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August 29, 2016

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Our File No. 164860

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2016-0186: Union Gas Limited, Application for approval to construct a natural gas pipeline in the Township of Dawn Euphemia, the Township of St. Clair and the Municipality of Chatham-Kent and approval to recover the costs of the pipeline

Pursuant to Procedural Order No. 1, please find enclosed BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett

TB/dd

Encls.

cc: All Parties (*via email*)

ONTARIO ENERGY BOARD

Union Gas Limited

Application for approval to construct a natural gas pipeline in the Township of Dawn Euphemia, the Township of St. Clair and the Municipality of Chatham-Kent and approval to recover the costs of the pipeline

Interrogatories of Building Owners and Managers Association, Greater Toronto ("BOMA")

August 29, 2016

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Interrogatories of BOMA

1. ***Ref: Exhibit A, Tab 3, Page 7***

- (a) Please provide the impact of the project on the revenue requirement of Union in each of 2017 and 2018, on the assumption that the project capital cost is depreciated over thirty years, forty years, and fifty years, respectively. Please show the calculations in each case.
- (b) Please provide reference to the Board's Accounting Manual, and the CICA Handbook, if any, that are pertinent to the Union proposed change to a twenty year useful life from a fifty year useful life for depreciation purposes.

2. ***Ref: Exhibit A, Tab 3, Page 9***

- (a) Who are the two shippers with the C-1 contracts from Ojibway to Dawn?
- (b) What is the term of each contract? What is the capacity of each contract? When do the two contracts expire? Are they renewable; on what terms?
- (c) Why cannot Union rely on the contracts to deliver gas when planning the system?
- (d) Please provide copies of the contracts or the C1 template (standard form) C1 long term contract, and explain how, if at all, the two Ojibway to Dawn contracts differ from the template.
- (e) Have there been any recent failures of the 60 TJs and C1 Ojibway contracts?

3. **Ref: Exhibit A, Tab 5, Pages 1-21**

- (a) Why is London Airport data used to model the design day degree days rather than the Windsor airport, which should be more representative of the temperature in this case (Kingsville, Leamington) of the Panhandle system market?
- (b) Please confirm the degree day differences between the London and Windsor airports and winter temperature difference between London airport and Kingsville and Leamington and Windsor, and between Windsor airport and Kingsville and Leamington.
- (c) What would design day load be if measured at (i) Windsor; or (ii) a blend of London/Windsor?
- (d) Please show the growth forecast over the 2017-2021 period, and for the period past 2022 for each component of the market, including:
 - (i) East of Dover (Chatham Kent);
 - (ii) Leamington;
 - (iii) Kingsville;
 - (iv) Lakeshore;
 - (v) Tecumseh;
 - (vi) West Windsor cogen;
 - (vii) Brighton Bruce Power;

(viii) City of Windsor;

(ix) Other.

4. **Ref: Exhibit A, Tab 5, Page 6**

How much capacity is currently available:

(a) for Chatham Kent and environs;

(b) west of Dover Transmission.

What percentage of design day capacity does this capacity represent?

5. **Ref: Exhibit A, Tab 5, Page 17**

(a) Did Union's reverse open season apply to the two long-term C1 customers as well? If not, please explain why not.

(b) Please identify the greenhouse operations that have chosen to expand in Ohio.

(c) Please describe the extent to which CO₂ produced by natural gas consumption at the greenhouse can be utilized within the greenhouse. Please provide a quantitative analysis.

(d) Please provide the amount of IT service on the Panhandle system in each year since 2012 (inclusive).

(e) Please indicate what components of the existing and forecast demand off the Panhandle system are:

- (i) heat sensitive (residential, commercial);
- (ii) heat sensitive (greenhouse);
- (iii) non-heat sensitive – electricity generation; Brighton Beach; West Windsor;
- (iv) non-heat sensitive – commercial (eg. commercial/institutional hot water; industrial);

in each case, please state the sector or subsector volume/contract demand and the extent to which it is heat sensitive.

6. **Ref: Exhibit A, Tab 6, Page 9 of 15**

- (a) Has Union renewed its existing 60 TJ/day of PEPL capacity; on what terms and over what period?
- (b) Did it acquire the additional 34 TJs per day?

7. **Ref: Ibid, Page 4 of 15**

Why would the Ojibway option require 16 km of NPS 12 pipeline into Kingsville, while the proposed solution would not (require that particular investment)?

8. **Ref: Ibid, Page 7**

Please confirm that lines 6 and 7 should refer to the revenue requirements, not project costs. If not, please explain.

9. **Ref: *Ibid, Page 12***

Please explain how the current rate design process provides in-franchise customers with a benefit, if any, from ex-franchise transmission margin generated. What is the relevance of the benefit provided, if any, to the issue of cost allocation.

10. **Ref: *Ibid, Page 20***

Can Union interrupt the two Agreements if necessary to maintain service to its in-franchise customers (i) on design day; (ii) under emergency conditions?

11. **Ref: *Ibid, Page 16***

In Union's 2013 cost of service, of the \$3.4 million excess incremental revenue over allocated costs related to long-term/short-term C1 forecast revenue allocated costs, how much was from the Panhandle system; how much from the remainder of Panhandle/St. Clair? What was the actual excess revenue over cost (in Panhandle) of the last five years, and how was that accounted for?

12. **Ref: *Exhibit A, Tab 8, Schedule 2***

Why is the Project Allocation Factor for T2 reduced from forty-four percent (2013 April) to twenty-four percent and twenty-three percent (in 2017 and 2018, respectively)?

