

November 28, 2014

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

Dear Ms. Walli

**Re: Greenfield South Power Corporation
Application for Certificate of Public Convenience and Necessity
Board File No. EB-2014-0299**

We are counsel to Union Gas Limited ("Union") and hereby submit Union's responses to interrogatories from Board Staff and Greenfield South Power Corporation pursuant to Procedural Order No. 2 regarding the above noted application.

Yours truly,

[Original signed by]

Charles Keizer

cc (by email): Hubert Vogt, Greenfield South Power Corporation
Mike Richmond, McMillan Binch LLP
Miriam Heinz, Ontario Power Authority

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Union Gas Limited Intervenor Evidence, Exhibit A, Tab 1, Page 1 lines 3-7

Preamble:

In its evidence Union stated its position that Greenfield's acquisition of gas supply service from the Vector Pipeline would be "...a bypass of Union's distribution system that would constitute special treatment of Greenfield South relative to other gas users in Union's franchised service area, contrary to public interest."

Questions:

- a) Please file copies of Union's Certificate of Public Convenience and Necessity and Franchise Agreement covering Union's service area where the proposed Greenfield's generating plant and a gas supply pipeline connected to Vector tap would be located.
- b) Please comment on any clauses in the Certificate of Public Convenience and Necessity and in the Franchise Agreement that would preclude a customer acquiring gas supply service from a company other than Union within Union's service area or from getting Board's approval of a limited area Certificate of Public Convenience and Necessity within Union's franchised service area.

Response:

- a) Please see the attached Decisions and Orders related to Union's franchise agreement (EB-2010-0382) and Certificate of Public Convenience and Necessity (EB-2010-0384) related to the Township of St. Clair.
- b) Actual Certificates of Public Convenience and Necessity have limited content and simply state that the Ontario Energy Board has granted approval under section 8 of the *Municipal Franchises Act* to construct works to supply gas to a specific area. Refer to Union's response to GSPC IR 17.

The Board has consistently determined that Certificates of Public Convenience and Necessity are geographically exclusive because to grant Certificates to two organizations for the same service area would make it very difficult to plan future expansions, to avoid the

duplication and lost efficiency of facilities, to provide an integrated emergency response, and to ensure that all inspections requirements are met.

Franchise agreements between Union and municipalities provide Union with the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works within the municipality. Union is not aware of any restrictions within franchise agreements preventing municipalities or the Board from approving multiple franchise agreements for the same municipality. However, as noted above, overlapping or duplicative service areas are not accepted policy.

Filed: 2014-11-28
EB-2014-0299
Exhibit B.BdStaff.1
Attachment 1

EB-2010-0382
Decision and Order - February 15, 2011
Franchise Agreement Between Union Gas and Township of St. Clair



EB-2010-0382

IN THE MATTER OF the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended;

AND IN THE MATTER OF an application by Union Gas Limited for an order approving the terms and conditions upon which, and the period for which, the Corporation of the Township of St. Clair is, by by-law, to grant to Union Gas Limited the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works in the Township of St. Clair;

AND IN THE MATTER OF an application by Union Gas Limited for an order directing and declaring that the assent of the municipal electors of the Township of St. Clair to the by-law is not necessary.

By delegation, before: Neil McKay

DECISION AND ORDER

Union Gas Limited ("Union") filed an application dated December 14, 2010 with the Ontario Energy Board (the "Board") under section 9 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended (the "Act"), for an order of the Board approving the terms and conditions upon which and the period for which the Corporation of the Township of St. Clair (the "Corporation") is, by by-law, to grant to Union the right to construct and operate works for the distribution of gas and the right to extend and add to the works in the Township of St. Clair (the "Municipality"). Union also applied for an order of the Board declaring and directing that the assent of the municipal electors to the by-law is not necessary.

The Board assigned file number EB-2010-0382 to this application.

Union submitted a resolution passed by the Council of the Municipality on November 22, 2010, approving the form of the draft by-law and requesting that the Board declare and direct that the assent of the municipal electors to the by-law is not necessary.

The Board's Notice of Application and Hearing was published as directed by the Board. There were no intervenors.

On January 1, 2001, the former Township of Sombra and the former Township of Moore were amalgamated to form the Township of St. Clair. The Applicant has a Franchise Agreement with the former Township of Sombra (E.B.A. 729) which expires on June 10, 2011 and a Franchise Agreement (E.B.A.873) with the former Township of Moore which expires on March 9, 2014. Union also holds a Certificate of Public Convenience and Necessity, EB-2011-0384, issued February 15, 2011 for the Municipality.

The proposed franchise agreement is in the form of the 2000 Model Franchise Agreement approved by the Board as a standard form of agreement.

Based on the information provided in the application, granting the orders requested is in the public interest. Further, in all the circumstances, the assent of the municipal electors can properly be dispensed with.

IT IS ORDERED THAT:

1. The terms and conditions upon which, and the period for which, the Corporation of the Township of St. Clair is, by by-law, to grant to Union Gas Limited, the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works, as set out in the franchise agreement attached as Appendix A, are approved.

2. The assent of the municipal electors of the Corporation of Township of St. Clair to the by-law is not necessary.

DATED at Toronto, February 15, 2011

ONTARIO ENERGY BOARD

Original signed by

Neil McKay
Manager, Natural Gas Applications

APPENDIX "A"
TO BOARD DECISION AND ORDER
EB-2010-0382

DATED: FEBRUARY 15, 2011

FRANCHISE AGREEMENT

2000 Model Franchise Agreement

THIS AGREEMENT effective this day of , 20

BETWEEN:

THE CORPORATION OF THE TOWNSHIP OF ST. CLAIR

hereinafter called the "Corporation"

- and -



uniongas

LIMITED

hereinafter called the "Gas Company"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

Part I - Definitions

1. In this Agreement

- (a) "decommissioned" and "decommissions" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

- (b) "Engineer/Road Superintendent" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;
- (c) "gas" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;
- (d) "gas system" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;
- (e) "highway" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;
- (f) "Model Franchise Agreement" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;
- (g) "Municipality" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;
- (h) "Plan" means the plan described in Paragraph 5 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and
- (i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

Part II - Rights Granted

2. To provide gas service

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

3. To Use Highways

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

4. Duration of Agreement and Renewal Procedures

- (a) If the Corporation has not previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law.

or

- (b) If the Corporation has previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20 year term of this Agreement, the Model Franchise Agreement is changed, then on the 7th anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20 year term.
- (c) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

Part III – Conditions

5. Approval of Construction

- (a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefore has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.
- (b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.
- (c) The Plan filed by the Gas Company shall include geodetic information for a particular location:
 - (i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or
 - (ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.
- (d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.
- (e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.
- (f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

- (g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.
- (h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.
- (i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.
- (j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

6. **As Built Drawings**

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

7. **Emergencies**

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

8. **Restoration**

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

9. **Indemnification**

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

10. **Insurance**

- (a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 9. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.
- (b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.
- (c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

11. Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if it is feasible, to provide the Gas Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 12 of this Agreement.

12. Pipeline Relocation

- (a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.
- (b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.
- (c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:
 - (i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,
 - (ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,
 - (iii) the amount paid by the Gas Company to contractors for work related to the project,

- (iv) the cost to the Gas Company for materials used in connection with the project, and
 - (v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.
- (d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

Part IV - Procedural And Other Matters

13. Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal by-laws of general application, except by-laws which have the effect of amending this Agreement.

14. Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

15. Disposition of Gas System

- (a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.
- (b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 5 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any

loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 12 applies to the cost of relocation.

16. Use of Decommissioned Gas System

- (a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:
 - (i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and
 - (ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.
- (b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided
 - (i) the third party has entered into a municipal access agreement with the Corporation; and
 - (ii) the Gas Company does not charge a fee for the third party's right of access to the highways.
- (c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

17. Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

18. **Other Conditions**

Notwithstanding the cost sharing arrangements described in Paragraph 12, if any part of the gas system altered or relocated in accordance with Paragraph 12 was constructed or installed prior to January 1, 1981, the Gas Company shall alter or relocate, at its sole expense, such part of the gas system at the point specified, to a location satisfactory to the Engineer/Road Superintendent.

19. **Agreement Binding Parties**

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

**THE CORPORATION OF THE
TOWNSHIP OF ST. CLAIR**

Per:

Steve Arnold, Mayor

Per:

John DeMars, Director of Administration/Clerk

UNION GAS LIMITED

Per:

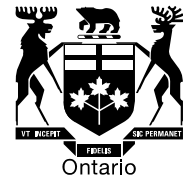
M. Richard Birmingham, Vice President

Per:

Joe Marra, Assistant Secretary

Filed: 2014-11-28
EB-2014-0299
Exhibit B.BdStaff.1
Attachment 2

EB-2010-0384
Decision and Order - February 15, 2011
Certificate of Public Convenience and Necessity for Township of St. Clair



EB-2010-0384

IN THE MATTER OF the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended;

AND IN THE MATTER OF an application by Union Gas Limited for an order cancelling or superseding parts of the existing Certificate of Public Convenience and Necessity F.B.C. 192 associated with the former Township of Sombra and replacing these with a Certificate of Public Convenience and Necessity for the Corporation of the Township of St. Clair.

