



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

BY EMAIL

February 3, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Enbridge Gas Inc. (Enbridge Gas)
East Gwillimbury Community Expansion Project
OEB File Number: EB-2023-0343**

In accordance with OEB's Decision and Procedural Order No. 4, please find attached OEB staff's submission in the above proceeding. The attached document has been forwarded to Enbridge Gas Inc. and to all other registered parties to this proceeding.

Yours truly,

Judith Fernandes
Senior Advisor, Natural Gas Applications

Encl.

c: All parties in EB-2023-0343



ONTARIO ENERGY BOARD

OEB Staff Submission

Enbridge Gas Inc.

East Gwillimbury Community Expansion Project

EB-2023-0343

February 3, 2025

Table of Contents

Application Summary	1
The Proceeding	4
OEB Staff Submission	6
Project Need	7
Project Alternatives	11
Project Cost and Economics	12
Environmental Impacts	17
Landowner Matters	19
Indigenous Consultation	19
Conditions of Approval	22
Request to Cancel and Replace Certificates of Public Convenience and Necessity ...	22

Application Summary

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) under section 90 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B)* (OEB Act), for an order granting leave to construct approximately 36.5 kilometres of natural gas pipeline (Project) in the Town of East Gwillimbury with potential pipeline sections in the Township of King, Town of Georgina, and Town of Whitchurch-Stouffville.

The Project is comprised of nine individual pipeline facility sections within and along the borders of the Town of East Gwillimbury that have been organized into two construction phases:

Phase 1 includes:

- Section 1: Approximately 710 m of Nominal Pipe Size (NPS) 2-inch Polyethylene (PE) on Bathurst St., south of Queensville Sideroad W.
- Section 2: Approximately 90 m of NPS 4-inch PE on Yonge St. north of Doane Rd., and approximately 470 m of NPS 2-inch PE on Queens Ct.
- Section 3: Approximately 500 m of NPS 2-inch PE in Holland Landing, at the intersection of Mount Albert Rd., Queens St., and Yonge St.
- Section 4: Approximately 1.2 km of NPS 2-inch PE on 2nd Concession Rd. and Valley Trail.
- Section 5: Approximately 1.9 km of NPS 2-inch PE on Davis Dr., from Warden Ave. to Kennedy Rd.
- Section 8: Approximately 3.3 km of NPS 2-inch PE on Centre St., Queensville Sideroad E., and Orchard Ct.

Phase 2 includes:

- Section 6: Approximately 7.9 km of NPS 2-inch PE on Warden Ave., Holborn Rd., John Rye Trail, and Fairbairn Gate, and approximately 30 m of NPS 2-inch Steel (ST) to facilitate the station tie-in to the existing ST gas main.
- Section 7: Approximately 10.1 km of NPS 4-inch and 2.1 km of NPS 2-inch PE on McCowan Rd., Pelosi Way, Patson Ct., and Manor Ridge Trail, and approximately 110 m of NPS 2-inch ST to facilitate the station tie-in to the existing ST gas main.
- Section 9: Approximately 7.9 km of NPS 2-inch PE and 110 m of NPS 4-inch

PE on Ravenshoe Rd. from Warden Ave., crossing Hwy 48 (MTO) and connecting Blake Ave. and York St.

- Ancillary facilities including: two pressure reducing stations on sections 6 and 7, and customer services.

The Project will supply natural gas to approximately 263 new customers who currently do not have access to natural gas services. The Project was selected as eligible to receive funding from the Government of Ontario as part of Phase 2 of the Natural Gas Expansion Program (NGEP).

Enbridge Gas 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 affected by the routing or location of the Project.

As part of its application, Enbridge Gas is seeking OEB orders under section 8 of the *Municipal Franchises Act*:

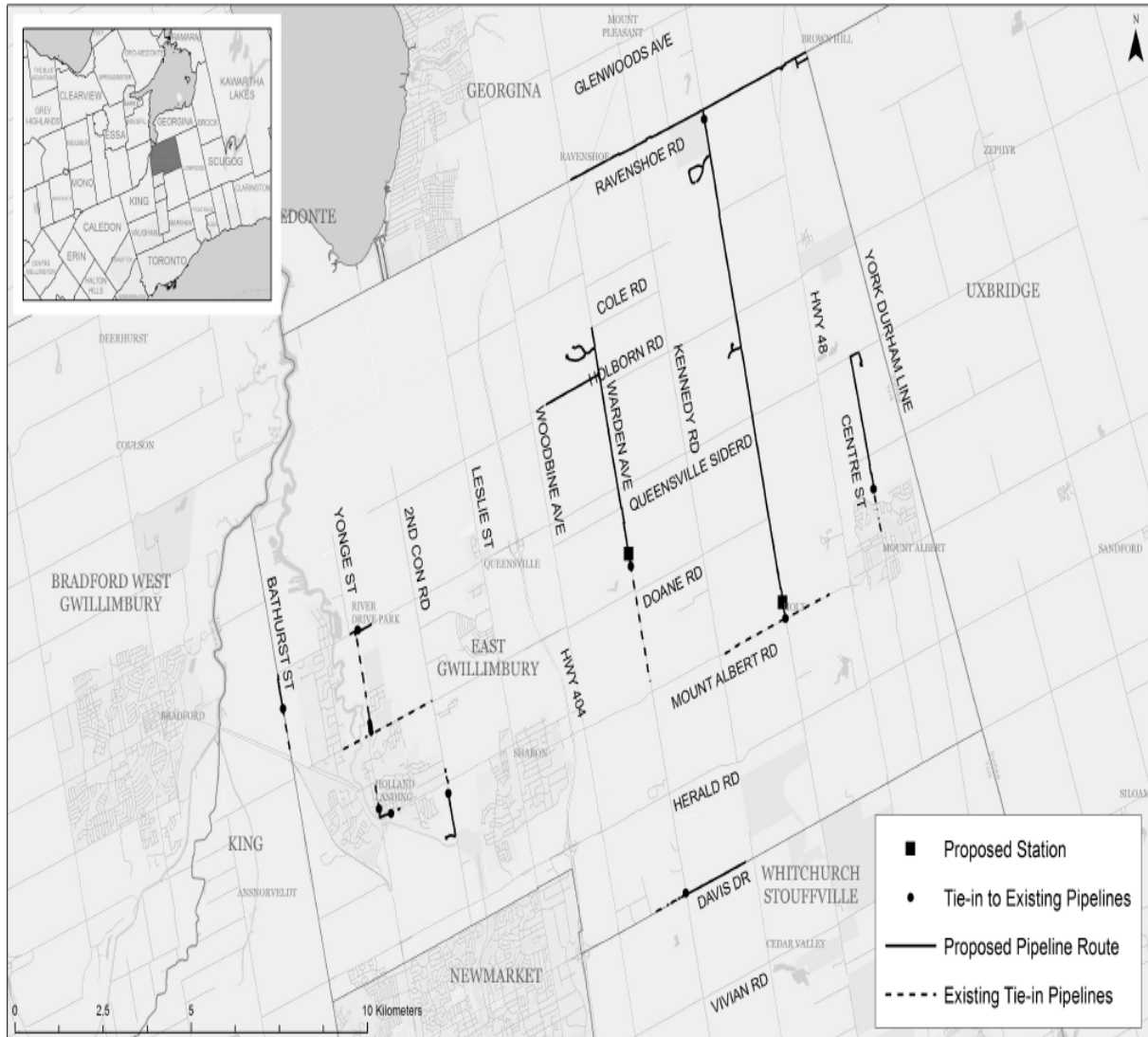
- a) Cancelling and superseding the existing Certificate of Public Convenience and Necessity held by Enbridge Gas Inc. for the former Township of East Gwillimbury and replacing it with a new Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Town of East Gwillimbury, to address the municipal name change and the change in municipal boundaries.
- b) Cancelling and superseding the existing Certificates of Public Convenience and Necessity held by Enbridge Gas Inc. for the Township of King and replacing it with a new Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of King that addresses the municipal boundary changes that have occurred.

