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BY EMAIL

November 13, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. - GTA Project (EB-2012-0451)
Union Gas Limited - Parkway West Project (EB-2012-0433)
Union Gas Limited - Brantford-Kirkwall/Parkway D Project (EB-2013-0074)

Please see attached Board staff's submission for the above proceedings.

Yours truly,

Original signed by

Josh Wasylyk
Advisor, Applications

cc. All Parties

BOARD STAFF SUBMISSION

Board Staff Submission on the combined Enbridge GTA & Union Parkway Projects

Board File Numbers:
EB-2012-0451 (EGD – GTA Project)
EB-2012-0433 (Union – Parkway West)
EB-2013-0074 (Union – Brantford-Kirkwall/Parkway D)

November 13, 2013

Background

Enbridge Gas Distribution Inc. (“Enbridge”) and Union Gas Limited (“Union”) filed three related applications with the Ontario Energy Board (the “Board”), requesting approval for the Applicants to undertake system expansion projects.

Enbridge is seeking approval to construct two segments of underground natural gas pipeline and associated facilities. The first proposed pipeline is approximately 27 kilometres (“km”) long and will be located in the Town of Milton, the City of Mississauga and the City of Toronto (“Segment A”). The second proposed pipeline is approximately 23 km long and will be located in the City of Vaughan, the City of Markham, the City of Toronto and the Town of Richmond Hill (“Segment B”). Together, the pipelines are referred to as the GTA Project. Enbridge has forecasted the cost to construct the GTA Project to be \$686.5 million.

Enbridge is also seeking approval of the rate methodology (“Rate 332”) for transmission services along Segment A of the proposed GTA Project.

Enbridge has stated that the primary driver behind its expansion project is to address immediate and future distribution system needs in the GTA area. Enbridge has noted that the GTA Project has also been optimized to provide transmission capacity that is capable of addressing short haul market access requirements for the transportation of natural gas to Eastern Markets, and will, if approved, provide associated benefits.

Union has filed two applications with the Board. Union’s first application, the Parkway West Project, seeks approval to construct 750 meters of natural gas pipeline and associated facilities, including a standby compressor (“LCU” or “LCU Compressor”) in the Town of Milton. Union has estimated the total cost for the Parkway West Project to be approximately \$220 million.

Union’s second application, the Brantford-Kirkwall/Parkway D Project, seeks approval to construct 13.9 km of NPS 48 pipeline and associated facilities that will run from the City of Cambridge to the City of Hamilton. Union has also applied for approval to construct compressor facilities (“Parkway D”) in the Town of Milton at the proposed Parkway West Compressor Station. The purpose of the compressor facilities is to meet increased demand on Union’s Dawn-Parkway System. Union has estimated total cost of the Brantford-Kirkwall/Parkway D Project to be approximately \$204 million.

The Applicants have acknowledged that these projects are the largest projects each has sought to undertake^{1, 2}. In total, if approved, they will cost approximately \$1.1 billion.

The projects are dependent on one another in a variety of ways. The development of the Parkway West site includes the construction of an additional feed to the Enbridge GTA and the LCU Compressor which the Applicants state will enhance security of supply and reliability east of Parkway, including the Enbridge GTA. Enbridge, along with Gaz Métropolitain Limited Partnership (“Gaz Métro”), have contracted for Dawn-Parkway capacity in support of the Brantford-Kirkwall/Parkway D Projects, making the Brantford-Kirkwall and Parkway D facilities dependent on Enbridge’s construction of Segment A and TransCanada Pipeline Limited’s (“TransCanada”) construction of the Kings North project. Enbridge has noted that the GTA Project enables market access which will protect the interests of consumers with respect to the price of natural gas. The Applicants have noted that both Union and Enbridge ratepayers will benefit through increased security and diversity of supply, and gas cost savings as a result of the proposed facilities as more economic short haul gas can be purchased to replace long haul supply.

In a related endeavor, Enbridge, Union, Gaz Métro and TransCanada have entered into a Settlement Agreement whereby the parties have collaborated in an effort to jointly define an agreement that provides for a transition to short haul gas transmission over the course of fifteen years, from January 1, 2015 to December 31, 2030. The Settlement Agreement provides the basis for the toll prices the companies will be required to pay TransCanada during the transition period from long haul to short haul supply. It also defines the bridging contribution the companies will make to TransCanada to address remaining variances on TransCanada’s Mainline System during the period of January 1, 2015 to December 31, 2020. The Settlement Agreement also outlines the financial contributions TransCanada will make to the companies over the first five years of the agreement while the Applicants transition from long haul to short haul service.

The companies have stated that the Settlement Agreement is consistent with the view expressed by the Board in Union’s 2013 rebasing proceeding where the Board directed the parties to work collaboratively on further system expansions. The Applicants have noted that the Settlement Agreement provides access to Dawn and Niagara for natural gas consumers in Ontario and Québec. Under the agreement, TransCanada would work with Union, Enbridge and Gaz Métro to reinstate the short haul volumes awarded

¹ Transcript Oral Hearing September 16, 2013, Page 138, Lines 24-27

² Transcript Oral Hearing September 26, 2013 (Revised), Page 58, Lines 11-17

by TransCanada as a result of its May 2012 new capacity open season for an in-service date of November 1, 2015. TransCanada would begin work immediately on the Kings North Project which, in conjunction with Segment A and the Parkway West Projects, will relieve the present constraint between Parkway and Maple.

The Settlement Agreement is also purported to provide TransCanada with stable mainline tolls, whereby the Applicants will relieve TransCanada's disincentive to improve market access to Dawn and Niagara by agreeing to a tolling framework that will provide cost recovery for TransCanada. The Applicants have stated that the tolling framework will substantially maintain the current differential between short haul and long haul tolls.

On November 7, 2013 the companies filed updates to several undertakings which originally outlined the impacts of the Settlement Term Sheet. The updates incorporate the details found in the Settlement Agreement. Board staff submits that the Settlement Agreement is generally consistent with the Settlement Term Sheet and the evidence provided by the companies throughout the oral hearing.

