

VIA COURIER, EMAIL, and RESS

November 6, 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.: ÉB-2018-0097

Bathurst 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 submission.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Bonnie Jean Adams Regulatory Coordinator

cc: EB-2018-0097 Intervenors

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B) (The "*Act*")

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order granting leave to construct an NPS 12 and NPS 8 natural gas distribution pipeline in the City of Toronto under section 90 of the *Act*.

REPLY SUBMISSION OF ENBRIDGE

Introduction

- In accordance with Procedural Order No. 1 dated September 21, 2018, this is the Reply Submission of Enbridge Gas Distribution Inc. ("Enbridge" or "Company") to the Submissions of Ontario Energy Board Staff ("Board Staff") and the School's Energy Coalition ("SEC"), the only participants to this proceeding.
- 2. Enbridge has applied to the Ontario Energy Board ("Board") for leave to construct ("LTC") approximately 3.2 km of Nominal Pipe Size ("NPS") 12" high pressure steel gas pipeline and approximately 20m of NPS 8" steel intermediate pressure pipeline. The project is referred to as the Bathurst Reinforcement Project ("Project") and is being built to serve a large portion of North York.
- 3. Enbridge notes that neither Board Staff nor SEC expressed any concern about the technical requirements of the Project. More specifically, neither Board Staff nor SEC expressed concerns about: the proposed facilities (Enbridge clarifies below the question raised by Board Staff about the number of district stations contemplated); the economics and feasibility of the Project; it's routing and environmental matters; land matters; and, any duty to undertake indigenous consultations. Stated succinctly, there are no technical issues of concern. Accordingly, this submission will not address such matters.
- 4. As well, Enbridge responded to Board Staff's interrogatory #10 (Exhibit I.EGDI.STAFF.10) which attached draft LTC conditions of approval

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including condition 5 which contained language imported from the Board's decision in respect of the Liberty Village LTC approval (EB-2018-0096). Enbridge confirmed in its response to this interrogatory that the proposed conditions of approval are acceptable, including the language proposed by Board Staff in condition 5.

- 5. Given the above, it is not surprising that neither Board Staff nor SEC argue that leave for the Project should not be granted. Both instead ask the Board to require Enbridge to file additional information to support its growth forecasts and to demonstrate that it considered DSM as a means to either defer or partially displace the capacity required to meet the forecasted demand.¹
- 6. Enbridge submits that the above noted requests of Board Staff and SEC should be dismissed because: (1) the concerns about forecast growth projections are based on a misunderstanding by these parties of the evidence; and, (2) the evidence clearly demonstrates that, to the extent reasonable at this time, Enbridge did consider the feasibility of using DSM to defer or reduce the need for additional capacity and conclusively determined it could not.
- 7. This submission will first deal with issues specific to the Project including the supporting customer growth forecasts which demonstrate that the Project is needed. Enbridge will also address under this topic Board Staff's question about the number of district stations required. Enbridge will then turn to the evidence confirming its consideration of DSM in the planning process for the Project. This section of the submission will also discuss important areas of uncertainty which exist which need to be considered and addressed as part of the discussion about how to use DSM as a reliable integrated resource planning ("IRP") instrument.

The Project is Needed

8. The evidence filed in support of the need for the Project in this Application is consistent both in terms of detail and specificity with earlier LTC applications. System planning is not and cannot be undertaken on a piecemeal basis using, for example, a simple aggregation of apartment/condominium developer requests for connections. System planning, as noted in the Company's response to SEC Interrogatory No. 7 involves the following:

Enbridge's long range growth forecast leverages several data sets to inform system demand forecasts. These data sets include information regarding development proposals received by municipalities in our service territory as well as

¹ Board Staff argument page 8, SEC's submission page 7.

