



Evan Tomek
Advisor
Leave to Construct Applications
Regulatory Affairs

tel: (519) 436-4600 x5003441
evan.tomek@enbridge.com
EGIRegulatoryProceedings@enbridge.com

Enbridge Gas Inc.
50 Keil Drive North,
Chatham, ON N7M 5M1
Canada

VIA EMAIL and RESS

March 22, 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: EB-2023-0261
Neustadt Community Expansion Project
Argument- in-Chief**

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

If you have any questions, please contact the undersigned.

Sincerely,

Evan Tomek
Advisor – Leave to Construct Applications

cc: EB-2023-0261 Intervenors

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 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 Neustadt in the Municipality of West Grey.

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or orders approving the proposed forms of agreements for Pipeline Easement and Options for Temporary Land Use associated with the aforementioned application seeking leave to construct.

ENBRIDGE GAS INC.

ARGUMENT-IN-CHIEF

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A. Introduction

1. Enbridge Gas Inc. (Enbridge Gas or the Company) filed an application on September 15, 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 Neustadt Community Expansion Project, EB-2023-0261 (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.
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 230 customers in the community of Neustadt in the Municipality of West Grey. Enbridge Gas seeks an order granting leave to construct in the Town of Hanover and the Municipality of West Grey natural gas distribution pipelines and facilities that are:
 - (i) Approximately 4.8 km of Nominal Pipe Size (“NPS”) 2 polyethylene (“PE”) natural gas distribution pipeline, and
 - (ii) Approximately 7.6 km of NPS 6 PE natural gas pipeline, consisting of approximately 6.7 km of supply lateral and 0.9 km of reinforcement pipeline.
5. The Project also includes Ancillary Facilities (customer services) for which the Company is not seeking leave to construct.
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 clearly expressed preference and interest in natural gas service from future customers within the community in question. Through the combination of attachments, NGEF 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 NGEF 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. The OEB's decision in this proceeding on the intervenor evidence reinforces that the project need for a community expansion project can be derived from the NGEF 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 NGEF-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

Community Support

8. The Project will further 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:

¹ EB-2023-0261, Decision on Intervenor Evidence, Consolidation of Natural Gas Expansion Program-Related Proceedings, Technical Conference, and Procedural Order No. 2, p. 13.

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

9. As part of Phase 2 of the NGEP 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 NGEP. The Project was included in those that were selected for funding.³
10. Consistent with the NGEP'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. Support for the Project has come from a variety of sources including the Municipality of West Grey and the residents in the Project area.
11. The Municipality of West Grey has emphasized its support for the Project on multiple occasions via expressions of support, dated March 3, 2020 and September 7, 2023.⁴
12. Enbridge Gas retained Forum Research, an independent third-party research firm, to conduct quantitative research to ascertain interest in obtaining natural gas service amongst household and commercial business populations of Neustadt. Surveying was conducted door-to-door and via letters distributed to residents, with follow-up online and computer-assisted telephone interviewing surveys between August 23 and September 18, 2022 (the Forum Survey).⁵

² Government of Ontario, *Natural Gas Expansion Program* < <https://www.ontario.ca/page/natural-gas-expansion-program> >

³ Exhibit B, Tab 1, Schedule 1, p. 2, para. 4.

⁴ Exhibit B, Tab 1, Schedule 1, Attachment 2.

⁵ Exhibit B, Tab 1, Schedule 1, Attachment 3.

13. The Forum Survey informed residents and commercial/industrial 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.⁶
14. A total of 128 surveys were completed. 88% of respondents indicated that they would be likely (extremely likely, very likely or likely) to convert to natural gas if it were made available. Of those respondents likely to convert to natural gas, approximately 82% indicated that they would convert within 1 year of natural gas service becoming available, 12% indicated they would convert within 1-2 years of natural gas service becoming available, and the remaining 6% would convert in 2 years or more of natural gas service becoming available.⁷ Enbridge Gas has forecasted that 72 attachments will occur in the first year of the Project.⁸
15. To ensure forecasted customer attachments are realized, Enbridge Gas's Customer Attachment team commenced customer outreach activities in February 2024. Customer outreach activities, such as customer information sessions (Kiosks), digital/social marketing campaigns, and individual one-on-one conversations at residents' homes upon request or by means of door-to-door engagement activities will continue throughout the Project lifecycle.⁹

Growth Forecast

16. Informed by Municipal Property Assessment Corporation (MPAC) data and the above survey results showing high level of likely conversions, Enbridge Gas

⁶ Exhibit B, Tab 1, Schedule 1, p. 3, para. 9.

