

OEB STAFF INTERROGATORIES
UNION GAS LIMITED
APPLICATION FOR LEAVE TO CONSTRUCT PIPELINE
FOR THE HALTON HILLS GENERATION PROJECT
EB-2008-0024

1.0 Project Need

Reference: Tab "Prefiled Evidence", Pages 2-3

Preamble

Item 14 on page 3 indicates that Union expects to sign a contract with TransCanada Energy Ltd. ("TCE") in the first quarter of 2008 with an expected expiry date December 31, 2029. It is also stated that Union will not construct the proposed facilities until it can be ensured that all financial risks can be mitigated through the contract terms with TCE.

Questions / Requests

- i. Please provide an update on the status of the negotiations/contract between Union and TCE.
- ii. Please provide the latest available information including:
 - date gas service is first required
 - term of contract
 - maximum and minimum operating pressure
 - maximum pipeline flow (m³ per day)
- iii. If the contract has been finalized, please provide a copy of the contract.

2.0 Alternatives Considered

References: Tab "Prefiled Evidence", Pages 4-5

Preamble

The evidence indicates that three alternatives were considered for the proposed pipeline:

- (1) Provide natural gas service to Halton Hills GS via a 20 inch pipeline and associated facilities (proposed alternative)
- (2) Provide natural gas service to Halton Hills GS from the existing system.
- (3) Provide natural gas service to Halton Hills GS via a 16 inch pipeline and associated facilities

Questions / Requests

- i. Please provide a table showing the estimated costs of the three alternatives broken down according to pipeline material cost, pipeline labour cost, land cost, station cost and other costs.
- ii. Please expand on the rationale for Union's choice of Alternative (1) including any uncertainty and sensitivity analyses that were carried out and comment on any potential impact of these on Union's choice of alternative.

3.0 Environmental Considerations

- References:*
- (1) *Tab "Prefiled Evidence", Pages 10-12*
 - (2) *Prefiled Evidence Volume II – Environmental Report, Section 8.3*
 - (3) *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, May 2003 edition*

Preamble

Reference (1) indicates that Stantec Consulting Ltd. Prepared an Environmental Report ("ER") in accordance with the "Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, May 2003 Edition" (Ref 3).

Reference (1) indicates that the ER was submitted to various organizations/groups including the Ontario Pipeline Coordination Committee ("OPCC"), local aboriginal groups, local municipalities and all interested parties who requested a copy.

Section 8.3.2 of Reference (2) dealing with the analysis of cumulative effects lists a number of construction projects under the heading of "Year 2009: Construction" No projects are shown for years beyond 2009.

Questions / Requests

- i. Please provide an update on the status of the OPCC review of the ER.
- ii. Please provide details of any comments/concerns/issues expressed by any party who was consulted by Union, who consulted Union and/or who was provided with a copy of the ER by Union.
- iii. Please describe Union's proposed solutions, status and schedule to address any comments/concerns/issues identified in ii. above.

- iv. What is Union's interpretation of the guidelines in Reference (3) with respect to the time horizon for consideration of future projects that may contribute to cumulative effects?
- v. Are there any projects beyond 2009 from Union or others that Union is aware of that may contribute to cumulative effects. If so, what are they and why are these not considered in the ER.

4.0 Land Related Matters and Other Approvals

References: (1) Tab "Prefiled Evidence", Pages 12-14
(2) Tab "Schedule 13", Pages 1-4
(3) Tab "Schedule 14", Pages 1-5

Preamble

The evidence indicates that Union will require both permanent and temporary easements for the proposed pipeline and that there are 17 landowners that Union may require land rights from.

The evidence also indicates that Union has an extensive program of consultation with landowners and other interested parties to keep them informed regarding the project, tracking and resolving concerns.

Questions / Requests

- i. Please provide an update on the process, timing and status of any negotiations/consultations with the landowners that Union may require land rights from.
- ii. Has the form of easement agreement shown in Reference (3) been given/offered to the landowners yet? Is this the final form of easement agreement or is it a draft version?
- iii. How does Union plan to address the concerns of the Regional Municipality of Halton ("Halton Region") regarding the impact of the proposed pipeline on Halton Region's plans for additional utility infrastructure development in the area of the pipeline? What is the status of any ongoing negotiations with Halton Region? When is this issue expected to be resolved?
- iv. What is the status of Union's negotiations with property owner Mr. Onkar Rai and when does Union expect to reach an agreement with Mr. Rai?
- v. Please advise of any outstanding issues/concerns associated with routing the pipeline along or crossing Highway 401. What is the status of any ongoing/planned negotiations with the Ministry of Transportation or any other authority regarding any outstanding issues/concerns? How and

when does Union propose to resolve any outstanding issues/concerns?

- vi. Please provide a list of outstanding approvals and permits needed to complete construction of the proposed pipeline.

5.0 Aboriginal Peoples Consultations

References: (1) Tab “Prefiled Evidence”, Page 11

Preamble

Below is a standard set of questions, the Board has with respect to consultations, if any, that the Applicant has engaged in with Aboriginal Peoples.

Questions / Requests

- i. Has Union made inquiries to determine if there are Aboriginal groups who may be affected by the proposed project?
- ii. If there are Aboriginal groups who are affected by the proposed project, has Union consulted with them? If so, have those groups identified any specific issues or concerns in respect of the project? How have those issues or concerns been mitigated or accommodated?
- iii. Has Union determined if any Aboriginal groups have any filed and outstanding claims or litigation concerning their treaty rights or treaty land entitlement or aboriginal title or rights, which may potentially be affected by the project? If so, what is the status of those claims or litigation?
- iv. If Union has not made inquiries to determine if there are Aboriginal groups who may be affected by the proposed project, please advise if Union intends to do so.
- v. Provide details of any known Crown involvement in consultations with Aboriginal groups in respect of the applied-for project.

6.0 Project Cost and Feasibility

References: (1) Tab “Prefiled Evidence”, Pages 3, 6-7

(2) Tab “Schedule 7”, Pages 1-2

Preamble

Reference (1) indicates that Union performed an economic feasibility analysis consistent with principles in the Board’s E.B.O. 188 proceeding dated January 30, 1998.

Reference (1) also indicates that TCE has selected to be a T-1 customer of Union, utilizing the Board-approved Billing Contract Demand (“BCD”) option from

the NGEIR settlement agreement. Based on this, the billing is set such that the annual revenues over the term of the contract will recover the invested capital, return on capital and operating & maintenance costs.

The Table in Reference (2) shows a Discounted Cash Flow (“DCF”) analysis for the proposed pipeline project over a 20-year time horizon.

Questions / Requests

- i. Please explain Union’s rationale for carrying out the DCF analysis (Reference 2) such that the NPV and PI are forced to 0 and 1.00, respectively, for the period shown.
- ii. The analysis shown in Reference (2) results in annual revenues of \$2,456,000. Is this the revenue amount that is expected to be contracted for over the period shown?
- iii. If the answer to ii. is negative:
 - What is the expected annual revenue?
 - What assurance does Union have that it would realize this revenue?
 - What would be the resulting NPV and PI in this scenario?
- iv. Please comment on any financial risks that Union would be subjected to in undertaking construction of the proposed pipeline and any proposed measures that would mitigate the risks.