Enbridge Gas states that construction of the Project is planned to commence in March 2025 and is expected to be in service in November 2025.¹

A general location of the Project is shown on the map below:

¹ Cover Letter to Updated application, p.2

East Gwillimbury Community Expansion Project



The Proceeding

On November 28, 2023, Enbridge Gas filed an application for leave to construct 37.3 kilometres of natural gas pipeline in the Town of East Gwillimbury with potential pipeline sections in the Township of King, Town of Georgina, and Town of Whitchurch-Stouffville. The OEB issued a Notice of Hearing on January 11, 2024.

Environmental Defence, Federation of Rental-housing Providers of Ontario (FRPO) and Pollution Probe applied for intervenor status and cost eligibility and these requests were approved. In its letter of intervention, Environmental Defence stated that it wished to file evidence in this proceeding and requested for an opportunity to provide a description of its evidence and a cost estimate.

In Procedural Order No. 1, issued March 1, 2024, the OEB provided a process for Environmental Defence to file a letter with a description and cost estimate of the evidence. The OEB also provided OEB staff, intervenors and Enbridge Gas with an opportunity to file submissions on Environmental Defence's letter and for Environmental Defence to reply to the submissions. The OEB also set the schedule for the filing of interrogatories and responses on Enbridge Gas's application.

On March 8, 2024, Environmental Defence filed a letter with a description and cost estimate of the proposed evidence, relating to surveys and heat pumps. By March 15, 2024, OEB staff, Pollution Probe and Enbridge Gas filed submissions on Environmental Defence's letter describing its proposed evidence. Environmental Defence filed a response to these submissions on March 22, 2024.

OEB staff and intervenors filed interrogatories by March 19, 2024. On April 3, 2024, Enbridge Gas filed a letter advising that it was not able to proceed with the filing of its interrogatory responses and requested that the application be put into abeyance. Enbridge Gas explained that its evidence needed to be updated due to the omission of a section of pipeline from the Environmental Report that was included in the pre-filed evidence. Enbridge Gas advised that there would likely be a need to amend the evidentiary record in advance of the completion of the interrogatory phase of the proceeding.

On April 4, 2024, the OEB issued Procedural Order No. 2 granting Enbridge Gas's request by placing the application into abeyance. The OEB stated that it expected Enbridge Gas to provide its update by June 21, 2024. The OEB also cancelled the remaining procedural steps in Procedural Order No. 1.

On April 20, 2024, Environmental Defence filed a letter requesting that the OEB issue a decision on its request to submit evidence while the proceeding was in abeyance. Environmental Defence also requested to file what it described as factual evidence on the past and anticipated efforts of community members to inform gas expansion area residents about the disadvantages of connecting to the gas system and the benefits of alternatives (Community Advocacy Evidence).

On May 21, 2024, Enbridge Gas responded stating that the OEB should deny Environmental Defence's requests for the filing of survey and heat pump evidence and Community Advocacy Evidence.

On June 14, 2024, Enbridge Gas filed a letter requesting that the OEB continue to hold the application in abeyance until August 30, 2024, to allow for sufficient time for the Ontario Pipeline Coordination Committee (OPCC) to review and comment on the draft Environmental Report Addendum, and for Enbridge Gas to incorporate the OPCC comments and prepare updated evidence.

By letter dated June 19, 2024, the OEB extended the abeyance period until August 30, 2024.

On August 30, 2024, Enbridge Gas filed an updated application which included, among other things, a reduction in the:

- customer forecast from 369 customers to 263
- total pipeline length from 37.3 km to 36.5 km
- total capital cost from \$14.7 million to \$13.0 million.

On September 20, 2024, the OEB issued Procedural Order No. 3 setting out a process for interrogatories on the updated evidence; responses to all interrogatories filed in the proceeding (pursuant to both Procedural Order No. 1 and No. 3); and submissions on the need for a technical conference.

Additional interrogatories were filed by OEB staff and by intervenors by October 8, 2024. Enbridge Gas filed its interrogatory responses on October 22, 2024. Environmental Defence and OEB staff filed comments on the need for a technical conference by November 5, 2024.

