

October 31, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

RE: Union Gas Limited (“Union”) – Volume 3 Transcript, EB-2013-0109

We are counsel to Union Gas Limited in the above noted proceeding.

On Thursday, October 24, 2013 the Board sat to hear Union’s DSM panel. In the course of cross-examination, information subject to confidential treatment was heard in-camera with Union, School Energy Coalition (“SEC”) and Board staff present. Parties agreed to review the transcript and redact the information that should be kept confidential and not released on the public record.

Union provided its redactions to SEC and Board staff on Monday, October 28, 2013. Discussions took place on Monday and Tuesday during which the parties were able to reach agreement in respect of some, but not all of the proposed redactions. Overall, the transcript remains largely un-redacted. The redactions still at issue can be found at:

p.99 line 9, 11, 20
p.100 line 12, 18
p.101 line 5
p.102 line 11, 2
p.105 line 6, 8, 21, 23, 24

As expressed by Union at the hearing, it is extremely important to keep customers’ commercially sensitive information confidential. Union has been guided by Mr. Clarke’s advice on the information that is commercially sensitive. Mr. Clarke is the consultant responsible for gathering the necessary information for verification of Union’s DSM activities for distribution contract custom projects, those that are the subject of the redactions. In the attached letter, Mr. Clarke expresses his view of the consequences of not redacting certain information.

Union believes there is a potential impact to these customers, as well as to future DSM activities if the information is provided on the public record. As such, Union requests that the redactions provided in the attached excerpt from the Volume 3 Transcript be maintained.

Yours truly,

[original signed]

Crawford Smith

cc: Mark Kitchen, Union
All intervenors



October 30, 2013

Crawford G. Smith
Torys LLP
79 Wellington St W #3000
Toronto, ON M5K 1N2 Canada

Dear Mr. Smith,

With regards to the transcript of the proceedings before the Ontario Energy Board on October 24, 2013, before Ken Quesnelle, Presiding Member, I am requesting all quantitative information for projects executed by customers in one market be held confidential. There are a limited number of participants in this highly competitive and unique market in which these customers participate. In that there are few participants, all of who consume large volumes of natural gas, it may be possible to identify the company whose project has been reviewed, by a knowledgeable competitor, based on the high levels of project savings and TRC benefits as described in the transcript, even if the company name is redacted. Furthermore, these market participants have high sales volumes at relatively low gross margins. Any disclosure of gas saved or TRC provides information about changes in a company's operating costs, not unlike the effect of disclosing a firm's total gas consumption. Knowing changes in a competitor's operating costs could provide a company a competitive advantage.

Very truly yours,

A handwritten signature in black ink that reads "John B. Clarke". The signature is written in a cursive, flowing style.

John B. Clarke
President

**CONFIDENTIAL
UNREDACTED**



ONTARIO ENERGY BOARD

FILE NO.: EB-2013-0109

CONFIDENTIAL UNREDACTED

VOLUME: 3

DATE: October 24, 2013

BEFORE:	Ken Quesnelle	Presiding Member
	Marika Hare	Member
	Ellen Fry	Member

1 page 16 of your report, is Union Gas told you -- or I guess
2 the application told you, but I think it was Union Gas
3 representatives who did this, that the average plume length
4 was [REDACTED] feet. And the customer said it was [REDACTED] feet.

5 And so you looked at the situation and you split the
6 difference; isn't that right?

7 MR. CLARKE: Roughly correct, yes.

8 MR. SHEPHERD: So what had been claimed was TRC of
9 just under [REDACTED]. And you said: No, no, no, if we
10 make this adjustment, that increases the TRC by
11 [REDACTED], right?

12 MR. CLARKE: No.

13 MR. SHEPHERD: Your adjustment caused that result,
14 right?

15 MR. CLARKE: I'm not talking in terms of TRC. If you
16 could talk in terms of cubic metres saved, I would feel
17 more comfortable answering your questions.

18 MR. SHEPHERD: Let me ask Ms. Kulperger.

19 Is that correct, that Mr. Clarke's adjustment caused a
20 [REDACTED] increase in TRC?

21 It's on page 21 of our materials, on the table, right
22 at the top line.

23 MS. KULPERGER: That's correct.

24 MR. SHEPHERD: And if you increase the savings for
25 this project, it also affects other projects, right?
26 Because of the use of the realization rate methodology; is
27 that right?

28 MS. KULPERGER: Correct.

1 MR. SHEPHERD: Now, this was actually Union's biggest
2 single project in 2011, wasn't it? Actually completed in
3 2010, but in terms of what was counted in 2011, this was
4 your biggest single project, right?

5 MS. KULPERGER: That's my understanding.

6 MR. SHEPHERD: Will you accept, subject to check, that
7 this one project was more than 6 percent of your total TRC
8 and about 10 percent of your overall gas savings?

9 MS. KULPERGER: Yes.

10 MR. SHEPHERD: Will you accept, subject to check, that
11 the incentive that you are claiming for this one project is
12 \$[REDACTED], the shareholder incentive? Which is
13 approximately 21 times what you gave the customer; isn't
14 that right?

