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November 25, 2013

**VIA COURIER, EMAIL and RESS**

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

**Re: Enbridge Gas Distribution Inc. ("Enbridge")  
EB-2012-0451 - Greater Toronto Area ("GTA") LTC Project  
Reply Submission**

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In accordance with Procedural Order No. 13 dated November 7, 2013, attached please find Enbridge's reply submission.

This evidence is being filed through the Ontario Energy Board's Regulatory Electronic Submission System and all of the GTA evidence can be found on Enbridge's website at [www.enbridgegas.com/gtaproject](http://www.enbridgegas.com/gtaproject).

Please contact me if you have any questions.

Yours truly,

[original signed]

Shari Lynn Spratt  
Supervisor Regulatory Proceedings

Encl.

cc: EB-2012-0451, EB-2012-0433, and EB-2013-0074 Interested Parties

1       **IN THE MATTER OF** an application by Enbridge Gas Distribution  
2       Inc. for an order or orders granting leave to construct a natural gas  
3       pipeline and ancillary facilities, in the Town of Milton, the City of  
4       Markham, Town of Richmond Hill, City of Brampton, City of  
5       Toronto, City of Vaughan and the Region of Halton, Region of Peel  
6       and Region of York; and an order or orders approving the  
7       methodology to establish a rate for transportation services for  
8       TransCanada Pipelines Limited;  
9

10       **AND IN THE MATTER OF** an application by Union Gas Limited for:  
11       an Order or Orders for pre-approval of recovery of the cost  
12       consequences of all facilities associated with the development of  
13       the proposed Parkway West site; an Order or Orders granting leave  
14       to construct natural gas pipelines and facilities in the Town of  
15       Milton; an Order or Orders for pre-approval of recovery of the cost  
16       consequences of all facilities associated with the development of  
17       the proposed Brantford-Kirkwall/Parkway D Compressor Station  
18       Project; an Order or Orders for pre-approval of the cost  
19       consequences of tow long term short haul transportation contracts;  
20       and an Order or Orders granting leave to construct natural gas  
21       pipelines and ancillary facilities in the City of Cambridge and City of  
22       Hamilton.  
23  
24

## 25                               **REPLY ARGUMENT OF** 26                               **ENBRIDGE GAS DISTRIBUTION INC.**

### 27 28       **1. Introduction**

29  
30       In accordance with Procedural Order No. 12, Enbridge filed its argument in chief in  
31       these proceedings on October 21, 2013 and the TransCanada PipeLines Limited  
32       Mainline Settlement Agreement (the "Settlement Agreement") was filed on October 31,  
33       2013. Procedural Order No. 13 issued by the Board on November 7, 2013 set out the  
34       following schedule for subsequent arguments:  
35

- 36                   (i)     Board staff and intervenors to file written submissions
- 37                         by 10 am on November 15, 2013; and
- 38                   (ii)    Enbridge and Union to file written reply submissions
- 39                         by November 25, 2013.
- 40

41       Enbridge has received submissions in response to its argument in chief from Board staff  
42       and the following parties:

- (i) the Association of Power Producers of Ontario (“**APPrO**”);
- (ii) the Building Owners and Managers Association Toronto (“**BOMA**”);
- (iii) Canadian Manufacturers & Exporters (“**CME**”);
- (iv) the Consumers Council of Canada (“**CCC**”);
- (v) the Council of Canadians (“**COC**”);
- (vi) Energy Probe Research Foundation (“**Energy Probe**”);
- (vii) Environmental Defence (“**ED**”);
- (viii) the Federation of Rental-housing Providers of Ontario (“**FRPO**”);
- (ix) Gaz Métro;
- (x) the Green Energy Coalition (“**GEC**”);
- (xi) the Industrial Gas Users Association (“**IGUA**”);
- (xii) the London Property Management Association (“**LPMA**”);
- (xiii) Markham Gateway Inc. (“**MG**”);
- (xiv) Metrolinx
- (xv) the Mississaugas of the New Credit First Nation (“**MNCFN**”);
- (xvi) the School Energy Coalition (“**SEC**”);
- (xvii) TransCanada;
- (xviii) the Vulnerable Energy Consumers Coalition (“**VECC**”);
- (xix) the Regional Municipality of York (“**York**”); and
- (xx) 8081 Woodbine Investments Ltd. (“**8081**”).

This is the reply argument of Enbridge filed in response to the submissions listed above.

## **2. GTA Project Need and Benefits**

In its Argument in Chief, Enbridge provided a detailed explanation of the multi-faceted and multi-layered benefits of the GTA Project that encompass distribution benefits, transportation and upstream supply benefits and broad public interest considerations. Enbridge noted that it is remarkable, and perhaps unique, that a gas infrastructure project in Enbridge’s franchise area is able to deliver the wide and diverse range of benefits offered by the GTA Project.<sup>1</sup>

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<sup>1</sup> Argument in Chief, page 20.

1 The arguments filed by Board staff and intervenors reveal extensive, although not  
2 unanimous, agreement with the need for, and benefits of, the GTA Project. Board staff,  
3 for example, stated that “the need for the proposed facilities has been demonstrated”  
4 and that “the additional benefits such as distribution system reliability and safety,  
5 upstream supply diversity and closer proximity to the market have also been  
6 demonstrated throughout the proceeding”.<sup>2</sup> SEC agreed with Enbridge that there is a  
7 need for the GTA Project for distribution purposes and that the timing of the project is  
8 appropriate.<sup>3</sup> SEC also supported increased market access for Ontario to new  
9 emerging natural gas basins in the northeastern United States.<sup>4</sup>

10  
11 The distribution purposes and benefits of the GTA Project, as explained in more detail in  
12 Argument in Chief, include the following:

- 13
- 14 ~ meeting customer and peak demand growth;
- 15 ~ maintaining pressures at Station B and the critical
- 16 supply to downtown Toronto;
- 17 ~ eliminating the east-west bottleneck in Enbridge’s
- 18 XHP system;
- 19 ~ improving operational flexibility and aiding daily load
- 20 balancing;
- 21 ~ increasing entry point diversity;
- 22 ~ looping part of the Don Valley line;
- 23 ~ allowing pressure reductions in both the Don Valley
- 24 line and the NPS 26 line; and
- 25 ~ increasing supply path diversity.<sup>5</sup>
- 26

27 These distribution purposes and benefits were widely supported by other parties. To  
28 pick just one example, APPRo’s submission with regard to the proposed pressure  
29 reduction was as follows:

30  
31 Enbridge proposes to reduce the operating pressure of the  
32 east-west 26” line and the north-south Don Valley line. ...  
33 These lines traverse populated areas of the City of Toronto.  
34 A rupture of these lines could present a risk to the public.

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<sup>2</sup> Board Staff Submission on the combined Enbridge GTA & Union Parkway Projects (“Board Staff Argument”), page 5.

<sup>3</sup> Final Argument of the School Energy Coalition (“SEC Argument”), at page 6, para. 3.2.1.

<sup>4</sup> SEC Argument, page 11, para. 4.1.3.

<sup>5</sup> Argument in Chief, pages 6-12.

1 APPrO therefore supports the pressure reduction of these  
2 lines.<sup>6</sup>

3  
4 (Emphasis in original.)

5  
6 As to the subject of access to gas supply basins, LPMA made the following salient  
7 observations:

8  
9 ...the province needs to have access to as many supply  
10 basins through as many different pipeline transportation  
11 routes as is practical. Any constraints on the ability to shift  
12 future volumes in reaction to changing price differentials  
13 could have significant negative impacts on costs for Ontario  
14 consumers, not just of natural gas, but also of electricity,  
15 given the increased reliance on gas fired generation plants in  
16 the province. Constraints hamper efficiency and increase  
17 costs.

18  
19 The combined projects of Union and Enbridge that were the  
20 subject of this proceeding, along with the proposed King's  
21 North project of TCPL, work together to reduce constraints  
22 and increase transportation and supply basin diversity. This  
23 is a benefit to all Ontario consumers and is supported by  
24 LPMA.<sup>7</sup>

25  
26 These points made by LPMA of course echo the testimony of Mr. Henning that was  
27 cited in Enbridge's Argument in Chief. As the Board will recall, Mr. Henning pointed out  
28 that for years the market has been seeking access to lower-cost gas supplies in Ontario  
29 and that, if Ontario consumers are "forced all the way back to Empress", Ontario will  
30 have some of the highest gas prices in all of North America, which will affect industry  
31 and put upward pressure on Ontario electricity prices.<sup>8</sup>

32  
33 CME's argument advanced similar themes. CME explicitly agreed with LPMA that  
34 increasing access to multiple supply basins for Ontario ratepayers through different  
35 pipeline transportation routes will likely, over the longer term, provide economic  
36 benefits.<sup>9</sup> CME went on to say that:

37  

---

<sup>6</sup> Argument of the Association of Power Producers of Ontario ("APPrO" Argument), page 19, para. 42(b).

<sup>7</sup> Argument of the London Property Management Association ("LPMA Argument"), page 3.

<sup>8</sup> Argument in Chief, page 15.

<sup>9</sup> Submissions of Canadian Manufacturers & Exporters ("CME Argument"), page 6, para. 18.

1 (a) a central focus for CME is to ensure that Ontario  
2 businesses can compete with those in their neighbouring  
3 jurisdictions; and  
4

5 (b) manufacturers in Ontario seek to have access to  
6 economic sources of supply at the Dawn hub.<sup>10</sup>  
7

8 On the subject of economic sources of supply of natural gas, COC expressed its  
9 objections to Ontario gas consumers taking advantage of “the proximity of U.S.  
10 Northeastern shale gas reserves and attendant transportation cost savings”.<sup>11</sup> Enbridge  
11 submits that COC has raised no valid reason why Ontario gas consumers should be  
12 denied the benefit of increased access to multiple supply basins and to economic  
13 sources of supply at Dawn. Enbridge adopts the detailed response to COC’s  
14 submissions set out in the reply argument of Union Gas Limited (“**Union Gas**”).  
15

16 Among the parties that expressed support for the need for and benefits of the GTA  
17 Project, or more general support for the project, were APPrO, CCC,<sup>12</sup> FRPO and IGUA.  
18 APPrO supported both Segments A<sup>13</sup> and B<sup>14</sup> of the project, provided that the  
19 appropriate costs are borne by the parties deriving benefits. Energy Probe agreed that,  
20 “in order to achieve the full range of GTA project objectives, the GTA Project is  
21 ultimately required”.<sup>15</sup> FRPO said that “the evidence is clear” that Segment A will have  
22 a benefit to the GTA<sup>16</sup> and, further, that it has “come to accept that Segment B is in the  
23 public interest over time”.<sup>17</sup>  
24

25 IGUA expanded on the reasons for its support of the GTA Project in the following  
26 passage from its submissions:  
27

28 IGUA agrees with the positions of EGD and Union that,  
29 considered as a whole, the subject facilities provide cost  
30 effective diversification and security of supply to Ontario gas  
31 consumers. IGUA further agrees with EGD and Union that  
32 consideration of recent, rapid changes in the North American  
33 gas market, and in particular consideration of the

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<sup>10</sup> CME Argument, page 6, para. 19.

<sup>11</sup> Submissions of the Council of Canadians (“COC Argument”), page 3.

<sup>12</sup> Final Argument of the Consumers Council of Canada (“CCC Argument”), page 1.

<sup>13</sup> APPrO Argument, page 18, para. 41.

<sup>14</sup> APPrO Argument, page 20, para. 43.

<sup>15</sup> Final Submissions of Energy Probe Research Foundation (“Energy Probe Argument”), page 38, para. 110.

<sup>16</sup> Federation of Rental-housing Providers of Ontario Final Submissions (“FRPO argument”), page 9.

<sup>17</sup> FRPO Argument, page 12.

1 implications of those changes for Ontario gas consumers,  
 2 underscores the value of restructuring Ontario's gas  
 3 transportation and delivery infrastructure in such a manner  
 4 as to allow greater choice of gas supply source, and less  
 5 dependence on TCPL's Mainline gas transportation system,  
 6 in particular the long-haul portion of that system.<sup>18</sup>

7  
 8 In the concluding paragraphs of its argument, IGUA accepted that the GTA Project and  
 9 the Parkway West project proposed by Union Gas are primarily reinforcement and  
 10 reliability projects and IGUA agreed that it would be appropriate for these projects "to  
 11 proceed unconditioned".<sup>19</sup>

### 12 13 **3. Unrealistic Suggestions Regarding Allocation of Risk**

14  
 15 Unlike IGUA, which supports the "unconditioned" approval of the GTA Project, certain  
 16 parties that support the project have indicated that the granting of leave to construct  
 17 should be subject to conditions or qualifications. In particular, Board staff made  
 18 comments about what it described as Enbridge's shareholder "shedding" risk to  
 19 distribution customers and it said that distribution customers should bear no more than  
 20 40% of the revenue requirement for Segment A of the GTA Project.<sup>20</sup> This proposition  
 21 attracted concurring views from CCC,<sup>21</sup> CME<sup>22</sup> and VECC.<sup>23</sup>

22  
 23 It is of the utmost importance that it be crystal-clear that Board Staff's proposition  
 24 effectively undermines Board Staff's support for the GTA Project because the condition  
 25 would make it unrealistic for Enbridge to entertain any notion of proceeding with the  
 26 project. And, similarly, the adoption of Board Staff's proposal by other parties that  
 27 support Enbridge's application operates so as to defeat their support for the project.

28  
 29 Board Staff's proposition would leave Enbridge's shareholder with the ultimate  
 30 responsibility for risks associated with 60% of the revenue requirement for Segment A  
 31 of the GTA Project. This would put Enbridge's shareholder at risk for the revenue  
 32 requirement associated with capital expenditures of approximately \$210 million (60% of  
 33 capital spending on the order of \$350 million on Segment A). There is nothing in the

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<sup>18</sup> Submissions of Industrial Gas Users Association ("IGUA Argument"), page 1.

<sup>19</sup> IGUA Argument, pages 4-5.

<sup>20</sup> Board Staff Argument, page 7.

<sup>21</sup> CCC Argument, page 12.

<sup>22</sup> CME Argument, page 13, para. 31.

<sup>23</sup> Vulnerable Energy Consumers Coalition Submissions ("VECC Argument"), pages 5-6. Note that, while VECC concurred with Board Staff's submission on this point, VECC, like many other parties, accepted the need for Segment A of the GTA Project.

1 evidence in these proceedings to give credence to any notion that Enbridge's  
2 shareholder should be put at risk for \$210 million of capital spending and, if leave to  
3 construct were to be granted subject to such a condition, it is completely unrealistic to  
4 think that Enbridge would proceed with the project on that basis.

