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VIA EMAIL and RESS

March 18, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No. EB-2023-0200
Sandford Community Expansion Project
Argument- in-Chief**

In accordance with the OEB's Procedural Order No. 2, enclosed please find the Argument-in-Chief submission of Enbridge Gas in the above noted proceeding.

If you have any questions, please contact the undersigned.

Sincerely,

Brittany Callhoun
Sr. Advisor – Leave to Construct Applications

cc: EB-2023-0200 Intervenor

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B; and in particular sections 90(1) and 97 thereof;

AND IN THE MATTER OF the *Municipal Franchises Act*, R.S.O. 1990, c.M.55, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order granting leave to construct natural gas distribution pipelines and ancillary facilities that make up a Community Expansion Project to serve the community of Sandford in the Township of Uxbridge.

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order cancelling and superseding the existing Certificates of Public Convenience and Necessity held by Enbridge Gas Inc. for the former Town of Uxbridge, the former Township of Uxbridge and the former Township of Scott and replacing them with a single Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of Uxbridge.

ENBRIDGE GAS INC.

ARGUMENT-IN-CHIEF

Table of Contents

A. Introduction..... 3

B. Project Need..... 4

C. Alternatives..... 8

D. Project Cost and Economics..... 9

E. Environmental..... 10

F. Land Matters..... 10

G. Indigenous Consultation 11

H. Conclusion..... 12

A. Introduction

1. Enbridge Gas Inc. (Enbridge Gas or the Company) filed an application (updated November 24, 2023) with the Ontario Energy Board (OEB) under section 90 of the *Ontario Energy Board Act, 1998* (OEB Act) for an order granting leave to construct for the Sandford Community Expansion Project, EB-2023-0200 (the Project).
2. In the application, Enbridge Gas has also applied to the OEB under section 97 of the OEB Act for approval of the form of land-use agreements it offers to landowners for the routing and construction of the Project and for an Order pursuant to Section 8 of the *Municipal Franchises Act* cancelling and superseding the existing Certificates of Public Convenience and Necessity held by Enbridge Gas Inc. for the former Town of Uxbridge, the former Township of Uxbridge and the former Township of Scott and replacing them with a single Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of Uxbridge.
3. This is the Argument-in-Chief (AIC) of Enbridge Gas in respect of the Project application.
4. The Project will make natural gas available to approximately 183 customers in the township of Uxbridge. Enbridge Gas seeks an order granting leave to construct the following natural gas distribution pipelines and facilities:
 - 4.9 km of Nominal Pipe Size (NPS) 2 polyethylene (PE) natural gas pipeline,
 - 8.4 km of NPS 4 PE natural gas pipeline.
5. The Project also includes Ancillary Facilities for which the Company is not seeking leave to construct, including customer services (meters, regulators, and service pipelines) and the replacement of an existing distribution station.

6. The Project is in the public interest and the requested leave to construct should be granted. The Project is required to support the Government of Ontario's Natural Gas Expansion Program (NGEP) and is designed to expand access to safe, reliable, and affordable natural gas to areas of Ontario that do not currently have access to natural gas. The need for the Project is directly supported by the community's municipal government through their request for natural gas for their constituents. Core to the need for the Project is the expressed preference and interest in natural gas service from future customers within the community of Sanford. Through the combination of attachments, NGEP funding and the application of the planned System Expansion Surcharge (SES), the Project is economic.

B. Project Need

7. The need for the Project is directly justified by the support of the Government of Ontario through the NGEP and municipal governments as applicable to enable natural gas access for their constituents and the clear and demonstrable interest in natural gas service within the community as derived from the market research survey results, as further discussed below.
8. The OEB's decision in this proceeding reinforces that the evidence for project need for a community expansion project can be derived from the NEGP legislation establishing the program, municipal support and customer support from the surveys.

These applications do not involve the OEB making a choice between the approval of, or recommending, the use of heat pumps instead of an expansion of natural gas facilities in serving the relevant communities. Rather, the OEB must determine whether the public interest will be met by an approval of leave to construct for the NGEP-funded project. The principal evidence for this is derived from the legislation establishing the program and approving a commitment of funding the project through a selection process. Further confirmation of project need has been presented by survey and municipality representation favoring expansion of natural gas service.¹

¹ EB-2023-0200, Decision on Intervenor Evidence, Consolidation of Natural Gas Expansion Program Related Proceedings, Technical Conference, and Procedural Order 2, pg 15.

