

ONTARIO ENERGY BOARD

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 necessary to accommodate a new interruptible natural gas liquefaction service at its Hagar Liquefied Natural Gas facility.

**COMPENDIUM
of Canadian Manufacturers & Exporters**

November 21, 2014

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TAB 1



Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit :

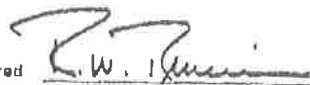
WHEREAS Westcoast Energy Inc., 100142 Ontario Inc., Union Energy Inc., Union Gas Limited, and Union Shield Resources Ltd. provided Undertakings dated the 27th day of November, 1992 to the Lieutenant Governor in Council and these Undertakings were referred to in Order in Council No. 3639/92;


AND WHEREAS Enbridge Inc. (previously IPL Energy Inc.) and The Consumers' Gas Company Ltd. provided Undertakings dated the 21st day of June, 1994 to the Lieutenant Governor in Council and these Undertakings were referred to in Order in Council No. 1606/94;

AND WHEREAS, with the receipt of Royal Assent for the *Energy Competition Act, 1998* on the 30th day of October, 1998, it is considered expedient to approve new Undertakings provided by Union Gas Limited, Centra Gas Utilities Inc., Centra Gas Holdings Inc., Westcoast Gas Inc., Westcoast Gas Holdings Inc. and Westcoast Energy Inc. and by The Consumers' Gas Company Ltd., Enbridge Consumers Energy Inc., 311594 Alberta Ltd., Enbridge Pipelines (NW) Inc. and Enbridge Inc. (the "New Undertakings");

NOW THEREFORE the New Undertakings, attached hereto, are accepted and approved.

Recommended 
Minister of Energy, Science & Technology

Concurred 
Chair of Cabinet

Approved & Ordered 
Date

DEC 9 - 1998

Lieutenant Governor

QC/Décret: 2865/98

FILE No. EB-2008-0304

EXHIBIT No. K 12

DATE Nov 7/2008



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M.E. 9/3

2006

UNDERTAKINGS OF UNION GAS LIMITED,
CENTRA GAS UTILITIES INC., CENTRA GAS HOLDINGS INC.,
WESTCOAST GAS INC., WESTCOAST GAS HOLDINGS INC.,
WESTCOAST ENERGY INC.

TO: Her Honour The Lieutenant Governor in Council for the Province of Ontario

WHEREAS Centra Gas Utilities Inc. holds all the issued and outstanding common shares of Union Gas Limited ("Union");

AND WHEREAS Centra Gas Holdings Inc. holds all the issued and outstanding common shares of Centra Gas Utilities Inc.;

AND WHEREAS Westcoast Gas Inc. holds all the issued and outstanding common shares of Centra Gas Holdings Inc.;

AND WHEREAS Westcoast Gas Holdings Inc. holds all the issued and outstanding common shares of Westcoast Gas Inc.;

AND WHEREAS Westcoast Energy Inc. holds all the issued and outstanding common shares of Westcoast Gas Holdings Inc. ("Westcoast");

the above named corporations do hereby agree to the following undertakings:

01/11/06 16:44 FAX 416 325 0081

R.E.S.T.

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1.0 Definitions

In these undertakings,

- 1.1 "Act" means the *Ontario Energy Board Act, 1998*;
- 1.2 "affiliate" has the same meaning as it does in the *Business Corporations Act*;
- 1.3 "Board" means the Ontario Energy Board;
- 1.4 "business activity" has the same meaning as it does under the Act or a regulation made under the Act; and
- 1.5 "electronic hearing", "oral hearing" and "written hearing" have the same meaning as they do under the *Statutory Powers Procedure Act*.

2.0 Restriction on Business Activities

- 2.1 Union shall not, except through an affiliate or affiliates, carry on any business activity other than the transmission, distribution or storage of gas, without the prior approval of the Board.

3.0 Maintenance of common equity

- 3.1 Where the level of equity in Union falls below the level which the Board has determined to be appropriate in a proceeding under the Act or a predecessor Act, Union shall raise or Westcoast and its affiliates shall provide within 90 days, or such longer period as the Board may specify, sufficient additional equity capital to restore the level of equity in Union to the appropriate level.

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3.2 Any additional equity capital provided to Union by Westcoast or its affiliates shall be provided on terms no less favourable to Union than Union could obtain directly in the capital markets.

4.0 Head Office

4.1 The head office of Union shall remain in the Municipality of Chatham-Kent.

5.0 Prior Undertakings

5.1 These undertakings supersede, replace and are in substitution for all prior undertakings of Union, Westcoast and their affiliates.

6.0 Dispensation

6.1 The Board may dispense, in whole or in part, with future compliance by any of the signatories hereto with any obligation contained in an undertaking.

7.0 Hearing

7.1 In determining whether to grant an approval under these undertakings or a dispensation under Article 6.1, the Board may proceed without a hearing or by way of an oral or electronic hearing.