5  
6 Enbridge submits that the proposition advanced by Board Staff is fundamentally out of  
7 line with the purposes and context of the GTA Project. Board Staff's proposition is  
8 framed in such a manner as to suggest that the GTA Project is exclusively or primarily a  
9 transmission initiative for which Enbridge is expecting distribution ratepayers to bear  
10 costs and risks while the transmission demand and contracts for the project fall into  
11 place. It could not be more clear on the evidence in this case, however, that any such  
12 view of the GTA Project is completely the opposite of the real purposes and context of  
13 the project.

14  
15 As has been emphasized repeatedly in Enbridge's evidence,<sup>24</sup> and in Argument in  
16 Chief,<sup>25</sup> the GTA project is predominantly and essentially a project that is proposed to  
17 meet distribution needs and to provide distribution benefits. The Board of course is  
18 aware that Enbridge originally applied for leave to construct facilities for distribution  
19 purposes only. Under this proposal, distribution ratepayers would have been  
20 responsible for the entire revenue requirement associated with the total project costs,  
21 because there would have been no transmission customers to pick up a share of the  
22 costs of the pipeline. The estimated capital cost of the GTA Project with Segment A  
23 sized at NPS 36 pipe and utilized only for distribution is approximately \$632 million.<sup>26</sup>

24  
25 Ultimately, Enbridge has proposed a project that includes a transmission component,  
26 with an increase of approximately \$54.8 million<sup>27</sup> over the cost of a distribution-only  
27 pipeline. By no stretch of the imagination is the revised proposal, with the transmission  
28 component, an initiative to advance the interests of Enbridge's shareholder.

29  
30 The revised proposal responds to the Board's direction in the Union Gas EB-2011-0210  
31 case that encouraged cooperation among Union Gas, Enbridge and TransCanada with

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<sup>24</sup> See, for example, 4Tr.82-83.

<sup>25</sup> As stated in Argument in Chief (at page 2): "The primary purpose of the GTA Project is to address Enbridge's immediate and future distribution system needs to the almost 1,000,000 customers in the GTA Project Influence Area. ... The GTA Project is first and foremost a distribution project that has been designed to fulfill multiple distribution purposes and to address multiple needs of the distribution system."

<sup>26</sup> Response to Undertaking J6.9. The capital cost in the original application for the project was \$603 million, but this amount increased because the location of Parkway West was changed to be approximately 1.5 kilometres further south, which required incremental facilities for Enbridge, but lowered facilities requirements for Union Gas Limited.

<sup>27</sup> Response to Undertaking J6.14. See also 6Tr.141 and Exhibit I.A.3.EGD(Update).TCPL.28.



1 regard to natural gas infrastructure.<sup>28</sup> The revised proposal also responds to the  
2 Board's Filing Guidelines on the Economic Tests for Transmission Pipeline Applications,  
3 issued after the initial filing of Enbridge's application, in which it is stated that a project  
4 brought before the Board for approval should be supported by an assessment of  
5 impacts on existing transportation pipeline infrastructure in Ontario.<sup>29</sup> The revised  
6 proposal also allows Enbridge to advance a rate methodology that, on full realization of  
7 the transmission component, would see distribution ratepayers bear 40% of the revenue  
8 requirement of a \$350 million pipeline (Segment A), rather than 100% of the revenue  
9 requirement of a pipeline that would cost approximately \$54.8 million less.

10  
11 It can readily be seen that many stakeholders stand to benefit from the revised proposal  
12 for the GTA Project -- and it is equally evident that Enbridge's shareholder is not one of  
13 them. Enbridge's distribution ratepayers benefit because the share of the costs picked  
14 up by transmission customers would leave distribution ratepayers paying considerably  
15 less<sup>30</sup> than under the proposal for a distribution-only pipeline. As stated by Ms  
16 Giridhar,

17  
18 The upsizing to 42 actually allows a significant reduction in  
19 the cost for distribution customers as a result of the sharing.  
20 So at the end of the day the sharing of that single piece of  
21 pipe and upsizing it to meet transmission requirements  
22 allows for a lower cost for everybody.<sup>31</sup>  
23

24 To put the increased capital costs of approximately \$55 million into a relative context,  
25 the transportation benefits alone to Enbridge's distribution ratepayers in the first year of  
26 service for the GTA Project are approximately \$159 million.<sup>32</sup> In other words,  
27 distribution ratepayers receive economic benefits that exceed the costs whether the full  
28 transmission build-out is completed immediately or at some later date, so the increase  
29 in size of the pipe does not leave them in a position of being economically harmed by  
30 Enbridge's proposal under any circumstances.

31  
32 Other stakeholders that benefit from the transmission component of the project include  
33 those seeking enhanced access to multiple supply basins and economic supplies of gas

---

<sup>28</sup> EB-2011-0210 Decision and Order, October 25, 2012, page 126, referred to in Argument in Chief at page 18.

<sup>29</sup> Filing Guidelines on the Economic Tests for Transmission Pipeline Applications (EB-2012-0092), February 21, 2013, at page 3, guideline 14.

<sup>30</sup> See the response to Undertaking J6.9.

<sup>31</sup> TCTr.(Sept.13/13)166.

<sup>32</sup> Ex. A-3-9, Attachment 1, page 5, Table A5 (2016 savings).

1 at Dawn – as referred to in the arguments of parties such as CME, IGUA and LPMA.<sup>33</sup>  
2 It must not be overlooked that distribution ratepayers outside the GTA are among those  
3 who would benefit from enhanced access to economic supplies of gas: these include  
4 not only customers of Union Gas in Ontario and Gaz Métro in Québec, but Enbridge's  
5 own customers in the Eastern Delivery Area ("EDA").<sup>34</sup> While the GTA Project on its  
6 own delivers economic benefits to distribution customers in the GTA, the transmission  
7 path also delivers economic benefits to distribution customers in the EDA, as Ms  
8 Giridhar indicated in the following testimony:

9  
10 The GTA project is predicated on providing cost-effective  
11 savings for our customers. The project enables that for our  
12 CDA, and the combination of the terms sheet and  
13 TransCanada's facilities enables that for the EDA.<sup>35</sup>  
14

15 Enbridge submits, with respect, that Board Staff is simply wrong in suggesting that the  
16 additional spending of \$55 million on the GTA Project is a benefit to Enbridge's  
17 shareholder. In this regard, Board Staff refers repeatedly to a balance of risks and  
18 "rewards".<sup>36</sup> The Board's Report on the Cost of Capital for Ontario's Regulated Utilities  
19 ("Cost of Capital Report") puts it beyond any doubt that the opportunity of a utility's  
20 shareholder to earn a return in accordance with the Fair Return Standard ("FRS") is not  
21 a "reward". The principles laid out by the Board in the Cost of Capital Report include  
22 the following:

23  
24 ... a cost of capital determination made by a regulator that  
25 meets the FRS does not result in economic rent being  
26 earned by a utility; that is, it does not represent a reward or  
27 payment in excess of the opportunity cost required to attract  
28 capital for the purpose of investing in utility works for the  
29 public interest. Further, the Board reiterates that an allowed  
30 ROE is a cost and is not the same concept as a profit, which  
31 is an accounting term for what is left from earnings after all  
32 expenses have been provided for.<sup>37</sup>  
33

34 (Emphasis added.)  
35

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<sup>33</sup> See "GTA Project Need and Benefits", above.

<sup>34</sup> Response to Undertaking J6.X

<sup>35</sup> 8Tr.137.

<sup>36</sup> See Board Staff Argument, pages 7 and 8.

<sup>37</sup> EB-2009-0084; Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11, 2001, pages 19-20.

1 In short, when it comes to any fair or appropriate balance of risks and rewards, there is  
2 no reward to Enbridge's shareholder associated with the GTA Project that would justify  
3 a condition imposing any increased risk on the shareholder, let alone a condition that  
4 would put the shareholder at risk for \$210 million of capital spending.

5  
6 Indeed, the notion that Enbridge's shareholder should be at risk for 60% of the revenue  
7 requirement for Segment A of the GTA Project is directly contradictory to Board Staff's  
8 principle that there should be a fair or appropriate balance of risks and rewards. The  
9 premise of Board Staff's approach is that distribution ratepayers should be protected  
10 from the risk that, for some reason, the transmission potential of Segment A is not  
11 realized. Board Staff's suggestion, if it became operable, would compensate  
12 distribution ratepayers in a manner that fictionally assumes the very thing that did not  
13 happen, namely, full realization of the transmission potential of Segment A. This is not  
14 protection from risk: this is a shareholder-backed guarantee that distribution ratepayers  
15 will receive the benefit of the revenues associated with full realization of the  
16 transmission potential of Segment A,<sup>38</sup> notwithstanding that the predominant and  
17 essential purpose of the pipeline is to meet distribution needs and to fulfill distribution  
18 purposes. In other words, Board Staff's proposition is an utter mismatch of risks and  
19 rewards.

20  
21 It is worthy of emphasis that any delay in approval of Segment A would not only defer  
22 realization of significant financial benefits for ratepayers, but would also result in  
23 increased costs, because cost efficiencies can be achieved when Segments A and B  
24 are constructed with common construction scheduling.<sup>39</sup> The economic implications of  
25 delaying approval of Segment A can be summed up in a pivotal proposition: the cost of  
26 deferring a decision on Segment A is much greater than the cost to distribution  
27 ratepayers of upsizing the pipe from NPS 36 to NPS 42. Additionally, without Segment  
28 A in place, the proposed pressure reduction on the Don Valley and NPS 26 lines cannot  
29 be achieved.<sup>40</sup>

30  
31 SEC's argument contains comments that tend to follow the proposition put forward by  
32 Board Staff,<sup>41</sup> but it also includes at least one statement that takes Board Staff's

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<sup>38</sup> The Final Argument of the School Energy Coalition ("SEC Argument") recognizes that the underlying proposition of the Board Staff approach is a revenue guarantee, in that it explicitly refers to the notion that the Board could "impute revenue": page 23, para. 4.7.3(iii).

<sup>39</sup> See Exhibit A-3-8, para. 4, where it is stated that: "Common construction scheduling between both segments allows more efficient use of contracted resources, leads to lower costs, and is the basis for the cost estimate in this application."

<sup>40</sup> Exhibit I.A1.EGD.GEC.10: In order to operate the NPS 26 and NPS 30 Don Valley pipeline at pressures less than 30% of SMYS both Segments A and B are required.

<sup>41</sup> See SEC Argument, page 23, para. 4.7.3(iii).

1 approach in a more reasonable and realistic direction. In its argument, SEC made the  
2 following statement:

3  
4 If the Board does not agree that the transmission component  
5 is reasonable or likely, then Enbridge does not need a 42"  
6 pipeline for distribution purposes, and ratepayers should not  
7 have to bear those costs in rates. A 36" pipeline is *more*  
8 economically feasible than a 42" pipeline if there is no need  
9 for the transmission component.

10  
11 (Emphasis in original.)  
12

13 There are two important points that emerge from this statement in SEC's argument.  
14

15 First, SEC has made the point that it is only in the event that the Board does not agree  
16 that the transmission component of Segment A is reasonable or likely that the Board  
17 would come to the conclusion that ratepayers should not have to bear those costs in  
18 rates.  
19

20 Second, SEC indicates that the Board would have to conclude that the transmission use  
21 of Segment A is not reasonable or likely in order for the Board to decide that a 36"  
22 pipeline should be approved. The key point is that if, as in the scenario posited by SEC,  
23 the Board were to conclude that the transmission use of Segment A is not reasonable or  
24 likely, a decision to attach conditions that make it unrealistic for Enbridge to proceed  
25 with the project at all would deny the fulfillment of the important distribution purposes of  
26 the project on a timely basis. Indeed, the economic benefits to distribution ratepayers of  
27 proceeding on a timely basis (\$159 million in the first year) greatly exceed the capital  
28 cost of upsizing the project (\$55 million), let alone the annual revenue requirement  
29 associated with that capital cost (approximately \$5.1 million).  
30

31 Enbridge submits that, on the evidence in these proceedings, the Board can and should  
32 conclude that increased market access is in the public interest and that the transmission  
33 use of Segment A is both reasonable and likely. Not only does this conclusion follow  
34 directly from the evidence in these proceedings, but it also follows from the arguments  
35 of many parties (as referred to under the "GTA Project Need and Benefits" heading  
36 above.)  
37

38 Ms Giridhar confirmed that the Segment A transmission path is reasonable and likely in  
39 her oral testimony, which included observations such as the following:  
40

1 ~ "Market access is required. These applications  
2 provide for an economical way to provide market access,  
3 through a single piece of pipe that can be upsized at low  
4 cost to meet downstream demands",<sup>42</sup>

5  
6 ~ "We fully expect that market access will ultimately be  
7 required. We know Gaz Métro, for instance, requires market  
8 access pursuant to a decision by the Régie",<sup>43</sup>

9  
10 ~ "...segment A ... in conjunction with downstream  
11 facilities ... allow for ... access to short-haul supply from  
12 Dawn and Niagara. There is currently no market access  
13 through this path because TransCanada's Parkway-Maple  
14 line is constrained. However, the market does need access,  
15 and I can allude to at least three reasons why",<sup>44</sup> and

16  
17 ~ "We should go back to why we believe market access  
18 is inevitable for the markets in Ontario and Quebec".<sup>45</sup>

19  
20 Further, as to whether the Segment A transmission path is reasonable or likely, the  
21 Board can have regard to the following statements made in argument by other parties:

22  
23 (i) Board Staff submits that the benefits of upstream  
24 supply diversity and closer proximity to the market have  
25 been demonstrated throughout the proceeding;<sup>46</sup>

26  
27 (ii) APPrO supports Segment A as proposed, provided  
28 that the costs of the pipeline are paid by the customers who  
29 benefit from it;<sup>47</sup>

30  
31 (iii) CCC acknowledges that Segment A both provides  
32 distribution services for Enbridge's customers and provides  
33 transportation services to facilitate a shift from long haul to  
34 short haul transportation through a new path;<sup>48</sup>

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<sup>42</sup> TCTr.(Sept.13/13)41.

<sup>43</sup> TCTr.(Sept.13/13)185.

<sup>44</sup> 4Tr.87.

<sup>45</sup> 4Tr.101.

<sup>46</sup> Board Staff Argument, page 5,

<sup>47</sup> APPrO Argument, page 18

<sup>48</sup> CCC Argument, page 11.

