



Asha Patel
Technical Manager
Regulatory Affairs

tel 416 495 5676
EGregulatoryproceedings@enbridge.com

Enbridge Gas Inc.
500 Consumers Road
North York, Ontario, Canada M2J 1P8

January 24, 2020

VIA EMAIL, RESS and COURIER

Ms. Christine Long
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Enbridge Gas Inc. (“Enbridge Gas”)
Ontario Energy Board (“OEB”) File No.: EB-2019-0187
Saugeen First Nation Community Expansion Project
Reply Submission**

In accordance with Procedural Order No. 1, enclosed please find the Reply Submission from Enbridge Gas in the above noted proceeding.

If you have any questions with respect to this submission, please contact the undersigned.

Yours truly,

(Original Signed)

Asha Patel
Technical Manager, Regulatory Applications

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 the Ontario Energy Board Act, 1998, S.O.
1998, c.15, Schedule B, s.36 thereof

AND IN THE MATTER OF an Application by Enbridge
Gas Inc., pursuant to Section 90 of the *Ontario Energy
Board Act*, for an order granting leave to construct natural
gas pipelines and ancillary facilities required to serve the
community of Saugeen First Nation.

REPLY ARGUMENT OF ENBRIDGE GAS INC.

Introduction:

1. In this proceeding Enbridge Gas Inc. (“Enbridge”) applied for a community expansion project and leave to construct a natural gas pipeline and district station to serve the community of Saugeen First Nation (the “Expansion Project”).
2. The Expansion Project is in response to the Ontario Energy Board’s (“the Board”) initiative to address the Ontario government’s desire to expand natural gas distribution systems to communities that currently do not have access to natural gas. The parameters of Enbridge Gas’ proposal are designed to meet the minimum economic feasibility criteria as designed in EB-2016-0004, the Board’s Generic Community Expansion proceeding.
3. Enbridge applied to the Board under the Ontario Energy Board Act (the “OEB Act”) for orders granting:
 - (i) leave to construct a natural gas pipeline and ancillary facilities.
 - (ii) the approval of a System Expansion Surcharge (“SES”) pursuant to section 36 of the OEB Act.

System Expansion Surcharge (“SES”)

4. The SES charge that Enbridge is seeking to extend to the Expansion Project is the same SES that was approved in Union’s 2015 Project¹ and the OEB’s generic community expansion proceeding.
5. The SES charge for the Expansion Project also mirrors the SES that was approved in Enbridge’s most recent application in the Chippewas of the Thames First Nation community.² As noted in Enbridge’s application, The Chippewas of the Thames First Nation community expansion was part of a combined leave to construct and community expansion with Saugeen and North Bay until Enbridge decided to file a separate application for each community. The Chippewas of the Thames of First Nation Community SES charge was approved by the Board on August 16, 2019.
6. Board Staff supports the approval of the SES indicating that “OEB staff submits that Enbridge Gas’ request for a SES for the Project should be approved because it is merely the extension of a previously approved SES with all the same terms and conditions”.³
7. Pollution Probe suggested using a Profitability Index of 0.8 instead of 1.0 for the term of the Expansion Project. The use of a profitability index (“PI”) equal to 1.0 is designed to meet the minimum economic feasibility criteria that the Board approved in the generic community expansion proceeding. In Enbridge’s response to Board Staff’s interrogatory in Union Gas’s community expansion proceeding Enbridge stated:

In the EB-2016-0004 Decision the Board indicated that “there is no need to modify the parameters or depart from the principles embodied in E.B.O. 188”. E.B.O. 188 requires the use of a discounted cash flow analysis (“DCF”) to demonstrate that a project meets the minimum required P.I. over the period of the DCF. Each of the four proposed projects meets this requirement with a minimum P.I. of 1.0 over a 40 year period. A project P.I. of 1.0 indicates that the project is self-financing and that existing customers will not incur a rate increase over the long term as a result of the project. However, even with a project P.I. of 1.0, a revenue deficiency or revenue sufficiency still exists in each year of the project. Union will treat the community expansion projects no differently than every other expansion project (i.e. a new housing subdivision in an

¹ EB 2015-0179 and EB-2016-0004.

