



Lisa (Elisabeth) DeMarco  
Senior Partner  
5 Hazelton Avenue, Suite 200  
Toronto, ON M5R 2E1  
TEL +1.647.991.1190  
FAX +1.888.734.9459  
[lisa@demarcoallan.com](mailto:lisa@demarcoallan.com)

August 29, 2016

**Our reference:** 16-0031

**Filed on RESS and Sent via Email**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: 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 to recover the costs thereof  
Board File No. EB-2016-0186**

We are counsel to the Association of Power Producers of Ontario (**APPrO**). APPrO respectfully submits the enclosed written interrogatories in the above-mentioned matter, pursuant to Procedural Order No. 1, dated August 11, 2016.

Please do not hesitate to contact me should you have any questions.

Yours very truly,

A handwritten signature in black ink, consisting of a stylized, cursive script that begins with a large loop and ends with a long, sweeping horizontal stroke.

Lisa (Elisabeth) DeMarco

Encl.

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, and in particular, ss. 36 and 90(1) thereof;

**AND IN THE MATTER OF** an Application by Union Gas Limited for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Township of Dawn Euphemia, Township of St. Clair and the Municipality of Chatham-Kent;

**AND IN THE MATTER OF** an Application by Union Gas Limited for an Order or Orders for approval of recovery of the cost consequences of all facilities associated with the development of the proposed Panhandle Reinforcement Pipeline Project (the **Project**).

**EB-2016-0186**

**Interrogatories From**

**The Association of Power Producers of Ontario ("APPrO")**

**August 29, 2016**

**Question: 1**

Reference: (i) Exhibit A, Tab 3, page 6-7  
(ii) Exhibit A, Tab 5, pages 13-16  
(iii) Exhibit A, Tab 5, page 8, Table 5-1  
(iv) Exhibit A, Tab 5, page 12, Table 5-2

Preamble: In Reference (i), Union discusses Ontario's *Climate Change Action Plan (CCAP)* and in particular the province's plan to allocate

*"almost \$4 billion ... in new grants, rebates and other subsidies directed toward energy retrofits and efficiency measures aimed at homeowners reduce their carbon footprints".*

In Reference (ii), Union discusses its DSM program, which is intended to reduce natural gas consumption.

In Reference (iii), Union provides a year by year forecast of the increase in Design Day demands on the Panhandle system from new loads.

In Reference (iv), Union provides a forecast of the increase in new Panhandle Design Day loads for the period from 2016 to 2021 and the period from 2022 to 2034.

APPrO would like to understand how the future effects of CCAP and DSM on existing loads have been incorporated in this forecast.

- a) Please estimate how much of the CCAP's \$4 billion could be available to be spent in the region served by the Panhandle system using population ratios and any other means Union has employed to estimate such figures. Please list any material assumptions and describe the methods Union used to calculate these figures.
- b) Please estimate the total DSM funds that Union will make available to the customers served by the Panhandle system for the period up to 2020. Please list any material assumptions and describe the methods Union used to calculate these figures.

- c) Please provide a table containing estimates of the impact on the Design Day load from existing customers from 2016 forward for the market served by the Panhandle system as a result of each of the funding indicators noted in (a) and (b) above. For each funding indicator, please indicate if these impacts are explicitly reflected in the market demand forecasts in Tables 5-1 and 5-2 and, if so, please provide the details of the impact. Please list any material assumptions and describe the methods Union used to calculate these figures.
- d) In the event that Union has not incorporated any demand reduction from existing markets due to application of CCAP and DSM funding, please explain why Union has not done so and provide any analysis performed to arrive at this conclusion.
- e) In the event that Union were to direct its total DSM budget for each year from 2017 to 2020 only to customers served by the Panhandle system, and assuming the use of such funds was limited to those initiatives that could specifically lower the peak day demand, please provide a table estimating, by year, the reduction in Design Day demand that could be achieved from the application of such funds.

**Question: 2**

Reference: (i) Exhibit A, Tab 5, pages 4-5  
(ii) Exhibit A, Tab 5, Table 5-1

Preamble: Union notes that a portion of the demand increase is related to customers that currently use interruptible service wanting to switch to firm service. APPrO would like to better understand this demand and the relative benefits of accessing firm service.

- a) For each forecast year noted in Table 5-1, please indicate how much of the annual Design Day growth is:
  - (i) Related to customers wanting to switch from interruptible to firm service;
  - (ii) Organic growth in the general service market; and
  - (iii) New contract customers (excluding any migration from interruptible load noted in (i) above).
- b) For each year of Design Day demand growth noted in Table 5-1, please list, by contract rate class, the amount of capacity committed to customers that have signed binding precedent agreements.
- c) For those customers noted in (a)(i) that are requesting firm service, please

provide a table with Union's best estimate of their annual cost of alternative fuel, assuming that they would be interrupted in an amount similar to the interruptions Panhandle customers faced in the severe winter of 2014/15 (Exhibit A, Tab 5, page 5).

**Question: 3**

Reference: (i) Exhibit A, Tab 4, page 4  
(ii) Exhibit A, Tab 5

Preamble: Union discusses alternatives to the proposed facilities.