Environmental Defence requested that a technical conference be held, or alternatively, that the OEB order Enbridge Gas to provide full and adequate responses to interrogatories relating to Normalized System Reinforcement Costs and other matters

identified in its letter of November 5, 2024. Environmental Defence stated that this alternative request constitutes a motion under Rule 27.

OEB staff submitted that, upon review of the existing interrogatory responses on the record, further discovery through a technical conference is not required.

On January 13, 2025, the OEB issued Decision and Procedural Order No. 4 denying the requests made by Environmental Defence to submit intervenor evidence; the request for a technical conference; and the motion related to Enbridge Gas's interrogatory responses. The OEB also set a schedule for final argument. On January 23, 2025, Enbridge Gas filed its Argument-in-Chief (AIC). Submissions by OEB staff and intervenors are due by February 3, 2025, and Enbridge Gas may file its reply submission by February 13, 2025.

OEB Staff Submission

OEB staff supports the approval of Enbridge Gas's leave to construct application, subject to the OEB's standard conditions of approval, and subject to OEB staff's comments on Indigenous consultation, below. OEB staff also supports the approval of the forms of land-use agreements proposed by Enbridge Gas.

Consistent with the [OEB's Standard Issues List](#) for natural gas leave to construct applications, OEB staff's submission is structured to address the following issues:

1. Project Need
2. Project Alternatives
3. Project Cost and Economics
4. Environmental Impacts
5. Landowner Matters
6. Indigenous Consultation
7. Conditions of Approval

As discussed in the final section of the submission, OEB staff supports the granting of Enbridge Gas's requests for OEB orders:

- a) Cancelling and superseding the existing Certificate of Public Convenience and Necessity held by Enbridge Gas Inc. for the former Township of East Gwillimbury and replacing it with a new Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Town of East Gwillimbury, to address the municipal name change and the change in municipal boundaries.

- b) Cancelling and superseding the existing Certificates of Public Convenience and Necessity held by Enbridge Gas Inc. for the Township of King and replacing it with a new Certificate of Public Convenience and Necessity to construct works to supply natural gas in the Township of King that addresses the municipal boundary changes that have occurred.

Project Need

The Project is one of 210 proposals for community expansion projects, including four economic development projects, submitted to the OEB, and included in the OEB's *Report to the Minister of Energy, Northern Development and Mines and to the Associate Minister of Energy: Potential Projects to Expand Access to Natural Gas Distribution*.²

The Project is one of 28 projects across 43 communities selected as eligible to receive funding, as part of the Ontario Government's Phase 2 NGEP as specified in Ontario Regulation 24/19, Expansion of Natural Gas Distribution System, made under the OEB Act.³

The NGEP provides funding to Ontario natural gas distributors to support the expansion of natural gas to communities that are not currently connected to the natural gas system. NGEP funding acts in a manner similar to a contribution in aid of construction and is designed to bring projects that would otherwise be uneconomic to a profitability index of 1.0 (i.e., make them economic under the OEB's test under E.B.O. 188). The Expansion of Natural Gas Distribution Systems Regulation sets out the funding mechanism and includes the projects selected to receive the government funding as well as the amount of funding allocated to each project.⁴ Enbridge Gas noted that the Project supports the Ontario government's efforts to help expand access to natural gas in Ontario that do not currently have access to the natural gas system.⁵

Enbridge Gas provided its ten-year forecast of customer attachments in support of the Project as shown in Table 1 below:

² EB-2019-0255, OEB's Report to the Minister of Energy, Northern Development and Mines and the Associate Minister of Energy: Potential Projects to Expand Access to Natural Gas Distribution, December 10, 2020

³ Ontario Regulation 24/19 Expansion of Natural Gas Distribution Systems, Schedule 2

⁴ The Expansion of Natural Gas Distribution Systems Regulation sets the mechanism for sourcing the funding of the eligible expansion projects by requiring that rate-regulated natural gas distributors charge each of their customers \$1 per month.

⁵ Updated application, Exhibit B, Tab1, Schedule, 1, p.1

Table 1
Forecasted Customer Attachments for the Project- Updated Application

East Gwillimbury 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)	60	36	36	23	23	12	12	12	12	12	238
Agricultural Units	0	5	1	0	0	0	0	0	0	0	6
Commercial/Industrial Units	2	8	4	3	2	0	0	0	0	0	19
Total	62	49	41	26	25	12	12	12	12	12	263

Enbridge Gas stated that Municipal Property Assessment Corporation (MPAC) data was used to establish the basis for the forecast and to designate property types such as commercial or industrial. Field visits were subsequently conducted to confirm addresses within the proposed Project scope and verify desktop category assumptions. Further, Enbridge Gas retained Forum Research to conduct surveys of potential customers in 2023, results of which yielded a 76% attachment rate for existing residential properties and small commercial properties. This percentage was applied to the total number of existing residential properties within the scope of the Project resulting in a forecast of 369 customers in the original application.

As noted earlier, Enbridge Gas filed an updated application which included, among other things, a reduction in the customer forecast from 369 customers to 263, representing a decrease of approximately 30% in the customer forecast. Enbridge Gas stated that the reduction in the customer forecast was to account for the particularly long services required to attach customers in this specific Project area and the associated Extra Length Charge (ELC) per meter, which has increased since the application was originally filed. Enbridge Gas stated that at the end of the ten-year period, the overall assumed capture rate for the Project is approximately 53%, to account for the ELC adjustment.⁶

In response to OEB staff interrogatories regarding the reduction in customer forecast, Enbridge Gas provided further explanation of the increased ELC and its impact on the forecast.

Enbridge Gas stated that in its rebasing application, it proposed a harmonized service length threshold of 20 metres that would be provided free of charge for infill service

⁶ IRR, Exhibit I, STAFF 3, pp.3,4

connections, and an updated ELC of \$159 per additional metre across all franchise areas and requested approval of this charge. In the OEB's Decision and Order on the rebasing application⁷, the OEB approved the proposed ELC of \$159 per metre beyond the first 20 meters for use in 2024. Enbridge Gas stated that the ELC assumed in its original application was \$32 per metre beyond the first 20 metres from the property line, based on the ELC at the time. In the updated application, the ELC assumed is \$159 per metre beyond the first 20 metres, in accordance with the OEB's decision.