8.0 Monitoring

8.1 At the request of the Board, Union, Westcoast and their affiliates will provide to the Board any information the Board may require related to compliance with these undertakings.

TEL: 416 323 6891 FAX: 416 323 6892

M. J. S. T.

2, 1999

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9.0 Enforcement

9.1 The parties hereto acknowledge that there has been consideration exchanged for the receipt and giving of the undertakings and agree to be bound by these undertakings.

9.2 Any proceeding or proceedings to enforce these undertakings may be brought and enforced in the courts of the Province of Ontario and Westcoast, Union and their affiliates hereby submit to the jurisdiction of the courts of the Province of Ontario in respect of any such proceeding.

9.3 For the purpose of service of any document commencing a proceeding in accordance with Article 9.2, it is agreed that Union is the agent of Westcoast and its affiliates and that personal service of documents on Union will be sufficient to constitute personal service on Westcoast and its affiliates.

10.0 Release from undertakings

10.1 Westcoast, Union and their affiliates are released from these undertakings on the day that Westcoast no longer holds, either directly or through its affiliates, more than 50 per cent of the voting securities of Union or on the day that Union sells its gas transmission and gas distribution systems.

11.0 Effective Date

11.1 These undertakings become effective on March 31, 1999.

DATED this 7th day of December, 1998.

UNION GAS LIMITED

by [Signature]

CENTRA GAS UTILITIES INC.

by [Signature]

CENTRA GAS HOLDINGS INC.

by [Signature]

WESTCOAST GAS INC.

by [Signature]

WESTCOAST GAS HOLDINGS INC.

by [Signature]

WESTCOAST ENERGY INC.

by [Signature]

TAB 2



Ontario
Executive Council
Conseil des ministres

Order in Council Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit:

WHEREAS Enbridge Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999; and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998, and that took effect on March 31, 1999;

AND WHEREAS opportunities exist for Enbridge Distribution Inc. and Union Gas Limited to carry on business activities that could assist the Government of Ontario in achieving its goals in energy conservation;

AND WHEREAS the Minister of Energy may issue, and the Ontario Energy Board shall implement, directives that have been approved by the Lieutenant Governor in Council that require the Board to take steps specified in the directives to promote energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources;

NOW THEREFORE the attached Directive is approved.

Recommended: _____

Minister of Energy

Concurred: _____

Chair of Cabinet

Approved and Ordered: _____

AUG 10 2006

Date

Administrator of the Government

O.C./Décret 1537 / 2006

Minister of Energy

Hearst Block, 4TH Floor
900 Bay Street
Toronto ON M7A 2E1
Tel: 416-327-6715
Fax: 416-327-6574

Ministre de l'Énergie

Édifice Hearst, 4^e étage
900, rue Bay
Toronto ON M7A 2E1
Tél: 416-327-6715
Télé: 416-327-6574



MINISTER'S DIRECTIVE

Re: Gas Utility Undertakings

Enbridge Gas Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"); and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings").

Pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Ontario Energy Board to dispense,

- under section 6.1 of the Enbridge Undertakings, with future compliance by Enbridge Gas Distribution Inc. with section 2.1 ("Restriction on Business Activities") of the Enbridge Undertakings, and
- under section 6.1 of the Union Undertakings, with future compliance by Union Gas Limited with section 2.1 ("Restriction on Business Activities") of the Union Undertakings,

in respect of the provision of services by Enbridge Gas Distribution Inc. and Union Gas Limited that would assist the Government of Ontario in achieving its goals in energy conservation, including services related to:

- (a) the promotion of electricity conservation, natural gas conservation and the efficient use of electricity;
- (b) electricity load management; and
- (c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.

.../cont'd

In addition, pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Board to dispense, under section 6.1 of the Enbridge Undertakings, with future compliance with section 2.1 of the Enbridge Undertakings in respect of research, review, preliminary investigation, project development and the provision of services related to the following business activities:

- (a) the local distribution of steam, hot and cold water in a Markham District Energy initiative; and
- (b) the generation of electricity by means of large stationary fuel cells integrated with energy recovery from natural gas transmission and distribution pipelines.

Further, pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Board to dispense, under section 6.1 of the Union Undertakings, with future compliance with section 2.1 of the Union Undertakings in respect of research, review, preliminary investigation, project development and the provision of services related to the following business activities:

- (a) the generation of electricity by means of large stationary fuel cells integrated with energy recovery from natural gas transmission and distribution pipelines.

To the extent that any activities undertaken by Enbridge Gas Distribution Limited or Union Gas Limited in reliance on this Directive are forecast to impact upon their regulated rates, such activities are subject to the review of the Ontario Energy Board under the *Ontario Energy Board Act, 1998*.

In this directive, "alternative energy source" and "renewable energy source" have the same meanings as in the *Electricity Act, 1998*.