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internal growth forecast, tacit knowledge, and the output of a third party growth forecast. These data sets are used as inputs into a complex proprietary algorithm which forecasts incremental demand at the network level.²

- 9. The error made by SEC (which Board Staff appear to have accepted) is that the Project is limited in scope to a localized area in and around that portion of Bathurst Street where the pipeline will be constructed. This belief that the need for the Project is limited to a small pocket of North York is demonstrated by SEC's reference in its submission to its understanding that only several apartment buildings are approved or under construction in the vicinity of the Project³ and its partial story in respect of the demolition of the North York Jewish Community Centre.⁴
- 10. SEC and Board Staff have failed to note from the Company's response to SEC interrogatory #1⁵ that the area that will benefit from the Project is bounded by Steeles Avenue on the north, the Don River on the east, Highway 401 to the south (with some pockets south of the highway also included) and Dufferin Street on the west. For convenience, a copy of the map which is found in evidence⁶ has been reproduced and is attached to this reply submission. The growth forecasts which support the Project relate to the area noted (the orange polygon) on this map. This map also identifies the high pressure mains which run along Steeles Avenue West, Bayview Avenue and Parkview Avenue along which much of the anticipated growth will occur and to which concerns about low inlet pressure relate.
- 11. System planning has always been and will continue to be an iterative process that involves the continual updating of data and information to generate increasingly more refined forecasts. The growth forecasts provided to ICF Canada ("ICF") were generated in 2016 and were provided to ICF to inform its report regarding IRP. The Project was at that time in the early stages of planning and the growth forecasts were best estimates. Subsequently, in later stages of project planning

² Exhibit I.EGDI.SEC.7.

³ SEC Submission page 5.

⁴ SEC asserts at page 6 of its submission that there has been a material loss of load with the demolition of the "North Jewish Community Center" on Bathurst Street. SEC makes no mention of the fact that this center is currently being replaced by a much larger new facility. Such is the danger of including unsubstantiated "evidence" only in submissions particularly as it relates to customer growth forecasts. You may be left with an incomplete and in this case, erroneous, view. Please see: https://www.toronto.com/community-story/7936226-new-north-york-jewish-community-centre-part-of-72-million-development.

⁵ Exhibit I.EGDI.SEC.1, Attachment 2, Page 3.

⁶ Ditto.

⁷ Natural Gas Intergraded Resource Planning: Initial Assessment of the Potential to Employ Targeted DSM to Influence Future Natural Gas Infrastructure Investment, January 2018, (the "**ICF IRP Report**") Exhibit I.EGDI.SEC.1.Attachment 1.

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Enbridge discovered that the low inlet pressures forecast on the downstream intermediate pressure network contemplated within the original growth forecast were in large part driven by load growth upstream of the project area along Enbridge's high pressure system.⁸ As a result, the 2016 growth forecast did not reflect the entire geographic area that Enbridge now knows both necessitates the Project and will benefit from it.

12. The following table which is found in evidence at Exhibit I.EGDI.SEC.1, Attachment 2, page 3 compares the growth forecast estimate used for the ICF IRP Report case study and the current growth forecast which is based upon the geographic area that will benefit from the reinforcement.

Metric	Bathurst (IRP case study)	Bathurst (LTC application)
Cost	\$8.2M	\$9.9M
Res Growth	1470	1675
Comm Growth	21	151
Apt Growth	6	42
Load Growth	153 m3/h yearly (average)	590 m3/h yearly (average)

13. To be clear, what has changed relative to the IRP case study is the precision with which the Company identified the geographic area that will be influenced by the Project plus the use of more current information and data in respect of planned and forecast growth within this larger area. This was made clear in the evidence where Enbridge noted the following:

The project particulars, including growth and network demands provided by EGD in 2017 were determined using the 2016 Long Range Plan (LRP) method for calculating demand growth, and included a <u>smaller list of affected networks</u>. (Emphasis added).

. . .

Subsequent to ICF providing their analysis of the project, a revised LRP method was devised and employed for the 2017/18

⁸ Exhibit I.EGDI.SEC.1, Attachment 2, Page 3.

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LRP refresh that included more timing and geographically relevant data points based on updated information from Developer and Municipal plans. For instance, in the Bathurst LTC, information (i.e. additional data points) around possible high rise developments that was not fully factored in Hemson's longer-term view of growth was built into the planning forecasts.

. . .

Additionally, the area of impact considered in the planning process was expanded to account for increased growth in upstream development contributing to lower inlet pressures downstream.

. . .

