

**Ontario Energy  
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**BY E-MAIL AND WEB POSTING**

February 21, 2013

**To: Enbridge Gas Distribution Inc.  
Union Gas Limited  
Natural Resource Gas Limited  
Participants in EB-2010-0199  
All Other Interested Parties**

**Re: Filing Guidelines on the Economic Tests for Transmission Pipeline  
Applications, Board File No. EB-2012-0092**

On December 13, 2012, the Board invited comments on a newly proposed filing requirement in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications (“the Guidelines for Economic Tests”) with respect to EBO 134<sup>1</sup>. The proposed wording for the filing requirement was as follows:

*“Any project brought before the Board for approval should be supported by an assessment of the potential impacts of the proposed natural gas pipeline(s) 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.”*

On January 16, 2013, the Board received comments from Union Gas Limited (“Union”), Enbridge Gas Distribution Inc. (“Enbridge”), and TransCanada Pipelines Limited (“TCPL”). The Board has considered the comments and the concerns raised with respect to the availability of information being requested and the scope of the projects to which this requirement would apply. After careful consideration the Board has decided to add the filing requirement as originally proposed, but has provided guidance on the concerns by the parties in their review<sup>2</sup>.

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<sup>1</sup> For future reference, the Board created a new document entitled “*Filing Guidelines on the Economic Tests for Transmission Pipeline Applications*” (“*Guidelines for Economic Tests*”). It should be noted that the new document contains thirteen unmodified economic feasibility requirements already set in the EBO 134 Report, plus the new requirement.

<sup>2</sup> See preamble to Appendix A

All parties who filed comments addressed the issue of the scope of projects to which the additional filing requirement would apply. For the purpose of the Guidelines for Economic Tests, the “projects” to which the new requirement will apply 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 does not agree with TCPL’s recommendation to expand this requirement to facilities that are not subject to a leave to construct application to the Board.

Union proposed a threshold screen that would limit this filing requirement only to new transmission pipeline. The Board does not agree. While the assessment may be more limited, the Board will consider the impact on existing facilities with a pipeline expansion or replacement for which the primary purpose is to transport natural gas on behalf of shippers within Ontario.

The *Guidelines for Economic Tests*, including the new filing requirement, as item no. 14, is attached as Appendix A to this letter.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary

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

## Appendix A

### Filing Guidelines on the Economic Tests for Transmission Pipeline Applications

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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.