- a) In Reference (i), Union notes that two C1 shippers have year-round contracts to transport gas from Ojibway to the Dawn Hub.
- (i) Please provide the firm contract demand capacity for each of these two shippers.
  - (ii) To reduce the need for new facilities, did Union approach these two customers to determine the types of conditions they would be prepared to accept to obligate their delivery at Ojibway during peak times?
- b) Union notes at Reference (i) that the maximum import capability at Ojibway is 115 TJ/d, which is based on a summer month limitation.
- (i) What is the winter period import limitation?
  - (ii) Please explain whether Union considered (a) contracting for higher upstream capacity in winter for system supply and (b) where possible, mitigating the cost of any unutilized capacity costs during the months when import capacity might be restricted. If so, please describe the projected impacts and, if not, please explain why Union did not consider these options.
- c) Did Union consider requiring new customers fed from the Panhandle system to deliver their peak supply at Ojibway as an alternative to building the proposed facilities? If so, please describe. If not, please explain why Union did not consider this option.
- d) Please provide a list of the other types of commercial and non-facility alternatives Union considered to reduce the need for building new facilities and explain why Union did not pursue these alternatives.

**Question: 4**

Reference: (i) Exhibit A, Tab 6

Preamble: Union proposes developing new facilities to accommodate the forecasted growth in firm Design Day demand of 106 TJ/d by 2022. This includes the replacement of an existing NPS 16 pipeline with a much larger NPS 36 pipeline and significant station modifications.

a) Assuming that (a) the Panhandle system pipeline capacity is sustainable in the long run for the general service market, in that CCAP, DSM, and self-funding conservation initiatives are sufficient to allow new general service market growth to continue without the need to add any new facilities and (b) the Board only authorizes new facilities to accommodate the aggregate volume of contract capacity currently committed to under binding customer precedent agreements, without regard for future growth potential:

- (i) Please provide the committed volume under binding precedent agreement.
- (ii) Please describe how the Project would change in scope.

**Question: 5**

Reference: (i) Exhibit A, Tab 8

Preamble: Union proposes changes to the cost allocation methodology for the Panhandle system including the methodology for allocating costs to C1 and M16 contract customers (west of Dawn).

- a) Please provide a table indicating aggregate injection levels for each and all of the M16 shippers west of Dawn that ship gas on the Panhandle system.
- b) Are those M16 shippers west of Dawn that ship gas on the Panhandle system contractually prevented from injecting gas in winter? If so, please provide a copy of any contract language regarding this restriction.
- c) Please provide a table with a column containing the rate impacts as filed and a column containing updated rate impacts to all classes with M16 injection volumes included in the Panhandle cost allocation.

**Question: 6**

Reference: (i) Exhibit A, Tab 9  
(ii) Exhibit A, Tab 4, Schedule 3

Preamble: Union is proposing modifications to a number of stations as part of this project including upgrades to the Mersea Gate Station (replacement of inlet filter, boiler, boiler building, heat exchanger, pressure control and inlet piping). The Mersea Gate Station is remotely located from the proposed 36" Panhandle Reinforcement Project

- a) Please explain why Union included the Mersea Gate Station upgrades as part of the Project rather than as an independent project or as part of the Leamington Distribution Expansion Projects.
- b) Please identify the 2016 and 2017 design flow of the Mersea Gate Station.
- c) Please explain if the Mersea Gate Station costs are subject to the Board's distribution system expansion economic criteria and therefore included in the economics of adding new distribution loads (i.e. EBO 188)?

**Question: 7**

Reference: (i) Exhibit A, Tab 3, page 7  
(ii) Exhibit A, Tab 7  
(iii) EB-2015-0179

Preamble: At Reference (i), Union proposes reducing the depreciation period for the proposed facilities from 50 years to 20 years and states:

*"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."*

The overall resulting Stage 1 NPV of the project is \$(212) million; however, the direct energy savings for new customers is estimated to be \$805 million.

APPrO would like to better understand the economics of the project and rationale and the impact of such a depreciation proposal.

- a) Please provide all independent studies that were conducted to support the

- request to change the depreciation period to 20 years.
- b) Please estimate the increase in overall revenue requirement and rate impact to customers with the depreciation period criterion applied to all transmission facilities commencing in 2019.
  - c) Please estimate the increase in revenue requirement and the rate impact to customers with the depreciation period criterion applied to all transmission and distribution facilities commencing in 2019.
  - d) In light of (i) CCAP and increased DSM funding resulting in the greater risk of gas demand declining over time, (ii) the proposed change in depreciation period, (iii) the highly negative Stage 1 economics, and (iv) the highly positive energy savings that new customers are expected to realize, would Union consider incorporating a surcharge for new customers in these types of circumstances, similar in nature to the "temporary connection surcharge" Union proposed in Reference (iii), in order to create better alignment between costs and benefits? Please explain why or why not.

ALL OF WHICH IS RESPECTFULLY  
SUBMITTED THIS

29<sup>th</sup> day of August, 2016



---

Lisa (Elisabeth) DeMarco  
DeMarco Allan LLP  
Counsel for APPrO