Enbridge Gas asserted that higher costs could influence a potential customer's willingness to connect to natural gas. It has, therefore, decreased the customer forecast for East Gwillimbury to account for a potential reduction in attachments due to the higher total ELC costs expected in this community driven by a higher proportion of long services within the scope of the Project.⁸

Enbridge Gas explained that it updated the forecast based on analysis it conducted of historical ELC cost data from a sample of residential attachments from 2022 and 2023 to determine an ELC threshold that would deter customers from switching to natural gas. Based on its analysis, Enbridge Gas determined a total ELC threshold of approximately \$5,600. Enbridge Gas acknowledged that it is difficult to determine a single, definitive ELC drop off point or threshold figure, noting that a customer's decision to convert to natural gas depends on several factors, including but not limited to, their economic status, fuel usage levels, existing fuel source and equipment and how they relate to the cost to convert to natural gas, and payback tolerance related to the upfront investment to convert to natural gas. However, Enbridge Gas asserted that this ELC value is a reasonable and conservative estimate of the ELC threshold at which potential customers may be deterred from attaching.

Enbridge Gas explained that it reduced its customer forecast by approximately 30% to account for the number of services that would require an ELC payment higher than the ELC threshold, resulting in a customer attachment forecast of 263 customers.

Enbridge Gas stated that it began customer outreach in March 2024 and will continue throughout the Project lifecycle. Outreach activities to date include customer information sessions hosted on March 25-26, 2024, in addition to digital/social marketing campaigns, and individual one-on-one conversations at residents' homes upon request or by means of door-to-door engagement activities. Enbridge Gas expects to conduct

⁷ EB-2022-0200 Decision and Order, December 21, 2023, p. 50

⁸ IRR, Exhibit I, STAFF-10 b) i, p.3

additional customer attachment events throughout Project construction and execution in coordination with the Municipality and the community.

Enbridge Gas noted that the need for the Project is supported by the Town of East Gwillimbury through their request for natural gas for their constituents.⁹

OEB Staff Submission

OEB staff submits that Enbridge Gas has established the need for the Project.

The Project is one of the community expansion projects selected by the Ontario Government as eligible to receive NGEP funding. OEB staff submits that availability of NGEP funding to enable the provision of natural gas service in unserved communities is an important consideration in the determination of the public interest. NGEP funding acts in a manner similar to a contribution in aid of construction and is designed to make projects economic, that would otherwise be uneconomic based on the OEB's test under E.B.O. 188 guidelines.

OEB staff observes that the OEB in its decisions¹⁰ on previous community expansion projects underscored the importance of the genesis of community expansion projects in its assessment of project need, specifically noting that these proposed projects obtain their potential viability because of the passage of the *Access to Natural Gas Act, 2018*.

The OEB's findings noted that while traditional utility regulatory principles provide that costs should be allocated proportionately to customers that have caused the costs to occur, the *Access to Natural Gas Act, 2018* and O. Reg. 24/19 that was promulgated following its passage enabled an exception to the established regulatory principles. This exception advanced the goal of rate protection for customers in communities where the gas distributor has made a qualifying investment providing those customers with a rate reduction for natural gas service, which was designed to ensure that the revenues of the project would match the costs of the project (after the application of NGEP funding).

The OEB concluded that the Ontario government has identified a public need through its passage of the above noted legislation, and provided that a project is shown to be economic within the financial parameters set out in the legislation, it meets the requirements of the public interest criterion in section 96(1) of the OEB Act.

⁹ Updated Application, Exhibit B, Tab 1, Schedule 1, Attachments 2, 3

¹⁰ OEB 2023 and 2024 Decisions: EB-2022-0248 Decision, pp. 12,13; EB-2022-0156 Decision, pp. 12,13; EB-2022-0249 Decision, pp. 12,13; EB-2022-0111 Decision, pp.12,13; EB-2023-0261 Decision, p.10; EB-2022-0261 Decision, pp.11,12; EB-2023-0200 Decision, p.12

OEB staff submits that Enbridge Gas has used multiple methods to establish the ten-year forecast of customer attachments and has provided an acceptable rationale for the reduction in the customer forecast. OEB staff notes that Enbridge Gas has committed to continue engaging in outreach activities to ensure forecasted customer attachments are realized. OEB staff observes that the Project is supported by the Town of East Gwillimbury.

While there has been some debate throughout the course of the proceeding as to whether conversion to heat pumps may be more cost effective than conversion to natural gas, Enbridge Gas's survey results suggest that there is sufficient interest in natural gas conversion in the community to allow Enbridge Gas to achieve its customer connection forecast. OEB staff submits that the need for the Project is supported by these survey results, in addition to passage of the legislation that created the NGEF. However, there is certainly a risk that over the ten-year customer attachment period, some of the customers that are forecast to attach may not actually do so.

In the section later in this submission on project costs and economics, OEB staff discusses its view that the 10-year Rate Stability Period (RSP) ensures that Enbridge Gas retains the risk of capital cost overruns and fewer customer attachments for the first ten years that the Project is in service. In addition, the requirement for Enbridge Gas to seek approval, in the rebasing application following the conclusion of the RSP, of the inclusion of the updated costs and revenues associated with the Project in rates allows the OEB the opportunity to undertake an additional review at that time. To the extent that the revenues or costs for the Project do not match the forecasts, the OEB can consider adjusting the costs and/or revenues associated with the Project for ratemaking purposes in a manner that continues to place those risks on Enbridge Gas.

Project Alternatives

Enbridge Gas submitted that it applied the Integrated Resource Planning (IRP) Binary Screening Criteria and determined that the Project meets the definition of a community expansion project as defined in the IRP Framework,¹¹ stating:

¹¹ EB-2020-0091, Decision and Order, Enbridge Gas Inc. Integrated Resource Framework Proposal, July 22, 2021, Appendix A. and p. 48. The IRP Framework states that, "If a facility project has been driven by government legislation or policy with related funding explicitly aimed at delivering natural gas into communities, then an IRP evaluation is not required."