By delegation, before: Neil McKay

DECISION AND ORDER

Union Gas Limited ("Union") filed an application on December 14, 2010 with the Ontario Energy Board (the "Board") under section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended (the "Act"), for an order of the Board that cancels and supersedes the parts of the existing Certificate of Public Convenience and Necessity associated with the former Town of Sombra and establishes a new Certificate for the Township of St. Clair. The Board has assigned File No. EB-2010-0384 to this application. The Board's Notice of Application and Written Hearing was published as directed by the Board. There were no intervenors.

Union holds a Certificate of Public Convenience and Necessity (F.B.C. 192) with the former Township of Sombra. The Applicant does not hold a Certificate of Public Convenience and Necessity for the former Township of Moore as gas was distributed prior to April 1, 1933 when a Certificate of Public Convenience and Necessity was not

required. The Board finds that it is in the public interest to grant the application and that public convenience and necessity requires that approval be given.

IT IS THEREFORE ORDERED THAT:

1. The parts of the existing Certificate of Public Convenience and Necessity F.B.C. 192 associated with the former Township of Sombra are cancelled and replaced by the certificate attached as Appendix A to this Decision and Order.
2. A Certificate of Public Convenience and Necessity, attached as Appendix A to this Decision and Order, is granted to Union Gas Limited to construct works to supply gas in the Corporation of the Township of St. Clair.

DATED at Toronto, February 15, 2011

ONTARIO ENERGY BOARD

Original signed by

Neil McKay
Manager, Natural Gas Applications

**APPENDIX A
TO BOARD DECISION AND ORDER**

EB-2010-0384

DATED: FEBRUARY 15, 2011

**Certificate of Public Convenience and Necessity for
the Corporation of the Township of St. Clair**

Certificate of Public Convenience and Necessity

The Ontario Energy Board hereby grants

Union Gas Limited

approval under section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended, to construct works to supply gas to the

Corporation of the Township of St. Clair

This certificate replaces the parts of Certificate F.B.C. 192 held by Union Gas Limited associated with the former Township of Sombra.

DATED at Toronto, February 15, 2011

ONTARIO ENERGY BOARD

Original signed by

Neil McKay
Manager, Natural Gas Applications

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Union Gas Limited Intervenor Evidence, Exhibit A, Tab 1, Page1 lines 20-22 and page 24 lines 24-26

Preamble:

Union, in its analysis of potential negative impacts of Greenfield being supplied by Vector in the case that the Board approves Greenfields application, estimates that "...the potential annual margin loss to Union and its ratepayers with respect to its existing customers at \$26 million." According to Union's evidence this estimate is based on forecast 2014 volumes and revenues.

Questions:

- a) Please provide the detailed calculations and underlying assumptions used to calculate the estimated \$26 million annual margin loss.
- b) What would be the annual estimated impact of this potential loss on the rates of an average residential customer in each of Union's rate zones?

Response:

- a) Please see Attachment #1.
- b) Please see Attachment #2 for the estimated annual bill impact for the average Rate M1 and Rate 01 residential customer. For the purposes of this response, Union assumed that 73% of the Union South margin loss of \$19.156 million is attributable to Rate M1. Similarly, Union has assumed that 75% of the Union North margin loss of \$7.316 million is attributable to Rate 01. These percentages represent the Rate M1 and Rate 01 proportions of proposed 2015 revenue by operating area.

UNION GAS LIMITED
Potential Annual Margin Loss to Union from Existing Customers
2014 Revenue and Volume Forecast

Line No.	Customer	Annual Revenue (\$) (a)	Annual Volume (10 ³ m ³) (b)	Delivery Zone (c)	Rate Class (d)	Customer type (e)
1	Customer 1	1,945,202	176,411	Union South	T2	power
2	Customer 2	3,268,990	447,000	Union South	T2	industrial
3	Customer 3	2,377,995	322,000	Union South	T2	industrial
4	Customer 4	5,316,531	726,920	Union South	T2	industrial
5	Customer 5	1,337,792	169,984	Union South	T2	industrial
6	Customer 6	2,343,857	430,990	Union South	T2	industrial
7	Customer 7	781,653	74,300	Union South	T2	industrial
8	Customer 8	1,783,527	211,650	Union South	T2	power
9	Sub Total - Union South	19,155,547	2,559,255			
10	Customer 9	2,426,267	299,905	EDA	100	power
11	Customer 10	1,466,463	183,577	EDA	100	power
12	Sub Total - North EDA	3,892,730	483,482			
13	Customer 11	1,660,468	90,206	SSMDA	20	power
14	Sub Total - North SSMDA	1,660,468	90,206			
15	Customer 12	512,668	57,335	NDA	100	power
16	Customer 13	638,382	70,643	NDA	100	power
17	Customer 14	611,552	69,850	NDA	100	power
18	Sub Total - North NDA	1,762,602	197,828			
19	Sub Total - Union North	7,315,800	771,516			
20	Grand Total (line 9 + 19)	26,471,347	3,330,771			

UNION GAS LIMITED
Annual Estimated Bill Impact on Residential Customers of the Potential Margin Loss to Each Operating Area

Line No.	Rate Class	2015 Annual Revenue (1) (\$000s) (a)	Proposed Operating Area Revenue (2) (%) (b)	Revenue Loss by Operating Area (3) (\$000s) (c)	2015 Annual Volume (4) (10 ³ m ³) (d)	Unit Rate (cents/m ³) (e) = (c / d)	Annual Residential Volume (m ³) (f)	Annual Residential Bill Impact (\$) (g) = (e * f)	Current Annual Residential Bill(5) (\$) (h)	Annual Residential Bill Impact (%) (i) = (g / h)
1	M1	392,465	73%	14,078	2,921,516	0.4819	2,200	10.60	838.20	1.3%
2	R01	160,987	75%	5,492	927,922	0.5919	2,200	13.02	1,054.49	1.2%

Notes:

- (1) Annual revenue per EB-2014-0271 (2015 Rates), Rate Order, Working Papers, Schedule 3, column (n).
- (2) Rate class revenue from column (a) divided by 2015 total delivery revenue for Union North and Union South respectively per EB-2014-0271, Rate Order, Working Papers, Schedule 3, column (n).
- (3) Amounts by Operating Area per Board Staff IR #2, part (a) multiplied by the percentage of Operating Area revenue shown in column (b) above).
- (4) Annual rate class volume per EB-2014-0271 (2015 Rates), Rate Order, Working Papers, Schedule 4, pages 2, 10, column (u).
- (5) Annual residential bill per EB-2014-0208, Tab 2, Schedule 5, pages 1, 3 (October 2014 QRAM).

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Union Gas Limited Intervenor Evidence, Exhibit A, Tab 1, Page 23 lines 20- 23

Preamble:

Regarding Union's expectation to provide service to all incremental loads within the area of its Certificate and franchised service area, Union maintains that it is in the public interest to provide regulated utilities "...exclusive right to deliver natural gas to end-users within defined franchised service areas, unless there are exceptional circumstances."

Question:

Please set out and discuss some of the exceptional circumstances that would, in Union's view, justify in light of public interest, that an incremental load is served by a pipeline constructed and operated by a company other than regulated utility holding a franchise agreement in the area.

Response:

Where the company seeking to be served chooses to serve itself, then, as in the current application, a Certificate is required. The Board will apply a broad public interest test. The principles include:

- postage stamp rates within each class of customers are the accepted norm and should not be departed from in favour of distance-related rates or an alternative unless there are valid and compelling reasons to do so;
- an applicant seeking such a rate or alternative must be a credible bypass candidate and must be ready, willing and able to build and operate its own pipeline;
- an applicant must show the construction of a bypass pipeline is within the public interest and that, inter alia, there are compelling reasons to authorize duplicating services;
- an applicant for a bypass rate or alternative must demonstrate that such a rate or alternative is the appropriate response to the applicant's particular problem; and
- the Board must be satisfied that it is within the overall public interest to allow a bypass rate or bypass.

In general, it is in the public interest to serve incremental loads by a pipeline constructed and operated by a company other than the regulated utility that holds the franchise and certificate rights when the regulated utility is not able to economically provide service. This is not the case with respect to GSPC. The costs of providing service to GSPC are comparable and Union has services specifically designed to meet the needs of power generators.

