



June 12, 2019

BY EMAIL, COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2017-0261 – Enbridge Gas Inc. – Scugog Island Pipeline Project

Dear Ms. Walli:

Please find attached Enbridge Gas Distribution Inc.'s ("Enbridge Gas") response to the correspondence issued by the Ontario Energy Board ("OEB") dated June 7, 2019 specific to the above-noted project.

In its letter, the OEB sought further insight as to the impact of Enbridge Gas no longer requiring a voluntary financial contribution (known as an Incremental Tax Equivalent or ITE) from the Township of Scugog and the Mississaugas of Scugog Island First Nation to the Scugog Community Expansion Project ("the Project"). More specific, the OEB requested Enbridge Gas to:

- i) confirm there have been no changes to the volumetric forecast or term of the System Expansion Surcharge ("SES") for the Project; and,
- ii) provide a more detailed explanation as to why the profitability index (PI) for the Project remained above 1.0 despite the loss of the ITEs.

First and foremost, with respect to the volumetric forecast and term of the SES for the Scugog Project, Enbridge Gas confirms there have been no changes,

Enbridge Gas submits that at the time the Natural Gas Grant Program ("NGGP") was in existence, the NGGP guidelines did state that municipalities and First Nation communities were to make a financial contribution towards project costs. Further, such contributions were to be, "at minimum, equivalent to the property tax (or other levies in the case of First Nations) that would be recovered on the new infrastructure being built for a period of 10 years."¹

However, as further noted in Section 4 of the NGGP Program Guidelines, it also was contemplated that such contributions may not always occur. In fact, the guidelines stipulated that municipalities or the First Nation may provide evidence explaining why making such a contribution is not feasible.

Following the Ontario government's announcement in September of 2018 to cancel funding previously made available through the NGGP, on December 6, 2018 the Access to Natural Gas

¹ Natural Gas Grant Program - 2017 Program Guidelines, Section 4, page 4

Act Bill 32/Ontario Regulation 24/19 Expansion of Natural gas Distribution Systems ("Bill 32") received Royal Assent. Similar to the NGGP, the intent of Bill 32 is to help facilitate the expanded access of natural gas to more parts of rural and northern Ontario, as well as First Nation communities.

In its review of this legislation, Enbridge Gas found no mention of a requirement for a municipality or First Nation community making a contribution toward the cost of a project as a condition of Bill 32 funding. In fact, Enbridge Gas submits the lack of this requirement under Bill 32 is the primary driver used by the Township of Scugog to support its argument that the ITE no longer applies and is not a condition of Bill 32 funding.

Enbridge Gas further notes that the funding made available to the Scugog Project under Bill 32 is approximately \$96,000 greater than the amount of funding that was to be provided under the NGGP. Enbridge Gas has no explanation for this discrepancy in funding.

The additional funding amount of \$96,000 almost completely offsets the present value of the ITE amount of \$112,000. This offset explains why the Scugog Project PI did not drop to below 1.0. It should also be noted that the total cost of the Scugog Project is in excess of \$16.0 million. An ITE amount of \$112,000 would have very little impact in terms of economic feasibility on a project of this scope.

Should you have any questions concerning the above, please do not hesitate to contact me at (416) 495-5676.

Yours truly,

[Original Signed by]

Joel Denomy
Technical Manager, Regulatory Applications

c.c.: Nancy Marconi (OEB)
Guri Pannu (Enbridge Gas)