Community Support

9. The Project will further and support the Government of Ontario's efforts pursuant to its NGEF. The Project was previously approved to receive funding assistance from Phase 2 of the NGEF. The Government of Ontario describes the NGEF 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.²

10. As part of Phase 2 of the NGEF process, on June 9, 2021, the Government of Ontario announced that 28 projects across 43 communities were selected for funding under Phase 2 of the NGEF. The Project was included in those that were selected for funding.³
11. Consistent with the NGEF's intent of a partnering between communities and Enbridge Gas to bring natural gas to unserved areas, Enbridge Gas has conducted extensive consultation within the community and its representative government. The Township of Uxbridge has emphasized its support for the Project on multiple occasions, via a council resolution dated June 30, 2020, and a letter of support dated November 17, 2023.⁴
12. As a result of the Project's regulatory proceeding delay, the timing of the Project included in pre-filed evidence and interrogatory responses require adjustment.⁵ Construction of the Supply Lateral is now planned to commence in July 2024 and

² Government of Ontario, *Natural Gas Expansion Program* <<https://www.ontario.ca/page/natural-gas-expansionprogram#:~:text=The%20Natural%20Gas%20Expansion%20Program,the%20natural%20gas%20distribution%20system>>

³ Exhibit B, Tab 1, Schedule 1, p. 2.

⁴ Exhibit B, Tab 1, Schedule 1, Attachments 2 and 4.

⁵ Exhibit A, Tab 2, Schedule 1, p. 3; Exhibit D, Tab 1, Schedule 1; Exhibit D, Tab 1, Schedule 2; Exhibit I.STAFF.4 part 2; Exhibit I.PP.32.

is projected to be able to begin connecting residences and businesses as early as January 2025 and continuing into the fall.

13. To date, three letters of comment have been filed with the OEB. Two of the letters were filed by Independent Participant Elizabeth Carswell (IP) who is an approved intervenor for the proceeding. Within the first letter, IP requested to delay the proceeding to seek feedback from Uxbridge Council. Given that the request was directed at the OEB, was issued on October 2, 2023 (over 6 months ago), and Enbridge Gas is not aware of any further timeline concerns raised by IP, the Company does not have any comments on the matter. Within the second letter, IP provides information regarding its requests to file intervenor evidence and for a technical conference. Enbridge Gas filed a response to IP's (and ED's) requests in a correspondence dated January 18, 2024. Given that the OEB denied IP and ED's requests on February 29, 2024, Enbridge Gas does not have any addition comments on the matter.
14. The third letter requests that the Project not proceed due to climate change concerns and that investment should be redirected towards transitions to renewable energy sources. Notably, the author of the letter states that it does not reside within the Project area. Regarding the opposition of natural gas expansion and promotion of renewable energy sources, Enbridge Gas submits that consumers will maintain the ability to choose the energy solution of their preference, including non-natural gas solutions. The Project does not require consumers to attach to the natural gas system. Consumer energy choice is not diminished by the Project and instead is enhanced by making natural gas service available. In fact, the Project and the Government of Ontario's NGEP are squarely focused upon enhancing customer choice with regard to sources of energy, recognizing that energy system/source diversity, cost-effectiveness, and resiliency are highly valued by the affected communities.
15. Enbridge Gas conducted surveys of potential residential and commercial/industrial customers in the Project area, to gauge interest in natural

gas service. Enbridge Gas retained Forum Research, an independent third-party research firm, to conduct surveys of potential residential customers in September 2022 (the Forum Survey).⁶

16. The Forum Survey informed residents and consumers about the proposed Project and sought information pertaining to the characteristics of dwellings/buildings, including:
 - their nature (i.e., residential, commercial or industrial space, etc.);
 - the current fuel type relied upon; and,
 - interest in converting to natural gas-fueled equipment and/or appliances.⁷
17. 87% of Forum Survey respondents indicated that they would be likely (extremely likely, very likely or likely) to convert their space heating systems and/or water heaters to natural gas.⁸ Furthermore, the Forum Survey indicated that the majority of respondents likely to convert would do so within the first two years of natural gas service becoming available. Enbridge Gas has forecasted that 37 attachments will occur in the first year of the Project.⁹
18. Enbridge Gas also conducted in-person surveys of potential commercial/industrial customers within the Project area beginning in fall 2022 to gauge interest in natural gas distribution service and to obtain customer load information where possible.¹⁰

Growth Forecast

19. The Municipal Property Assessment Corporation (MPAC) data and the survey results show a high level of likely conversions, particularly in the first 3 years of

⁶ Exhibit B, Tab 1, Schedule 1, Attachment 3.

