

February 10, 2014

VIA RESS AND COURIER

Ms. Kirsten Walli
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File No. T998376

Dear Ms. Walli:

Re: EB-2013-0365 – Union Gas Limited (“Union”) 2014 Rates Application.

**Evidence Submitted on behalf of the Industrial Gas Users Association
 (“IGUA”) Relating to the Parkway Delivery Obligation – Confidential Filing.**

Enclosed please find evidence to be presented by IGUA in respect of the captioned application, which is filed pursuant to Procedural Order No. 1. IGUA’s evidence addresses the costs of Union’s current requirement that certain large direct purchase customers deliver their daily contract quantity (“DCQ”) of gas to Parkway.

Pursuant to section 10.01 of the Board’s Rules of Practice and Procedure, and in accordance with section 5.1 of the Practice Direction on Confidential Filings (the “Practice Direction”), IGUA requests that the Board order that a portion of IGUA’s evidence be held to be confidential.

In accordance with section 5.1.4 (b) of the Practice Direction, enclosed with the couriered copy of this letter is a confidential, unredacted copy of IGUA’s evidence. The unredacted evidence has been marked confidential and all portions of the document for which confidentiality is claimed are specifically identified. In total, IGUA requests that twenty (20) numbers throughout the evidence be redacted. In accordance with section 5.1.4 (c) of the Practice Direction, also enclosed is a non-confidential, redacted version of IGUA’s evidence. This non-confidential, redacted version of the evidence has also been filed electronically through the Board’s RESS and served on the parties herein.

The portions of the evidence that IGUA requests be held to be confidential are limited to the volume of GJs/day that its constituents, Lanxess Inc. (“Lanxess”) and Suncor Energy Inc. (“Suncor”) deliver by each delivery method utilized. Aggregate approximate financial impacts of the Parkway Delivery Obligation have been provided in the unredacted version of the evidence. However, the particular volumes delivered and the delivery method for each method of delivery used by each of Lanxess and Suncor have been redacted in the public version of the evidence.

Releasing the details of what portions of a customer's DCQ is delivered with respect to particular customer locations, by what method of delivery and with what associated cost would be detrimental. In particular, such a disclosure would reveal, within the public domain, sensitive details about the operation of Lanxess and Suncor to their competitors, and to the gas suppliers with whom they negotiate terms. This in turn could impact their competitive advantage in the marketplace, and/or their bargaining positions *vis a vis* their gas suppliers.

Both Lanxess and Suncor are prepared to disclose an unredacted version of IGUA's evidence to those Intervenor and Union representatives that file an executed Declaration and Undertakings that is referenced within section 6.1 of the Practice Direction.

Yours very truly,



Mark Crane

- c. C. Ripley (Union)
- C. Smith (Torys)
- S. Rahbar (IGUA)
- K. Viraney (Board Staff)
- I. Mondrow (Gowlings)
- Intervenor of Record

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2014.

**EVIDENCE OF
INDUSTRIAL GAS USERS ASSOCIATION (IGUA)
PARKWAY DELIVERY OBLIGATION**

Introduction

1. The purpose of this evidence is to provide the Board and the parties with information on the financial impacts on Union's large volume direct purchase contract customers of Union's current requirements for delivery of gas by those customers at Parkway.
2. Two IGUA members, Lanxess Inc. (Lanxess) and Suncor Energy Inc. (Suncor), provide this evidence as indicative of the impact of the Parkway Delivery Obligation on large contract rate delivery customers.

Lanxess

3. Lanxess is a leading specialty chemicals company. The core business of Lanxess is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.
4. Lanxess has a manufacturing facility in Ontario located at 1265 Vidal Street South in Sarnia. The facility produces synthetic rubber for butyl rubber and halogenated rubber. The facility also manufactures fossil resources.

5. Lanxess has two meters for its Ontario facility; one for delivery of gas to the production facility itself, and one for delivery of gas to the Sarnia Regional Co-Generation Project (SRCP).
6. The SRCP is located at 1741 River Road, and is owned and operated by TransAlta. Suncor, Lanxess and Nova Chemicals are partners in the project who deliver natural gas to the facility and purchase steam and power from it. The facility is served off of Union's Sarnia Industrial Line under Union's T2 rate class.
7. Lanxess delivers [REDACTED] GJ/day of gas to the SRCP, none of which travels along Union's Dawn-Parkway system. Of its [REDACTED] daily contract quantity of gas (DCQ) for delivery to the SRCP, Lanxess is obligated by Union to deliver [REDACTED] GJ/day at Parkway, and [REDACTED] GJ/day at Dawn. While none of Lanxess gas supply for the SRCP utilizes Union's Dawn-Parkway system, Lanxess is obligated to deliver approximately 96% of its DCQ for the facility to Parkway.
8. Lanxess' difference in cost between Parkway and Dawn deliveries is about [REDACTED]/GJ, on an annual average basis. For the 96% of Lanxess SRCP related DCQ obligated to Parkway, Lanxess annual cost is currently approximately \$531,000.
9. Gas is a minor input into production directly at the Lanxess facility, and is used for flare systems. The production facility itself consumes an average of [REDACTED] GJ/day, none of which travels along Union's Dawn to Parkway system. This gas is delivered by Lanxess to Union at Dawn.