...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

Enbridge Gas submitted that 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. That review included preliminary facility design and estimated Project costs.¹³

Enbridge Gas stated that it has not identified any pipeline routing alternatives that would be technically or financially feasible to meet the Project need, as the Project objective is to provide service to specific areas requested by the community and is also based on implementing Enbridge Gas’s best practices, such as utilizing existing road rights-of-way and information procured through the environmental assessment and consultation process.¹⁴

OEB Staff Submission

OEB staff submits that as the Project is a NGEP community expansion project, no IRP evaluation is required. Therefore, OEB staff notes that Enbridge Gas is not required to consider alternatives to infrastructure facilities to meet the need. OEB staff also agrees with Enbridge Gas that the proposed route is appropriate.

Project Cost and Economics

On November 28, 2023, when Enbridge Gas first filed its application seeking leave to construct the Project, it stated that the cost estimate provided in the application of \$14.7 million is lower than the amount estimated in the original project proposal under Phase 2 of the NGEP (\$15.6 million) by approximately \$820,000. Enbridge Gas submitted that the cost variance is primarily attributed to a reduction in the forecasted large volume industrial customers and the identification of a more constructible scope route that

¹² Updated Application, Exhibit C, Tab 1, Schedule 1, p.2

¹³ Updated Application, Exhibit C, Tab 1, Schedule 1, p.3

¹⁴ Updated Application, Exhibit F, Tab 1, Schedule 1, Attachment 1, Sections 2.1.2, 5

bypasses the Highway 404 extension plans and minimizes significant water course crossings and areas with anticipated high-water table.¹⁵

Enbridge Gas filed an updated application on August 30, 2024, revising the Project cost estimate again, to reflect a reduction of \$1.7 million in the total capital cost from approximately \$14.7 million to \$13.0 million (\$11.1 million total pipeline costs and \$1.9 million total ancillary costs). These costs include materials, construction and labour, external costs, contingencies and interest during construction, as shown in Table 2 below:

Table 2: Estimated Project Costs (\$CAD)

Item No.	Description	Pipeline Costs – Phase 1	Pipeline Costs – Phase 2	Ancillary Costs ¹	Total Project costs
1.0	Material	45,213	276,596	176,033	497,842
2.0	Labour and Construction	1,511,859	4,187,564	1,455,526	7,154,949
3.0	Outside Services	1,932,810	1,059,298	67,183	3,059,290
4.0	Land, Permits, Approvals and Consultations	107,975	17,032	0	125,007
5.0	Direct Overheads	437,773	222,486	44,497	704,270
6.0	Contingency	395,363	563,952	176,200	1,135,515
7.0	Sub-Total	4,430,994	6,326,927	1,918,952	12,676,874
8.0	Interest During Construction	97,888	217,337	7,155	322,380
9.0	Total Project Costs	4,528,882	6,544,265	1,926,107	12,999,254

Enbridge Gas stated that the contingency percentage applied was lowered from 15% (Class 4) to 10% (Class 3) on all elements of the estimate as the Project design matured resulting in greater accuracy and validation of assumptions to reflect the risk profile of the Project.¹⁶

Table 3 below compares the NGEP project proposal to the updated application in terms of total capital cost, pipeline length, and ten-year customer forecast¹⁷:

¹⁵ Original application, Exhibit E, Tab 1, Schedule 1, p.2

¹⁶ IRR, Exhibit I, STAFF-11, p.4 and Application, Exhibit E, Tab 1, Schedule 1, p.1

¹⁷ IRR, Exhibit I, STAFF-1, Attachment 1, STAFF-11

Table 3
Updated Application vs. NGEF Project Proposal

	NGEF Project Proposal	Updated Application
Total Capital Cost (\$ million)	\$15.6	\$13
Total Pipeline Length (kilometres)	44.1	36.5
Total Customer Forecast	422	263

In response to interrogatories, Enbridge Gas further explained that customer attachment forecast provided in the original project proposal approved for NGEF Phase 2 funding was developed based on desktop information available at the time. Customer count information relied solely upon MPAC data and municipal/community address extracts to establish the basis for the forecast. The forecast was subsequently adjusted based on field visits, scope refinement, market research, and more recently, the ELC calibration. These adjustments have resulted in the currently forecasted number of customers for the Project of 263 as compared to 422 customers in the original NGEF project proposal. As result of more detailed design, pipe lengths have been updated to more accurately reflect the lengths expected to be installed, ultimately resulting in a reduction of overall pipe required. The total pipeline length since the NGEF proposal has decreased by approximately 7.6 kilometres.¹⁸

Collectively, these updates contributed to a reduction in Project costs of approximately \$2.6 million.

The NGEF funding provided for the Project is approximately \$8.4 million.¹⁹ The NGEF funding is treated similarly to a contribution in aid of construction. Therefore, the total capital cost of the Project, net of NGEF funding, is approximately \$4.6 million. In addition to NGEF funding, Enbridge Gas intends to charge a System Expansion Surcharge (SES) of \$0.23/m³ to the customers attaching to the Project for a term of 40 years to assist with the economic feasibility of the Project, which is consistent with Enbridge Gas's application for a harmonized SES (Harmonized SES Proceeding).²⁰

According to Enbridge Gas, the Project is economically feasible, having a Profitability Index (PI) of 1.0. Enbridge Gas indicated that without the NGEF funding and SES, the

¹⁸ IRR, Exhibit I, STAFF-3, STAFF-11

¹⁹ Ontario Regulation 24/19, Expansion of Natural Gas Distribution Systems, Schedule 2

²⁰ EB-2020-0094

PI for the Project is 0.24, and with the inclusion of the SES the PI is 0.44.²¹ The PI of 1.0 is based on the most up-to-date estimated capital costs and forecasted revenues and is inclusive of the NGEP funding and revenues associated with SES charges. The original PI of the Project as filed in the OEB's proceeding on Potential Projects for NGEP Funding was also 1.0 (inclusive of NGEP funding and SES revenues).²²

Enbridge Gas stated that, consistent with the OEB's findings in the Harmonized SES proceeding,²³ after the Project is placed into service, Enbridge Gas will apply a ten-year RSP during which Enbridge Gas will bear the risk of the Project customer attachment and capital expenditure forecast. In response to interrogatories, Enbridge Gas confirmed that the appropriate net capital to be included in rate base will be addressed in its next rebasing application. Enbridge Gas stated that the final capital costs to be included in rate base will be determined at the rebasing application following the end of the ten-year rate stability period for the Project.²⁴

OEB Staff Submission

OEB staff submits that the updated total estimated cost of the Project is reasonable. OEB staff also notes that the contingency budget is aligned with the contingency budgets for other similar community expansion projects.²⁵

OEB staff submits that the Project, with the inclusion of NGEP funding and revenues associated with SES charges, is forecast to be economically feasible with a projected PI of 1.0.