² EB-2019-0139

³ OEB Staff Submission EB-2019-0187

established service area) and include the impacts of the project in future rate applications.⁴

Further in response to another interrogatory in the same proceeding, Enbridge was asked if it may be possible and appropriate for one or more of the proposed projects to be included in Union's portfolio of system expansion projects at an individual PI below 1.0 and at or above 0.8. In Enbridge's response it stated:

Union did not consider it appropriate to apply a minimum project P.I. of between 0.8 and 1.0 as provided for in E.B.O. 188 to the four proposed projects. This would result in a cross subsidy from other new ratepayers in established service areas in favour of the new ratepayers in a community expansion area. The reason for taking this approach is that the EB-2016-0004 decision clearly indicates that the communities that receive the benefits should be the ones who are paying the costs.⁵

Additionally, using a PI equal to 1.0 is consistent with the past projects in which the SES charge was approved. The Board reiterated the importance of a consistent approach in its decision for approving the community expansion application in the Chippewas of the Thames First Nation Community:

The benefits of approving a consistent \$0.23/ m3 SES across expansion projects were submitted as the basis for requesting the SES rate of \$0.23/ m3. These benefits included: a consistent rate across expansion projects; a predictable rate to allow parties to assess the economics of changing their fuel source and paying a surcharge, and an option that allows projects to proceed that would have been uneconomic without the surcharge.⁶

8. As stated in Enbridge's application the Expansion Project is supported by the First Nation Officials, Residents, and Business Owners in the Saugeen First Nation. The Saugeen First Nation has a population of 1,883 with 805 people living on the reserve. The Expansion Project will make natural gas available to 146 existing residential premises and 30 existing commercial establishments. Expansion of the natural gas distribution system will further the Ontario Government's desire to have gas distribution service made available to communities that are currently not served to help support greater consumer choice, economic growth and new jobs.

⁴ EB-2015-0179 Exhibit C, Staff 3, page 3

⁵ EB-2015-0179 Exhibit C, CCC 2, page 1

⁶ EB-2017-0147 Board Decision with Reason, page 8

Leave to Construct

9. Enbridge is seeking leave under section 90 of the OEB Act to construct approximately 16 km of pipeline, of which approximately 10km is NPS 4 and approximately 6km is NPS 2, and a pressure regulating station to serve approximately 176 potential customers. The community of Saugeen First Nation is located in Bruce County, along the shoreline of Lake Huron, immediately north of the community of Southampton.

10. Overall Board Staff supports the Expansion Project and expressed no concerns with Enbridge's application in the following areas:
 - (a) Board Staff agrees that there is a need for the Expansion Project. Pollution Probe did not contest the need for the Expansion Project.

 - (b) Board Staff and Pollution Probe has no concerns with the route, route selection methodology, or environmental aspects of the Expansion Project. Enbridge circulated the Environmental Protection Plan to the Ontario Pipeline Coordinating Committee (OPCC) in April, 2019. The OPCC has expressed no concerns with the plan.

 - (c) Board Staff and the Ministry of Energy, Northern Development and Mines ("MENDM"), found that Enbridge sufficiently discharged the procedural aspects of the duty to consult for the project. In a letter dated June 28, 2019, the MENDM advised that Enbridge satisfied its consultation obligations. Additionally, the Saugeen First Nation has passed a Band Council resolution supporting the project.

 - (d) Board Staff and Pollution Probe has no concerns regarding any land matters as the pipeline will be installed within road allowance and all required permitting and approvals would be obtained by the first quarter of 2020.⁷

 - (e) Board Staff supported the Expansion Project economics with respect to the 10 year rate stability for the SES and the economic feasibility of the NPS 2 pipe. The 10 year rate stability period is consistent with the generic community expansion proceeding and the Chippewas of the Thames First Nation community expansion.

⁷ EB-2019-0187 Exhibit I.Pollution Probe.6

Board Staff: Upsizing of Pipe

11. Board Staff supports the leave to construct for the pipeline with its only concern related to Enbridge's proposal to increase the pipe size from NPS 2 to NPS 4 for approximately 10km of the total 16km pipe. The submissions below address this issue.
12. Enbridge is seeking this leave to construct to serve the Community of Saugeen. "The proposed NPS 4 pipeline identified above was sized to meet the 10-year forecast growth in the Project area as well as additional growth both in and outside the Project area in the longer term."⁸ Specifically, as included in the pre-filed evidence, the 10-year forecast is 89 customers with an ultimate potential future forecast of 176 customers.⁹ . Also as stated in the evidence, the Saugeen First Nation Chief and Council have indicated they would like to serve a broader area of their community with natural gas in the future.¹⁰
13. In Board Staff submission they submit that forecast information on future growth is necessary.¹¹ The potential future forecasted growth in the broader area of the Saugeen Community was identified on a map by Band and Council. Enbridge employees then went to the community and performed a count of the homes and businesses in the identified area. The results of this count show a future potential for growth of 1,105 seasonal customers, 123 residential customers, 8 multi-family customers, and 6 commercial customers. These future forecast growth numbers were derived from the discussions with Band and Council when future growth potential was being identified.
14. If the Expansion Project is installed as all NPS 2 pipeline, there is very limited capacity for any customer additions beyond the existing forecast of 89 customers. If the Expansion Project is installed using the preferred design, it will allow for additional capacity to meet the above mentioned 10-year forecast of 89 customers, the ultimate potential, as well as some of the additional future growth as identified by Band and Council.
15. In addition, meeting future growth by upsizing to an NPS 4 would also minimize disruption in the Highway 21 and B Line corridors by avoiding the need to return and upsize the pipe to accommodate future growth.