Results: As a consequence, the project now more adequately captures the demand growth for the area. This key variable change means that the initiative is anticipated based on the Company's initial analysis to fall out of the "green area" of being able to implement DSM to defer the project. In addition, any costs determined for energy efficiency to impact peak usage may be less reliable and possibly more expensive.

. . .

Risk Mitigation: System flexibility needs are also a driver for the project, but not included or valued in the ICF analysis which was strictly on a \$ per m3/h of incremental capacity basis...Final growth numbers for the project on a flow basis is 3.8 times larger compared to the 2016 LRP forecast of 0.5% (590m3/h vs. 153m3/h) thus making the project likely not possible to be affected by DSM⁹.

14. In addition to forecast growth, as noted above, the evidence confirms that the Project is needed to address system flexibility requirements. Enbridge has determined that the primary source feeding the applicable portion of its network has low inlet pressures. If the primary source feeding this network were to fail during the heating season, there is a risk of losing approximately 3100 existing commercial and residential customers. Creating a redundant source will increase

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⁹ Exhibit I.EGDI.SEC.1.Attachment 2, Pages 2, 3 and 4.

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the pressure in the downstream and upstream networks, thereby increasing reliability. 10

- 15. A further consideration which supports the need for and timing for construction includes the window of opportunity to construct the Project provided by the City of Toronto which is between April and December 2019. Due to other utility and City of Toronto water works that are scheduled for Bathurst Street, these time frames were provided and Enbridge anticipates that a moratorium will be placed on further work along the preferred route outside this window of opportunity.¹¹
- 16. Importantly, the methodology used to generate the customer growth forecast for the Project has served Enbridge's customers well and has proven satisfactory to the Board for many years. Despite this history Board Staff suggest that some unidentified additional documentation should be filed to support the growth forecast. Enbridge submits that this request should be rejected. Firstly, as noted earlier, a simple aggregation of projects based upon letters received by the Company requesting connections would provide only a short term view of one particular rate class. Secondly, the information received from applicable municipalities is one of many inputs, and is from an independent source.
- 17. Accordingly, Enbridge submits that there would be no value in requiring it to adduce further documentation in that the growth forecast results will remain the same. In this regard, we note that neither Board Staff nor SEC are suggesting that the Board deny approval for the Project.

Number of District Stations

- 18. The pre-filed evidence notes that a new district station is required to support the Project and that this station will be located in or around the intersection of Bathurst Street and Betty Ann Drive as noted in Figure 3 to the Dillon Consulting, Bathurst Natural Gas Pipeline Project Final Report dated June 2018. Board Staff noted at pages 4/5 of its submission that the pre-filed evidence references one district station while an interrogatory response to Board Staff refers to "two district stations". As both responses are correct, some clarification is required.
- 19. On a functional basis, the Project requires the installation of a district station at the location noted in evidence with the capability to reduce pressure down from high pressure to intermediate pressure to meet the needs of the network. To reduce

¹⁰ Exhibit B, Tab 1, Schedule 1, Page 1.

¹¹ Exhibit I.EGDI.SEC.6.

¹² Exhibit C, Tab 1, Schedule 3, Attachment 1.

¹³ Exhibit I.EGDI.Staff.7, Page 3.

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the footprint of the installation, mitigate line of sight issues, and reduce noise relative to a larger station, the City of Toronto has requested that the station be designed and installed as 2 smaller stations which together provide the required pressure reduction capacities that Enbridge would normally accomplish with a single larger station. The district station will therefore involve the installation of two discreet, likely proximate assemblies, which are referred to as "stations" (plural) in the response to Board Staff IR 7. Installing separate components will limit the footprint of the station and meet the City of Toronto's requirements. Such requirements were not applicable in respect of the Brimley Replacement Project which is also referenced in the response to Board Staff IR 7. This means that the statement by Enbridge in this same IR response that the need for this second installation or "second station" increases complexity and cost per meter relative to the Brimley Replacement Project remains true.