OEB staff submits that Enbridge Gas's proposal to charge the SES to newly attached customers over a term of 40 years is in accordance with the OEB's findings in the Harmonized SES proceeding.²⁶ Additionally, the OEB's decision on Enbridge Gas's 2024 rebasing application recognized NGEP projects as distinct from other expansion projects, acknowledging that the applicability of the 40-year revenue horizon to NGEP projects was appropriate.²⁷

²¹ Exhibit E, Tab 1, Schedule 1, p.4

²² IRR, Exhibit I STAFF-1, Attachment 1, p.14

²³ EB-2020-0094, Decision and Order, November 5, 2020, pp. 8,9

²⁴ IRR, Exhibit I, STAFF-5 b)

²⁵ EB-2022-0111, Bobcaygeon; EB-2023-0200, Sandford; EB-2022-0201, Eganville; EB-2022-0261, Neustadt

²⁶ EB-2020-0094, Decision and Order, November 5, 2020

²⁷ OEB-2022-0200, Decision and Order, December 21, 2023, pp.30,31

OEB staff observes that specific approval of the SES charge is not required as was confirmed by the OEB in its findings with respect to the Haldimand Shores leave to construct application.²⁸

OEB staff notes that in the Harmonized SES proceeding, the OEB stated the following:

The OEB finds that inclusion of the forecasted capital costs in rate base at the next rebasing before the end of the RSP is consistent with the Generic Decision's requirement for a Community Expansion Project and would achieve the desired goal that Enbridge Gas bear the risk of any capital cost overrun during the RSP. The OEB also finds that the treatment of actual capital costs at the time of rebasing following the rate stabilization period is appropriately the jurisdiction of the panel reviewing the rate rebasing case.²⁹

The OEB further noted:

The OEB confirms the requirement to continue to report on the capital costs, customer attachments and PI of SES projects that require a LTC at the first rebasing following the end of the ten-year RSP... This information will be vital to the panel deciding on the inclusion of actual costs in rate base after the RSP.³⁰

OEB staff submits that Enbridge Gas should bear the risk of any revenue shortfall during the ten-year RSP associated with the customer attachment and capital cost forecasts as this approach is in accordance with the OEB's findings in the Harmonized SES proceeding.³¹ As the original capital cost of the Project is higher than the current net capital cost, OEB staff is of the view that it may not be appropriate to include the original capital cost of the Project that underpinned the NGEF funding proposal in its rebasing application for the year that the Project is forecast to go into service, and instead, use the updated capital cost. OEB staff reserves the right to argue which capital cost forecast (i.e., original or current) should be included, in the next rebasing proceeding. OEB staff believes that the next rebasing proceeding is the appropriate place to make such an argument.

The RSP ensures that Enbridge Gas bears the risk of revenue shortfalls during the first ten years that the Project is in service. OEB staff notes that, after the RSP, the OEB will have the opportunity to review the actual project costs and revenues and determine what amount should be recognized in rates.

²⁸ EB-2022-0088, Decision and Order, August 18, 2022, pp.9,10

²⁹ EB-2020-0094, Decision and Order, November 5, 2020, p.9

³⁰ EB-2020-0094, Decision and Order, November 5, 2020, p.10

³¹ EB-2020-0094, Decision and Order, November 5, 2020

OEB staff submits that the allocation of risk, between ratepayers and Enbridge Gas, beyond the term of the RSP for the Project has not been determined at this time. Enbridge Gas is relying on its forecast of capital costs and customer attachments to underpin the need for the Project. As noted previously, OEB staff agrees that the customer attachment forecast supports the need for the Project. However, the risk remains that the customer attachments will not materialize as forecasted.

OEB staff submits that all options will be available to the OEB in the rebasing proceeding following the conclusion of the RSP with respect to the appropriate rate treatment of potential capital cost overruns and/or lower than forecast customer attachments/volumes (and associated revenues). OEB staff submits that Enbridge Gas is not guaranteed total cost recovery if actual capital costs and revenues result in an actual PI below 1.0.

OEB staff notes that, as was stated in decisions on previous community expansion applications, the OEB cannot bind a future panel that will be responsible for determining the appropriate treatment of revenue shortfalls in Enbridge Gas's post-RSP rebasing application. However, the OEB has advised in previous NGEP-related decisions that there is a reasonable expectation that existing customers will not be called upon to provide a further subsidy to compensate for post-RSP revenue shortfalls.³²

Environmental Impacts

Enbridge Gas retained Dillon Consulting Ltd. to undertake a route evaluation and environmental and socio-economic impact study, which included a cumulative effects assessment and Stage 1 Archaeological Assessment (AA), to select the preferred route for the Project. The results of the study are documented in the ER filed with the application. The ER also includes consultation input and mitigation measures to minimize impacts from the Project. Further results are documented within an ER Amendment, which evaluates an additional pipeline segment, located along Yonge Street, that was omitted from the original ER scope.