Other examples of exceptional circumstances where Union would not provide service even though it holds the franchise are:

- Local producers serving customers adjacent to their production facilities;
- Where LDC boundaries go down the middle of a road and it is more efficient for one utility to serve both sides of the road;
- Where amalgamations and annexations have changed municipal boundaries and an area switched from one LDC to another; and
- Where transmission providers (e.g., TCPL) had incremental load increases, it would be more appropriate for them to loop their system rather than Union to build additional facilities.

None of the above exceptions apply to GSPC.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 2, Line 18

“Union has provided Greenfield South with offers of alternative services, but has not been able to reach an agreement with them.”

Preamble:

Union claims to have provided GSPC with offers of alternative services, but has provided no evidence of any such offers.

Question:

Please provide copies of all binding written offers submitted to GSPC for contractual acceptance.

Response:

Union did not provide any written binding offers to GSPC as there was never sufficient agreement to proceed with contract documents. Union followed its typical process in its contract discussions with GSPC. This process includes discussing with the customer the requirements of their facility, outlining the service parameters of Union's Rate T2 service, offering the firm service and, in this case, offering an interruptible price at the customer's request. Typically, these discussions culminate in a contract that outlines the service parameters. In this case, GSPC rejected both the firm and interruptible services so no contract was prepared for their consideration.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 2, Line 23

“Greenfield South indicated that its reasons for choosing the bypass option were a perceived cheaper cost to use Vector and Union’s requirement for a letter of credit.”

Preamble:

Union alleges that GSPC indicated to Union that its reasons for selecting Vector service were a perceived cheaper cost and credit requirements, but has provided no evidence of same.

Question:

Please provide evidence that GSPC made such statements to Union.

Response:

Representatives of GSPC verbally stated to a Union representative during a telephone call on January 9, 2014 that the cost of Rate T2 service and the Union credit requirements were unacceptable to GSPC.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 5, Lines 14-17

“A Discounted Cash Flow (DCF) analysis for the interruptible service option requested by Greenfield South (see Schedule 1) indicates that Union’s proposed facilities project has a Profitability Index (PI) of 1.068. Pursuant to the Report of the Board in EBO 188 dated January 30, 1998, an overall PI of 1.0 means that existing customers will not suffer a rate increase over the long term as a result of the proposed project. The Board stated in its EBO 188 report that it was of the view that an overall rolling portfolio PI of 1.0 or better is in the public interest.”

Preamble:

Union asserts that existing customers would not suffer a rate increase over the long term as a result of an interruptible connection by GSPC to Union.

Questions:

(a) Please advise whether there could be any short term (any period between 1 and 10 years) temporary or permanent rate increase in any rate class as a result of a connection by GSPC to Union, whether to recover or finance capital costs or for any other reason, regardless of whether or not such short term increase might be offset by a long term decrease.

(b) Please advise, on a year by year and rate class by rate class basis, how Union plans to recover the initial capital costs associated with a GSPC connection.

Response:

(a) The project PI of 1.068 is calculated over a ten year term as shown at Schedule 1. During the Incentive Regulation term there will not be an impact on rates. For 2019 (the next rate rebasing year), there is a forecasted revenue sufficiency of \$510,000. Any sufficiency incorporated into the 2019 cost of service will decrease rates to customers.

(b) The initial capital costs associated with a GSPC connection would be fully recovered through a minimum annual volume (MAV) provision associated with the negotiated interruptible rate in the GSPC contract.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 6, Lines 27-30; Pages 7-9

Preamble:

Union states that in the GEC Decision RP-2005-0022, the Board directed Union to develop, through NGEIR, new offerings which were more robust against bypass.

Union states that it has since complied with the Board's direction and developed BCD, F24-T, F24-S, UPBS and DPBS services.

Union suggests that the Board granted GEC its CPCN on the basis that in the absence of such offerings (pre-NGEIR) GEC should not have had to wait for such offerings.

Union attempts to differentiate GSPC from GEC due to the fact that the robust service offerings demanded by the Board and developed through NGEIR (which it describes as being BCD, F24-T, F24-S, UPBS and DPBS) are now in place.

Questions:

(a) Please provide a copy of a binding written offer from Union to GSPC pursuant to which GSPC was offered any of BCD, F24-T, F24-S, UPBS or DPBS services.

(b) Did GSPC ever ask Union, verbally or in writing, whether Union could make available to GEPP any alternatives to T2 or T2 Interruptible service? If so, please provide the number of instances and the details of each.

Response:

(a) Union did not discuss F24-T, F24-S, UPBS or DPBS service with GSPC since they are not required for Rate T2 customers in the Union South delivery area. The Rate T2 service itself provides sufficient flexibility for power generators located in Union's southern service area without additional contracting for these other services. The Rate T2 service provides the generator with the ability to deliver gas to Union rateably (i.e., same amount of gas delivery each hour) and consume on an hourly basis from zero up to their peak hourly requirement. In addition, Rate T2 service includes an end of day balancing true-up where consumption greater than gas deliveries on the day is deemed to be pulled from storage and conversely consumption less than gas deliveries on the day is deemed to be injected into storage.

Billing Contract Demand (“BCD”) service is applicable to customers who are in close proximity to Parkway or connecting to a third party transmission line. Union could not offer firm service off the Vector line since there is no firm year-round Dawn to Dawn-Vector transport available. Consequently, Union’s offer assumed a connection with Union’s Sarnia Industrial Line where Union could offer firm service and BCD was not applicable.

(b) No. GSPC did not ask for any alternatives to Rate T2 firm or Rate T2 interruptible service.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 8, Lines 19-20

“Union currently has one electricity generator taking service under BCD since 2009.”

Questions:

- (a) Please identify the electricity generator that has been taking service under BCD since 2009.
- (b) Please specify the location of such generating station, the location of its connection to the gas pipeline, which gas pipeline it is connected to, and the approximate distance of the generating station and the connection point from Vector and from Dawn.

Response:

- (a) Halton Hills Generating Station.
- (b) Halton Hills Generating Station is located in Halton Hills. It is approximately 6 kilometres from Union’s Parkway facility and it connects into the Dawn to Parkway system, qualifying it for Billing Contract Demand (“BCD”) service. Halton Hills is approximately 250 kilometres from the Dawn and Dawn-Vector connection.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 9, Lines 27-30 and Page 10, Lines 1-3

“This coincides with the change in the OPA’s Clean Energy Supply contract that now prohibits the bypass of the distribution systems within the franchised service areas of Union and Enbridge Gas Distribution and prevents the electricity generator from constructing, owning or operating the gas pipeline that serves the generator. See section 2.8 – Operation Covenant in attached Schedule 2 where the OPA 1 specifically directs that project proponents cannot bypass the local gas distribution franchise for a proposed facility within that franchise area.”

Reference: Union Evidence, Schedule 2, s. 2.8(c)

“In addition, any Gas distribution services forming part of the Reimbursable GD&M Services must be obtained from either Enbridge Gas Distribution Inc. or Union Gas Limited, and the Supplier must not construct, own, or operate the gas pipeline that serves the Facility.”

Preamble:

The language from section 2.8(c) of the TransCanada CES Contract which Union refers to and relies on is not found in the GSPC Amended and Restated CES Contract.

Question:

Please advise why Union believes that Section 2.8(c) of the TransCanada CES Contract is relevant to the GEPP, or whether Union was under the impression that the GSPC Amended and Restated CES Contract contained similar provisions.

Response:

Union’s evidence does not state that Union believes GSPC’s contract was amended. Union’s evidence addresses the fact that there was a change in contract language from the time the first set of Clean Energy Supply Contracts was awarded in 2005 and when TransCanada’s Clean Energy Supply contract was awarded in 2009. In Union’s view, it is a reasonable inference that the Ontario Power Authority came to the conclusion that utility service was preferred and changed their contract as a result.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 13, Lines 3-9

“In the event that gas is not flowing on Vector, it would not be possible to provide firm service to Greenfield South without adding firm capacity from Dawn to Dawn-Vector. The cost of adding this capacity would be significant. Although the BCD option is available in the Sarnia area to customers directly connected to a third party pipeline, Union did not pursue this option for Greenfield South because firm service is not currently available from Dawn to Dawn-Vector.”

