



EB-2006-0066

IN THE MATTER OF the *Ontario Energy Board Act*, S.O. 1998,
c. 15, Sched. B;

AND IN THE MATTER OF an application by Enbridge Gas
Distribution Inc. pursuant to section 90 of the *Ontario Energy
Board Act*, 1998 for an Order granting leave to construct a
natural gas pipeline and related facilities in the City of Toronto.

BEFORE: Cynthia Chaplin
Presiding Member

Ken Quesnelle
Member

Bill Rupert
Member

DECISION AND ORDER

1.0 THE APPLICATION

On July 21, 2006 Enbridge Gas Distribution Inc. (Enbridge) filed an application for an order of the Board, pursuant to section 90 of the *Ontario Energy Board Act, 1998* (the Act), granting leave to construct 6.1 km of Nominal Pipe Size (NPS) 16 natural gas pipeline and related facilities (the project) in the north-eastern part of the City of Toronto (Scarborough). The proposed pipeline will originate from a tie-in point at Steeles Avenue East (at New Sideroad) and extend, mainly alongside Tapscott Road, to the existing Neilson Station near the intersection of McLevin Avenue and Neilson Road.

The Board assigned this application file number EB-2006-0066.

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On July 27, 2006, the Board issued a Notice of Application and Hearing (the Notice). The Notice was published and served by Enbridge as directed by the Board. The Regional Municipality of York was granted intervenor status in this proceeding.

The Board has proceeded with this application by way of a written hearing.

2.0 EVIDENCE AND SUBMISSIONS

2.1 Evidence of the Applicant

2.1.1 Project Need

Enbridge submitted that the proposed facilities are needed to increase the capacity of its natural gas distribution system that services the City of Toronto and the Town of Markham known as the “Markham South” system. Without reinforcement, the forecast customer demand would exceed the available capacity during the 2007/2008 winter and beyond.

The evidence indicates that the current capacity of the supply to the Markham South system is 205,000 cubic meters per hour (m³/h) and that the forecast demand is 212,000 m³/h in winter 2007/2008 increasing to 233,000 m³/h by winter 2010 and 277,000 m³/h by winter 2016/2017.

Enbridge also submitted that information from the City of Toronto and York Region shows increasing population growth over the next 4-5 years in the Markham South system.

2.1.2 Alternatives Considered

Enbridge's evidence indicates that three alternative routes were considered for the proposed pipeline:

- Alternative Route A – along Tapscott Road (Selected alternative)
- Alternative Route B – along Neilson Road
- Alternative Route C – along Markham Road

Enbridge provided comparative cost estimates for the alternatives of approximately \$12 million, \$11.4 million and \$14.7 million respectively for Routes A, B and C. It also noted that additional mitigation measures identified in an addendum to the environmental and

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socio-economic impact assessment report (see Section 2.1.3 below) are included in the estimate for Route A.

Enbridge advised that all three alternatives address the same needs and provide similar benefits. The estimated cost for Route C is greater than for Route A and B because of the longer pipeline length and was therefore ruled out. Enbridge preferred Route A to Route B, because of the reduced impact on watercourses, lower traffic volume, more construction work space, and public support based on Open Houses and stakeholder consultation.

2.1.3 Routing and Environmental Considerations

Enbridge retained SENES Consultants Inc. to undertake an Environmental and Socio-economic Impact Assessment to select a preferred route for the proposed pipeline. The assessment was carried out in accordance with the Board's *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario*. The results of the assessment are documented in a report entitled "Scarborough System Reinforcement Pipeline - Environmental and Socio-economic Impact Assessment" dated March 2006 (the EA Report).

The EA Report was submitted to the Ontario Pipeline Coordinating Committee (OPCC) in March 2006.

In May 2006, Enbridge made some changes to the preferred route as a result of discussions held and recommendations received from staff at the City of Toronto. These changes are described in an addendum to the EA report, dated May 26, 2006. The changes included some re-routing of the pipeline in the area of Neilson Station as well as some re-routing from the west side of Tapscott Road to the east side. Enbridge engaged Dillon Consulting Limited (Dillon) to determine the impact of the proposed route changes. Dillon concluded that the proposed route changes will require some additional mitigation measures which are outlined in the above-noted addendum. These changes have been included in the final design and cost estimate.

Risk mitigation for watercourse crossings is cited on page 53 of the EA Report and states that "construction will take place during low flow periods (summer months)..." Enbridge submitted a letter from Dillon, dated November 20, 2006, which indicated that winter construction of the pipeline is environmentally acceptable, provided that work

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around the creek crossings is carried out during low flow periods (which also occur in winter) and that certain other identified mitigating measures are followed. Enbridge advised that it will adhere to the requirements outlined in Dillon's November 20, 2006 letter.

Enbridge applied to the Toronto and Region Conservation Authority (TRCA) on March 24, 2006 for a watercrossing permit but to date, a written permit has not been issued. Enbridge advised that it is having ongoing discussions with the TRCA to obtain final conditions of the permit.

The OPCC Co-ordinator issued a letter to Enbridge dated October 25, 2006 indicating that the OPCC review of the EA report and the addendum to the report has been completed and that there are no outstanding issues or concerns regarding the OPCC review.

2.1.4 Land Matters

Enbridge's pre-filed evidence states that most of the proposed route is located within open public road allowances and that easements are required over three privately owned locations.

The evidence indicates that a landowner package including a route map and an easement form of agreement has been provided to each individual landowner.

Enbridge submitted that an easement agreement has been reached with one of the private landowners and that easement agreements with the other two are expected to be finalized soon.