(iv) CME says that “it is critical” that natural gas be able to flow unimpeded to meet market demands and that the expansion of the entire path from Parkway to Maple appears to be necessary to meet market demands;<sup>49</sup>

(v) FRPO submits that the evidence is clear that Segment A will have a benefit to the GTA and that “the incremental cost of 42” is clearly warranted and a good investment;<sup>50</sup>

(vi) Gaz Métro submits that Segment A, supported by related projects, will serve to relieve the present constraints between Parkway and Maple and that “it is crucial” that Segment A is constructed using an NPS 42 pipeline;<sup>51</sup>

(vii) IGUA submits that the incremental cost of upsizing Segment A to facilitate future gas transmission is minimal relative to the anticipated benefits and work on this project should appropriately proceed on this basis at this time;<sup>52</sup>

(viii) LPMA says that its members have benefited for many years as a result of the gas cost savings that have resulted from Union South customers having access to multiple production basins and transportation routes into Dawn – LPMA goes on to say that providing these benefits to other customers in Ontario and Québec is not only reasonable, it is the right thing to do.<sup>53</sup>

(vix) SEC supports increased market access for Ontario to new emerging natural gas basins in the northeastern United States;<sup>54</sup> and

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<sup>49</sup> CME Argument, pages 5-6.

<sup>50</sup> FRPO Argument, page 9. Emphasis added.

<sup>51</sup> Written Submissions on Behalf of Intervener Gaz Metro (“Gaz Metro Argument”), page 6, para. 23.

<sup>52</sup> IGUA Argument, page 5.

<sup>53</sup> LPMA Argument, page 5. Emphasis added.

<sup>54</sup> SEC Argument, page 11, para. 4.1.3.

(x) VECC accepts the need for Segment A to facilitate the desired (and for Gaz Métro, required by its regulator) switch from long haul to short haul transportation.<sup>55</sup>

The overwhelming thrust of these points made by other parties is that the Segment A transmission path is in the public interest and that it is more than reasonable and likely. It is important to remember in this context that the Régie has already decided that Gaz Métro should shift its source of supply from Empress to Dawn and that Enbridge's open season for Segment A received enough interest to require the capacity of an NPS 42 pipeline. Given that the NPS 42 pipeline is in the public interest and is reasonable and likely, the upsizing of Segment A should be approved unconditionally and allowed to proceed, so that distribution customers can receive the benefits of the project as soon as possible.

It is true that the gas cost savings for customers in the GTA, and the distribution revenue benefits, are the same whether Enbridge builds an NPS 36 or an NPS 42 pipeline for Segment A. However, the reward to ratepayers associated with the transmission use of the pipeline is a large multiple of the additional cost. The additional cost is the revenue requirement associated with incremental capital spending of \$55 million, or about \$5.1<sup>56</sup> million, while the potential annual economic benefits are \$20.2<sup>57</sup> million in transmission revenue and \$49 million in gas cost for customers in Enbridge's EDA.<sup>58</sup> In contrast, there is no "reward" to Enbridge's shareholder associated with the upsizing of Segment A.

Enbridge therefore submits that the Board should approve the GTA Project as proposed, without conditions such as the proposition advanced by Board Staff that would make it unrealistic for Enbridge to proceed to construct the project.

#### **4. Robust Economic Benefits and Feasibility**

Certain intervenors, among them LPMA<sup>59</sup> and CME,<sup>60</sup> have indicated that efforts to forecast natural gas prices, let alone gas price differentials, should be approached with caution. However, leaving aside evidence based on quantification of gas price differentials, there is important evidence in this case about the economic benefits of the GTA Project that has not been challenged by any party.

<sup>55</sup> VECC Argument, page 5.

<sup>56</sup> Response to Undertaking J6.9.

<sup>57</sup> Response to Undertaking J6.9.

<sup>58</sup> Response to Undertaking J6.X

<sup>59</sup> LPMA Argument, page 3.

<sup>60</sup> CME Argument, page 6, para. 17.

1  
2 Enbridge, of course, provides gas distribution services to an extremely large base of  
3 temperature-sensitive customers and, as a result, it has a pronounced need to meet the  
4 seasonal and peaking needs of this customer base. Moreover, Enbridge's need to meet  
5 seasonal and peaking needs continues to increase as its base of heat-sensitive  
6 customers grows. For a number of years, Enbridge has been able to include  
7 discretionary services in the portfolio of gas supply and transportation arrangements  
8 that it develops to meet annual, seasonal and peaking needs of customers. Ms Giridhar  
9 noted that Enbridge is probably unique, at least among Canadian utilities, for the extent  
10 of this reliance on discretionary services.<sup>61</sup>

11  
12 As a result of recent developments, Enbridge was forced to look elsewhere for other  
13 arrangements to replace or reduce discretionary services. More specifically - without  
14 the GTA Project in place - Enbridge has been forced to contract for firm long haul  
15 transportation arrangements on the TransCanada Mainline to meet seasonal and  
16 peaking needs.<sup>62</sup> As discussed in Argument in Chief, replacing discretionary services  
17 with firm long haul transportation means that Enbridge must pay year-round demand  
18 charges to meet a need that is seasonal.<sup>63</sup>

19  
20 Thus, as Ms Giridhar stated in her testimony, Enbridge for the next two winters will rely  
21 on firm long haul transportation service to meet a seasonal need that previously was  
22 met through short term arrangements.<sup>64</sup> This is a transition step until the GTA Project is  
23 completed and Enbridge knows that it will be utilizing the firm long haul transportation at  
24 a very low load factor.<sup>65</sup> As a result, while Enbridge for many years has not incurred  
25 Unabsorbed Demand Charges ("UDC") on its long haul transportation arrangements  
26 from Western Canada, Enbridge and its ratepayers now face significant costs for UDC  
27 until the GTA Project is in service.

28  
29 Enbridge's concern about contracting for firm long haul transportation to meet seasonal  
30 and peaking needs does not apply only in respect of the GTA; it is a concern in relation  
31 to Enbridge's EDA as well (and thus it is linked to the market access issue discussed  
32 above). This was explained by Ms Giridhar in the following evidence:

33  
34 In terms of Enbridge, we also have a desire to seek market  
35 access for our Ottawa market. Just like the GTA, we have a  
36 significant amount of seasonal demand that's met through

---

<sup>61</sup> 6Tr.159.

<sup>62</sup> 9Tr.53.

<sup>63</sup> Argument in Chief, page 14.

<sup>64</sup> 8Tr.71.

<sup>65</sup> 8Tr.99-100.



1 discretionary services that now need to be firmed up. And  
2 we believe that short-haul capacity is optimal for meeting  
3 seasonal demand, rather than long-haul capacity from  
4 Alberta, which will lie empty for much of the year.<sup>66</sup>  
5

6 As alluded to by Ms Giridhar, Enbridge's evidence is that gas supplies available through  
7 short haul transportation paths are an ideal solution for these issues that it faces. The  
8 evidence in this regard is as follows:  
9

10 Supplies from Marcellus, an emerging supply basin in the  
11 U.S. North East, and the Dawn Market Hub, supported by  
12 firm short haul transport, are ideally suited for sourcing peak  
13 and seasonal supply relative to ... Western Canadian  
14 Sedimentary Basin supplies.<sup>67</sup>  
15

16 The evidence goes on to make clear that the GTA Project plays a critical role in  
17 Enbridge's efforts to take advantage of the short haul gas supply solution, as follows:  
18

19 The existing upstream infrastructure can bring these  
20 emerging supplies economically to Enbridge's Parkway Gate  
21 Station. However, these supplies cannot be moved into the  
22 Company's distribution system at Parkway Gate Station due  
23 to capacity constraints on the existing downstream XHP  
24 distribution system, or to other Enbridge gate stations due to  
25 capacity constraints on the TransCanada Mainline from  
26 Parkway to Maple.<sup>68</sup>  
27

28 (Emphasis added.)  
29

30 In short, the GTA Project will put Enbridge in the position where, in effect, it can  
31 substitute short haul demand charges for long haul demand charges. The short haul  
32 demand charges are only a fraction of the cost of long haul demand charges.<sup>69</sup>  
33

34 The key point here is that one does not need forecasts of natural gas prices, nor even  
35 an economic feasibility calculation, to understand that relying on firm long haul  
36 transportation to meet seasonal and peaking needs is not a preferred course of action,  
37 unless, as is now the case for Enbridge, there is no other option that is reliable and

---

<sup>66</sup> 4Tr. 88.

<sup>67</sup> Exhibit A-3-1, page 10, para. 26.

<sup>68</sup> Exhibit A-3-1, page 10, para. 27.

<sup>69</sup> 9Tr.22.

1 otherwise suitable. One does not need forecasts of natural gas prices to understand  
2 that short haul demand charges associated with firm transportation arrangements to  
3 meet seasonal and peaking needs are likely to be a fraction of long haul demand  
4 charges for transportation arrangements to meet the same needs.

5  
6 The following passage from CME's submissions, while not explicitly recognizing the  
7 economic advantages of firm short haul transportation compared to firm long haul  
8 transportation, makes a similar point about the economic benefits of the proposed  
9 projects:

10  
11 It appears to CME that the long-term forecast of gas prices,  
12 while of assistance in determining the economic feasibility of  
13 the projects, is not determinative of the overarching benefits  
14 of the projects. To this end, CME agrees with LPMA that  
15 increasing Ontario ratepayer's access to multiple supply  
16 basins through different pipeline transportation routes will  
17 likely, over the longer term, provide economic benefits.<sup>70</sup>

18  
19 Enbridge's evidence of the economic benefits of the GTA Project has emphasized the  
20 impact of factoring utilization of firm long haul transportation into the calculations. In  
21 response to an interrogatory, it was stated that,

22  
23 Enbridge's original intent was to displace STFT and peaking  
24 supplies with firm short haul transportation once the GTA  
25 Project Facilities were in service. This original intent was  
26 subsequently changed to assuming displacement of long  
27 haul firm transportation and peaking supplies with short haul  
28 firm transportation due to concerns related to the pricing and  
29 availability of STFT.

30  
31 ... In the event that the GTA Project Facilities are not  
32 approved and Enbridge must contract for increased amounts  
33 of firm transportation, including firming up the entire gas  
34 supply portfolio to eliminate all use of peaking and  
35 discretionary supply in the CDA and EDA, Enbridge will have  
36 to flow these contracts at a load factor significantly below  
37 100% in order to match annual demand.<sup>71</sup>

<sup>70</sup> CME Argument, page 6, para. 18.

<sup>71</sup> Exhibit I.A.1.EGD (Update), TCPL 2, pages 3 and 4.

1 The evidence regarding the economic benefits of the GTA Project includes a range of  
2 scenarios that assume Empress to Dawn basis differentials from approximately  
3 \$0.50/GJ to \$1.50/GJ and that show the impact of different long haul load factor  
4 scenarios. It is apparent from this evidence that, in the scenarios with less than 100%  
5 long haul load factor, the economic benefits of the GTA Project are very significant  
6 regardless of where the basis differential happens to fall within the assumed range.<sup>72</sup>  
7 The evidence explains the derivation of the scenarios with less than 100% long haul  
8 load factor and goes on to indicate that,

9  
10 Enbridge believes that these additional scenarios are of  
11 importance since, from a planning and operational  
12 perspective Enbridge does not expect to fully utilize any  
13 additional long haul transportation it will have to contract for  
14 absent the GTA Project facilities being in service.<sup>73</sup>  
15

16 Thus, while there is uncertainty associated with forecasting of natural gas prices and  
17 price differentials, there is little or no uncertainty about the fact that, without the GTA  
18 Project, Enbridge and its ratepayers will incur very significant costs arising from the  
19 need to contract for firm long haul transportation to meet seasonal and peaking needs.  
20 Under a wide range of assumptions about gas price differentials, the economic benefits  
21 of the GTA Project are robust when the impact of utilization of firm long haul  
22 transportation is taken into account.  
23

24 In their submissions, Energy Probe<sup>74</sup> and BOMA<sup>75</sup> questioned Enbridge's approach to  
25 the economic evaluation of the distribution and transmission elements of the GTA  
26 Project, but other parties, such as Board Staff<sup>76</sup> and VECC,<sup>77</sup> expressed their support  
27 for the evidence on economic feasibility. Board Staff, for example, stated its view that  
28 "the proposed facilities meet the Board's economic feasibility tests set out in E.B.O. 188  
29 and E.B.O. 134".<sup>78</sup> Energy Probe itself indicated that the approach which it suggested  
30 for the economic evaluation might not make any material difference to the outcome.<sup>79</sup>  
31

32 Enbridge submits that the arguments made by Energy Probe and BOMA about the  
33 methodology for economic evaluation do not take into account the nature of the GTA

---

<sup>72</sup> Exhibit I.A.1.EGD (Update), TCPL 2, page 4 and, in particular, the table on page 4. Also J6.X

<sup>73</sup> Exhibit I.A.1.EGD (Update), TCPL 2, page 4. Also J6.X

<sup>74</sup> Energy Probe Argument, pages 16-18, paras. 42-46.

<sup>75</sup> BOMA Submissions ("BOMA Argument"), page 38.

<sup>76</sup> Board Staff Argument, page 5.

<sup>77</sup> VECC Argument, page 5.

<sup>78</sup> Board Staff Argument, page 5.

<sup>79</sup> Energy Probe Argument, page 18, para. 46.

1 Project. The project, of course, includes two different segments that are inter-related  
2 and interdependent for distribution purposes, but do not have a common transmission  
3 purpose: Segment A follows a path that opens up the opportunity to alleviate a key  
4 transmission bottleneck, while Segment B does not have any transmission function.  
5 Notwithstanding the transmission element that involves only Segment A, the overall  
6 GTA Project is first and foremost a distribution initiative.

7  
8 Using the Discounted Cash Flow ("DCF") analysis that is common to both E.B.O. 188  
9 and E.B.O. 134, the profitability index ("PI") for the entire project is 1.73 and the Net  
10 Present Value is \$667 million.<sup>80</sup> Even as a distribution-only project, the proposal has a  
11 robust PI<sup>81</sup> and, as discussed above, the sharing of Segment A for both distribution and  
12 transmission purposes "allows for a lower cost for everybody".<sup>82</sup> Enbridge therefore  
13 submits that the evidence has established the economic feasibility of the GTA Project in  
14 accordance with the Board's guidelines.