Board staff provides its submissions on the three applications below. Board staff's submission has been organized by application and further by relevant issue from the Board's Issues List within each application. The order of Board staff's submission is as follows:

- 1) Enbridge GTA Project (EB-2012-0451)
- 2) Union Parkway West Project (EB-2012-0433)
- 3) Union Brantford-Kirkwall/Parkway D Project (EB-2013-0074)

1) Enbridge GTA Project (EB-2012-0451)

Introduction

The Enbridge GTA Project includes the following components:

- Segment A – approximately 27 km of NPS 42 XHP steel distribution/transmission pipeline between Parkway West Station and Albion Road Station;
- Segment B – approximately 23 km of NPS 36 XHP steel distribution pipeline from Keele/CNR Station to the proposed tie-in to an existing Enbridge pipeline just north of Sheppard Avenue. Segment B also includes a proposed Buttonville

Station and an expansion of Jonesville Station.

- Proposed Parkway west facilities, specifically a new gate station; 315 metres of NPS 36 XHP steel pipeline to connect Parkway West Station to the existing Parkway North Line; new regulation to tie the Parkway North Line to the Mississauga South Line.

Enbridge maintains that all of the proposed facilities are necessary to achieve full benefits of the proposed GTA project.

Issue A1: Are the proposed facilities needed? Considerations may include but are not limited to demand, reliability, security of supply, flexibility, constraints, operational risk, cost savings and diversity as well as the Board's statutory objectives.

Enbridge's Argument-In-Chief reiterates the position it maintained throughout the proceeding, that the project, if approved, would have multiple benefits for its rate payers, namely the following:

- Distribution system benefits by:
 - meeting customer and peak demand growth until 2025;
 - ensuring distribution system reliability and safety; and,
 - providing for gas entry point diversity.
- Providing supply path diversity.
- Transportation benefits by:
 - Enabling switching from long haul to short haul transportation through new Segment A short haul path; and,
 - Enabling access to diversified gas supply sources and short haul transportation services for customers in the Enbridge GTA influence area, Enbridge's EDA service area, Union's eastern Ontario service area and Gaz Métro's customers in Quebec.
- Efficiency and optimization benefits through cost savings by market access and cost savings for both Enbridge's distribution customers and shippers by efficiencies of shared use of Segment A for transmission and distribution purposes.

Board staff submits that based on Enbridge's evidence on the forecast customer and peak demand growth in GTA Influence Area, the need for the proposed facilities has been demonstrated. In addition, Board staff submits that the additional benefits such as distribution system reliability and safety, upstream supply diversity and closer proximity to the market have also been demonstrated throughout the proceeding.

Issue A2: Do the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013 and E.B.O. 188 as applicable?

It is Board staff's view that the proposed facilities meet the Board's economic feasibility tests set out in E.B.O. 188 and E.B.O. 134.

According to the evidence,³ the profitability Index ("PI") for the entire project is 1.73 while the Net Present Value ("NPV") is \$667 million.

Enbridge also conducted sensitivity analysis scenarios around capital costs (increase by 10%), transmission revenue from shippers on Segment A (0 revenues), and transportation savings (reduction of savings by both 25% and 50%). Enbridge indicated that the analysis shows that under these scenarios, either individually or collectively, that the GTA project is still feasible.⁴ Board staff notes that many of the economic benefits of the GTA Project are tied to the Settlement Agreement which has yet to be approved by the National Energy Board ("NEB"). In the event that the PI is less than 1.0, which can be the case in larger leave to construct projects, particularly those that include transmission components, Board staff submits that even if the anticipated gas cost savings do not materialize to the level expected by Enbridge, the proposed facilities will still provide significant benefits such as security and diversity of supply.

Issue A3: Are the costs of the facilities and rate impacts to customers appropriate?

The cost of the proposed project is estimated at \$686.5 million.

Enbridge provided bill impacts for each of its rate classes, calculated on two bases: (1) the total impacts associated with all three leave to construct applications (i.e. Enbridge's GTA Project and Union's Parkway West and Brantford-Kirkwall/Parkway D Projects)

³ EB-2012-0451 Enbridge Argument in Chief, October 21, 2013, page 19

⁴ EB-2012-0451 Enbridge Argument in Chief, October 21, 2013, page 19

and the expected gas cost savings;⁵ and, (2) the bill impacts associated solely with the Settlement Agreement, which relates to increased gas costs.⁶

The first bill impact analysis indicates customer bill savings by rate class ranging from a reduction of 3.7% for residential customers to a reduction of 11.0% for industrial customers. The second bill impact analysis indicates customer bill increases ranging from an increase of 2.3% for residential customers to an increase of 3.4% for industrial customers.

Although the Settlement Agreement, and the resulting increased gas costs, would on its own increase rates for all customer classes, these increases do not offset all the of expected total bill reductions that result primarily from the anticipated gas cost savings. Board staff submits that the rate impacts are reasonable and combined with the benefits of additional reliability, security and diversity of supply, support the approval of the projects.

However, Board staff has a concern regarding the costs consequences associated with the eventuality that TransCanada's Kings North Project is not approved by the NEB; or, the Kings North Project is delayed beyond 2015/2016. According to undertaking J9.5, TransCanada plans to file its Section 58 application for approval of the Kings North Project with the NEB in July 2014 and estimates that a decision by the NEB may be issued by March of 2015. However, there is no certainty about the timing of this application by TransCanada nor the approval of this project by the NEB. Consequently, there may not be the necessary infrastructure link to enable transportation services on Segment A.

Enbridge has confirmed that it wishes to proceed with 2015/2016 in-service date for its proposed NPS 42 Segment A even if the TransCanada Kings North Project is not built. Enbridge has maintained that its NPS 42 Segment A pipeline is fully justified solely based on distribution needs. Enbridge has stated that it does not consider it appropriate to attach a condition of approval that would prevent Segment A construction from starting until TransCanada's Kings North Project is approved by the NEB.⁷

At the oral hearing, Enbridge indicated that the cost differential for upgrading the Segment A pipeline from NPS 36 to NPS 42 is \$55 million.⁸ Enbridge indicated that \$55

⁵ Enbridge Undertaking J9.8 Attachment 1, filed October 18, 2013

⁶ Enbridge Undertaking J9.1 Updated November 7, 2013

⁷ Transcript Oral Hearing October 10, 2013, page 130

⁸ Transcript Oral Hearing September 19, 2013, pages 101-103

million represents less than 10% of the total cost the GTA project (i.e. \$685.5 million) and that it may be borne by distribution ratepayers in the event that transportation service does not materialize as planned.⁹

Board staff notes that while the statement from Enbridge noted above that \$55 million represents less than 10% of the total cost the GTA project is true, it is misleading on two grounds. First, the percentage is in relation to the total combined costs of Segment A and B, while the \$55 million increment pertains exclusively to Segment A. From that perspective, the percentage increase in cost for Segment A is 15% (i.e. \$55 million over Segment A costs of \$356 million¹⁰). Second, in the event that the Kings North project is not built, or is delayed, distribution customers may be required to pay 100% of the revenue requirement of Segment A as opposed to the 40% of the revenue requirement of Segment A based on the capacity required for distribution customers.