Suncor

10. Suncor is an integrated energy company. Suncor's Sarnia refining and marketing operations provide a vital link between the Canadian resource base and the North America energy market.
11. Suncor has 5 facilities located in Union's delivery franchise area that use gas as an input:
 - a. Suncor's Sarnia Refinery (Suncor Sarnia) is located at 1900 River Road in Sarnia. The 85,000-barrel-per-day refinery produces gasoline, kerosene, jet and diesel fuels. The refinery is served off of Union's Sarnia Industrial Line under Union's T2 rate class. The refinery consumes an average of [REDACTED] GJ/day of gas, none of which travels along Union's Dawn-Parkway system. Of this daily average gas consumption, [REDACTED] GJ (96%) is required by Union to be delivered at Parkway.
 - b. As noted in paragraph 6, above, Suncor is also a partner in SRCP. The SRCP is located across the road from Suncor Sarnia. Suncor delivers an average of [REDACTED] GJ/day of gas to the SRCP under Union's T2 rate class,

none of which gas travels along Union's Dawn-Parkway system. All of this daily average gas consumption is delivered to Union at Dawn.

- c. Suncor has a hydrogen production facility (Suncor Hydrogen) which is located at 150 St. Clair Parkway, Corunna. It delivers hydrogen to the Shell Refinery in Corunna. Suncor Hydrogen is served off of Union's Sarnia Industrial Line under Union's T2 rate class. Suncor Hydrogen consumes an average of [REDACTED] Gj/day of gas, none of which travels along Union's Dawn-Parkway system. All of this daily average gas consumption is delivered to Union at Dawn.
 - d. Suncor's St. Clair Ethanol plant (Suncor Ethanol) is located at Rokeby Line, in St. Clair Township. Suncor Ethanol is Canada's largest ethanol facility. The facility opened in June 2006, and has a current production capacity of 400 million litres per year. Suncor Ethanol is served off of Union's Sarnia Industrial Line under Union's T2 rate class. Suncor Ethanol consumes an average of [REDACTED] Gj/day of gas, none of which travels along Union's Dawn-Parkway system. All of this daily average gas consumption is delivered to Union at Dawn.
 - e. Suncor's Oakville Terminal (Suncor Oakville) is located on Rebecca Road in Oakville. Suncor Oakville provides a vital link between western crude and eastern markets. With its vast storage capabilities, refined products are gathered and re-distributed to eastern customers via rail, truck and pipeline networks. Suncor Oakville is served off of Union's Dawn-Parkway system under Union's T1 rate class. Suncor Oakville consumes an average of [REDACTED] Gj/day of gas, all of which is delivered to Union at Dawn.
12. To meet its Suncor Sarnia Parkway delivery obligation, Suncor has contracted for approximately [REDACTED] Gj/day of Union M12 capacity from Dawn to Parkway. The remaining Parkway delivery requirement of [REDACTED] Gj/day is purchased at Parkway on the day or seasonally depending on market conditions.
 13. On an annual basis, Suncor's costs to meet its Suncor Sarnia Parkway delivery obligation are approximately \$628,000, calculated as follows:

| Service | Unit Rate | Units | Subtotal |
|-----------------------------|-------------------------|----------------------------|---------------|
| M12 Demand Charge | \$2.382/Gj/month x12 | [REDACTED] Gj | \$ [REDACTED] |
| M12 Fuel | \$4.00/Gj | [REDACTED] Gj/year | \$ [REDACTED] |
| Market for Parkway Delivery | \$0.08/Gj | [REDACTED] Gj/day x 365 | \$ [REDACTED] |

Lanxess and Suncor Parkway Delivery Obligations: Summary

14. With the exception of Suncor Oakville, all of the facilities listed above are proximally located, served off Union's Sarnia Industrial Line, and consume gas the receipt of which does not rely at all on Union's Dawn-Parkway system. Some of this gas is obligated by Union for delivery at Parkway, and some is permitted by Union to be delivered at Dawn.
15. Both Lanxess and Suncor consume gas at the SRCP under Union's T2 rate class. The facility is located west of Dawn. None of the gas consumed at the facility utilizes Union's Dawn – Parkway system. Lanxess is obligated by Union to deliver 96% of its SRCP related DCQ to Union at Parkway, at a current annual incremental cost of approximately \$531,000. Suncor is entitled to deliver all of its SRCP related DCQ at Dawn.
16. Suncor Sarnia is located across the road from the SRCP, and is served by Union in exactly the same physical manner as the SRCP has been served by Union for over 25 years. However, while Suncor is entitled to deliver all of its SRCP related DCQ at Dawn, Suncor is required by Union to deliver 96% of its Suncor Sarnia related DCQ to Union at Parkway, at a current annual incremental cost of approximately \$628,000.

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