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April 6, 2020

VIA EMAIL, RESS AND COURIER

Ms. Christine Long
Board Secretary
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-2019-0188
North Bay (Northshore and Peninsula Roads) Community Expansion
Project – Argument-in-Chief**

In accordance with the OEB's Procedural Order No.1, enclosed please find Enbridge Gas's Argument-in-Chief in the above-noted proceeding.

The submission has been filed through the OEB's RESS.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Vanessa Innis
Manager Regulatory Applications & Strategy

cc: T. Persad (Enbridge Gas)
Intervenors (EB-2019-0188)

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, and in particular, s. 36 thereof;

AND IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, s. 90 (1) thereof;

AND IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, s. 97 thereof;

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an Order or Orders for approval to construct natural gas pipelines and ancillary facilities required to serve the City of North Bay (Northshore and Peninsula Roads).

ARGUMENT-IN-CHIEF OF ENBRIDGE GAS INC.

1. This is the Argument-in-Chief (“AIC”) of Enbridge Gas Inc. (“Enbridge Gas”) related to its application to approve expansion of natural gas distribution service to the community of North Bay (Northshore and Peninsula Roads) (“Project”). Through this application, Enbridge Gas requests certain relief as described in greater detail below.
2. The Project is in response to the initiative of the Ontario Energy Board (“Board” or “OEB”) 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’s proposal are designed to meet the economic feasibility criteria as designed in EB-2016-0004, the Board’s Generic Community Expansion proceeding.
3. Enbridge Gas requests the following orders from the Board:
 - (a) pursuant to section 36 of the *Ontario Energy Board Act* (“Act”) the approval of a system expansion surcharge (“SES”);

- (b) pursuant to section 90(1) of the Act, granting leave to construct (“LTC”) a natural gas pipeline and ancillary facilities required to serve the Project; and
 - (c) pursuant to section 97 of the Act, granting approval of the form of easement agreements as referenced in evidence at Exhibit B, Tab 1, Section 7.
- 4. Enbridge Gas submits that its Project proposal satisfies the public interest criteria that the OEB typically assesses to determine if LTC should be granted, as explained below. Enbridge Gas’s rate proposal for the Project is consistent with the findings issued as part of the Board’s EB-2016-0004 Decision and recent Enbridge Gas projects and should be approved by the Board. Furthermore, the Project has a profitability index (“P.I.”) of 1.0, subject to applying the SES as outlined in the evidence. For these reasons, combined with the fact the Project is as a qualifying investment under the provincial government’s O. Reg. 24/19, the Board should find the Project is in the public interest and approve the LTC facilities and rate proposal.
- 5. The balance of the AIC is organized to address the following two main topic areas identified in the evidence:
 - (i) Leave to Construct Criteria
 - (ii) Rate Proposal

Leave to Construct Criteria

- 6. In determining whether a project is in the public interest and warrants leave to construct, the Board typically examines the following criteria: need for the project, environmental impacts, project feasibility, landowner impacts and Indigenous consultation. Enbridge Gas has satisfied these criteria for the Project as set out in the evidence and summarized below.

7. Enbridge Gas is seeking leave under section 90 of the Act to construct approximately 27 kilometres of small diameter pipeline (NPS 1.25, NPS 2 and NPS 4) to serve the Project area. The proposed pipeline will connect to Enbridge Gas's existing distribution system on Trout Lake Road. The proposed pipeline will extend east within road allowances to serve the Northshore and Peninsula Roads area. The Expansion Project also requires the installation of a new regulating station to accommodate the proposed pipeline. The community of North Bay (Northshore and Peninsula Roads) is located in the northeast quadrant of the City of North Bay, in the Region of Nipissing. A map showing the proposed facilities can be found at Exhibit B, Tab 2, Schedule 1.
8. Expansion of the natural gas distribution system to meet the needs of residents and businesses located in the Project area furthers 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. As stated in Enbridge Gas's application (Exhibit B, Tab 1, Schedule 2), the Project is also supported by the City of North Bay. The Project area has a population of approximately 1,140 people. The area encompasses residential and retail facilities and supports the surrounding tourism industry. There are currently 391 existing residential dwellings and three commercial establishments in the Project area which could potentially be served with natural gas.
9. Enbridge Gas is forecasting that a total of 126 existing residential, three existing small commercial, and five existing seasonal customers will be attached by year 10 of the Project. As noted at Exhibit I.PP.6, the proposed facilities were sized to supply the ultimate potential (10-year future forecast growth) as identified in the customer attachment forecast (Exhibit B, Tab 2, Schedule 2) for the Project area. The need for the Project is clearly demonstrated by the customer attachment forecast as well as the \$8.7 million in government funding allocated to the Project through O. Reg. 24/19. The availability of this funding results in a capital

