

OEB STAFF INTERROGATORIES

Panhandle Reinforcement Application – Union Gas Limited

EB-2016-0186

Interrogatory # 1

Ref: Exhibit A / Tab 3 / Page 4 / Lines 12-14

The Application by Union is brought in response to the immediate need and forecasted market demands and lack of available firm capacity on the Panhandle System.

When did Union determine that it needs to reinforce the Panhandle System in order to meet the additional market demand?

Interrogatory # 2

Ref: Exhibit A / Tab 3 / Pages 5 - 6

Union has referred to the government's Cap and Trade Program and the introduction of the 5 year Climate Change Action Plan (CCAP). Union notes that the details of the CCAP appear to include putting restrictions on the use of natural gas in Ontario in the next 15 to 35 years.

- a) Has Union contacted its large and commercial customers that have requested additional capacity on the Panhandle System after the government's introduction of the CCAP?
- b) Have these large customers expressed any uncertainty as a result of the introduction of the CCAP?
- c) Have any of the customers revised their natural gas needs or expansion plans as a result of the CCAP? Please provide a detailed response.
- d) How are the greenhouse operators going to be impacted as a result of the CCAP? Does Union expect a reduction in demand from greenhouse operators as a result of the CCAP in the next 10 to 15 years?

Interrogatory # 3

Ref: Application Cover Letter, June 10, 2016 Page 2 / Paragraph 3; Exhibit A / Tab 3 / Page 7 / Lines 13-18; Exhibit A / Tab 6 / Pages 1-6

Union expressed concerns over the significant uncertainty as a result of the introduction of the CCAP.

- a) What other short term alternatives has Union considered compared to making significant investments in capacity enhancements that may not be required in the future? Please provide a detailed response.
- b) If natural gas demand was to decline significantly after 2030 as a result of changes under the Province's CCAP, who would assume the risk of decline in capacity on the Panhandle System?
- c) Under what conditions of deteriorating demand would Union's proposed asset fail to be used and useful?
- d) Please provide in a matrix format a comparative assessment of all alternatives considered. For each alternative provide: incremental capacity, cost, in-service date, and any other assessment criteria used in the evaluation.

Please include the short-term alternatives described in Union's response to the interrogatory #3 a).

Interrogatory # 4

Ref: Exhibit A / Tab 3 / Page 7 / Lines 13-18; Exhibit A/Tab 7

Union has indicated that the uncertainty created by Cap and Trade and the CCAP has driven the need to calculate the revenue requirement and resulting rate impacts based on an estimated 20-year useful life of the project versus 50 years as per OEB approved depreciation rates. Union further notes that depreciating the asset over a 20-year useful life better aligns the cost with the timing of the reported restrictions and potential elimination of natural gas heating in homes and businesses.

- a) In the OEB Proceeding on Community Expansion (EB-2016-0004), Union proposed revising the period for commercial/industrial load to a maximum 40 year term for heating load as compared to the current 20 year term used in the economic test under the E.B.O. 188 Guidelines. Why has Union proposed a

different approach in the current application considering that both applications coincide with the Province's announcement of its climate change initiatives?

- b) Has Union informed its large volume (contract) customers about its proposed approach of calculating rates using an estimated 20-year useful life of the project as compared to the OEB approved useful life of approximately 50 years?
- c) Please outline the risks to Union if the OEB were to approve the existing depreciation period as opposed to the Union recommended useful life of the proposed project. Please quantify the magnitude and likelihood of the risks to the regulated entity with reference to the value of its rate base and remaining asset lives.

Interrogatory # 5

Ref: Exhibit A / Tab 3 / Page 8 / Table 3-1

Union has provided in-franchise bill impacts (Table 3-1) using a 20-year useful life and OEB approved depreciation rates.

- a) Has Union informed its M4, M7, T1 and T2 customers about the bill impacts under the two scenarios (20-year depreciation versus OEB approved depreciation rates)? If no, why not?
- b) Did Union consider a different useful life such as 30 years for calculating revenue requirement and resulting rate impacts? If no, why not?

Interrogatory # 6

Ref: Exhibit A / Tab 8 / Pages 6-7; Exhibit A / Appendix B

Union has proposed to allocate the Panhandle System demand costs related to the project in proportion to the firm South in-franchise Panhandle System design day demands, updated to include the incremental firm project design day demands. Union has noted that with the addition of the significant project costs related only to the Panhandle System and no change to the cost of the St. Clair System, the use of the combined system for cost allocation purposes no longer reflects the costs to serve the customers on each transmission system. Union has indicated that its proposed interim

allocation of project costs based on the Panhandle System design day demands better reflects the principle of cost causality during the remainder of the IRM term.

- a) Is it the opinion of Union that the cost allocation methodology should be updated whenever there is a major change in the demand profile during an IRM term?
- b) Did Union's IRM Settlement Agreement (EB-2013-0202) envision a change in the cost allocation methodology for large capital projects during the IRM term?
- c) Please provide the total volumes segmented by rate class (including Rate C1 and M16) that will flow on the Panhandle System once the proposed project is in service. Please also provide the direction of the volumes under each rate class.