## 15 16 **5. Need for and Timing of Segment B of the GTA Project**

17  
18 Enbridge's evidence explains that Segment B of the GTA Project has multiple purposes  
19 and benefits.<sup>83</sup> It is required in order for Enbridge to meet the forecast of customer and  
20 peak demand growth. Other purposes and benefits of Segment B were summarized in  
21 the following testimony by Mr. Fernandes:

22  
23 Segment B alleviates the east-west bottleneck on the  
24 backbone of our system, or the extra-high pressure grid,  
25 provides the necessary supply to serve our forecast growth,  
26 and in conjunction with segment A provides the capacity  
27 required to lower the pressure on our oldest high-stress  
28 lines.

29  
30 In addition, segment B is required for us to have the gas  
31 supply shift and move toward short-haul firm contracting.<sup>84</sup>

32  
33 In its argument, Energy Probe agreed that reinforcement of the GTA distribution system  
34 is "urgently required" and that one component of the solution is to "fix the reliance on a

---

<sup>80</sup> Exhibit E-1-1, paragraph 12.

<sup>81</sup> Exhibit A-3-9, Attachment 3, column 5. See also TCTr.(Sept.13/13)184.

<sup>82</sup> See "Unrealistic Suggestions Regarding Allocation of Risk", above.

<sup>83</sup> See, for example, TCTr.(June 12/13) 60.

<sup>84</sup> 4Tr.86.

1 Single XHP line serving the Downtown core and a single XHP link between western and  
2 eastern parts of the GTA Project Influence Area”.<sup>85</sup>

3  
4 Energy Probe went on to agree with the flexibility benefits that would result from the  
5 Segment B facilities. In this regard, Energy Probe stated,

6  
7 EGD’s evidence is that Segment B eliminates the bottleneck  
8 on the XHP system; this allows gas to be available from  
9 more diverse supply points and it aids in daily load balancing  
10 required to meet upstream contractual obligations. Segment  
11 B also provides looping of part of the Don Valley line with the  
12 proposed new stations providing additional feeds into the  
13 XHP distribution system. We agree with EGD that the GTA  
14 Project allows for more operational flexibility during both  
15 planned activities, as well as unexpected upset conditions.<sup>86</sup>

16  
17 In direct contrast to the submission of Energy Probe that Segment B is “urgently  
18 required”, certain intervenors commented on Segment B in a manner that suggests that  
19 Enbridge can take its time to address the issues driving the need for Segment B.  
20 FRPO, for example, said that it has come to accept that Segment B is in the public  
21 interest “over time” and it offered the opinion that Segment B is the least critical of the  
22 proposed projects “from a strict time point of view”.<sup>87</sup>

23  
24 No reference to the evidence is given in support of the implication that Enbridge can  
25 take its time to address the issues driving the need for Segment B -- and indeed there is  
26 no such evidence. On the contrary, the evidence emphasizes the importance of moving  
27 ahead with Segment B in accordance with the timing proposed by Enbridge, as in the  
28 following testimony by Mr. Thalassinos:

29  
30 ... this summer ....[w]e have been operating under a  
31 pressure restriction that, if it extended through the winter, we  
32 would not have been able to maintain supply to downtown  
33 Toronto. Two separate situations this year that would have  
34 resulted in that situation: the flooding of the Don Valley, and  
35 the follow-up work following our integrity assessment on our  
36 lines that required 750 metres of our main to be replaced

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<sup>85</sup> Energy Probe Argument, page 23, para. 59.

<sup>86</sup> Energy Probe Argument, page 23, para. 59.

<sup>87</sup> FRPO Argument, page 12. See also VECC Argument, at page 5, where it is said that VECC is not convinced that Segment B “is required immediately”.

1 immediately. And we rushed to get that work done and it's  
2 finishing up now.

3  
4 But if those events had happened at this time period, we  
5 would likely not have been able to maintain – sorry, not likely  
6 – we would not have been able to maintain supply to  
7 downtown Toronto.<sup>88</sup>  
8

9 Given the issues addressed by the Segment B facilities, not to speak of the distribution  
10 benefits provided by those facilities, it simply does not make sense to go forward on the  
11 basis that it is acceptable for Enbridge to get around to building the facilities at some  
12 undetermined time in the future. This is essentially what Mr. Thalassinos said when he  
13 gave the following evidence:

14  
15 And so considering that the DVP is an over 40-year-old line,  
16 a class 4 location – so highest density class location – and  
17 it's a single feed, it just doesn't make sense not to work now  
18 to improve the reliability and safety of that line.  
19

20 And we are, quite frankly, in a deficit situation today because  
21 – so we want to do it as soon as possible ...<sup>89</sup>  
22

23 Certain other comments made in intervenor arguments about Segment B of the GTA  
24 Project have completely missed the mark. GEC remarked that Enbridge does not  
25 propose to loop its NPS 30 line south of Jonesville Station, despite the recent washout  
26 on that section of the line and Enbridge's position that the Don Valley line is vital for  
27 serving the downtown core.<sup>90</sup> Actually, the evidence is clear that the safety and  
28 reliability benefits associated with the pressure reduction on the Don Valley pipeline  
29 apply to the entire line. This was confirmed by Mr. Thalassinos in the following  
30 testimony:

31  
32 Just a point of clarification. By doing the GTA project, it  
33 reduces the operating pressure for the entire length line all  
34 the way down to station B, even for the sections that aren't  
35 having dual feeds.  
36

37 So it is reducing the safety risk in all sections of that line.<sup>91</sup>

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<sup>88</sup> 6Tr.152-153.

<sup>89</sup> 6Tr.154-155.

<sup>90</sup> Green Energy Coalition Final Argument ("GEC Argument"), page 12.

<sup>91</sup> TCTr.(June 12/13)62.

1 SEC expressed concern that Enbridge does not have a probability study or any other  
2 assessment to determine the likelihood that a catastrophic event will occur.<sup>92</sup> In fact,  
3 Enbridge has a thorough and comprehensive Integrity Management Program. A copy  
4 of the manual for the program was filed in confidence in these proceedings.<sup>93</sup> It is  
5 through this program that the Don Valley pipeline and the NPS 26 pipeline have been  
6 given priority insofar as the assessment of risk is concerned.<sup>94</sup>

7  
8 BOMA stated in argument its understanding that the proposed pressure reductions are  
9 not required by statute.<sup>95</sup> BOMA's understanding is technically correct, in that the  
10 current regulations do not take the form of prescriptive requirements for pressure  
11 reduction. However, with respect, the observation that there is no prescriptive statutory  
12 requirement misses the point. Codes provide minimum standards – not maximums -  
13 and they mandate that companies go beyond the minimum requirements where the  
14 situation and professional judgement dictate it is appropriate to do so.

15  
16 The code amendment referred to by BOMA requires operators to assess and prioritize  
17 risks, and to remediate those risks for all lines above 30% SMYS. Enbridge's Integrity  
18 Management Program has identified the Don Valley and NPS 26 lines as being two of  
19 the top three risks for the high stress integrity pipelines within the distribution system<sup>96</sup>.  
20 The code requirement itself leaves no question that reducing pressure is the foremost  
21 risk remediation measure for pipelines in high consequence areas.

22  
23 As well as this important statutory consideration, Enbridge integrated other factors into  
24 the planning process, including, importantly, the age of the infrastructure, the fact that  
25 these lines are critical to maintaining reliable supply and how the proposed facilities  
26 would diversify paths within the distribution system and provide operational flexibility.  
27 These are all fundamental considerations that a prudent gas distributor must take into  
28 account when planning to maintain and operate a safe and reliable system. As outlined  
29 in the GTA Project Need and Benefits section above, the outcome is a remarkable and  
30 unique gas infrastructure project that delivers a wide and diverse range of benefits to  
31 ratepayers

## 32 33 **6. The Settlement Agreement Brings Greater Certainty**

34  
35 The terms of the settlement reached by the LDCs and TransCanada were explained  
36 during a Technical Conference held on September 13, 2013; during the testimony of

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<sup>92</sup> SEC Argument, page 9, para. 3.2.11.

<sup>93</sup> Response to Undertaking J6.2.

<sup>94</sup> Response to Undertaking J6.2.

<sup>95</sup> BOMA Argument, page 26.

<sup>96</sup> Response to Undertaking J6.2.

1 Union Gas and Enbridge witness panels; during the testimony of the joint witness panel  
2 on October 9 and 10, 2013; and in filings made during these proceedings, such as the  
3 filing of updated undertaking responses and additional information made by Union Gas  
4 on November 7, 2013.

5  
6 BOMA's submissions express its desire for further information about the Settlement  
7 Agreement.<sup>97</sup> Enbridge, submits, however, that the additional information described by  
8 BOMA, while no doubt of interest to BOMA, does not bear on the issues to be decided  
9 in these proceedings.

10  
11 Indeed, other parties have confirmed that the Board does not need information such as  
12 that sought by BOMA in order to decide the issues in these proceedings. IGUA, for  
13 example, supported the "unconditioned" approval of the proposed projects and, in doing  
14 so, noted that the Board is not being asked to approve the Settlement Agreement and,  
15 further, that the Board does not have to approve the Settlement Agreement in order to  
16 approve the projects.<sup>98</sup> Similarly, SEC said that these proceedings are not the forum to  
17 determine the reasonableness of the tolls set out in the Settlement Agreement.<sup>99</sup>

18  
19 In relation to the issues that actually fall to be decided in these proceedings, Enbridge  
20 submits that the effect of the Settlement Agreement is to bring greater certainty and  
21 clarity to the matters before the Board. This effect of the Settlement Agreement can be  
22 seen in a number of different, although perhaps inter-related, areas.

23  
24 First, as pointed out in Enbridge's Argument in Chief, the relevance of the Settlement  
25 Agreement is that it has charted a path forward for market access.<sup>100</sup> In this way, the  
26 Settlement Agreement allows the Board to see with greater certainty and clarity the role  
27 that the GTA Project will play in enabling market access. As stated by Ms Giridhar,

28  
29 Market access is required. These applications provide for an  
30 economical way to provide market access, through a single  
31 piece of pipe that can be upsized at low cost to meet  
32 downstream demands. ... That's the extent to which the  
33 Board needs to consider the settlement terms sheet. It  
34 removes uncertainty. It allows for efficient build-up of  
35 facilities to meet distribution requirements and market  
36 access.<sup>101</sup>

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<sup>97</sup> BOMA Argument, pages 44-46.

<sup>98</sup> IGUA Argument, pages 2-3.

<sup>99</sup> SEC Argument, page 12, para. 4.2.3.

<sup>100</sup> Argument in Chief, pages 15-18.

<sup>101</sup> TCTr.(Sept.13/13)41.



1 Ms Giridhar's comments about the Settlement Agreement were confirmed in the  
 2 submissions made by Gaz Métro, which emphasized the extent to which the Settlement  
 3 Agreement has brought greater certainty to the path towards market access.<sup>102</sup>  
 4 Specifically, Gaz Métro stated that,

5  
 6 The settlement ... resolves much of the uncertainty  
 7 surrounding short-haul transportation and market access to  
 8 Dawn. ... The agreement sets out a path moving forward for  
 9 market access and supply flexibility.<sup>103</sup>

10  
 11 Second, the Settlement Agreement brings greater certainty and clarity to these  
 12 proceedings because it resolves the differences between the LDCs and TransCanada  
 13 which, as the Board is aware, had surfaced in these proceedings in a manner that  
 14 caused some disruption to the course of the proceedings. Again, as stated by Gaz  
 15 Métro: "The resolution of the outstanding claims involving TransCanada and, any or all,  
 16 of the LDCs, will serve to alleviate the uncertainty that existed in the market."<sup>104</sup>

17  
 18 Third, the Settlement Agreement brings greater certainty and clarity because it means  
 19 that the LDCs and TransCanada are aligned on the appropriate set of facilities to relieve  
 20 the Parkway to Maple bottleneck. Fourth, the Settlement Agreement brings greater  
 21 certainty and clarity because it means that the LDCs and TransCanada are aligned with  
 22 respect to the facilities proposed by Enbridge in its application before the Board that is  
 23 under consideration in these proceedings. Fifth, the Settlement Agreement allows a  
 24 process for the awarding of transmission capacity on Segment A of the GTA Project  
 25 regardless of whether the settlement is approved.<sup>105</sup>

26  
 27 Sixth, the Settlement Agreement demonstrates to the Board that the LDCs and  
 28 TransCanada have come to agreement on an optimal approach to rational infrastructure  
 29 development.<sup>106</sup> Section 2.2(c) of the Settlement Agreement specifically states that one  
 30 of the purposes of the agreement is to optimize the use of existing natural gas  
 31 transmission infrastructure to meet the capacity and reliability needs of current and  
 32 future shippers and customers in a reliable and cost effective manner. The practical  
 33 application of this agreement to work together to optimize infrastructure can be seen in

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<sup>102</sup> Gaz Metro Argument, pages 3-4, paras. 10-11

<sup>103</sup> Gaz Metro Argument, page 4, para. 11.

<sup>104</sup> *Ibid.*

<sup>105</sup> Settlement Agreement, section 11.1(f). If the decision of the National Energy Board on the second application provided for in Article 7 of the Settlement Agreement is not deemed to be an Acceptable Regulatory Approval within the meaning of the agreement, the Settlement Agreement comes to an end and Enbridge is able to award transmission capacity on Segment A of the GTA Project.

<sup>106</sup> In this regard, see the "Purposes" of the Settlement Agreement set out in section 2.2 thereof.

1 the provisions of the Settlement Agreement that, subject to specified exceptions,  
2 prohibit the LDCs from bypassing the Mainline System without TransCanada's  
3 approval<sup>107</sup> and the provisions that, subject to specified exceptions, set out a  
4 corresponding prohibition on bypass by TransCanada without the written consent of the  
5 affected LDC.<sup>108</sup>

6  
7 Finally, the seventh area where the Settlement Agreement brings greater certainty and  
8 clarity to these proceedings follows from the previous point: the Settlement Agreement  
9 demonstrates that the LDCs and TransCanada have fulfilled the expectations of the  
10 Board, as stated in the EB-2011-0210 Decision, regarding cooperation among Union  
11 Gas, Enbridge and TransCanada with respect to natural gas infrastructure.<sup>109</sup> And,  
12 regardless of the outcome of National Energy Board proceedings in which the  
13 Settlement Agreement is considered, the agreement expressly states the intention of  
14 the parties to continue to cooperate to ensure the efficient development of natural gas  
15 infrastructure.<sup>110</sup>

16  
17 Like IGUA, CCC noted that the Settlement Agreement is not before this Board for  
18 approval. CCC went on, though, to propose that Enbridge and Union Gas be required  
19 to file a report regarding the implications of the Settlement Agreement.<sup>111</sup> APPrO  
20 argued for the filing of updated information, and a right of parties to be heard, to the  
21 extent that material changes arise from the implementation of the Settlement  
22 Agreement.<sup>112</sup>

23  
24 In addition to these submissions about further reporting with regard to the Settlement  
25 Agreement, other suggestions were made about reporting, including IGUA's comment  
26 that the Board may want an update on economics when there is more clarity about the  
27 Energy East initiative<sup>113</sup> and Energy Probe's proposal that Enbridge and Union provide  
28 the Board with a detailed long term gas supply and transportation plan.<sup>114</sup>

29  
30 Especially in view of the acknowledgment by parties such as IGUA and CCC that the  
31 Settlement Agreement is not before this Board for approval, Enbridge submits that there  
32 is no need to have any lingering or ongoing issue or condition in these proceedings  
33 about further reporting on the Settlement Agreement. More generally, the suggestions

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<sup>107</sup> Settlement Agreement, section 8.1.