Board staff submits that it is unreasonable to suggest that distribution customers should bear the risk and cost consequences in the event that transmission service revenue on Segment A does not occur or is delayed. Board staff submits that the risk should reside with the parties standing to benefit from the availability of incremental capacity stemming from upsizing Segment A from NPS 36 to NPS 42. Since Enbridge's original application for a NPS36 was for a distribution-only pipeline, it then follows that any upsizing over and above that size would not be for the benefit of distribution customers under a reasonable timeframe (i.e. until 2025). In Board staff's view, the parties that stand to benefit from that incremental capacity are transmission service customers or Enbridge's shareholder. During cross examination by the Canadian Manufacturers and Exporters on this particular matter, Enbridge stated that it would not be appropriate to suggest that Enbridge take on that risk since the infrastructure that is being created is for the benefit of the market and in the interest of distribution and transmission ratepayers in Ontario.¹¹ Board staff however notes that the approval of the infrastructure would allow Enbridge's shareholder the opportunity to earn a full return on these investments.

In Board staff's view, the benefits to the shareholder should be commensurate to the risk. Shedding this risk to distribution customers does not represent a fair balance of risk and rewards. Board staff submits that, consistent with the need and design capacity for distribution customers, distribution customers should bear no more than 40% of the revenue requirement of Segment A. Enbridge is not seeking pre-approval of

⁹ Transcript Oral Hearing September 19, 2013, pages 105-107

¹⁰ EGD Response Letter to ED Motion, August 1, 2013

¹¹ Transcript Oral Hearing September 19, 2013, page 103

the cost consequences of the GTA project in this proceeding, and this Panel cannot bind a future Panel of the Board with respect to any rates that will be approved in a future proceeding. However, it is Board staff's view that the allocation of costs should be reflective of cost causality and represent an appropriate balance of risks and rewards.

Issue A4: What are the alternatives to the proposed facilities? Are any alternatives to the proposed facilities preferable to the proposed facilities?

Board staff notes that Enbridge did not provide evidence of assessing other facilities or service alternatives that would fully, partially, in combination or as stand-alone alternatives, be viable options to meet the need for the project.

Several participants in the proceeding investigated if natural gas conservation or Demand Side Management ("DSM") options may either partially or fully serve as an alternative to the proposed infrastructure expansion. Board staff is of the view that Enbridge's current DSM plan, as approved by the Board for 2013-2014, is not a viable alternative to the GTA project.

As background, on July 4, 2013 the Board issued a Decision and Order approving Enbridge's DSM Settlement Agreement and its rate consequences on Enbridge's 2012-2014 DSM Plan (the "DSM Decision") (EB-2012-0394). The approval of the budget was granted on an interim basis. In the DSM Decision the Board stated the following:¹²

"[The Environmental Defense] was the only party opposed to the Settlement Agreement, challenging the magnitude of the 2014 DSM budget. ED submitted that if the 2014 DSM budget were increased, it might obviate the need for Enbridge's proposed GTA reinforcement project. Enbridge disagreed with ED and submitted that DSM was not a suitable alternative to the GTA reinforcement project...."

The Board does not have sufficient evidence in this proceeding to opine on DSM as an alternative to pipeline construction. However, in the GTA reinforcement proceeding, related evidence has been filed with the Board and an issues list has been established which includes:

¹² Ontario Energy Board Decision and Order on Settlement Agreement (EB-2012-0394), July 4, 2013, pages 3 and 4

- *What are the alternatives to the proposed facilities? Are any alternatives to the proposed facilities preferable to the proposed facilities?”*

Further, the Board stated:

“This panel will not create any barriers, perceived or otherwise, to which these issues are explored in the EB-2012-0451 proceeding.”

Board staff submits that based on the evidence filed in this proceeding, increased DSM activity cannot at this stage be considered a full or partial alternative to the proposed GTA project. One reason for this is that the current approach Enbridge employs to DSM and system planning are not directly comparable because system planning for new pipeline capacity is based on peak demand which is not the basis for DSM program planning.¹³

However, Board staff submits that going forward, Enbridge should be encouraged to undertake more collaborative efforts that include both its supply and demand side staff and, as part of its regular discussions with its DSM Consultative, ensure it has fully investigated all alternatives to facility expansion projects.

Issue A5: Is the proposed timing of the various components of the projects appropriate?

Enbridge has maintained that the GTA Project’s proposed in-service date of November 1, 2015 is critical in order to meet its forecasted GTA distribution service demand. Board staff has no concerns with Enbridge’s proposed in-service date of November 1, 2015, provided that, as discussed above, Enbridge’s distribution customers are not responsible for any costs related to any possible delays of the Kings North project.

Issue D1: Do the facilities address the OEB Environmental Guidelines for Hydrocarbon Pipelines as applicable?

Board staff submits that Enbridge has satisfied the directions given in the OEB Environmental Guidelines, subject to all relevant standard conditions of approval proposed by Board staff in Appendix A.¹⁴

¹³ Transcript Oral Hearing, September 24, 2013 pages 1-4

¹⁴ See Board Staff Proposed Conditions of Approval in the Appendix A to this Submissions, in particular conditions 1.3; 2.3; 2.6;3.1;3.2;3.3;and 4.1

Issue D2: Are there any outstanding landowner matters for the proposed facilities' routing and construction? For greater clarity, landowners include parties from whom permits, crossing agreements and other approvals are required.

Enbridge has included a draft agreement¹⁵ that will be offered to affected landowners where the need for an easement arises. Board staff has no concerns regarding any landowner matters or permits and approval by other agencies.

Issue D3: Are the proposed facilities designed in accordance with current technical and safety requirements?

Board staff has no concerns regarding the GTA Project's design specifications. The evidence confirms that all applicable CSA Z requirements, as administered under the authority of Technical Standards Safety Authority ("TSSA") regarding pipeline design, operation, technical and safety requirements, are or will be satisfied.

Issue D4: Has there been adequate consultation with any affected First Nations or Metis communities?

Board staff notes that Enbridge followed the consultation guidelines set out in the Board's Environmental Guidelines.

