

August 7, 2015

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

RE: EB-2015-0029 – Union Gas Limited (“Union”) – 2015-2020 DSM Plan – Interrogatories on Intervenor Evidence

Dear Ms. Walli,

Please find attached Interrogatories on behalf of Union Gas Limited on the evidence prepared by Mr. Paul Chernick, Resource Insight Inc. submitted on behalf of the Green Energy Coalition.

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[original signed by]

Vanessa Innis
Manager, Regulatory Initiatives

Encl.

cc: Lawrie Gluck, Board Staff
Alex Smith, Torys
All Intervenors (EB-2015-0029)

UNION GAS LIMITED
INTERROGATORIES ON EVIDENCE PREPARED BY MR. PAUL CHERNICK, RESOURCE INSIGHT
INC. SUBMITTED ON BEHALF OF GREEN ENERGY COALITION

1. *Reference: L.GEC.2, Pages 16-17*

Preamble: Starting on page 16, line 21 Mr. Chernick states “Using daily prices and daily pipeline delivery data, I estimated a New England three-month winter gas basis of \$178/MMBtu per quad saved under the tightest supply conditions, falling to about \$22/MMBtu per quad saved as transmission is added.

In addition, I examined the historical relationship between monthly consumption in the Northeast and basis from Henry Hub to the TETCo M-3 zone, which is a major pricing point for generation in eastern Pennsylvania, New Jersey, and surrounding regions. I defined the Northeast as including the states served by the M-3 zone and those downstream: Pennsylvania, New Jersey, New York, Massachusetts, Rhode Island, Connecticut and New Hampshire. I found that reducing winter gas consumption by one quad (roughly 1,000 Pj) reduces basis by \$0.021/MMBtu, or about \$0.001/m³. If this basis price sensitivity is applicable to Ontario, each m³ conserved would reduce the basis portion of Ontario gas bills by about 1¢, depending on the percentage of gas that is purchased in or near Ontario, as opposed to being purchased in the producing areas (such as at Empress) and transported to the city gate at regulated rates.”

Question: Union would like to better understand the estimates provided.

- a) Was the analysis of New England three-month winter gas basis and the historical relationship between monthly consumption in the Northeast and basis from Henry Hub to the TETCo M-3 zone conducted by Mr. Chernick specifically for this proceeding?
- b) If the answer to part a) is yes, please provide the inputs and analysis conducted by Mr. Chernick.
- c) If the answer to part a) is yes, please explain why Mr. Chernick conducted an analysis of the U.S. Northeast rather than an analysis of the Dawn market.
- d) If the answer to part a) is no, please provide the study or studies conducted by Mr. Chernick that he is referencing, including the input data and calculations for each of the values referenced in Mr. Chernick’s evidence. If no studies are available, please identify the client and/or proceeding that the analysis was conducted for, and provide the input data and calculations for each of the values referenced in Mr. Chernick’s evidence.
- e) Please provide Mr. Chernick’s definition of “the basis portion of Ontario gas bills”.
- f) Please show the derivation of the “about 1¢” that Mr. Chernick believes each m³ conserved would reduce the basis portion of Ontario gas bills, including all of the calculations conducted by Mr. Chernick to convert \$0.021/MMBtu to “about 1¢”.

2. *Reference: L.GEC.2, Pages 5, 23 and 24*

Preamble: On page 5, Mr. Chernick states “Both utilities should incorporate a market value of carbon, starting at about 5.1¢/ m³ in 2017 and rising over time in a manner similar to that I show in Table 3. Both utilities should include an interim adder of about 9.5¢/ m³ in their avoided costs, to reflect the non-energy benefits of DSM other than carbon mitigation.”

On page 23, Mr. Chernick states his understanding of the origin of the 15% adder for non-energy benefits of gas DSM is, “The Minister of Energy ordered the use of the 15% adder for electric DSM, as I discuss in Section III.B.2. The Board then adopted that percent adder in the gas DSM framework.”

On page 24, in response to a question on the implications on gas DSM that could be drawn from the 15% placeholder adder for non-energy benefits prescribed by the Minister of Energy for electric DSM, Mr. Chernick answers, “The Minister did not specify the breakdown of the 15% among carbon reductions, other environmental benefits, economic benefits and social benefits, nor the basis for selecting those values.”

Question:

Union is applying a 15% non-energy benefits adder to its avoided costs in 2016 and onwards. Please explain whether the proposed 5.1¢/ m³ and 9.5¢/ m³ noted are incremental to the non-energy benefits adder already included by Union.