Dwight Duncan
Minister

TAB 3



Executive Council
Conseil des ministres

Order in Council Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit:

WHEREAS Enbridge Gas Distribution Inc. and related parties ("Enbridge") gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"), and Union Gas Limited and related parties ("Union") gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings");

AND WHEREAS the Minister of Energy and Infrastructure has the authority under section 27.1 of the *Ontario Energy Board Act, 1998* to issue directives, approved by the Lieutenant Governor in Council, that require the Ontario Energy Board to take steps specified in the directives to promote energy conservation, energy efficiency, load management and the use of cleaner energy sources including alternative and renewable energy sources;

AND WHEREAS The Government of Ontario has, with the passage of the *Green Energy and Green Economy Act, 2009*, embarked upon a historic series of initiatives related to promoting the use of renewable energy sources and enhancing conservation throughout Ontario;

AND WHEREAS certain amendments to the *Ontario Energy Board Act, 1998* provided for by the above-noted statute authorize electricity distribution companies to directly own and operate renewable energy electricity generation facilities with a capacity of ten (10) megawatts or less, facilities that generate heat and electricity from a single source, or facilities that store energy, subject to criteria to be prescribed by regulation;

AND WHEREAS it is desirable that both Enbridge and Union are accorded authority similar to those of electricity distributors to own and operate the kinds of generation and storage facilities referenced above, while clarifying that the latter two activities, namely the ownership and operation of facilities that generate heat and electricity from a single source, or facilities that store energy, are to be interpreted to include stationary fuel-cell facilities each of which does not exceed 10 Megawatts in capacity, as well as to allow Enbridge and Union the authority to own and operate assets required in respect of the provision of services by Enbridge and Union that would assist the Government of Ontario in achieving its goals in energy conservation including where such assets relate to solar-thermal water and ground-source heat pumps;

AND WHEREAS the Minister of Energy has previously issued a directive pursuant to section 27.1 in respect of the Enbridge Undertakings and the Union Undertakings, under Order-in-Council No. 1537/2006, dated August 10, 2006.

NOW THEREFORE the directive attached hereto is approved and is effective as of the date hereof.

Recommended:


Minister of Energy
and Infrastructure

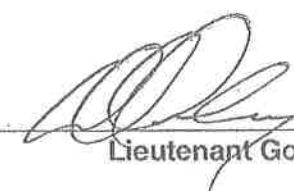
Concurred:


Chair of Cabinet

Approved and Ordered:

SEP 08 2009

Date


Lieutenant Governor

O.C./Décret

1540/2009

MINISTER'S DIRECTIVE

Re: Gas Utility Undertakings Relating to the Ownership and Operation of Renewable Energy Electricity Generation Facilities, Facilities Which Generate Both Heat and Electricity From a Single Source and Energy Storage Facilities and the Ownership and Operation of Assets Required to Provide Conservation Services.

Enbridge Gas Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"); and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings").

The Government of Ontario has, with the passage of the *Green Energy and Green Economy Act, 2009*, embarked upon a historic series of initiatives related to promoting the use of renewable energy sources and enhancing conservation throughout Ontario.

One of those initiatives is to allow electric distribution companies to directly own and operate renewable energy electricity generation facilities of a capacity of not more than 10 megawatts or such other capacity as is prescribed by regulation, facilities which generate both heat and electricity from a single source and facilities for the storage of energy, subject to such further criteria as may be prescribed by regulation.

The Government also wants to encourage initiatives that will reduce the use of natural gas and electricity.

Pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, and in addition to a previous directive issued thereunder on August 10, 2006 by Order in Council No. 1537/2006, in respect of the Enbridge Undertakings and the Union Undertakings, I hereby direct the Ontario Energy Board to dispense,

- under section 6.1 of the Enbridge Undertakings, with future compliance by Enbridge Gas Distribution Inc. with section 2.1 ("Restriction on Business Activities") of the Enbridge Undertakings, and
- under section 6.1 of the Union Undertakings, with future compliance by Union Gas Limited with section 2.1 ("Restriction on Business Activities") of the Union Undertakings,

in respect of the ownership and operation by Enbridge Gas Distribution, Inc. and Union Gas Limited, of:

- (a) renewable energy electricity generation facilities each of which does not exceed 10 megawatts or such other capacity as may be prescribed, from time to time, by

- regulation made under clause 71(3)(a) of the *Ontario Energy Board Act, 1998* and which meet the criteria prescribed by such regulation;
- (b) generation facilities that use technology that produces power and thermal energy from a single source which meet the criteria prescribed, from time to time, by regulation made under clause 71(3)(b) of the *Ontario Energy Board Act, 1998*;
 - (c) energy storage facilities which meet the criteria prescribed, from time to time, by regulation made under clause 71(3)(c) of the *Ontario Energy Board Act, 1998*; or
 - (d) assets required in respect of the provision of services by Enbridge Gas Distribution Inc. and Union Gas Limited that would assist the Government of Ontario in achieving its goals in energy conservation and includes assets related to solar-thermal water and ground-source heat pumps;
 - (e) for greater certainty, the use of the word "facilities" in paragraphs (b) and (c) above shall be interpreted to include stationary fuel-cell facilities each of which does not exceed 10 Megawatts in capacity.