Two First Nations intervened in the proceeding: the Mississaugas of the New Credit First Nation ("MNCFN") and the Six Nations Elected Council (the "Six Nations"). Both were granted costs eligibility. The Six Nations withdrew from the proceeding on April 24, 2013. Neither First Nation submitted any written interrogatories on any issue, nor did they participate in the oral hearing. They did not attend the Issues Conference or Issues day, nor did they participate in the settlement conference.

On November 8, 2013, MNCFN filed written final submissions relating to Enbridge's application. Other than the letter seeking intervenor status, this was the first communication from MNCFN in this proceeding. The submission suggests that the Crown's duty to consult with respect to potential impacts to existing or asserted Aboriginal or treaty rights has not been satisfied. MNCFN requests a variety of conditions to any approval, including a request that the project be delayed until Enbridge has provided the appropriate financial resources to retain expertise to review the project.

¹⁵ EB-2012-0451, Exhibit D, Tab 1, Schedule 2

It is not clear to Board staff why MNCFN waited until this stage of the proceeding to make its concerns known. MNCFN has had notice of this proceeding since at least March, 2013. Enbridge's application contains significant evidence respecting many of the issues that are raised by MNCFN: for example a lengthy Archeological Assessment.¹⁶ To the extent that MNCFN was not satisfied with Enbridge's proposal, or if it had further questions, the interrogatory process would have been an ideal forum to obtain additional information. For example, the first condition requested by MNCFN is: "for each Work Site, Enbridge provide MNCFN with the following information: (i) exact location and size of site; (ii) plans to protect the environment and sensitive watersheds; and (iii) the contamination characteristics, dewatering details, and water treatment and discharge plans for the site." These are all questions that could have been put to Enbridge through interrogatories or at the oral hearing. MNCFN was also eligible to recover its reasonably incurred costs in this proceeding, so funding should not have been an issue.

Board staff does not support the conditions requested by MNCFN.

Issue D5: Should approval of Enbridge's proposed rate methodology for the service to be provided to TransCanada be granted?

Enbridge has requested Board approval of a rate methodology for Parkway to Albion transportation service under Rate 332.

While Enbridge is not seeking the approval of a rate per se for service under this new rate class, Enbridge is seeking approval of the methodology underpinning the derivation of that rate. Enbridge has proposed that 60% of the revenue requirement for Segment A pipeline be allocated to the transportation service customers. The allocated costs would be recovered by means of a monthly charge.

Enbridge has also proposed that a rate design for Rate 332 be reviewed and approved by the Board in its Customized Incentive Rate ("IR") application (EB-2012-0459)¹⁷ which is currently before the Board. Enbridge's IR application would cover approval for rates for the period 2014-2018.

Board staff has no issues with Enbridge's proposal since the evidence shows that the allocation is based on capacity entitlement between transmission and distribution

¹⁶ Exhibit B, Tab 2 Schedule 1, Attachment 1

¹⁷ EB-2012-0451, Enbridge Argument-in-Chief, October 21, 2013, page 1

customers (i.e. 40 % distribution and 60% transmission).

Issue D6: If the Board approves the proposed facilities, what conditions, if any, are appropriate?

Board staff proposed a set of standard leave to construct Conditions of Approval within Board staff Interrogatory #50. Enbridge agreed that all of these conditions are acceptable with exception of Condition 1.2. The condition 1.2, as proposed by Board staff, would terminate the authorization for leave to construct on December 31, 2014 unless construction commenced by that date. Enbridge requested that the date be extended until February 28, 2015.

Board staff submits that Enbridge's request is reasonable given that the new date is a short extension and may accommodate minor delays to the start of construction.

Board staff has addressed these concerns in the draft Conditions of Approval included at Appendix A of this submission.

2) Union Parkway-West Project (EB-2012-0433)

Introduction

Union's Dawn to Parkway system begins at Union's Dawn Compressor Station and extends 228 km northeast to Parkway, near Oakville, Ontario. The existing Parkway Compressor Station is currently served by a single valve site and header system. The Dawn-Parkway system at this location consists of three parallel pipelines of varying length (26", 34" and 48").

Parkway was developed in 1989 to meet increased demand as well as address physical limitations at the then existing Trafalgar Compressor Station. Parkway provides a significant connection to the TransCanada Mainline system as well as a key connection to the Enbridge distribution system.¹⁸

The flows through Parkway have increased over time. In 2005/2006, design day flows through Parkway compression into the TransCanada system were less than 0.54 PJ/day. Union has forecasted these volumes to increase to 2.3 PJ/day on design day

¹⁸ Union Argument-in-Chief, page 3, October 21, 2013

by November 1, 2013.¹⁹ The additional flows have transformed the Parkway interconnect to become a critical piece of infrastructure within Union's transmission system.

Issue A1: Are the proposed facilities needed?

Union has proposed a loss of critical unit ("LCU") compressor for the discharge volumes that flow through Parkway, the provision of an additional pipeline connection to Enbridge, and the provision of upgrades to existing Union transmission pipelines and other required infrastructure.

Parkway is a critical infrastructure point in the delivery of natural gas to Enbridge's customers in the GTA, Union's northern and eastern Ontario in-franchise customers as well as Enbridge's eastern Ontario customers and Gaz Métro's customers in Quebec. Union has submitted that LCU protection is required to provide increased security and reliability of supply for Union's in-franchise and ex-franchise customers. Union has further noted that Parkway is the only site on the Dawn Parkway System that does not have loss of critical unit coverage. In case there was a major failure at Parkway, Union has indicated that it would not be able to meet its firm contractual commitments. Failure could result in approximately 150,000 to 225,000 GTA customers losing gas service, including Portlands Energy Centre, one of seven major gas-fired generation plants located downstream of Parkway.²⁰

The Parkway site currently has two compressors, "Parkway A" and "Parkway B". Parkway A is rated at 20,000 horsepower ("HP") and Parkway B is rated at 44,500 HP. As part of its proposed projects, Union plans to add two more compressors rated at 44,500 HP each. One of these compressors is the LCU while the other compressor is part of Union's Brantford-Kirkwall project (i.e. Parkway D).