Interrogatory # 7

Ref: Exhibit A / Tab 5 / Pages 11-12, Table 5-2 and Table 5-3

Union forecast demand growth in the period 2017-2021 and period 2022 to 2034 is a Design Day requirement of 106TJ/day and 99TJ/day respectively.

- a) Describe the methodology and parameters Union applied to determine the forecast 106TJ/day and 99TJ/day Design Day Requirement.
- b) How did Union incorporate impacts of Cap and Trade, Province's CCAP and DSM in the demand growth forecast for 2016 to 2021 and 2022-2034?
- c) With respect to forecast residential customer attachments, how did Union incorporate impacts of Cap and Trade, Province's CCAP and DSM on forecast residential customer attachments?

Interrogatory # 8

Ref: Exhibit A / Tab 3 / Page 12; Exhibit A / Tab 9/ Page 7; Exhibit A / Tab 9/ Schedule 4/Page 1

Union will use "lift and lay" construction process. Majority of the existing pipeline will be removed from the ground. The existing pipeline will be abandoned in place at certain locations at major road crossings and watercourse crossing.

According to the updated CSA Z662-15 "Oil and Gas Pipeline Systems" clause 10.16, which sets the requirements for pipelines abandonment, a documented abandonment plan is required.

- a) Did Union prepare abandonment plans, as required under the CSAZ663 section 10.16.1, that address the two methods of pipeline abandonment Union proposed for the Project?
- b) If so, please file executive summary of the plans.
- c) If no, please describe how will Union adhere to the requirements of section 10.16 of the CSA Z662-15 and indicate when will the pipeline abandonment plans be completed.

Interrogatory # 9

Ref: Exhibit A / Tab 9 / Schedule 2/Page 2/Paragraph 15

General techniques and methods of construction proposed by Union for the Project state that the bedrock will be removed by mechanical methods and that if blasting is required it will be conducted in accordance with Union's procedures and *Canadian Explosives Act*. Union does not anticipate any bedrock encounter during the construction of the Project.

In the event that blasting is required, what will be Union's communication program with potentially affected landowners?

Interrogatory # 10

Ref: Exhibit A / Tab 11 / Pages 1-2; Exhibit A / Tab 11 / Schedule 2

Union will need new permanent easements for about 1 kilometer of the pipeline route. Union also will need 309 acres of Temporary Land Use Areas for 2 years during construction and land restoration. For modifications of the Dover Transmission Station and the Dover Centre Valve Site, Union plans to purchase additional land.

- a) Referring to the table in Exhibit A / Tab 11 / Schedule 2 please identify the permanent easement agreements and Temporary Land Use agreements that Union obtained since the application was filed.

- b) What is the current status and prospect of negotiations with the landowners of properties where permanent easements and Temporary Land Use are needed?
- c) What is the status and prospect of Union's purchase of the additional lands for the Dover Transmission Station and the Dover Centre Valve Site.

Interrogatory # 11

Ref: Exhibit A / Tab 12 / Pages 1-4 and Exhibit A / Tab 10 / Schedule 1 "Panhandle Reinforcement Project: Environmental Report", Section 3.5.11

Union is in the process of consultation with potentially affected Indigenous communities listed in Table 12-1 in the evidence.

- a) Provide an update on the progress of the consultation and how Union plans to address any concerns and issues identified during the consultation.
- b) Since the application was filed, were there any new issues and concerns raised by the consulted Indigenous communities? If so, how is Union addressing and resolving the concerns and tissues?

Interrogatory # 12

Ref: Tab 2/ Application / Page 1/ Paragraph 1

Union applied for OEB order for leave to construct facilities-under section 90(1) of the OEB Act. OEB's standard conditions of approval for section 90 applications are set out below. If Union does not agree to any of the draft conditions of approval noted below, please identify the specific conditions that Union disagrees with and explain why. If Union would like to recommend changes, please provide the proposed changes. Please note that these conditions are standard conditions and are a draft version subject to additions or changes.

Draft

**Leave to Construct Conditions of Approval
Application under Sections 90 of the OEB
Act Union Gas Limited
EB-2016-0186**

- 1 Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the Board's Decision and Order in EB-2016-0186 and these Conditions of Approval.

- 2
 - (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.

 - (b) Union shall give the OEB notice in writing:
 - i. of the commencement of construction, at least ten days prior to the date construction commences;
 - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
 - iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
 - iv. of the in-service date, no later than 10 days after the facilities go into service.

- 3 Union shall implement all the recommendations of the Environmental Protection Report filed in the proceeding.

- 4 Union shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.

- 5 Union shall file, in the proceeding where the actual capital costs of the project are proposed to be included in rate base, a Post Construction Financial Report, which shall indicate the actual capital costs of the project and shall provide an explanation for any significant variances from the cost estimates filed in this proceeding.

- 6 Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
 - a) a post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe any impacts and outstanding concerns identified during construction;
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
 - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required

to construct, operate and maintain the proposed project.

- b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
- i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;
 - ii. describe the condition of any rehabilitated land;
 - iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction;
 - iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
 - v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.