This directive is not in any way intended to direct the manner in which the Ontario Energy Board determines, under the *Ontario Energy Board Act, 1998*, rates for the sale, transmission, distribution and storage of natural gas by Enbridge Gas Distribution Inc. and Union Gas Limited.



George Smitherman
Deputy Premier, Minister of Energy and Infrastructure

TAB 4

Filed: 2014-10-09
 EB-2014-0012
 Exhibit A
 Tab2
 Schedule 5
 Updated

UNION GAS LIMITED
 Derivation of the Average Annual Revenue Requirement associated with the
Incremental Haqar Liquefaction Costs from July 2016 - December 2018

| Line No. | Particulars (\$000's) | 2016 (a) | 2017 (b) | 2018 (c) | Total (d) | Annual Average (e) = (d / 3) |
|--|---|-------------|-------------|-------------|--------------|---------------------------------|
| <u>Incremental Revenue Requirement Calculation</u> | | | | | | |
| <u>Rate Base Investment</u> | | | | | | |
| 1 | Capital Expenditures | 9,911 | | | | |
| 2 | Average Investment | 4,868 | 9,560 | 9,209 | 23,637 | |
| <u>Revenue Requirement Calculation</u> | | | | | | |
| 3 | Return on Rate Base (1) | 281 | 552 | 531 | 1,364 | |
| 4 | Income Tax (2) | (110) | (29) | (12) | (152) | |
| 5 | Depreciation Expense (3) | 175 | 351 | 351 | 877 | |
| 6 | Municipal Taxes | 25 | 50 | 51 | 126 | |
| 7 | Liquefaction O&M (4) | 298 | 812 | 986 | 2,096 | |
| 8 | Total Revenue Requirement | 669 | 1,736 | 1,906 | 4,311 | 1,437 |
| <u>Forecast Liquefaction Activity</u> | | | | | | |
| 9 | Forecast Liquefaction Sales Activity (GJ) | 152,640 | 474,880 | 610,560 | 1,238,080 | 412,693 |
| 10 | Number of Liquefaction Days per Year (5) | | 149 | 192 | 341 | 170 |

Notes:

- (1) The required return assumes a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%.
- (2) Taxes related to the equity component of the return at a tax rate of 26%. Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.
- (3) Depreciation expense at 2013 Board-approved depreciation rates.
- (4) Incremental liquefaction O&M costs as provided in Exhibit A, Tab 1, Table 4, line 1.
- (5) Days of liquefaction assumes daily liquefaction capacity of 3,186 GJ/day. Average number of days is based on the first full 2 years of activity.

TAB 5

UNION GAS LIMITED

Proposed 2013 Board-Approved Hagar Revenue Requirement Including 2018 Incremental Hagar Liquefaction Costs by Function

