

## PROJECT NEED

### Introduction

1. The Hidden Valley Community Expansion Project (the “Project”) will make natural gas available to approximately 130 customers in the Hidden Valley community within the Town of Huntsville and District of Muskoka. Expansion of Enbridge Gas’s natural gas distribution system within the Town of Huntsville will further the Government of Ontario’s efforts pursuant to its Natural Gas Expansion Program to have gas distribution service made available to communities in Ontario that are currently not served.
2. The Project is composed of approximately 4 km of NPS 2-inch Polyethylene (“PE”) natural gas distribution pipeline and ancillary facilities including customer services.

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### The Government of Ontario NGEP

3. The Project was previously approved to receive funding assistance from Phase 2 of the Government of Ontario’s Natural Gas Expansion Program (“NGEP”). The Government of Ontario describes the NGEP as follows:

The Natural Gas Expansion Program was created under the *Access to Natural Gas Act, 2018* to help expand access to natural gas to areas of Ontario that currently do not have access to the natural gas distribution system. This program encourages communities to partner with gas distributors on potential expansion projects that would not be built without additional financial support and submit information on these proposals to the Ontario Energy Board.<sup>1</sup>

4. As part of Phase 2 of the NGEP process, Enbridge Gas filed proposals for 207 potential community expansion and economic development projects. On June 9,

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<sup>1</sup> <https://www.ontario.ca/page/natural-gas-expansion-program>

2021, the Government of Ontario announced that 28 projects across 43 communities were selected for funding under Phase 2 of the NGEF, including the Project. The press release is included as Attachment 1 to this Exhibit.

5. By proceeding with the Project, Enbridge Gas will expand access to safe, reliable, and affordable natural gas service to the Hidden Valley community within the Town of Huntsville and District of Muskoka in direct support of the NGEF.

#### Delivering the Energy that Customers Want and Need

6. Enbridge Gas has conducted extensive consultation with the Town of Huntsville and District of Muskoka. Support for the Project has come from a variety of sources including the Town of Huntsville and the residents in the Project area. Attachment 2 to this Exhibit contains a letter dated July 31, 2020, from the Town of Huntsville indicating its support for the Project.<sup>2</sup>

#### *Market Research*

7. Enbridge Gas conducted surveys of potential residential customers to gauge interest in natural gas distribution service and conversion within the Project area. Enbridge Gas retained Forum Research, a third-party research supplier, to conduct surveys by telephone, online and in-person of potential residential customers in the Project area between August 23 and September 18, 2022.
8. The survey informed residential customers about the proposed Project and sought information pertaining to the characteristics of dwellings/buildings, including:
  - their nature

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<sup>2</sup> This letter was filed in the Potential Projects to Expand Access to Natural Gas Distribution Proceeding (EB-2019-0255) at Schedule 7J-5.

- the current fuel type relied upon; and
  - interest in converting to natural gas-fueled equipment and/or appliances.
9. A total of 61 surveys were completed. Results from the Forum Research survey indicated that the split between fuel sources for residents in the Town of Huntsville is currently 77% Propane, 18% Electricity,<sup>3</sup> 3% Oil, 2% Wood. 69% of respondents indicated that they would be likely (extremely likely, very likely or likely) to convert to natural gas if made available. Of those respondents likely to convert to natural gas, 66% indicated that they would convert within the first year of natural gas service becoming available, 29% indicated they would convert within 2 years of natural gas service becoming available, and 5% indicated they would convert within 2-3 years of natural gas service becoming available. The results of this survey are set out in Attachment 3 to this Exhibit.
10. Natural gas continues to maintain price competitiveness against other energy alternatives in Ontario. Figure 1 shows this price advantage and includes the proposed \$0.23/m<sup>3</sup> System Expansion Surcharge (“SES”). The data set out in Figure 1 is based on the proposed January 2023 QRAM rates<sup>4</sup> and are calculated assuming a typical Rate 01 residential customer in the Union Northeast rate zone consuming 2,200 m<sup>3</sup> of natural gas per year. Based on the most recent prices available, a typical residential Rate 01 Northeast customer saves 57% compared to

