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VIA COURIER, EMAIL, and RESS

May 16, 2018

Ms. Kirsten Walli
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: Enbridge Gas Distribution Inc. (“Enbridge”)
Ontario Energy Board (“Board”) File No.: EB-2017-0261
Scugog Island Pipeline Project – Reply Submission**

In accordance with the Board’s Procedural Order No. 1 for the above noted proceeding, enclosed please find Enbridge’s Reply Argument.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Bonnie Jean Adams
Regulatory Coordinator

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Sched. B), as amended (the “OEB Act”);

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. under section 36 of the OEB Act for an order or orders approving a proposal to charge a System Expansion Surcharge in respect of a Community Expansion Project to serve Scugog Island, in the Township of Scugog, in the Regional Municipality of Durham;

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. under section 90 of the OEB Act for an order or orders granting leave to construct a natural gas distribution pipeline and ancillary facilities to serve Scugog Island.

REPLY SUBMISSION BY ENBRIDGE GAS DISTRIBUTION INC.

Introduction

1. In this proceeding, Enbridge Gas Distribution Inc. (“Enbridge”) applied for the following:
 - (i) an order under section 36 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) approving a System Expansion Surcharge (“SES”) with an Initial Term of 40 years for all customers that take gas distribution service from a Community Expansion Project (the “Project”) to serve Scugog Island, in the Township of Scugog, in the Regional Municipality of Durham;
 - (ii) an order under section 90 of the OEB Act granting leave to construct facilities (the “Facilities”) required for the purpose of providing gas distribution service to Scugog Island; and
 - (iii) an order under section 97 of the OEB Act approving Enbridge’s proposed form of easement agreements.
2. No intervention requests were made to the Ontario Energy Board (the “Board”) in respect of this application. On March 21, 2018, the Board issued Procedural Order

No. 1, in which it provided for Enbridge to respond to interrogatories from Board staff and for the filing of written submissions.

3. In accordance with Procedural Order No. 1, Enbridge filed its responses to interrogatories from Board staff on April 18, 2018 and Board staff filed a written submission on May 2, 2018 (the “Staff Submission”). This is the reply submission of Enbridge, which is also filed pursuant to Procedural Order No. 1.

The Project

4. As set out in the pre-filed evidence, Enbridge proposes to construct approximately 7 kilometres of extra high pressure (“XHP”) Nominal Pipe Size (“NPS”) 4-inch steel natural gas pipeline, and ancillary facilities, in the Township of Scugog, in order to provide natural gas distribution service to Scugog Island.¹ Scugog Island does not currently have access to natural gas and the Project will make gas available to approximately 968 existing residential premises and 19 existing commercial establishments in Scugog Island, as well as making gas available for proposed residential, commercial and industrial developments.²
5. Expansion of the natural gas system to Scugog Island will further the government of Ontario’s goal of extending gas distribution service to communities that are not currently served.³ The Project meets the definition of a Community Expansion Project that the Board found to be appropriate in its EB-2017-0147 Decision and Order issued on March 1, 2018 (the “Fenelon Falls Decision”).⁴
6. In support of the application, Enbridge filed evidence addressing Purpose, Need, Proposed Facilities & Timing; Routing and Environmental; Facilities and Project Costs; Economic Feasibility, Rates & Project Financing; Land Matters; and Indigenous Consultation. As set out in the Staff Submission,⁵ Enbridge applied for and was granted funding for the Project from the Natural Gas Grant Program of the Ontario Ministry of Infrastructure and, with this funding, the Project is forecast to achieve a Profitability Index of 1.04.⁶
7. Other components of Enbridge’s proposal include voluntary contributions from the Township of Scugog and the Mississaugas of Scugog Island First Nation in the form of an Incremental Tax Equivalent, a ten-year Rate Stabilization Period for the Project

¹ Exhibit C, Tab 1, Schedule 1, page 2, paragraph 6.

² Exhibit C, Tab 1, Schedule 1, page 1, paragraphs 1 and 2.

³ Exhibit C, Tab 1, Schedule 1, page 1, paragraph 2.

⁴ EB-2017-0147 Decision and Order, page 14 and Exhibit B, Tab 1, Schedule 1, page 2, paragraph 4.

⁵ Staff Submission, pages 4-5.