| Line No. | Particulars (\$000's) | 2013 Board-Approved Hagar LNG Costs (a) | 2018 Incremental Hagar Costs (1) (b) | Total Hagar Costs (c) = (a + b) | Allocation Methodology (d) | Liquefaction (e) | Storage (f) | Vapourization (g) | Total (h) = (e+f+g) |
|---|---|---|--------------------------------------|---------------------------------|------------------------------|------------------|-------------|-------------------|---------------------|
| <u>Rate Base Calculation</u> | | | | | | | | | |
| Hagar LNG Plant | | | | | | | | | |
| 1 | Gross Plant | 22,768 | 8,685 | 31,454 | Direct Assignment | 20,548 | 9,207 | 1,699 | 31,454 |
| 2 | Accumulated Depreciation | 11,221 | 922 | 12,144 | Direct Assignment | 6,528 | 4,449 | 1,167 | 12,144 |
| 3 | Hagar LNG Net Plant | 11,547 | 7,763 | 19,310 | | 14,020 | 4,758 | 532 | 19,310 |
| 4 | Hagar LNG Net Plant (%) | | | | | 73% | 25% | 3% | 100% |
| General Plant | | | | | | | | | |
| 5 | Gross Plant | 1,095 | - | 1,095 | Hagar LNG Net Plant (line 4) | 795 | 270 | 30 | 1,095 |
| 6 | Accumulated Depreciation | 502 | - | 502 | Hagar LNG Net Plant (line 4) | 365 | 124 | 14 | 502 |
| 7 | General Net Plant | 593 | - | 593 | | 431 | 146 | 16 | 593 |
| 8 | Total Net Plant | 12,140 | 7,763 | 19,903 | | 14,451 | 4,905 | 548 | 19,903 |
| Working Capital | | | | | | | | | |
| 9 | Working Capital | | | | | | | | |
| 10 | Gas In Storage | 3,093 | - | 3,093 | Direct Assignment | - | 3,093 | - | 3,093 |
| 11 | Other | 235 | - | 235 | Hagar LNG Net Plant (line 4) | 171 | 58 | 6 | 235 |
| 12 | Total Working Capital | 3,328 | - | 3,328 | | 171 | 3,151 | 6 | 3,328 |
| 13 | Rate Base | 15,469 | 7,763 | 23,232 | | 14,622 | 8,055 | 555 | 23,232 |
| 14 | Rate Base Excluding 2018 Incremental Costs | 15,469 | - | 15,469 | | 6,858 | 8,055 | 555 | 15,469 |
| 15 | Rate Base (%) | | | | | 44% | 52% | 4% | 100% |
| <u>Revenue Requirement Calculation</u> | | | | | | | | | |
| Return and Taxes | | | | | | | | | |
| 16 | Return on Rate Base | 1,132 | 448 | 1,580 | Rate Base (line 15) (2) | 950 | 590 | 41 | 1,580 |
| 17 | Income Tax | 131 | (1) | 131 | Rate Base (line 15) (2) | 58 | 68 | 5 | 131 |
| 18 | Property Tax | 80 | 45 | 126 | Property Tax Allocator (3) | 96 | 25 | 5 | 126 |
| 19 | Total Return and Taxes | 1,344 | 493 | 1,836 | | 1,103 | 683 | 50 | 1,836 |
| Depreciation Expense | | | | | | | | | |
| 20 | Hagar - Local Storage | 734 | 307 | 1,041 | Direct Assignment | 684 | 285 | 73 | 1,041 |
| 21 | General Plant | 148 | - | 148 | Hagar LNG Net Plant (line 4) | 108 | 37 | 4 | 148 |
| 22 | Total Depreciation Expense | 882 | 307 | 1,190 | | 791 | 322 | 77 | 1,190 |
| Hagar O&M | | | | | | | | | |
| 23 | Hagar O&M | 1,463 | - | 1,463 | Hagar LNG Net Plant (line 4) | 1,062 | 360 | 40 | 1,463 |
| 24 | Hagar O&M | 57 | 577 | 634 | Direct Assignment | 634 | - | - | 634 |
| 25 | Administrative and General O&M | 1,353 | - | 1,353 | Hagar LNG Net Plant (line 4) | 982 | 333 | 37 | 1,353 |
| 26 | Total O&M Expenses | 2,872 | 577 | 3,449 | | 2,678 | 694 | 78 | 3,449 |
| 27 | Total Revenue Requirement Excluding Compressor Fuel | 5,098 | 1,377 | 6,476 | | 4,572 | 1,698 | 205 | 6,476 |
| 28 | Total Revenue Requirement Excluding Compressor Fuel (%) | | | | | 71% | 26% | 3% | 100% |
| Costs Direct Assigned to System Integrity | | | | | | | | | |
| 29 | Gas in Storage Working Capital (4) | 253 | - | 253 | Direct Assignment | - | 253 | - | 253 |
| 30 | Variable O&M Costs | 57 | - | 57 | Direct Assignment | 57 | - | - | 57 |
| 31 | Total Costs Direct Assigned to System Integrity | 310 | - | 310 | | 57 | 253 | - | 310 |
| 32 | Costs Direct Assigned to Rate L1 (1) | - | 1,377 | 1,377 | Direct Assignment | 1,377 | - | - | 1,377 |
| 33 | Total Revenue Requirement Excluding Direct Assigned Costs (line 27 - line 31 - line 32) | 4,789 | - | 4,789 | | 3,138 | 1,446 | 205 | 4,789 |
| 34 | Total Revenue Requirement Excluding Direct Assigned Costs (%) | | | | | 66% | 30% | 4% | 100% |

Notes:

- (1) 2018 Incremental Hagar liquefaction costs of \$1.872 million (Exhibit A, Tab 2, Schedule 5, Column d) excluding \$0.495 compressor fuel (\$1.872 - \$0.495 = \$1.377).
- (2) Direct assigned 2018 incremental rate base and income taxes to liquefaction. Functionalized 2013 Board-approved income taxes in proportion to rate base excluding incremental 2018 costs.
- (3) Functionalized 2013 Board-approved property tax in proportion to gross plant.
- (4) \$3.093 million in gas in storage working capital represents a revenue requirement of \$0.253 (return of \$0.226 million and income taxes of \$0.026 million).

TAB 6

4. In Union's view, the market for LNG as a transportation fuel will be competitive. Union made this same assertion both in its pre-filed evidence and interrogatory responses. In fact, aside from certain assertions, which Union disagrees with and corrects below, Union does not oppose the overall basis of the Motion, particularly in respect of LNG facilities that are greenfield.
5. However, Union's application for a regulated interruptible liquefaction rate is based upon the specific and unique circumstances related to Union's Hagar LNG facility (the "Hagar Facility" or "Hagar"). Because of these unique and specific circumstances, a request for forbearance under Section 29 of the *Ontario Energy Board Act* related to the LNG market in general is premature and should not be heard at this time in this proceeding.