Enbridge Gas stated that the ER and the ER Amendment were circulated to the OPCC, municipalities, conservation authorities, and Indigenous communities and Enbridge Gas filed the comments received as part of its evidence.³³

³² OEB 2023 and 2024 Decisions: EB-2022-0156, Decision, pp. 20-21; EB-2022-0248, Decision, p. 21; EB-2022-0249, Decision, p. 20; EB-2022-0111 Decision, p.26; EB-2023-0261 Decision, p.21; EB-2022-0201 Decision, p.23; EB-2023-0200 Decision, p.24

³³ Updated application, Exhibit F, Tab 1, Schedule 1, p. 5 and ER, Appendix G; ER Amendment, Appendix C

Enbridge Gas stated it would prepare an Environmental Protection Plan (EPP) prior to construction of the Project. The EPP will incorporate the recommended mitigation measures identified in the ER and ER Amendment and received in the consultation from agencies for the environmental issues associated with the Project.

Enbridge Gas stated that using the mitigation measures and monitoring and contingency plans found within the ER, ER Amendment, EPP and additional mitigation measures provided by regulatory agencies through the permitting and approval process, construction of this Project will have negligible impacts on the environment.³⁴

Enbridge Gas stated that a Cultural Heritage Checklist was completed that recommended a Cultural Heritage Report: Existing Conditions and Preliminary Impact Assessment (CHRECPIA) be completed for the Project. The CHRECPIA was submitted to the Ministry of Citizenship and Multiculturalism (MCM) for review on June 26, 2024.

In response to interrogatories³⁵, Enbridge Gas stated that it expects the CHRECPIA will be reviewed by the MCM before construction commences and will adhere to any recommendations within the report to protect cultural heritage resources. Enbridge Gas noted that the Stage 1 AA recommended the need for a Stage 2 AA in certain portions of the preferred route. The Stage 2 AA field work was completed in November 2023 and preliminary results from the Stage 2 AA fieldwork indicated that Stage 3 AA will not be required. Enbridge stated that the Stage 2 AA Report will be submitted to the MCM for review and acceptance into the Ontario Public Register of Archaeological Reports before construction commences. Enbridge Gas further stated that archaeological assessment of the additional segment along Yonge Street was captured by the previously completed Stage 1 AA, which did not recommend any further AA.

The application identified potential environmental/land permits and approvals from federal, provincial and municipal agencies that Enbridge Gas requires to construct the Project.

OEB Staff Submission

OEB staff has no concerns with the environmental aspects of the Project, based on Enbridge Gas's commitment to implement the mitigation measures set out in the ER and ER Amendment and to complete the EPP prior to the start of construction.

³⁴ Application, Exhibit F, Tab 1, Schedule 1, p.6

³⁵ IRR, Exhibit I. STAFF-7

OEB staff submits that Enbridge Gas's compliance with the OEB's standard conditions of approval will ensure that impacts of pipeline construction are mitigated and monitored. OEB staff notes that the conditions of approval also require Enbridge Gas to obtain all necessary approvals, permits, licences, and certificates needed to construct, operate and maintain the Project.

Landowner Matters

Enbridge Gas stated that the Project will be largely located in the public road allowance and that temporary working areas may be required along the preferred route where the road allowance is too narrow or confined to facilitate construction.

Enbridge Gas filed the forms of temporary land use agreement (for temporary working space requirements) and easement agreement that it intends to provide to affected landowners. Enbridge Gas stated that these agreements are the same as those approved for use in Enbridge Gas's Selwyn Community Expansion Project.³⁶

OEB Staff Submission

OEB staff submits that the OEB should approve the proposed forms of easement agreement and temporary land use agreement as both were previously approved by the OEB.

Indigenous Consultation

In accordance with the Environmental Guidelines, on November 1, 2022, Enbridge Gas contacted the Ministry of Energy and Electrification (Ministry) in respect of the Crown's duty to consult related to the Project. The Ministry issued a letter, delegating the procedural aspects of the Crown's duty to consult for the Project to Enbridge Gas on December 30, 2022 (Delegation Letter). In the Delegation Letter, the Ministry identified nine Indigenous communities³⁷ that Enbridge Gas should consult in relation to the Project:

³⁶ EB-2022-0156, Decision and Order, September 21, 2023

³⁷ Updated Application, Exhibit H, Tab 1, Schedule 1, Attachment 2, p.2

- Alderville First Nation
- Beausoleil First Nation
- Chippewas of Georgina Island First Nation
- Chippewas of Rama First Nation
- Curve Lake First Nation
- Hiawatha First Nation
- Mississaugas of Scugog Island
- Kawartha Nisnawbe First Nation
- Huron-Wendat Nation

On July 7, 2023, Enbridge Gas provided a Project Update Letter to the Ministry that described the changes made to the Project scope since the letter dated November 1, 2022. The Ministry responded to Enbridge Gas on July 26, 2023, confirming there were no changes to the communities identified for consultation in the Delegation Letter.

Direct notice of the application was provided by Enbridge Gas to all the above-noted Indigenous communities, and none of them sought to intervene or otherwise participate directly in the hearing.

As part of its original application filed on November 28, 2023, Enbridge Gas filed an Indigenous Consultation Report (ICR) with the OEB and provided the ICR to the Ministry. Enbridge Gas filed an updated ICR for all activities up to and including August 1, 2024 as part of its revised application filed on August 30, 2024 and sent the updated ICR to the Ministry at the same time. Enbridge Gas stated that the Ministry will determine whether consultation undertaken by Enbridge Gas is satisfactory by providing a letter of opinion to Enbridge Gas.

In interrogatories, OEB staff referenced an email exchange between Enbridge Gas and the Mississaugas of Scugog Island First Nation (MSIFN) in the ICR, noting that MSIFN had provided a number of comments and suggestions on Enbridge Gas's Environmental Report. Enbridge Gas commented that it emailed MSIFN acknowledging receipt of the comments and stated that it was preparing a response. OEB staff requested that Enbridge Gas provide any updates to MSIFN's concerns and any correspondence. In its response, Enbridge Gas stated that it continues to work to respond to MSIFN's concerns and would be providing information to MSIFN in the next month. As part of its interrogatory responses, Enbridge Gas provided an update on its Indigenous consultation activities from August 2, 2024 to October 8, 2024. OEB staff notes that on September 6, 2024, Curve Lake First Nation (CLFN) provided several comments on Enbridge Gas's Environmental Report.