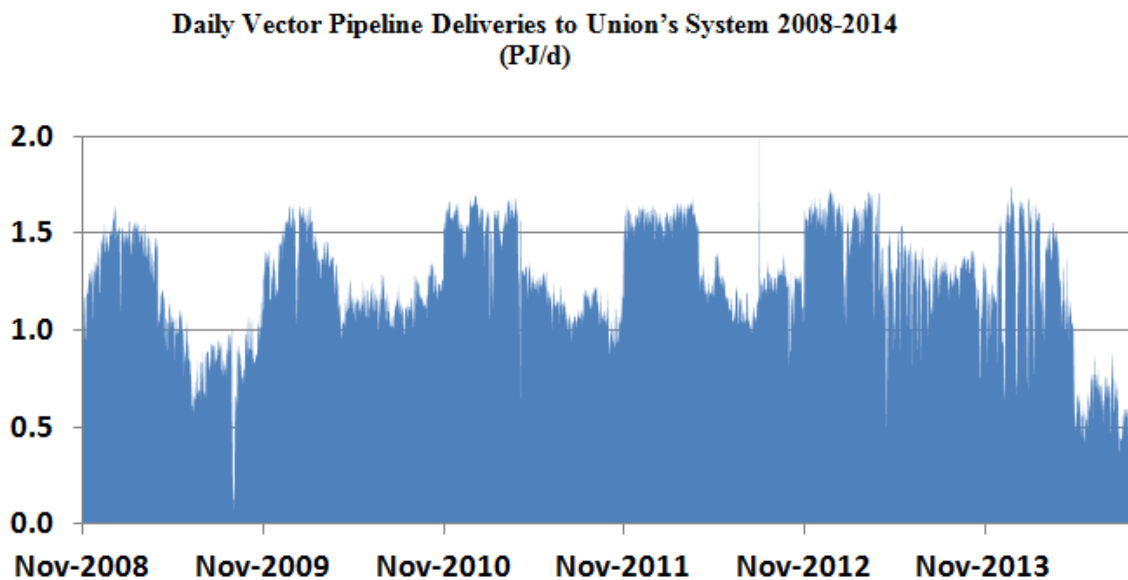
Questions:

- (a) How many days has Dawn to Dawn-Vector service been interrupted in the past 10 years (or such shorter period of time for which Union is able to provide interruption data).
 - (b) How many days has Vector “not been flowing gas” since the line came into service (or such shorter period of time for which Union is able to obtain data)?
 - (c) Under Vector’s firm service tariff, does Vector have the right, outside of a force majeure event, to simply “not flow” gas, similar to an interruptible service?
 - (d) Does Union consider the Vector contract for firm service to GSPC to be de facto equivalent to “interruptible” service?
 - (e) Given that firm service is not currently available from Dawn to Dawn-Vector, would Union similarly consider the BCD option for GSPC to be de facto equivalent to “interruptible” service? Please explain.
 - (f) When Vector is “interrupted” (i.e. not flowing gas), is Dawn to Dawn-Vector able to operate and cause gas to flow to GSPC at the Vector Tap? Please explain.
 - (g) When Vector is “interrupted” (i.e. not flowing gas), would an upgraded Dawn to Dawn-Vector be able to operate and cause gas to flow to GSPC at the Vector Tap (being the connection point between Vector at the GEPP Natural Gas Utilization System)? Please explain.
 - (h) If Union considers Vector firm service to be “interruptible”, does Union believe that GSPC is willing to accept “interruptible” service? If so, when did Union come to such conclusion? At the time Union came to such conclusion, did Union revisit its decision “not to pursue” the BCD option for GSPC? Has Union at any time, before or since, offered the BCD option to GSPC?
-

(i) Does Union feel that Greenfield Energy Centre has been poorly served by its Vector connection? How many times has Greenfield Energy Centre been out of service due to “gas not flowing” on the Vector pipeline?

Response:

- (a) In the last 10 years, there have been no days where the Dawn to Dawn-Vector interruptible transportation service has been interrupted. However, in order to provide this service, Union principally relies on imports into Dawn from Vector Pipeline. As shown in the chart below, imports from Vector Pipeline to Dawn have been less predictable since 2012, and have seen a significant decline through 2014. This trend significantly increases the risk of interruption for interruptible Dawn to Dawn-Vector transportation service.



- (b) Since the Vector Pipeline came into service, there have been 22 days where there were zero deliveries from Vector. These days occurred prior to 2008. The deliveries to Union since 2008 are shown in the chart shown in response to GSPC 7(a).
- (c) Vector is the appropriate company to respond to their tariff. Union notes that gas will not flow on Vector if it is not nominated by shippers, and this reduced flow compromises the ability to provide Dawn to Dawn-Vector transportation service, as noted in response to 7(a) and (b).

- (d) Union cannot comment on the firmness of the service Vector is providing to GSPC. However, it is Union's experience that a power generator requires firm transportation service as well as balancing and storage services to operate. This view is apparently shared by Vector as noted in their letter to GSPC dated October 26, 2012 (see Appendix 34 of GSPC's Supplemental Evidence dated November 5, 2014) where they indicated that their service needed to be paired with a third party storage provider. In Union's view, GSPC requires Dawn to Dawn-Vector transportation service to ensure firm service to the plant. This capacity is not available on a firm, year-round basis for Union to provide to GSPC directly, or via Vector.
- (e) Currently Union could not offer a BCD service on Vector since there is no firm year-round Dawn to Dawn Vector transport available. This is why Union's offers to GSPC were designed to connect to Union's Sarnia Industrial Line.
- (f) Union's firm year-round Dawn to Dawn-Vector capacity has already been contracted by other customers. Union has no additional capacity for firm year-round service to GSPC or any other customer.
- (g) Yes. New facilities at Dawn would allow Union to provide year-round firm service from Dawn to Dawn-Vector regardless of flow on Vector.
- (h) Union did not offer the BCD for reasons stated in response to GSPC 4a). Union only came to the understanding that GSPC had what amounts to an interruptible service when GSPC filed their supplementary evidence on November 5, 2014.
- (i) Union has no comment on the Greenfield Energy Centre's (GEC) service from Vector. Union's obligation to provide firm year-round Dawn to Dawn-Vector transportation service to GEC as contracted has been, and will continue to be, fulfilled.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 8, Lines 17-19

“The BCD service directly responded to threats of bypass by recovering only the incremental facilities costs associated with the facilities through the contract demand and enables the customer choosing BCD to lower its costs relative to Rate T1 service without BCD.”

Reference: Union Evidence, Page 13, Lines 7-9

“Although the BCD option is available in the Sarnia area to customers directly connected to a third party pipeline, Union did not pursue this option for Greenfield South because firm service is not currently available from Dawn to Dawn-Vector.”

Questions:

(a) Did Union ever offer GSPC firm BCD service based on the cost of connecting GEPP to Vector and upgrading the Dawn to Dawn-Vector connection so that Union could provide such firm service?

(b) Did GSPC ever ask Union, verbally or in writing, whether Union could offer (or ask Union to offer) a BCD option to GSPC? If so, please provide the number of instances and the details of each. Please indicate how many times Union dismissed, declined or rejected such requests.

Response:

(a) Union did not offer firm Billing Contract Demand (“BCD”) service to GSPC. Union considered the cost of upgrading the Dawn to Dawn-Vector system. The cost of such an upgrade would have resulted in a contribution in aid of construction requirement from GSPC, negating the benefit of BCD service. The firm service alternative of connecting to the Sarnia Industrial Line would provide GSPC with that service and no contribution in aid of construction requirement.

(b) Union considered the BCD service at the Vector connection but does not recall any specific request from GSPC regarding BCD.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 14, Lines 1-2

“In August 2013, Union made an offer to Greenfield South of interruptible service over a 10 year term with pricing set to 60% of firm service.”

Question:

What was the basis for 60% factor used to set this price?

Response:

This offer was within an acceptable price range for interruptible service. GSPC indicated to Union that an offering in that cost range would be of interest to GSPC.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 14, Lines 5-7

“The interruptible pricing offered was at the low end of the interruptible pricing range and resulted in a distribution cost to GEPP that is competitive when compared to other generators.”

Preamble:

Union asserts that the offer of approximately \$1.4 million per year is “competitive when compared to other generators”, but has provided no evidence of same.

Question:

Please provide evidence to support such assertion, including evidence of comparable or higher rates charged to other generators of similar size in similar locations, with similar cost of capital and similar power pricing, for similar service.

Response:

The Clean Energy Supply contract customers listed in the table below are all located in Southern Ontario and all use Rate T2 service. Generation plant sizes range from 280 MW to 680 MW. Union does not know the cost of capital incurred by these generators.