Unique and Specific Circumstances

6. The unique and specific circumstances that give rise to Union's request for a regulated liquefaction rate are as follows:
 - (a) The Hagar facility is a regulated asset that is required for system integrity purposes. Union is only offering an interruptible liquefaction service, and the associated LNG, to the extent that there is liquefaction capacity that is excess to utility requirements (Fay Affidavit, Schedule 'A').
 - (b) Because of Hagar's importance for system integrity, Union can only offer the liquefaction service on an interruptible basis. The service is effectively controlled by Union's distribution needs should there be a system integrity event (Fay Affidavit, Schedule 'A').
 - (c) Due to the constraints on Hagar's LNG volume under the liquefaction service and the interruptible nature of the proposed service, there is a limited supply of LNG available at the Hagar Facility. For this reason, the quality of service is lower than that offered by a greenfield facility. The available marketable LNG at Hagar is estimated to be only 5 percent of the projected volume of the Northeast facility. In Union's view, Hagar will have no material impact on the overall competitiveness

of the LNG market. Rather, Hagar is intended to support pilot projects and demonstrations that will help start a more robust and competitive market. Hagar will not be a direct competitor to greenfield LNG facilities (Van Der Paelt Affidavit, Schedule 'C').

7. Northeast also cites the Board's NGEIR proceeding in the Motion under the heading *OEB policy and Precedents for Forbearance* (p.3, Affidavit of J. Stephen Gaske). Because the regulated and unregulated aspects of the liquefaction service provided from the Hagar Facility, any attempt to draw parallels between NGEIR, the subsequent treatment of storage and the Hagar Facility are, in Union's view, without merit. For storage, Union's in-franchise and ex-franchise requirements were easier to determine and ultimately separate. This reality ultimately enabled the Board's decision to forbear from regulating Union's competitive storage services.
8. As a result of the foregoing unique and specific circumstances, Union applied to the Board for approval of (i) a regulated interruptible liquefaction rate and (ii) its proposed cost allocation methodologies in an effort to be as transparent as possible in respect to the use of Hagar beyond its system integrity requirements.

Existing Customers Do Not Underwrite the Service

9. Union wishes to clarify and correct certain statements and assertions made by in the affidavit of J. Stephen Gaske, as filed by Northeast. In particular, there are a number of references claiming Union's existing distribution customers will "underwrite" the proposed service. (lines 10-12, p.2, Affidavit of J. Stephen Gaske). The assertion that existing distribution customers will underwrite, or subsidize, the interruptible liquefaction service is incorrect. To be clear, existing ratepayers will in no way fund the proposed service. As stated in its evidence, during the period prior to rebasing all incremental capital and O&M costs (including variable costs) associated with the provision of the liquefaction service have been allocated to Rate L1 and will be recovered in the proposed liquefaction rate (Tetreault Affidavit, Schedule 'B').

TAB 7

PETER C.P. THOMPSON, Q.C.
T 613.787.3528
pthompson@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com



By email

November 18, 2014

Karen Hockin
Manager, Regulatory Projects
Union Gas Limited
50 Keil Drive North
Chatham, ON N7M 5M1

Dear Ms. Hockin,

Union Gas Limited ("Union") – Hagar Liquefaction Service Rate

Board File No.: EB-2014-0012

Our File No.: 339583-000180

This letter is a follow-up to Union's response to Canadian Manufacturers & Exporters ("CME") Interrogatory No. 5 marked as Exhibit B.CME.5.

By way of preamble, we are attempting to ascertain information which will help interested parties determine the effects on rates of keeping Union's venture into the competitive LNG fuel market outside the ambit of utility regulation. In that connection, we wish to obtain from Union a presentation which separates the revenue requirement associated with existing pre-expansion Hagar LNG facilities from the incremental Hagar LNG facilities related entirely to LNG fuel services with all pre-expansion costs being allocated on a fully allocated cost basis.

For the purposes of the questions which follow, please assume that making cost allocation changes related to the existing Hagar facilities is inappropriate during the IRM term, and that there will be no separation of these facilities between liquefaction and other functions prior to 2019.

Under this assumption, could Union please provide a response to the following follow-up questions prior to the commencement of the oral hearing next week in order to shorten our expected examination of Union's witnesses.

- (a) Please provide an exhibit which shows the revenue requirement associated with existing Hagar LNG facilities only, with all costs allocated on a fully allocated basis. Is this the revenue requirement of \$5.098M, excluding compressor fuel, shown at line 27 of Column (a) in Exhibit B.CME.5, Attachment 1, page 2? If not, then please present an exhibit which shows the derivation of the requested revenue requirement amount.
- (b) Please provide an exhibit which shows the Net Annual Liquefaction Capacity of the existing facilities. Is this Net Annual Liquefaction Capacity amount 1,058,890 GJ's as shown at the bottom of page 2 of the Reply Affidavit of Mr. Gaske sworn on November 6, 2014? If not, then what is Union's calculation of that Net Annual Liquefaction Capacity amount?

