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VIA EMAIL and RESS

March 27, 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-2023-0201
Eganville 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,

Eric VanRuymbeke
Sr. Advisor – Leave to Construct Applications

c.c. Guri Pannu (Enbridge Gas Counsel)
EB-2023-0201 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 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 provide access to natural gas within the Townships of Admaston/Bromley, North-Algona Wilberforce and Bonnechere Valley in the County of Renfrew;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order approving the terms and conditions upon which, and the period for which, the Corporation of the Township of Bonnechere Valley is, by by-law, to grant to Enbridge Gas Inc. the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works in the Township of Bonnechere Valley;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order directing and declaring that the assent of the municipal electors of the Township of Bonnechere Valley to the by-law is not necessary;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order granting a Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of Bonnechere Valley;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order approving the terms and conditions upon which, and the period for which, the Corporation of North Algona Wilberforce Township is, by by-law, to grant to Enbridge Gas Inc. the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works in the Township of North Algona Wilberforce;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order directing and declaring that the assent of the municipal electors of the Township of North Algona Wilberforce to the by-law is not necessary;

AND IN THE MATTER OF an Application by Enbridge Gas Inc. for an Order granting a Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of North Algona Wilberforce.

ENBRIDGE GAS INC.

ARGUMENT-IN-CHIEF

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A. Introduction

1. Enbridge Gas Inc. (Enbridge Gas or the Company) filed an application (updated January 12, 2024) 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 Eganville Community Expansion Project, EB-2023-0201 (the Project). 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.
2. In the application, Enbridge Gas also requests that the OEB make the following orders pursuant to the *Municipal Franchises Act*:¹
 - pursuant to s.8 of the *Municipal Franchises Act*, an Order granting a Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of Bonnechere Valley;
 - pursuant to s.9(3) of the *Municipal Franchises Act*, an Order approving the terms and conditions upon which, and the period for which, the Township of Bonnechere Valley is, by by-law, to grant Enbridge Gas the right to construct and operate works for the distribution, transmission and storage of natural gas within the Township of Bonnechere Valley and the right to extend and add to the works;
 - pursuant to s.9(4) of the *Municipal Franchises Act*, an Order directing and declaring that the assent of the municipal electors of the Township of Bonnechere Valley is not necessary for the proposed franchise agreement by-law under the circumstances;
 - pursuant to s.8 of the *Municipal Franchises Act*, an Order granting a Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of North Algona Wilberforce;

¹ Exhibit A, Tab 2, Schedule 1; Exhibit I-STAFF-2.

- pursuant to s.9(3) of the *Municipal Franchises Act*, an Order approving the terms and conditions upon which, and the period for which, the Township of North Algona Wilberforce is, by by-law, to grant Enbridge Gas the right to construct and operate works for the distribution, transmission and storage of natural gas within the Township of North Algona Wilberforce and the right to extend and add to the works; and
 - pursuant to s.9(4) of the *Municipal Franchises Act*, an Order directing and declaring that the assent of the municipal electors of the Township of North Algona Wilberforce is not necessary for the proposed franchise agreement by-law under the circumstances.
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 723 customers in the Townships of Admaston/Bromley, North-Algona Wilberforce and Bonnechere Valley.² Enbridge Gas seeks an order granting leave to construct in the Townships of Admaston/Bromley, North-Algona Wilberforce and Bonnechere Valley natural gas distribution pipelines and facilities that are:
- Phase 1
 - i. Approximately 11 km of Nominal Pipe Size (NPS) 8 inch Polyethylene (PE), and
 - ii. Approximately 50 m combination of NPS 6 inch and 8 inch Steel (ST).
 - Phase 2
 - i. Approximately 11 km of NPS 8 inch PE.

² Exhibit I.STAFF.5 part b) (Bonnechere Valley = 648, North Algona Wilberforce = 47, Admaston Bromley = 28)

5. The Project also includes Ancillary Facilities for which the Company is not seeking leave to construct, comprising a pressure reducing station and approximately 21 km of PE distribution mains and customer services.
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, 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 NGEP 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.³

Community Support

9. 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:

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.⁴

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.⁵
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 with the impacted municipalities since 2020 and its representative governments. Support for the Project has come from a variety of sources including the Townships of Admaston/Bromley, North-Algona Wilberforce and Bonnechere Valley, and the residents in the Project area.
12. The Township of Bonnechere Valley first formally identified its support for the proposed project in a letter dated July 17, 2020. Since then, the Township of Bonnechere Valley and the Township of North Algona Wilberforce have each passed a resolution and associated draft bylaw (on January 18, 2022 and

³ EB-2023-0201, Decision on Intervenor Evidence, Consolidation of Natural Gas Expansion Program Related Proceedings, Technical Conference, and Procedural Order 2 (February 29, 2014), p. 13.

⁴ Government of Ontario, *Natural Gas Expansion Program* < <https://www.ontario.ca/page/natural-gas-expansion-program> >

⁵ Exhibit B, Tab 1, Schedule 1, p. 2.

September 20, 2022 respectively) related to franchise agreements needed to proceed with the proposed Project.⁶ The Townships of Admaston/Bromley, Bonnechere Valley and North Algona Wilberforce have emphasized their support for the Project through letters of support, dated August 4, 2023, August 8, 2023, and September 5, 2023, respectively.⁷

13. To date, one letter of comment has been filed with the OEB. The letter was received in advance of the filing of Enbridge Gas's written interrogatory responses and is addressed at Exhibit I.STAFF.1.
14. 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 the surveys in spring 2022 (the Forum Survey).⁸
15. 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.⁹
16. 82% of Forum Survey 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 likely to convert, approximately 75% indicated that they would convert within 1 year of natural gas service becoming available, 15% indicated they would convert within 1-2 years of natural gas service becoming available, and the

⁶ Exhibit B, Tab 1, Schedule 1, pp. 2-3, para. 6.