Although Union's historic evidence indicates that 90% of the time, either Compressor A or Compressor B has been utilized,²¹ Union's evidence at the oral hearing is that in the winter of 2013, Union is expected to utilize both compressors simultaneously on cold winter days. Union has indicated that it has experienced significant growth in the past two years through Parkway as a result of TransCanada's expansion between Parkway and Maple. Union has estimated that in the winter of 2013, volumes through Parkway will rise from 2 PJs to 2.3 PJs a day. At volumes of 2 PJs a day, Parkway A would be

¹⁹ Union Argument-in-Chief, page 6, October 21, 2013

²⁰ Union Argument-in-Chief, Pages 3-4, October 21, 2013

²¹ Response to BOMA interrogatory, A1.UGL.BOMA.3

unable to meet loss of critical unit requirements should Parkway B go offline. Union has noted that if Compressor B were to fail, it would have to reduce deliveries by 1.1 PJs per day through Parkway.²² This could result in a serious interruption of service to some customers.

Board staff submits that Union's evidence supports the need for an LCU and the need would be further substantiated should the Board approve Enbridge's GTA and Union's Brantford-Kirkwall/Parkway D projects. Board staff agrees with Union that the need for a LCU is not dependent on the approval of the other projects in this proceeding.

Issue A3: Are the costs of the facilities and rate impacts to customers appropriate?

The total estimated cost of the project is \$219 million. Union has indicated that a majority of the costs will be borne by Union's major shippers including Enbridge and Gaz Métro. Union proposes to start construction of the facilities in 2013 with the LCU compressor in service by 2015. The annual revenue requirement associated with the project is approximately \$17.7 million. Union proposes to allocate the costs on the basis of the current Board-approved cost allocation methodology.

The bill impacts for residential customers are minimal considering that the majority of the project costs are being borne by Union's shippers. In addition, Union proposes to track any variance between what is approved in rates and the actual revenue requirement in a new deferral account.

Board staff has no issues with the costs or the resulting cost allocation and rate impacts proposed by Union.

Issue A4: What are the alternatives to the proposed facilities? Are any alternatives to the proposed facilities preferable to the proposed facilities?

Union reviewed a number of alternatives to determine the most suitable option. The alternatives considered included other physical infrastructure as well as contracting for services on other pipeline systems. These alternatives were extensively discussed in Union's evidence. None of the alternatives were able to meet Union's concern for system reliability. The alternatives were either more expensive than an LCU, were stop-gap solutions or provided temporary reliability that would not be suitable in case of an expanded outage.

²² Union Argument-in-Chief, page 6, October 21, 2013

Issue B2: Are there any outstanding landowner matters for the proposed facilities' routing and construction?

Union has already acquired the property site and there are no outstanding landowner concerns. Union will require permanent and temporary land rights from Hydro One Networks Inc. and Infrastructure Ontario. Union does not expect any issues finalizing the agreements for access. Therefore, Board staff has no concerns.

Issue B5: Should pre-approval to recover the cost consequences of the proposed facilities be granted?

In addition to seeking a Section 90 approval for the leave to construct, Union is also seeking an order from the Board, pursuant to section 36 of the Act, for pre-approval to recover the cost consequences of all facilities associated with the development of the projects from ratepayers. Union is seeking pre-approval of the recovery of cost consequences as this is the single largest project in the history of Union and Union has indicated that it is unable to proceed with the development of the project without reasonable certainty of cost recovery.

The revenue requirements associated with the Parkway West project and the Brantford-Kirkwall/Parkway D project are approximately \$17.7 million and \$15.9 million respectively. As noted previously, Union has requested pre-approval of the recovery of the cost consequences for both the projects under Section 36 of the Act. However, Union has not requested a rate order in this proceeding. Board staff assumes that pre-approval of costs would result in Union being able to include the revenue requirement associated with the projects in a subsequent rates proceeding when the assets are expected to go in-service.

Union filed the leave to construct applications prior to its filing for a multi-year Incentive Regulation Mechanism ("IRM"). Union filed an application on July 31, 2013, proposing a multi-year IRM framework. The application also included a comprehensive Settlement Agreement (the "IRM Agreement") reached between Union and stakeholders. The Board approved the IRM Agreement as filed on October 7, 2013. In Section 6.6 of the IRM Agreement, the parties agreed to treat major capital additions as Y-factors during the IRM period as long as they met specific criteria. The IRM Agreement specifically mentions the Parkway West and the Brantford-Kirkwall/Parkway D projects. The fact that these projects are mentioned as eligible Y-factors allows Union to apply to include the revenue requirement in rates in a subsequent IRM proceeding.

Board staff submits that Union does not require an additional layer of assurance through the leave to construct applications in order to recover the cost consequences attributed to the two projects. The IRM process ensures that Union has the appropriate opportunity to include the revenue requirement associated with the projects in a future IRM application. Accordingly, Board staff submits that pre-approval to recover the cost consequences of the Parkway West and Brantford-Kirkwall/Parkway D projects in the current leave to construct applications is not necessary.

Issue B6: If the Board approves the proposed facilities, what conditions, if any, are appropriate?

Outside of one request, Union agreed in its argument-in-chief to accept the standard conditions of approval for Section 90 and 91 applications as proposed by Board staff in Exhibit I.B6.UGL.Staff.25/26. Union has requested that Condition 1.2 be modified so that leave to construct is not terminated until December 31, 2015 as opposed to December 31, 2014. Board staff submits that this is a reasonable request as Union's Parkway West project is not dependent on any other projects proceeding and the extension of one-year will accommodate any delays. Board staff has included the draft Conditions of Approval at Appendix B of this submission.

3) Union Gas Limited – Brantford-Kirkwall Pipeline/Parkway D Compressor (EB-2013-0074)

Introduction

Union has requested approval of five different items related to the Brantford-Kirkwall/Parkway D Project:

- 1) Section 90 Application for leave to construct a NPS 48 Pipeline from the existing Valve Site to the Kirkwall Custody Transfer Station (the "Proposed Pipeline");
- 2) Section 91 Application for leave to construct the Parkway D compressor, including measurement, and associated facilities (the "Proposed Parkway D Compressor");
- 3) Section 36 Application for pre-approval for recovery of the cost consequences of all facilities associated with the development of the Project from ratepayers,

effective January 1, 2015;

- 4) Section 36 Application for approval of an accounting order to establish the Brantford-Kirkwall/Parkway D Deferral Account; and
- 5) Section 36 Application for pre-approval for the cost consequences of two long term short haul transportation contracts on the TransCanada Mainline.

Union has proposed to build the Brantford-Kirkwall Pipeline and Parkway D Compressor in response to requests for additional transportation services on the Dawn-Parkway System. These requests are associated with the net incremental demands of 687,346 GJ/d²³ which was the result of an open season and a reverse open season held in 2012.