- (c) Please provide Union's current forecast of LNG fuel sales in 2015, 2016, 2017 and 2018. Paragraph 6 of the Gaske Affidavit indicates that Union is forecasting 152,640 GJ's of LNG fuel sales in 2016 (305,280 GJ's on an annualized basis) and 610,560 GJ's of LNG fuel service in 2018. Are these numbers correct for 2016 and 2018?
- (d) Please provide Union's comments on an approach whereby:
- (i) The pricing of LNG fuel services is not determined by the Board and all incremental costs associated with Union's proposed expansion of the LNG facilities at Hagar to serve the competitive LNG fuel market are classified as non-utility costs, and;
 - (ii) During the remainder of the IRM term, ratepayers will be compensated for Union's use of existing Hagar LNG liquefaction capacity to support services to the competitive LNG fuel market under the auspices of a methodology which reflects the Board's traditional practice of imputing a revenue credit for the benefit of ratepayers to prevent them from having to subsidize non-utility activities supported by utility assets;
- (e) The numbers in the Gaske Affidavit and the revenue requirement of the existing pre-expansion facilities is in the amount of \$5.098M as described in question (a) above can be used to illustrate the derivation of a revenue credit to ratepayers. The imputed revenue credit to ratepayers in 2018 for Union's non-utility use of existing LNG facilities to support forecasted sales of LNG fuel of 610,560 GJ's, being 58% of total net utility liquefaction capacity, would be 58% of \$5.098M or about \$2.957M. Using 2016 forecasted LNG fuel sales of 152,640 GJ's or about 14% of total utility liquefaction capacity of 1,058,890 GJ's, the imputed revenue credit to utility ratepayers would be 14% of \$5.098M or about \$714,000. The revenue credit in each of the years 2015 to 2019, based on LNG fuel sales forecast for each of those years, can be trued-up for actuals under the auspices of an appropriate deferral account. Having regard to this illustration, please provide a response to the following question:
- (i) Does Union object to the approach illustrated above so that during the remainder of the IRM term, ratepayers receive a revenue requirement credit for the extent to which the total existing Hagar liquefaction capacity is used to support the sale of LNG fuel services? If so, then please fully explain why Union regards such an approach to be objectionable.

If possible, we would appreciate receiving Union's written response to these questions by Friday, November 21, 2014, so that the information will be available prior to the commencement of the hearing on Monday, November 24, 2014.

Yours very truly,



Peter C.P. Thompson

PCT\slc

- c. Charles Keizer (Torys)
Board Secretary, Ontario Energy Board
Intervenors EB-2014-0012
Paul Clipsham and Ian Shaw (CME)
Vince DeRose and Emma Blanchard (BLG)

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TAB 8

PETER C.P. THOMPSON, Q.C.
T 613.787.3528
pthompson@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com



By email

November 19, 2014

Karen Hockin
Manager, Regulatory Projects
Union Gas Limited
50 Keil Drive North
Chatham, ON N7M 5M1

Dear Ms. Hockin,

Union Gas Limited ("Union") – Hagar Liquefaction Service Rate

Board File No.: EB-2014-0012

Our File No.: 339583-000180

We wish to add two (2) further questions to those contained in our letter to you yesterday.

These questions pertain to the ability of Union's utility business to engage in non-utility business activities without the prior approval of the Ontario Energy Board ("OEB" or the "Board").

Could you please provide the following additional information when responding to the questions posed in our letter to you yesterday:

1. Please provide a copy of the undertakings between Union and its owner and the Lieutenant Governor-in-Council ("LGIC") containing the current constraints, if any, on Union's business activities; and
2. Does Union need prior OEB approval to engage in non-utility business activities? If so, then in Union's view, what criteria should the Board apply when determining such an approval request?

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Peter Thompson', with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT\slc

c. Charles Keizer (Torys)
Board Secretary, Ontario Energy Board
Intervenors EB-2014-0012
Paul Clipsham and Ian Shaw (CME)
Vince DeRose and Emma Blanchard (BLG)