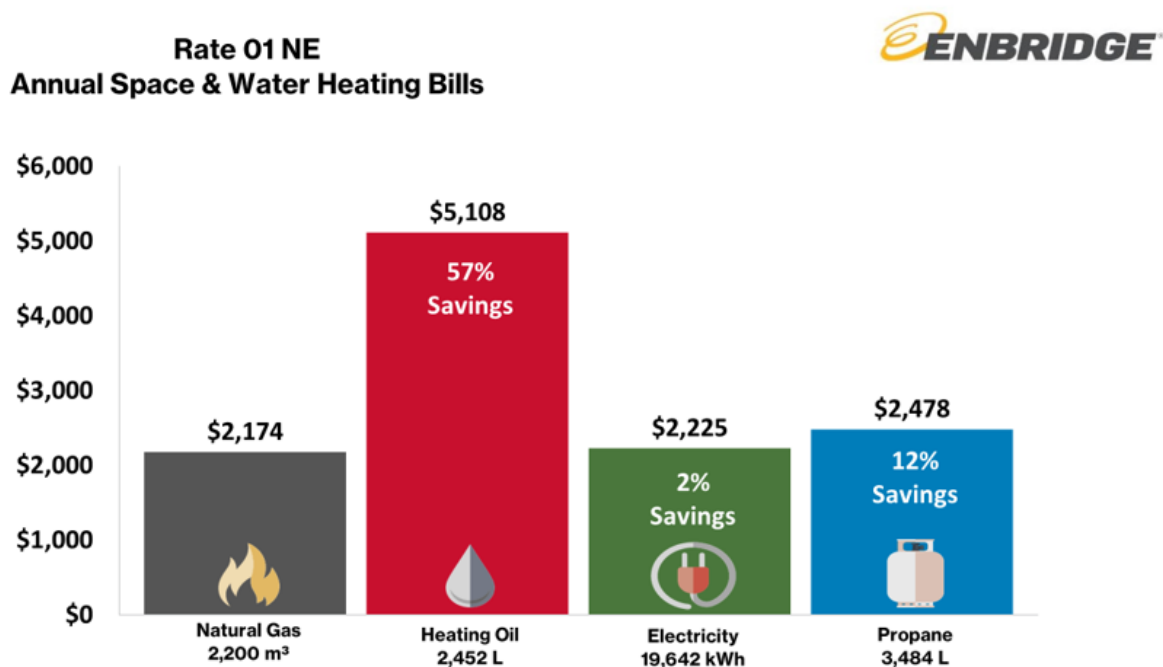
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<sup>3</sup> 18% includes 16% of respondents that indicated their primary energy source was Electricity (11% Electric Baseboard, 3% Electric Forced Air and 2% Electric Heat Pump) + 2% of respondents that indicated their primary energy source was Air Source Heat Pumps.

<sup>4</sup> EB-2022-0286 January 1, 2023 Quarterly Rate Adjustment Mechanism (QRAM) application has been filed by Enbridge Gas and is currently before the OEB seeking approval for rates effective January 1, 2023. Depending on the final OEB decision, the possibility exists that these charts may vary if rates change from the proposed rates.

heating oil, 12% compared to propane and 2% compared to electricity.<sup>5</sup> Importantly, the electricity prices utilized in Figure 1 include the Ontario Electricity Rebate which effectively suppresses the cost of electricity.

Figure 1: Annual Energy Costs & Savings Versus Natural Gas, Including SES



11. Recent pricing data for natural gas and alternative fuels continue to show cost savings despite the \$0.23/m<sup>3</sup> SES. Table 1 below estimates the average customer

<sup>5</sup> Oil price is based on the latest actual data available at the time of comparison. Propane price is based on the latest available retail prices at the time of comparison in the Rate M1 Union South area discounted by 10% as a conservative estimate. Electricity rates are based on Hydro One Distribution rates (Med-density R1) as of January 1, 2023 and RPP customers that are on TOU pricing. Electricity rates include the new Ontario Electricity Rebate (OER) and exclude fixed charges. Costs have been calculated for the equivalent energy consumed and include all service, delivery and energy charges. The federal carbon charge is included for all energy types as reported. HST is not included.

in the Project area can achieve annual energy cost savings of approximately \$331 through conversion to natural gas. Annual energy costs by fuel type are based on the calculations used to develop Figure 1.

Table 1: Estimated Annual Fuel Costs & Fuel Cost Savings for a Typical Rate 01 Residential Customer

Primary Fuel	Penetration Rate	Annual Bill (\$)	Annual Natural Gas Savings (\$)
Natural Gas		\$ 2,174	NA
Electricity	18%	\$ 2,225	\$ 51
Heating Oil	3%	\$ 5,108	\$ 2,934
Propane	77%	\$ 2,478	\$ 304
Wood	2%	No data available	No data available
Weighted Average Natural Gas Savings ( <i>compared to alternative fuel sources</i> )			\$331

12. Enbridge Gas has promoted and will continue to promote the efficient use of natural gas, current offers, and incentives to all residents and businesses in the Project and surrounding areas. The Company will work cooperatively with local heating contractors to encourage early conversion to natural gas.

#### *Growth Forecast*

13. Table 2 below provides the Company's expected ten-year growth forecast for customer additions in the Project area. The ten-year growth forecast has been informed by the ongoing price advantage of natural gas over other energy sources, current Municipal Property Assessment Corporation ("MPAC") data and survey results discussed above, indicating that a high level of conversions is likely.

Table 2: Forecasted Customer Attachments for the Project

Hidden Valley Customer Additions	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total Forecasted
Residential Single Family Conversion	13	18	18	9	9	4	4	4	4	4	87
Residential Multi-unit building	7	9	9	4	4	2	2	2	2	2	43
Commercial											
Industrial											
Total	20	27	27	13	13	6	6	6	6	6	130

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#### Related Enbridge Gas Projects

14. While the Project is one of many community expansion projects proposed by Enbridge Gas, the Project itself does not contain any planned future phases and is not dependent upon any previously filed leave to construct application by Enbridge Gas. This Project is designed exclusively to serve the project areas discussed above and throughout the balance of this Application.

#### Conclusion

15. The Project is required to support the NGEP and is designed to expand access to safe, reliable, and affordable natural gas to areas of Ontario that do not currently have it. The need for the Project is directly supported by the Township of Huntsville through their request for natural gas for their constituents. In addition, the need for the Project is supported by the interest in natural gas service within the community as derived from the market research survey results.