investment by Enbridge Gas of approximately \$1.4 million over 10 years to construct the Project.

10. Enbridge Gas has designed the Project to meet or exceed all applicable codes and regulations. Enbridge Gas is proposing to begin construction of the proposed facilities in spring 2020, subject to any unforeseen delays that may occur as a result of the COVID-19 pandemic. Enbridge Gas will notify the Board in the event its construction schedule is significantly impacted. Enbridge Gas will follow its standard construction practices which have been continuously reviewed and updated to ensure construction will be completed safely in accordance with all public health requirements and that impact to the lands and environment are minimized.
11. As stated at Exhibit B, Tab 1, Schedule 1 p. 6, *“the route of the proposed pipeline was selected in order to optimize economic benefits and social features while minimizing environmental impacts”*. As noted at Exhibit B, Tab 1, Schedule 3 and further detailed at Exhibit I.STAFF.1 part g), two route alternatives were considered to serve the Project area. The alternative routes were dismissed based on a number of factors, the primary one being they both had a higher overall Project cost.
12. The OEB’s Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario (7th Edition, 2016) are addressed at Exhibit B, Tab 1, Schedule 7, Exhibit I.STAFF.7 and Exhibit I.PP.11. A copy of Enbridge Gas’s Environmental Protection Plan (“EPP”) is filed in Exhibit B, Tab 2, Schedule 11. In Enbridge Gas’s submission, subject to the implementation of the recommendations in the EPP, any potential adverse residual environmental and socio-economic effects are expected to be short-term in nature and minimal.
13. With the majority of the proposed pipeline being constructed in road allowances, Enbridge Gas maintains that all necessary land rights and permit approvals will

be in place prior to the commencement of construction. As stated in pre-filed evidence and further detailed at Exhibit I.STAFF.9, approximately 9 kilometres of the proposed pipelines are located within “forced roads”.¹ These roads are grandfathered as public highways under Section 26 of the *Municipal Act*, 2001. The City of North Bay confirmed its jurisdiction over these roads pursuant to By-Law No. 2002-133 passed on December 16, 2002.² Enbridge Gas is aware of one landowner dispute (not a legal claim) related to the forced road on that property. This dispute pertains to a drainage issue. As noted at Exhibit I.STAFF.9, *“Enbridge Gas has discussed the Project with the landowner on a few occasions and as a result believes the landowner’s drainage dispute with the City will not affect the Project. Further, Enbridge Gas explained to the landowner that it would coordinate with the City in respect of any drainage work to ensure it does not interfere with that work”*.

14. Enbridge Gas is applying under Section 97 of the Act for an order approving the form of land agreements offered to owners of land affected by the route or location of the proposed facilities. This includes those landowners from whom a new permanent easement or temporary land use will be required for the Expansion Project. The agreements can be found at Exhibit B, Tab 2, Schedules 16 a) and b).
15. As detailed at Exhibit B, Tab 1, Schedule 9 and further updated in Enbridge Gas’s response to Exhibit I.STAFF.8, Enbridge Gas has followed the OEB and Ministry of Energy Northern Development and Mines (“MENDM”) processes in relation to Indigenous consultation. On June 11, 2019, Enbridge Gas received a letter from the MENDM advising that their consultation activities were sufficient (see Exhibit B, Tab 2, Schedule 19).