2.2 Submissions by the Regional Municipality of York ("York Region")

In its letter of September 13, 2006, York Region advised that on August 23, 2006 it met with Enbridge and agreed on certain changes to be made to the depth and route of the proposed pipeline in the area of a proposed road link. The letter also states that with the agreed changes, York Region's concerns are addressed.

Enbridge has confirmed, by letter dated October 18, 2006, that it will proceed with the project in accordance with the agreement it has reached with York Region.

2.3 Project Cost and Feasibility

Enbridge submitted that the total Project cost is estimated at approximately \$12 million.

Enbridge submitted that it performed an economic feasibility analysis in accordance with the Board's *Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario* and the Board's E.B.O. 188 *Report of the Board* dated January 30, 1998.

The analysis involved the calculation of discounted cash flows over a 40-year customer revenue horizon. The total capital costs for this analysis were estimated to be \$27.1 million, consisting of \$12 million for the project and \$15.1 million associated with customer additions.

The results of the analysis are as follows:

- Net Present Value (NPV) : \$2.6 million
- Profitability Index (PI) : 1.11

Enbridge submitted their 2006 investment portfolio, including the project, has an estimated NPV of \$43.84 million and a PI of 1.32.

3.0 BOARD FINDINGS

Section 96(1) of the Act provides that if, after considering an application under section 90 of the Act, the Board is of the opinion that a proposed work is in the public interest, then the Board shall make an order granting leave to carry out the work.

In the context of this Application, the main issues for the Board are as follows:

1. Is the project needed?
2. Is the proposed routing of the pipeline appropriate and are proposed mitigation measures for any identified environmental concerns adequate?
3. Have any identified landowner issues been dealt with appropriately?
4. Is the project economically feasible?
5. Is the project in the public interest?

3.1 Is the Project Needed?

The Board accepts Enbridge's evidence that the proposed natural gas pipeline is needed to provide adequate capacity to supply the forecast peak demand in the Markham South system during the 2007/08 winter and beyond.

3.2 Is the Proposed Routing of the Pipeline Appropriate and Are Proposed Mitigation Measures for any Environmental Concerns Identified Adequate?

The Board accepts Enbridge's conclusion that Route A is the preferred route from amongst the alternatives examined.

No outstanding issues or concerns regarding the OPCC review of the EA Report have been identified.

The Board notes that Enbridge has agreed to certain changes in the area of a proposed road link that were requested by York Region.

The Board also notes Enbridge's commitment to adhere to the requirements of the EA Report as well as the requirements outlined in the November 20, 2006 letter from Dillon regarding winter construction of the pipeline.

The Board is satisfied that the proposed routing of the pipeline is appropriate and that any environmental issues have been adequately addressed.

3.3 Have Any Landowner Issues Identified Been Dealt With Appropriately?

As required by Section 97 of the Act, the Board has considered and approves the form of easement agreement Enbridge offered to the directly affected land owners.

The Board is satisfied that Enbridge has effectively addressed the landowner issues associated with the project.

3.4 Is the Project Economically Feasible?

In reviewing the economic feasibility of the project, the Board considered the following criteria, based on the Board's *Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario* and the Board's E.B.O. 188 *Report of the Board*:

- the investment portfolio is to be designed to achieve a PI greater than 1
- each individual project must achieve a minimum threshold PI of 0.8.

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The evidence indicates that the project has a PI of 1.11 and that Enbridge's investment portfolios of 2006 (estimated) and 2007 (proposed) have PIs of 1.32 and 1.14, respectively. The Board concludes, therefore, that the Project meets the Board's guidelines for economic feasibility.

3.5 Conclusion

Based on the evidence provided and the above findings, the Board has determined that the project is in the public interest and that, in accordance with Section 96(1) of the Act, an order granting leave to construct the Project should be made.

THE BOARD ORDERS THAT:

Enbridge Gas Distribution Inc. is granted leave, pursuant to subsection 90 (1) of the Act, to construct 6.1 km of NPS 16 natural gas pipeline and related facilities in the north-eastern part of the City of Toronto subject to the Conditions of Approval set forth in Appendix A.

DATED at Toronto, November 30, 2006

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A
TO BOARD DECISION AND ORDER
IN THE MATTER OF EB-2006-0066
DATED NOVEMBER 30, 2006

CONDITIONS OF APPROVAL

APPENDIX A
CONDITIONS OF APPROVAL
EB-2006-0066
ENBRIDGE GAS DISTRIBUTION INC.
SCARBOROUGH REINFORCEMENT PROJECT

1.0 General Requirements

- 1.1 Enbridge Gas Distribution Inc. (Enbridge) shall construct the facilities and restore the land in accordance with its application and evidence, 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, 2007, unless construction has commenced prior to then.
- 1.3 Except as modified by this Order, Enbridge shall implement all the recommendations of the Environmental Study Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee (OPCC) review.
- 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.

2.0 Project and Communications Requirements

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities.
- 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 fulfilment 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.

3.0 Monitoring and Reporting Requirements

- 3.1 Both during and after construction, Enbridge shall monitor the impacts of construction, and shall file five 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 eighteen 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.

- 3.4 Within fifteen months of the in-service date, Enbridge shall file with the Board a written 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 with the Board.

4.0 Easement Agreements

- 4.1 Enbridge shall offer to each owner of land affected by the route or location of the project, the form of easement agreement approved by the Board and obtain all the necessary easement rights prior to commencement of construction.

5.0 Other Approvals

- 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.