The Bathurst Project and DSM

- 20. Contrary to the suggestion made by SEC in its submission, the fact is that Enbridge spent considerable time and expense considering the ability of DSM to delay or reduce potential projects through IRP. Its work in considering the ability of DSM, and in particular geo-targeted DSM, to delay or reduce infrastructure projects continues and is a matter that is currently before the Board.
- 21. As noted at page 1 of the ICF IRP Report, the role of IRP has been considered in the regulatory environment of Ontario since the early 1990s with the Gas Utilities undertaking increasingly more significant amounts of DSM activities. There is no question that Enbridge has been and continues to be perceived as a leader and Ontario as a leading jurisdiction for natural gas DSM in North America. Enbridge has shown a strong commitment to conservation over several decades and has been working towards a better understanding of IRP and its role in infrastructure planning. There is no evidence of resistance to IRP as SEC asserts.
- 22. In the report of the Board dated December 22, 2014 which dealt with the framework for DSM for the 2015-2020 period, the Board stated that it was of the view that the Gas Utilities should each conduct a study completed no later than in time to inform the Mid-Term Review of the DSM Framework to determine the appropriate role that DSM may serve in future system planning efforts.¹⁴
- 23. The Board also required the Gas Utilities as part of their Multi-Year DSM Plan Applications to include a preliminary scope of the study each utility plans to conduct and to propose a preliminary transition plan that outlines how the Gas

¹⁴ Report of the Board, Demand Side Management Framework for Natural Gas Distributors (2015-2020) December 22, 2014 (EB-2014-0134), Page 36.

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Utility plans to begin to include DSM as part of its future infrastructure planning efforts.¹⁵

24. At page 1 of the ICF IRP Report, ICF notes that Enbridge included a proposed study scope in its Multi-Year DSM Application (EB-2015-0049). ICF then went on to state that:

The study scope was designed to evaluate the potential to use DSM to avoid or defer (reduce) infrastructure costs through implementation of broad based or geo-targeted DSM programs to meet the forecast at hourly peak energy demand, consistent with the primary goals and principles of facilities planning, to provide reliable natural gas service with reasonable costs.

The study scope was reviewed and ultimately approved by the Board in its DSM Multi-Year Decision. 16

- 25. The ICF IRP Report was filed by Enbridge and Union Gas as part of the DSM Mid-Term Review proceeding (EB-2017-0127/0128) which is currently before the Board. Enbridge notes that the Board has issued no Decision, Order, Report or other communications in respect of the ICF IRP Report nor any of the other matters raised in the Mid-Term Review. While the Board's determinations in respect of the ICF IRP Report are pending, it is appropriate to note some of the critical conclusions reached by ICF. Before turning to these, it is first appropriate to address the un-substantiated and unfair assertions of bias made by SEC.
- 26. ICF was retained jointly by the Gas Utilities following an extensive RFP process. The scope of work for its study was essentially that proposed to the Board by Enbridge which intervenors reviewed and the Board approved. ICF was selected, at least in part, because it is the independent expert entity that completed the 2016 Conservation Potential Study ("CPS") on behalf of the Board. There has been no suggestion that ICF was unduly influenced or was biased in respect of the generation of the CPS. As noted by ICF, it leveraged the results of the CPS for the purposes of its ICF IRP Report. As well, Enbridge notes that Board Staff participated as an observer to the Study Advisory Group ("SAG") with which ICF consulted to gain insights on IRP processes for similar utilities and to discuss the study approach and findings. ICF notes that the SAG included members from other North American gas utilities, the IESO, the academic community and Board

¹⁶ Decision and Order EB-2015-0029/0049, January 20, 2016, Page 84.

¹⁵ Ditto

¹⁷ Exhibit I.EGDI.SEC.1.Attachment 1, page 2.

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Staff.¹⁸ Board Staff therefore had visibility and the opportunity to comment, and there is no suggestion in Board Staff's submissions that ICF was unduly influenced or that its report is biased. SEC's suggestion of bias is wholly unfounded.

