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Request for Clarifying Information from ICF on Their August 20, 2010 Report to the OEB on 2010 Natural Gas Market Review

1. Section 2.1.2 of the Report notes that over 280 GW of new gas fired capacity was added in the US and Canada between 1995 and 2008, of which 220 GW was added in the US. This implies 60 GW of gas fired capacity was added in Canada during this same period. According to Environment Canada (<http://www.ec.gc.ca/energie-energy/default.asp?lang=En&n=7ED2A11B-1>) only 9,500 MW (9.5 GW) of gas fired capacity exists in total in Canada. According to Stats Canada (<http://www.statcan.gc.ca/pub/57-202-x/57-202-x2007000-eng.pdf>) the total installed generation capacity in Canada from all forms is 124.2 GW as of the end of 2007.
 - a. Can ICF provide additional information about their understanding of the referenced 60 GW of natural gas fired generation capacity in Canada?
 - b. Does the response in 1a above affect key findings in the report at all?
2. Section 3.2 of the ICF Report discusses various North American supply sources including various conventional and non-conventional sources. While reference is made to the Utica shale basin in Exhibit 33, no accompanying discussion or production estimates are provided. While it is understood that no commercial production currently exists from the Utica shale gas basin, there is significant exploration activity by a number of producers which could result in commercial production within the timeframe of the Report.
 - a. Can ICF comment on the range of potential production estimates by 2015 and by 2020
 - b. Please also comment on the likely destination of this gas and any impacts to gas flows on the TransCanada system from this shale gas production
3. Section 3.3.2 discusses some of the natural gas pipeline issues affecting Ontario and surrounding regions. Of note is that ICF indicates in Exhibit 47 that the base case for Marcellus Shale gas is a production level by 2020 of 6.1 bcf/d and that this has a TCPL Mainline flow of 1.6 bcf/d associated with this case. High and low variations also of +2.9 bcf/d and -2.3 bcf/d have a corresponding change in flow on the TCPL

system of -0.1 bcf/d and +0.1 bcf/d respectively. Exhibit 42 illustrates that in the April 2010 receipts at Empress have declined to a record low of approximately 2.5 bcf/d. Exhibit 43 also notes that current TCPL FT tolls are over \$1.60/GJ. Exhibit 44 also shows a 2009 TCPL Mainline flow of 4.059 bcf/d. Exhibit 45 illustrates that TCPL flows will decline by a further 1.244 bcf/d by 2020.

- a. Subtracting the decline in the TCPL Mainline flow of 1.244 bcf/d from the 2009 flow of 4.059 bcf/d suggests that the 2020 TCPL flow will be 2.815 bcf/d yet Exhibit 47 indicates that the flow is expected to be 1.6 bcf/d. Please explain if these flow forecasts are in conflict and if so why.
- b. To what degree is the decline in throughput on the TCPL system of approximately 1.2 bcf/d shown in Exhibit 45 resulting from increased competition from shale gas or other US gas supplies?
- c. Please indicate what assumptions were used for TCPL tolls for this throughput analysis.
- d. Please discuss the relative competitiveness of WCSB gas in traditional TCPL markets in Ontario and the Northeast to Marcellus and other US conventional and non-conventional sources if TCPL tolls continue set using the current cost based tolling methodology.
- e. Given the high quality storage in Ontario, the relative high TCPL tolls, the limited remaining term FT contracts, and the current infrastructure between Dawn and the Northeast, will Marcellus and other US supplies have a competitive advantage for summer storage injections at Dawn?
- f. Significant TCPL Mainline capacity has been built in the last 20 years to supply Northeast markets with WCSB supplies via export points at East Herford, Waddington, Niagara and Chippewa. These traditional markets appear to now be reducing their commitments to ship on the TCPL system and are targeting lower 48 gas supplies to meet their requirements. Declining throughput has therefore increased the transportation cost to Ontario customers. Assuming that Western Canadian shale gas and other WCSB supplies were sufficient to supply these traditional Northeast markets, what toll level on the TCPL system would be required for WCSB supplies to continue to compete in these marketplaces?