⁷ Exhibit B, Tab 1, Schedule 1, Attachments 3 - 5.

⁸ Exhibit B, Tab 1, Schedule 1, Attachment 6.

⁹ Exhibit B, Tab 1, Schedule 1, p. 3.

remaining 9% would convert in 2 years or more of natural gas service becoming available.¹⁰ Enbridge Gas has forecasted that 63 attachments will occur in the first year of the Project.¹¹

Growth Forecast

17. Informed by Municipal Property Assessment Corporation (MPAC) data and the above survey results showing high level of likely conversions, Enbridge Gas provided an expected ten-year growth forecast for customer additions in the Project area.

Table 1
Forecasted Customer Attachment for the Project¹²

Eganville 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 Units (Singles)	56	140	111	56	56	28	28	28	28	28	559
Residential Multi-Units (Semis, Towns, Apartments)	0	22	19	20	19	5	3	3	3	3	97
Commercial Units	7	16	14	14	7	3	2	2	2	0	67
Industrial Units	0	0	0	0	0	0	0	0	0	0	0
Total	63	178	144	90	82	36	33	33	33	31	723

C. Alternatives

18. 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

¹⁰ Exhibit B, Tab 1, Schedule 1, p3. 3-4, para. 10.

¹¹ Exhibit B, Tab 1, Schedule 1, p. 7, Table 2; Exhibit I.STAFF-5 part a).

¹² Exhibit I.STAFF-5 part a).

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.¹³

19. 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. However, the Company did assess routing alternatives.¹⁴

D. Project Cost and Economics

20. 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.
21. Total estimated cost of the proposed Project is \$35.5 million (including both pipeline and ancillary facilities).¹⁵ Based on the forecast of costs and revenues before SES and NGEP funding, the Project had a PI of 0.21, which improves to 0.37 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 \$(23,740) and a PI of 1.0.¹⁶
22. 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

¹³ Exhibit C, Tab 1, Schedule 1.

¹⁴ Ibid.

¹⁵ Exhibit E, Tab 1, Schedule 1, p. 1; Exhibit I.STAFF.7 part a).

¹⁶ Exhibit E, Tab 1, Schedule 1, p. 4, para. 13.

(RSP) during which the Company will bear the risk of the Project customer attachment and capital expenditure forecast.

23. 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.¹⁷

E. Environmental

24. 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 cumulative effects assessment and Stage 1 Archaeological Assessment (AA). As part of the development of the studies, Enbridge Gas and Stantec 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 Project were also developed as part of the applicable studies.
25. 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

¹⁷ EB-2019-0188, Decision and Order, May 7, 2020, pp. 12-13; Exhibit I.ED.19; 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.

impacts on the environment. No significant environmental or cumulative effects are anticipated from development of the proposed pipeline Project.¹⁸ Enbridge Gas will complete the EPP prior to mobilization and construction of the Project.

F. Land Matters

26. The PR for the Project follows the public road allowance for the majority of the Project's route(s). Sections of the proposed Project within the Township of Admaston/Bromley will be located within McGaghran Road. Specific segments of said road are owned by the Township, while other segments of the road are known to be a "forced road", deeded to private landowners and partially maintained by the Township as a public highway. These maintained segments are grandfathered as public highway under section 26 of the Municipal Act, 2001. Enbridge Gas is currently engaged in ongoing discussion with the Township of Admaston/Bromley to determine permissible limits of those sections of the McGaghran Road. Enbridge Gas has/will obtain all necessary consents to construct in road allowance or within sections of McGaghran Road (if required) prior to commencing construction.¹⁹
27. 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.²⁰

G. Indigenous Consultation

28. 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-

¹⁸ Exhibit F, Tab 1, Schedule 1, pp. 4-5.

¹⁹ Exhibit G, Tab 1, Schedule 1, p. 1; Exhibit I.STAFF-11.

²⁰ Ibid.

related impacts on Indigenous interests including rights, and provide mutually beneficial opportunities where possible.

29. Enbridge Gas received a Delegation Letter from the Ministry of Energy (MOE) for the Project,²¹ indicating that the MOE had delegated the procedural aspects of consultation to Enbridge Gas for the Project. On September 27, 2022, Enbridge Gas provided an updated description of the Project to the MOE reflecting refinements made to the design and preferred route of the Project since the letter dated February 14, 2022.²² MOE responded to Enbridge Gas on October 20, 2022, confirming there were no changes to the communities identified for consultation in the Delegation Letter.²³
30. 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.
31. On December 12, 2023, the MOE advised Enbridge Gas that they were in the process of doing additional follow-ups to the communities who they hadn't spoken with and expect to be in a position to provide the letter of opinion soon.²⁴ 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

32. Based on the foregoing, Enbridge Gas respectfully requests that the OEB issue an order granting leave to construct for the Project pursuant to section 90 of the OEB Act and an order approving the forms of Temporary Land Use Agreement

²¹ Exhibit H, Tab 1, Schedule 1, Attachment 2.

²² Ibid, Attachment 3.

²³ Ibid, Attachment 4.

²⁴ Exhibit I.STAFF.13 part c).

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 OEB issue orders pursuant to the *Municipal Franchises Act* approving new franchise agreements and certificates of public convenience and necessity (CPCN) for the Township of Bonnechere Valley and the Township of North Algona Wilberforce.