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By electronic filing

July 22, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

Union Gas Limited ("Union")
Hagar Liquefaction Service Rate
Board File No.: EB-2014-0012
Our File No.: 339583-000180

Please find attached the Interrogatories of our client, Canadian Manufacturers & Exporters ("CME") pursuant to Procedural Order No. 1 dated July 8, 2014.

Yours very truly,

Peter C.P. Thompson

PCT\slc
enclosure
c. Karen Hockin (Union)
Intervenors EB-2014-0012
Paul Clipsham and Ian Shaw (CME)
Vince DeRose and Emma Blanchard (BLG)

OTT01: 6436009: v1

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c.15, (Schedule B);

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 rates and other charges for an interruptible natural gas liquefaction service.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO UNION GAS LIMITED ("UNION")

CME #1

Reference: Exhibit A, Tab 1, pages 15 to 18

We wish to gain a better understanding of all of the natural gas supply and liquefaction scenarios whereby Union could be providing the natural gas liquefaction services and the delivery of LNG to customers under its proposal. In this connection, please provide the following further information:

(a) Could Union liquefy its own system gas at Hagar and sell Union-owned LNG to LNG customers at Hagar under the auspices of a Board-approved LNG sales rate?

(b) Could Union sell system gas to potential LNG customers at the Hagar plant under the auspices of an existing Board-approved sales rate and then retain custody of that gas for the purposes of converting it to LNG under the auspices of a Board-approved liquefaction services rate for subsequent re-delivery of the LNG to its owner?

(c) Could Union sell system gas to customers seeking LNG services at some other point on Union's system and then transport the customer owned natural gas to Hagar for liquefaction and re-delivery as LNG to the customer at Hagar?

(d) Could customers directly purchase the natural gas to be liquefied at a point off the Union system and then use Union's transportation to carry the gas to Hagar to be liquefied and delivered to the customer as LNG at Hagar?

(e) For each of the foregoing scenarios, please provide the prices that Union proposes to charge for each of the utility services it provides in connection with such transactions.

CME #2

Reference: Exhibit A, Tab 1, page 1, lines 13 to 15

The evidence states:

> *"However, as liquefaction services at Union's Hagar facility will be provided within a regulated regime, the use of the LNG could be expanded beyond motor vehicle fuel without further regulatory approvals."*

(a) What are the uses of LNG beyond motor vehicle fuel referenced in this statement?

CME #3

Reference: Exhibit A, Tab 1, page 2, line 12

The evidence indicates that Union proposes to dispense LNG to LNG wholesalers or customers. What are the differences between an LNG wholesaler and an LNG customer?

CME #4

Reference: Exhibit A, Tab 1, page 19

Union asks the Board to approve both a cost-based rate and a range rate for liquefaction services. It also asks the Board to empower Union to require customers to commit to a Minimum Annual Volume ("MAV") of liquefaction services for each year. In connection with this evidence, please provide the following information:

(a) Please distinguish between a case where Union proposes to charge a cost-based rate for liquefaction services from the cases where Union proposes to charge a rate for such services up to three times the cost-based interruptible liquefaction rate.

(b) Will some customers be entitled to a cost-based rate while others must pay a negotiated rate for the services, or will all customers be subject to a negotiated rate for liquefaction services?

CME #5

Reference: Exhibit A, Tab 1, pages 20 to 24
Exhibit A, Tab 2, pages 1 to 15

Traditionally, the Board has required that the differential between prices for ancillary services provided by a natural gas utility which fail to recover the fully allocated costs of providing such services and not simply the incremental costs be absorbed by the utility shareholder. In this connection, please provide the following information:

(a) Redo the Cost Allocation and Rate Design exhibits and, in particular, Exhibit A, Tab 2, Schedules 5 and 6 to recover all fully allocated costs and a full utility return from the proposed LNG liquefaction services and indicate the extent to which the cost-based liquefaction charge will increase in that scenario.

(b) Provide the forecast year-over-year liquefaction revenue totalling $8.470M shown in Exhibit A2, Tab 2, Schedule 6, line 20 with the revenues segregated between the following:

(i) Revenues from Union's sale of natural gas to the purchaser;

(ii) Revenues from Union's transportation of that gas from the point of sale to the Hagar plant;

(iii) Revenues from any other natural gas services Union provides such as storage;

(iv) Revenues from the provision of liquefaction services and the delivery of LNG to the customers; and

(v) Revenues from Union's sale of its own LNG to a customer at Hagar if that is one of the services Union will be providing.

(c) Please indicate the extent to which revenues from the provision of liquefaction services only is or is not sufficient to recover the fully allocated costs of providing such services.

(d) If the revenues associated with the provision of liquefaction services only does not recover the fully allocated costs of providing such services, then how will such revenues contribute to earnings subject to earnings sharing?

(e) If the fully allocated costs exceed such revenues, will Union's proposals not erode regulated earnings subject to earnings sharing?

CME #6

Reference: Exhibit A, Tab 1, pages 8 to 10

In the evidence, Union refers to FortisBC and Gaz Métro ("GMi") press releases pertaining to their role in LNG development. The press releases indicate that, in the cases of each of these utilities, the LNG development activities are being undertaken by affiliates. The Fortis press release indicates that the LNG dispensing rate has been set at $4.35/GJ and that customers will also pay the natural gas commodity cost per GJ. The GMi press release suggests that GMi sells its LNG output to an affiliate, Gaz Métro Transport Solutions, LP ("GMTS") which operates two LNG fuelling stations in Québec and one in Ontario.

In connection with this evidence, please provide the following:

(a) A detailed description of the regulated LNG services Fortis and GMi provide and the rate schedules which their regulators have approved pertaining to the provision of such services;

(b) The approximate range of prices at which GMTS sells LNG at its fueling station near Mississauga;

(c) Are GMi's sales of LNG from its Mississauga fueling station unregulated?;

(d) Are there any other unregulated LNG fueling stations in Ontario and, if so, at what prices is LNG being sold from those fueling stations?

(e) How will Union's proposed sale of liquefaction services at its Hagar plant affect the operation of the LNG fuel market in Ontario?

CME #7

Reference: Exhibit A, Tab 2, Schedules 3 and 4

The proposed L1 Rate Schedule appears to contemplate charges for the following:

- Liquefaction rate
- Short-term (1 year or less) liquefaction rate
- Minimum annual charge
- Gas supply charge

In connection with this evidence, please provide the following:

(a) Please show how the charges in this Rate Schedule will be applied in each of the scenarios to be provided in response to question 1;

(b) How do the various charges in Schedule A to Rate L1, being Exhibit A, Tab 4, Schedule 4, compare to the Board-approved charges for the other transportation and storage services Union provides to its customers under the auspices of Board-approved Rate Schedules?