OTT01: 6656921: v1

TAB 9



uniongas

A Spectra Energy Company

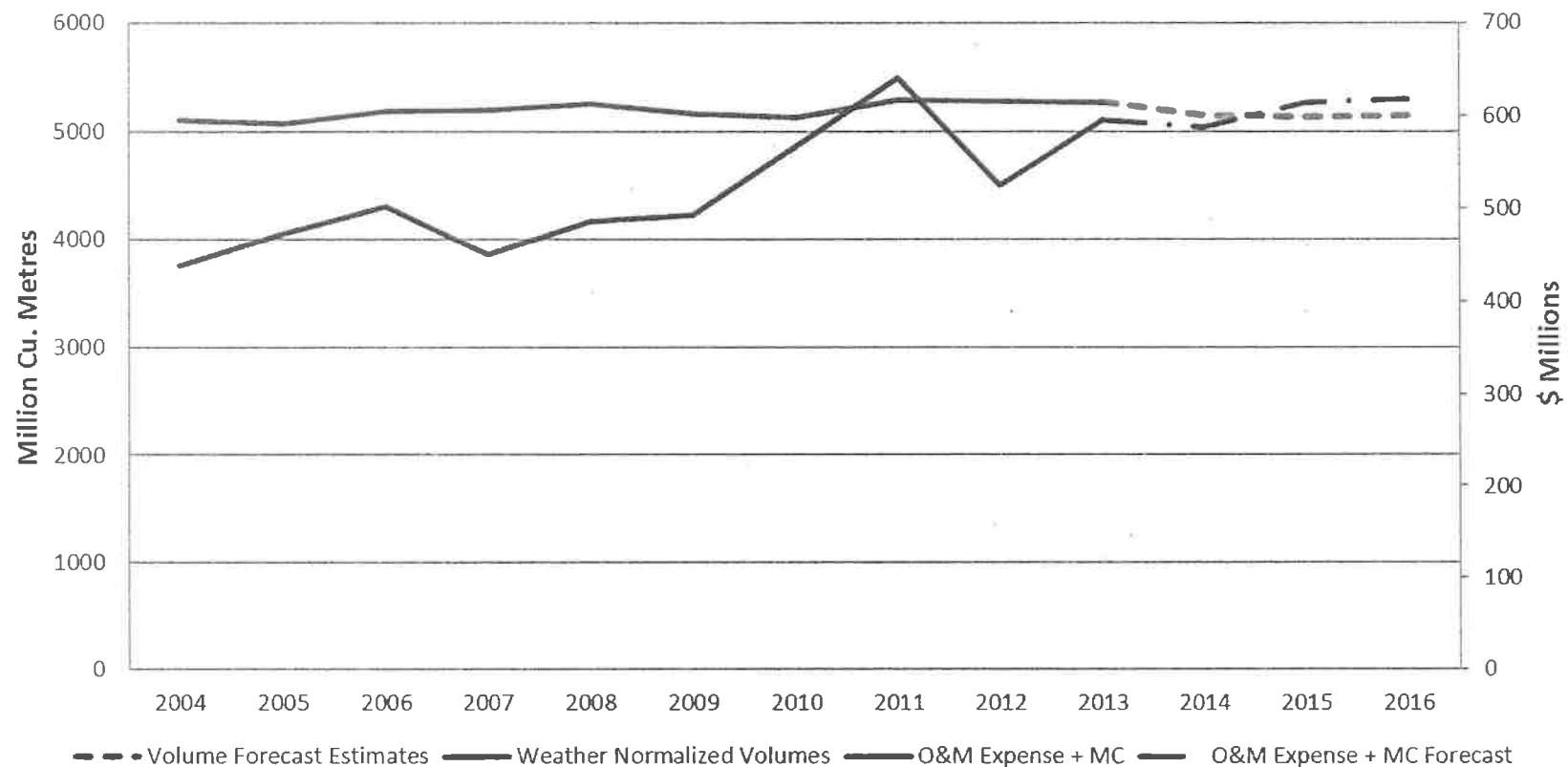
Canadian Energy Law Forum – Utility Death Spiral? Strategies For A No-Growth Scenario

Rick Birmingham, VP, Regulatory, Lands and Public Affairs
May 8, 2014

THE PROBLEM: A Slow-To-No-Growth World

UNION GAS

General Service Market Weather Normalized Throughput Volumes
and O&M Expenses and Maintenance Capital



Costs continue to rise while distribution volumes do not grow

THE SOLUTION: Three Options To Consider

- Rate Design
 - Temporary 
 - Unintended consequences
- Rate Regulation Framework
 - Guaranteed productivity gains 
 - Difficult to deliver
- Business Diversification
 - Flexibility 
 - Cost sharing benefits

Business diversification is the only viable long-term solution

A POSSIBLE FUTURE: Rewards Of Diversification

- Support for energy conservation, tech innovation and other broader public policy goals
- Maintenance of safe, reliable utility systems that support economic growth
- Rates that are lower than they would be in a “do nothing” scenario *



*“It is not the strongest of the species that survives,
survives. It is the one that is most adaptable to change.”*

— Widely misattributed to Charles Darwin (but actually a paraphrase by Leon C. Megginson, Professor of Management and Marketing at Louisiana State University)

ONTARIO ENERGY BOARD

**COMPENDIUM
of Canadian Manufacturers &
Exporters**

BORDEN LADNER GERVAIS LLP

World Exchange Plaza

100 Queen Street

Suite 1300

Ottawa, ON K1P 1J9

Peter C.P. Thompson, Q.C. (LSUC 10952R)

Emma Blanchard (LSUC 53359S)

Telephone (613) 237-5160

Facsimile (613) 230-8842

Lawyers for Applicant