⁶ Exhibit F, Tab 1, Schedule 1, page 4.

and the implementation of an System Expansion Surcharge (“SES”) (which is discussed further below) for an initial term of 40 years.⁷

8. The Staff Submission indicates that Board staff has no issues or concerns with the granting of a leave to construct order for the Project subject to standard conditions of approval⁸ and, more specifically, it indicates support for the Project in the following areas:
 - (i) the Project is consistent with the Ontario government’s goal to expand natural gas infrastructure to more communities and the Board’s decision in the generic community expansion proceeding (EB-2016-0004);⁹
 - (ii) Board staff accepts the need for the Project and has no issues or concerns with the route selected;¹⁰
 - (iii) Board staff has no issues or concerns with the economic evaluation or feasibility of the Project;¹¹
 - (iv) Board staff accepts that there should be no long term impacts from the construction or operation of the Facilities, so long as Enbridge follows the mitigation measures recommended in the Environmental Report and has no issues or concerns with the route selection methodology;¹² and
 - (v) Board staff has no issue with Enbridge’s proposed form of easement agreements.¹³

9. As far as Indigenous Consultation is concerned, Board staff submits that, if an order granting leave to construct is granted, the order should be contingent on Enbridge receiving confirmation that its Indigenous consultations have met the requirements of the Ministry of Energy (“MOE”).¹⁴ Enbridge is currently working with the MOE to address its consultation requirements in respect of the Project and Enbridge will file with the Board confirmation that those requirements have been met when received from the MOE.

⁷ Exhibit B, Tab 1, Schedule 1, pages 2-3.

⁸ Staff Submission, page 1. See further submissions below regarding the standard conditions of approval.

⁹ Staff Submission, page 3.

¹⁰ *Ibid.*

¹¹ Staff Submission, page 5.

¹² Staff Submission, pages 6-7.

¹³ Staff Submission page 7.

¹⁴ Staff Submission, page 8.

Conditions of Approval

10. The Staff Submission notes that item 5 of the standard conditions of approval for the granting of leave to construct in a proceeding such as this requires the submission of a post-construction financial report at the time of the applicant's next rebasing.¹⁵ The Staff Submission also notes that, together with Union Gas Limited ("Union"), Enbridge has filed an application for approval to amalgamate in which the applicants have proposed to defer rebasing for 10 years.¹⁶
11. In these circumstances, Board staff suggest that the post-construction financial report be filed at the same time as the final environmental monitoring report, that is, no later than 15 months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1.¹⁷ Enbridge agrees that, in view of the proposal by Enbridge and Union for a 10-year deferral of rebasing, the revision to item 5 of the standard conditions of approval suggested by Board staff is appropriate.¹⁸

The SES

12. In the Fenelon Falls Decision, the Board approved a \$0.23 per m³ SES for all new customers of Enbridge's Community Expansion Projects. The Board found that approval of a fixed volumetric SES for application to future Community Expansion Projects allows all stakeholders to assess community expansion situations on the basis of a consistent, predictable surcharge to be paid by new customers.¹⁹
13. Enbridge proposes to charge new customers served by the Project an SES of \$0.23 m³ that is in all respects consistent with the SES approved by the Board for future Community Expansion Projects in the Fenelon Falls Decision.²⁰ The Staff Submission confirms that the Project meets the definition of a Community Expansion Project and indicates that Board staff has no issues or concerns with the approval of the SES proposed in this proceeding, provided that it adheres to the framework approved in the Fenelon Falls Decision. In fact, Board staff submits that specific approval of the SES is no longer required given the generic approval that was granted in the Fenelon Falls Decision.²¹

¹⁵ Staff Submission, page 8.

¹⁶ *Ibid.* The Staff Submission refers to a proposal made by Enbridge and Union in the EB-2017-0306/0307 proceeding.

¹⁷ *Ibid.*

¹⁸ Note that the revised condition set out at page 8 of the Staff Submission is subject to a small correction, in that the reference to "Union" should be changed to "Enbridge".

¹⁹ EB-2017-0147 Decision and Order, page 15.

²⁰ Exhibit B, Tab 1, Schedule 1, page 3, paragraph 6.

²¹ Staff Submission, page 9.

Conclusion

14. In short, there is no opposition to the relief requested by Enbridge in this proceeding and, as set out above, the Staff Submission specifically expresses support for most, if not all, aspects of Enbridge's proposal. Enbridge therefore respectfully requests that the Board make an order in respect of the following:
- (i) granting leave to construct the Facilities;
 - (ii) if necessary, approving an SES with an Initial Term of 40 years for all customers that take gas distribution service from the Project, or, alternatively, confirming Board staff's submission that Enbridge is authorized to charge such an SES pursuant to the general approval granted in the Fenelon Falls Decision, without further specific approval; and
 - (iii) approving Enbridge's proposed form of easement agreements, as set out at Exhibit G-1-3, Attachments 1, 2 and 3.

All of which is respectfully submitted.

May 16, 2018

(Original Signed)

Fred D. Cass
Counsel for Enbridge Gas Distribution Inc.