15 You can give an undertaking if you want to calculate
16 that.

17 MS. KULPERGER: So I guess the point is the TRC
18 verified to the customer was [REDACTED] -- [REDACTED],
19 which is 46 percent of the claimed savings. So that's the
20 net TRC. So the customer would have realized benefits for
21 this project. And yes, the incentive tied to that to the
22 utility for the project, I believe you're accurately
23 reflecting that.

24 MR. SHEPHERD: I'm using 3.95 percent as the
25 percentage over 75 percent of target. And I think you can
26 verify that, but I think that's right.

27 MS. KULPERGER: Yeah. Again, it just depends where
28 you are on that line.

1 MR. SHEPHERD: Now, Mr. Clarke, your change, then,
2 almost doubled the incentive that the shareholder gets,
3 right?

4 MR. CLARKE: My conclusion was offered in a range from
5 [REDACTED] cubic metres to [REDACTED]. So I think you have
6 to use those numbers in calculating what the benefit would
7 be.

8 MR. SHEPHERD: Union Gas has used the midpoint of that
9 range, right?

10 MS. KULPERGER: That's correct.

11 MR. SHEPHERD: And Mr. Clarke, the baseline you use
12 for this project is that those [REDACTED] steam leaks, some of
13 them very serious, none of them would have been repaired
14 for 20 years? That's your base case, right?

15 MR. CLARKE: Correct.

16 MR. SHEPHERD: So what I don't understand is it seems
17 like a company that has a regular repair program and a
18 protocol and a strategy for steam leaks, their baseline
19 would be that they continue with their regular program,
20 wouldn't it? Isn't that the logical answer? They did it
21 the year before and they did it the year after?

22 MR. CLARKE: You're correct. They did do it the year
23 before and they did it the year after.

24 To fully answer your question, one would have to delve
25 into the influence that the program had on the previous
26 years. And in fact, you would have to go back all the way
27 back to the start of the program to see if the Union Gas
28 relationship and incentives were, in fact, responsible for

1 starting the program year 1.

2 I don't have data that goes back to that point. I do
3 know, I do know that the relationship between the Union Gas
4 project managers and the energy managers on-site are very
5 effective. The Union Gas personnel have increased energy-
6 efficiency awareness on this site through their consistent
7 and constant interaction with the customer.

8 But you are asking me to offer an opinion about events
9 that occurred before I ever was onsite.

10 MR. SHEPHERD: I'm actually asking about 2011, where a
11 \$[REDACTED] cheque appears to have caused \$[REDACTED] in
12 spending, and \$[REDACTED] in TRC.

13 MR. CLARKE: I would restate that maybe there was
14 previous actions. There might have been a time where the
15 Union Gas program created the program that is being
16 implemented by this particular customer to repair these
17 leaks, in previous years.

18 MR. SHEPHERD: Is it your experience Mr. Clarke--
19 you've seen a lot of big industrial operations -- is it
20 your experience that big industrial facilities like this
21 one don't repair their steam leaks unless a utility gives
22 them a cheque? That's not, is it? Normally, they have a
23 program?

24 MR. CLARKE: Please. Yes and no. However, I have
25 been in the last year in four sites of equivalent magnitude
26 where leaks of this -- well, three of the four sites, leaks
27 of this magnitude had gone unrepaired.

28 So I can't make a categorical statement and affirm

1 expect that that leak repair would last 20 years, and we
2 believed that it would.

3 MR. SHEPHERD: Okay. So I'll ask this question
4 differently. Union is asking -- and I'm asking it of all
5 the witnesses -- Union is asking for the ratepayers to pay
6 \$[REDACTED] because they saved a bunch of gas. Does anybody
7 believe, anybody on the panel believe, that this project
8 and this \$[REDACTED] cheque saved [REDACTED] cubic metres for
9 20 years? Anybody? It's a causation question.

10 MS. LYNCH: In order to look at the overall portfolio
11 you need to assess it on an overall basis. So if you look
12 at the savings that we did achieve in 2011, \$379 million in
13 TRC benefits that would have been -- that would be to
14 customers, and the cost of the program, it's not just one
15 piece of it, it's the portfolio overall that we need to
16 consider and all the inputs that go into that, so the
17 savings are a piece of that, the free-ridership studies are
18 a piece of that. It all comes together to show what the
19 outcomes of the portfolio are.

20 MR. SHEPHERD: Ms. Lynch, you gave this customer a
21 \$[REDACTED] cheque to do something they were going to do
22 anyway. We all agree, I think, they were going to do it
23 anyway, and as a result you claimed \$[REDACTED] of TRC and
24 \$[REDACTED] from the ratepayers. I'm asking: Did you cause
25 those savings or not? Yes or no?

26 MS. LYNCH: In the context of how this is calculated,
27 yes, through participation in our program we are including
28 the savings. We are also including the free-rider rate