The Dawn-Parkway System transports natural gas to delivery locations along the pipeline to meet energy and pressure requirements of Union's customers. The primary functions of the Dawn-Parkway System include transportation of natural gas to meet in-franchise demands, and transportation of natural gas both easterly and westerly for ex-franchise storage and transportation customers.

Issue A1: Are the proposed facilities needed?

Union has proposed a new 13.9 km NPS 48 pipeline, the Brantford-Kirkwall Pipeline, and a new 44,500 HP compressor at its Parkway West site, the Parkway D Compressor. Union has stated that the proposed facilities address incremental demands on the Dawn-Parkway System; provides for market access to emerging supply basins located closer to Ontario and other regional markets; results in significant benefits for energy consumers in Ontario and elsewhere including Union's in-franchise and ex-franchise customers; and represents rational development of Union's facilities.

Union has noted that for winter 2014/2015, the Dawn-Parkway System has a total capacity of 6,800,934 GJ/d prior to construction of the proposed facilities with a surplus system capacity of 157,840 GJ/d relative to the demand of 6,643,094 GJ/d.

For winter 2015/2016, Union noted that Dawn to Kirkwall turn back and the shift of a portion of Enbridge volumes from suction to discharge will reduce the overall Dawn-Parkway System capacity by 203,994 GJ/d.

²³ Union Brantford-Kirkwall Updated Application, Section 1, Page 1 of 7, Line 16

The Brantford-Kirkwall Pipeline and Parkway D Compressor have been proposed to meet the increase in ex-franchise demand on November 1, 2015. Enbridge (400,000 GJ/d), Gaz Métro (257,784 GJ/d), and Vermont (8,100 GJ/d) have all contracted for new transportation capacity. The proposed facilities increase system capacity by 433,000 GJ/d, creating a total capacity of 7,029,940 GJ/d. After the implementation of the proposed facilities, a system shortfall of 123,562 GJ/d will remain, however, Union notes that this shortfall will be met by purchasing a service at Parkway, which is a typical practice.

The increased ex-franchise demand requirements on November 1, 2015 are related to Enbridge's proposed GTA Project, specifically Segment A, as well as the TransCanada Kings North Project. Union noted that the Enbridge Dawn to Parkway capacity is dependent upon completion of Segment A of the GTA Project to reach the intended delivery area within the Enbridge GTA pipeline system. Further, as stated by Union and outlined in Exhibit K8.1, the proposed Brantford-Kirkwall Pipeline is also dependent on TransCanada Kings North project proceeding.

Union has further stated that the proposed Parkway D Compressor is dependent only on Enbridge's Segment A²⁴ being approved and not the TransCanada Kings North Project proceeding. Union submitted that in order to meet Enbridge's contracted distribution demands, incremental compression is required above and beyond the need for the LCU compressor outlined above and in EB-2012-0433.

Union has also noted that the Union North service territory is served almost exclusively off of the TransCanada Mainline system, with no other option for the transportation or physical delivery of natural gas. Union North customers are therefore reliant upon the TransCanada pipeline system. Union notes that it requires incremental Dawn to Parkway System capacity for 70,157 GJ/d to serve Union North.

In Union South, Union operates the Dawn-Parkway System which includes an integrated network of natural gas transmission pipelines and compressors. Union also provides transportation services on the Dawn-Parkway System to ex-franchise customers, including Enbridge, TransCanada, Gaz Métro and U.S. Northeast natural gas utilities. Union submitted that it is in the public interest that the Dawn-Parkway System be maintained and grown to the fullest extent possible.

Union further submitted that the changing gas supply dynamics in North America, including the shift from Western Canadian natural gas supply to U.S. Northeast supply,

²⁴ EB-2013-0074, Oral Hearing Transcript Vol. 2, September 16, 2013, Pg. 112, Lines 4-15

presents Ontario consumers with an opportunity to access more affordable energy prices and diversification of natural gas supply portfolio.

Board staff submits that Union has established the need for the proposed Brantford-Kirkwall Pipeline and the proposed Parkway D Compressor through the incremental capacity requirements, opportunity to diversify its supply portfolio and provide security of supply to Union North customers. Board staff submits that if the Board were to grant approval of Union's proposed Brantford-Kirkwall Pipeline, it should be on the condition that both the Enbridge Segment A and TransCanada Kings North Project be approved as the need for this pipeline is prefaced on these other two projects proceeding. Board staff further submits that if Union is to receive approval for the proposed Parkway D Compressor, it too be conditioned on the approval of a related project, Enbridge's Segment A, as Union has clearly indicated the additional compression requirement is directly related to Enbridge's Segment A project.

Issue A2: Do the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013 and E.B.O. 188 as applicable?

The total cost of the proposed facilities is \$204 million, made up of:

- 1) The Brantford-Kirkwall pipeline at a cost of \$96 million
- 2) The Parkway D Compressor Station at a capital cost of \$108 million

The annual revenue requirement associated with the proposed facilities range from approximately (\$0.1 million) in 2015 to \$15.9 million in 2018. Union proposed to allocate the costs on the basis of the current Board-approved cost allocation methodology. In-franchise rate classes will be allocated approximately 16% of the costs directly attributable to the Project. The remaining 84% of costs will be allocated to ex-franchise rate classes. Union noted that the ex-franchise customers who will pay for the majority of the Project are supportive of the Project.^{25, 26}

Union conducted a three-stage analysis to assess the economic feasibility of the projects in accordance with the Board's E.B.O 134 Report on System Expansion. In Stage 1, Union conducted a discounted cash flow ("DCF") analysis which indicates a cumulative net present value ("NPV") of \$1.8 million and a profitability index ("PI") of

²⁵ EB-2013-0074, Section 1, Page 3 of 7, Lines 19-20

²⁶ EB-2013-0074, Section 10, Page 3 of 11, Lines 11-12

1.01.²⁷ Union noted that the estimate is conservative as the gas cost savings in the DCF analysis reflect an Empress to Dawn basis differential of \$0.92/GJ whereas TransCanada's own forecast for the winter 2013/2014 reflects a differential of \$0.64/GJ. Union also noted that the economics reflect only 15 years of gas cost savings while the project has been evaluated over a 30-year period. Union did not conduct a Stage 2 – Benefit/Cost Analysis as the Stage 1 NPV is positive. However, Union noted that it is typical with transmission related expansion projects for the NPV to be negative. Stage 3 includes other public interest considerations such as security of supply, contribution to a competitive market and environmental benefits. Union notes that the Brantford-Kirkwall section of the Dawn-Parkway System is the only section without an NPS 48 pipeline, meaning this project adds additional security to the system.