	Firm Rate Block 1 (\$/m ³)	Firm Rate Block 2 (\$/m ³)	Interruptible Rate (\$/m ³)
Plant A	0.203436	0.107608	0.00785
Plant B	0.203436	0.107608	0.01210
Plant C	0.203436	0.107608	0.00756
Plant D	0.203436	0.107608	n/a
GPSC	0.203436	0.107608	0.00520

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 15, Lines 8-15

“With respect to storage services, Greenfield South needs 2,320 GJ/hour or 46,400 GJ/day of firm supply deliverability to operate its plant. In order to ensure this level of service, a third-party storage service is also required in order to accommodate the change in hourly demand at the GEPP. Union expects that a standard market-based storage service of 1.2% deliverability to match the 46,000 GJ/day demand and corresponding 3.8 Bcf of storage space would be required. While the market based cost of such a service is not known at this time, Union’s current cost of providing this service is approximately \$1.4 million annually. In Union’s view, it is likely that market prices would be substantially higher.”

Preamble:

The public documents posted by Union and Enbridge and referenced below* (attached as Tabs “A” and “B” to these Interrogatories) reveal that GEPP’s closest competitor, the 1,005 MW Greenfield Energy Centre, currently operates through a Vector connection with 54,862 GJ/day of storage deliverability, or 54 GJ/day per MW.

These documents also reveal that another close competitor, St. Clair Power L.P, which has a 577 MW plant connected to Union T2, currently operates with 28,380 GJ/day of storage deliverability, or 49 GJ/day per MW.

On a pro rata basis at 54 GJ/day per MW or 49 GJ/day per MW respectively, GEPP would require 16,459 GJ/day of storage deliverability in order to operate in a similar manner to GEC, or 14,755 GJ/day of storage deliverability in order to operate in a similar manner to St. Clair Power L.P.

However, Union asserts in the reference above that if the GEPP is connected to Vector (as is GEC), it cannot be operated without 46,400 GJ/day of storage deliverability, or 155 GJ/day per MW – three times as much storage deliverability as GEC (a Vector customer) and St. Clair Power (a Union customer) are currently using.

*Sources:

Enbridge Website Storage Disclosure

https://www.enbridgegas.com/assets/docs/tec_customer_index.pdf

Union Gas Website Storage Disclosure

https://www.uniongas.com/~media/storage-transportation/infopostings/indexofcustomers/Storage_Holders.pdf

Questions:

- (a) Please explain why Union believes that the GEPP needs, on a relative basis, three times more storage deliverability than GEC, and why Union believes that GEPP cannot operate with anything less than three times more storage deliverability than GEC. If Union has knowledge that the GEC is not able to operate, please disclose that information.
- (b) Union has asserted that its current cost of providing 46,400 GJ/day of deliverability is approximately \$1.4 million per year. Please indicate Union's current annual cost to provide 16,459 GJ/day and 14,755 GJ/day, respectively. If Union's cost is not approximately one-third of \$1,400,000, please explain why. Please make any necessary assumptions and justify such assumptions.
- (c) Please revise the table set out at Page 16, Line 5 of Union's evidence to indicate what the comparative present value figures would be if the \$1,400,000 figure in Line A were replaced with each of the figures that Union provides in response to part (b) above. Please make any necessary assumptions and justify such assumptions.
-

Response:

- (a) In its application for an order granting leave to construct a natural gas pipeline in the Township of St. Clair (RP-2005-0022), Greenfield Energy Centre (GEC) successfully argued that they could not access adequate services from Union Gas and that it was in the public interest to allow GEC to pursue those services through bypass.

The OEB's Decision and Order dated January 6, 2006 had two results:

- 1) GEC was able to contract for storage and balancing services from multiple storage providers. While the Storage and Transportation Access Rule (STAR) requires Ontario's utilities to report non-regulated storage contracts, there is no such requirement for every storage and balancing provider that could provide service to GEC. Therefore, while the amount of deliverability for which GEC contracted with both Union Gas and Enbridge Gas Distribution is in the public forum (2,110 GJ/hour and 500 GJ/hour respectively), Union has no way to determine what additional level of services GEC contracted for with others to provide GEC with the "control, flexibility and access to competitive upstream services that GEC requires"¹.
- 2) The subsequent Natural Gas Electricity Interface Review (NGEIR) created the opportunity for Union Gas and Enbridge Gas Distribution to propose alternative services

¹ RP-2005-0022 Decision and Order dated January 6, 2006, page 27

to meet requirements similar to those of GEC. Service criteria proposed by generators included:

- i. The ability to ramp up quickly from idling to peak hourly capacity driving the need for hourly peak storage services; and
- ii. The ability for the generator to ramp up unexpectedly on days when no gas purchase had been made (need to withdraw from storage up to peak hour) and to be able to shut down quickly on days when gas had been purchased with the intent to generate (need to inject into storage up to peak hour)

Following the NGEIR proceeding, Union contracted with several Clean Energy Supply generators, outside of Union Gas' franchised service area, who required gas to flow from Union to a sole third party transportation provider's meter, non-rateably, in a flow-profile similar to the consumption profile of the generation facility.

Union Gas' experience with those generators has been that plants have typically required the ability to withdraw or inject something close to peak hour of gas consumption. If a generator requires a peak hourly withdrawal or injection, the daily requirement for deliverability is 20 times that peak hour requirement.

Therefore, if GSPC requires 2,320 GJ/hour (as indicated in their evidence), Union expects that GSPC would require a service or services that somehow provides 46,400 GJ/day firm supply deliverability to operate its plant.

(b – c) Union has asserted that if GSPC is to bypass Union, GSPC will require market-based storage and deliverability. Union has not asserted that these market-based services will cost \$1.4 million. Union asserts that market-based services are not available at Union's cost of service rate. Market pricing for storage and deliverability could be substantially higher than Union's cost of service.

When GSPC seeks to bypass Union, it is no longer eligible for Union's cost-based storage and deliverability service included in the Rate T2 service. Therefore, any analysis with respect to Union's cost to provide the service to GSPC in a bypass scenario is not relevant or applicable.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 16, Row A

Preamble:

Union's table entitled "Summary of Comparative Greenfield South Gas Services" suggests that the Vector transportation costs are \$696,110 per year, whereas GSPC provides a detailed accounting at Tab 28 of its Supplementary Evidence to demonstrate that the Vector cost of service is just under \$529,485 per year (excluding GSPC's internal O&M costs of \$10,000).

Question:

Please provide evidence to support the \$696,110 figure.

Response:

The figure \$696,110 shown in row A on the table on page 16 of Union's evidence is in error. The corrected figure is \$669,310. Its derivation is shown in the table below. The Present Value figure shown in row A on page 16 of Union's evidence is correct.

Line #		Capital Cost & Contribution (2015)	Annual Costs Transport	Annual Costs Storage	Present Value (2015)
1	Vector Tap	\$ 1,125,000			
2	GEPP Natural Gas Utilization System (pipe & meter)	\$ 500,000			
3	Vector Demand & Usage Charges		\$ 530,000		
4	D/DV Service Dawn Vector Balancing service HDS & UPBS			\$ 1,400,000	
5	Annual O&M		\$ 10,000		
6	Credit Support (Vector Services)		\$ 35,510		
7	Credit Support (Balancing Services)		\$ 93,800		
8	Total Cost	\$ 1,625,000	\$ 669,310	\$ 1,400,000	\$ 24,067,893

Line 7 above has been calculated using the same approach used by Mr. Todd to calculate the \$35,510 annual cost of credit support shown at the bottom of page 3 of Mr. Todd's evidence. The \$35,510 credit support total is the product of the demand charge (\$530,000) times 6.7% financing cost.

The credit support cost for balancing services is \$1,400,000 @ 6.7% = \$93,800.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 16, Rows B and C

Preamble:

Union's table entitled "Summary of Comparative Greenfield South Gas Services" suggests that, while the initial capital cost for the Vector connection is \$1,625,000 (presumably consisting of \$1,125,000 for the Vector Tap, \$250,000 for metering, and \$250,000 for the lateral line between the plant and the interconnection), the initial capital cost for a Union connection is \$0.

Question:

Please advise how the gas would get from the Union interconnection to the GEPP burner tip without a GSPC lateral line (similar to the pipe which is the subject of this Application) running from the Union connection point to the GEPP plant. Alternatively, please explain how such a lateral line would be constructed for \$0 as indicated.

Response:

Union would construct a lateral from the Sarnia Industrial Line connecting to a station on the GSPC property. The cost of this work would be recovered in the Rate T2 revenues. Therefore, to include that cost in the analysis would be a double-counting of cost.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 17, Lines 11-12

“Union estimates the total capital cost of a connection to Vector to be between \$5.2 million and \$5.4 million.”

Reference: Union Evidence, Exhibit A, Page 20, Lines 4-9

“In its January 20, 2014 letter to Union, Vector Pipeline indicated that Greenfield South had requested an interconnection with Vector and Union was requested to proceed with the engineering, construction and other development services required to install these interconnection facilities. The scope of work requested of Union was to undertake the hot tap, side valve, insulating flange assembly, and all other necessary equipment for Greenfield South to connect a lateral pipeline to Vector.”