⁸ Application, Exhibit B, Tab 1, Schedule 3, page 1

⁹ Application, Exhibit B, Tab 2, Schedule 2

¹⁰ Application, Exhibit B, Tab 1, Schedule 3, page 1

¹¹ Board Staff Submission, page 3

16. On average upsizing from a NPS 2 to a NPS 4 results in an increase to project costs due to changes in construction method. Also notable is that the projects listed in Table 1 are considerably larger projects so the upsize cost as a percentage is lower. For this Expansion Project the following factors contributed to the upsizing cost:

- Increase in required staffing (ex. Additional workers are required when fusing a 4" pipe).
- Increase in excavation costs due to wider and deeper trenches required for 4" tie-ins.
- Increase in restoration.
- Increase in material costs (pipe and fittings) due to the larger pipe.
- Increased shipping costs of the pipe as weight increases.
- Change in size and/or type of installation equipment (ex. Trencher, plough or directional drill).
- The running line location in MTO corridors are limited, they have lower deviation tolerances and certain depth requirements. Larger pipe sizes require more room to work in, and therefore larger equipment for installation and excavation to accommodate the MTO requirements.
- In areas presenting challenges such as archeological features or multiple utilities in conflict, changes in direction to avoid these areas (installation of fittings, road crossings, etc.) would be higher for NPS 4 due to higher restoration costs and larger excavation areas for tie-ins and installation of fittings, as well as larger equipment requirements.
- Increase in traffic control on Highway 21 due to vacationers, as well as on B Line road due to the width of the paved portion of the road and minimal shoulder area.

17. In the Board Staff Submission, they proposed a new condition to report on the contingency usage. Enbridge accepts this condition and as stated in the interrogatory response Enbridge Gas will comply with all conditions set out by the OEB.¹²

Pollution Probe (DSM):

18. In Pollution Probe's submissions they provide in their overview that they support access to natural gas when it assists in reducing energy costs, green house gas emissions and aligns with a local community energy plan.¹³ Additionally, Pollution Probe submitted a number of interrogatories related to energy efficiency. Board Staff

¹² EB-2019-0187 Exhibit I.STAFF.10 page 3

¹³ Pollution Probe Submissions

was satisfied with Enbridge's approach to energy conservation with this Expansion Project.¹⁴

19. Given that Enbridge is expanding into a new community, Enbridge confirmed that as part of its forecasting they relied on a historical implementation of DSM measures. Additionally, Enbridge also confirmed in its interrogatories that the community of Saugeen would have the opportunity to participate in any existing and future DSM program offerings.
20. Finally, as reiterated by OEB Staff and Pollution Probe submissions, Enbridge will be hosting an Open House, where members of the community of Saugeen will have an opportunity to discuss energy efficiency programs at Enbridge.

SUMMARY

21. Enbridge agrees to the proposed conditions filed by OEB staff as they are consistent with prior LTC approvals with the OEB.
22. Enbridge further submits that the proposed Expansion Project is in the public interest and that the SES surcharge is both appropriate and consistent with both the generic community expansion proceeding and prior applications approving the SES surcharge¹⁵. Finally, the Expansion Project has the potential to benefit the Saugeen First Nation by increasing energy options for local consumers, reducing energy costs for local consumers, reducing carbon emissions, and may help to improve the local economy of the Saugeen First Nation.¹⁶ Additionally the Expansion Project also helps achieve the Board's initiative to address the Province's desire to bring affordable energy and natural gas distribution to communities that currently do not have access to natural gas. Therefore, Enbridge requests the Board grant leave to construct for the Project at the earliest opportunity such that Enbridge may maintain the proposed construction schedule to meet the customer's in-service date.

¹⁴ OEB Staff Submissions Page 17

¹⁵ EB-2019-0139, EB-2017-0147, EB-2016-0004

¹⁶ OEB Staff Submissions Page 16