

OEB grants Enbridge approval to construct natural gas pipelines in the Community of Neustadt

Today, the Ontario Energy Board (OEB) issued its [Decision and Order](#) granting Enbridge Gas Inc. (Enbridge) leave to construct approximately 12 kilometres of natural gas pipeline in the Community of Neustadt within the Municipality of West Grey (Project).

The OEB granted leave to construct the Project, subject to the OEB's updated standard conditions of approval as set out in Schedule A of the Decision.

The OEB also approved the forms of easement agreement and temporary working area agreement proposed by Enbridge.

APPLICATION

According to Enbridge, the Project is needed to supply natural gas to approximately 230 forecasted new customers who currently do not have access to natural gas service. The Project was selected to be eligible to receive funding assistance as part of Phase 2 of the Ontario Government's Natural Gas Expansion Program (NGEP).¹

INTERVENORS IN THE PROCEEDING

- Environmental Defence
- Pollution Probe

CONSIDERATIONS

When determining whether a natural gas pipeline project is in the public interest, the OEB examines the following factors that comprise the OEB's standard [Leave to Construct Issues List](#):

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

OEB FINDINGS

A summary of the OEB's key findings follows.

¹ Ontario Regulation 24/19 (Expansion of Natural Gas Distribution Systems), made under the *Ontario Energy Board Act, 1998*

Project Need (Section 3.1, pp.6-12)

The OEB found that Enbridge has established the need for the Project. The OEB's findings on project need are similar to those made by the OEB in four previous Decisions on community expansion projects that are eligible for funding under the NGEF program.²

The OEB acknowledged that support for the Project has been expressed by the community's municipal government. As well, Enbridge's forecast regarding the potential percentage take-up of natural gas service in the communities, which was based on the market surveys filed with the application, assisted the OEB with its findings. While no survey can provide an unassailable prediction of customer take up of natural gas, they provide some additional support for the OEB's conclusion regarding the need for the Project.

In addressing the question of need that is integral to a finding of the Project's advancement of the public interest, the OEB noted the importance assigned to the issue of the expansion of natural gas service to unserved communities that is demonstrated by the passage and promulgation of the NGEF legislation that enables it to occur.

Proposed Facilities and Alternatives (Section 3.2, pp.12-13)

The OEB found that the Project as proposed is appropriate to meet the need. The OEB noted that to meet the Ontario Government's NGEF objective of bringing service to unserved communities, the OEB's approved Integrated Resource Planning (IRP) Framework does not require consideration of IRP options or alternatives for projects that have been approved as eligible for NGEF funding. The OEB's Decision in this case is in accordance with its approved IRP process.

Project Costs and Economics (Section 3.3, pp.13-21)

Project Costs

The OEB found that the total estimated cost of the Project is reasonable and in accordance with the application of the regulatory framework established for the NGEF program. In particular, the capital requirements have been adjusted to accommodate new research and information obtained by Enbridge since the original proposal in Phase 2 of the NGEF process.

Economics

The OEB noted that Enbridge's evidence supporting the economic viability of the Project is supported by a positive response to its outreach and solicitation provided by the market survey results.

During the proceeding, issues were raised regarding risks to the economic viability of the Project, including if projected customer attachments do not occur and by reason of the potential effects of demand side management (DSM), fuel switching (specifically adopting heat pumps) or the broader energy transition. The OEB noted that the approval of the leave to construct requested in Enbridge's application does not restrict customers in these communities from obtaining heat pumps nor does it remove Enbridge's DSM program responsibilities.

The OEB agreed with Enbridge's assertion that the decisions of individual customers, now and in the future, to connect and maintain natural gas service must take into consideration more than the current cost effectiveness of electric heat pumps and factor in other variables and uncertainties associated with the evolution of any energy transition that transpires. At the same time, any survey is unlikely to capture

² [EB-2022-0248 Decision](#), pp. 12,13; [EB-2022-0156 Decision](#), pp. 12,13; [EB-2022-0249 Decision](#), pp. 11-13, [EB-2022-0111](#), pp. 7-12

all aspects of the likely take-up and continuance of natural gas service with complete accuracy in a changing environment of new energy efficient modes and programs, government policies and prices.

The OEB noted that, in granting leave to construct the Project, it must ensure that the interests of all of Enbridge's customers are protected. The OEB noted that customers are protected from potential revenue shortfalls based on the application of the 10-year rate stability period (RSP) in which Enbridge is responsible for any shortfall in revenues relative to the forecast. This provides some insulation against possible under achievement of its customer sign-up estimates or projected natural gas consumption.

The OEB noted that beyond the 10-year RSP period, there is no guarantee that Enbridge will be permitted to recover any post-RSP revenue shortfalls. In the first rebasing following the expiration of the RSP, the OEB will review the actual project costs and revenues and determine what amount should be recognized in rates. All options will be available to the OEB in the rebasing 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).

Environmental Matters (Section 3.4, pp. 21-23)

The OEB found that Enbridge completed the Environmental Report in accordance with the OEB's [Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Projects and Facilities in Ontario](#) (Environmental Guidelines) and committed to implementing the mitigation measures set out in the Environmental Report. Enbridge will also complete the Environmental Protection Plan prior to the start of construction.

The OEB also noted that the standard conditions of approval for leave to construct require Enbridge to obtain all necessary approvals, permits, licences, and certificates needed to construct, operate and maintain the Project.

Land Matters (Section 3.5, pp. 23-24)

The OEB approved the proposed forms of permanent easement and temporary land use agreements.

The OEB noted that while it is not expected that permanent easements will be required for the Project, the approved form of permanent easement agreement provides Enbridge sufficient flexibility should one later be required.

Indigenous Consultation (Section 3.6, pp.24-25)

The OEB was satisfied that Enbridge followed the Environmental Guidelines with respect to Indigenous consultation and found that the duty to consult has been adequately discharged. This finding was supported by the Ministry of Energy's Letter of Opinion in this regard.

The OEB expects that Enbridge will continue its consultation activities with all affected Indigenous communities throughout the life of the Project.

Conditions of Approval (Section 3.2, pp.25-28)

The OEB approved the Project subject to the OEB's updated standard conditions of approval attached as Schedule A to this Decision.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to

deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the [Memorandum of Understanding](#) between the Minister of Energy and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the Chief Executive Officer, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued today, which is the official OEB document.