Board staff submits that Union has applied the appropriate methodology in determining the economic feasibility of the project. Board staff notes that many of the economic benefits of the Brantford-Kirkwall and Compressor D project are tied to the Settlement Agreement, which has yet to be approved by the NEB. Board staff submits that even in the event that the anticipated gas cost savings do not materialize to the level Union expects, the proposed facilities still provide significant benefits to the Dawn-Parkway system through the added security and diversity of supply for Union's in-franchise customers and access to competitive supplies available at Dawn for delivery to ex-franchise customers.

Issue A3: Are the costs of the facilities and rate impacts to customers appropriate?

As noted above, the total cost of the proposed facilities is \$204 million. When calculating rate impacts, Union added the largest annual revenue requirement of \$15.9 million to its 2013 Board-approved cost allocation study for Dawn-Parkway costs. The resulting annual rate impacts are minimal increases for Union North residential customers (approximately \$2.80/year) and a decrease for Union South residential customers (approximately -\$1.12/year). Ex-franchise customers will be allocated the large majority of the costs related to the proposed facilities. Union proposes to track any variance between what is approved in rates for the proposed facilities and the actual annual revenue requirement in a new deferral account.

Board staff does not have any issues with the costs of the proposed facilities. Board staff submits that the resulting cost allocation and rate impacts are reasonable.

²⁷ EB-2013-0074, Exhibit J4.6, Attachment #1

Issue A4: What are the alternatives to the proposed facilities? Are any alternatives to the proposed facilities preferable to the proposed facilities?

Union considered a number of alternatives in developing its proposed facilities including both facility and non-facility alternatives, such as services purchased from third parties at Parkway to meet design day demand. Union concluded that non-facility alternatives cannot be used to meet the forecast capacity shortfall in 2015/2016 because the shortfall is too large and because the incremental demands are associated with firm long term contracts.

Union also considered facility options both separately and in combination, including pipeline looping. The proposed facilities were found to provide the lowest capital cost per unit of capacity. Board staff has no concerns.

Issue A5: Is the proposed timing of the various components of the project appropriate?

As outlined in Exhibit J9.6, Union has stated that the in-service date for the proposed facilities is November 1, 2015. Union submitted that it will not undertake construction of the Brantford-Kirkwall Pipeline until after TransCanada has received approval from the NEB for the Kings North Project. Union also submitted that the Parkway D Compressor is not dependent on the TransCanada Kings North Project, but is required to meet Enbridge's distribution demands.

Board staff submits that the timing of the projects need to be aligned so that all projects are in-service on or around November 1, 2015. In the event of any delay to the TransCanada Kings North Project, Union should be required to align its in-service date of the Brantford-Kirkwall Pipeline to be the same as that of the revised TransCanada Kings North Project schedule. The same should be true in the event of any delay to Segment A of the Enbridge GTA Project. Union should be required to align its in-service date of the Parkway D Compressor and Brantford-Kirkwall Pipeline to be the same as the revised in-service date of Enbridge's Segment A. Board staff submits that as these projects are all related and dependent in some way on each other, it is not appropriate to have facilities complete and in-service, but under-utilized as the costs associated with the projects will begin to be recovered by customers in a manner disproportionate to that which is intended by Union. As discussed more thoroughly in Issue C7 below, staff submits that the Board should approve conditions related to the timing of these projects.

Issue C1: Do the facilities address the OEB Environmental Guidelines for Hydrocarbon Pipelines as applicable?

Union had a Route Selection and Environmental Impact Report (“ER”) for the Brantford-Kirkwall Pipeline completed by Stantec Consulting Ltd. (“Stantec”) in 2009. Stantec subsequently prepared an Addendum to the ER in 2013. The location of the Brantford-Kirkwall Pipeline is the environmentally preferred route. A mitigation plan has been developed to minimize any potential impacts.

Stantec also prepared an Environmental Report (“ER”) for the Parkway West Compressor Station. No significant issues have been raised by any of the interested parties, all of which have received a copy of the ER. The ER indicates that the Proposed Parkway West Compressor Station will have minimal effects on the environment and Union plans to follow the mitigation measures that have been developed.

Board staff submits that all appropriate environmental issues and matters pertaining to pipeline design and location have been dealt with appropriately.

Issue C2: Are there any outstanding landowner matters?

Union has purchased the site for the compressor station. For the Brantford-Kirkwall Pipeline, early access agreements from landowners along the route to conduct all necessary preliminary surveys has been obtained and Union will have all land rights in place prior to construction. Union notes that it will implement a comprehensive program to provide landowners, tenants and other interested parties with information regarding the proposed pipeline. Union has included its draft form of easement²⁸ which will be offered to all affected landowners in the event an easement is necessary. Board staff submits that there are no outstanding issues related to land matters for the proposed facilities.

Issue C3: Are the proposed facilities designed in accordance with current technical and safety requirements?

Union notes that all design, installation and testing of the pipeline and station facilities will be in accordance with the requirements of Ontario Regulation 210/01, Oil and Gas Pipeline Systems under the *Technical Standards and Safety Act, 2000*. Board staff has no issues with Union’s proposed design of its facilities.

²⁸ EB-2013-0074, Schedule 12-10

Issue C4: Has there been adequate consultation with any affected First Nations and Metis communities?

Union is not aware of any outstanding issues raised by Métis or First Nations related to the proposed facilities. Union noted that during construction, it will have inspectors in the field who are available as a primary contact to discuss and review any issues that may arise. Union will make the necessary archaeological assessments for the project available to any Métis or First Nations that requests a copy. Union will undertake construction in accordance with any mitigation measures recommended in the assessment. Board staff submits that an appropriate mitigation plan has been developed by Union to address any potential issues regarding affected First Nations and Métis communities.

Issue C5: Should the request for pre-approval to recover the cost consequences of the proposed facilities be granted?

Board staff has addressed this issue under its submission on Union's Parkway West LCU application (EB-2012-0433) under Issue B5 above.

Issue C6: Should pre-approval of the cost consequences of two long term transportation contracts be granted?

In May 2012, Union entered a TransCanada open season for two new short haul firm TransCanada transportation contracts (the "Contracts") from Union Parkway Belt to the Union Northern Delivery Area ("Union NDA") and from Union Parkway Belt to the Union Eastern Delivery Area ("Union EDA"). However, Union has not executed the precedent agreements with TransCanada at this time.