<sup>108</sup> Settlement Agreement, section 8.2.

<sup>109</sup> The EB-2011-0210 Decision is also referred to under "Unrealistic Suggestions Regarding Allocation of Risk", above.

<sup>110</sup> Settlement Agreement, section 11.1(f).

<sup>111</sup> CCC Argument, page 13.

<sup>112</sup> APPrO Argument, page 2, paragraph 2.

<sup>113</sup> IGUA Argument, page 4.

<sup>114</sup> Energy Probe Argument, page 13, para. 33(b).

1 made by parties about future reporting all seem to stem from uncertainty about how gas  
2 supply strategy will evolve in light of shifting supply basins, the Settlement Agreement,  
3 the Energy East project, and so on. As far as the Energy East project is concerned, the  
4 Board gave notice on November 13, 2013 that the Minister of Energy has required the  
5 Board to examine and report on the project from an Ontario perspective.<sup>115</sup> In order to  
6 address other areas where parties may have uncertainty about the evolution of gas  
7 supply strategy, Enbridge will hold an information session with stakeholders on gas  
8 supply and transportation strategy after the National Energy Board has considered the  
9 Settlement Agreement and rendered its decision on tolls.

10  
11 GEC asserted that the “math is simple” and that the Settlement Agreement “takes the  
12 speculation out of the question of whether TCPL will be made whole and makes clear  
13 there are no gas savings”.<sup>116</sup> Apparently, GEC clings to the notion that the issue of  
14 savings in the context of the Settlement Agreement is a “zero-sum game”, despite the  
15 repeated explanations in the evidence making clear that GEC’s “simple” view of the  
16 math is simply wrong.

17  
18 Ms Giridhar directly addressed the “zero-sum game” notion in the following testimony:

19  
20 ...I think that the appropriate perspective to take on this  
21 issue around costs [shed] by one party become costs borne  
22 by other parties is to focus on the fact that as a result of the  
23 settlement agreement we don’t have a zero-sum game. We  
24 have a positive-sum game. And we’ve talked about all the  
25 reasons why it’s a positive-sum gain, one of which is  
26 TransCanada’s own contribution to this.

27  
28 ...you are paying between 2 cents in the CDA and maybe 5  
29 cents in the EDA for customer choice and diversity, and  
30 when you look at the way basis differentials change between  
31 different supply points, that – the basis impact is generally a  
32 huge multiple of those kinds of numbers, the 2 cents and the  
33 4 to 5 cents that we’re talking about.<sup>117</sup>

34  
35 Later, in response to questions from counsel for GEC, Ms Giridhar pointed out that  
36 GEC’s position seemed to miss entirely Enbridge’s concern about being forced to

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<sup>115</sup> See [http://news.ontario.ca/mei/en/2013/11/ensuring-energy-east-pipeline-benefits-ontario.html?utm\\_source=digest&utm\\_medium=email&utm\\_campaign=p](http://news.ontario.ca/mei/en/2013/11/ensuring-energy-east-pipeline-benefits-ontario.html?utm_source=digest&utm_medium=email&utm_campaign=p)

<sup>116</sup> GEC Argument, page 21.

<sup>117</sup> 8Tr.82-83.

1 contract for firm long haul transportation in order to meet seasonal and peaking  
2 demands of its customers. Ms Giridhar said that,

3  
4 ...I think your presumption, Mr. Poch, is that Enbridge's  
5 ratepayers should engineer a transfer of wealth from them to  
6 other shippers in the TransCanada system by seeking to  
7 contract a path that does not make any sense for their  
8 seasonal load.

9 The Ontario Energy Board has always told us to use our  
10 long-haul contracts at a hundred percent load factor. Our  
11 PGVA mechanism penalizes Enbridge's shareholder if we  
12 run our long-haul contracts at anything less than a hundred  
13 percent load factor.

14 To suggest the fact that we are contracting appropriately  
15 for our seasonal loads is somehow a problem is something  
16 that I just don't understand. This is how this Board has  
17 regulated and required us to contract for gas supply.<sup>118</sup>

18  
19 Although it was addressed extensively in Enbridge's evidence, and was repeated in  
20 Argument in Chief,<sup>119</sup> GEC apparently has missed the point that the GTA Project  
21 delivers significant economic benefits, quite apart from the transmission component of  
22 Segment A, because it allows Enbridge to use short haul arrangements, rather than firm  
23 long haul transportation, to bring gas into the GTA to meet seasonal and peaking  
24 needs. As laid out in some detail above, when the impact of utilization of firm long haul  
25 transportation is taken into account, the economic benefits of the GTA Project are  
26 robust under a wide range of assumptions about gas price differentials.<sup>120</sup> This also  
27 was made clear in Ms Giridhar's testimony, such as the following answer given when  
28 she testified on the joint panel:

29  
30 We have very compelling economics ... we have  
31 demonstrated that under a range of reasonable basis and  
32 utilization scenarios the gas-supply savings from this project  
33 exceed both the revenue requirement associated with our  
34 facilities and the impact of the terms sheet, in terms of tolls  
35 that would be paid for our portfolio.<sup>121</sup>

---

<sup>118</sup> 9Tr.23

<sup>119</sup> Argument in Chief, pages 13-15.

<sup>120</sup> See "Robust Economic Benefits and Feasibility", above.

<sup>121</sup> 8Tr.56. See Response to Undertaking J6.X.

1 Before closing on this point, it has to be said that GEC's simple math fails to take  
2 account of the particular situation of Enbridge as it relates to the transition to short haul  
3 transportation contemplated by the Settlement Agreement. As stated by Ms Giridhar,

4  
5 ...we've spent a significant part of our evidence talking about  
6 the nature of our load. So we have a highly seasonal load.  
7 And we're also the entity that has a lot of discretionary  
8 supply today, so unlike Union and Gaz Métro, that were  
9 largely [firmed] up to meet their peak day, we have a very  
10 large portion of our peak-day demand today that is being  
11 served off of discretionary.

12  
13 ...Given the amount of load that needs to be firmed up now  
14 to meet peak day ... Enbridge would share a very large part  
15 of the burden that, say, Gaz Métro could completely escape,  
16 because we'd have no short-haul access for a need that is  
17 best served by short-haul.<sup>122</sup>

18  
19 This description of Enbridge's circumstances led Ms Giridhar to stress the value and  
20 importance of a structured transition to short haul transportation. Obviously, in the  
21 absence of an orderly transition, there are very serious risks for the shippers on the long  
22 haul transportation system that will be left as the last shippers after others have made  
23 the move to short haul. Ms Giridhar's comments about the structured transition were as  
24 follows:

25  
26 So you really need to take the bigger perspective here. It's  
27 not just what Ontario will bear, versus Quebec. It's not just  
28 what Union Gas would bear versus EGD; it's about making  
29 sure we have a structured transition to short-haul and a  
30 result where there's equal opportunity and costs being  
31 shared by all of us. And that's what this terms sheet does.<sup>123</sup>

32  
33 In the words of Gaz Métro: "The settlement provides a viable solution for the market  
34 and enables a structured transition to short-haul services".<sup>124</sup> The Settlement  
35 Agreement shows that the LDCs and TransCanada have consulted on infrastructure in  
36 accordance with the expectations of this Board; it sets out in detail a commitment of the  
37 parties to seek regulatory approval for market access through multiple collaborative

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<sup>122</sup> TCTr.(Sept.13/13)40-41.

<sup>123</sup> TCTr.(Sept.13/13)41.

<sup>124</sup> Gaz Metro Argument, page 4, para. 11.

1 efforts;<sup>125</sup> and, in the event that the Settlement Agreement were to terminate without  
 2 regulatory approval, Enbridge would still be able to award transmission capacity on  
 3 Segment A of the GTA Project.

## 4 5 **7. The GTA Project is the Best Alternative**

6  
 7 Certain intervenors assert that Demand Side Management (“DSM”) is an alternative that  
 8 would eliminate or defer the need for Segment B of the GTA Project. Enbridge is in  
 9 complete disagreement with these assertions, but it is important to note that Enbridge’s  
 10 disagreement with the arguments that have been made about DSM are not the result of  
 11 any lack of commitment to DSM on the part of Enbridge.

12  
 13 In fact, Enbridge is a strong proponent of DSM. For many years Enbridge has been,  
 14 and it continues to be, a leader in the delivery of DSM to natural gas  
 15 customers. Enbridge continues to learn and to grow and improve all facets of its DSM  
 16 program. This evolution includes, but is not limited to:

- 17  
 18 • *Continuing to advance codes and standards in the*  
 19 *Province* - Enbridge staff actively participate in  
 20 provincial committees and professional organizations  
 21 involved in the development of codes and standards.  
 22 As well, the Enbridge program – Savings By Design –  
 23 works with builders to encourage building to exceed  
 24 code by 25%.<sup>126</sup>
- 25  
 26 • *Collaborating with other utilities and organizations on*  
 27 *programming* - Enbridge collaborates on DSM  
 28 program design and delivery with electricity LDCs and  
 29 municipalities, with trade associations such as IGUA  
 30 and with stakeholder groups such as the Low Income  
 31 Working Group.<sup>127</sup>
- 32  
 33 • *Refining evaluation techniques* - Enbridge continues  
 34 to refine evaluation techniques independently through  
 35 participation in professional organizations. Enbridge  
 36 proposed and is an active participant on the Technical

<sup>125</sup> See Articles 7 and 11 of the Settlement Agreement.

<sup>126</sup> EB-2011-0295 Enbridge 2012-2014 DSM Plan Exhibit B, Tab 1, Schedules 1, 2 4 and EB-2012-0394 Enbridge 2013-2014 Update to the DSM Plan, Exhibit B, Tab 1, Schedules 1, 2 and 4.

<sup>127</sup> *Ibid.*

1 Evaluation Committee which advises Union Gas and  
 2 Enbridge on technical standards for natural gas DSM  
 3 in Ontario.<sup>128</sup>  
 4

- 5 • *Program Advancement* – Enbridge has been active  
 6 adding new program approaches, such as  
 7 performance based benchmarking of customers'  
 8 building portfolios to enable targeted Strategic Energy  
 9 Management, Community Energy Retrofits, and  
 10 Market Transformation offerings such as Home  
 11 Labeling of energy consumption at time of sale.  
 12

13 Simply put, Enbridge has exhibited that it does not shy away from aggressive pursuit of  
 14 natural gas savings for its customers through traditional and non-traditional  
 15 opportunities. Enbridge's continuing desire to seek out new opportunities in support of  
 16 efficiency and reduction of greenhouse gas ("GHG") emissions is evidenced by its  
 17 Green Energy Initiatives and Renewable Natural Gas applications, EB-2009-0172 and  
 18 EB-2011-0242 respectively. The Company's focus on environmental stewardship  
 19 through DSM is further encapsulated by the fact that it was supportive of the inclusion of  
 20 GHG's in the TRC calculation in its response to the Board's draft DSM Guidelines for  
 21 2012-2014 in EB-2008-0346.<sup>129</sup>  
 22

23 None of this, however, means that DSM can be seen as an alternative to the GTA  
 24 Project, which, as discussed in detail in Argument in Chief, fulfills a number of purposes  
 25 that are critical to Enbridge's distribution system in the GTA. Nor is DSM an alternative  
 26 that would alleviate the need for Segment B of the GTA Project.  
 27

28 The evidence is clear that Segment B is required to move gas brought to the distribution  
 29 system by Segment A across the GTA distribution network from Keele Street Station to  
 30 the Don Valley Line. In addition, Segment B provides crucial distribution capacity to  
 31 permit the reduction in pressure in Enbridge's Don Valley Line and NPS 26 Line.  
 32

33 Without Segment B, the gas moved into the distribution system by Segment A would  
 34 effectively be trapped in the western GTA. It would certainly not be prudent for  
 35 Enbridge to introduce this important new supply of gas to the western end of its GTA  
 36 distribution system, but omit the facilities that are needed to move the gas through to

---

<sup>128</sup> EB-2011-0295 Enbridge 2012-2014 DSM Plan, Exhibit B, Tab 1, Schedule 6 (Terms of Reference for Stakeholder Engagement outlining the role of the TEC).

<sup>129</sup> EB-2008-0346 Response to the Report from the Ontario Energy Board: Revised Draft Demand Side Management Guidelines for Natural Gas Utilities, Submission from Enbridge Gas Distribution Inc., Feb. 14<sup>th</sup>, 2011, page 11.

1 areas including the downtown core of Toronto. Should Segment B not be constructed,  
2 the delivery of gas to the Don Valley line would have to continue through Victoria  
3 Square Gate Station.

4  
5 The DSM framework is and always has been specifically intended to consider annual  
6 consumption saving. There has never been explicit tracking of the impact of DSM on  
7 peak hourly demand at a customer level, such as is done on the electricity  
8 system. However, Enbridge did incorporate expected changes in peak hourly demand  
9 by incorporating trends from actual measured flows at gate stations and using that  
10 historical information in its forecasting. Thus, Enbridge has integrated the expected  
11 impact of conservation measures into the system load growth forecast. It is not correct,  
12 that, as has been argued, the forecast is inaccurate because Enbridge cannot attribute  
13 the impact of peak hour reduction to specific customer groups or conservation  
14 measures. Rather the inability to break out the impacts is, as has been noted  
15 throughout the proceeding, a function of lack of time of use measurement at the end  
16 consumption point. Data sufficiency for end use does not mean that there is any system  
17 wide inaccuracy in actual measured flows.