Enbridge Gas stated that it has responded to CLFN on September 9, 2024 acknowledging receipt of the comments and stated that it was preparing a response.³⁸

In its AIC filed on January 23, 2025, Enbridge Gas stated that on January 9, 2025, the Ministry advised Enbridge Gas that it was in the process of conducting additional follow-ups with the communities that the Ministry had not spoken with and expected to be able to provide the letter of opinion soon. Enbridge Gas stated that upon receipt of the Ministry's letter regarding the sufficiency of Indigenous consultation on the Project, it will file the letter with the OEB.³⁹

Enbridge Gas has committed to continuing to engage with these communities throughout the life of the Project to ensure potential impacts on Aboriginal or treaty rights are addressed, as appropriate.⁴⁰

OEB Staff Submission

OEB staff submits that Enbridge Gas has made efforts to engage with the potentially affected Indigenous groups identified by the Ministry. However, OEB staff notes that the ICR provided as part of the interrogatory responses does not contain Enbridge Gas's responses to the comments of MSIFN and CLFN. OEB staff submits that as part of its reply submission, Enbridge Gas should provide both an updated ICR on Indigenous consultation activities since October 8, 2024, and Enbridge Gas's responses to the comments of MSIFN and CLFN.

As noted above, OEB staff supports the approval of Enbridge Gas's leave to construct application, subject (in part) to OEB staff's comments on Indigenous consultation. OEB staff recommends waiting to receive the Ministry's letter of opinion before making a final decision on the application. If the letter of opinion is not filed by the close of the record, the OEB may consider placing the proceeding in abeyance until such time that the letter is filed.

OEB staff notes that, to the extent that the letter of opinion may identify outstanding issues, the OEB could provide for additional procedural steps to address these issues.

³⁸ IRR, Exhibit I. STAFF-12

³⁹ AIC, para 31, p.13

⁴⁰ Updated application, Exhibit H, Tab 1, Schedule 1, p.4

Conditions of Approval

The OEB has established standard conditions of approval that are typically imposed in leave to construct approvals.⁴¹ Enbridge Gas stated that it has reviewed these standard conditions and has not identified any additional or revised conditions that it wishes to propose for the Project.

OEB Staff Submission

OEB staff submits that the OEB should approve the Project subject to the OEB's standard conditions of approval.

Request to Cancel and Replace Certificates of Public Convenience and Necessity

Enbridge Gas has a franchise agreement with the Town of East Gwillimbury and a Certificate of Public Convenience and Necessity (certificate) for the former Township of East Gwillimbury (FBC 108 dated June 24, 1957).⁴² The current Town of East Gwillimbury was formed in 1977 by the amalgamation of the former Township of East Gwillimbury with all the previously incorporated villages and hamlets within the township (including the villages of Holland Landing, Queensville, Sharon, and Mount Albert).

Enbridge Gas is seeking an order cancelling the existing certificate held by Enbridge Gas Inc. for the former Township of East Gwillimbury and replacing it with a new certificate to construct works to supply natural gas in the Town of East Gwillimbury, to address the municipal name change and the change in municipal boundaries.

Enbridge Gas has a franchise agreement with the Township of King and a certificate for the Township of King (FBC 84 dated November 19, 1956).⁴³ In 1971, with the formation of the Regional Municipality of York and dissolution of York County, the Township of King's boundaries were changed, shifting west by one concession from Yonge Street to Bathurst Street, and north by one lot from the King-Vaughan town line pursuant to the Regional Municipality of York Act.

⁴¹ Natural Gas Facilities Handbook, Appendix D

⁴² EB-2017-0340

⁴³ EB-2016-0307

Enbridge Gas is also seeking an order cancelling the existing certificate held by Enbridge Gas Inc. for the Township of King and replacing it with a new certificate to construct works to supply natural gas in the Township of King that addresses the municipal boundary changes that have occurred.

In its application, Enbridge Gas noted that the OEB's *Natural Gas Facilities Handbook* states the following:

3.6.1 Municipal Name Changes

If the name of the municipality changes after the OEB has issued a certificate, then the certificate holder should notify the OEB within 90 days of the date that the new name takes effect to have the certificate amended to reflect the new name of the municipality.

3.6.2 Municipal Changes that do not affect another Person's Certificate Rights

If the boundaries of a person's existing certificate are affected by a municipal amalgamation or annexation, and no other person holds a certificate for any part of the newly amalgamated or annexed municipal territories, then the person should notify the OEB within 90 days of the date that the change takes effect to have the certificate amended to reflect the change. The OEB will not as a matter of course amend the territory covered by the person's existing certificate to include any additional service area that was added to the municipality through the amalgamation or annexation. The certificate would be amended to include the metes and bounds of the person's existing certificate. However, the certificate holder could also apply for a new certificate that would include any additional service area within the newly amalgamated territories.

Enbridge Gas has franchise agreements with and certificates for the Town of Bradford West Gwillimbury, the Town of Georgina, the Town of Newmarket, the Township of Uxbridge, the Town of Whitchurch-Stouffville, the Town of Aurora, the Town of Caledon, the Town of New Tecumseth, the City of Richmond Hill and the City of Vaughan which are immediately adjacent to the Town of East Gwillimbury and the Township of King. There is no other natural gas distributor near the Town of East Gwillimbury and the Township of King.

OEB Staff Submission

OEB staff supports the granting of Enbridge Gas's requests for OEB orders:

- a) Cancelling and superseding the existing certificate held by Enbridge Gas Inc. for the former Township of East Gwillimbury with a new certificate to construct works to supply natural gas in the Town of East Gwillimbury, to address the municipal

name change and the change in municipal boundaries.

- b) Cancelling and superseding the existing certificate held by Enbridge Gas Inc. for the Township of King with a new certificate to construct works to supply natural gas in the Township of King that addresses the municipal boundary changes that have occurred.

OEB staff also notes that granting these new certificates does not affect the certificate rights of any other natural gas distributor. OEB staff submits that Enbridge Gas confirm in its reply submissions if there is an expansion of certificate rights and if so, to provide any further information to assist the OEB in the issuance of new certificates.

~All of which is respectfully submitted~