



ONTARIO ENERGY BOARD

Filing Guidelines on the Economic Tests for Transmission Pipeline Applications (EB-2012-0092)

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Filing Guidelines on the Economic Tests for Transmission Pipeline Applications

The Report of the Board on the Expansion of the Natural Gas System in Ontario, the E.B.O. 134 Report, forms the basis of the filing requirements on the economic feasibility test to be applied to leave to construct applications for pipeline transmission projects.

These requirements apply to all Ontario Energy Board regulated gas utilities requesting approval to construct new transmission facilities. For the purpose of these Guidelines transmission pipelines are defined as any planned or proposed pipeline project that would provide transportation services to move natural gas on behalf of other shippers within Ontario. Distribution system expansion pipelines that are subject to the filing guidelines set in the EBO 188 would not be subject to the proposed filing requirement.

The Board recognizes the difficulties an applicant may encounter in obtaining reliable and accurate information to conduct an assessment as defined in the new filing requirement. However, the Board expects the applicants to employ the best efforts to obtain the necessary information and data. In the Board's view, consultation with other transmitters operating in the Province is an appropriate vehicle for an applicant to use to assess the impact of its proposal on existing pipelines. The results of these consultations should be filed with the Board as part of the application pre-filed evidence.

When it is demonstrated that data for a quantitative assessment is not available, the Board expects that prospective applicants will provide an assessment of qualitative and directional impacts of the proposed pipelines on the existing transportation pipeline infrastructure in Ontario, including an assessment of the impacts on Ontario consumers in terms of cost, rates, reliability, and access to supplies.

The Board believes that the economic feasibility test outlined in the [E.B.O 134 Report](#) continues to form the basis of sound filing requirements for new pipeline transmission projects, and these requirements are incorporated into this filing guideline.

1. The Board finds that of the tests currently in use by the utilities, the Discount Cash Flow (“DCF”) analysis provides a superior measure of the subsidy required from existing customers for a particular project.
2. The Board directs all utilities to employ DCF analysis as part of its assessment of the feasibility of projects for system expansion.
3. The Board encourages the use of more formal risk measurement in the feasibility test and it would not discourage the use of sensitivity analyses of variables being regularly employed in the test.
4. The Board finds that incremental costs should be used in evaluating the feasibility of system expansion.
5. The Board will continue to assess the adequacy of the DCF analysis and any other tests used for project evaluation at the time of a utility's rate case hearing.
6. The Board finds that Union's three-stage test has considerable merit. The Board requires each utility to develop a three-stage process as outlined below to aid the Board in its determination of the public interest.
7. The first stage is a test based on a DCF analysis.
8. The second stage should be designed to quantify other public interest factors not considered at stage one. All quantifiable other public interest information as to costs and benefits should be provided at this stage.
9. The third stage should take into account all other relevant public interest factors plus the results from stage one and stage two.
10. A project could, therefore, be accepted if it passed the DCF analysis of stage one and if the disadvantages and quantifiable costs from stages two and three do not disqualify it. If a project is not acceptable because it fails the DCF analysis or has significant other disadvantages, then stages two and three must be completed before the project can be said to be fully evaluated.
11. The Board is aware that each utility will continue to approve internally projects that lie within areas for which a franchise and a certificate of public convenience and necessity have been issued. At subsequent rate hearings the Board may assess the analyses employed before approving the inclusion in rate base of any specific project.
12. Any project brought before the Board for approval should be supported by all data used by the Applicant in reaching its conclusion that the project is viable. The utilities and other interested parties may use alternative analyses, but these and the results must be presented at the relevant hearing. The Board will continue to weigh the various benefits against the various disadvantages as it always has in reaching its decision in the public interest.

13. The Board continues to hold the opinion that it is appropriate for existing customers to subsidize, through higher rates, financially non-sustaining extensions that are in the overall public interest if the subsidy does not cause an undue burden on any individual, group or class.
14. Any project brought before the Board for approval should be supported by an assessment of the potential impacts of the proposed natural gas pipelines on the existing transportation pipeline infrastructure in Ontario, including an assessment of the impacts on Ontario consumers in terms of cost, rates, reliability, and access to supplies.