18 However, unlike electricity utilities that have smart metering infrastructure, there is no  
19 individual customer information that measures a customer's peak demand or the  
20 potential impact of a specific DSM program on that customer's contribution to peak hour  
21 demand. Thus, Mr. Fernandes stated that,

22  
23 Conservation can certainly help in reducing annual demand.  
24 We're not as certain about what its direct impact on peak  
25 hour, and therefore on facilities. But we believe it does have  
26 an impact, it's just not as certain.<sup>130</sup>

27  
28 In its planning for the GTA Project, Enbridge considered the extent to which DSM would  
29 be an option that could replace or reduce the construction of facilities. The inescapable  
30 reality, however, is that the capacity required to reduce the pressure in the Don Valley  
31 Line (165 TJ/day)<sup>131</sup> is more than an order of magnitude larger than what Enbridge  
32 could possibly expect to achieve through DSM. As stated by Enbridge in response to  
33 ED, the 20-fold increase in DSM rendered this alternative nonviable:

34 Enbridge believes that the magnitude of conservation  
35 required to replace the capacity within the system due to the  
36 lowering of pressures on large diameter, higher pressure  
37 lines is too large to be achievable. Based on estimates

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<sup>130</sup> 5Tr.56.

<sup>131</sup> Exhibit I.A1.EGD.BOMA.15 part (a) and Exhibit I.A1.EGD.BOMA.19 (part I, par. 2).



1 consistent with those shown in the response to  
2 Environmental Defence Interrogatory #14 found at Exhibit  
3 I.A4.EGD.ED.14, the DSM requirement needed to lower the  
4 pressure as proposed in the NPS 26 and NPS 30 Don Valley  
5 line would be a greater than a 20-fold increase in the GTA.  
6 In addition to the sheer scale of the conservation that would  
7 be required, the certainty of achieving the conservation  
8 targets is unknown. Magnitude and certainty make  
9 conservation a nonviable option for replacing capacity as a  
10 result of lowering pressures in existing infrastructure.<sup>132</sup>

11 Further, Enbridge must address the increase in its peak demand forecast resulting from  
12 the addition of more than 160,000 customers over the next 10 years.<sup>133</sup> It is important  
13 to bear in mind that there was no dispute about Enbridge's customer additions forecast  
14 during these proceedings and no credible challenge to the evidence of the contribution  
15 of these additional customers to peak hour design flows.

16 Given that DSM clearly could not meet Enbridge's needs, it was not pursued as a  
17 standalone strategy. Enbridge submits that it surely must be reasonable and prudent  
18 for a utility to focus its attention on alternatives that have the capability of meeting its  
19 needs, rather than continuing to study and pursue alternatives that do not have that  
20 capability. As has been stated, Enbridge identified Station B as a potential issue in  
21 2002<sup>134</sup> and Enbridge's efforts to defer infrastructure installation through contracting for  
22 supply proved to be effective for more than a decade. In fact, the east-west section of  
23 Segment B had been identified approximately 2 decades ago as Parkway Phase 3.<sup>135</sup>  
24 However, customer needs for gas delivery in the GTA Project Influence Area, the age of  
25 the distribution system, technical requirements and relative economics now necessitate  
26 the installation of infrastructure.

27 In this reply, Enbridge will not discuss every detail in the evidence of GEC and ED.  
28 Except to the extent that Enbridge expressly states its support, Enbridge disagrees with  
29 the evidence and opposes the views of these intervenors. The submissions that follow  
30 are intended to highlight the myriad of fundamental flaws in the arguments of GEC and  
31 ED which, if accepted, would severely compromise Enbridge's ability to continue to  
32 provide reliable service to customers.

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<sup>132</sup> Exhibit I.A4.EGD.ED.18.

<sup>133</sup> Exhibit A-3-1, page 4, Table 2.

<sup>134</sup> TCTr.(June 13/13)116 .

<sup>135</sup> Ex. A-3-7 page 6, para 9. See also Ex. A-3-2, page. 7, para. 24.

1 There are almost 1 million customers<sup>136</sup> in the GTA Project Influence Area and these  
2 customers depend upon natural gas to be delivered in a reliable manner. The evidence  
3 demonstrates that the existing distribution network will be in a deficit position and  
4 unable to meet peak design requirements before 2016.<sup>137</sup> In Exhibit J6.5, Enbridge  
5 confirmed that for 2015 its simulation modeled “out of pressure at Station B” in a  
6 scenario where Segment B is not constructed and the NPS 26 and the Don Valley line  
7 are operating at 30% SMYS. Despite this urgent need for real capacity, ED and GEC  
8 are proposing that Enbridge trust the reliable delivery of natural gas to the downtown  
9 core of Canada’s largest city upon an untested, unproven concept of performance  
10 based modeling (“PBM”). Enbridge’s GTA Project is well advanced, provides real  
11 demonstrated capacity and has fully considered many factors, while ED and GEC admit  
12 that they have no detailed plan – rather a generic concept of a plan.<sup>138</sup> The model relied  
13 upon by intervenors was prepared to respond to the evidence in this proceeding and  
14 has never been tested.<sup>139</sup>

15 The lack of any credible plan from either GEC or ED was expressly acknowledged by  
16 CCC, a proponent of cost-effective DSM, in the following:

17 “the Council has continually been an advocate of cost-effective DSM. To  
18 the extent that DSM can eliminate the need for new facilities, or defer  
19 those facilities they should be pursued. The Council has not seen concrete  
20 proposals from either GEC, or Environmental Defense that demonstrate  
21 EGD’s proposal Segment B can definitively be eliminated or deferred  
22 through DSM.”<sup>140</sup>

23 Pipeline capacity is real, while reliance upon DSM to provide capacity through reduced  
24 peak demand is purely speculative. Despite having engaged multiple experts, neither  
25 GEC nor ED could provide any evidence of any utility in North America using PBM for  
26 calculating DSM Potential. It would be imprudent to risk the reliable delivery of natural  
27 gas to 1 million customers on such a strategy. It is unacceptable, and contrary to the  
28 obligation to provide reliable service, to plan a distribution system to curtail firm  
29 customers routinely, as suggested by GEC and ED.

30 Specifically, with respect to offering revised DSM initiatives, the notion is that Enbridge  
31 should shift to a geographically targeted DSM from the current Board approved DSM

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<sup>136</sup> Exhibit A-3-3, page 5, para. 9.

<sup>137</sup> Exhibit I.A4.EGD.ED.25 part (a) Table 2. See Also, Exhibit J6.5.

<sup>138</sup> 7Tr. 91.

<sup>139</sup> Exhibit M.ED.EGD.6.

<sup>140</sup> CCC Argument, page 13, third paragraph.

1 program. The consequence of the shift in approach was captured by Ms. Ramsay when  
2 she stated:

3 ... targeted DSM for the purposes of deferral of infrastructure  
4 is quite a different undertaking than the type of broad-based  
5 DSM with a view to achieving annual reductions, and there is  
6 considerably more risk involved....We don't require  
7 contingency measures for the broad-based, open-ended,  
8 minimal-risk DSM activities that we're on now, but where that  
9 DSM activity would be targeted for, to meet specific peak  
10 load requirements we would need to factor in what additional  
11 targets we would need in order to allow for contingency.<sup>141</sup>

12 Ms. Oliver-Glasford made clear that any such switch would require significant work to  
13 understand what the potential for DSM targeted to the GTA area could accomplish. Her  
14 testimony about the analysis that would be required was as follows:

15 ...it's our belief that there would be considerable amount of  
16 analysis that would have to be done to understand if  
17 [deferring infrastructure through DSM] makes sense at this  
18 point... to start off with, you know, what those peak loads --  
19 translations look like, how our DSM technologies would  
20 impact peak load, to try and get some more clarity on that. I  
21 think ideally we would be enabled with all of the smart  
22 meters that the electric side had to create any certainty, but  
23 certainly there's a lot of analysis that needs to be done. We  
24 need to have a proper, geographically-based,  
25 comprehensive potential study to understand what the  
26 potential is in reality in the GTA area.<sup>142</sup>

27 It is simply not possible for Enbridge to complete a shift in the direction of its DSM  
28 policies of this magnitude, let alone design and implement the various programs  
29 required for the shift to occur, in order to address the need for capacity that arises in two  
30 years. Further, the Board has given no direction on how geographically targeted DSM  
31 should be evaluated against supply-side investments; a key requirement for IRP  
32 identified in EBO 169 III.<sup>143</sup>

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<sup>141</sup> 5Tr.124.

<sup>142</sup> 5Tr.122-123.

<sup>143</sup> EBO 169-III, page 4.

1 When ED's notion of a program ramp up is transformed from the theoretical realm into  
2 reality, it becomes abundantly clear that the concept cannot work. This complete  
3 disconnect between theory and reality is evidenced in a simple analysis of the potential  
4 savings. In response to Board Staff Interrogatory 2, ED stated that Enbridge should  
5 target large commercial buildings capable of achieving 500,000m<sup>3</sup>/yr and the ED model  
6 assumes that this represents a savings of 31% of consumption.<sup>144</sup> This translates to the  
7 need to have 80 participants in the first year, which is more than the entire inventory of  
8 42 buildings of sufficient size available. Not only that, but most of these customers have  
9 already been actively reducing their consumption. This was confirmed by Ms. Oliver-  
10 Glasford when she stated:

11 ...and when we look at our customers we have a few that  
12 are large enough to achieve the kind of savings that they  
13 outline. And 93 percent of those largest 42 customers have  
14 actually done something within the past seven years with  
15 Enbridge in our portfolio.<sup>145</sup>

16 Additional confirmation that ED and GEC take a vastly, over-optimistic view of DSM can  
17 be seen from a brief review of the economic analysis. Mr. Chernick confirmed in the  
18 cross-examination, provided below, that the transportation costs of continuing to deliver  
19 natural gas to Victoria Square Gate Station had not been integrated into the economic  
20 analysis he prepared.

21 MR. STOLL: Did you include in your analysis the demand  
22 charges at Vic Square that would not be avoided through  
23 your process? I didn't see it. I might have missed it. Like,  
24 part of the –

25 MR. CHERNICK: I'm just trying to make sure that I answer  
26 this with the right — with the negatives in the right place so  
27 the record isn't confusing.

28 No, I did not re-optimize the supply, either for continuing to  
29 take the Victoria Square supply from the TCPL Mainline,  
30 which, it appeared to me based on the data that Enbridge  
31 provided, would still allow the company to take all of the U.S.  
32 gas it was planning to take through segment A into the  
33 remainder of the system.

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<sup>144</sup> Exhibit L.EGD.ED.1, page 3, para. 2.

<sup>145</sup> 5Tr.81.

1 MR. STOLL: Right. Mr. --

2 MR. CHERNICK: And -- or alternatively taking the U.S. gas  
3 to Albion up to Maple, across to Vic Square and then down.

4 MR. STOLL: Did you include in your economic analysis the  
5 facilities between Albion and Maple?

6 MR. CHERNICK: No, I don't think we have any for those.<sup>146</sup>

7 Not only did the financial analysis relied upon by these intervenors not integrate gas  
8 transportation, but it failed to account for other costs. The TRC test which these  
9 intervenors have relied upon does not include the cost of the program incentives paid to  
10 participating customers; typically 50% of total program costs. This analysis also failed to  
11 account for the fact that certain DSM programs are TRC-negative. Mr. Neme was very  
12 careful in saying there was no evidence on the record that Community Energy Retrofit  
13 ("CER") is not cost effective. However, Ms. Oliver-Glasford's prior testimony referred to  
14 soon to be published audited information, that CER was in fact negative in EB-2013-  
15 0352. According to this information,

16 ...the 2012 CER program had relatively high cost per  
17 Cumulative Cubic Meter (CCM) of \$0.1542/CCM savings  
18 (CER results were TRC negative with a TRC ratio of 0.62)<sup>147</sup>

19 As such, the purported economic benefits of DSM are greatly overstated by ED and  
20 GEC. Further, Enbridge has provided detailed impacts of the GTA Project on customer  
21 rates and bills while GEC and ED provided absolutely no information about how DSM  
22 would impact customers economically.

23 ED and GEC relied almost exclusively upon experience in the electricity industry as a  
24 basis for their position. Mr. Neme's evidence was clear that while targeted DSM has  
25 been used by electricity utilities on multiple occasions, there is no guaranteed success.  
26 Mr. Neme confirmed that in several of the case studies targeted programs failed to  
27 deliver their intended benefits, in some cases by 30% or more and that the performance  
28 was even worse during the winter – the season most crucial to Enbridge and its  
29 customers.<sup>148</sup>

30 It is not Enbridge's position that geo-targeted DSM cannot deliver reductions in peak  
31 hour demand. Enbridge is firmly of the view, however, that geo-targeted DSM has no

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<sup>146</sup> 7Tr.80.

<sup>147</sup> EB-2013-0352, Ex.B.1.1, page 21, under "Cost Effectiveness".

<sup>148</sup> 7Tr.86.

1 place as an alternative to the GTA Project because there is absolutely no evidence that  
2 it is able to deliver the needed capacity and benefits in a timely and cost effective  
3 manner.

4 The suggestion by ED and GEC that deferral of Segment B can be achieved through  
5 the planned curtailment of firm customers is contrary to the obligation to provide reliable  
6 service and the existing contractual and regulatory obligations. APPrO, the only party  
7 able to speak on behalf of Portlands, adamantly opposed any suggestion of changing  
8 the current firm Rate 125 transportation contract. APPrO correctly noted that Mr.  
9 Chernick's evidence in this regard was outside the subject area upon which he was  
10 qualified as an expert and should therefore be ignored. Enbridge agrees with APPrO's  
11 position<sup>149</sup> that a firm contract is indeed a firm contract and that Enbridge should not be  
12 forced to approach Portlands or any customer to renegotiate contracts – especially  
13 when that contract was reviewed and accepted as in the public interest by the Board in  
14 prior hearings.

15 Further, Portlands has no secondary fuel supply and relies upon Enbridge for delivery of  
16 natural gas in order to provide electricity to the GTA. Ignoring Portlands' critical role in  
17 providing reliable electricity to the GTA is especially problematic and contrary to the  
18 objectives of the OEB Act. Enbridge supports the evidence of the IESO on the  
19 importance of Portlands to the electricity system, evidence which was not challenged in  
20 any credible manner. Maintaining firm gas supply to Portlands is crucial to maintaining  
21 the availability and reliability of Portlands. Enbridge notes that the trend is for more  
22 customers going to firm contracts – not the opposite. If firm contracts are not firm, it is  
23 uncertain how a utility can ever forecast and plan infrastructure.