The volume of the Contracts totals 110,000 GJ/d (100,000 GJ/d for Union EDA and 10,000 GJ/d for Union NDA) and will commence November 1, 2015. This capacity, when combined with additional Union Dawn to Parkway transportation capacity of approximately 70,000 GJ/d, will allow Dawn sourced gas to be delivered to the benefit of Union North sales service and bundled direct purchase customers. The term of the contracts are on a 10-year basis, beginning November 1, 2015 and ending October 31, 2025. Union has used the NEB-approved 2013 TransCanada transportation tolls to determine the economic benefits of the Contracts.

Union has stated that there will be significant gas cost savings of approximately \$15.4 million per year to Union North sales service and bundled direct purchase customers

over the 10-year term of the Contracts. Union has also updated its standard landed gas cost analysis which results in a net savings of \$0.47/GJ in the Union EDA and net increase of \$0.02/GJ in the Union NDA between buying gas supply at Dawn and transporting the supply from Dawn to the Union EDA and Union NDA as opposed to Empress.

Union has calculated final rate impacts by including the largest annual revenue requirement for Parkway West (\$16.6 million), the largest annual revenue requirement for the Brantford-Kirkwall and Parkway D Compressor facilities (\$15.9 million) and the modified 2013 Gas Supply Plan, including final 2013 TransCanada tolls, in its 2013 Board-approved cost allocation study. The bill impacts for the average Rate 01 residential customer in Union North is a reduction of approximately \$21.00 to \$22.00 per year and for the average Rate M1 residential customer in Union South a reduction of approximately \$1.90 per year.

Board staff submits that Union's request for pre-approval of its long-term short haul contracts are not consistent with the Board's Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts (EB-2008-0280) (the "LTC Guidelines"). The LTC Guidelines specify that pre-approval of the cost consequences of long-term contracts should be limited to those that support the development of new natural gas infrastructure. Union's request for pre-approval of the long-term contracts is based on two main elements: one, its desire to diversify its supply portfolio for northern customers, and as a result, enhance security of supply; and two, the significant cost of the project. Union acknowledged that the contracts are primarily related to the expansion of existing pipeline infrastructure and not a new greenfield pipeline.²⁹ Board staff submits that the rationale for this request is not consistent with the LTC Guidelines and should be denied.

Issue C7: If the Board approves the proposed facilities, what conditions, if any, are appropriate?

Union submitted that the Board's standard conditions of approval are appropriate and the only conditions necessary. Union noted that it will not undertake construction of the Brantford-Kirkwall Pipeline until after TransCanada has received approval from the NEB for the Kings North Project. Union requested that the date for Condition 1.2 (the date for construction of the Proposed Brantford-Kirkwall Pipeline) be changed to December 31, 2016 to accommodate any delay associated with the Kings North project.

²⁹ EB-2013-0074, Section 11, Pages 4-5

Board staff submits that Union's request to change the date of construction in Condition 1.2 to December 31, 2016 is reasonable. Board staff submits that while Union has stated it will not undertake construction of the Proposed Brantford-Kirkwall Pipeline until after TransCanada has received approval from the NEB for the Kings North Project, it is nonetheless appropriate to include this as a condition of approval. Board staff further submits, as noted above, that a further condition be added to the Board's standard conditions of approval list to ensure that the Parkway D construction does not begin until Segment A of the Enbridge GTA Project has received Board approval.

Board staff has addressed these concerns in the draft Conditions of Approval included at Appendix C of this submission.

- All of which is respectfully submitted -

APPENDIX A

**Board Staff Submissions
Enbridge Gas Distribution Inc.
GTA Project
EB-2012-0451**

(November 13, 2013)

**Enbridge Gas Distribution
Leave to Construct Application
EB-2012-0451
Board Staff Proposed Draft
Conditions of Approval**

1 General Requirements

1.1 Enbridge shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2012-451 except as modified by this Order and these Conditions of Approval.

1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate February 28, 2015, unless construction has commenced prior to that date.

1.3 Enbridge shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.

1.4 Enbridge shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Enbridge shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

1.5 Within 15 months of the final in-service date, Enbridge shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.

2 Project and Communications Requirements

2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.

2.2 Enbridge shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Enbridge shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.

2.3 Enbridge shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.

2.4 Enbridge shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.

2.5 Enbridge shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.

2.6 Enbridge shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

3 Monitoring and Reporting Requirements

3.1 Both during and after construction, Enbridge shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Enbridge shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.

3.2 The interim monitoring report shall confirm Enbridge's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4 Other Approvals

4.1 Enbridge shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

APPENDIX B

**Board Staff Submissions
Union Gas Limited
Parkway West
EB-2012-0433**

(November 13, 2013)

**Union Gas Limited
Leave to Construct Application
EB-2012-0433
Board Staff Proposed Draft
Conditions of Approval**

1 General Requirements

1.1 Union Gas Limited (“Union”) shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2012-0433 except as modified by this Order and these Conditions of Approval.

1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2015, unless construction has commenced prior to that date.

1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee (“OPCC”) review.

1.6 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

1.7 Within 15 months of the final in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.

2 Project and Communications Requirements

2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.

2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board’s designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board’s Order being issued.

2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.

2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.

2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.

2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

3 Monitoring and Reporting Requirements

3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.

3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4 Other Approvals

4.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

APPENDIX C

**Board Staff Submissions
Union Gas Limited
Brantford-Kirkwall/Parkway D
EB-2013-0074**

(November 13, 2013)

Union Gas Limited
Leave to Construct Application
EB-2013-0074
Board Staff Proposed Draft
Conditions of Approval

1 General Requirements

1.1 Union shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2013-0074 except as modified by this Order and these Conditions of Approval.

1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2016, unless construction has commenced prior to that date.

1.3 Union shall not begin construction of the Brantford-Kirkwall Pipeline until TransCanada Pipelines Ltd. has received approval from the National Energy Board for its Kings North Project.

1.4 Union shall not begin construction of Parkway D Compressor until Enbridge Gas Distribution Inc. has received approval for Segment A of its GTA Project.

1.5 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.

1.6 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

1.7 Within 15 months of the final in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.

2 Project and Communications Requirements

2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.

2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be

responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.

2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.

2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.

2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.

2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

3 Monitoring and Reporting Requirements

3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.

3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4 Other Approvals

4.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and

shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.