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27 April 2017

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

Dear Ms. Walli:

Re: EB-2016-0137 / EB-2016-0138 / EB-2016-0139
Phase One Submissions on Draft Issues List and Draft Filing Requirements
Southern Bruce Expansion Applications to serve the Municipality of Arran-
Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss with
natural gas distribution services

We are counsel to Greenfield Specialty Alcohols Inc. (**Greenfield**) in the above-mentioned proceeding. Please find enclosed Greenfield's Phase One submissions on the draft Issues List and Filing Requirements.

Yours very truly,

A handwritten signature in black ink, appearing to be "Lisa DeMarco", written over a horizontal line.

Lisa (Elisabeth) DeMarco & Cary Ferguson



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Phase One Submissions on Draft Issues List and Draft Filing Requirements
Southern Bruce Expansion Applications to serve the Municipality of Arran-
Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss with
natural gas distribution services (the "Proceeding")**

We are counsel to Greenfield Specialty Alcohols Inc. (**Greenfield**) in the Proceeding. In accordance with Procedural Order No. 5, please find attached Greenfield's submissions on the draft Issues List and Filing Requirements.

Greenfield has supported, and continues to strongly support, the development of a fair, transparent, and thorough process to facilitate the evaluation, assessment, and comparison of competing natural gas franchise applications. Specifically, Greenfield participated in the EB-2016-0004 Generic Proceeding to facilitate such apples-to-apples comparisons that allow customers to evaluate proposals in a meaningful manner.¹

Greenfield does not generally object to the inclusion of the issues on the Draft Issues List and makes the following specific submissions on Issues 1, 3, 4, and 5.

Issue 1: Keeping in mind the principles set out in the Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), what should the process for selecting a proponent look like when there are competing proposals for serving a community?

Generally, Greenfield supports Board Staff's submissions on this issue with the following noteworthy exceptions:

¹ EB-2016-0004, Transcript Volume 7, pages 68-70.

- (i) The procedural fairness that must be afforded to customers is not conducive to a Board Staff-discretionary "vetting process" for interrogatories. The interrogatory process should ensure that each and all intervenors, who have already been granted the right to fully participate, have the right to be heard and replied to on relevant areas of inquiry. Interrogatories are an important means of fully probing a proponent's application and can serve to clarify the evidence, simplify issues, permit a full and satisfactory understanding of the matters to be considered, and expedite the proceeding. They are a vital part of each intervenors' ability to help the OEB fulfil its statutory objectives under s. 2 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B (the **OEB Act**) and in particular to protect the interests of consumers with respect to prices and the reliability and quality of service through the rational expansion of natural gas distribution systems. While Greenfield is respectful of Board Staff concerns regarding fairness symmetry of, and consistent, interrogatories being asked to each applicant, Greenfield submits that there are less intrusive means to achieve these ends. Specifically, Greenfield recommends that the Board consider allowing intervenors to first ask their interrogatories to the relevant applicant, then at a later date allow Board Staff to ask interrogatories in order to, among other things, fill in the gaps and ensure symmetry in interrogatories asked to each applicant.

Similarly, Greenfield does not object to the applicants' normal procedure of consolidating responses to interrogatories for convenience. Failure to allow intervenors to exercise their full right to examine the evidence is inconsistent with the right to participate granted, procedural fairness of the Board, the rules of natural justice and the principal of *audi alteram partem*.

- (ii) Customers should be granted the right to cross examine any witnesses and experts. While Greenfield takes no formal position on whether the Board should conduct an oral or written hearing, it respectfully submits that intervenors should be provided with the right to test the evidence. Concerns about inequality between the applicants may be addressed by proceeding in camera in the absence of the other applicant.

Issue 3: In its Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), the OEB introduced the idea of a rate stability feature for its framework for natural gas expansion:

A minimum rate stability period of 10 years (for example) would ensure that rates applied for are representative of the actual underpinning long-term costs. The utility would bear the risk for that 10-year period if the customers they forecast did not attach to the system.