Questions:

- (a) Please provide a complete and unredacted copy of the January 20, 2014 letter from Vector to Union.
- (b) In response to the January 20, 2014 letter from Vector to Union, did Union provide an estimate of the cost of the requested work to Vector? Please provide a complete and unredacted copy of all written responses from Union to Vector.
- (c) If any such responses included a cost estimate for the requested work, please provide all supporting details to justify such cost estimate.
- (d) If no such response included a cost estimate, please explain why it did not.
- (e) Please provide a table, in the same format as the table found in Union’s Leave to Construct application (EB-2014-0147), Schedule A, Tabs 8, 9 and 10, which shows the calculation of the \$5.2 to \$5.4 million estimate, and breaks out the cost of each component part of such estimate, in such a manner as to facilitate a comparison between Union’s estimate of \$5.2-\$5.4 million for the Vector connection and Union’s estimate of approximately \$6 million for a Union connection.

Response:

- (a) Please see Attachment #1.

- (b) No. In response to the January 20, 2014 letter from Vector, Union stated that it was not in a position to respond to Vector's request as there still needed to be an OEB process to determine the appropriate arrangements for connecting Greenfield South.
- (c) n/a
- (d) See response to part (b).
- (e) See Attachments #2, #3 and #4.



Vector Pipeline™

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Matt Malinowski
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January 20, 2014

Mr. Mark Isherwood
Union Gas Limited
50 Keil Drive, North
Chatham, ON N7M 5M1
Canada

Re: Union Gas Limited ("Union") to provide services for the proposed
Interconnection between the Facilities of Greenfield South Power
Corporation ("Greenfield South") and Vector Pipeline Limited Partnership
("Vector")

Dear Mark:

Greenfield South, a new 300 megawatt combined-cycle powerplant development located in the Township of St. Clair, Ontario, has requested an interconnection with Vector. Vector and Greenfield South have reached an initial agreement for the construction and installation of new facilities to serve this plant (the "Greenfield South Interconnect"). The proposed in-service date of this facility is late 2014 and Vector would like to have the hot tap completed by July, 2014 to meet their first firing and testing requirements.

Vector is hereby requesting that Union, under the provisions laid out in the Vector-Union Gas Operating Agreement dated December 1, 2000 (as amended), to proceed with the engineering, construction and other development services required to install these interconnection facilities. The scope of work for Union to undertake would be the hot tap, side valve, insulating flange assembly, and all other necessary equipment for Greenfield South to connect their lateral to Vector. The overall scope is very similar to what has been done at the Greenfield Energy Centre (no relation) and the Sombra interconnections. Of immediate concern would be the ordering of any long lead material such as the hot tap saddle (42" x 8") and the 8-inch valves. Vector will be contacting Union in the near future to arrange a meeting between Vector's and Union's engineering personnel to discuss the technical details of the required facilities.

Sincerely,

Matt Malinowski

Matt Malinowski

TOTAL ESTIMATED PIPELINE CAPITAL COSTS

GREENFIELD SOUTH GENERATING STATION – VECTOR TIE-IN OPTION

Pipeline and Equipment

NPS 8 Steel Pipe, Coated 59 Meters	\$4,500	
Valves, Fittings and Miscellaneous Material	38,000	
Sub-Total		\$42,500

Construction and Labour

To lay 100 meters of 219.1 mm O.D. Pipe	\$256,500	
Stopping & Tapping, Testing, Valving, Miscellaneous Contract Labour	187,000	
Company Labour, X-Ray, Construction Survey, Legal, Mill Inspection and Consultants	103,500	
Regulatory & Legal	0	
Easements, Lands & Damages	<u>26,000</u>	
Total Construction and Labour		\$573,000

Total Pipeline and Equipment and Construction and Labour	<u>\$615,500</u>
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Escalation	10,000
Contingencies	122,500
Interest During Construction	<u>5,000</u>

Total Estimated Pipeline Capital Costs – 2015 Construction	<u>\$753,000</u>
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(Includes the Estimated Environmental Costs in Exhibit B.GSPC.14 Attachment 3)

TOTAL ESTIMATED ENVIRONMENTAL COSTS

GREENFIELD SOUTH GENERATING STATION PROJECT

Pre-Construction

Environmental Assessment	\$	3,000	
Surveys (fish, wildlife, plants)		<u>3,000</u>	
Permits		2,000	
Total Pre-Construction			\$ <u>8,000</u>

Construction

Environmental Inspection	\$	2,000	
Total Construction			\$ <u>2,000</u>
Total Estimated Environmental Costs			\$ <u><u>10,000</u></u>

TOTAL ESTIMATED STATION CAPITAL COSTS

GREENFIELD SOUTH GENERATING STATION

Station Equipment	<u>\$1,280,000</u>
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Construction and Labour

Station Build	\$1,820,500
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Stopping & Tapping, Testing, Valving, Miscellaneous Contract Labour	50,000
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Company Labour, X-Ray, Construction Survey, Legal, Mill Inspection and Consultants	314,000
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Easements, Lands & Damages	<u>25,000</u>
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Total Construction and Labour	\$2,209,500
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Total Station, Equipment, Construction and Labour	<u>3,489,500</u>
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Escalation	\$206,000
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Contingencies	\$739,000
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Interest During Construction	<u>73,500</u>
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Total Estimated Station Capital Costs – 2015 Construction	<u>\$4,508,000</u>
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UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 18, Lines 6-8

“Union has reviewed the credit requirements of Vector and has concluded that a similar level of credit would be required of Greenfield South by Vector for comparable capital costs.”

Reference: GSPC Pre-Filed Evidence, Appendix 12, Page 222, Section 26.3(a)

“26.3 A Shipper who does not meet the requirements of sections 26.1 or 26.2 must provide security for its obligations at least thirty (30) days prior to commencement of transportation service, where practicable, but in any event no later than at the time of the first nomination for service under any newly executed Transportation Agreement, or within thirty (30) days that it ceases to be eligible at any time thereafter while it is bound thereby, by either:

(a) Posting a Letter of Credit from a major banking institution with an investment grade rating or pledging a cash deposit, in either case in an amount equal to twelve (12) months of the tolls payable under the Firm Transportation Agreement or the Interruptible Transportation Agreement or other Transportation Agreement an irrevocable letter of credit or other such equivalent financial guarantees in an amount equal to thirty (30) days of service at the agreed to tolls. Such security shall be adjusted annually to reflect any change in the tolls for the succeeding twelve (12) months; or

(b) Providing other security acceptable to Transporter.”

Preamble:

Union states that it “has concluded that a similar level of credit” (the capital cost of the project, being \$5.9 million) would be required by Vector, but has provided no evidence to support such a conclusion.

The Vector Tariff found at Tab 12 of GSPC’s pre-filed evidence provides at Section 26.3(a) that the level of credit security to be provided is equal to the cost of one year’s firm service.

GSPC has indicated in Tab 27 of its Supplementary Evidence that Vector requires a letter of credit of \$530,000, which is the cost of one year’s firm service. Union claims in the table found at Page 16 of Union’s evidence that the cost of one year’s firm service on Vector is \$696,110.

Questions:

(a) Please provide documentary evidence to support Union’s conclusion that Vector has demanded or will demand approximately \$5.9 million of credit support.

(b) Please provide evidence to prove that Vector will not accept a \$530,000 letter of credit, or if Union's assessment of the Vector rates is correct, \$696,110.

Response:

- (a) It is Union's view that the costs of building a lateral, station, and related facilities from the Sarnia Industrial Line to the GSPC facility will be roughly the same cost to GSPC of building a lateral, station, and related facilities from Vector to their facility. Consequently, GSPC will be required to provide the same level of credit for either course of action.
- (b) Union did not say that Vector will not accept a letter of credit. Union is saying that GSPC will require credit support for their undertakings.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Schedule 1

Preamble:

In the table entitled “Greenfield South Generating Station – Discounted Case Flow Analysis”, Union provides an estimate of cumulative net present value.

Question:

What discount rate did Union use to develop the figures in this table?

Response:

Union used a discount rate of 5.1% in its analysis.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 2, Lines 9-14

“Union currently has a franchise agreement with the Township of St. Clair (EB-2010-0382) which grants to Union the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works within the Township of St. Clair. Union also holds a Certificate of Public Convenience and Necessity (EB-2010-0384) to construct works to supply gas in all of the Township of St. Clair which Union considers to be exclusive unless the Board specifically orders service to the contrary.” [emphasis added]

Preamble:

Union claims to have a franchise agreement and a CPCN which it considers to be exclusive unless the Board specifically orders to the contrary.