¹ Considered to be forced roads because they cross private property and have been maintained by the municipality as a public highway for many years.

² See Attachment 1 to Exhibit I.STAFF.9.

Rate Proposal

16. Enbridge Gas's Project proposal consists of the following two rate components:
 - (a) applicable rates from Enbridge Gas's Union North rate zone, as amended from time to time, will apply to customers in the Project area; and
 - (b) an SES applied to customers for a 40-year period, to enable new general service customers to contribute additional funds towards the economic feasibility of the Project in excess of the funds derived from existing rate schedules.
17. The SES Enbridge Gas is seeking to extend to the Project is the same SES that was approved in EB-2015-0179³ and for Fenelon Falls in EB-2017-0147. It also mirrors the same terms and conditions of the SES approved in Enbridge Gas's most recent expansion application in the Saugeen First Nation community (EB-2019-0187).⁴
18. As stated at Exhibit B, Tab 1, Schedule 1, the SES proposal would result in Enbridge Gas applying a \$0.23/m³ surcharge for up to 40 years to its existing approved rates for all customers in the Project area. All customers that connect to this Project's facilities will be required to pay the SES for the remaining balance of the 40-year term. For the Project, the SES term will extend for the full economic life of the Project, since it is estimated that a 40-year term is required to reach a P.I. of 1.0. As such, the requested SES term is 40 years, designed to meet the minimum economic criteria that the Board set out in EB-2016-0004.
19. Using a P.I. of 1.0 is consistent with the past expansion projects in which the SES was approved. The Board acknowledged this at page 7 of its EB-2019-0187 Decision and Order where it stated:

³ Union Gas Limited 2015 Community Expansion Project Application

⁴ EB-2019-0187 application filed October 17, 2019 and OEB Decision and Order issued February 6, 2020.

Enbridge Gas further noted that the SES proposals previously approved by the OEB have recognized this fact, and that the requirement to have a PI of 1.0 for community expansion projects is consistent with the OEB's findings in the Generic Decision and subsequent community expansion projects.

20. With the SES fixed at \$0.23 m³ throughout the duration of the SES term, this proposal is consistent with the “*minimum rate stability period of 10 years (for example)*”⁵ as noted in the OEB's findings in EB-2016-0004 as well as in previous expansion project applications approved by the Board within the Union rate zones. During the proposed 10-year Rate Stability Period, Enbridge Gas will bear the risk of variances from its customer attachment forecast. As noted at Exhibit I.ED.5, part b), the Project will be eligible for inclusion in base rates at the end of the 10-year Rate Stability Period.

Following the Rate Stability Period, Enbridge Gas may propose to treat the project in the same manner as other costs for rate making purposes. At that time Enbridge Gas expects to provide a revised project DCF calculation based on actuals with its proposal for the OEB's review. If accepted by the OEB, the revenue requirement of the project would be included in the determination of rates for existing ratepayers, including additional ratepayers as a result of the project, at that time.

Conclusion

21. Enbridge Gas submits that the Project is in the public interest and that the SES is appropriate and consistent with both the Generic Community Expansion proceeding and prior applications approving the system expansion surcharges within the Union rate zones. The Project also has the potential to benefit the North Bay (Northshore and Peninsula Roads) area by increasing energy options for local consumers, reducing energy costs for local consumers and reducing carbon emissions.

⁵ EB-2016-0004 Decision with Reasons, p. 20

22. With a clear and undeniable demonstration of need, Enbridge Gas further submits the facilities it is proposing to construct to bring natural gas service to the area are prudently aligned with the customer attachment forecast for the Project area.
23. Additionally, the Project helps achieve the Board's initiative to address Ontario's desire to bring affordable energy and natural gas distribution to communities that currently do not have access to natural gas. Enbridge Gas respectfully requests the Board grant the LTC for the Project by May 2020 in order to enable Enbridge Gas to maintain the proposed construction schedule and meet a fall 2020 in-service date.

All of which is respectfully submitted, this 6th day of April 2020

ENBRIDGE GAS INC.

[original signed by]

Tania Persad, Senior Legal Counsel