27. Among other determinations, ICF found that there is little to no activity that has been undertaken by North American Gas Utilities to directly reduce distribution costs using geo-targeted DSM.¹⁹ ICF concluded that:

Due to the lack of industry experience, and the lack of measured data on DSM Peak period load impacts, ICF conducted most of the research into the potential for DSM to impact infrastructure requirements by extrapolating existing data on DSM Program impacts from annual data to peak hourly period data based on building modeling, and other theoretical analysis. While ICF views the analysis as robust, there remains significant uncertainty, particularly on the cost and reliability of using DSM to reduce infrastructure investment. Hence our conclusions should be treated as preliminary until additional research is completed.²⁰

28. Some of the key preliminary conclusions reached are as follows. First, based on ICF's initial assessment of the potential to reduce peak hour demand using DSM, ICF concluded that it appears possible that some infrastructure investments may be reduced through the use of targeted DSM.²¹ In section 6 of the ICF IRP Report, ICF looked specifically at the application of DSM supply curves to facility investments. ICF developed at Exhibit 9, a supply curve for a reinforcement project in Enbridge's central region.²² Again, it should be recognized that this supply curve is based on ICF's preliminary conclusions. The dotted lines on Exhibit 9 refer to the Bathurst project, as it then was. The Exhibit 9 supply curves demonstrate the circumstances under which a geo-targeted DSM option would be cost effective, not cost effective, or not possible under any circumstances. The growth forecast in respect of the Bathurst project at the time of the ICF IRP Report was 153m³/h per year.²³ At this growth rate, Table 9 indicated that geo-targeted DSM could potentially serve as a cost effective alternative to installing the reinforcement project. Enbridge notes that ICF specifically cautioned that this

¹⁸ Ditto.

¹⁹ Exhibit I.EGDI.SEC.1.Attachment 1, page 3.

²⁰ Exhibit I.EGDI.SEC.1.Attachment 1, page 3

²¹ Ditto

²² Exhibit I.EGDI.SEC.1.Attachment 1, page 30.

²³ Exhibit I.EGDI.SEC.1.Attachment 2, page 3.

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finding is primarily a result of the high cost of the reinforcement project and the relatively small demand growth rate in this community.²⁴

- 29. Once more detailed planning was completed however, and the growth forecasts were refined to include the entire geographical area that would benefit from the Project, the growth forecasts made it clear using the ICF Exhibit 9 Supply Curve that geo-targeted DSM would not represent a cost effective alternative. As noted in evidence, the annual growth forecast for the area in question is 590 m³/h per year. The ICF Exhibit 9 supply curve clearly indicates that with a total Project cost of under \$10 million a geo-targeted DSM alternative would not be remotely close to being cost effective. While the larger area of influence which the Project will support has more customers than under the preliminary planning forecasts the supply curves which appear in ICF's Exhibit 9 would not be materially impacted given that the cost of achieving a given m³/h reduction through geo-targeted DSM by customer type would not have changed. In such circumstances, to spend additional time and funding considering the use of DSM as a means to defer or reduce the Project would be futile.
- 30. The important point that the above demonstrates is that contrary to SEC's suggestion, Enbridge specifically considered geo-targeted DSM as a possible alternative to all or some of the Bathurst project. The fact is that once the parameters of the area that would be influenced by the Project were fully understood, it became clear that DSM could not delay or reduce the need for the Project.
- 31. With regards to the broader subject of IRP, Enbridge believes that it is important to note the numerous policy and regulatory issues raised by ICF in the ICF IRP Report including those identified at page 4 which are as follows:
 - 2. ICF's review indicates that changes in Ontario energy policy and utility regulatory structure would be necessary to facilitate the use of DSM to reduce infrastructure investments. These include:
 - a. Cost recovery guidelines for overlapping DSM and facilities planning and implementation costs and criteria for addressing DSM impact risks.
 - b. Approval to invest in, and recover the costs of the Advanced Metering Infrastructure ("AMI") necessary to collect hourly data on the impacts of DSM programs and measures.

²⁴ Exhibit I.EGDI.SEC.1.Attachment 1, page 30.

²⁵ Exhibit I.EGDI.SEC.1.Attachment 2, page 3.