Questions:

- (a) Please identify the paragraph number in Decision and Order EB-2010-0382 where it is stated that the franchise agreement approved therein is exclusive.
- (b) Please identify the clause number in the Franchise Agreement attached to EB-2010-0382 where it is stated that such franchise agreement is exclusive.
- (c) Please identify the paragraph number in St. Clair By-Law 31 of 2010 where it is stated that the franchise agreement approved therein is exclusive.
- (d) Please identify the paragraph number in Decision and Order EB-2010-0384 where it is stated that the Certificate of Public Convenience and Necessity approved therein is exclusive.
- (e) Please identify the paragraph number in Certificate of Public Convenience and Necessity EB-2010-0384 where it is stated that such Certificate is exclusive.

Response:

(a – c) As noted in the reference for this question, Union stated in its evidence that its Certificate of Public Convenience and Necessity for the Township of St. Clair was considered exclusive not its franchise agreement.

However, the Ontario Energy Board did state the following in its E.B.R.L.G. 29 Report to the Lieutenant Governor in Council dated December 12, 1986 (page 4/1):

4.1 There are three major gas distributors in Ontario which together serve approximately 1,500,000 customers – Consumers, ICG Utilities (Ontario) Ltd (ICG) and Union. Each distributor operates an exclusive franchise within a given area - Union in southwestern Ontario; Consumers' in southern, central and eastern Ontario; and ICG in northwestern, northern and eastern Ontario. [emphasis added]

4.2 Without a guaranteed share of the market the utilities would not have attracted the private sector investment needed to finance expensive pipeline construction. In exchange for freedom from competition the utilities in effect gave up some freedom to set their own rates.

In its EBLO 226 Decision with Reasons dated September 1, 1988 regarding Union's Leave to Construct application related to the St. Clair-Bickford Line and Related Facilities, the Ontario Energy Board states:

"3.8.70 As part of a local distribution system (whose many lines serve several functions simultaneously: arterial transmission and distribution), the St. Clair-Bickford Line traverses municipal areas for which Union possesses distribution franchises. The Board finds this as a fact of which information it is seized as the approving authority for the terms and conditions of gas franchises in Ontario.

3.8.71 In addition, the Board finds as a fact that Union has a reasonable expectation that it will in the foreseeable future need to extend distribution lines into the area traversed by this line. This finding is reinforced by the evidence that the said area is zoned for industrial development as well as its proximity to other neighbouring industrially developed areas.

3.8.72 The Board finds that it is entirely reasonable for Union to expect that it will serve this area with gas. Before that expectation can be realized and the St. Clair-Bickford Line can be included in Union's rate base, a further hearing will be required and this in any event is not the subject of this hearing.

3.8.73 It is therefore not correct to allege that the St. Clair-Bickford Line has only one use namely to connect with the international line. As the Board has found, the primary constitutional characteristic of the proposed line is as a part of the Union distribution system not as an integral part of the short international line." [emphasis added]

In its RP-2003-0044 Decision with Reasons dated February 27, 2004 regarding applications by several electric utilities for amendments to their licensed service area, the OEB noted that overlapping service areas would come at the expense of risks, such as inefficient capital planning and costly redundancies. The Board also noted that this would become problematic in terms of maintenance, operation and recovery from emergencies, such as storms. In the Board's view overlapping had the potential to increase costs to the distributor and reduce system reliability. Of paramount interest to the Board was a potential safety issue that could arise from duplication of assets and the corresponding increased technical complexity that would arise necessitating additional safety protocols to prevent confusion in an emergency. In the Board's view, the risks involved in the creation of overlapping service areas far outweigh the benefits.

(d - e) According to section 8 of the *Municipal Franchises Act*, a Certificate of Public Convenience and Necessity must be granted before any person can construct gas works or supply gas in a municipality. The applicant must show that there is public convenience and necessity.

Certificates may be granted for all or only part of a franchise area and to date have been awarded on an exclusive basis.

The Ontario Energy Board has consistently determined that Certificates of Public Convenience and Necessity were geographically exclusive because to grant Certificates to two organizations for the same area would make it very difficult to plan future expansions, to avoid the duplication and lost efficiency of facilities, to provide an integrated emergency response, and to ensure that all inspections requirements are met.

This issue most recently arose in the Enbridge Gas Distribution application to renew its franchise agreement with Mississauga (EB-2010-0188). Enbridge had applied to change the definition of “municipality” within the Model Franchise Agreement to exclude customers that Union Gas serve in parts of Milton that were annexed into Mississauga. In that case, Union argued that Certificates are the vehicle which specifically defines service areas. In its July 8, 2010 Decision and Order, the Board stated (page 4):

“I find that it is not necessary to amend the definition of “Municipality” in the Board’s 2000 Model Franchise Agreement as the Act requires that both a Franchise Agreement with the municipality and a Certificate from the Board are necessary in order to build works to supply gas in a municipality. The Certificate of Public Convenience and Necessity is geographically exclusive, and therefore is the appropriate place to define the geographic boundaries of the Applicant’s rights as they relate to the construction of works to supply gas in the City of Mississauga.” [emphasis added]

In situations where Union Gas and another utility serve customers in the same municipality, the Ontario Energy Board has ensured that Certificates for each utility specifically identify areas in which each utility can serve customers. In Union’s opinion, these decisions speak to the geographically exclusive nature of Certificates. Recent examples of decisions that split up the exclusive service territory between Union and Natural Resource Gas are the Decisions and Orders related to the City of London (EB-2009-0068) and the Municipality of Thames Centre (EB-2009-0034).

In its EBA 825 Decision dated June 22, 2000 regarding the renewal of a franchise agreement with the City of Kingston, a key issue for the Board was to determine “public convenience and necessity”. The Board stated on page 26:

“In the Board’s view, “public interest” and “public convenience and necessity” are broader than local, parochial interests and the Board is required to consider matters affecting provincial gas distribution as a whole and not just local interests. In considering each individual application to renew or extend a franchise, the Board must balance the specific interests of all direct stakeholders, including ratepayers, the municipality and the utility shareholder, against the broader public interest.” [emphasis added]

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 21, Lines 20-23

“Union’s view is that any distribution or transmission facility (whether it be to serve incremental or existing customers) located within Union’s franchised operating area but not owned by Union constitutes bypass. This is consistent with regulatory precedent since bypass was first addressed in 1986 during E.B.R.O. 410-I / E.B.R.O. 411-I / E.B.R.O. 412-I.”

Preamble:

Union states its view that any distribution facility not owned by the LDC constitutes bypass.

Questions:

(a) Is it Union’s view that the GEPP Natural Gas Utilization System, being a pipe from the gas supply point to the generating plant, is a “distribution facility not owned by the LDC”?

(b) If so, to the best of Union’s knowledge or belief, do any Union franchise customers own properties or facilities which include pipe from the Union connection point to the customer’s building, gate, facility or burner tip? Is any of such pipe not owned by Union?

(c) If so, does all such pipe constitute bypass? Has Union filed complaints with the OEB to expose such Union customers as engaging in bypass?

Response:

(a) From Union’s perspective, the proposed GEPP Natural Gas Utilization System is a facility to be owned by GSPC which bypasses Union’s distribution system.

(b) The custody transfer point for gas is at Union’s customer station fence. The piping from the station to the customer’s facility and any additional gas regulation or conditioning equipment located downstream of Union’s station is property of the customer. This applies to most, if not all, customers.

(c) Generically speaking, the term bypass means the physical use by an end user of an alternative pipeline other than that being offered by the LDC, in order for the end user to bypass the service available from the LDC. Since 1986, the Ontario Energy Board has heard several significant cases regarding the role of bypass within the natural gas industry, many of which

addressed customer applications for bypass competitive rates and customer applications for certificates of public convenience and necessity to construct pipelines and metering required to supply gas to a facility.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 23, Lines 10-11

“Based on the above, and acknowledging that there is no existing pipeline to the proposed Greenfield South facility, Union submits that there will be duplication of Union’s facilities.”

Preamble:

Union asserts that construction of the GEPP Natural Gas Utilization System will duplicate facilities.

Question:

Please identify, side by side in a two column table, (i) each specific piece of Union equipment that will be duplicated by the construction of the GEPP Natural Gas Utilization System, and (ii) the equivalent and corresponding piece of duplicating GEPP Natural Gas Utilization System equipment.

Response:

Union proposes to serve GSPC through Union’s integrated distribution network that encompasses a large number of pipeline interconnections, including Vector. Therefore, it is Union’s opinion that a tap connecting GSPC to Vector duplicates the tap Union already has at the Vector Courtright Station.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 24, Lines 24-26

“Union has estimated the potential annual margin loss to Union and its ratepayers with respect to its existing customers at \$26 million (based on forecast 2014 volumes and revenues) should the Board endorse bypass and customers in the Sarnia area and Northern non-utility generators bypass Union.”