24 Enbridge is continually seeking to improve its planning and business activities and  
25 therefore sees merit in a proper review of Integrated Resource Planning ("IRP").  
26 However, Enbridge planned the GTA Project consistent with the current regulatory  
27 framework and it would be improper to require an as yet undefined IRP analysis for the  
28 GTA Project. The novelty of the IRP approach in the natural gas industry is illustrated  
29 by the following response of ED to an interrogatory from Board Staff:

30 Please provide examples of other natural gas utilities in  
31 North America that have avoided or reduced infrastructure  
32 expansion project due to successful implementation of  
33 increased DSM funding. If there are examples, please  
34 explain what was reduced or avoided.

35  

---

<sup>149</sup> APPrO Argument, para. 49, d).

1                   **Response:**

2                   “We could not find nor are not aware of such an example.”<sup>150</sup>

3   Based on its current understanding of IRP, Enbridge is not certain that IRP is an  
4   appropriate approach for the natural gas industry to try to defer the construction of  
5   supply facilities. Enbridge is intimately aware of the differences between the natural gas  
6   system and the electricity system that make the decision to embark on formalized IRP  
7   less straightforward than some would like to think. More specifically, how a utility  
8   should approach IRP has many unresolved questions as the IRP process seeks to  
9   internalize additional externalities. Enbridge believes that a proper and full analysis of  
10   IRP is required in order for all parties to understand the Board's expectations as to what  
11   should be included in an IRP approach to the deferral of supply facilities.

12  
13   Enbridge is of the view that, as currently structured, the DSM Consultative is not the  
14   appropriate venue or group to review whether DSM has been adequately and  
15   appropriately addressed as an alternative to supply planning. Enbridge acknowledges  
16   that the DSM Consultative is an open and helpful group for the purposes of informing  
17   Enbridge's broad-based DSM activities and balancing stakeholder interests. However,  
18   Enbridge has an obligation to serve its customers reliably and safely and the lack of  
19   rigour behind the analysis of DSM as an alternative for targeted natural gas supply  
20   deferral at this time is worrisome. DSM, and its ability to be considered side by side  
21   with supply, demands the same level of analysis and contingency planning as does gas  
22   supply. Enbridge would be supportive of leading or engaging in a review of this sort.

23  
24   For all of these reasons, Enbridge believes targeted geographic deferral of supply in the  
25   case of this leave to construct application is not a viable or possible alternative. A  
26   generic hearing regarding the role of geographically targeted DSM programs in IRP,  
27   including some of the suggestions from ED, GEC and BOMA, could be conducted in the  
28   future. If the Board considers it would be appropriate to consider IRP in the DSM file,  
29   or more broadly in a generic hearing, Enbridge would be willing to take a leadership role  
30   in such an endeavour.

31  
32   **8. Technical, Land and Routing Submissions**

33                   **(a) Land**

34  
35  
36   Enbridge proposes to construct almost 50 kilometres of large diameter pipeline and  
37   build/modify 6 stations. Notably, there has been no objection to the general route

---

<sup>150</sup> Exhibit M.ED.BdStaff.5

1 proposed by Enbridge from any landowner or party directly impacted by the GTA  
2 Project. Enbridge appreciates that these parties have focussed upon their specific  
3 outstanding concerns related to their particular circumstances. Enbridge will respond  
4 briefly to each of the submissions of Metrolinx, York, 8081, MG and Contango Holdings  
5 Ltd./M.A.N. Enterprises Inc. and AGS Consultants Ltd. ("**Contango**"). Enbridge's  
6 commitments provided in the evidence and referred to below resolve any concerns  
7 raised by the parties.

8  
9 **Metrolinx** – Enbridge confirms that it will continue to work with Metrolinx  
10 through the detailed design of the GTA Project, provide detailed design  
11 drawings, obtain permits and enter into crossing agreements necessary to  
12 carry out the work. Enbridge will, to the extent practicable, avoid  
13 impacting existing and planned GO Transit and Metrolinx facilities.

14  
15 **York** – Enbridge has confirmed that detailed engineering or construction  
16 plans will include proposed construction and staging requirements for the  
17 pipeline, and that such plans will be provided to York for its review and  
18 comment.<sup>151</sup> Enbridge confirms that it will continue to work with York  
19 through the detailed design of the GTA Project, provide detailed design  
20 drawings, obtain permits and enter into agreements necessary to carry out  
21 the work. Enbridge will, to the extent practicable, avoid impacting existing  
22 and planned York facilities.

23  
24 **8081** – Enbridge has confirmed that it does not require land rights in  
25 respect of Part 1, on Plan 65R-32626. 8081 has requested a condition  
26 indicating that leave to construct does not authorize any expropriation in  
27 respect of Part 1. Enbridge is of the view that such a condition is not  
28 warranted and that it is premature for the Board to make such a ruling. A  
29 leave to construct approval does not authorize expropriation but merely  
30 fulfills a statutory precondition to be able to file for an expropriation  
31 proceeding. Any issue with expropriation is more properly dealt with by  
32 the panel constituted to consider any such application. Enbridge fully  
33 expects to fulfill its commitment made to 8081 and this Board in the letter  
34 from Enbridge's counsel dated September 24, 2013.

35  
36 **MG** – Enbridge and MG entered into Minutes of Settlement<sup>152</sup> in respect of  
37 the location of the GTA Project within the MG lands. Enbridge fully  
38 intends to fulfill its obligations as set out in the Minutes of Settlement. MG

---

<sup>151</sup> TCTr.(June 13/13)206.

<sup>152</sup> Exhibit D, Tab 1, Schedule 2, Attachment 7.



1 sought confirmation that the form of agreement is the starting point for any  
2 negotiation. Enbridge notes that section 97 of the OEB speaks to an offer  
3 being made or having been made to the landowners. This ensures  
4 landowners are treated fairly. Enbridge can confirm the form of  
5 agreement for which it is seeking approval pursuant to section 97 of the  
6 OEB Act is the starting point for negotiations with landowners.

7  
8 **Contango** – Contango is a landowner that did not intervene, but rather  
9 requested Observer status, in this proceeding. Contango filed  
10 submissions on November 7, 2013. Contango owns lands just east of  
11 MG. As noted in the submissions, Enbridge has been working, and  
12 continues to work, with landowners impacted by the GTA Project.  
13 Enbridge plans to install the pipeline in an easement along the southern  
14 property line and within the future South Boulevard road allowance. Given  
15 the proposed design of the GTA Project, the setback will not extend  
16 beyond the right-of-way and therefore would not restrict the development  
17 beyond the edge of the right-of-way.

18  
19 A map showing the location of the proposed pipeline across the MG and  
20 Contango lands is attached at Appendix A to this Reply Argument.

21  
22 (b) Technical

23  
24 BOMA submitted that there is no need for Enbridge to build a transmission line,  
25 because TransCanada can do it.<sup>153</sup> While BOMA used a number of inappropriately  
26 exaggerated words to describe its view of the evidence of both Enbridge and Union  
27 Gas,<sup>154</sup> it would be difficult to overstate just how much this particular submission by  
28 BOMA has missed the point of Enbridge's application.

29  
30 Of course, it need hardly be repeated that Enbridge's proposed project is first and  
31 foremost a distribution project. The original proposal by Enbridge was for a distribution-  
32 only project and, on that basis, Enbridge had determined the preferred pipeline route for  
33 two inter-related and interdependent segments of a distribution-only project. We know  
34 that the preferred route determined by Enbridge for one of these two inter-related  
35 segments of a distribution-only project also is an important route for a transmission  
36 project. The fact that Segment A is also an important route for a transmission project  
37 does not in any way allow one to jump to the conclusion that a transmission pipeline

---

<sup>153</sup> BOMA Argument, page 17.

<sup>154</sup> Just two of many examples are the assertion, at page 5 of the BOMA Argument, that the utilities have been "disingenuous" and the considerably more immoderate statement at page 15 of the BOMA Argument that analysis provided by the utilities was "highly disingenuous, if not deliberately misleading".

1 operator should build and operate one of the two inter-related segments of a project that  
2 Enbridge proposes primarily for distribution purposes.

3  
4 The notion put forward by BOMA was specifically refuted by Enbridge. The evidence is  
5 that, if a distributor has a pipeline that is critical to meeting its distribution needs and that  
6 is essentially integrated with the rest of the distribution system, the prudent course of  
7 action is for the distributor to own that section of pipeline.<sup>155</sup> Further, the evidence  
8 made clear that there are at least two problems with a transmitter building a section of  
9 pipeline that will be completely integrated into a distribution system.<sup>156</sup> The first of these  
10 two problems is as follows:

11  
12 First one, of course, is the degree of control that we have as  
13 the owner/operator of the pipeline, which is essentially  
14 integrated into our distribution facilities, versus taking service  
15 from a transportation company pursuant to certain terms and  
16 condition that are applicable to all shippers on the line. So  
17 that would be restrictions in terms of how much gas you can  
18 take through, when you can take through, imbalances and  
19 how they are dealt with, and so on.<sup>157</sup>

20  
21 The second problem with BOMA's notion is this:

22  
23 ...you never know if the transmitter eventually will change  
24 their terms and conditions of service. So recently we've had  
25 a tariff proceeding at the NEB where TransCanada has  
26 sought to change the renewal terms for capacity. They have  
27 made capacity non-renewable because, pursuant to the NEB  
28 decision that told them they didn't have an obligation to  
29 serve, but indeed they should be seeking all abilities to re-  
30 deploy their facilities ...<sup>158</sup>

31  
32 It must be borne in mind that Enbridge already has two XHP pipelines coming out of  
33 Parkway; these are certainly not owned by TransCanada and no-one has ever  
34 attempted to suggest that they should be owned by TransCanada. Enbridge's Parkway  
35 North line is in the same corridor that Segment A of the GTA Project would parallel for  
36 most of its route. From the distribution point of view, there is no difference between the  
37 existing lines out of Parkway and Segment A that would or should lead to Segment A

---

<sup>155</sup> 6Tr.161.

<sup>156</sup> 6Tr.160.

<sup>157</sup> 6Tr.160-161.

<sup>158</sup> 6Tr.161.

1 being treated differently from the others. The only difference is, as already stated, that  
2 Segment A follows a route that is important for transmission purposes, but this does not  
3 in any way change how the pipeline should be owned and operated for distribution  
4 purposes.

5  
6 In the course of its submissions on this subject, BOMA asserted that Enbridge has  
7 never been in the transmission business.<sup>159</sup> This assertion is wrong. Enbridge  
8 operates a transmission pipeline from Tecumseh Gas Storage to Dawn and provides  
9 service on this pipeline under Rate 331.

10  
11 BOMA's argument also went astray when it ventured into opinions about the capacity of  
12 Segment A;<sup>160</sup> essentially BOMA has equated pipeline size with capacity. The  
13 distinction between pipeline size and capacity is a critical one in this case, given the  
14 arguments that have been made about the implications of upsizing Segment A to NPS  
15 42 pipe.<sup>161</sup> For very obvious reasons, it is important that, when pipe is laid in the  
16 ground, it be the right size of pipe for the long term – and this is all the more important in  
17 highly-developed urban areas where suitable pipeline locations can be difficult to find.  
18 Capacity additions, however, can be staged. The staging of capacity can be achieved  
19 through adding compression or adding additional looping to a pipeline build – as  
20 compared to the obvious impracticality of trying to stage pipeline capacity by increasing  
21 the size of a pipe that has already been laid in the ground.

22  
23 The way in which pipeline capacity can be staged with compression and length of  
24 pipeline was explained in TransCanada's evidence about its approach to increasing  
25 capacity into Vaughan and Maple. This evidence was as follows:

26  
27 So the way the build would work is there would be a  
28 Segment A, a 42-inch, 36 between Albion and Vaughan.  
29 The next build would be between Vaughan and Maple. Next  
30 build would be a compression. And then there would be  
31 another loop you may be able to do around Brampton.<sup>162</sup>

32  
33 Enbridge therefore submits that the Board should give no weight to the opinions  
34 expressed by BOMA about matters relating to pipeline ownership/operation and  
35 capacity.

36  
37  

---

<sup>159</sup> BOMA Argument, page 12.

<sup>160</sup> See, for example, BOMA Argument, page 23.

<sup>161</sup> These arguments are addressed under "Unrealistic Suggestions Regarding Allocation of Risk", above.

<sup>162</sup> TCTr.(Sept.13/13)178-179.

1           (c) First Nations

2  
3 Enbridge has reviewed the argument of MNCFN and Board Staff's submissions in  
4 response to MNCFN. Enbridge agrees with Board Staff's submissions in this regard. In  
5 addition, Enbridge reiterates its commitment to continue to work with MNCFN  
6 throughout the remainder of the planning, design and construction of the GTA Project.  
7 This commitment was made in the Environmental Report ("ER") prepared by Dillon  
8 Consulting Limited ("Dillon") for the project, which confirmed that consultation with First  
9 Nations and Métis would continue beyond the completion of the study.<sup>163</sup>

10  
11 The consultation efforts with the 12 potentially affected First Nations and Métis, which  
12 began in March 2012, are described in section 5.8 of the ER. Additional consultation is  
13 documented through the ER Amendments. As part of the ER process, Stage 1  
14 Archaeological Assessments ("AA") were completed and summaries of these were  
15 provided to each First Nation unless a specific request had been made not to receive  
16 such information. As a result of the findings in the AA, the location of the proposed  
17 pipeline was altered to reduce and mitigate potential impacts and a Stage 2 AA was  
18 scheduled for completion in 2013.

19  
20 In April 2013, Dillon wrote to the First Nations and Métis regarding the results of the  
21 Stage 2 AA that had been completed on a 7 kilometre section of Segment B, indicating  
22 that no archaeological remains were found in this section. Dillon confirmed that,  
23 commencing in May of 2013, a Stage 2 AA would be completed for the remainder of the  
24 project. In this letter, Dillon also committed to sharing the results of the Stage 2 AA with  
25 First Nations and Métis. Further, if the Stage 2 AA recommended a Stage 3 AA, Dillon  
26 committed to further contact to discuss plans in this regard.

27  
28 Enbridge, through Dillon, has made significant efforts to involve potentially affected First  
29 Nations and Métis throughout the entire process to date. Enbridge is committed to  
30 continuing to work with all First Nations, including MNCFN, and Métis throughout the  
31 remainder of the AA, and the design and construction of the GTA Project.

32  
33 **9. Support for Proposed Rate Methodology**

34  
35 While many intervenors did not comment on Enbridge's proposed methodology for Rate  
36 332 in their submissions, support for the methodology does emerge from certain  
37 arguments. Board Staff's position with respect to the methodology is expressed in the  
38 following manner:  
39

---

<sup>163</sup> Exhibit B-2-1, Attachment 1, at page 148.