- **How should a rate stability period be implemented for the South Bruce areas?**
- **Is a 10-year rate stability period too long or too short?**
- **Should proponents have the opportunity to update costs during the rate stability period? If so, what types of costs?**

Rate stability and cost certainty are important to customers. As a result, Greenfield submits that, if the OEB allows proponents to update costs during the rate stability period and/or for an annual inflationary adjustment, such adjustment should be limited to operating and maintenance

costs. Consistent with the Board's Decision and Order in EB-2016-0004 (the **EB-2016-0004 Decision**), a proponent should consider and bear the risk of fewer than forecast number of customers attaching to its system during the rate stability period. Currently, once an expansion is approved, the utility bears little long-term risk if its forecasts were overly optimistic or its actual costs were higher than expected. The cost overrun is absorbed into rates and paid for by other ratepayers. This is problematic for customers who have relied on cost representations in a competitive bidding situation.

Greenfield submits that limiting inflationary cost adjustments to operating and maintenance costs would encourage proponents to submit realistic forecasts and allow the Board to better evaluate competing proposals.

Issue 4: In expanding natural gas service to new areas, the OEB expects to approve franchise agreements following the results of a certificate competition. The selection process is primarily about finding the best value for consumers over the long term, after analyzing the supply plans and associated costs.

- **Is there a need for a common format for applications to be able to appropriately assess and compare the value propositions of different proponents – for example through establishing filing requirements?**
- **If so, please provide comments on the draft filing requirements attached at Schedule C.**
- **Should the OEB use a Reference Plan based on a set of working assumptions such as long term system demand? What other parameters should be set in a Reference Plan?**
- **Should applicants have the opportunity to create their own proposals by applying their own demand forecasts, construction phasing, etc. as opposed to a Reference Plan?**

Greenfield is generally supportive of the Filing Requirements as amended by Board Staff and would add both technical capability and major customer support, and proposed tariffs to key customers. In addition, the Filing Requirements should include: a filing of key assumptions including assumed load forecasts, available supply and proposed route(s). Greenfield submits that, consistent with its comments on the Issues List, the Filing Requirements should be expanded to include (i) technical, (ii) financial and (iii) key assumption disclosures.

Technical disclosures. A proponent's experience and its experience in connecting, and plan to connect, natural gas customers should be included in Subsection 2, "Organization".

Financial disclosures. While the work required for a leave to construct application should not be necessary for the competitive bid process, each proponent should be required to include an allowance for the leave to construction process and requirements in the "cost to serve" estimate of their proposal, and not as an additional cost once a proponent has been selected. In addition, proponents must clearly set out their grant, tax base, or other contribution assumptions in their proposal.

Any government grant requirements, and any gap between government grants and capital requirements, should be identified by each prospective proponent in the Subsection 3,

"Financial Capacity". Such an approach would be consistent with the EB-2016-0004 Decision, where the Board stated that it would consider the use of grants and loans when evaluating competing proposals:

... any funding available from the government should be used to improve the economics of community expansion projects irrespective of whether they are provided to utilities or individual municipalities, and that loans should be used to assist with financing of conversion of heating equipment. The OEB would consider whether or not the use of grants or loans are consistent amongst proposals when comparing multiple proposals. (Page 30)

Including government grant requirements in the Filing Requirements would give the Board a better view of a proponent's overall project economics.

In addition, the estimated cost of expansion should be considered in Subsection 5, "Costs of Supply and Customer Rates". A description of the large industrial service agreements and acceptance by these industrials should be included in Subsection 5, "Costs of Supply and Customer Rates".

Key assumption disclosures. The type of cost reduction needed to be successful and obtain the attachment ratios identified in the proponent's economics should be included in Subsection 5, "Cost of Supply and Customer Rates". This criterion would help the Board to better evaluate a project's economics.

Greenfield submits that including these criteria in the Filing Requirements will better help the OEB to approve the proposal that best meets the needs of the community and ratepayers and fulfill its statutory objectives under section 2 of the OEB Act.

Issue 5: How should the costs of proposals be compared? (e.g. \$/month, \$/system capacity, use of demand day, delivery capacity of the system for comparison)

In addition to the criteria set out by Board Staff, Greenfield submits that proponents should be required to provide a "base case" proposal and all options and assumptions that are being used or could be used to improve the economic viability of the proposal. This would ensure transparency and fairness in the Board's consideration of competing proposals.

Yours very truly,



Lisa (Elisabeth) DeMarco & Cary Ferguson