Preamble:

Union asserts that the potential annual margin loss to Union and its ratepayers would be \$26 million if the Board endorses bypass.

Questions:

- (a) Please advise how many power plants are represented by this \$26 million estimate.
 - (b) Please identify all such power plants, and provide evidence to support Union’s assertion that (i) they will all seek bypass, and (ii) they will all be granted OEB approval for bypass based on the specific circumstances of each application.
 - (c) Please advise what portion of such \$26 million estimate is directly attributable to a GEPP bypass (i.e. by the present Application), as opposed to by potential future bypass applications.
 - (d) Please provide Union’s corresponding estimate of the annual margin loss to Union and its ratepayers if the Board approves GSPC’s Application (i.e. just for the present Application, not in respect of any potential future bypass applicants).
 - (e) Please provide a table showing the annual margin loss to Union in each year of the 10 year term of the proposed T2 interruptible contract that Union claims to have offered to GSPC at 60% of firm service rates.
 - (f) In the table, please also show the amount of the total margin lost that will affect customer rates each year, recognizing that Union’s rates are currently being set on the basis of a Board-approved IR regime. Please provide supporting assumptions and detailed calculation for the impact of the margin loss on rates and ratepayers in each year.
 - (g) Please confirm that the difference between the total margin loss and the margin loss that will impact rates and ratepayers represents a shareholder loss.
 - (h) In the table, please also show the present value of the margin loss that will be borne by ratepayers and by shareholders.
-

Response:

- (a) Eight power plants are in the \$26 million estimate.
- (b) Union's evidence does not state that any power plants were seeking bypass or that any will be granted bypass. These power plants have short term contracts and if bypass is allowable they may decide to bypass Union's distribution system. The referenced power plants include two in Union's southern delivery area and six in Union's northern delivery area.
- (c) None of the \$26 million estimate is directly attributable to a GSPC bypass.
- (d) \$1.379 million annually.
- (e) The annual margin loss to Union in each year of the 10 year term of the proposed Rate T2 interruptible service at 60% of firm service rates would be \$1.379 million (transportation and storage revenue estimates).
- (f) During its 2014 to 2018 Incentive Regulation Mechanism (IRM) term, Union does not expect that any margin loss would impact the annual rate setting process. For an estimate of the residential bill impacts reflecting the potential impact of the potential loss of \$26 million in rates, please see Union's response to Board Staff IR #2(b).
- (g) Please see response to (f).
- (h) Please see response to (f).

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 25, Lines 27-29

“Union views the notional cost shift associated with the foregone margin that will result if the Board approves the physical bypass of Union’s system as inappropriate. All of Union’s existing and future customers will pay more than they otherwise would have if bypass is approved.”

Preamble:

Union asserts that if the Application is granted, Union’s customers will pay more than if it were not granted, but has provided no evidence.

Questions:

(a) Please prepare a table showing the amount of the foregone revenue, the corresponding amount of the avoided revenue requirement, and the corresponding “foregone margin that will result if the Board approves the physical bypass of Union’s system” for each year of the 10 years of the T2 interruptible service Union claims to have initially offered to GSPC, and also for each of the 20 years of the T2 interruptible service Union claims was requested by GSPC.

(b) In the table prepared for item (a) above, please also show for each year whether Union anticipates that rates will be set for that year on the basis of Union’s cost of service or on the basis of an IR regime.

(c) In the table prepared for item (a) above, please also show for each year the amount of the foregone margin that will be borne by customers as a result of higher rates and the amount that will be borne by shareholders since the foregone margin will not impact on rates in a year when rates are established on the basis of an IR regime. Include all assumptions and detailed calculations supporting the amounts included in the table, and justify any such assumptions.

(d) Please provide Union’s estimate of the present value of the foregone margin that will be borne by the ratepayers and shareholder respectively, based on the information provided in the table requested in the previous parts of this interrogatory. Include all assumptions, and justify any such assumptions.

Response:

(a) The annual revenue loss based on an interruptible price of 60% of the 2014 firm transport rate would be \$1.379 million in each of the 20 years for transportation and storage.

- (b) Union's rates will be set on the basis of its Board-approved Incentive Regulation Mechanism framework from 2014 to 2018. Union expects that its 2019 rates will be determined based on a 2019 cost of service proceeding. Union's ratemaking process beyond 2019 is unknown at this time.
- (c) Please refer to Union's response to GSPC IR #20, part (f).
- (d) Please refer to Union's response to GSPC IR #20, part (f).

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 26, Lines 1-3

“Further, any decision that results in an increase in physical bypass will need to be factored into Union’s rate-making framework. Specifically, gas distributors will need a means to recover margin losses associated with customers selecting physical bypass.”

Preamble:

Union asserts that it will need to increase its rates in order to recover its “losses” if GSPC selects physical bypass.

Questions:

(a) Please extend the table prepared for Interrogatory GSPC 21 above by identifying by each year of the 10- and 20- year T2 interruptible service options, any other revenues or costs that will be “factored into Union’s rate-making framework”. Include all assumptions and detailed calculations supporting the amounts identified, and justify any such assumptions.

(b) Assume the Application is granted and GSPC connects to Vector as of January 1, 2015. Referring to the most recent year for which Union has financial data as “Last Year” and to the first full fiscal year from and after January 1, 2015 as “Next Year”, please list, by reference to individual line items on financial statements and to each specific component of each such line item:

(i) each specific Union expense which would, as a direct result of GSPC’s connection to Vector, be higher Next Year than it was Last Year;

(ii) the estimated delta between Next Year’s expense and Last Year’s expense for each such item;

(iii) the direct causal effect between GSPC’s connection to Vector and such increased expense from Last Year to Next Year;

(iv) each specific Union revenue item which would, as a direct result of GSPC’s connection to Vector, be lower Next Year than it was Last Year;

(v) the estimated delta between Last Year’s revenue item and Next Year’s revenue item for each such item;

(vi) the direct causal effect between GSPC’s connection to Vector and such decrease in revenue from Last Year to Next Year.

Response:

- (a) The annual revenue loss based on an interruptible price of 60% of the 2014 firm transport rate would be \$1.379 million in each of the 20 years for transportation and storage.
- (b) A decision that permits the bypass of Union's distribution system will create a precedent that other existing and potential new customers may seek to follow. Union is under an Incentive Regulation Framework (IRM) through the end of 2018. The question is based on a 2015 time period. Bypass by others within the time period before rate rebasing in 2019 may come as a cost to Union's shareholder or may be a circumstance requiring an adjustment to rates through the IRM provisions. Such determination cannot be made until specific customers are known. Accordingly, Union is unable to quantify an answer for this question.

However, it is clear that any successful bypass that provides one user with a real or perceived advantage over others will result in existing customers or potential new customers seeking the same treatment. Any bypass would then result in the sharing of the cost consequences among the remaining customer base.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 26, Lines 10-12

“Impacts to Union’s system by Greenfield South receiving service directly from Vector Pipeline could occur at Dawn if Union was required to provide a firm Dawn to Dawn-Vector service. There is currently no capacity available for this service and Union would have to build new facilities.”

Preamble:

Union asserts that Union’s system could be impacted if Union was required to provide a firm Dawn to Dawn-Vector service.

Question:

Please provide a copy of any request that Union has received from GSPC for firm Dawn to Dawn-Vector service.

Response:

Union has received no request from GSPC regarding Dawn to Dawn-Vector service.

UNION GAS LIMITED

Answer to Interrogatory from
Greenfield South Power Corporation

Reference: Union Evidence, Page 26, Lines 14-16

“Given that Greenfield South’s interruptible demand would drive little to no system modification / reinforcement should they connect to the Sarnia Industrial Line, Union and its ratepayers would lose the opportunity to have a better utilization of an existing asset.”

Preamble:

Union asserts that Union and its ratepayers would be better served if GSPC were to procure interruptible service from Union.

Questions:

- (a) If GSPC were an interruptible Union customer, what impact might GSPC have on Union’s other interruptible customers?
- (b) If GSPC were an interruptible Union customer, is there any circumstance in which another interruptible Union customer might be interrupted, who might not have been interrupted if GSPC were not an interruptible Union customer?
- (c) If GSPC were a firm Union customer, is there any circumstance in which an interruptible Union customer might be interrupted, who might not have been interrupted if GSPC were not a Union firm customer?
- (d) If GSPC were an interruptible Union customer, is there any circumstance in which another interruptible Union customer might be interrupted to a greater extent with GSPC as a competing Union load than it would have been without GSPC as a competing Union load?

Response:

(a – d) There will be no impact to the quality of service. Customers who contract for firm service receive firm service. Customers who contract for interruptible service are subject to interruption up to their contractual limit.