⁷ Exhibit B, Tab 1, Schedule 1, p. 3, para. 10.

⁸ Exhibit B, Tab 1, Schedule 1, p. 7, Table 2.

⁹ Exhibit I.STAFF-2, part b).

provided an expected ten-year growth forecast for customer additions in the Project area.

Table 1
Forecasted Customer Attachments for the Project¹⁰

Neustadt Customer Additions	Total Potential Customers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total Forecasted
Residential Units (Singles)	194	60	34	26	17	9	5	5	5	5	5	171
Residential Multi-units (Semis, Towns, Apartments)	34	11	8	6	4	1						30
Commercial/Industrial Units	39	1	13	7	4	1	1	1	1			29
Total	267	72	55	39	25	11	6	6	6	5	5	230

C. Alternatives

17. 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 a community expansion project, 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.¹¹ 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

¹⁰ Exhibit B, Tab 1, Schedule 1, p. 7, Table 2.

¹¹ Exhibit C, Tab 1, Schedule 1; Exhibit I.PP-5.

alternatives.¹² The OEB reiterated in its decision on the intervenor evidence in this proceeding that the NGEF funded projects are not subject to IRP. The OEB stated, “The NGEF 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 NGEF funded project.”¹³

D. Project Cost and Economics

18. Based on the results of the E.B.O. 188 analysis and given the NGEF 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 NGEF 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.
19. Total estimated cost of the proposed Project is \$7.8 million (including both pipeline and ancillary facilities).¹⁴ Based on the forecast of costs and revenues before SES and NGEF funding, the Project has a PI of 0.20, which improves to 0.44 with the inclusion of the SES. The Company will require the NGEF funding to support the economic feasibility of the Project. After SES and NGEF funding, the Project has a net present value (NPV) of \$5,000 and a PI of 1.00.¹⁵
20. 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.

¹² Ibid.

¹³ EB-2023-0261, Decision on Intervenor Evidence, Consolidation of Natural Gas Expansion Program-Related Proceedings, Technical Conference, and Procedural Order No. 2, p. 13.

¹⁴ Exhibit E, Tab 1, Schedule 1, p. 1; Exhibit I.STAFF-5, Attachment 1.

¹⁵ Exhibit E, Tab 1, Schedule 1, p. 4, para. 13.

21. 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 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

22. To select the Preferred Route (PR) for the Project, Enbridge Gas retained Stantec Consulting Ltd. (Stantec) to undertake a route evaluation and environmental and socio-economic impact study, which included a cumulative effects assessment and Stage 1 Archaeological Assessment (AA). As part of the development of the study, Enbridge Gas and Stantec implemented a consultation program to receive input from interested and potentially affected parties including Indigenous communities. This input was evaluated and integrated into the study. Mitigation measures designed to minimize environmental and community impacts resulting from construction and operation of the Project were also developed as part of the study.
23. 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

¹⁶ EB-2019-0188, Decision and Order, May 7, 2020, pp. 12-13; 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; Exhibit I.ED-17.

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

24. The PR for the Project follows the public road allowance for the majority of the Project's route(s). Enbridge Gas will obtain all necessary consents to construct in road allowance prior to commencing construction.
25. 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

26. 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.
27. Enbridge Gas received a Delegation Letter from the Ministry of Energy (ENERGY) for the Project,¹⁷ indicating that ENERGY had delegated the procedural aspects of consultation to Enbridge Gas for the Project.
28. An Indigenous Consultation Report was provided to ENERGY on the date of filing the current Application with the OEB. ENERGY will review Enbridge Gas's consultation with Indigenous groups potentially affected by the Project and

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

provide its decision as to whether Enbridge Gas's consultation has been sufficient.

29. On March 20, 2024, ENERGY advised Enbridge Gas that it anticipated providing Enbridge Gas with the letter of opinion in April 2024. Upon receipt of ENERGY's decision regarding the sufficiency of Indigenous consultation on the Project, Enbridge Gas will file it with the OEB.

H. Conclusion

30. 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 so that Project construction can commence by June 2024.