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- c. Changes in the approval process for DSM programs to be consistent with the longer time frame associated with facilities planning.
- d. Clarification on the allocation of risk associated with DSM programs that might or might not successfully reduce facilities investments.
- e. Guidance on cross subsidization and customer discrimination inherent in geo-targeted DSM programs that do not provide similar opportunities to all customers.
- f. Guidance on how to treat conflicts between DSM programs designed primarily to reduce investment in new infrastructure and DSM programs designed to reduce carbon emissions or improve energy efficiency.
- g. Guidance on how to treat uncertainly associated with energy efficiency programs outside the control of the Utilities that impact peak period demand.
- 32. The above concerns are complex issues and require consideration by stakeholders and the Board. These concerns give rise to a number of specific questions, some of which are:
 - 1. Is AMI necessary to understand the impact of DSM on peak demand before geo-targeted DSM is undertaken and if so, where and at what cost?
 - 2. What is the appropriate extent of customer incentives that should be made available as part of geo-targeted DSM programs having a view to the demographics of a particular area, income levels, the percentage of rental units and other relevant factors?
 - 3. To what extent should ratepayers in an area which is not the subject of geo-targeted DSM be required to contribute to the costs of geotargeted DSM undertaken in another area given the direct financial benefits to those in the affected area and the lack of benefits to those outside of it?
 - 4. What is the level of risk and what costs are rate payers prepared to accept should geo-targeted DSM not achieve the forecast results?
 - 5. What is the extent of and the cost of the necessary research which should be undertaken prior to implementing a geo-targeted DSM

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program to determine the correct mix of DSM program offerings that will likely result in a reduction in peak demand?

- 33. These are just a few of the many questions that ICF's conclusions raise. These are not matters that are in scope in this proceeding but they are relevant in respect to the discussion about Enbridge's future use of geo-targeted DSM for the purposes of delaying or offsetting infrastructure such as this Project.
- 34. In the end, the ICF IRP Report confirms the need for the further consideration of the important issues raised in the report. That ICF identified such issues is not an indication of bias. To the contrary, it is proof that ICF has appropriately considered the complexities associated with IRP. The fact that such issues have been identified speaks to the need for further consideration and direction from the Board; it is not evidence of resistance to IRP.
- 35. In this regard, Enbridge notes that while the Board has not made any rulings in respect of the Mid-Term Review, it believes that there are options which the Board could consider for the further review of geo-targeted DSM and IRP. In particular, the Board could commence a consultative or generic proceeding which looks exclusively at IRP in all of its facets and complexities.
- 36. The fact that there are few precedents for Natural Gas DSM activities offsetting projects in North America, as confirmed by ICF, does not mean that such activities should not be considered further. It does however indicate that all parties including the Board should proceed with caution to ensure that to the degree geo-targeted DSM can be established as a viable alternative to infrastructure investments it is undertaken in a manner which maintains the utility's ability to safely operate its system, is reliably cost effective, and is fair to all ratepayers.

Conclusion

- 37. Enbridge submits that the requests for the Company to produce unidentified additional documentation in support of need for the Project is not a proper basis to delay the Project from proceeding. Neither Board Staff nor SEC can specifically point to additional evidence which would be of benefit to the Board and neither even suggested that the customer growth methodology used by Enbridge in this Application should be challenged.
- 38. Enbridge further submits that suggestions made about the Company not reasonably considering geo-targeted DSM as an alternative to the Project are ruled out conclusively by the ICF IRP Report, as well as the additional evidence on the record demonstrating the Company's explicit consideration of this alternative.

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Geo-targeted DSM was in fact considered in respect of the Project, but because of the forecast annual peak demand growth it was determined not to be a cost effective alternative to offset or defer the Project. To the degree that SEC's true dispute is with Enbridge's broader consideration of IRP and geo-targeted DSM, including the ICF IRP Report, the Company submits that the appropriate venue to address such matters is within a standalone consultation; not an LTC Application for a reinforcement project which has a clearly demonstrated need.

- 39. Enbridge therefore respectfully requests:
 - (i) An Order granting leave to construct the Bathurst Reinforcement Project pursuant to Section 90 of the Act and
 - (ii) An Order approving the form of Easement Agreements proposed pursuant to Section 97 of the *Act*.

All of which is respectfully submitted the 6th day of November, 2018.

(Original Signed)

Dennis M. O'Leary

Counsel to Enbridge Gas Distribution Inc.

Filed: 2018-10-11, EB-2018-0097, Exhibit I.EGDI.SEC.1, Attachment 2, page 3

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