1 Board staff has no issues with Enbridge's proposal since the  
2 evidence shows that the allocation is based on capacity  
3 entitlement between transmission and distribution customers  
4 (i.e. 40% distribution and 60% transmission.)<sup>164</sup>  
5

6 Similarly, SEC submitted that the proposed approach is appropriate, "as it follows  
7 regular cost allocation principles".<sup>165</sup>  
8

9 SEC went on, though, to qualify its support for the rate methodology depending on  
10 whether "required downstream facilities are delayed, or not approved".<sup>166</sup> SEC's  
11 argument was that distribution ratepayers should not have to pay for "unused  
12 transportation capacity".<sup>167</sup> BOMA also argued that distribution ratepayers should not  
13 be required to pay the entire revenue requirement for Segment A of the GTA Project if  
14 there are no shippers for transportation service. BOMA went on to assert that any  
15 shortfall should be "recovered from shareholders".<sup>168</sup> The notion that Enbridge's  
16 shareholder should be expected to bear an allocation of costs or risk for the GTA  
17 Project is refuted in the extensive submissions under the heading "Unrealistic  
18 Suggestions Regarding Allocation of Risk", above.  
19

20 FRPO was another supporter of the allocation methodology, but it submitted that an  
21 adjustment should be made before the costs are allocated to recognize a "transportation  
22 benefit" created by making the starting point of Segment A at Parkway West, rather than  
23 at Bram West.<sup>169</sup> FRPO's position was that the additional costs of connecting at  
24 Parkway West "should be borne in the transmission allocation of costs"<sup>170</sup> and VECC  
25 expressed a similar view.<sup>171</sup>  
26

27 In connection with these arguments about Bram West, it can be noted here that BOMA  
28 also advanced a position with respect to Bram West. BOMA's position was that, if the  
29 Board grants leave to construct Segment A, the Board should attach a condition  
30 requiring that Segment A commence at Bram West, rather than Parkway West.  
31 Needless to say, BOMA's contention that Segment A should start at Bram West does  
32 not stand together with FRPO's proposition that there is a benefit to starting at Parkway  
33 West that should affect the cost allocation methodology.

---

<sup>164</sup> Board Staff Argument, pages 11-12.

<sup>165</sup> SEC Argument, page 19, para. 4.5.2.

<sup>166</sup> SEC Argument, page 19, para. 4.5.3.

<sup>167</sup> SEC Argument, page 23, para. 4.7.3(iii).

<sup>168</sup> BOMA Argument, pages 56-57.

<sup>169</sup> FRPO Argument, page 10.

<sup>170</sup> FRPO Argument, page 11.

<sup>171</sup> VECC Argument, page 5.

1 In any event, though, all of these submissions about Bram West overlook the cost  
2 implications of the toll that would have to be paid for service on the TransCanada  
3 system to Bram West if Segment A were to start there rather than at Parkway West. It  
4 is most certainly not appropriate to allocate the costs of connecting at Parkway West  
5 rather than Bram West in a particular manner, while not taking account of the toll  
6 savings associated with a Parkway West connection point.

7  
8 The evidence is that the benefits of connecting at Parkway West rather than Bram West  
9 include incremental toll savings of approximately \$26 million.<sup>172</sup> Further explanation of  
10 the benefits is provided in the following testimony from Ms Giridhar:

11  
12 ...we do believe that building back to Parkway is the right  
13 decision. Certainly from the perspective of Enbridge's  
14 ratepayers, you have to contrast the fact that the benefits  
15 over the 10-year period that were shown were in excess of  
16 \$200 million over 10 years.

17  
18 When you contrast that with maybe 50 to 60 million to build  
19 back six kilometres, and maybe five or six million in terms of  
20 cost of service, it made sense from both perspectives. It  
21 made sense from the perspective of Enbridge's customers; it  
22 also makes sense from the perspective of creating capacity  
23 to meet the additional requirements of the 2016 new  
24 capacity open season.<sup>173</sup>

25  
26 More specifically in response to the notion that there should be a special cost allocation  
27 for transportation shippers due to the connection at Parkway West, Enbridge's evidence  
28 is as follows:

29  
30 ...the Company does not support this scenario as it believes  
31 it is inconsistent with the regulatory principle of cost  
32 causality. ...the distribution ratepayer is receiving service  
33 along the entire path from Parkway to Albion, but only being  
34 allocated the cost from Bram West to Albion – and receiving  
35 free service from Parkway to Bram West despite utilizing  
36 40% of the capacity. This would come at the expense of  
37 shippers on the path, as they would be forced to pay 100%  
38 of the cost of service for a portion of the path, Parkway to

---

<sup>172</sup> 9Tr.162.

<sup>173</sup> TCTr.(Sept.13/13)158.

1 Bram West, in which they are only able to utilize 60% of the  
2 capacity. Additionally, while the application did have a Bram  
3 West initiation point previously, and the distribution ratepayer  
4 was allocated costs for Bram West to Albion, there were  
5 additional toll charges on the TransCanada Mainline that  
6 were incurred for the Parkway to Bram West portion of the  
7 path under this scenario.<sup>174</sup>  
8

9 Enbridge therefore submits that the proposed cost allocation methodology for Rate 332  
10 should be approved without the adjustment proposed by FRPO.  
11

## 12 **10. The Public Interest and Approvals Requested**

13

14 Enbridge concluded its Argument in Chief with a submission that a compelling case has  
15 been made out that the GTA Project is in the public interest and that the project  
16 advances the Board's statutory objectives for natural gas.<sup>175</sup> The submissions filed in  
17 response to Enbridge's Argument in Chief have not thrown even the shadow of a doubt  
18 on the conclusion that the GTA Project is in the public interest. Rather, the arguments  
19 of other parties have only made the public interest case for the project stronger, in that  
20 these arguments reveal extensive support, from a wide range of stakeholders, for the  
21 need for, and benefits of, the GTA Project.<sup>176</sup>  
22

23 Enbridge therefore requests that the Board grant leave to construct the GTA Project to  
24 allow for an in-service date of November, 2015.  
25

26 More specifically, Enbridge submits that Segment B of the project should be approved  
27 as proposed, because the evidence has established the distribution need for these  
28 facilities and there are no viable alternatives. Enbridge submits that Segment A should  
29 be approved as proposed, because an NPS 42 pipeline is in the public interest of the  
30 Province of Ontario; the transmission use of Segment A is both reasonable and likely;  
31 and Enbridge's proposal reflects the outcome of cooperation among the LDCs and  
32 TransCanada to optimize natural gas infrastructure, in accordance with the expectations  
33 of the Board.  
34

35 Enbridge submits further that approval of Segment A should not be delayed due to - and  
36 should not be made conditional upon - future proceedings before the National Energy  
37 Board. A delay in the approval of Segment A would harm distribution ratepayers

---

<sup>174</sup> Response to Undertaking J6.12.

<sup>175</sup> Argument in Chief, page 24.

<sup>176</sup> See "GTA Project Need and Benefits", above.

1 because, among other things, it would necessitate continued contracting for long haul  
2 transportation services to meet seasonal and peaking demands and actualization of  
3 non-economic distribution benefits of the project would be deferred.  
4

5 It is prudent infrastructure planning to put in place the right size of pipe (in the case of  
6 Segment A, NPS 42) for the long term interests of Ontario. Staging of capacity  
7 additions can occur through prudent planning of downstream facilities -- the LDCs and  
8 TransCanada have committed to work collaboratively in this planning effort. The reward  
9 to distribution ratepayers from implementation of the transmission function of Segment  
10 A is a large multiple of the risk associated with the incremental cost of an NPS 42 pipe  
11 compared to an NPS 36 pipe.  
12

13 Enbridge accepts the Board Staff Proposed Draft Conditions of Approval attached at  
14 Appendix A to Board Staff Argument. Enbridge also accepts the wording changes to  
15 the Board Staff Proposed Draft Conditions of Approval suggested in Energy Probe's  
16 argument,<sup>177</sup> but disagrees with the "special Conditions of Approval" put forward by  
17 Energy Probe.<sup>178</sup> Enbridge urges the Board, in its consideration of conditions or  
18 qualifications suggested by others, to bear in mind that the effect of conditions which  
19 make it unrealistic or impractical for Enbridge to proceed with the project is to  
20 undermine or jeopardize the attainment of the public interest objectives that are so  
21 widely supported by other parties.  
22  
23

---

<sup>177</sup> Energy Probe Argument, pages 50-51, paras. 145-146.

<sup>178</sup> Energy Probe Argument, page 51, para. 147. Enbridge submits that the "special" conditions of approval are neither necessary nor appropriate and, as explained throughout this Reply Argument, Enbridge submits that qualifying the approval of the GTA Project with such conditions would not be in the best interests of ratepayers.



1 For the reasons set out in both this Reply Argument and Argument in Chief, Enbridge  
2 also requests approval of the methodology for Rate 332 and the form of land  
3 agreement.

4  
5 All of which is respectfully submitted.

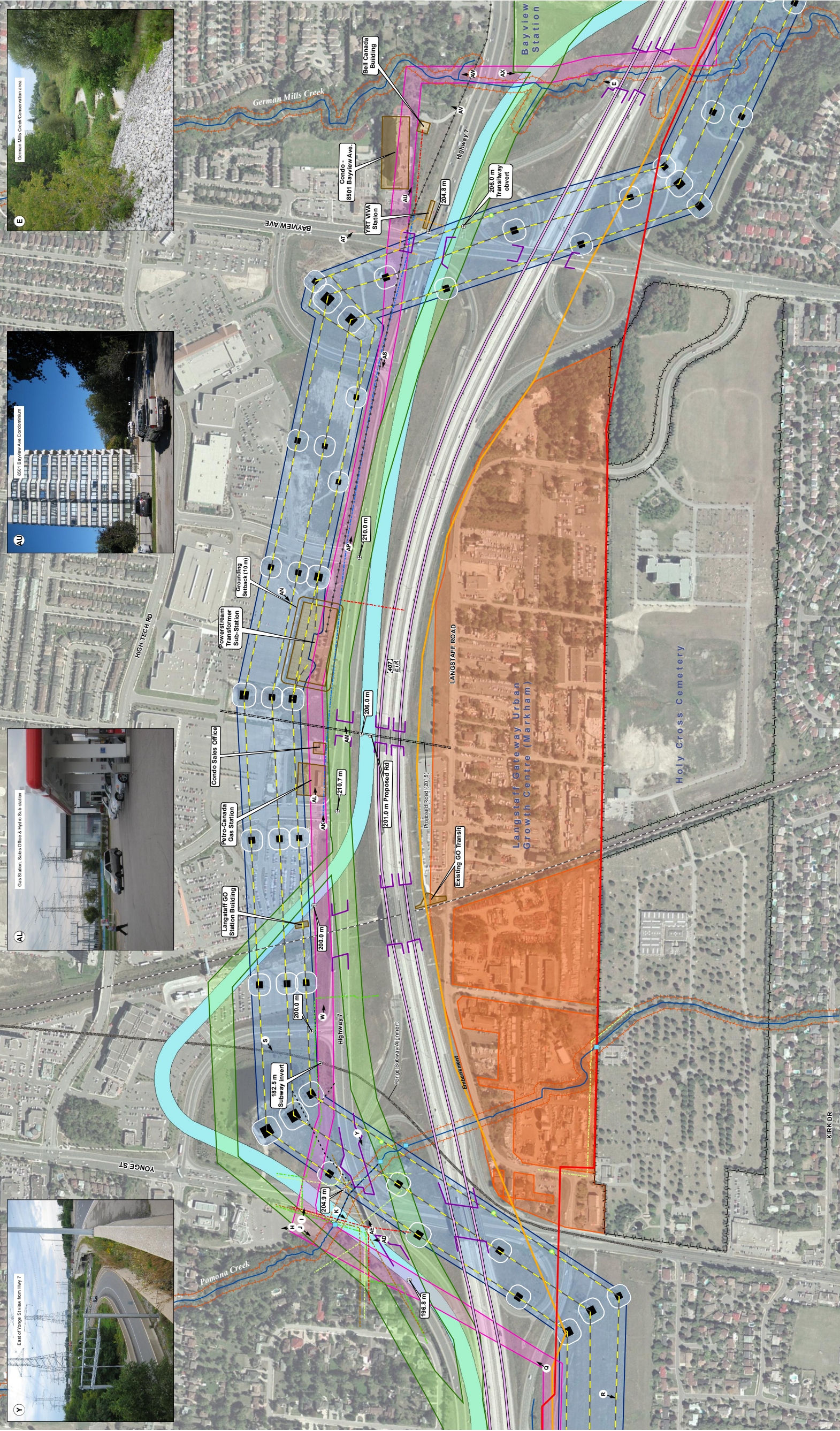
6  
7 November 25, 2013

8  
9  
10 [original signed]  
11 \_\_\_\_\_  
12  
13  
14

15 [original signed]  
16 \_\_\_\_\_  
17

18 Scott Stoll and Fred D. Cass  
19 Counsel for Enbridge Gas Distribution Inc.  
20  
21





ENBRIDGE GAS DISTRIBUTION INC.



Utility Corridor Constraints  
Yonge to Bayview



Photo ID and Direction	Transitway Path	Watermain (750 - 1050 mm)	Watercourse	Utility Corridor
⊕ Spot Elevation (m)	Highway 407	Multiple Utilities (Rogers, Telus, Bell, Powerstream)	Bridge Structure	HONI Tower Corridor
● Monopole	Hydro Poles	Powerstream Poleline	Hydro Tower Footprint and Setback (15 m)	Langstaff Gateway Urban Growth Centre (Markham)
■ Pomona Creek Culverts	Bell	Hydro Transmission Lines	Watercourse Setback (15 m)	Lands Owned by Concor
— Proposed GTA Project	Sanitary Sewer (600 mm)	Railway	Holy Cross Cemetery	
— Original Proposed Route	Storm Sewer (300 - 1200 mm)	Culvert	MMAH Transitway	

MAP DRAWING INFORMATION:  
DATA PROVIDED FROM DILLON FIELD SURVEY &  
MNR LIO GIS DATA

MAP CREATED BY: JJA  
MAP CHECKED BY: GM  
MAP PROJECTION: NAD 1983 UTM Zone 17N

1:3,500

0 200 400 600 800  
Meters

MAP SCALE

MAP ORIENTATION

PROJECT: 10-3784      STATUS: FINAL      DATE: 09/23/13