13. **Ref: *Ibid, Page 19, Lines 1-2***

Please explain the reallocation of cost components more fully.

14. **Ref: *Ibid, Page 16***

Does the constructed C1 ex-franchise supply from Ojibway to Dawn have priority, in any way, over Union's in-franchise customers, or do they share pro rata in any required shortfall of capacity on the Panhandle system on peak day, under an outage or other emergency conditions?

15. **Ref: *Exhibit A, Tab 8, Schedule 7***

Please explain thoroughly why the impact of the Project revenue requirement is negative for the ex-franchise customers and Union North customers.

16. **Ref: *General – June 10, 2016 Application Letter***

Please provide the dollars spent, and a description of each of the NPS 16 and NPS 20 pipeline reinforcements since inception.

17. **Ref: *Application, Page 2***

(a) Please explain, in detail, the rationale for proposing to determine rates using a twenty year depreciation, rather than the useful life fifty years weighted average, used in Board approved depreciation rates.

(b) Why did Union not propose a twenty year useful life for the assets to be added in EB-2016-0004? Please discuss.

18. **Ref:** *Exhibit A, Tab 3, Page 6*

- (a) (i) Given that the Premier has recently stated that the government is not banning natural gas or forcing anyone off it, and the fact that more work will be done to achieve longer term efficiency targets (much of which will presumably be undertaken by Union itself under DSM programs), and the government's support for renewable natural gas, why does Union see a need to propose a huge increase in the depreciation component of the revenue requirement at this time?
- (ii) Why propose an interim solution at this time, in the middle of an IRM regime, rather than wait until the next rebasing which is only two years away?
- (b) Has Union approached the government to clarify that any stranded costs arising as a result of policy changes will one of the items be covered by revenue from the cap and trade levy? If not, why not?
- (c) What other options has Union explored?
- (d) (i) Has Union conducted any analyses, either internally or by third parties, to assess the potential for stranded assets due to the implementation of the Ontario Government's GHG program? If so, please provide these analyses, as well as any proposals made to the Union Board on the GHG issue.

- (ii) If not, please provide the rationale and the calculations and underpinning the proposal to change the weighted average useful life of its assets from fifty years to twenty years.
 - (e) Has Union considered the utility of a hearing on the issue of a GHG impact on the gas utility industry, either separately or as part of its next rebasing case?
 - (f) Can Union cite any precedents either in Canada or elsewhere when energy regulators have approved this radical change to the rate-making principles to address the alleged risks to gas utilities arising from the implementation of GHG reduction policies? Please provide, or provide links to, any known decisions, consultatives, or studies.
19. **Ref: Exhibit A, Appendix B, Schedule 1; Exhibit A, Tab 8, Schedule 6; Exhibit A, Tab 3, Page 8 of 14, Table 3-10, Line 10**
- Please explain why the bill impact of moving from Board approved depreciation to twenty year depreciation is so much greater for Rate M4 direct purchase customers relative to M4 sales customers.
20. **Ref: Exhibit A, Appendix B, Schedule 2**

Why is Sarnia Industrial demand lumped in with Ojibway System Demand? What was the rationale for combining them? Please explain the project-induced large increase in M4 design day demand using current Board approved methodologies from 929 to 1,040 $10^3\text{m}^3/\text{day}$.

21. **Ref: Exhibit A, Appendix B, Schedule 3**

Please explain each step in the changes made to the Board approved cost allocation for the Panhandle/St. Clair system, and the impact of each on each in-franchise and ex-franchise rate class (both Union South and North). Note: Are the numbers entitled "project cost" in the Schedule project costs by rate class or revenue requirement impacts (by rate class) of the project costs? Please clarify.

22. **Ref: Exhibit A, Appendix B, Schedule 5**

Please explain fully, in words, the very large difference in the changes in costs allocated to the smaller volume in-franchise rate classes (M1, M2, M4; +165%, +109% and +91%, respectively), and the large in-franchise rate class (T1, T2, -17% and -47%, respectively), and the ex-franchise C1 class (-97%), as a result of Union "interim" cost allocation proposal. Will not acting on the interim basis compromise a fair and balanced review cost allocation at Union's upcoming rebasing proceeding?

23. **Ref: Ibid, Schedule 6, Page 2**

With reference to large M4 rate class (lines 21-23), please explain the eighteen percent increase in delivery rate.

24. **Ref: Exhibit A, Tab 9**

(a) Please provide the name and experience of the Pipeline contractor; if the contractor is not yet chosen, please provide the list of potential contractors who will receive an RFP or be otherwise considered. Please describe Union's process

for selecting a contractor. Please provide a copy of Union's template construction contract, and RFP/RFI, if that is the method used.

- (b) Please itemize the location, river crossings, road crossings, etc. where Union will need a new land right. Please list the total length of the section of pipe which will be left in place and abandoned. Please describe the OEB's approach, if any, with respect to pipe abandonments.

25. **Ref:** *Exhibit A, Tab 10, Schedule 2*

Please indicate when the summary of the comments will be received. Will the full text of the comments also be available?

26. **Ref:** *Revisions of the OEB Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario*

On August 11, 2016, the OEB released revisions to its "Environmental Guidelines" to better define the roles and obligations for the Crown's duty to consult. The Board noted, at page 2 of its introductory letter that:

"The revised Guidelines are applicable to any new leave to construct application filed under section 90 of the OEB Act. For existing leave to construct applications, the OEB expects that parties, to the extent practicable, will abide by the intent of the revised Guidelines".

Please discuss fully what Union has done, or plans to do, to abide by the intent of the revised Guidelines.