⁷ Exhibit B, Tab 1, Schedule 1, pp. 2-3.

⁸ Exhibit B, Tab 1, Schedule 1, p. 3, para. 9.

⁹ Exhibit B, Tab 1, Schedule 1, p. 7, Table 2.

¹⁰ Exhibit B, Tab 1, Schedule 1, p. 3.

the project (i.e., 53% of the forecasted customers).. Enbridge Gas provided an expected ten-year growth forecast for customer additions in the Project area.

Table 1: Projected Customer Additions¹¹

Customer Additions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Forecasted
Residential Single-Family Conversion	34	34	25	18	18	9	9	9	9	8	173
Commercial	3	2	2	1							8
Institutional		1									
Industrial		1									
Total	37	38	27	19	18	9	9	9	9	8	183

C. Alternatives

20. Based on the Decision and Order for Enbridge Gas’s Integrated Resource Planning Framework Proposal (EB-2020-0091) and the Integrated Resource Planning Framework for Enbridge Gas (IRP Framework), Enbridge Gas has applied the Binary Screening Criteria and determined the Project meets the definition of community expansion projects, as defined in the IRP Framework. The IRP Framework Decision explains that “Given the goal of the Ontario Government’s Access to Natural Gas legislation to extend gas service to designated communities, the OEB will not require Enbridge Gas to develop an IRP Plan or consider alternatives to the infrastructure facilities to meet this need.” Consequently, per the IRP Binary Screening Criteria (iv), the need underpinning the Project does not warrant further IRP consideration or assessment.¹² The OEB reiterated in this proceeding that the NEGP funded projects are not subject to IRP. The OEB stated “ The NGEP funded projects are not subject to the OEB’s Integrated Resource Planning (IRP) Framework requirement that IRP alternatives to the expansion of natural gas distribution be explored when a utility applies for leave to construct an NGEP funded project”¹³.

¹¹ Exhibit B, Tab 1, Schedule 1, p. 7, Table 2.

¹² Exhibit C, Tab 1, Schedule 1.

¹³ Decision on Intervenor Evidence, Consolidation of Natural Gas Expansion Program-related Proceedings Technical Conference and Procedural Order No. 2, pg 15.

21. Considering that the proposed Project was previously reviewed and approved by the Government of Ontario and the OEB for the purposes of granting funding under Phase 2 of the NGEP, Enbridge Gas did not assess other facility alternatives.

D. Project Cost and Economics

22. Based on the results of the E.B.O. 188 analysis and given the NGEP funding and the SES, Enbridge Gas submits that the Project is economically justified. The DCF analysis for the Project was prepared based on the Company's latest feasibility parameters (i.e., long-term debt rates, discount rates, tax rates, etc.), included SES and NGEP funding, over a 40-year time period consistent with E.B.O. 188 and a fixed 40-year SES term as approved in EB-2019-0095.
23. Total estimated cost of the proposed Project is \$7.2 million (including both pipeline and ancillary facilities).¹⁴ Based on the forecast of costs and revenues before SES and NGEP funding, the Project had a PI of 0.25, which improves to 0.46 with the inclusion of the SES. The Company will require the NGEP funding to support the economic feasibility of the Project. After SES and NGEP funding, the Project currently has a net present value (NPV) of \$0 and a PI of 1.0.¹⁵
24. Consistent with the OEB's direction in the EB-2020-0094 Decision, upon placing the Project into service, Enbridge Gas will apply a 10-year Rate Stability Period (RSP) during which the Company will bear the risk of the Project customer attachment and capital expenditure forecast.
25. The estimates of Project NPV and PI are subject to change as the Project progresses through the design and construction phase. Any variances from forecasted Project capital cost or revenues, including variances in the customer attachment forecast for the Project, will be managed by Enbridge Gas during the RSP. The final actual PI will be determined using actual information and will be

¹⁴ Exhibit E, Tab 1, Schedule 1, p. 1; Exhibit I.STAFF.3.

