge in its analysis is in alignment with the EBO 188 guidance (found at section 2.1 of the guidelines at pages 3 and 4).

Environmental Assessment and Pipeline Design

Enbridge expects environmental impacts resulting from construction of the pipeline to be negligible. The Board's guidance in relation to environmental matters is published in its environmental guidelines, *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6th edition, 2011*. In accordance with the guidelines, Enbridge completed an Environmental and Cumulative Effects Assessment which included an Archaeological Assessment (both Stage 1 and Stage 2) and an environmental implementation plan for the project. No outstanding environmental or construction issues were identified.

The evidence indicates that there was extensive public consultation, including consultation with aboriginal groups. In response to IR5, Enbridge stated that it is not aware of any outstanding or unresolved issues relating to any of the consultations.

Design specifications for the pipe, according to Enbridge's evidence, meet the requirements of the CSA Z245.1 Category I. Other applicable CSA design specifications were referenced, including the coating, cathodic protection, and fitting and valve standards.

Land Issues

There are no permanent easements required for the project. The pipeline is to be located entirely within municipal road allowances. Enbridge stated that it would obtain all of the required permits and temporary working easements prior to access to the lands. In response to IR6, Enbridge filed the relevant Board Franchise Agreement file numbers relating to the currently active agreements in the affected service territories within the municipalities of the County of Simcoe, Essa Township, Innisfil Township and New Tecumseth.

Conditions of Approval

Board staff filed proposed conditions of approval (attached as Appendix A to these submissions) as part of IR7 and Enbridge responded that it would comply with the proposed conditions.

Conclusion

Board staff submits that the need for this project has been demonstrated by the applicant. Board staff have no outstanding concerns or issues with the application. Board staff further submits that the proposed conditions of approval be included as part of the Board's order in this matter.

Appendix “A”

EB-2011-0323

Enbridge Gas Distribution Inc. Leave to Construct Application Board Staff Proposed Conditions of Approval

1 General Requirements

1.1 Enbridge Gas Distribution Inc. (“Enbridge”) shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2011-0323 except as modified by this Order and these Conditions of Approval.

1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2012, unless construction has commenced prior to that date.

1.3 Enbridge shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the members of the Ontario Pipeline Coordinating Committee (“OPCC”).

1.4 Enbridge shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Enbridge shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

1.5 Within 15 months of the final in-service date, Enbridge shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates filed in the proceeding.

2 Project and Communications Requirements

2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.

2.2 Enbridge shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Enbridge shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.

2.3 Enbridge shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.

2.4 Enbridge shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.

2.5 Enbridge shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.

2.6 Enbridge shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

3 Monitoring and Reporting Requirements

3.1 Both during and after construction, Enbridge shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Enbridge shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.

3.2 The interim monitoring report shall confirm Enbridge's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4 Easement Agreements

4.1 Enbridge shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

5 Other Approvals and Agreements

5.1 Enbridge shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.