¹⁵ Exhibit E, Tab 1, Schedule 1, p. 4.

communicated at the next rebasing application after the expiry of the RSP. The OEB has also determined that it will consider any questions about the treatment of any revenue surplus or shortfall beyond the RSP at that same time.¹⁶

E. Environmental

26. To select the Preferred Route (PR) for the Project, Enbridge Gas retained WSP Canada (WSP) to undertake a route evaluation and environmental and socio-economic impact study, which included cumulative effects assessment and Stage 1 Archaeological Assessment (AA). As part of the development of the studies, Enbridge Gas and WSP implemented consultation programs to receive input from interested and potentially affected parties including Indigenous communities. This input was evaluated and integrated into the applicable studies. Mitigation measures designed to minimize environmental and community impacts resulting from construction and operation of the Projects were also developed as part of the applicable studies.
27. Using the mitigation measures and monitoring and contingency plans found within the applicable Environmental Report, Environmental Protection Plan (EPP) and additional mitigation measures provided by regulatory agencies through the permitting and approval process, construction of the Project will have negligible impacts on the environment. No significant environmental or cumulative effects are anticipated from development of the proposed pipeline Project. Enbridge Gas will complete the EPP prior to mobilization and construction of the Project.

F. Land Matters

28. The PR for the Project will require that Enbridge obtain municipal consent from the Region of Durham, and The Corporation of the Township of Uxbridge. There

¹⁶ EB-2019-0188, Decision and Order, May 7, 2020, pp. 12-13; Exhibit I.ED.17; EB-2022-0156, Decision and Order, September 21, 2023, pp. 20-21; EB-2022-0248, Decision and Order, September 21, 2023, p. 20; EB-2022-0249, Decision and Order, September 21, 2023, pp. 19-20.

are 5 non-Right of Way (ROW) parcels owned by the Corporation of the Township of Uxbridge which may require a permanent easement.

29. Temporary working areas may be required along the PR where the road allowance is too narrow or confined to facilitate construction. These areas will be identified with the assistance of the contractor that will perform the construction. Agreements for temporary working rights will be negotiated where required.

G. Indigenous Consultation

30. Enbridge Gas is committed to creating processes that support meaningful engagement with potentially affected Indigenous groups (First Nations and Métis). Enbridge Gas has worked to build an understanding of project related interests, ensure regulatory requirements are met, mitigate or avoid Project-related impacts on Indigenous interests including rights, and provide mutually beneficial opportunities where possible.
31. Enbridge Gas received a Delegation Letter from the Ministry of Energy (MOE) for the Project,¹⁷ indicating that the MOE had delegated the procedural aspects of consultation to Enbridge Gas for the Project.
32. An Indigenous Consultation Report was provided to the MOE on the date of filing the current Application with the OEB. The MOE will review Enbridge Gas's consultation with Indigenous groups potentially affected by the Project and provide its decision as to whether Enbridge Gas's consultation has been sufficient.
33. On November 2, 2023, the MOE advised Enbridge Gas that they anticipated providing Enbridge Gas with the opinion letter in February 2024. Enbridge Gas expects to receive the opinion letter shortly and is not aware of any anticipated

¹⁷ Exhibit H, Tab 1, Schedule 1, Attachment 2.

delays. Upon receipt of the MOE's decision regarding the sufficiency of Indigenous consultation on the Project, Enbridge Gas will file it with the OEB.

H. Conclusion

34. Based on the foregoing, Enbridge Gas respectfully requests that the OEB issue an order or orders granting leave to construct for the Project pursuant to section 90 of the OEB Act and approving the forms of Temporary Land Use Agreement and Pipeline Easement as set out in Exhibit G, Tab 1, Schedule 1, Attachments 1 and 2 for the Project. Enbridge Gas also respectfully requests that the approvals sought be addressed in a timely manner (and no later than the first week of June 2024), so that Project construction can commence by July 2024.